MONNALISA

Annual Report 2018

Index

Our thanks go to:

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The Communication, Marketing, Commercial and Production offices of Monnalisa SpA, for their active contribution in research and in depth data analysis.

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Help us improve our Annual Report.
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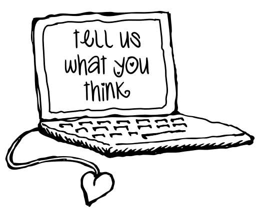


MONNALISA®

Annual Report 2018

Piero Iacomoni *Chairman of the Board of Directors*

2018 for Monnalisa ahead of all else was the year of the listing.
It marks a pathway to major growth and a challenging and very difficult process at times for the entire company - but also particularly for me as the founder of this outstanding enterprise. For the first time in the 51 years of the company's existence, I have - at my side and together with me - also investors. People who did not know me, who do not have regional or family links with me, but who simply believed in Monnalisa's history and growth project, deciding to support and sponsor it, experiencing it at first hand. I believe that behind their choice and outside of a close understanding of our sustainability, our objectives and our vision, there lies a reason which is much more dear to me: trust. Trust governs the relationship with all stakeholders, allowing us to face any challenge and is the most precious thing that a company can capitalise. All of our proud past, our beautiful present and the ambitious future which we are preparing to build has been made possible because we have worked with a sense of responsibility, fairness and transparency, generating trust. These are the values in which I believe and which lie behind the undertaking of our project.
To all our stakeholders, who every day believe in us and in whom we place our trust, I wish to extend my personal gratitude, as a business owner and as an individual.

Christian Simoni *CEO*

Change in Monnalisa is like an endless journey, where reaching a goal is only the ground for the next step. So, the instant you feel you achieved an ambitious result, which for us would represent excellence, the best result that could be achieved, you discover again the enthusiasm in discovering new possibilities, other places where your journey may lead you.
I went through our last ten years annual reports. There is not one that is not innovative when compared to the previous one.
2018 annual report is the result of an important leap forward, based on a comprehensive rethinking of the way we show the processes through which the company increases the value generated overtime for all its stakeholders.
Adopting the International <IR> Framework of the International Integrated Reporting Council, and integrating the economic, social, and environmental perspectives that permeate Monnalisa's both strategic and operational processes, the report shows the way the value is generated overtime, by organizing different and at the same time complementary forms of capital, not only financial and material (or manufacturing), but also intellectual, human, social or relational, and environmental.
Especially in the year of the IPO on the Italian Alternative Investment Market (AIM), keeping full awareness of the complex and unique way in which stocks and flows of those capital are combined in Monnalisa, without the prevarication of one form on the others, but rather in a continuously changing dynamic equilibrium, is fundamental to thoroughly understand the roots or the company success.
The value of the IPO itself can't be caught limiting the attention onto the flow of financial capital it enabled. The relationships network with new consultants, the introduction of new colleagues that was necessary for and was made possible by the IPO, the creation of a relationship with the new shareholders and the communication we are having with them, all this enabled to increase our stock capital, which is needed for the implementation of our challenging business plan, but also activated new sources of social capital, increased our intellectual and human capital
It is actually through the integrated activation of this various system of different kinds of capital that the company will keep generating value in the future, for the existing stakeholders as well as for the new ones, including the new shareholders, which I thank again for trusting us.
A special thank from the bottom of my heart to all of my colleagues, for the dedication, the commitment, the passion, the trust they put in supporting me every day along this journey.

HIGHLIGHTS 2018

Monnalisa

€ 51€mn
revenues
+7,1%

42
direct
Stores

60+
countries

EBITDA
adjusted
15%

750+
multibrand
Stores

9.2%
CAGR
20y Rev.
CAGR

67%
Export

300+
employees

Borsa Italiana
listed
on the AIM Italia
Market since July
2018

Methodological approach

Year 2018 (01/01/2018 – 31/12/2018)

Through its Annual Report, Monnalisa annually informs its stakeholders, both inside and outside of the company, of the added value it has created and what resources it has used to such value.
In 2018, the Group committed to undertaking a reporting process increasingly geared to "Integrated Thinking" and aimed at strengthening its social awareness and responsibility. It therefore decided to base its reporting on the Global Reporting Initiative Standards and the International <IR> Framework guidelines defined by the International Integrated Reporting Council (IIRC). Adhering to the principles of the Integrated Reporting means illustrating the processes by which an organization creates value over time. Therefore, it was deemed opportune to structure the report according to the different forms of capital the company possesses and leverages to create value:

- Financial capital: the set of economic resources employed in production processes.
- Manufacturing capital: buildings, infrastructures and physical means (e.g. equipment, machinery) used for the manufacturing of the products marketed by the company.
- Natural capital: all the environmental processes and resources contributing to the production of the services of the company.
- Human capital: the set of skills, abilities and expertise of the people working for the company.
- Intellectual capital: intangible resources in terms of the Group's body of organizational knowledge and intellectual property.
- Relational capital: the company's ability to create relationships with external stakeholders and share values in order to increase organizational and collective well-being.

Through the analysis of the different forms of capital that influence and are influenced by the company's activities, Monnalisa is committed to clearly communicating the existing and necessary integration of economic, social and environmental aspects in corporate decision-making processes and in the definition of the corporate strategy, governance and business model.

The first few chapters of the report describe the Business Model through which the various "capitals" are organized in order to create value over time. Data on the company's financial capital are consistent with its Statutory and Consolidated Financial Statements, and includes explanatory notes, the Cash Flow Statement and the Directors' Report. Data on manufacturing and relational capitals derive from Monnalisa's Management Control Systems. Finally, data on the company's natural capital was provided by its Environmental Team. Subsequently, a structured Materiality Analysis was performed to identify the topics most important, or material, for Monnalisa and its stakeholders. The Materiality Analysis saw the involvement, internally, of the company's top management and first lines, and the contribution, externally, of mono-brand stores and an in-depth benchmarking of a representative sample of sector players.

Regarding the breadth and depth of the reporting, for which reporting standards provide two different options, core or comprehensive, Monnalisa undertook the process of continuous improvement, according to a comprehensive version of the GRI Standards.

The reporting scope includes the parent company Monnalisa S.p.A, and its subsidiaries: Monnalisa Hong Kong LTD, ML Retail USA INC, Monnalisa China LTD, Monnalisa Brasil LTDA, Monnalisa Rus LLC, Monnalisa Korea LTD, and Monnalisa Bebek Giyim San ve Tic A.S. (Turkey). All of the subsidiaries have been directly involved in the materiality analysis. The reported social and environmental data refer only to the parent company. Regarding the subsidiaries, only certain social data is shown in dedicated boxes. The Group is committed to reporting the environmental data of its subsidiaries in the next reporting cycle.

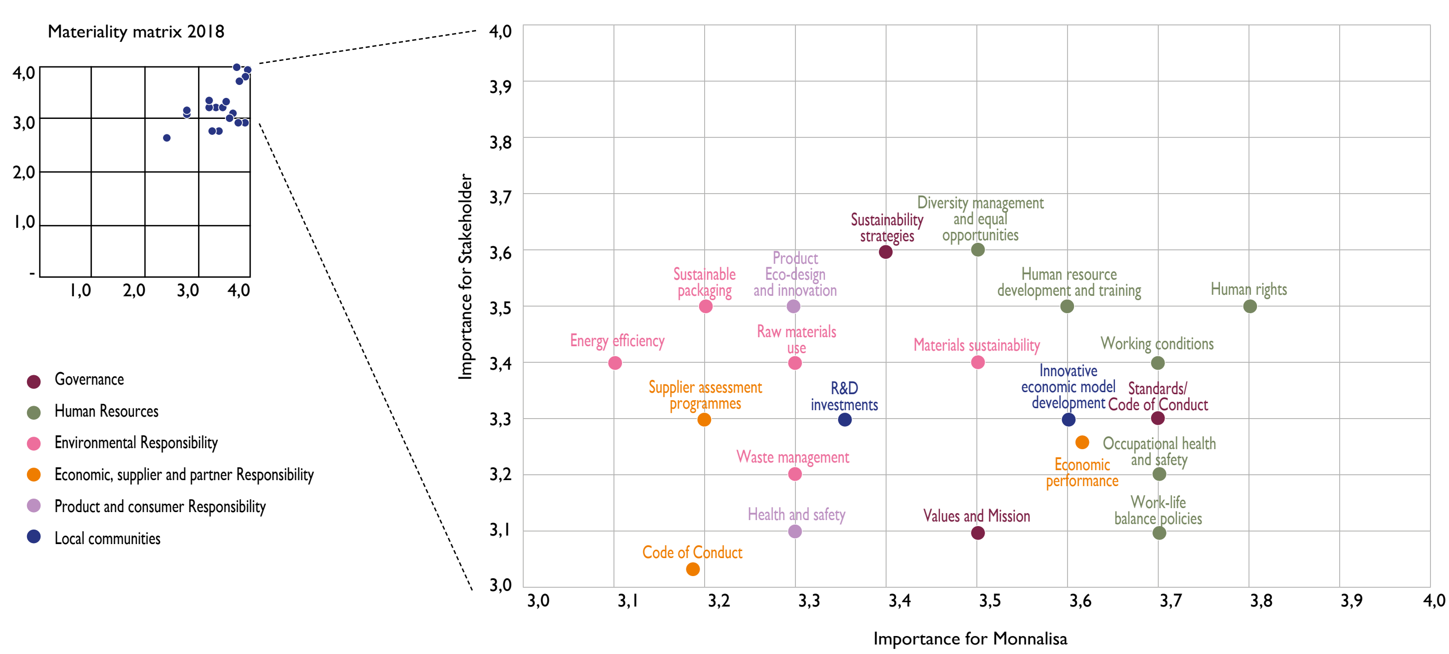
Materiality analysis

As part of the integrated reporting process, Monnalisa carried out a materiality analysis to identify and prioritize topics considered significant for its business and stakeholders. These topics are defined as "material" as they reflect the company's economic, social and environmental impacts and influence on the decisions of internal and external stakeholders.
In particular, the Materiality Determination Process was based on the following steps:
- Internal survey addressed to the company's top management and first lines.
- External questionnaire addressed to mono-brand stores.
- In-depth benchmarking of a representative sample of sector players.

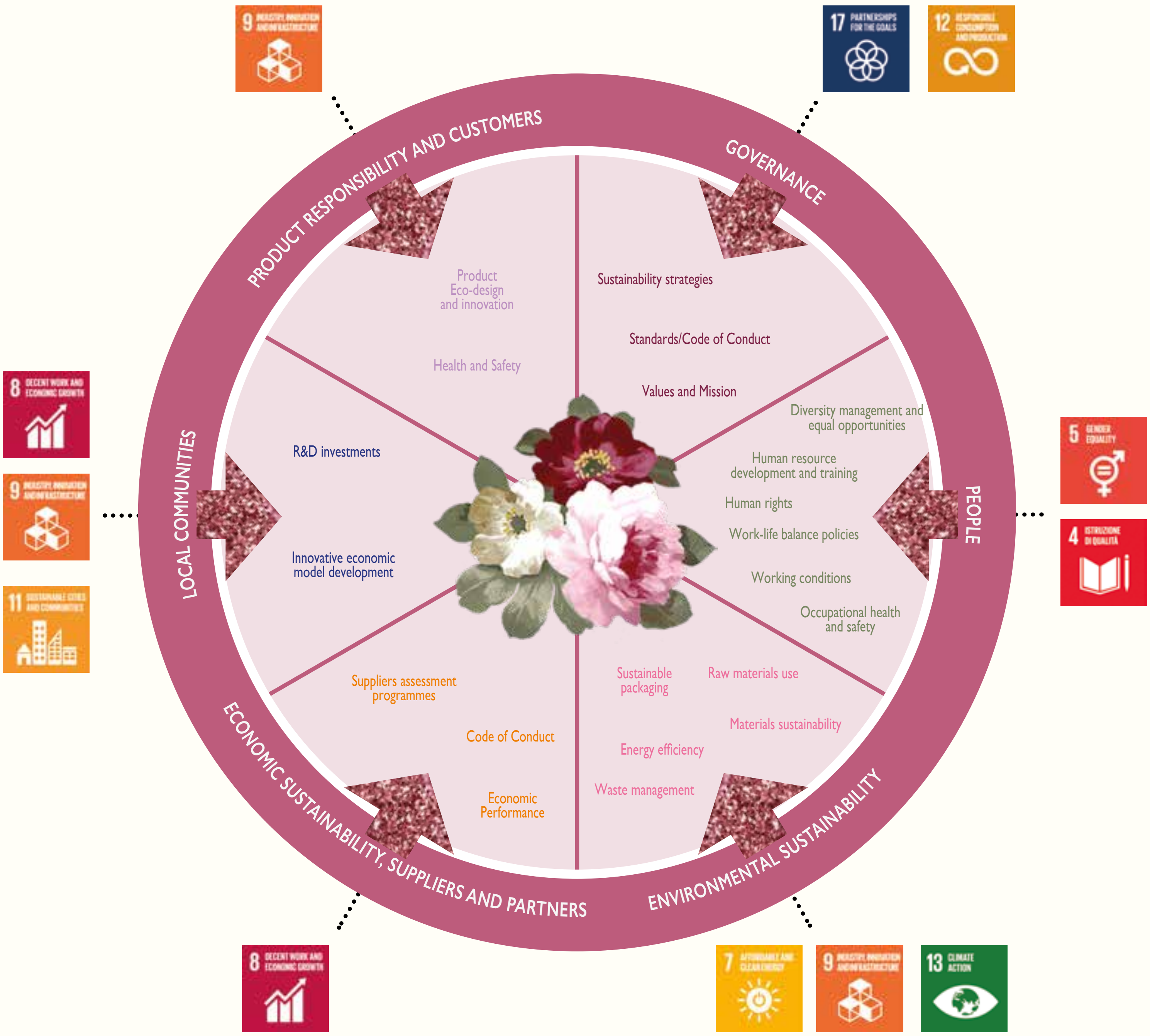
These activities identified 21 macro topics relating to 6 macro-areas as listed below:

Governance	Sustainability strategies Values and Mission Standards/Codes of Conduct
Social Responsibility	Occupational health and safety Diversity management and equal opportunities Development and training of human resources Human rights Working conditions Work-life balance policies
Environmental Responsibility	Sustainable packaging Use of raw materials Energy efficiency Materials sustainability Waste management
Economic Responsibility	Economic performance Suppliers assessment programmes Suppliers Code of Conduct
Product Responsibility	Product eco-design and innovation Health and safety
Community	Innovative economic model development R&D investments

The materiality matrix that follows is a summary representation of the results emerging from the analysis, indicating material topics with points on the Cartesian plane positioned according to their importance to Monnalisa, on the x-axis, and to stakeholders, on the y-axis. For simplification and usability, the matrix only shows the topics that exceeded the so-called materiality threshold, i.e. those that obtained an average score greater than 3 on a scale from 0, for negligible, to 4, for very important. The matrix shows that many of the topics considered most important for both Monnalisa and its stakeholders are included in the macro-areas of Governance, Product Responsibility and Social Responsibility.



What emerges from the analysis is that the most significant topics for Monnalisa are consistent with the approach that the company has initiated and continues to pursue, in line, moreover, with the identified priorities for achieving its Sustainable Development Goals (SDG's). In particular, the "re-thinking" that Monnalisa is carrying out involves and impacts all related aspects of its business, including governance, people, products, services, tools, communications, image, economic sustainability and commercial approach. In this context, the Sustainable Development Goals guide and support the determination of the company's strategic priorities, on which to focus policies, objectives and actions for creating value. Considering the nature of its business, Monnalisa has identified, in particular, a certain set of SDGs in which to invest as a priority, as illustrated below.



Governance is understood, not only internally, but also externally, as the need for an ever-greater commitment to engaging and listening to stakeholders. Regarding people, Monnalisa considers its personnel a key asset in implementing its strategy, and has thus developed and introduced a variety of initiatives and procedures to guarantee equal opportunities, the prevention of all forms of discrimination, respectful, fair and flexible working conditions, work-life balance, the well-being of individuals and families, and opportunities for personal growth development, career development, training and education.
In light of the Monnalisa's Vision and Mission, the company is intensely focused on social, environmental and corporate governance topics, which are thus expressed in the very definition of its products and services.

Monnalisa profile and operations

Group activities

Established in Arezzo in 1968 by Piero Iacomoni, the current Chairman of the Board, Monnalisa is the operational holding company of the Monnalisa Group.
A luxury sector player through the "Monnalisa" brand, the Group is an international leader in the design, manufacture and distribution of high-end clothing and accessories for children.
The Group combines its Italian identity with high-quality and craftsmanship, creativity and the ability to renew itself and remain current.

Piero Iacomoni
founds Monnalisa
in Arezzo
1968

Barbara Bertocci
joins Monnalisa
First time at the *International Fashion Event* "Pitti Bimbo"
1975

Starting of the
internationalization
process
(Paris, NY, London)
1988

Chic
MONNALISA
Diletta Iacomoni
joins Monnalisa
First showroom in Arezzo
1990-92

Corporate
Responsibility
Statement
2001

Florence
Boutique
2003

Launch of footwear
First Award for
Best Annual Report
2005

Monnalisa has always strived to constantly improve its proprietary brands - as opposed to the acquisition of licenses from third parties - so as to guarantee total strategic autonomy and a considered concentration of investments, operating through innovative and cutting-edge synergies and the in-housing of all collection design and development, prototyping and model creation.
These are the Monnalisa Group's winning features and drive its success.
Consistent focus on product originality, quality and innovation, as well as the latest emerging trends, have made the Monnalisa Group a go-to brand in the children's fashion sector. Over the years, the Group has adopted a clear and consistent international expansion strategy which broadens and strengthens its brand identity, its market positioning, its direct control of the distribution channels and the innovation that has always set it apart.

The success of the Group has its roots in the history and heritage of great craftsmanship and the contemporary nature of its design: a high-value strategy founded on the combination of innovation and craftsmanship. Monnalisa's winning product features are:

- *High quality as the fruit of skills and knowledge refined over time and a constant pursuit of the highest levels of excellence through the careful selection of materials.*
- *The tailoring of creations so to ensure their wearability.*
- *The contemporary feel of collections as the perfect balance between innovation, identity and taste.*

Milan Boutique
2006

Lafayette, Harrods (London), Endless Story (Moscow), Sidney, New York...
2008

hitch-hiker
Launch of male fashion brand
2011

MONNALISA Couture
Christian Simoni appointed as CEO
2013

ELITE
Elite Certification by Borsa Italiana
2015

14 new DOSs
Cosmetic products
Furniture line
2017

Borsa Italiana
12 July Listed on AIM market
2018

The Group proposes a wide range of products for various uses, from leisure right through to formal occasions.

The originality of Monnalisa's offering lies predominantly in its strong product identity.

MONNALISA

Main Monnalisa line for children aged 0 to 16. The core line is marked by creativity and constant innovation, and is full of character, imaginative content and great attention to detail. The offering is varied and complete, with distinct proposals for the differing age segments, from the cute sets of the Layette newborn line, and the gleeful proposals for children from 3 to 36 months, right up to ironic and trendy looks for teenagers, and refined vintage designs for boys.

Chic MONNALISA

The line dedicated to clothing for special occasions revisits tradition to offer refined garments with a fresh and contemporary styling and taste. The Chic line features joyful prints, or soft, solid colours, refined and natural fabrics for exciting, surprising and formal outfits that interpret the very latest trends, all accompanied by a wide and refined range of accessories, including bags, shoes and hair adornments.

MONNALISA *Couture*

A line designed to dress girls for the most exclusive of occasions, a few highly refined, top-of-the-range garments that show off the very best of Italian tailoring. The Couture line is marked by garments with refined fabrics, sophisticated applications and jewel-like details, completed by elegant accessories, with bright settings, colourful brooches and flashes of flowers.

Style, Design and Product development

- Market Analysis
- Collection planning
- Design
- Prototyping

Collection presentation/ Sales campaign

- Presentation at Pitti Bimbo
- Distribution strategy definition
- Collection initial feedback

Purchase raw materials and finished products

- Fabric and accessories research
- Suppliers selection
- Production planning
- Purchase RM and fiished products

Marketing and Communication

Conception and management of events and fashion shows

The business model

The Monnalisa Group 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 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 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.
The Group organisational model may broken into the following phases:

- style, design and product development;
- presentation of the collection and sales campaign;
- production planning, raw material and finished product purchasing strategies;
- production and logistics;
- marketing and communication;
- distribution.

Style

The production process depends on creativity. The challenge is entrusted to a team of around 30 people, led by Creative Director Barbara Bertocci and Fashion Coordinator Diletta Iacomoni. Every season without fail, this happy combination of creativity and flair delivers a complete, innovative collection, full of experimentation in terms of design and materials, new proposals and fashion content. The sharing of ideas and inspirations from travel, reading, art and culture is the foundation of every creative activity, which then evolves through a complete design process, made up of constant research and the critical review of each and every proposal.

Production

Monnalisa works on seasonal schedule, with production divided into two collections per year. Based on sales campaign forecasts, the company anticipates purchases, and then proceeds with production scheduling according to effective sales. In order to always satisfy customer demand, Monnalisa has adopted an extremely flexible production strategy that allows it to maintain control over the most critical points in the organization. All production phases involving the conversion of raw materials into finished products are outsourced to small independent workshops, mainly located in central Italy.
The quality control of fabrics, storage of materials and cutting of fabrics are handled by the production unit located in Badia al Pino, which uses cutting-edge technology to guarantee the superior quality of key processing in subsequent phases.
Together with accessories and processing instructions, the cuts then arrive at the tailoring, embroidery, printing and dyeing workshop for subsequent transformation stages. Finally, the finished products return to Monnalisa where they are tracked and stored for customers.

Production and logistics

- RM control
- Fabric cutting
- Distribution RM to laboratories
- Sewing, embroidery, printing, ironing and packaging
- Quality control

Distribution

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

Social Network activities

Partecipation at fashion events

The circular flow of the entire production process is piloted and monitored by internal production units, which guarantee necessary supplies and a successful final outcome.
Though conceptualization and planning phases are directly supervised by Monnalisa, with the same organizational set-up, finished product procurement activities are managed from both Italy and abroad. In the production process, however, the materials purchase phase depends on the finished product supplier, as does the timing of project phases, which are stringently subject to supplier production and delivery deadlines.

Distribution

Monnalisa products are distributed through four channels:
- Wholesale: independent multi-brand stores
- Wholesale Retail: mono-brand partnerships
- Corporate Retail: direct mono-brand stores
- e-business retail: direct end-consumer on line sales channel.

Overall, retail accounts for 25% of turnover through 42 mono-brand stores, as of 31/12/18, in addition to the online store and shop-in-shops in the very best department stores in the world.
A concept store has also been developed in line with corporate identity, providing for the continuous training of sales staff and systems for the collection and analysis of data, allowing the company to more thoroughly and quickly understand the dynamics of demand in order to orient company strategies to a more fitting offering.
The strengths of Monnalisa's distribution are its extensiveness and exclusivity, which distinguish, in particular, the wholesale channel. As of 31/12/18, Monnalisa had approximately 750 retail customers, accounting for 67% of foreign turnover.

Human resources

People represent the most important asset for the Monnalisa of today, and for the development of the Monnalisa of tomorrow. The Human Resources department works with General Management to develop the potential of personnel through training and internal policies focused on people's needs in synergy with the needs of the company.
Personnel are selected through continuous collaborations with universities and specialist educational institutions, with an openness to new figures, outside of traditional search processes, for purpose of creating networks of relations and opportunities for the exchange of ideas.

Monnalisa's strong roots in its local community yet international outlook assure it stable foundations and continued growth as a company that is stimulating for all professional profiles and that offers opportunities for horizontal growth and continuous development of knowledge and skills. Furthermore, when necessary operational changes involve significant organizational changes, including workforce transfers, staff and union representatives are given sufficient notice, as per law.
termini di legge- alle persone coinvolte e, se previsto, alle rappresentanze sindacali.

Communication

The construction of a brand and product identity demands an effective and coherent communication strategy, which is then applied and moulded to all communications channels.
In-store events, fashion shows and top media ads, both sector and non-sector specific, represent an important investment for the company, which sees an immediate return in the number and prestige of unpaid editorials regularly featuring in the press, on the web and on television.
Monnalisa's leadership draws from an ability to make choices according to a strong and shared value system. Leadership is based on - before everything else - identity.

Monnalisa invests in its identity by:
- Undertaking operations which match its mission and values;
- guaranteeing a transparent governance system
- Making production-related processes ever more efficient and effective with the goal of constantly improving on results.
- Making sustainability a central and key element that informs all choices.

MISSION, VISION AND VALUES

The mission of Monnalisa is to create value and values over time so as to deliver the following vision:

- To excel in innovation, creativity and practicality in order to conquer new markets
- To develop managerial skills throughout the company in order to successfully face the challenges of this small to medium-sized family business
- To expand worldwide, both productively and commercially, while upholding the company's values and identity, and encouraging a culture of social responsibility

A Community founded on Creativity, Commitment and Care

Creativity & Innovation

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

Commitment & Transparency

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

Care & Loyalty

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

Governance and organisation

On January 19, 2018, in order to reorganise Monnalisa's ownership and also ahead of the admission to trading of company shares on the AIM Italia, a partial proportional spin-off of Jafin S.p.A. was undertaken in favour of a newly incorporated company called Jafin Due S.p.A.. Through this spin-off, Jafin Due was assigned the entire holding of Jafin S.p.A. in Monnalisa, equating to 49% of the latter's share capital. Subsequently, on January 29, 2018, Jafin Due was also conferred the remaining 51% of the share capital of the Issuer by the shareholders Piero Iacomoni, Barbara Bertocci, Dimitri Iacomoni, Diletta Iacomoni, Matteo Tugliani and Simonetta Torresi.

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

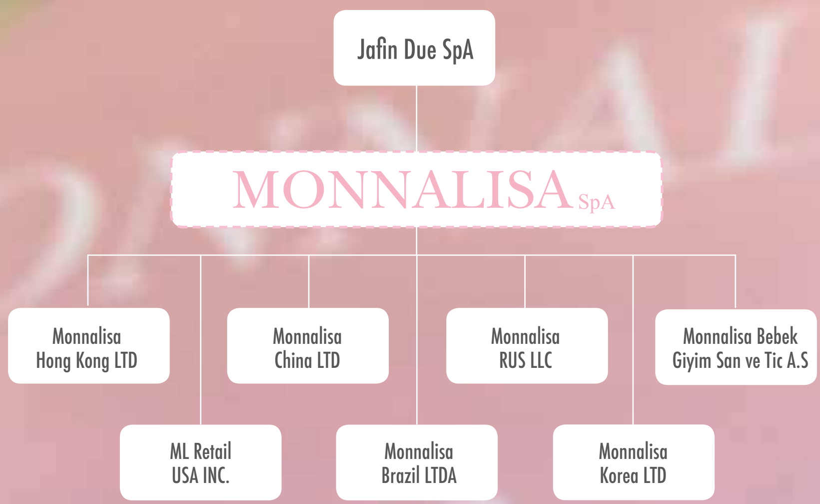
The placement price of the ordinary shares was set at Euro 13.75, resulting in a market capitalization for the Company at the date of commencement of trading of Euro 72 million and a free float of approximately 25% of share capital, assuming the full exercise of the greenshoe option for an additional 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 favoring 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 40 Italian and international institutional investors.
The purpose of the IPO was to contribute to further accelerating the Group's growth process and international presence, with particular regard to the retail channel and e-commerce.

12 JULY 2018

AIM

AIM Italia/Alternative Capital Market is a Multilateral Trading Facility (MTF) dedicated to high-growth potential Italian small and medium-sized enterprises, regulated and governed by Borsa Italiana. AIM Italia was launched in Italy in 2009 and has developed on the basis of the experience and know-how obtained over the 15 years history of the AIM UK on the London Stock exchange. The market is non-regulated and is therefore not subject to specific regulatory control regarding the organisation and functioning of the market. The absence of regulation concerns the fact that the functioning of this market, the securities and the admitted operators are not subject to specific governance and authorisation by the Market Oversight Authority and are not enrolled in the relative register. Therefore, no Consob investigative activity is carried out during the admission phase.

At 31/12/18, the Monnalisa Group comprises the company Monnalisa SPA, the parent company, and the subsidiaries Monnalisa Hong Kong Ltd, Monnalisa Rus Llc, Monnalisa China Ltd, ML Retail Usa, Inc., Monnalisa Corea Ltd, Monnalisa Brazil Participasoes, Ltda and Monnalisa Bebek Giyim San ve Tic A.S. (Turkey).



In the initial months of 2019, two new subsidiaries in Great Britain and Taiwan joined the Group.

Governance

Monnalisa is governed by a Board of Directors (BoD) elected by the Shareholders' Meeting. The adoption of new by-laws, functional to the listing process, was approved by the shareholders' meeting on 15/06/18. The board of directors was also appointed on that date, to serve a term of office of three years, until the approval of the financial statements at and for the year ending December 31, 2020. The members of the new board of directors are as follows: Piero Iacomoni (Chairman), Christian Simoni (Chief Executive Officer), Matteo Tugliani and Pierangelo Arcangioli, without executive powers, and Simone Pratesi, independent director.

BOARD OF DIRECTORS*	PRESIDENT	Piero Iacomoni
	CHIEF EXECUTIVE OFFICER (CEO)	Christian Simoni
	DIRECTOR	Pierangelo Arcangioli
	DIRECTOR	Matteo Tugliani
	INDEPENDENT DIRECTOR	Simone Pratesi
BOARD OF STATUTORY AUDITORS*	CHAIRPERSON	Micaela Badiali
	STATUTORY AUDITORS	Susanna Sgrevi
	STATUTORY AUDITORS	Gabriele Nardi
SUPERVISORY BODY	Fabrizio Rossi	
INDEPENDENT AUDIT FIRM	E.Y. S.p.A.	

* In office for the years 2018-20

The Board of Directors was appointed by the Shareholders' Meeting according to the expertise, experience and reliability criteria.
The opening of the board to outside technical professionals, not belonging to the owning family, is in line with the policy to improve the company's management.
The Board of Directors is the ultimate governance body: its main duty is to set the strategies and general operating and development policies at Monnalisa and the means for their implementation. In terms of sustainability, its duties include:

- approving the business plan and the budget and verifying their achievement. The business plan also includes sustainability issues,
- monitoring the third-party audits of the environmental and social responsibility certifications, the performance of the operating systems and
- formally approving Monnalisa's sustainability report, ensuring that all material aspects have been covered.

Within the governance system, the Board of Statutory Auditors has the duty to oversee correct administration, particularly concerning the adequacy of the organisational, administrative and accounting structure adopted by the directors and their correct functioning.
The legal audit is awarded to the company EY Spa, with operating control undertaken by the Board of Statutory Auditors. The appointment was renewed for the 2018-2023 three-year period both for the statutory and consolidated financial statements.

Chief Executive Officer
The Chief Executive Officer reports to the Board of Directors. The introduction of this role reflects the further development of the company's governance which, from a sole director has advanced to a collective body (between 2010 and 2011), to then introduce, alongside this latter, a general manager and thereafter a special attorney and now the chief executive officer. These were generally considered to be major changes and even more so within a first-generation family business, whose founders are still closely involved in company operations.

Sustainability in governance
In order to ensure the full operating integration of the sustainability topics at the top levels of the company, who report to the Chief Executive Officer, the CSR (Corporate Social Responsibility) manager and the special projects and environmental manager are in place.
The CSR manager is involved in preparing the company's business plan to the extent of his/her scope. The SA8000 contact person collaborates with this role and each function manager oversees in differing ways, according to the context, also the sustainability aspects. For example, the raw material purchasing manager oversees communication and compliance with the suppliers' conduct code. The purchasing and product office staff, in view of the inspections of suppliers, verify also the sustainability topics, having been trained for this purpose. For the main market and the potentially most crucial markets, such as China, the local manager is Lead Auditor SA8000 in order to undertake scouting focused on Chinese suppliers.

Assessment means and processes
The Board of Directors and the Chief Executive Officer have a three-year mandate, on the conclusion of which they are assessed by the Shareholders' Meeting in terms of their actions and who may propose their renewal or the appointment of others to the role. The operational assessment is carried out periodically on preparing and approving the financial statements.
In particular, the Chief Executive Officer assessment on the closing of the financial statements is carried out by the Chairman of the Board of Directors.

Roles and responsibilities of the various decision-making bodies	
Shareholders' Meeting	Appoint and dismiss directors and statutory auditors; approve the annual financial statements; set the remuneration of directors and statutory auditors; approve any responsibility actions to be taken; fulfil all other obligations required by law or the By-Laws; fulfil all specific corporate acts.
BoD	Fulfil legal obligations; prepare the annual and interim financial statement proposals; set the powers of the chairperson, the chief executive officer and the general manager; appoint the chief executive officer and the general manager, the non-family member simple majority managers; assess the annual performance of family members working at the company, identifying specific career paths; approve the strategies, plans, budgets and results within the scope of the company mission; approve non-budget investments; approve special projects.
Chief Executive Officer	Represent the company; establish the means to implement the general operating and development strategies and policies of the company set by the BoD; monitor the activities of the executive directors; establish the means to implement the commercial, marketing and communication policies and the means to implement the personnel strategies and policies set by the BoD; define all agreements, commitments and all contracts concerning all business matters, included in or however related to the corporate scope.

Investor Relator

In accordance with market practice and in order to better manage relations, AIM market listed companies are advised to appoint an Investor Relator (even from outside the company). This role manages relations with investors and intermediaries. The investor relator serves the need for the company to ensure complete and transparent outside communication. In particular, the investor relator ensures the correct positioning and attractiveness of financial instruments on the market, developing a liquid and stable market for the share and guaranteeing the company the easy subsequent placement of share capital increases and promoting a solid and varied shareholder base.

Sara Tommasiello is the Investor Relator at Monnalisa. Any communications may be sent to the dedicated address investorelations@monnalisa.eu.

The internal control system

Monnalisa over time has adopted many instruments to support the company in ensuring effective, efficient and transparent management, in compliance with applicable regulations and guaranteeing compliance also with specific voluntary rules.

System	Quality (customer satisfaction)	Workplace safety	Data security	Environmental protection	Social responsibility	Financial disclosure	Administrative responsibility
Binding Section		Legislative Decree 81/2008 consolidated act on workplace safety	European Regulation 2016/679, Privacy and data protection	Legislative Decree 152/2006 consolidated environmental act	Law 300/1970 Workers' Statute + labour regulation	AIM Regulation Financial disclosure	Legislative Decree 231/2001 Administrative criminal liability of legal persons
Voluntary section	ISO 9001 ,SGQ, Quality management system	SA 8000		ISO 14001 SGA Operating system FSC Environmental	SA 8000, SGSR, management system for social responsibility ISEGA	Adoption of specific procedures published on the company website (IR section)	Adoption Ethics Code & 231 Model (available on the website monnalisa.eu)
Contact person	Compliance & special projects contact person	RSPP ASPP	Data Protection Officer (DPO)	Compliance & special projects Contact Person	Compliance & special projects Contact Person	Investor Relator	Supervisory Board (SB)

Organisation, management and control model pursuant to Legislative Decree 231/01

The model seeks to prevent the arising of administrative liability for the company with regards particularly to offenses which may be committed by top management or persons under the direction or supervision of top managers, in exercising their functions and in the interest or to the benefit of the company.
Monnalisa has introduced a structured process for the mapping and analysis of risks for 231/01 purposes since 2016, with an initial verification by the Board of Statutory Auditors on the situation at the company with regards to these issues, supported by a questionnaire assessing the principal risks and quality management. In the initial months of 2017, the company undertook - together with a consultancy firm - the mapping of risks through interviews with the various function managers. An action plan was therefore drawn up, including the relative activities and priorities, in order to acquire full compliance with that set out under the rules. In December 2017, the Board of Directors approved the organisational model as per Legislative Decree 231/2001 and appointed the relative Supervisory Board, which will remain in office for the entirety of the Board of Directors' mandate.
On the resignation of the BoD and the appointment of a new Board of Directors in June 2018, the Supervisory Board was reappointed as a single member body in the person of Fabrizio Rossi, whose professional profile meets the characteristics required by the 231 Model for the role's fulfilment. The body has the duty to oversee on an ongoing basis compliance with the 231 organisational model and the ethics code by all addressees and implementation of the provisions contained therein, verification of the efficacy of the model in preventing the committal of offenses and the updating of the model where deemed necessary in view of changes to the company structure or the regulatory framework.
Following Monnalisa's admission to listing on Borsa Italiana's AIM market the general preventive measures regarding the "market abuse" offenses set out in Confindustria's Guidelines were extended.

Ethics Code

In addition to functioning as a preventive control system, the Code of Conduct was approved, in compliance with Italian Legislative Decree No. 231 of 2001, in order to set out the set of rights, duties and responsibilities that Monnalisa has assumed in relation to its stakeholders, including all employees, suppliers, customers, the Public Sector, shareholders and the financial markets etc.
The Code recommends, promotes and prohibits certain conduct, outside and independently of that covered regulatorily, and may stipulate penalties proportionate to the gravity of any infractions committed. The Code is integrated with the policies already adopted by the company in relation to social responsibility, the environment and quality.
The values Monnalisa identifies with and pursues include:

- Respect: for skills and expertise, diversity, and the balance between work and home life.
- Dialogue and participation: a stimulating work environment, a strong bond with the local area and community, growth together with all related industries.
- Equity: recognition of the investment each and everyone makes in their relationship with Monnalisa, transparency in decisions.
- Responsibility: customer satisfaction, the effective and efficient use of resources and the transparent reporting of policies and strategies.

With such values in mind, the Code gathers together the ethical rules governing the company and all of its employees, directors, auditors and collaborators, who, through their roles, operate within or represent the company, specifically in relation with its stakeholders.
The Directors and General Management of the company are committed to the responsible management of the company in pursuit of goals to create value.
The Statutory Auditors and Internal Bodies of the company are committed to the exact fulfilment of the roles formally entrusted to them.

Furthermore, such figures are obliged to avoid conflicts of interest in their roles, appointments and positions inside and outside of the company, and to give notice, as per law, of any potential conflict of interest that they may have, on their own behalf or on behalf of third parties, in relation to certain company transactions.

All stakeholders may indicate in writing any violation or suspected violation of the Ethics Code to the Supervisory Board by using the dedicated e-mail address: organismodivigilanza@monnalisa.eu or by ordinary mail for the attention of the Supervisory Board, Via Madame Curie 7, Arezzo.
In 2018, no such reports were received by the Supervisory Board via the dedicated e-mail address, nor by any other means of communication. In February 2019, the Supervisory Board received from all interested parties a signed self-certification declaring that, in the performance of the roles attributed to them in the course of 2018, they were not in any way involved in or aware of any conduct or acts contrary to the provisions of the company's Organizational and Management Model or of its Code of Conduct.
Again in 2018, various informative and training sessions were held on the Organizational and Management Model, on its general and special provisions, and on the Code of Conduct, with a 116 people participating in a total of 241 training hours.

Adjustment to the GDPR
European General Data Protection Regulation 2016/679 ("GDPR"), which defines a common regulatory framework for the protection, processing and free movement of personal data in all EU Member States, is in force from May 25, 2018. With the assistance of external consultants, Monnalisa has adequately adapted its internal policies, implementing a personal data organizational and management model capable of protecting data subjects and guaranteeing the proper application of personal data protection legislation.
In 2018, the normative and documentary part of the project was implemented and updated, the cases in which it is necessary to acquire consent from data subjects were identified, related forms were revised, and internal training sessions on privacy issues were given, totalling 54 hours and addressed to 19 participants.
The Supervisory Board has introduced a six-monthly reporting schedule from the company's Data Protection Officer (DPO) in order to stay informed on the activities to protect the rights of individuals regarding the processing of personal data by the company, as per EU Regulation 2016/679. In particular, the reports concern regulatory updates, specific activities performed, any aspects for improvement and any criticalities in complying with the company's privacy obligations.

Quality, Environment and Social Responsibility Policy
Monnalisa has long implemented specific policies across the company aimed at regulating issues of quality, the environment and sustainability. Such implementation is partly carried out via certified management systems, as per internationally recognized voluntary standards such as ISO 14001 for the environment, ISO 9001 for quality, and SA8000 for social responsibility.
Regarding its environmental policy, Monnalisa undertakes to define and implement strategies and action plans for the optimization of business processes that consider the matrix of environmental issues and the safeguarding of natural and energy resources.
Regarding its quality and sustainability policies, Monnalisa is committed to maintaining and improving the quality standards of its manufactured and marketed products, and to guaranteeing that, for stakeholders, the company is a reliable, incisive and dynamic partner.
Therefore, Monnalisa commits to:
- Establish long-term trusting relationships with its consumers;
- Consolidating, over the long term, a strong partnership with both its customers and its suppliers, contractors, service cooperatives and agents.
- Protecting the investment in the company by its shareholders and its relationships with banks and credit institutions, while guaranteeing the maximum transparency of information.
- Motivating its employees, through targeted training programmes and a proactive approach to promote engagement in company performance, as well as guaranteeing workplace safety, the total absence of any discrimination in terms of gender, race or political, sexual or religious orientation, and the prevention of child labour.

Overall, Monnalisa is annually subjected to at least five audits. These are carried out by accredited bodies in relation to the standards ISO 9001 and SA8000, to certification of the sustainability section of the Annual Report and since 2015 to environmental management through the newly acquired ISO 14001 certification, and (since 2016) to the certification of the financial, and now, consolidated statements.
In addition to these voluntary audits, periodic audits are also performed at the company by third parties, such as the suppliers of paid royalty images. Regular control over its processes allows the company to maintain a high level of attention and performance across all areas.
Similarly, Monnalisa performs audits on its suppliers of materials, processing and finished products, either directly through qualified personnel, or by commissioning third parties. Such action greatly limits and facilitates effective management of the risk of any loss of reputation in relation to customers and final consumers.

SA8000 operating system
Certified to SA8000 since 2001, in 2018, Monnalisa was subjected to an audit by the certifying body, a management review and an internal audit.

No. of major RACs* identified by the certifying body	0
No. of minor RACs identified by the certifying body	0
No. of suggestions or improvement opportunities identified by the certifying body	0
No. of RACs and RAPs** issued by Monnalisa	50
Percentage of RACs/RAPs resolved over those issued	74%
No. of goals in the 2018 improvement plan	30
Percentage of goals achieved over total 2018 goals	53% (9 goals are still works in progress)

**RAC = Request for Corrective Action, issued when a non-conformity with the certification standard is detected, in order to identify and eliminate the causes*
***RAP = Request for Preventive Action, an improvement action aimed at eliminating the causes of possible future non-conformities*

Monnalisa annually draws up an improvement plan containing a series of initiatives aimed at continuously reviewing and implementing its social responsibility policy.
The initiatives, shared via the Social Performance Team (SPT), are built on reports and proposals from stakeholders, in particular personnel, and from the company's response to requests for corrective or preventive actions under its commitment to continuously improving the sustainability system.

Social Performance Team
On the issue of the new edition of standard SA8000 in 2014, Monnalisa approved a management policy establishing a Social Performance Team (SPT) as a reformulation of the previous Ethics Committee and consisting of a balanced representation of workers' representatives and management. All members of the SPT have been trained in detail on the new issues introduced in the new edition of the standard. One of the tasks of the SPT is to report all criticalities and reports and complaints received from stakeholders relating to social and environmental responsibility to the Board of Directors and CEO.

name	age	office
Piero Iacomoni	75	ChairpersonAmministratore
Christian Simoni	48	Chief Executive Officer
Chiara Menicatti	50	SA8000 Manager
Sara Tommasiello	48	CSR&HR Manager, CFO
Eleonora Belliconi	38	Workers' representative
Marco Carleschi	49	Workers' representative

The workers' representatives are responsible for informing the SPT on all related reports, complaints and requests for clarification regarding the issues in question.
In order to ensure greater transparency, Monnalisa has made available to all stakeholders specific channels for making complaints and suggestions and for contacting the Board of Directors, CEO or SPT on such matters. The reports are confidential and can be made by telephone, post and e-mail to the following contacts:

Reception: 0575/98501
etica@monnalisa.eu
risorseumane@monnalisa.eu
sa8000@sgs.com (fax: 051/6389926)

Saas, 220 East 23rd Street, Suite 605, New York 10010, USA (email.saas@saasaccreditation.org fax +212-684-1515).

Monnalisa's value creation model

Monnalisa's Business Model aims to create sustainable and shared value over time for the company and its stakeholders. As already mentioned, the company has an extremely flexible production strategy. After the internal quality control of materials and the cutting of fabrics, representing the most important phases in guaranteeing the quality of finished products, all raw material transformation phases are outsourced to small independent workshops, with effective control maintained over each critical point in the cycle. For each collection, forecasts made on the outcome of the sales campaign allow the company to plan purchases and production in advance in support of the sustainable management of the various Business Units of the Group.

Six key factors underlie the business model (Financial, Manufacturing, Natural, Human, Intellectual, Relations). The organisation depends on this to guarantee the originality of its products. Understanding that only by maintaining these factors can sustainable growth and a solid long-term presence take place, Monnalisa has set up a system of values which fit in with a strategy which integrates into the business the sustainability objectives, starting also a process which assesses and deepens the company's contribution to achieving the sustainable development goals set out by the leaders of the governments of the 193 member countries of the United Nations.

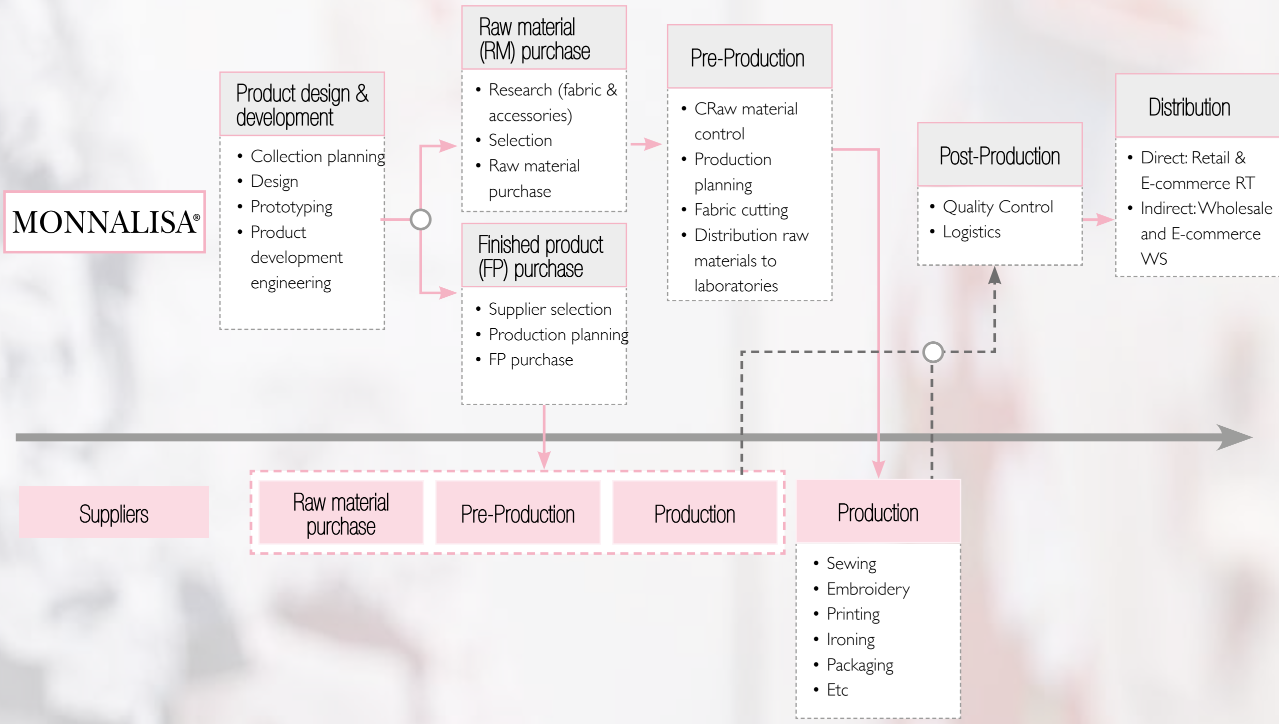
In line with the development of its Business Model, Monnalisa implements an integrated value creation approach, not limiting itself to the disclosure of the most significant financial data or an analysis of its social and environmental impacts, but developing a tight cohesion between the company mission and the model. To this end, a stakeholder value process has been introduced (see section 5.1), to identify the main stakeholders, the responsibilities of Monnalisa towards them, and, more generally, the impacts of the company's activities.
In particular, Monnalisa's commitment to developing an innovative and distinctive offering has led to the advancement of an integrated shared value creation model based on enhancing:

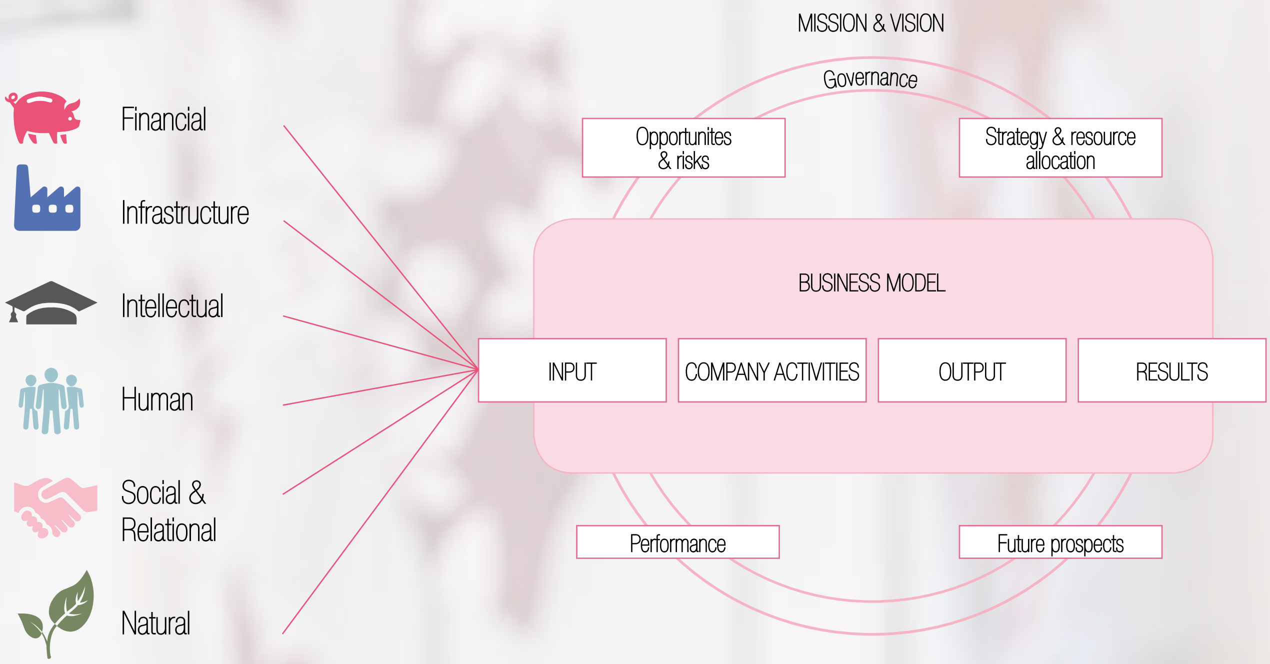
- Human capital, to enable people to constantly develop their skills and knowledge in implementing the organization's strategies, and to guarantee external stakeholders interactions with resources of the highest professionalism;
- Natural capital, to monitor and minimize the impacts of its activities on environmental resources.
- Relational capital, to share values, behaviours and relationship approaches with its customers, suppliers and investors.
- Productive and intellectual capital, to enhance the development of products through research and innovation throughout their life cycles.

The Monnalisa business model is based on this strategic orientation, which creates, gathers and distributes value over the short, medium and long term in all areas related to the International Integrated Reporting Council's multi-capital International <IR> Framework, and to the 17 United Nations Sustainable Development Goals, to which the company believes it can and must make an effective and significant contribution.

The "2030 Agenda for Sustainable Development" sets out 17 global Sustainable Development Goals to be achieved by the year 2030. The Sustainable Development Goals (SDGs) are common goals that include the eradication of hunger and extreme poverty, the production of clean energy, the protection and conservation of water resources, responsible consumption and production, and access to health and education. Certain SDGs have been identified as material topics for the Group, that is having particular relevance to its innovative and social-environmental initiatives.

Specifically, the relevant Sustainable Development Goals for Monnalisa are:





CAPITAL

Collection of funds which the organisation utilises to produce goods or provide services. These are obtained through various funding sources or generated through operations or investments.

Buildings, infrastructure and physical technological assets which an organisation utilises to guarantee the services offered.

Intangible assets, organised and based on expertise, including intellectual property and intangible assets associated with the brand and the reputation of the organisation.

Skills, capacity and experience of the individual, motivation to innovate, loyalty and motivation to improve processes, products and services, including the capacity to direct, manage and collaborate.

Institutions and relations with the community, the Group of stakeholders and other networks and the ability to share information to relaunch individual and collective well-being.

Natural resources and processes - renewable and non-renewable - which provide products and services supporting (or which have supported) the past, present or future prosperity of the organisation (biodiversity and health of ecosystems, air, water, soil, minerals and forests).

Main RISKS and OPPORTUNITIES

The Board of Directors reviews economic, environmental and social risks and opportunities on a twice yearly basis as part of its Development Plan review. Such reviews may occur more frequently as opportunities arise or in case of any need to manage emerging threats or risks.

Following is a representation of Monnalisa's Risk Model, divided by internal, external and strategy and governance risks. The internal risks are then interpreted in the light of the company's capital in social, relational, human, productive and intellectual terms.

EXTERNAL

Financial
- Exchange rates
- Interest rates
- Market liquidity and financial instrument price volatility

Rules-Regulations
- Regulatory and tax framework
- Environmental and safety rules
- Transfer pricing tax rules
- Production facility operations and applicable local rules

Market
- Consumer habit change
- Brand recognition
- Competition
- Brand and product counterfeiting
- Group international operations
- Seasonality
- Wholesale distribution channel
- Protection of intellectual property rights

INTERNAL

Social and relational capital
- Relations with sales agents
- Relations with processing contractors
- Relations with suppliers
- Related party transactions
- Alternative performance measures

Human capital
- Dependance on key figures
- Loss of know-how and talent
- Capacity to attract, train and retain qualified and motivated staff

Productive and intellectual capital
- Implementation 231/01 model
- Declarations of priority, estimates and internal workings
- Collation, maintenance and processing of personal data
- Management and internal control system
- Directly managed sales point
- Brand recognition

STRATEGIC & GOVERNANCE

Oversight
- Business plan execution
- Growth strategy and management
- Management and coordination
- Difficult contestability of Monnalisa
- Temporary share unavailability commitments
- Uncertainty on achievement of profits and dividend distribution
- Risks related to level of financial debt and compliance with loan contract obligations

As in any company, activities and strategies are naturally exposed to a series of risks that must be managed and mitigated before they can have any effect on economic results, financial and capital assets and stakeholders. The main risk factors relate to the company's mission, its bond with its local area and community, its international outlook, the nature and diversification of its business channels, its growth plan, its strategic objectives, its competitive, regulatory, macro-economic and socio-environmental context, and, finally, the expectations of its stakeholders, which, from this year, include investors from outside the founder's own family.
Though some highlights of the main risk management topics are indicated below, for a more detailed discussion of the main risk factors, please refer to Section 2 on the Directors' Report.

Consolidation of sustainability in business processes
Monnalisa adheres to the main sustainability and integrated company management standards ISO 26000, SA8000, ISO 9001 and ISO 14001. The commitment requires constant work to improve and manage activities and processes, which are periodically submitted to certification by independent external bodies. The publication of the Integrated Report highlights Monnalisa's commitment to including all of its stakeholders in this beneficial process promoted through its sustainability, quality and environmental policies. A sustainability materiality analysis - which this year has been completely revised - is an key management tool for improving the effectiveness of reporting and the engagement of stakeholders.

Growth Management
For several years now, in addition to its standard economic and financial planning tools, Monnalisa has prepared an annually revised three-year development plan, consisting of qualitative and quantitative strategies and actions, with related economic and financial forecasts, which the company will implement to capitalize on both existing and emerging growth opportunities. These include:

- The opening of new branches, representative offices and subsidiaries in various parts of the world, for the opening of further direct sales points, with obvious direct and indirect effects on employment;
- Joining the Elite project, certified in 2016, introducing new economic and financial control and monitoring tools, to the benefit of the company and its communications with the financial community, which, in July 2018, led to the company's listing on the Borsa Italiana's AIM Market.

Product originality
Creativity, or the ability to make products distinctive, is a competitive lever par excellence, to be preserved and valued as one of the key components of the company's intangible assets. This critical element is safeguarded by the leadership of Barbara Bertocci and Diletta Iacomoni, the wife and the daughter of the company's founder, further evidence of the continuity the company is committed to maintaining in terms of product identity and distinctiveness.

Product quality security and guarantee
Each and every Monnalisa garment is designed and carefully assessed also in terms of health and safety, all the more important considering that children are the end-users. The materials used and the finished products purchased are tested for harmful substances, just as, in design and industrial phases, regulatory standards are upheld regarding the physical safety of items of clothing intended for children. Regulatory requirements, their degree of restrictiveness and lists of substances harmful to consumers' health may vary from country to country. This is why it is essential to pay close attention to legislative developments and to move towards ensuring compliance with the very strictest of standards. This issue is managed by raising awareness and monitoring the supply chain through which Monnalisa products are made. To this end, all product health and safety aspects are formally stipulated in the relationship with suppliers through the Supplier Code of Conduct, which forms an integral part of the supply contract. Thus, on signing the Code of Conduct, the supplier undertakes to comply with the principles espoused by the purchasing company.

Employee Health and Safety
The guarantee of workplace health and safety is an essential right guaranteed to all employees. As the ordinary business activities of Monnalisa are not intrinsically dangerous, oversight of this aspect goes beyond legal provisions to cover softer but no less important aspects, such as the workplace climate and work-life balance policies.

Supply Chain Management
Monnalisa has no internal production, so the control of its supply chain is extremely important from all points of view, including quality, work practices, human rights, the environment and supplied product safety. The selection and evaluation of suppliers is a crucial aspect of the company's activities, particularly considering the fact that materials, finished products and services are purchased in many different countries and can also be affected by general economic developments. Monnalisa's collaborations with its main suppliers are based on the principle of creating a long-term partnership through shared objectives and tools for the identification of professional solutions of quality and efficiency, and the achievement of results of mutual satisfaction. The methods for selecting and evaluating suppliers, based not only on product aspects, but also on ethical criteria, are critical in the creation of long-lasting collaborations built on common values and principles. The quality of this process is demonstrated by the continuity and stability of the relationships that the company has established with its main suppliers. Accordingly, Monnalisa tends to favour those suppliers with which it jointly collaborates on research, development and experimentation.

guaranteeing REPORTED ECONOMIC SUSTAINABILITY

in the Report on operations

Being sustainable requires for a company to create value while pursuing long term development, while ensuring the future possibility of creating value. This requires for a company to pursue objectives of economic efficiency and increase in income.

As this is an integrated statement - both at a parent company and consolidated level - there follows herebelow the Report on operations, the Consolidated Financial Statements, the Note on the Financial statement, the Board of Auditors' report and the Auditing firm's report.

Report on operations
Corporate Boards
Board of Directors

The adoption of new by-laws, functional to the process of listing on the AIM Italia - Alternative Capital Market multilateral trading facility, managed and organized by Borsa Italiana S.p.A. ("AIM Italia"), was approved by the shareholders' meeting on June 15, 2018. The board of directors was also appointed on that date, to serve a term of office of three years, until the approval of the financial statements at and for the year ending December 31, 2020. The members of the new board of directors are as follows.

PIERO IACOMONI
Chairman

CHRISTIAN SIMONI
Chief Executive Officer

PIERANGELO ARCANGIOLI
Director

MATTEO TUGLIANI
Director

SIMONE PRATESI
Independent Director

BOARD OF STATUTORY AUDITORS

MICAELA BADIALI	*Chairperson*
GABRIELE NARDI	*Statutory Auditor*
SUSANNA SGREVI	*Statutory Auditor*
PATRIZIA BELLI	*Alternate Auditor*
GIANNI PAPI	*Alternate Auditor*

INDEPENDENT AUDITORS EY S.p.A.

NOMAD CFO Sim S.p.A.

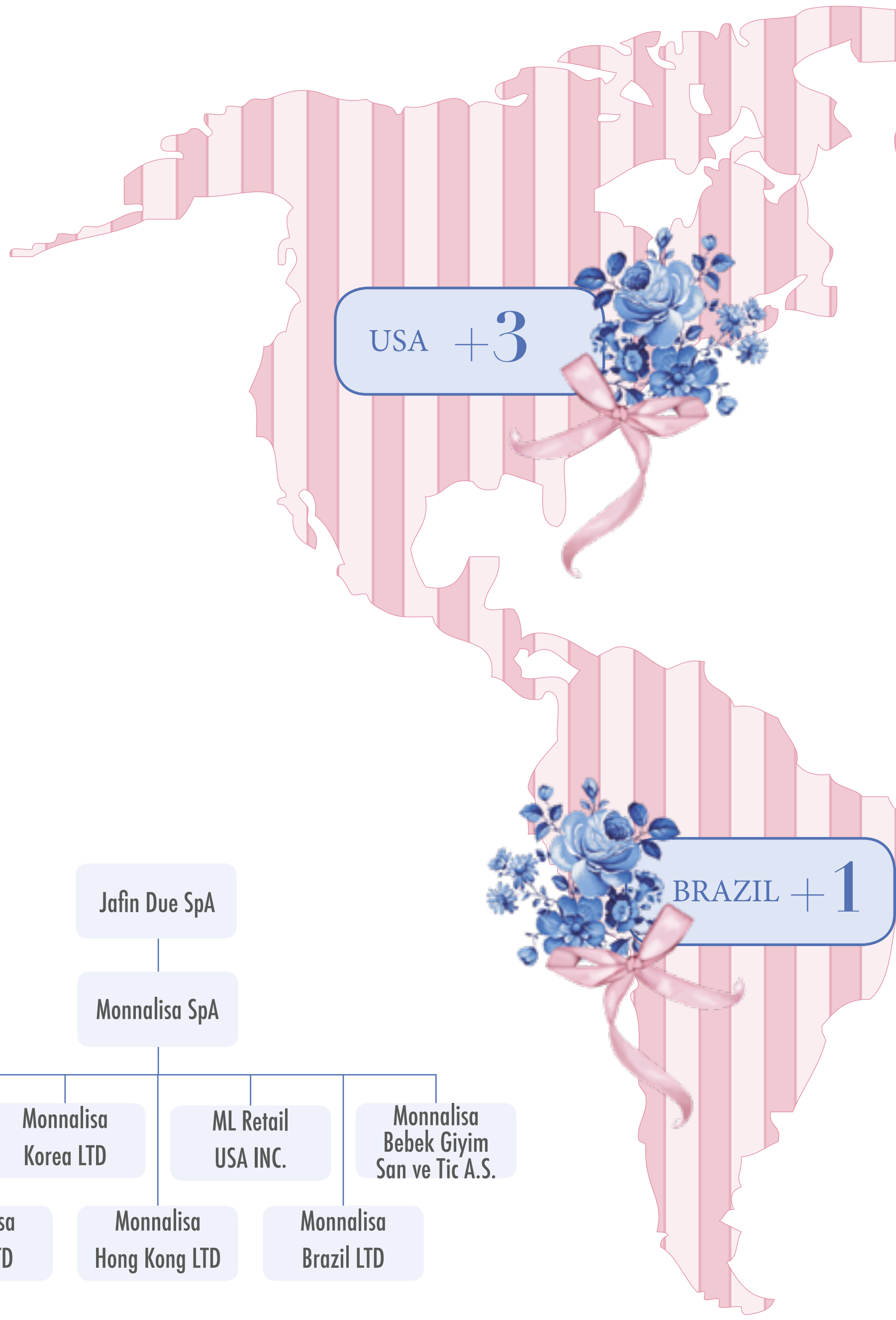
Dear Shareholders,
Consolidated profit for the year ended December 31, 2018 amounted to Euro 1,293,338, including a minority interest share of Euro 1,486. At the level of the separate financial statements of the parent company, Monnalisa S.p.A. ("Monnalisa"), the profit amounted to Euro 3,290,556 for the same period.

Introduction

Pursuant to Art. 40 of Leg. Decree 127/1991, as amended by Art. 2, letter d) of Leg. Decree 32/2007, this report presents in a single document the consolidated financial statements of the Monnalisa Group (hereafter the "Monnalisa Group") and the separate financial statements of the parent company Monnalisa, prepared according to Italian GAAP.
In this document, we provide you with information regarding the Group's consolidated situation and operating performance, including at the level of the parent company, Monnalisa, on a stand-alone basis.

Activities

Founded in Arezzo in 1968 by Piero Iacomoni, currently 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.
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 750 multibrand sales points.
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.
The structure of the Monnalisa Group at December 31, 2018, corresponding to the scope of consolidation, is presented below:



Jafin Due SpA

Monnalisa SpA

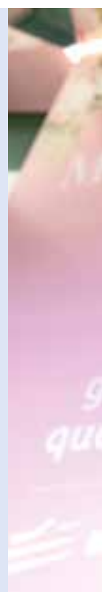
- Monnalisa RUS OOO
- Monnalisa Korea LTD
- ML Retail USA INC.
- Monnalisa Bebek Giyim San ve Tic A.S.
- Monnalisa China LTD
- Monnalisa Hong Kong LTD
- Monnalisa Brazil LTD

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 (used for total 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.
The purpose of the IPO was to contribute to further accelerating the Group's growth process and international presence, with regard to the retail channel and e-commerce.

Key Stock Exchange Indicators

Official price at December 28, 2018	9.5
Minimum price 28/12/18	9.5
Maximum price 13/07/2018	14.18
Market capitalization at December 31, 2018	49,744,850 €
No. of shares outstanding at December 31, 2018	5,236,300

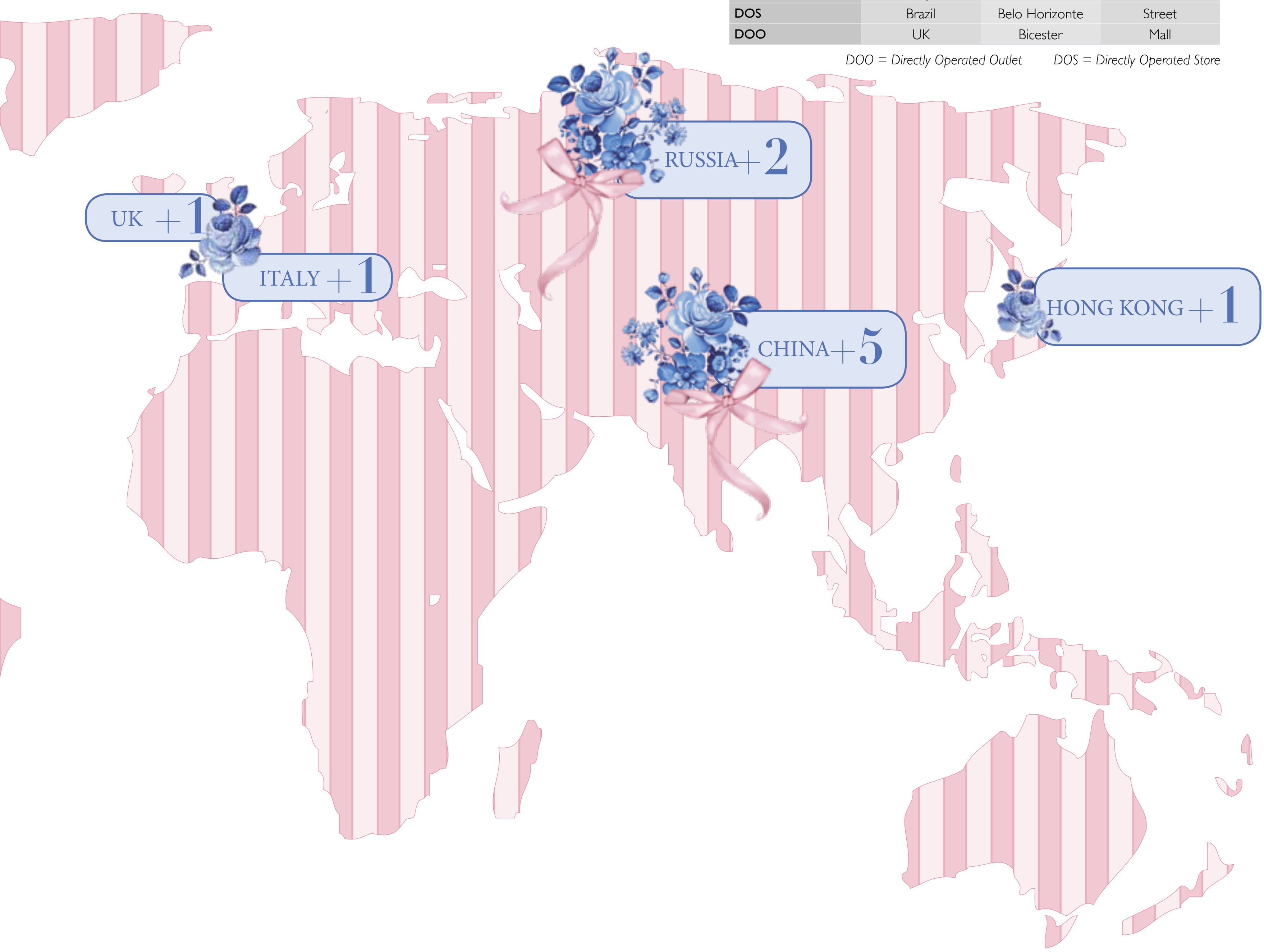


Operating performance

In 2018, in accordance with its development plan, the Company continued with its retail expansion project, investing both its own resources and those arising from the IPO completed in July.
The details of the new store locations opened in 2018 are provided below:

Type	Country	City	Location
DOS	USA	New York	Street
DOS	USA	Beverly Hills	Street
DOS	USA	Philadelphia	Mall
DOS	Hong Kong	Hong Kong	Dept Store
DOS	Russia	Moscow	Mall
DOS	Russia	Moscow	Street
DOS	China	Xian	Dept Store
DOS	China	Shenzhen	Mall
DOS	China	Wuhan	Mall
DOO	China	Tianjin	Mall
DOS	China	Chongqing	Mall
DOO	Italy	Marcianise	Mall
DOS	Brazil	Belo Horizonte	Street
DOO	UK	Bicester	Mall

DOO = Directly Operated Outlet *DOS = Directly Operated Store*



During the same period, according to plan, three low-traffic stores were closed in China (Yintai, Grand Gateway and Scitech), along with one in Italy, at Naples Airport.
Accordingly, at the end of 2018 the Monnalisa Group had a total of 42 direct stores, including both DOSs and DOOs.

Revenues by distribution channel
Revenues by distribution channel saw major growth on the retail and B2C channels, respectively +39% and +17% at current exchange rates and +43% and +17% 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 6 points through the opening of new direct sales points - principally overseas. The decline in wholesale channel revenues is due to the interruption of supplies to a Russian customer who had 4 TPOS (Third Party Operated Stores) in the city of Moscow, three of which reopened as DOS (Directly Operated Stores) in 2018, and the acquisition of a business unit of a US customer consisting of two mono-brand Monnalisa sales points. The wholesale channel was also affected by foreign exchange performance, excluding which the change on the previous year decreases by one percentage point.

Revenues by geographic segment
Revenues by region indicate growth in Italy, particularly on the retail channel, and in Europe, respectively up 9% and 6%.
The small decrease in the Rest of the World relates to the previously-stated channel dynamics in Russia and in the United States of America and currency movements.
From the standpoint of financial performance, Monnalisa reported total revenues at the consolidated level of Euro 51 million, up by 7% on the same period of the previous year (+9% at constant exchange rates) and a reported EBITDA of Euro 5.2 million (11% versus 14% in the previous year).
After depreciation, amortization and provisions of Euro 3.1 million (up by Euro 0.8 million), EBIT amounted to Euro 2 million (Euro 3.5 million in the previous year).
After accounting for income taxes of Euro 0.4 million (Euro 0.9 million), the profit for the year came to Euro 1.3 million (Euro 2.2 million).
The new openings, still in the full start-up phase, had a negative 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 in 2018 amounted to approximately Euro 7.3 million, slightly below the 2017 adjusted EBITDA of Euro 7.6 million.
The adjustments to reported EBITDA, in addition to those made in the first half of the year, concern the DOS openings and closings during the year, for comparability and to ensure uniformity with 2017 Adjusted EBITDA.
Adjusted EBITDA at like-for-like exchange rates amounts to Euro 7.6 million, in line with 2017.
The financial situation at December 31, 2018 was particularly solid, with total commitments of Euro 75 million, covered by equity of Euro 47.4 million and net debt of Euro 13.5 million.
In addition to covering all fixed assets, amounting to Euro 25.7 million, equity thus also finances approximately 44% of working capital, amounting to Euro 49.2 million, with borrowings of Euro 13.5 million and total provisions (risks and post-employment benefits) of Euro 2.4 million.
Net working capital – typically higher at the end of December due to the seasonal effect – amounted to Euro 24 million (21.5), as a consequence, in terms of commitments, of greater inventories (converted into revenues in the following months) and, on the sources side, a decrease in current non-financial liabilities to Euro 11.6 million from Euro 13.1 million at December 31, 2017.
From the standpoint of cash flows, during the reporting period the Company generated cash of approximately Euro 2.1 million in its core business, compared with cash of Euro 1.5 million used in 2017. Despite lesser self-financing (profits plus depreciation and amortization), working capital performance accounted for less than half the resources used in the previous year.
Investing activity used cash of approximately Euro 8.8 million, of which Euro 2.5 million was invested in intangible assets, specifically goodwill on the acquisition of business units (two stores in the USA and one store in France) and expenses incurred on third-party assets for the opening of direct stores. The remaining investments related to the completion of the new building and the costs incurred for the listing on the AIM, capitalized in full under start-up and expansion costs.
Net debt amounted to Euro -0.1 million at December 31, 2018 (Euro 9.6 million at December 31, 2017) due to the current liquidity of Euro 13.6 million, arising in part from the listing process.

** 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 Company calculates this indicator by adding non-recurring costs to and subtracting non-recurring income from, EBITDTA*

Ended 31 December (at current exchange rates)

in thousands of €	31.12.2018	% on revenues	31.12.2017	% on revenues	Var %	Var %
Retail	12,334	25%	8,897	19%	3,437	39%
Wholesale	35,333	72%	36,861	78%	(1,528)	-4%
B2C	1,463	3%	1,254	3%	209	17%
Total	**49,129**	**100%**	**47,011**	**100%**	**2,118**	**5%**

Ended 31 December (at constant exchange rates)

in thousands of €	31.12.2018	% on revenues	31.12.2017	% on revenues	Var %	Var %
Retail	12,720	25%	8,897	19%	3,823	43%
Wholesale	35,756	72%	36,861	78%	(1,105)	-3%
B2C	1,464	3%	1,254	3%	210	17%
Total	**49,940**	**100%**	**47,011**	**100%**	**2,928**	**6%**

Ended 31 December (at current exchange rates)

in thousands of €	31.12.2018	% on revenues	31.12.2017	% on revenues	Var %	Var %
Italy	16,876	34%	15,439	33%	1,437	9%
Europe	12,256	25%	11,508	24%	748	6%
Rest of the world	19,997	41%	20,064	43%	(67)	4%
Total	**49,129**	**100%**	**47,011**	**100%**	**2,118**	**6%**

Ended 31 December (at constant exchange rates)

in thousands of €	31.12.2018	% on revenues	31.12.2017	% on revenues	Var %	Var %
Italy	16,876	34%	15,439	33%	1,437	9%
Europe	12,256	25%	11,508	24%	748	6%
Rest of the world	20,807	41%	20,064	43%	743	4%
Total	**49,940**	**100%**	**47,011**	**100%**	**2,929**	**6%**

Context. The junior fashion market continued to grow in 2018, albeit at a weaker rate than witnessed in 2017. The international market accounts for approximately 40% of the industry's turnover, and imports increased by 0.9% on an annual basis.

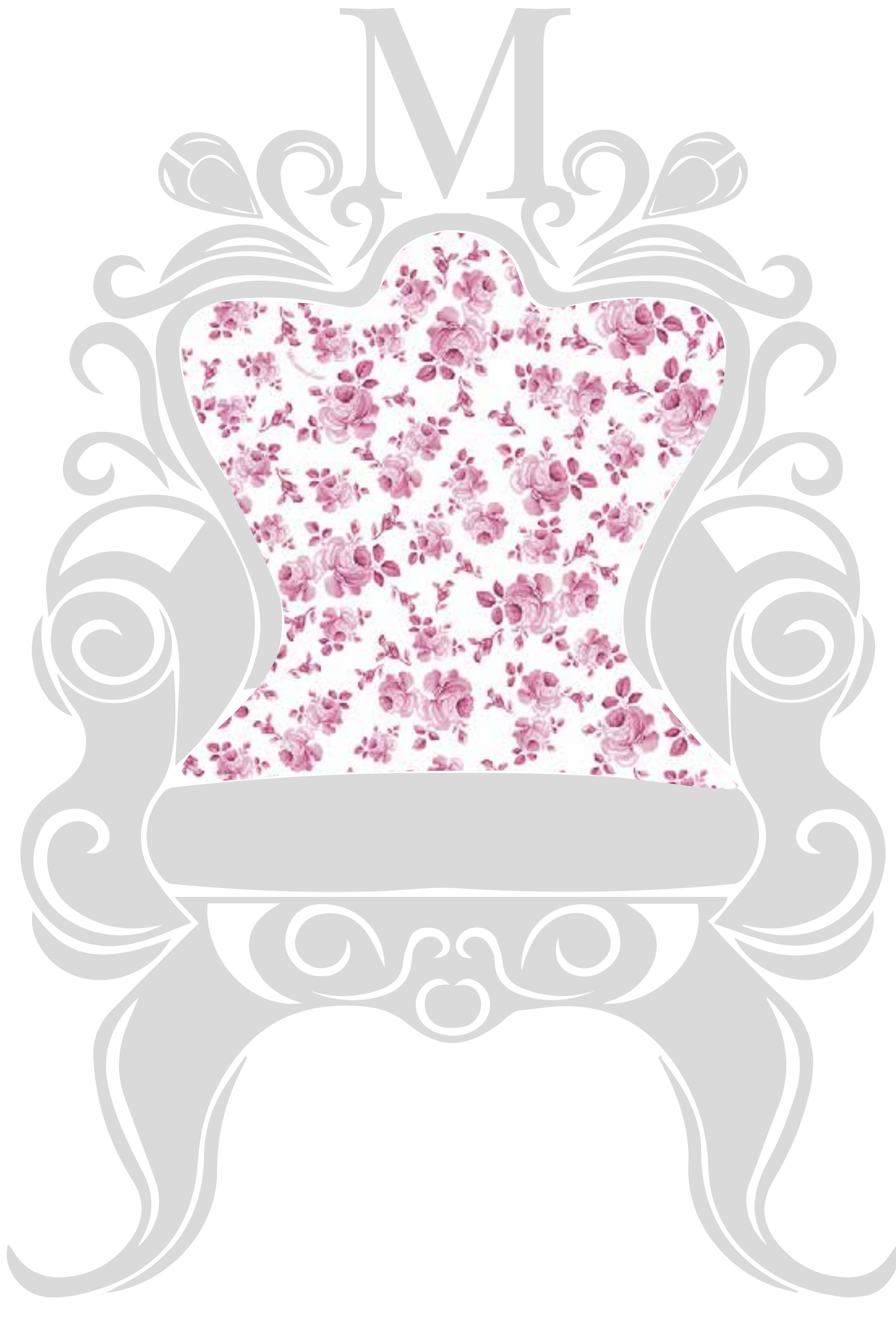
Table 3.1 Comparative figures for childrenswear sector over the past three years

Description (Euro millions)	2016	Cge. %	2017	Cge. %	2018 (estimated data)	Cge. %
Revenues	2,774	+3.2%	2,861	+3.6%	2,926	+2.3%
Value of production	987	+0.7%	969	-0.8%	978	+0.8%
Exports	1,041	+4.4%	1,102	+5.9%	1,174	+6.5%
Imports	1,767	-1.1%	1,787	+0.6%	1,804	0.9%
Commercial balance	-726		-685		-629	
Final consumption	4,231	-0.3%	4,224	-0.2%	4,139	-2%

Source: Confindustria Moda on ISTAT datas

Positioning. According to Databank's annual report on childrenswear, Monnalisa's share of the high-end of the Italian domestic market increased by over 5% from 2016 to 2018, driven by a CAGR of 6.5%, which yielded a growth performance of eight percentage points in excess of the market average.
Monnalisa also had the highest EBITDA margin of its peer group in 2017.
Other positive aspects that set the company apart from its competitors include its high level of exports (67%) and its production and distribution exclusively through own-brand facilities.

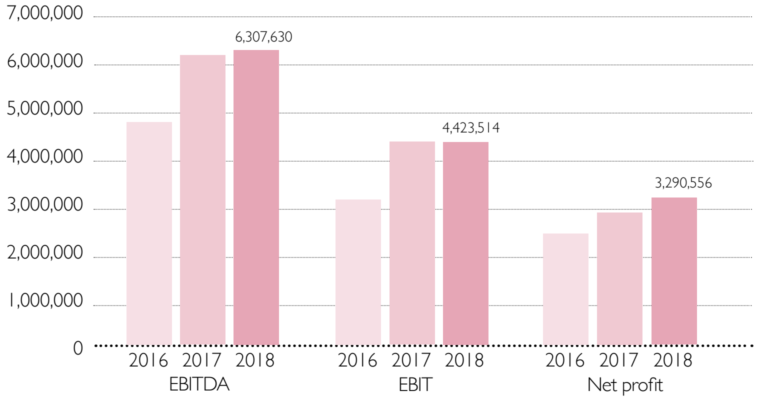
THE SITUATION OF THE PARENT COMPANY AND THE GROUP



Operating performance

Performance in 2018 – above all from the standpoint of financial position and cash flows – was due to several important investment transactions undertaken by the company during the year, in continuity with events in the previous year.
The international subsidiaries were capitalized and financed in order to support extensive investments in the retail sector.
A new company was also opened in Turkey to manage direct retail operations, specifically a store at the new Istanbul Airport, set to be opened in April 2019.

Chart. 3.1 Operating performance of the parent company, 2016-2018



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)***: the operating result before amortisation, depreciation and provisions, financial management and taxes. The doubtful debt provision was included in this indicator for the reclassification. 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.

Net Capital Employed: the difference between total net liabilities and non-interest-bearing payables. Specifically, this comprises the sum of net operating capital employed and non-operational uses (financial fixed assets, current financial assets, non-operating prepayments/accrued income); in which net operating capital employed is the difference between operating capital employed (tangible and intangible assets, inventories, receivables, cash and cash equivalents, prepayments and accrued income) and operating liabilities (provisions for risks and charges, the severance pay provision, payables net of bank payables, accrued liabilities and deferred income).

EBIT ***(Earnings Before Interest and Taxes)***: corresponding to the operating profit. This is the result before taxes and financial charges.

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 (tab 3.2 - 3.2bis). 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. (tab 3.3 - 3.3bis).
The reclassified income statement is divided into segments by distinguishing between ordinary operations (core and non-core), extraordinary operations and financial operations.
The parent company's gross revenues, net of transfers to subsidiaries, are 82% derived from the wholesale channel, 15% from retail and 4% from e-commerce. At the consolidated level, the weight of the retail channel rises as a percentage of total gross revenues, climbing to 25%, with the wholesale channel accounting for 72%.
In the interest of a more accurate and prudent presentation of line items, operating grants have not been included among other income, but accounted for as reducing the costs for the year to which they refer (tab 3.4 - 3.4bis).

Table 3.2 Financial balance sheet of the parent company

	2016	%	2017	%	2018	%
ASSETS						
FIXED ASSETS	19,711,799	38,22%	24,313,712	42,13%	32,567,689	41,16%
Intangible assets	1,462,058		1,186,568		2,647,997	
Tangible assets	13,084,902		15,022,495		17,321,621	
Financial Assets	5,164,839		8,104,649		12,598,071	
CURRENT ASSETS	31,868,701	61,78%	33,395,413	57,87%	46,550,904	58,84%
Inventory	13,325,009		14,922,522		15,194,460	
Deferred Cash	15,533,320		16,892,986		20,364,627	
Cash on hand	3,010,371		1,579,905		10,991,817	
INVESTED CAPITAL	51,580,501	100%	57,709,126	100%	79,118,593	100%
LIABILITIES						
EQUITY	28,015,472	54,31%	31,040,729	53,79%	51,398,143	64,96%
Share Capital	2,064,000		2,064,000		10,000,000	
Reserves	23,455,494		26,069,123		38,107,588	
Profit/(loss) for the period	2,495,978		2,907,606		3,290,556	
NON CURRENT LIABILITIES	3,034,245	5,88%	6,393,163	11,08%	9,977,477	12,61%
Financial	840,499		4,199,012		7,370,295	
Non financial	2,193,746		2,194,151		2,607,182	
CURRENT LIABILITIES	20,530,783	39,80%	20,275,233	35,13%	17,742,972	22,43%
Financial	8,120,340		8,541,867		7,202,603	
Non financial	12,410,444		11,733,366		10,540,368	
FINANCING CAPITAL	51,580,501	100%	57,709,126	100%	79,118,593	100%

Table 3.2bis Group financial balance sheet

	2016	%	2017	%	2018	%
ASSETS						
SUBSCRIBED CAPITAL UNPAID	1,457		32			
FIXED ASSETS	16,699,538	33.30%	19,349,759	34.03%	25,733,073	34.03%
Intangible assets	2,109,579		2,531,744		5,427,809	
Tangible assets	13,323,836		15,351,891		18,137,073	
Financial Assets	1,266,123		1,466,124		2,168,191	
CURRENT ASSETS	33,444,350	66.69%	37,506,903	65.97%	49,150,933	65.97%
Inventory	13,963,395		16,774,262		17,826,800	
Deferred Cash	15,467,868		17,920,718		17,745,383	
Cash on hand	4,013,087		2,811,923		13,578,750	
INVESTED CAPITAL	50,145,345	100%	56,856,694	100%	74,884,006	100%
LIABILITIES						
EQUITY	27,443,735	54.73%	29,203,237	51.36%	47,397,682	63.29%
Share Capital	2,064,000		2,064,000		10,000,000	
Reserves	23,439,934		24,885,583		36,104,344	
Profit/(loss) for the period	1,939,330		2,248,215		1,291,853	
Profit/(loss) attributable to minority interest	471		5,439		1,486	
NON-CURRENT LIABILITIES	3,034,726	6.05%	6,243,163	10.98%	9,797,477	13.08%
Financial	840,499		4,199,012		7,370,295	
Non financial	2,194,227		2,044,151		2,427,182	
CURRENT LIABILITIES	19,666,884	39.22%	21,410,295	37.66%	17,688,846	23.62%
Financial	6,508,682		8,278,706		6,154,475	
Non financial	13,158,202		13,131,589		11,534,371	
FINANCING CAPITAL	50,145,345	100%	56,856,695	100%	74,884,006	100%

Table 3.3 Balance sheet of the parent company by segment

	2016	%	2017	%	2018	%
USES						
OPERATING INVESTED CAPITAL	46,415,661		49,596,809		66,461,218	
Operating Liabilities	16,215,848		14,190,677		14,483,952	
NET OPERATING INVESTED CAPITAL	30,199,813	85%	35,406,132	81%	52,013,562	80%
NON-OPERATING INVESTMENTS	5,164,840	15%	8,112,317	19%	12,657,375	20%
NET INVESTED CAPITAL	35,364,653	100%	43,518,449	100%	64,670,938	100%
SOURCES						
EQUITY	28,015,473	79%	31,040,730	71%	51,398,145	79%
FINANCIAL LIABILITIES	7,349,180	21%	12,477,718	29%	13,272,793	21%
FINANCING CAPITAL	35,364,653	100%	43,518,448	100%	64,670,938	100%

Table 3.3bis Consolidated balance sheet by segment

	2016	%	2017	%	2018	%
USES						
OPERATING INVESTED CAPITAL	48,877,765		55,382,871		72,656,510	
Operating Liabilities	15,352,429		15,175,780		13,973,418	
NET OPERATING INVESTED CAPITAL	33,525,336	96%	40,207,091	96%	58,683,092	96%
NON-OPERATING INVESTMENTS	1,267,580	4%	1,473,823	4%	2,227,496	4%
NET INVESTED CAPITAL	34,792,916	100%	41,680,914	100%	60,910,588	100%
SOURCES						
EQUITY	27,443,735	79%	29,203,197	70%	47,397,682	78%
FINANCIAL LIABILITIES	7,349,181	21%	12,477,718	30%	13,512,906	22%
FINANCING CAPITAL	34,792,916	100%	41,680,914	100%	60,910,588	100%

Table 3.4 Reclassified income statement of the parent company

Description	2016	%	2017	%	2018	%
Revenues from sales	38,993,302		42,272,824		43,064,801	
Profit/(loss) non-core income	380,216		661,139		1,798,088	
Total Revenues	**39,373,518**	**100%**	**42,933,963**	**100%**	**44,862,889**	**100%**
Product Manufacturing Costs	(18,401,786)		(19,736,580)		(22,646,005)	
Costs for raw materials/finished products	(12,656,357)		(13,320,190)		(16,764,100)	
Costs for production services	(5,745,429)		(6,416,390)		(5,881,905)	
Costs for use of third-party assets	(1,463,861)		(1,605,082)		(1,867,279)	
Marketing Costs	(1,953,486)		(1,582,193)		(1,851,572)	
Costs for other services	(5,645,068)		(5,926,811)		(5,354,827)	
ADDED VALUE	**11,909,317**	**30%**	**14,083,297**	**33%**	**13,143,206**	**29%**
Personnel Costs	(6,628,912)		(7,069,608)		(6,274,552)	
Miscellaneous operating costs	(240,020)		(412,223)		(439,127)	
Provisions for bad and doubtful accounts	(200,105)		(370,000)		(121,897)	
EBITDA	**4,840,279**	**12%**	**6,231,466**	**15%**	**6,307,630**	**14%**
Depraciation tangibles	(786,942)		(778,337)		(1,066,444)	
Amortization intangibles	(457,787)		(487,274)		(769,397)	
Non recurring operations	(154,214)		(557,548)		(48,274)	
EBIT	**3,441,336**	**9%**	**4,408,307**	**10%**	**4,423,514**	**10%**
Financial income/(expenses)	(164,926)		(311,481)		(299,286)	
Profit/(Loss) before taxes	**3,276,410**	**8%**	**4,096,826**	**10%**	**4,124,228**	**9%**
Taxes	(780,432)		(1,189,220)		(833,673)	
Net Profit	**2,495,978**	**6%**	**2,907,606**	**7%**	**3,290,556**	**7%**

Table 3.4bis Reclassified consolidated income statement

Description	2016	%	2017	%	2018	%
Revenues from sales	40,106,117		47,011,251		49,129,438	
Profit/(loss) non-core income	378,932		684,342		1,943,111	
Total Revenues	**40,485,049**	**100%**	**47,695,593**	**100%**	**51,072,549**	**100%**
Product Manufacturing Costs	(18,472,497)		(19,832,715)		(20,409,377)	
Costs for raw materials/finished products	*(12,543,925)*		*(12,703,550)*		*(13,396,440)*	
Costs for production services	*(5,928,572)*		*(7,129,165)*		*(7,012,937)*	
Costs for use of third-party assets	(2,101,844)		(3,314,110)		(4,877,477)	
Marketing Costs	(1,992,190)		(1,751,943)		(2,140,082)	
Costs for other services	(6,066,972)		(6,875,626)		(7,077,065)	
ADDED VALUE	**11,851,546**	**29%**	**15,921,199**	**33%**	**16,568,547**	**32%**
Personnel Costs	(7,220,855)		(8,721,525)		(10,614,232)	
Miscellaneous operating costs	(258,237)		(450,670)		(594,915)	
Provisions for bad and doubtful accounts	(170,000)		(170,000)		(121,897)	
EBITDA	**4,202,454**	**10%**	**6,579,004**	**14%**	**5,237,502**	**10%**
Depreciation tangibles	(796,238)		(883,919)		(1,281,960)	
Amortization intangibles	(681,303)		(1,374,191)		(1,799,370)	
Non recurring operations	(30,105)		(801,743)		(75,051)	
EBIT	**2,694,808**	**7%**	**3,519,151**	**7%**	**2,081,122**	**4%**
Financial income/(expenses)	(181,798)		(373,591)		(369,043)	
Profit/(Loss) before taxes	**2,513,009**	**6%**	**3,145,560**	**7%**	**1,712,079**	**3%**
Taxes	(573,208)		(891,906)		(418,741)	
Consolidated Net Profit	**1,939,801**	**5%**	**2,253,654**	**5%**	**1,293,338**	**3%**

Income statement

Profitability represents the company's ability to generate income adequate to the capital invested in it over the long term.
Consolidated profitability levels were affected by the increase in subsidiaries' overhead costs and greater depreciation and amortization, resulting from the numerous investments in fixed assets undertaken during the year, often associated with a rather short depreciation period. Subsidiaries are mostly concentrated in the retail channel and thus on the opening of direct stores around the world. Overhead costs rose due to the increased headcount and rent and utilities costs. Investments in fixed assets were concentrated above all in the categories "leasehold improvements" relating to renovation and decoration work on stores and "furniture and fittings".

Balance sheet

The analysis of the financial situation focuses on stability, which represents the company's ability to face external and internal adverse events.
Despite the volume of the investments undertaken during the year, the company further improved its capitalization, due to the capital increase as part of the IPO process, ending the year with consolidated equity of Euro 47.4 million and fixed assets of Euro 25.7 million.

Table 3.5 Profitability indicators

Contents	Formula	2016	2017	2018	Consolidated		
					2016	2017	2018
ROI	Operating income/net operating invested capital	10.67%	15.19%	7.93%	6.99%	6.59%	3.55%
ROE	Net result/Equity	8.91%	9.37%	6.40%	7.07%	7.72%	2.73%
ROS	Operating income/Revenues from sales	8.16%	12.20%	8.97%	5.77%	5.64%	4.24%

Table 3.6 Financial stability indicators

Contents	Formula	2016	2017	2018	Consolidated		
					2016	2017	2018
Debt Ratio	Non-current and current liabilities/debt capital	45.69%	46.21%	35.04%	45.27%	48.64%	36.71%
Equity ratio	Equity/debt capital	54.31%	53.79%	64.96%	54.73%	51.36%	63.29%
Primary ratio	Equity/fixed assets	1.42	1.28	1.58	1.64	1.51	1.84

Financial overview

Liquidity represents the company's ability to remain constantly solvent over time. The time horizon for this type of analysis is the short term, and it thus specifically concerns items included in working capital (tab. 3.7).

Net financial position. Net financial position, which refers to the company's net debt, is a concise representation of the balance of sources and investments of a financial nature. It is calculated as current cash and equivalents, plus financial receivables, less financial payables (i.e., not attributable to the commercial cycle) of both a short-term and a medium-to-long-term nature (tab. 3.8 - 3.8bis).
Net financial position has been prepared according to the scheme set out in CONSOB Communication No. DEM/6064293 of July 28, 2006. By convention, the minus sign means cash (cash and financial receivables exceed financial payables).
The breakdown of debt into short- and long-term is more balanced than in 2017 as a result of a residential mortgage loan contracted in December 2018, which replaced the bridge loan for the construction of the expansion of the company's headquarters.

Table 3.7 Liquidity indicators

Contents	Formula	2016	2017	2018	consolidated 2016	consolidated 2017	consolidated 2018
Current ratio	Working capital/ current liabilities	1.55	1.65	2.62	1.70	1.70	2.78
Treasury ratio (acid test)	Current and deferred liquidity/ current liabilities	0.90	0.91	1.77	0.99	0.94	1.77
Treasury margin (€)	Current and deferred liquidity – current liabilities	-1,987,092	-1,802,342	13,613,472	-185,929	-1,389,406	13,635,287

Table 3.8 Net financial position of the parent company

In thousands of €	31/12/16	31/12/17	31/12/18
A- Cash on hand	33	1,524	53
B- Bank and postal deposits	2,977	56	10,939
D- Cash and cash equivalents (A+B)	**3,010**	**1,580**	**10,992**
E- Other current financial assets	**1,355**	**3,318**	**5,352**
F- Current bank payables	5,886	6,991	3,665
G- Current part of non-current debt	623	1,288	2,237
H- Other current financial liabilities	1,612	263	1,300
I- Current Financial Debt (F+G+H)	**8,120**	**8,542**	**7,203**
J- Net Current Financial Debt (I-E-D)	**3,755**	**3,644**	**(9,141)**
K- Non-current bank payables	840	4,199	7,370
L- Bonds issued	-	-	-
M- Other non-current financial liabilities	-	-	-
N- Non-current financial debt (K+L+M)	**840**	**4,199**	**7,370**
O- Net Financial Debt or NPF (J+K)	**4,595**	**7,843**	**(1,771)**

Table 3.8bis Net financial position of the group

In thousands of €	31/12/16	31/12/17	31/12/18
A- Cash on hand	37	65	62
B- Bank and postal deposits	3,976	2,747	13,519
D- Cash and cash equivalents (A+B)	**4,013**	**2,812**	**13,581**
E- Other current financial assets	**1,200**	**1,400**	**2,435**
F- Current bank payables	5,886	4,276	3,905
G- Current part of non-current debt	623	4,002	2,237
H- Other current financial liabilities	-	-	-
I- Current Financial Debt (F+G+H)	**6,509**	**8,278**	**6,143**
J- Net Current Financial Debt (I-E-D)	**1,296**	**4,066**	**(9,873)**
K- Non-current bank payables	840	4,199	7,370
L- Bonds issued	-	-	-
M- Other non-current financial liabilities	-	-	-
N- Non-current financial debt (K+L+M)	**840**	**4,199**	**7,370**
O- Net Financial Debt or NPF (J+K)	**2,136**	**8,265**	**(2,503)**

CALCULATION AND ALLOCATION OF VALUE ADDED

The statement of value added is designed to highlight the value added in view of its distribution to the company's various stakeholders. Value added fact measures the wealth generated by the company during the year in respect of the stakeholders to which it is distributed. In identifying the items in this reclassification, it was decided not to interpret sister companies, contract manufacturers and agents as sources of costs, but rather to regard them as beneficiaries, due to the downstream business generated by the company, of the distribution of value added (Tab. 3.9).
The statement reclassifies the income statement for the year, considering the income generated by the sale of products, on the one hand, and the costs incurred for the purchase of goods and services, on the other. Ancillary activity revenues, together with depreciation and amortization (where net global value added is desired), are then added to the difference between the above items - even though depreciation and amortization constitute a sort of remuneration for the company, which thereby replenishes the capital invested in the factors of production. The resulting value-added measures Monnalisa's ability to create and distribute wealth to its various stakeholders. The distribution of value added (tab. 3.10) instead represents the portion of the wealth produced by the company that is allocated to the stakeholders who contributed in various ways to generating it; it therefore depends directly on the map of company stakeholders and on the degree to which they are involved in its activity.
Subsidies towards operating expenses related to the photovoltaic incentive (Euro 20,449.02), the work-study incentive (Euro 1,200), the business internalization grant (Euro 15,314.48), the Fondimpresa professional training grant (Euro 7,200) and the R&D grant (Euro 1,079,564.24).

Table 3.9 Statement of value added of the parent company

	31/12/16	31/12/17	31/12/18
Value of Production	**40,271,058**	**44,170,381**	**44,730,494**
Net Revenues from sales and services	39,495,029	42,272,824	42,997,287
Changes in inventories of work-in-progress, semi-finished goods and finished products	395,814	1,236,418	(132,395)
Other revenues and income	380,216	661,139	1,865,602
Revenues from core production	**40,271,058**	**44,170,381**	**44,730,494**
Intermediate production costs for:	**23,241,781**	**25,308,551**	**25,240,403**
Consumption of raw materials	13,300,356	15,175,794	14,655,641
Costs for services	7,265,387	7,925,902	8,027,222
Cost use of third-party assets	1,709,285	2,029,249	2,623,328
Provision for risks	200,105	370,000	121,897
Changes in inventory of raw, ancillary and consumable materials and goods	(125,575)	(328,311)	(390,751)
Other operating charges	641,073	135,917	203,065
GROSS VALUE ADDED FROM ORDINARY OPERATIONS	**17,029,278**	**18,861,830**	**19,490,091**
Other income and expenses	**(154,214)**	**(557,548)**	**(48,274)**
+/- balance of additional management	(154,214)	(557,548)	(48,274)
Other expenses	(154,214)	(557,548)	(48,274)
GLOBAL GROSS ADDED VALUE	**16,875,064**	**18,304,282**	**19,441,817**
Adjustments		150,625	51,767
Period Amortization	1,244,729	1,265,611	1,928,516
GLOBAL NET ADDED VALUE	**15,630,335**	**16,888,045**	**17,461,534**

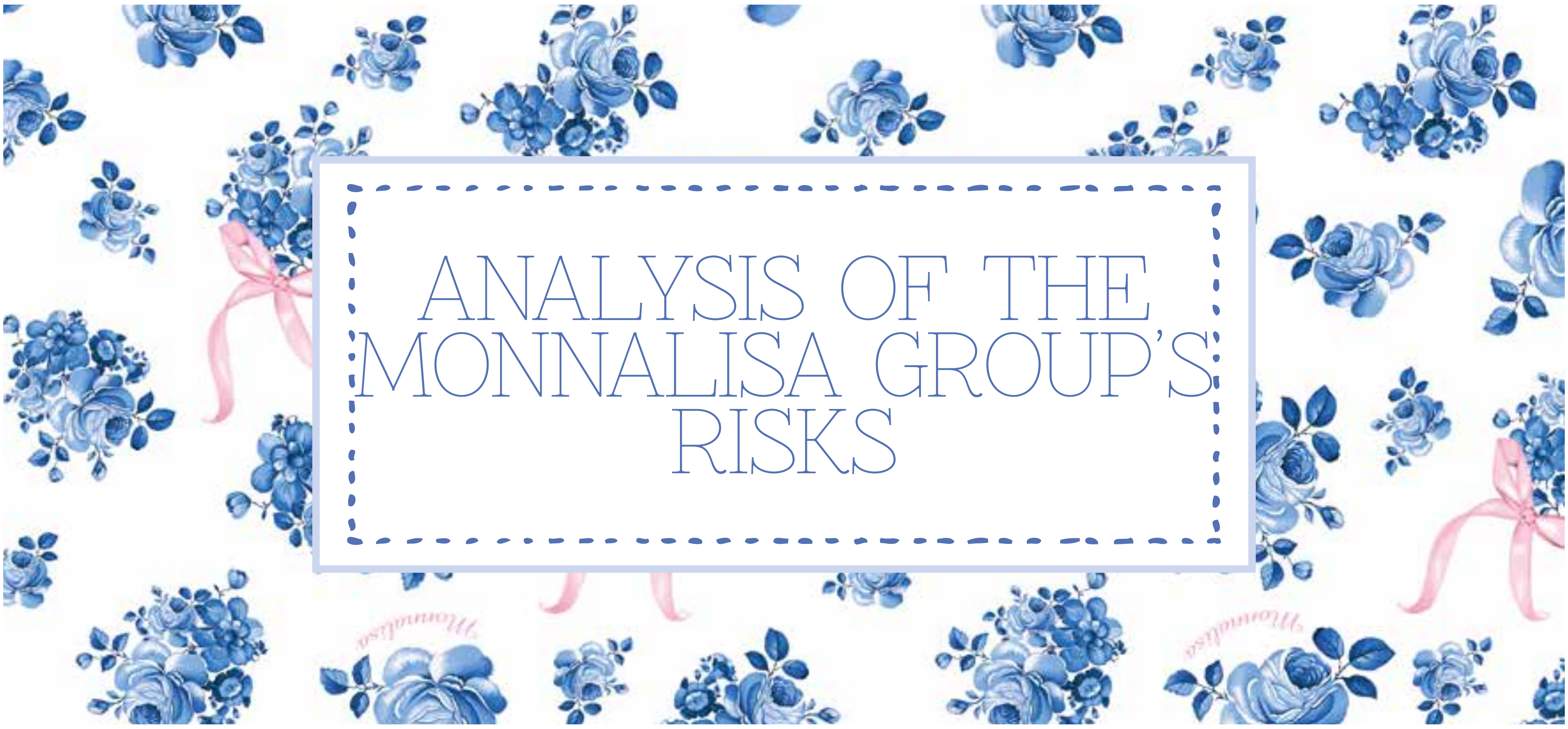
Table 3.10 Distribution of value added

	2016	%	2017	%	2018	%
Personnel Payments	**6,955,236**	**44%**	**7,510,138**	**44%**	**8,783,864**	**50%**
Employees	6,955,236		7,510,138		8,783,864	
a) direct remuneration and bonuses (including the employees at the Galeries Lafayette Corner, the employee at the P.R. office in Russia, at the showroom in Germany and UK, and at the Spanish branch)	4,879,054		5,296,427		6,076,575	
b) indirect remunerations	1,730,635		1,836,504		2,157,724	
c) reimbursement of expenses and safety expenses	152,857		153,623		154,317	
d) canteen expenses	93,581		109,267		123,414	
e) training	27,509		23,319		68,761	
f) welfare	71,600		90,998		203,073	
Payments to linked industries: subcontractors	**4,629,911**	**30%**	**5,089,993**	**30%**	**4,568,174**	**26%**
Cost for embroidery, printing, sewing, ironing and dyeing	4,629,911		5,089,993		4,568,174	
Payment to linked industries: agents and representatives	**1,240,903**	**8%**	**905,117**	**5%**	**627,773**	**4%**
a) direct remunerations	1,205,992		877,509		573,925	
b) indirect remunerations	34,911		27,608		53,848	
Payments to the Public Administration	**132,056**	**1%**	**177,160**	**1%**	**(81,524)**	**0%**
Direct Taxes	780,432		1,189,220		833,673	
Indirect Taxes	85,684		135,937		208,532	
Subsidies for the period	734,061		1,147,997		1,123,728	
Payment on credit capital	**164,926**	**1%**	**287,529**	**2%**	**262,191**	**2%**
Costs for short-term capital	155,357		248,602		215,611	
Costs for long-term capital	9,569		38,927		46,580	
Remuneration of risk capital	**0**	**0%**	**0**		**0**	
Dividends	0		0		0	
Company Remuneration	**2,495,978**	**16%**	**2,907,606**	**17%**	**3,290,556**	**19%**
Changes in provisions	2,495,978		2,907,606		3,290,556	
External Charity Donations	**11,325**	**0%**	**10,503**	**0%**	**10,500**	**0%**
GLOBAL NET ADDED VALUE	**15,630,335**	**100%**	**16,888,045**	**100%**	**17,461,534**	**100%**

MAP OF THE STAKEHOLDERS

and distribution of value added in 2018

The company distributes 76% of its wealth to its employees and contract manufacturers.



ANALYSIS OF THE MONNALISA GROUP'S RISKS

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 RISK

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 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.

Relations with financial institutions and ratings agencies

Debt is generally carried by the parent company only. Bank-company relations involve mortgage credit, foreign exchange hedging, factoring, collection and payment services, financing and credit facilities and documentary credits. Debt structure is well balanced between short- and long-term elements.

Table 3.11 EBITDA to financial charges at the level of the parent company

	EBITDA	Financial charges	EBITDA/financial charges
2016	4,840,279	164,926	29.34
2017	6,231,466	311,481	20.00
2018	6,307,630	299,286	21.07

The rating yielded by the simulation model based on the ratio of EBITDA to financial charges represents the sustainability of financial charges, viewed as the amount of the margin available to cover such charges.

Use of financial instruments

Derivative financial instruments are used to hedge the financial risks related to fluctuations in the exchange rate on commercial transactions in foreign currencies and to hedge the financial risks related to fluctuations in the variable interest rates associated with specific medium-to-long-term financing transactions. See the notes for further information.

Investments

Investments were made in the following areas during the year:

Fixed assets	Acquisitions in the year by the Parent Company	Acquisitions in the year by the Group
Start-up and expansion costs	1,336,196	1,341,562
Industrial patent rights	82,407	96,126
Other intangible assets	818,837	3,237,611
Land and buildings	2,292,580	2,292,580
Plant and machinery	721,178	833,765
Industrial and commercial equipment	12,154	334,027
Other assets	577,756	751,684
Work in progress & advance payments	0	64,871
TOTAL	**5,841,108**	**8,952,226**

Environmental information

The following information is provided in accordance with Art. 2428, paragraph 2, of the Italian Civil Code:

- no complaints regarding damages to the environment were filed during the year;
- no definitive fines or penalties for criminal offences or environmental damages were imposed;
- no violations of environmental protection legislation were alleged.

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

Disclosures on personnel relations

Further to that reported in the Explanatory Notes, we report:

- no employee deaths took place during the year;
- no serious workplace accidents of employees took place during the year involving serious injury;
- no issues in relation to workplace health matters concerning employees or ex-employees or misconduct against the company arose in the year;
- our company has implemented safety measures for its personnel in order to ensure compliance with the relevant legal requirements.

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.

Research and development

The following information is provided in accordance with Article 2428, paragraph 2, no. 1), of the Italian Civil Code:

- No research and development costs were capitalized during the year. It should be noted that the Company undertook research and development in the textile and apparel sector with a focus on advanced, innovative product and process technologies, as described in further detail elsewhere in the financial report,
- The costs relating to these activities have been expensed in full to the income statement,
- The total costs incurred for R&D activity in 2018 amounted to Euro 2,400,097.85,
- The total R&D tax credit pursuant to Ministerial Decree 174 of May 27, 2015 – accounted for as a grant towards operating expenses – amounted to Euro 1,079,564.22.

Drafting and/or updating of the Security and Privacy Protection Policy

Declaration in accordance with Legislative Decree 196 of June 30, 2003

Pursuant to Art. 29 of Annex B to Legislative Decree 196/03 on the processing of personal, sensitive and legal data within companies, as amended, it is reported that the Company has revised its Privacy Plan and its entire privacy management system, under a service agreement, together with the processing of specific databases.

Intra-group and related-party transactions

Transactions between the various companies take place at current market conditions. The content of the related-party transactions report for 2018 is broken down by company below:

- Jafin SpA: a financial vehicle that has issued a bond for which Monnalisa has subscribed
- PJ Srl: a real-estate company that leases the showroom, for business promotion purposes, and other premises used in production, and from which Monnalisa acquired a building used in its production process by exchanging it for a property not functional to its business
- Monnalisa Hong Kong Ltd: retail development in HK
- Monnalisa China Ltd: retail development in China
- Monnalisa Korea Ltd: retail development in South Korea
- Monnalisa Russia 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.

The following table presents the impact of the transactions undertaken during the year ended December 31, 2018 from the standpoint of operating result and financial performance.

Company	In-vestments	Trade Recei-vables	Other receivables	Trade payables	Other payables	Sales	Purchases
Jafin Due Spa		3,660				3,000	
Monnalisa China Ltd	4,800,000	2,444,362	-	86.603	900,000	289,539	17,936
ML Retail USA Inc.	591,156	777,712	3,004,851		-	726,430	
Monnalisa Rus Llc	136	655,878	-		-	2,633,763	
Monnalisa Brasil Ltda	500,036	166,655	700,000		-	148,404	
Monnalisa Korea Ltd	81,000.00	98,296	100,000		-	1,000	
Monnalisa HK Ltd	50,000.00	1,338,861	-	95,910	-	576,252	
Monnalisa Bebek Gygim Sanayi Ve Ticaret A.S.	1,215,434	-	-	-	400,105		
Jafin SpA		16,200	1,300,000	-	-	14,000	
Pj Srl		25,620	116,580	1,142	11,000	1,005,000	1,372,063
Monnalisa &Co. Srl		10,980	-	-	-	3,000	
Fondazione Monnalisa		156,754				-	-
DiDj srl				702	54,000		49,955
Hermes & Athena Consulting Srl		-		-	200,000	-	200,000
Arcangioli Consulting Srl		-	61,000	-		-	49,000
Arcangioli Pierangelo		-		-		-	95,776
Barbara Bertocci		-		-		-	104,000
TOTAL	**7,237,762**	**5,694,978**	**5,282,431**	**1,844**	**1,565,105**	**6,257,371**	**1,870,794**

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

Treasury shares and shares in parent companies

At year-end, the company did not hold any treasury shares.
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 shall be co-ordinated by an entrusted intermediary, who shall make 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.
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.

Subsequent events and outlook

The management team has been strengthened with the hiring of new key positions at the Group, particularly in the Retail area. A new retail manager with significant experience in worldwide retail was recruited. This position will be involved in optimising the performances of the 42 directly owned stores, identifying new opportunities to open on target markets and roll out the expansion strategy through directly owned boutiques.
With the entry of the new Retail Manager, the position of Digital Manager was defined with the responsibility to manage full time all Monnalisa digital operations, including direct and indirect e-commerce and omnichannel strategies worldwide.
A senior executive joined the Chinese subsidiary to manage retail operations at the local level, in order to ensure prompter and more immediate coverage of the market with the largest number of stores.
Industrial investments, funded by new own resources obtained from the AIM Italia market listing, continued according to the business plan. In particular, new direct sales points were opened at the Sawgrass Mills outlet in Miami and at the MIXC Shenzhen Mall in China.
A subsidiary was incorporated in the UK for the opening of a concession at Harrods. In April 2019, sales points shall be opened in Istanbul, at the new airport of Fidenza and in Barcelona at El Corte Ingles.
Investments were also agreed and under execution for the opening of a sales point in Recife (Brazil) and in Guam (United States).
Finally, a company is being incorporated in Taiwan for the opening of direct sales points on this market.
At the product level, research and selection of a new stylist for the menswear line began with the aim of increasing market share in this segment of the market as well. The roll-out of perfumes is continuing, together with the development of new products in the cosmetics line, to be launched in the coming months.
In logistics, plans call for continuing renovation of the warehouse, with the related revision of logistics processes and implementation of the warehouse management system software, along with the revision of production, logistics and administrative planning and management processes in order to permit deliveries from China to non-EU countries, so as to reduce the impact of customs duties and shipping and transit costs and times, as well as feasibility analyses of a transition in production and logistics management from a client model to a technical box model, inclusive of the implementation of an RFID system.
Other significant investments in 2019 will extend to technological innovation to improve the relationship with end clients, with the implementation of a new e-commerce platform and a customer relationship management system, with very significant expected results, above all in the coming years, in terms of retention and increased lifetime value of our clients.
In other technological developments, one important innovation project transversal to all functional areas is the adoption of a product lifecycle management (PLM) system aimed at increasing the efficiency of all processes relating primarily to the product.
Finally, another very significant strategic project focuses on the consumer experience, both in physical stores and online, with the aim of creating a unique experience that truly sets us apart from the competition. Its core principles are customer engagement, experience, entertainment, product customization and a multi-channel approach.

Local Units

The Company operates at the following locations, in addition to its registered office:

Arezzo, Via Madame Curie n. 7/G

Arezzo, Loc. Ponte alla Nave n. 8

Arezzo, Via Beniamino Franklin n.11-13

Arezzo, Civitella Val di Chiana, Via di Pescaiola n. 78

Arezzo, Civitella Val di Chiana, Via di Basserone n. 12/A

Arezzo, Via Fabroni n.15-27

Arezzo, Via Pasqui 23,25, 49, 43

Arezzo, Via Morse n.1

Arezzo, Via Puccini n.119

Florence, Via del Corso n. 66/R

Florence, Via degli Strozzi 22/R

Milan, Via della Spiga n. 52

Milan, Corso Buenos Aires n.1

Paris, Avenue de Wagram n.58

Naples, Via Toledo n.256

Naples, Piazza dei Martiri n. 52

Serravalle Scrivia (AL), Viale della Moda 1

Madrid, Calle Velasquez 20, 6 DC

Marcianise, Strada Provinciale 363

Moscow, Presnenskaya naberegnaya, 8 str.1, floor 2, office 44

Viernheim, Robert-Kochstrasse 10

Forte dei Marmi, Via Vittorio Veneto 4

Agira (EN), Località Mandre Bianche (Sicilia Outlet Village)

London - Logan Studios - Logan Place

Florence, Via del Termine 11

Rome - Via L.Luciani 1 P2 I5A

CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2018

INCOME STATEMENT	31.12.2018	31.12.2017
A) Value of Production		
1) Revenues from sales	49,129,438	47,011,251
2) Changes in inventories of work in progress, semi-finished goods and finished products	546,466	2,577,163
4) Capitalization of internal work	30,897	47,330
5) Other revenues and income	3,035,942	1,785,009
Total value of production	***52,742,743***	***51,420,752***
B) Costs of Production		
6) Raw materials, consumables and goods for resale	14,801,858	15,901,998
7) Services	16,153,629	16,187,247
8) Use of third-party assets	5,609,186	3,738,620
9) Personnel Costs		
a) Wages and salaries	8,068,473	6,485,165
b) Social security charges	1,874,913	1,692,279
c) Termination indemnities	281,358	239,083
d) Pensions and similar obligations	154,413	128,849
e) Other costs	235,075	176,149
Total personnel Costs	*10,614,232*	*8,721,525*
10) Amortization, depreciation and write-downs		
a) Amortization of intangible fixed assets	1,799,370	1,374,191
b) Depreciation of tangible fixed assets	1,281,960	883,919
d) Write-downs of receivables in current assets and cash and cash equivalents	121,897	506,762
Totale amortization, depreciation and write-downs	*3,203,226*	*2,764,873*
11) Change in inventory of raw, ancillary, consumable materials and goods	(391,431)	(328,311)
14) Other operating costs	611,198	373,997
Total production costs	***50,601,898***	***47,359,948***
Difference between value and production cost (A-B)	**2,140,845**	**4,060,804**
C) Financial income and expenses		
16) Other financial income:		
b) from securities classified as fixed assets	30,000	30,000
d) others	24,725	17,124
Totale financial income	*54,725*	*47,124*
17) Interests and other financial expenses		
- other	423,767	420,715
Total financial expenses	*423,767*	*420,715*
17-bis) Losses and gains on currency exchange	75,051	564,980
Total financial income and expenses	***(444,094)***	***(938,571)***
D) Value adjustments to financial assets		
18) Write-backs:		
d) financial derivative instruments	37,095	23,952
Totale write-backs	*37,095*	*23,952*
19) Write-downs:		
d) financial derivative instruments	21,767	625
Total write-downs	*21,767*	*625*
Total value adjustments to financial assets (D)	***15,328***	***23,327***
Profit/(Loss) before taxes (A-B±C±D)	**1,712,079**	**3,145,560**
a) Current taxes	784,743	1,323,934
b) Deferred taxes	(366,002)	(432,028)
Total Income, current, deferred taxes	*418,741*	*891,906*
21) Profit (loss) for the year	**1,293,338**	**2,253,654**
Profit (loss) attributable to the Group	1,291,853	2,248,215
Profit (loss) attributable to minority interests	1,486	5,439

ASSETS	31.12.2018	31.12.2017
A) Subscribed capital unpaid	**0**	**32**
B) Fixed Assets		
I - Intangibles Assets		
1) Start-up and expansion costs	1,074,411	
3) Industrial Patent and Intellectual Property Rights	153,444	185,987
4) Concessions, licences, trademarks and similar rights	-	1,134
5) Goodwill	2,145,599	697,953
6) Work in progress and advance payments	138,258	0
7) Other	1,916,097	1,646,670
Total Intangible assets	*5,427,809*	*2,531,744*
II - Tangible Assets		
1) Land and Buildings	11,100,937	3,309,586
2) Plants and equipment	4,186,066	750,665
3) Industrial and commercial equipment	315,309	240,034
4) Other Assets	2,469,890	2,248,172
5) Work in progress and advance payments	64,871	8,803,434
Total Tangible Assets	*18,137,073*	*15,351,891*
III - Financial Assets		
1) Equity investments in:		
D bis) other companies	8,624	8,624
Total Equity Investments	*8,624*	*8,624*
2) Receivables		
d bis) due from others		
within 12 months	959,567	257,500
3) Other Securities	1,200,000	1,200,000
Total Financial Assets	*2,168,191*	*1,466,124*
B) Total Fixed Assets	***25,733,073***	***19,349,759***
C) Current Assets		
I - Inventory		
1) Raw, supplies and consumable materials	2,414,560	2,023,132
2) Work in progress and semi-finished products	1,672,876	1,618,539
4) Finished products and goods	13,657,266	13,064,076
5) Advances	82,098	68,515
Total inventory	*17,826,800*	*16,774,262*
II - Receivables		
1) Due from customers		
- within 12 months	11,257,074	11,107,829
Total Due from customers	*11,257,074*	*11,107,829*
5-bis) Tax Receivables		
- within 12 months	3,735,433	4,314,994
Total Tax Receivables	*3,735,433*	*4,314,994*
5-ter) Deferred tax assets		
- within 12 months	1,604,390	593,029
Total Deferred tax assets	*1,604,390*	*593,029*
5-quater) Due from others		
- within 12 months	715,704	1,644,052
- beyond 12 months		119,593
Total Due from others	*715,704*	*1,763,645*
Total Receivables	*17,312,601*	*17,779,497*
III - Financial Assets (other than fixed assets)		
5) Derivative financial instrument assets	59,304	7,667
Total financial assets (other than fixed assets)	*59,304*	*7,667*
IV - Cash and cash equivalents		
1) Bank and postal deposits	13,518,370	2,746,976
3) Cash on hand	60,379	64,947
Total cash and cash equivalents	*13,578,750*	*2,811,923*
C) Total current assets	***48,777,455***	***37,373,349***
D) Accrued income and prepaid expenses		
Prepaid expenses	373,478	133,554
D) Total accrued income and prepaid expenses	***373,478***	***133,554***
TOTAL ASSETS	**74,884,006**	**56,856,694**

LIABILITIES AND SHAREHOLDERS' EQUITY	31.12.2018	31.12.2017
A) Shareholders' Equity		
I Share capital	10,000,000	2,064,000
II - Share premium reserve	9,063,125	-
III Revaluation reserve	2,959,446	2,959,446
IV Legal reserve	943,276	943,276
VI - Other reserves, indicated separately		
Translation differences	(717,937)	(554,920)
Other reserves	51,576	51,576
Total other reserves	*(666,360)*	*(503,344)*
VII - Cash flow hedge reserve	44,459	(23,275)
VIII Profit (loss) carried forward	23,751,400	21,504,228
IX Profit (loss) for the period	1,291,853	2,248,215
Total Group Shareholder's Equity	***47,387,198***	***29,192,546***
Minority Shareholder's Equity		
Third Party capital and reserves	8,999	5,252
Profit (loss) attributable to minority interests	1,486	5,439
Total Minority Shareholder's Equity	*10,485*	*10,691*
Total Shareholder's Equity	***47,397,683***	***29,203,237***
B) Provisions for risks and charges		
1) Provisions for pensions or similar obligations	54,257	59,621
2) Provisions for taxes, including deferred	256,843	58,658
3) Derivative financial instrument liabilities	-	38,292
4) Other	420,855	372,855
Total provisions for risks and charges	***731,955***	***529,426***
C) Employee termination indemnities	**1,607,423**	**1,426,921**
D) Payables		
4) Payables due to banks		
- within 12 months	5,733,506	8,278,706
- beyond 12 months	7,779,400	4,199,011
Total payables due to banks	*13,512,906*	*12,477,717*
5) Payable due to other financial institutions		
- within 12 months	11,865	-
Total payable due to other financial institutions	*11,865*	-
6) Advances		
- within 12 months	1,324,853	1,405,190
Total advances	*1,324,853*	*1,405,190*
7) Trade payables		
- within 12 months	7,758,687	9,546,033
Totale trade payables	*7,758,687*	*9,546,033*
12) Tax payables		
- within 12 months	425,632	583,226
Total tax payables	*425,632*	*583,226*
13) Payables to pension funds and social security agencies		
- within 12 months	492,303	395,378
Total payables to pension funds and social security funds	*492,303*	*395,378*
14) Other payables		
- within 12 months	1,400,026	1,169,914
- beyond 12 months	87,804	87,804
Total other payables	*1,487,829*	*1,257,718*
Total payables	***25,014,074***	***25,665,262***
E) Accrued liabilities and deferred income		
Accrued liabilities	132,871	31,848
Total accrued liabilities and deferred income	***132,871***	***31,848***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**74,884,006**	**56,856,694**

CONSOLIDATED CASH FLOW STATEMENT

INDIRECT METHOD AT 31/12/2018

CASH FLOW STATEMENT CASH AND CASH EQUIVALENTS	31/12/2018	31/12/2017
A) Cash flow from operating activities (indirect method)		
Profit for the year	1,293,338	2,253,654
Income tax	418,741	967,845
Interest expenses/(income)	369,043	373,591
(Dividends)	-	-
(Gains)/losses on asset disposals	(847,962)	(32,945)
1) Profit for the year before taxes, interest, dividends and capital gains/ losses on disposals	**1,233,160**	**3,562,145**
Non-cash adjustments not impacting working capital		
Provisions	326,897	286,696
Amortisation & depreciation	3,081,330	2,258,110
Impairments	-	-
Adjustments to non-cash financial instrument assets and liabilities	(13,236)	(23,328)
Other non-cash increases/(decreases)	-	-
Non-cash adjustments not impacting working capital	**3,394,991**	**2,521,478**
2) Cash flow before working capital changes	**4,628,151**	**6,083,624**
Change in net working capital		
Decrease/(Increase) in inventories	(1,052,539)	(2,810,866)
Decrease/(Increase) in trade receivables	(149,245)	(634,263)
Increase/(Decrease) in trade payables	(1,787,346)	(550,169)
Decrease/(Increase) in accrued income and prepaid expenses	(254,299)	(29,357)
Increase/(Decrease) in accrued liabilities and deferred income	101,023	6,848
Other Decreases/(Other Increases) in net working capital	1,864,756	(1,615,970)
Total changes in net working capital	**(1,277,649)**	**(5,633,777)**
3) Cash flow after net working capital changes	**3,350,502**	**449,846**
Other adjustments		
Interest received/(paid)	(369,043)	(373,591)
(Income taxes paid)	(1,271,802)	(750,640)
Dividends received	-	-
(Utilisation of provisions)	(148,818)	(168,128)
Other receipts/(payments)	(65,751)	(611,802)
Total other adjustments	**(1,855,414)**	**(1,904,161)**

CASH FLOW FROM OPERATING ACTIVITIES (A)	**1,495,088**	**(1,454,315)**
Tangible fixed assets	(4,067,141)	(2,879,030)
(Investments)	(4,249,867)	(2,911,975)
Divestments	182,726	32,945
Intangible fixed assets	(4,695,436)	(1,796,355)
(Investments)	(4,695,436)	(1,796,355)
Divestments	-	-
Financial fixed assets	-	(200,000)
(Investments)	-	(200,000)
Divestments	-	-
Current financial assets	-	-
(Investments)	-	-
Divestments	-	-
CASH FLOW FROM INVESTING ACTIVITIES (B)	**(8,762,577)**	**(4,875,386)**
Third party funds		
Increase/(Decrease) in short-term bank payables	(2,376,209)	1,770,025
New loans	6,740,113	3,358,512
(Repayment of loans)	(3,328,717)	-
Own funds	**-**	
Paid-in share capital increase	16,999,125	-
(Repayment of share capital)	-	-
Disposal/(Acquisition) of treasury shares	-	-
(Dividends and advances on dividends paid)	-	-
CASH FLOW FROM FINANCING ACTIVITIES (C)	**18,034,312**	**5,128,537**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C)	**10,766,823**	**(1,201,165)**
Opening cash and cash equivalents	**2,811,923**	**4,013,087**
of which:		
bank and postal deposits	2,746,976	3,976,409
Cheques	-	-
Cash on hand	64,947	36,678
Closing cash and cash equivalents	**13,578,750**	**2,811,923**
of which:		
bank and postal deposits	13,518,370	2,746,976
Cheques	-	-
Cash on hand	60,379	64,947

Notes to the consolidated financial statements

at 31/12/2018

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. The principles of Italian GAAP (set by the Italian Accounting Standard-Setter OIC) have been applied.

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.

No items of the balance sheet or income statement have been merged, and the financial statements for the reporting year are comparable with those for the previous year. As per Article 2424 there are no asset or liability items that could be classified in more than one account.

Consolidation scope and methods

The consolidated financial statements are based on the financial statements of Monnalisa S.p.A. 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	HK	HKD	427,565	Monnalisa SPA	100%	100%
Monnalisa Korea Ltd	Seoul (Korea)	WON	100,000,000	Monnalisa SPA	100%	100%
Monnalisa Rus OOO	Moscow (Russia)	RUR	10,000	Monnalisa SPA; Jafin SPA	99%	100%
ML Retail Usa Inc	Houston Texas (USA)	USD	644,573	Monnalisa SPA	100%	100%
Monnalisa BEBEK GİYİM SANAYİ VE TİCARET A.Ş.	Istanbul (Turkey)	TRY	7,450,000	Monnalisa SPA	100%	100%

The details of the subsidiary companies are set out below:

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, one of which was opened in the first half of 2018, based in Sogo Causeway Bay;

Monnalisa Rus LIC

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. In 2018 two new stores were opened in Moscow, thus bringing the number of direct stores to four;

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 2018 a capital increase of Euro 1,500,000 was undertaken in accordance with this development approach. Three low-traffic stores (Yintasi, Grand Gateway and Scitech) were closed in 2018 and five new store between DOS and DOO were opened;

ML Retail Usa, Inc.

incorporated on September 22, 2016, wholly-owned by Monnalisa S.p.A., managing retail operations in Miami and at the nine sales points in New York and Los Angeles, acquired in 2018. It was decided to provide the subsidiary with an additional interest-bearing loan in 2018 totalling USD 1,500,000. In 2018 a new store in Philadelphia (King of Prussia) was opened;

Monnalisa Korea Ltd

incorporated in December 2016, wholly-owned by Monnalisa S.p.A. This company was established to operate on the Korean retail market and improve operating efficiency;

Monnalisa Brazil Participasoes Ltda

incorporated on December 22, 2016 to manage retail market operations in Brazil through two sales points at San Paolo and Belo Horizonte, the latter opened during the year. The subsidiary is held 99%;

Monnalisa BEBEK GİYİM SANAYİ VE TİCARET A.Ş.

incorporated on December 11, 2018, based in Turkey and fully owned by Monnalisa S.p.A., intended to develop the local retail market.

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	Exchange rates as at 31/12/2018	Exchange rates Average 2018
US Dollar	1,145	1,1815
Chinese Yuan	7,8751	7,8074
Hong Kong Dollar	8,9675	9,2599
Southkorean Won	1277,93	1299,25
Russian Ruble	79,7153	74,0551
Brasilian Real	4,444	4,3087
Turkish lira	6,0588	5,6986

Accounting policies

The accounting policies for the consolidated financial statements at 31/12/2018 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 main recognition and measurement policies adopted in the preparation of the financial statements are illustrated below.

Fixed assets
They include intangible assets, property, plant and equipment and financial assets intended for long-term use within the company.

Intangible assets
Intangible assets consist of expenditures with a useful life of multiple years, associated with future benefits ensuring that they are recoverable. They are recognized at purchase price, inclusive of the ancillary costs directly attributable to the asset. Financial charges and other costs not specifically attributable to the intangible assets are not included.The carrying amount of intangible assets may also include any revaluations undertaken in accordance with specific provisions of law.
The costs thus recognized are stated net of the related amortization charges, systematically allocated on the basis of the useful lives of the assets concerned as initially estimated and periodically verified.
In detail:

- Start-up and expansion costs have been amortized over a period of five years, in consideration of their long-term utility.
- The costs of the use of intellectual property (software) have been amortized over a period of five years, in consideration of their long-term utility.
- The costs of acquiring, registering and protecting trademarks have been amortized on the basis of their future utility, estimated at ten years.
- Goodwill has been recognized with the consent of the Board of Statutory Auditors at the cost incurred to acquire certain retail companies. It was decided to estimate the useful life of goodwill at ten years, on the basis of the sector, the related image factor and the specific operational conditions of the acquirees.
- Other intangible assets primarily include improvements to third-party assets, amortized on the basis of the residual useful lives of the assets, and sample garments, relating to previous seasons, obtained through a merger undertaken by the Parent Company in 2015. Similarly to the approach taken to goodwill, they have been amortized according to their useful lives, estimated at ten years.
- Research and development costs are fully expensed to the income statement in the year incurred

At each reporting date, the company assesses whether indicators suggest that a fixed asset may have been impaired. Where such indicators exist, the company estimates the recoverable value of the asset (higher between value in use and fair value) and records a write-down where this is lower that the corresponding net book value. In the absence of indicators of potential losses in value it is not necessary to determine the recoverable value. Their original value is recovered, except for goodwill and capitalized expenses, when it is believed that the rationale for the previous impairment loss has ceased to apply, adjusted for the amortization charges not recognized due to impairment. The amortisation, depreciation and write-down methods adopted are described in the present notes.

Property, plant & equipment
Property, plant and equipment, which are tangible assets with useful lives of multiple years from which future benefits are expected to flow, ensuring that they may be recovered, are recognized at purchase cost, inclusive of directly attributable ancillary costs, net of presumed realizable value and less the relevant accumulated depreciation.
Financial charges and other costs not specifically attributable to the assets are not included. The amount stated in the financial statements includes ancillary costs and costs incurred for the use of the asset, reducing the cost for significant commercial and cash discounts.
There are no internally constructed assets.
Depreciation recorded in the income statement has been calculated on a straight-line basis in consideration of the use, intended purpose and economic-technical duration, on the basis of the residual possible useful life and in accordance with the actual use of the asset.
The depreciation schedule is periodically reviewed to verify whether there have been changes requiring a modification of the estimates adopted in determining residual useful life.
The depreciation applied coincides with the application of the maximum depreciation rates set out in the Ministerial Decree of December 31, 1988, to be regarded as representative of the period of normal use of the assets in the specific business sector concerned.
The rates applied, reduced by half in the year of entry into service of the asset, are as follows:

Category	%
Industrial Buildings	3%
Machines,tools,plants	12,5%
Cutting Machines and Automatic Machines	17,5%
Furniture and office equipments	12%
Electro-mechanical and electronic office machines	20%
Goods transportation vehicles	20%
Equipments	25%
Cars	25%
Photovoltaic System	9%

Incremental costs are only included in the acquisition cost where there is a real and measurable increase in the productivity or useful life of the assets and are depreciated according to their residual utilization. Any other cost concerning these assets is fully recognised to the Income Statement.
At each reporting date, the company assesses whether indicators suggest that a fixed asset may have been impaired. Where such indicators exist, the company estimates the recoverable value of the asset (higher between value in use and fair value) and records a write-down where this is lower that the corresponding net book value. In the absence of indicators of potential losses in value it is not necessary to determine the recoverable value. If and to the extent in subsequent years the reasons for the write-down no longer exist, the original value is restored, adjusted solely for the depreciation not recognized in view of the write-down.
Since the requirements had not been met, no write-downs were applied to either property, plant and equipment or intangible assets as a result of a reduced ability to generate future economic benefits, their expected useful lives or market values.
There are no assets payment for which has been deferred beyond normal market conditions.
No assets were discretionarily or voluntarily revalued and the asset values were determined objectively on the basis of their use.

Financial assets
Equity investments classified as financial fixed assets are carried at purchase cost less any impairment losses, where present.
The carrying amount of equity investments is tested for impairment on the basis of reasonable expectations of use and recoverability in future years. Specific impairment losses are recognized to adjust the book value of such equity investments. If the impairment of an equity investment exceeds its carrying amount, it is written off and the adjustment is taken to the income statement as an impairment loss. Such impairment losses may be reversed in subsequent years if the rationale for recognizing them ceases to apply. In the year in which the rationale for the impairment losses recognized ceases to apply, financial fixed assets are reversed through the income statement, up to their original value.
Receivables are classified as financial fixed assets or to a specific caption of working capital by type.
Receivables classified under financial assets are recognised according to their realisable value, therefore the method adopted is the same as that utilised for current receivables. This account also includes receivables for deposits.
In accordance with Italian GAAP standard OIC 20, it was decided to elect not to apply the amortized cost method to securities recognized before the financial year beginning January 1, 2016. Accordingly, such securities have been recorded at subscription cost, inclusive of directly attributable ancillary costs. They have not become impaired, nor have they undergone any reversals of impairment losses. No securities held as fixed assets have been reclassified; the Company regards such securities as long-term investments.

Capital grants
No capital grants were disbursed to the Company in 2018.

Finance leases
The Group did not have any finance lease transactions in place at December 31, 2018.

Inventory
Raw, supplies and consumable materials are stated at the lower of purchase cost, plus ancillary costs, and measured according to the LIFO method and their presumed realizable value. The value ascribed to the above categories does not differ significantly from the value that would result from using current costs or replacement cost at the reporting date.
Work in progress, semi-finished and finished goods are measured at the lesser of the production cost and their presumed realizable values, represented by the best estimate of the net price of sale that may be obtained. Production cost has been determined by including all costs directly attributable to the products, having regard to the phase reached in the production process.
As in previous seasons, this caption is inclusive of sample garments existing as at the reporting date, measured at the lesser of the production cost incurred and net realizable value.
The value of inventories thus obtained is written down to reflect the obsolescence of the goods, in addition to the effective possibility of sale on the base of their movement.

Inventories are written back in the period in which the reasons for the previous write-down no longer apply within the limits of the original cost incurred.
Internal profits on products sold to group companies in stock at the reporting date have been eliminated as unearned and the resulting deferred tax assets recognized.
The accounting policies adopted are unchanged from the previous year.

Receivables
Receivables are classified to financial fixed assets or a specific caption of working capital by type and are recognized at their nominal value.
In accordance with Italian GAAP standard OIC 15, it should be noted that the amortized cost criterion has not been applied to receivables recognized prior to the year beginning on January 1, 2016, nor has it been applied to receivables arising after that date, since the effects are immaterial to the presentation of a true and fair view.
The accounting policies adopted by the Company are as follows:

- receivables with maturity of less than 12 months are not discounted;
- receivables are not discounted where the effective interest rate does not differ significantly from the market interest rate;
- the amortized cost method is not applied where the transaction costs, commissions and any other difference between the initial value and the value on maturity are insignificant.

Receivables relating to revenues for the sale of goods or provision of services are recognized when the production process for the goods and services has been completed and ownership has been transferred in substantial and not merely formal terms.
Receivables arising from other circumstances are only recognized where there is legal title to collect them.
Receivables are written down to their presumed realizable value by recognizing a specific "write-down provision" accounted for as a direct reduction in their amount, based on an analysis of the individual positions and the total risk associated with all receivables, i.e. covering losses in both situations of default that have already become evident but are not yet definitive and situations that have not yet become evident but that experience and knowledge of the sector in which the Company operates lead to believe are inherent in the accounting balances.
Receivables are only derecognized when the contractual rights to the cash flows are extinguished or where ownership of the receivables has been transferred along with essentially all risks associated with them.

Prepaid expenses and accrued income and accrued liabilities and deferred income
These are recorded according to the accruals concept.
Prepaid expenses and accrued income include income accrued during the year but due in future periods and costs set to accrue in one or more future periods but paid during the year, whereas accrued liabilities and deferred income include costs accrued during the year due in future periods and income received during the year but set to accrue in one or more future periods.
The conditions which determined the original recording of long-term accruals and deferrals are verified, adopting appropriate changes where necessary.
These accounts include only costs and income, common to two or more periods, whose amount varies on the basis of the time period. Balances are updated at the end of each year, when account is taken not only of the passage of time but also of their recoverability, and the necessary impairment losses are recognized, where deemed necessary.

Provisions for risks & charges
The item includes liabilities the nature of which is known and the existence of which is certain or probable, but the date of occurrence and amount of which cannot be determined.
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.
In particular, liabilities the nature of which is known and the existence of which is probable, but the values of which are estimated, are accounted for by recognizing provisions for risks, whereas liabilities the nature of which is known and the existence of which is certain, but the amount and date of occurrence of which are estimated, are accounted for by recognizing provisions for charges. Provisions for risks thus refer to contingent liabilities related to situations existing at the reporting date, although subject to a degree of uncertainty based on the possible occurrence of one or more future events, whereas provisions for charges refer to obligations already entered into at the reporting date, but that will be settled in future periods.
They are recognized on an accrual basis, when the liabilities are deemed probable and the amount of the relevant charge may be reasonably estimated, applying appropriate adjustments in future periods in the light of the new information obtained.
Estimates reflect all information and elements of cost that may be known and determined at the reporting date, even where ascertained thereafter, but before the date of preparation of this document. When estimating provisions for charges, where it is possible to arrive at a reasonably reliable estimate of the outlay and its date of occurrence, and it is so remote in time as to render it significantly different from the present value of the obligation, the time value of money may be taken into account.

This item of the balance sheet also includes provisions for deferred taxes, the measurement of which is described in the specific paragraph below "Income taxes and deferred tax assets and liabilities".

Employee termination indemnities
This provision represents the Company's actual liability at December 31, 2018 towards employees in service at that date, less any advances paid in accordance with applicable law and labour agreements, taking into account all forms of remuneration of an ongoing nature, less advances disbursed, and is equal to the sum that would have been due to the employees had their employment been severed on the date concerned.
The provision does not include indemnities matured from January 1, 2007, allocated to supplementary pensions as per Legislative Decree No. 252 of December 5, 2005 (or transferred to the INPS treasury fund). The provision is the total of the individual indemnities until December 2006 accruing in favour of employees at the balance sheet date, net of advances paid.
Employee termination indemnities with payment due before December 31, 2018 or by the following year were recorded to the account D.14 of the balance sheet under other payables.
The applicable labour agreement provides that workers with at least eight years' seniority of service may apply to their employer for an advance not to exceed 70% of the benefits to which they would be entitled in the event of severance of employment on the requested date. Such requests are contingent on the employee being required to incur significant expenses for healthcare, the purchase of a first home or themselves or their children, expenses relating to maternity leave or education.

Payables
The amortised cost criterion was not applied as the effects are irrelevant for the presentation of a true and fair view.
Payables set to come due within 12 months, and/or for which the effect of discounting is immaterial, are not discounted. Accordingly, payables are stated at their nominal value.

Revenue and costs
They are recognized net of returns, unconditional discounts, allowances and bonuses and are classified to the items of the income statement pursuant to Art. 2425 of the Italian Civil Code by nature.
They are recognized when the production process for the goods has been completed and ownership has been transferred in substantial and not only formal terms, which normally occurs when moveable property is delivered or dispatched or when the contract is executed for immoveable property, using the substantial transfer of the risks and benefits as the criterion for substantial transfer of ownership.
Revenues of a financial nature and revenues from services are recognised on an accruals basis.
The income and charges relating to sales operations with obligation of the return of goods, comprising the difference between the forward price and the spot price, are recorded according to the accruals principle.
Costs are always recognized in accordance with the principle of correlation with revenues for the year.
Where it is likely that contingent assets or profits will arise, they are not recognized, in accordance with the prudence principle. Rather, the necessary information is disclosed in this document.
Product returns are recognized in the year in which the goods are returned by the customer. On a prudential basis, it was decided to set aside Euro 48,000 to the provision for returned goods in connection with sales transacted in 2018.
Raw materials, ancillary, consumables and goods include ancillary acquisition costs (transport, insurance, etc.) where the supplier has included such in the purchase price, otherwise they are recorded separately under service costs based on their nature. Costs include not only those of a certain amount, but also those not yet documented for which transfer of ownership has already taken place or the service has already been received.
In accordance with the prudence principle, contingent assets or profits are not recognized. Rather, the necessary information is disclosed in this document.

Income taxes and deferred tax assets and liabilities
Income taxes are recorded in accordance with the accruals principle; therefore, they include:

- the provisions for taxes paid or to be paid for the year, in accordance with the income tax rates and regulations in force;
- the amount of deferred tax income and charges in relation to timing differences arising and reversed in the year.

Deferred tax assets and liabilities arise from timing differences between the carrying amount of assets and liabilities determined in accordance with the financial reporting criteria set out by the Italian civil code and their tax base.
The tax liability is shown under "Tax payables" net of advances, taxes withheld by third parties and tax credits.
Deferred tax assets are recognized (and continue to be carried) if, and only if, it is reasonably certain that they will be recovered in full based on the Company's future taxable income. Where they are impaired, their values are recovered in future years to the extent it has become reasonably certain that they will be recovered.

Deferred tax liabilities are recognized only to the extent that it cannot be proved that it is unlikely that they will need to be discharged.

Transactions, assets and liabilities in foreign currencies
Revenues and costs relating to transactions in foreign currency are recognized at the current exchange rate (known as the "spot exchange rate") on the date on which the transaction concerned is executed (in the terms previously indicated), and the corresponding items of the balance sheet, typically receivables and payables, are also recognized at this same exchange rate.
Measurement differs for monetary assets and liabilities (which entail the right to collect, or the obligation to pay, amounts in a foreign currency) and non-monetary assets and liabilities (which do not entail such rights and obligations). The former includes, for example, receivables, payables, accruals and deferrals, cash and cash equivalents and debt securities, whereas the latter include intangible assets and property, plant and equipment that give rise to cash flows in foreign currency, equity investments and securities denominated in foreign currency, advances paid or received, and accruals and deferrals relating to transactions denominated in foreign currency.
Non-monetary assets and liabilities not yet settled at year-end are recognized at the spot exchange rate at the reporting date, measured according to the procedures established within the framework of the European System of Central Banks Current and published by the Bank of Italy in the Official Journal of the Italian Republic. Gains and losses on translation are recognized to the account "Exchange gains and losses" of the income statement.
However, non-monetary assets and liabilities in foreign currencies are recorded at the exchange rate at the moment of their purchase or at a lower rate at the year-end if the negative changes have resulted in a permanent impairment in the value.

If exchange rates perform unfavourably after the reporting date but before the date of preparation of the financial statements, they are disclosed in the notes where they entail material effects on the accounts.

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 or for the hedging of interest rate risk in the case of medium/long-term debt.
They have been accounted for according to the hedge accounting approach in as much as:

- the hedging instrument is formally designated and documented at the start of hedging;
- the hedge is expected to be highly effective;
- such efficacy can be reliably measured;
- the hedge is highly effective during the various accounting periods for which it is designated.

All derivative financial instruments are measured at fair value.
Given that the derivative financial instrument is designated as a hedge to the exposure of the changes in the cash flows of an asset or liability recorded in the financial statements or of an operation considered highly probable and which may have effects on the income statement, the effective portion of the profits or of the losses of the financial instrument is recognised under equity; the cumulative profits or losses are reversed from equity and recognised to the income statement in the same period in which the operation subject to hedging influences the income statement; the profit or loss related to a hedge or the part of the hedge becoming ineffective is recognised to the income statement when such inefficacy is recognised.
If hedge accounting cannot be applied, gains or losses deriving from the fair value of the financial derivative instrument are recognised directly in the income statement.
Derivative financial instruments, even if embedded in other financial instruments, are initially recognised when the associated rights and obligations are acquired; they are measured at fair value both at the initial recognition date and at each reporting date. The changes in the fair value compared to the previous year are recorded in the income statement, or if the instrument hedges the risk of changes in expected future cash flows of another financial instrument or scheduled operation, directly to a positive or negative equity reserve.
Derivative financial instruments with a positive fair value are recorded in the balance sheet as assets. Their classification in fixed or current assets depends on the nature of the instrument itself:

- a derivative financial instrument designated as a hedge for cash flows or the fair value of an asset follows the classification of the hedged asset under current or fixed assets;
- a derivative financial instrument designated as a hedge for cash flows and the fair value of a liability, a firm commitment or a highly probable scheduled transaction, is classified under current assets;
- a non-hedging derivative financial instrument is classified under current assets.

The cash flow hedge reserve includes the changes in the fair value of the effective component of derivative financial instruments used for cash flow hedging purposes.
Derivative financial instruments with negative fair value were recorded in the balance sheet under provisions for risks and charges.

Guarantees, commitments and contingent liabilities
At the end of the year there were no debts secured by collateral on corporate assets (article 2427, first paragraph, no. 6, Civil Code) with the exception of the real estate loan signed on December 27, 2018 with Unicredit SpA for an amount of 5,000,000 euros, guaranteed by a mortgage guarantee on the property located in Arezzo in V. Madame Curie 7 / G.

Workforce
The workforce by category of the fully consolidated companies is presented below.

Workforce	31/12/2018	31/12/2017	Changes
Executives	1	0	1
Managers	8	6	2
White-collar	268	220	48
Blue-collar	37	38	(1)
Total	**314**	**264**	**50**

Notes to the income statement

Revenues by segment
A breakdown follows:

Description	31/12/2018	31/12/2017	Variazioni
Sales of goods	101,280	76,241	25,039
Sales of products	49,028,158	46,935,010	2,093,148
Total	**49,129,438**	**47,011,251**	**2,118,187**

As specified in greater detail in the Report on operations, to which reference should be made, revenue growth continued during the year, primarily in the retail and B2C area.

Revenues by geographical area
A breakdown of revenues by geographical area is provided below:

Area	31/12/2018
Italy	16,876,298
EU	12,255,693
Rest of the word	19,997,446
Total	**49,129,438**

See the Report on operations for further details of the composition of this item.

One-off revenues
Other revenues, presented in account A 5), amounting to Euro 3,035,942, comprised for Euro 1,079,564 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.
The item also includes other revenues of Euro 847,962, consisting of the capital gain realized on the exchange transaction described below.

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)
Pursuant to Art. 1, paragraph 125 of Law No. 124 of August 4, 2017, in fulfilment of disclosure obligations, grants received are set out below in table form on an accrual basis:

Grantor	Grant amount	Purpose
GSE SPA	€ 20,449.02	Photovoltaic incentive
Sviluppo Toscana S.p.A.	€ 15,314.48	Business internationalization

Costs of production
A breakdown follows

Description	31/12/2018	31/12/2017	Changes
Raw materials, consumables and goods	14,801,858	15,901,998	(1,100,140)
Services	16,153,629	16,187,247	(33,618)
Use of third-party assets	5,609,186	3,738,620	1,870,566
Personnel costs	10,614,232	8,721,525	1,892,707
Amortisation	1,799,370	1,374,191	425,179
Depreciation	1,281,960	883,919	398,041
Write-downs of current receivables	121,897	506,762	(384,865)
Change in inventories of raw materials	(391,431)	(328,311)	(63,120)
Other operating costs	611,198	373,997	237,201
Total	**50,601,899**	**47,359,948**	**3,241,951**

The following should be noted with regard to the individual cost items:

Costs for raw materials, ancillaries, consumables and goods
These are strictly correlated to the comments in the Report on operations and the description of point A (Value of production) of the Income Statement and are recognised according to the revenue matching principle.
This item includes the costs required to produce the goods involved in core business activity.
The costs of purchasing goods are taken to the income statement when the goods are delivered. Revenues and income, and costs and charges are recorded net of returns, discounts, rebates and premiums.

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	31/12/2018	31/12/2017	Changes
Production services costs	4,568,174	5,089,993	(521,819)
Independent auditors', Board of Statutory Auditors' and Board of Directors' emoluments	648,939	505,200	143,739
Cleaning and security	204,409	180,636	23,772
Maintenance	484,444	455,562	28,882
Transport	3,472,944	2,995,516	477,428
Utilities	374,882	276,793	98,089
Travel and transfer	336,471	319,205	17,266
Marketing	748,593	566,955	181,638
Canteen	123,414	109,267	14,147
Exhibits, fairs and fashion shows	493,171	441,871	51,300
Technical, administrative, indus. and commercial consultancy	2,826,151	3,405,436	(579,285)
Training courses	65,598	21,561	44,037
Agent cost	682,248	905,117	(222,869)
POA Commissions	390,362	313,217	77,146
Insurance	189,034	116,517	72,517
General services	544,795	484,401	60,394
Total	**16,153,629**	**16,187,247**	**(33,618)**

In further detail, service costs primarily include:

- Façon costs (sewing, ironing, embroidery, printing & other services),
- costs of agents and representatives;
- national and local advertising,
- national and local fashion shows and events,
- costs of non-financial banking services.
- technical, industrial, administrative and commercial consultancy.

This item also includes the agents' indemnity provision (FIRR and supplementary indemnity) and the provisions for termination of coordinated ongoing self-employment contracts.

Use of third-party assets
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	31/12/2018	31/12/2017	Changes
Royalty costs	731,709	424,510	307,199
Rental costs	4,594,954	3,082,970	1,511,984
Hire costs	282,523	231,140	51,383
Total	**5,609,186**	**3,738,620**	**1,870,566**

The account includes costs incurred for cartoon character royalties, property lease charges and other condominium expenses.
The increase in rent was the direct result of the investments undertaken in 2018. In detail, the following locations were opened during the year:
- 3 new DOS in USA (New York, Beverly Hills, Philadelphia),
- 1 new DOS in Hong Kong (Hong Kong),
- 2 new DOS in Russia (Moscow),
- 4 new DOS in China (Xian, Shenzhen, Whuan, Chongqing) and 1 new DOO (Tianjin),
- 1 new DOS in Brazil (Belo Horizonte),
- 2 new DOO respectively in Italy (Marcianise) and UK (Bicester).

In addition, the Florence store was relocated to Via Strozzi.

Personnel costs
The personnel costs incurred during the year amounted to Euro 10,604,232, an increase of Euro 1,892,707 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.

Amortisation and depreciation/write-downs
Depreciation and amortisation were calculated according to the useful life of the assets and their utilisation in production, while the account B10 d) includes write-downs of trade receivables recorded under current assets.

Other operating charges
This account amounting to Euro 611,198 includes all operating costs not recognised to the other accounts of section b) of the income statement and ancillary 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 295,090,
- Miscellaneous administrative expenses for Euro 15,735,
- Newspaper & magazine subscriptions for Euro 3,312,
- Charitable donations for Euro 10,500.

Financial income and charges
The figure for the year includes financial income of Euro 54,725, interest expense and other financial charges of Euro 423,767 and foreign exchange losses of Euro 75,051, with the following changes compared to the previous year:

Description	31/12/2018	31/12/2017	Changes
Interest income	54,725	47,124	7,600
Financial charges	(195,084)	(180,778)	(14,306)
Interest charges	(228,683)	(239,937)	11,254
Exchange gains	523,889	130,127	393,762
Exchange losses	(598,940)	(695,107)	96,168
Total	**(444,094)**	**(938,571)**	**494,478**

One-off costs
There were no one-off exceptional costs requiring disclosure herein.

Income taxes for the year
Current taxes have been calculated on the basis of taxable profit taking account of the changes in the tax code applied by current legislation:

Description	31/12/2018	31/12/2017	Changes
Current taxes	784,743	1,323,934	(539,191)
Deferred tax charges/(income)	(366,002)	(432,028)	66,026
Total	**418,741**	**891,906**	**(473,165)**

Deferred tax charges/(income)
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 years 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	31/12/2018	31/12/2017
Amortisation of brands	347	477
Amortisation of goodwill	(24,501)	(13,166)
Risks provision	(13,392)	(11,439)
Other	24,229	(42,432)
Intercompany margin on inventory	(83,038)	(167,132)
Subsidiary tax losses carried forward	(454,827)	(206,762)
Deferred tax income	**(551,182)**	**(440,454)**
Business unit disposal	(12,987)	(12,987)
Disposal of fixed assets	189,267	-
Other	8,901	4,561
Deferred tax charges	185,181	8,426
Deferred tax charges/(income)	**(366,002)**	**(432,028)**

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

Description	31/12/2018				31/12/2017			
	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	(1,275)	(306)	(1,051)	(41)	(1,754)	(421)	(1,436)	(56)
Amortization Goodwill	87,817	21,076	87,821	3,425	53,057	11,181	53,057	1,985
Provision for risk 2018	244,000	58,560	244,000	9,516		-		-
Write-downs receivables 2017	(62,204)	(14,929)	-	-	312,209	74,930		-
Consultancy services 2015	(10,660)	(2,558)	(10,660)	(416)	(10,660)	(2,558)	(10,660)	(416)
Provision for risk 2016					(155,000)	(37,200)	(155,000)	(6,045)
Provision for risk 2017	(196,000)	(47,040)	(196,000)	(7,644)	196,000	47,040	196,000	7,644
Write-downs receivables 2016					(785,737)	(188,577)		-
Write-downs receivables 2018	70,354	16,885	-	-		-		-
ISC Provision	6,404	1,537	6,410	250	7,103	1,707	7,103	277
ISC Provision 2017	(10,200)	(2,448)	(10,205)	(398)		-		-
Exchange rate losses	(101,971)	(24,473)	-	-	107,589	25,821		-
Settlement ISC					(6,712)	(1,611)	(6,712)	(262)
Directors compensation	8,321	1,997	8,321	324		-		-
Total	**34,586**	**8,301**	**128,636**	**5,016**	**(283,905)**	**(69,687)**	**82,352**	**3,127**
Deferred tax liabilities:				-				
Exchange rate losses 2017	(128,521)	(30,845)	-	-	-	-		-
Sales of company branch	(54,110)	(12,987)	-	-	(54,110)	(12,987)		-
Sales of building	678,371	162,809	678,371	26,458	19,003	4,561		-
Exchange rate losses 2018	165,608	39,746	-	-	-	-		-
Total	**661,348**	**158,723**	**678,371**	**26,458**	**(35,107)**	**(8,426)**		**-**
Deferred tax assets and liabilities		**150,422**		**21,442**		**61,261**		**(3,127)**

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.

Notes to the Balance Sheet

ASSETS

The composition of, and changes compared with the previous year in, the general classes of assets presented in the balance sheet are presented below:

Description	31/12/2018	31/12/2017	Changes
A) Receivables for unpaid share capital		32	32
B) Fixed assets	25,733,073	19,349,759	6,383,314
C) Current assets	48,777,455	37,373,349	11,404,106
D) Prepaid expenses and accrued income	373,478	133,554	239,924
Total	**74,884,006**	**56,856,694**	**18,027,312**

B) NON-CURRENT ASSETS

The breakdown and the movements individual classes in the year are shown below:

Intangible assets

The movements in the account are as follows:

Description	31/12/2017	Exc. diffs.	Increases	Other changes	Amortisa-tion	31/12/2018
1) Set-up and expansion costs		88	1,341,562		(267,239)	1,074,411
3) Industrial patents	185,987	(531)	96,126		(128,138)	153,444
4) Concessions, licences, trademarks & similar rights	1,134				(1,134)	0
5) Goodwill	697,953	14,852	1,792,075		(359,281)	2,145,599
6) Assets in progress and advances		4,271	133,987			138,258
7) Other	1,646,670	2,026	1,311,549	(570)	(1,043,578)	1,916,097
Total	**2,531,744**	**20,707**	**4,675,299**	**(570)**	**(1,799,370)**	**5,427,809**

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.
Start-up and expansion costs were up by Euro 1,074 thousand net, due to the capitalization of the costs incurred by the Parent Company, Monnalisa S.p.A., in connection with the listing on the AIM Italia Market.
The increase in the "Goodwill" account is due to the goodwill respectively arising on acquisition by the US subsidiary ML Retail USA Inc. of the business unit comprising two stores located in Beverly Hills and New York, and on the acquisition by Monnalisa S.p.A. of the business unit comprising the store located in Florence, Via Strozzi.
The item "Other" primarily includes the costs of leasehold improvements, amortized according to the term of the lease. The increases during the period chiefly related to the new stores opened during the period (mainly China and Russia) and the improvements made as part of the renovation of the New York store.

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.
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.

Tangible fixed assets

The movements in the account are as follows:

Description	31/12/2017	Increases	Decreases	Reclassifi-cations	Exc. diffs.	Deprecia-tion	31/12/2018
1) Land and buildings	3,309,586	2,292,580	(152,037)	5,852,345		(201,537)	11,100,937
2) Plant and machinery	750,665	833,765		3,118,462	(1,089)	(515,737)	4,186,066
3) Industrial and commercial equipment	240,034	334,027		(149,211)	(24,335)	(85,207)	315,309
4) Other assets	2,248,172	751,684	(30,689)	(18,162)	(1,636)	(479,479)	2,469,890
5) Assets in progress and advances	8,803,434	64,871		(8,803,434)			64,871
Total	**15,351,891**	**4,276,926**	**(182,726)**	**0**	**(27,060)**	**(1,281,960)**	**18,137,072**

Land includes both the land adjacent to the factories and the land on which the factory buildings themselves stand.
The increases primarily relate to improvements on the existing factory facilities.
During the year the new building adjacent to the company's offices was completed, triggering the allocation of the costs recognized over the course of the construction, partly to the building itself, partly to generic installations and partly to the new automated warehouse, which became operational in 2018.
It should also be noted that a transaction was undertaken with PJ Srl during the year, involving the exchange of a property not functional to company's business located in Monte San Savino, appraised at Euro 1 million, against a net carrying amount of Euro 152 thousand, resulting in the recognition of a capital gain of Euro 848 thousand, for a property functional to its business located in Civitella appraised at Euro 1.3 million.

Write-downs and reversals of impairment losses in the year
No write-downs or reversals of impairment losses were made in the year.

Revaluations of tangible fixed assets at year-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 properties, classified to a single category, subject to revaluation consist of an industrial building (with four floors, comprising offices, workshops and warehouses), identified in the New Urban Building Register of the Municipality of Arezzo in Sec.A, Page 103, Parcel 559, Census District 2, Category D/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 utilizing the option to apply for tax purposes, in addition, the higher revalued amount, through settlement of the IRES and IRAP substitution tax, deducted directly from the revaluation reserve specifically recognized in equity on a tax-suspension basis, subject to the restrictions on use and distribution established in the aforementioned law.
No assets were discretionarily or voluntarily revalued and the objectively deserved value in use of the asset represented the maximum limit on revaluations undertaken pursuant to precise provisions of law.

In accordance with Article 10 of Law No. 72 of March 19, 1983 the following is a list of the property, plant and equipment subject to monetary revaluations that is still on the books, together with the related amounts:

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 year no financial charges were expensed to fixed assets.

Financial fixed assets: equity investments

List of other investments
"Investments in other companies" include the values of minority equity investments, as specified below:

Description	Book value	Fair value
CONSORZIO BIMBO	1,291	1,291
POLO UNIVERSITARIO ARETINO	510	510
CONAI	23	23
CONSORZIO SVILUPPO PRATACCI	500	500
CONSORZIO TOSCANA LOFT	1,300	1300
FONDAZIONE MADE IN RUSSEL	5,000	5000
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.

Financial assets: financial receivables and other securities
"Financial receivables" may be broken down as follows:

Description	31/12/2017	Increases	Decreases	Reclassifi-cations	31/12/2018	Fair value
Other receivables	257,500	-	(100,000)	802,067	959,567	959,567
Total	**257,500**	**-**	**(100,000)**	**802,067**	**959,567**	**959,567**

The receivables in question may be broken down as follows:
- Jafin S.p.A. interest-bearing loan: Euro 100,000. Total amount financed of Euro 200,000, of which Euro 100,000 repaid in 2018, with the remaining Euro 100,000 repaid in the first few months of 2019;
- Director's severance indemnity policy: Euro 57,500.00;
- Financial receivables for guarantee deposits: Euro 802,067, reclassified to this item during the year in the interest of a better, more accurate representation in the balance sheet; they had previously been recognized to item "C.II.5-quater – Receivables from others.

Financial assets were not recognised at amounts above fair value. The figure "Other securities" comprise the residual of the bond loan issued by Jafin S.p.A. of Euro 1,200,000. No changes in this item are reported in the period.

Inventories
Inventories amounted to Euro 17,826,800 at December 31, 2018. They are broken down as follows:

Description	31/12/2018	31/12/2017	Changes
1) Raw materials, supplies and consumables	2,414,560	2,023,132	391,428
2) Work in progress and semi-finished products	1,672,876	1,618,539	54,337
4) Finished products and goods	13,657,266	13,064,076	593,190
5) Advances	82,098	68,515	13,583
Total	**17,826,800**	**16,774,262**	**1,052,538**

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.

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

Description	31/12/2018	31/12/2017	Changes
1) trade receivables	11,257,074	11,176,718	80,356
5-bis) - tax receivables	3,735,433	4,246,105	(510,672)
5-ter) deferred tax assets	1,604,390	593,029	1,011,361
5-quater) others	715,704	1,763,645	(1,047,941)
Total	**17,312,601**	**17,779,497**	**(466,896)**

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

Description	Total
Balance at 31/12/2017	**704,506**
Utilisation in the period	(62,206)
Provision in the period	121,897
Balance at 31/12/2018	**764,197**

The change in receivables from others was due in particular to the reclassification during the year of Euro 802,067 relating to guarantee deposits to the item "B.III.2.d-bis – Receivables from others" in the interest of a better, more accurate representation in the balance sheet.
The item "Tax receivables" primarily consists of VAT receivables of approximately Euro 1.6 million and the research and development tax credit of Euro 1 million.
For information regarding the item "Deferred tax assets", refer to the specific paragraph "Deferred tax assets/liabilities" below.

Cash and cash equivalents
Cash and cash equivalents comprise the current accounts held at banks and liquidity held in company accounts at year-end, reported at nominal value:

Description	31/12/2018	31/12/2017	Changes
1) Bank & postal deposits	13,518,370	2,746,976	10,771,394
3) Cash & cash equivalents on hand	60,379	64,947	(4,568)
Total	**13,578,750**	**2,811,923**	**10,766,827**

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

Description	31/12/2018	31/12/2017
Maintenance fees	72,582	74,780
Rental	108,958	24,296
Other	52,229	21,561
Hire	4,211	12,917
Derivatives	117,625	
Consulting	9,652	
Insurance	8,222	
Total	**373,478**	**133,554**

LIABILITIES

Shareholders' Equity

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

	Shareholders' Equity	Net Income
Equity and net income for the year as reported in the parent company financial statements	**51,398,145**	**3,290,556**
Adjustments in compliance with accounting standards		
Elimination of book values of consolidated holdings:		
a) difference between book value and pro-quota equity		
b) pro-quota results of investees	(3,035,644)	(1,884,695)
c) gains/losses attributed at the acquisition date of the investees		
d) translation difference	(717,937)	
Elimination of the effects of transactions between consolidated companies	(257,366)	(114,008)
Equity and net income pertaining to Group	47,387,198	1,291,853
Equity and net income pertaining to minority interests	10,485	1,486
Consolidated equity and net income	**47,397,683**	**1,293,338**

Statement of changes in consolidated equity

	Share capital	Reserves	Translation differences	Profit/loss Carried forward	Profit/Loss for the year	Total
Opening balance at 01/01/2018	**2,064,000**	**3,931,023**	**(554,920)**	**21,504,228**	**2,248,215**	**29,192,546**
Changes in the year				2,248,215	(2,248,215)	-
Increases/(Decreases)	7,936,000	9,063,125		(1,043)		16,998,082
Net Income					1,291,853	1,291,853
Translation differences from conversion of financial statements expressed in foreign currencies			(163,017)			(163,017)
Other changes		67,734				67,734
Closing balance at 31/12/2018	**10,000,000**	**13,061,882**	**(717,937)**	**23,751,400**	**1,291,853**	**47,387,198**

Provisions for risks and charges

A breakdown follows:

Description	31/12/2018	31/12/2017
1) Provisions for pension and similar	54,257	59,621
2) taxation, including deferred taxes	256,843	58,658
3) derivative financial instruments		38,292
4) Others	420,855	372,855
Total	**731,955**	**529,426**

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 54,257;
- 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 244,000, 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 256,843 concerning temporary assessable differences. For a description of these amounts, reference should be made to the paragraph 'Deferred tax assets/liabilities" of the present notes.

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	31/12/2017	Provisions	Utilisations in the year	Other changes	31/12/2018
Post-employment benefits	1,426,921	269,781	89,279	0	1,607,423

Payables

Consolidated payables, after the elimination of inter-company balances, are valued at their nominal value and break down as follows:

Description	Within one year	Beyond one year	After 5 years	Total
4) Bank payables	6,142,610	7,370,295		13,512,906
5) Other lenders	11,865			11,865
6) Advances	1,324,853			1,324,853
7) Trade payables	7,758,687			7,758,687
12) Tax payables	425,632			425,632
13) Social security institutions	492,303			492,303
14) Other payables	1,400,026	87,804		1,487,829
Total	**17,146,871**	**7,867,204**	**0**	**25,014,074**

The account comprises:

- "Bank payables": including loans and reflecting the effective debt in terms of principal, interest and other ancillary charges matured and due at 31.12.2018. In December 2018 a mortgage loan was contracted, replacing the bridge loan entered into to build the expansion on the warehouse and head office;
- "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 425,632 and includes sums withheld from employees and self-employed workers and duly paid in 2019;
- "Other payables" mostly concern accrued commissions payable to agents of Euro 332,206, deferred amounts and additional months payable to employees of Euro 829,695, duly settled in 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

Accrued liabilities and deferred income amounted to Euro 132,871 at December 31, 2018.

Description	Amount
United Kingdom companies taxes	36,297
Rent and other costs	83,390
Consulting	13,184
Total	**132,871**

The account relates to costs and revenues recorded in accordance with the accruals principle.
The criteria adopted for the measurement and translation of amounts recorded in foreign currencies are described in the first part of the present notes.
There are no accrued liabilities and deferred income at 31/12/2018 with a duration of more than five years.

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 or for the hedging of interest rate risk in the case of medium/long-term debt.
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 December 31, 2018 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 31/12/18, the mark to market of the transaction was euro + 1,000.16.

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 31/12/18, the mark to market of the transaction was Euro + 58,303.06.

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	Sales	Purchases
Jafin Due Spa	3,660				3,000	
Jafin SpA	16,200	1,300,000			14,00	
PJ Srl	25,620	116,580	1,142	11,000	1,005,000	1,372,063
Monnalisa &Co. Srl	10,980				3,000	
Fondazione Monnalisa	156,754					
DiDj srl			702	54,000		49,955
Hermes & Athena Consulting Srl				200,000		200,00
Arcangioli Consulting Srl		61,000				49,000
Arcangioli Pierangelo						95,776
Barbara Bertocci						104,00
Total	**213,214**	**1,416,580**	**1,844**	**265,000**	**1,025,000**	**1,870,794**

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

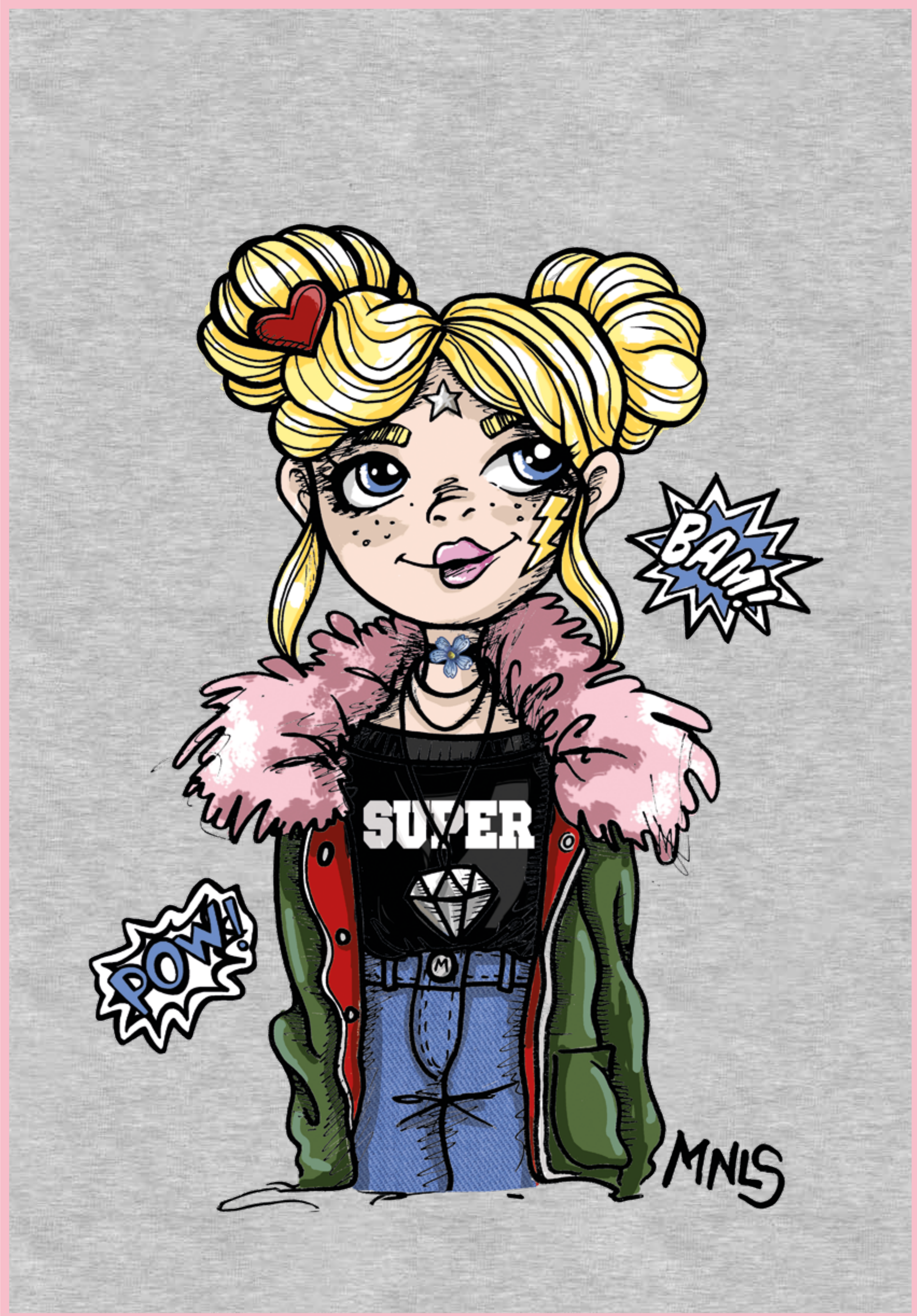
Independent auditor fees
In accordance with law the fees paid for services provided by the auditor to the group are reported below:
- consideration due for the audit of the Parent Company of Euro 73,000, of which Euro 41,000 for the statutory audit of the separate and consolidated financial statements, Euro 22,000 for the limited audit of the first interim consolidated financial statements at and for the period ended June 30, 2018 and the related audit of the comparative period, and Euro 20,000 for the issuance of comfort letters on the financial data in the Admission Document;
- consideration due to the other Group companies (the Russian subsidiary) of Euro 18.000.

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	479,054
Board of Statutory Auditors	39,079
Total	**518,133**

Subsequent events
Reference should be made to the specific paragraph of the Report on operations.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Monnalisa S.p.A.

Consolidated financial statements as at December 31, 2018

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

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

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

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

To the Shareholders of
Monnalisa S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Monnalisa Group (the Group), which comprise the balance sheet as at December 31 2018, the income statement and consolidated cash flows statement for the year then ended, and explanatory notes.
In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Italian regulations governing financial statements.

Basis for Opinion

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

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

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

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

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

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

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

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

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

Report on compliance with other legal and regulatory requirements

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

The Directors of Monnalisa S.p.A. are responsible for the preparation of the Report on Operations of Group Monnalisa as at December 31 2018, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Monnalisa Group as at December 31 2018 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

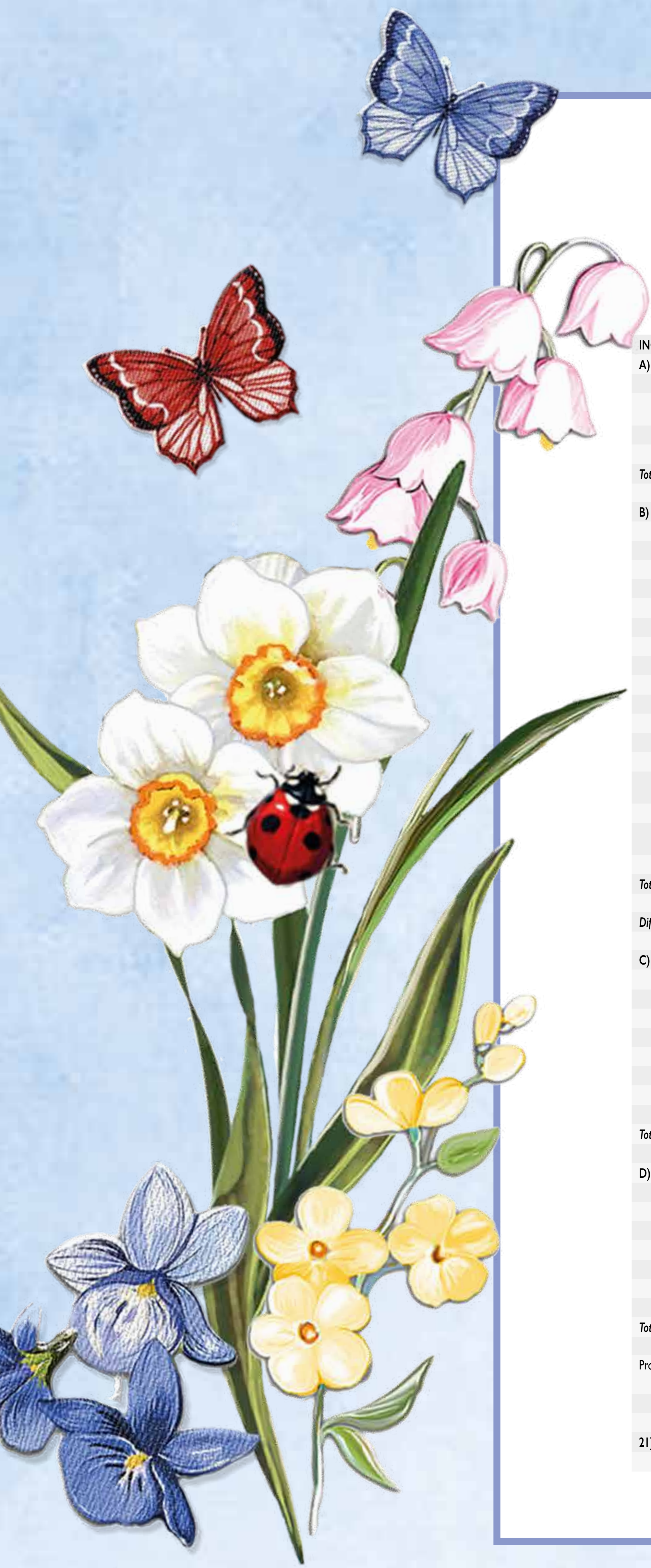
In our opinion, the Report on Operations is consistent with the consolidated financial statements of Monnalisa Group as at December 31 2018 and comply with the applicable laws and regulations.

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

Firenze, April 13 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.



FINANCIAL STATEMENTS

At December 31, 2018

INCOME STATEMENT	31.12.2018	31.12.2017
A) Value of Production		
1) Revenues from sales	43,064,801	42,272,824
2) Changes in inventories of work in progress, semi-finished goods and finished products	(132,395)	1,236,418
4) Capitalization of internal work		
5) Other revenues and income	2,921,817	1,809,136
Total value of production	***45,854,223***	***45,318,378***
B) Costs of Production		
6) Raw materials, consumables and goods for resale	14,666,955	15,177,893
7) Services	13,581,135	14,356,249
8) Use of third-party assets	2,623,328	2,029,249
9) Personnel Costs		
a) Wages and salaries	6,050,475	5,142,106
b) Social security charges	1,728,199	1,468,572
c) Termination indemnities	275,112	239,083
d) Pensions and similar obligations	154,413	128,849
e) Other costs	203,073	90,998
Total personnel Costs	*8,411,272*	*7,069,608*
10) Amortization, depreciation and write-downs		
a) Amortization of intangible fixed assets	776,011	487,274
b) Depreciation of tangible fixed assets	1,152,505	778,337
d) Write-downs of receivables in current assets and cash and cash equivalents	121,897	370,000
Totale amortization, depreciation and write-downs	*2,050,413*	*1,635,611*
11) Change in inventory of raw, ancillary, consumable materials and goods	*(390,751)*	*(328,311)*
14) Other operating costs	425,409	285,551
Total production costs	***41,367,761***	***40,225,850***
Difference between value and production cost (A-B)	***4,486,461***	***5,092,528***
C) Financial income and expenses		
16) Other financial income:		
b) from securities classified as fixed assets	30,000	30,000
d) others	44,706	21,586
Totale financial income	74,706	51,586
17) Interests and other financial expenses		
other	373,993	363,067
Total financial expenses	373,993	363,067
17-bis) Losses and gains on currency exchange	48,274	557,548
Total financial income and expenses	***(347,561)***	***(869,029)***
D) Value adjustments to financial assets		
18) Write-backs:		
d) financial derivative instruments	37,095	23,952
Totale write-backs	*37,095*	*23,952*
19) Write-downs:		
a) equity investment	30,000	150,000
d) financial derivative instruments	21,767	625
Total write-downs	*51,767*	*150,625*
Total value adjustments to financial assets (D)	***(14,672)***	***(126,673)***
Profit/(Loss) before taxes (A-B±C±D)	**4,124,229**	**4,096,826**
a) Current taxes	661,809	1,131,084
b) Deferred taxes	171,864	58,136
Total Income, current, deferred taxes	*833,673*	*1,189,220*
21) Profit (loss) for the year	**3,290,556**	**2,907,606**

ASSETS	31,12,2018	31,12,2017
A) Subscribed capital unpaid	**0**	**0**
B) Fixed Assets		
I - Intangibles Assets		
1) Start-up and expansion costs	1,068,957	-
3) Industrial Patent and Intellectual Property Rights	134,118	169,309
4) Concessions, licences, trademarks and similar rights	-	1,134
5) Goodwill	951,168	517,201
6) Work in progress and advance payments	-	-
7) Other	493,754	498,924
Total Intangible assets	*2,647,997*	*1,186,568*
II - Tangible Assets		
1) Land and Buildings	11,100,937	3,309,586
2) Plants and equipment	3,943,110	750,665
3) Industrial and commercial equipment	19,509	14,963
4) Other Assets	2,258,065	2,143,847
5) Work in progress and advance payments	0	8,803,434
Total Tangible Assets	*17,321,621*	*15,022,496*
III - Financial Assets		
1) Equity investments in:	7,237,761	4,520,452
a) Subsidiary companies	8,624	8,624
D bis) altre imprese;	7,246,385	4,529,076
Total Equity Investments	*7,246,385*	*4,529,076*
2) Receivables		
d bis) due from others		
within 12 months	3,804,851	2,118,073
d bis) due from others		
within 12 months	246,834	
beyond 12 months	100,000	257,500
3) Other Securities	1,200,000	1,200,000
Total Financial Assets	*12,598,071*	*8,104,649*
B) Total Fixed Assets	***32,567,689***	***24,313,712***
C) Current Assets		
I - Inventory		
1) Raw, supplies and consumable materials	2,413,883	2,023,132
2) Work in progress and semi-finished products	1,672,876	1,618,539
4) Finished products and goods	*11,025,603*	*11,212,336*
5) Advances	82,098	68,515
Total inventory	*15,194,460*	*14,922,521*
II - Receivables		
1) Due from customers		
- within 12 months	10,513,732	9,091,708
Total Due from customers	10,513,732	9,091,708
2) Due from subsidiariy companies		
- within 12 months	5,481,765	3,100,031
Total Due from subsidiary companies	5,481,765	3,100,031
5-bis) Tax Receivables		
- within 12 months	3,146,237	3,357,486
Total Tax Receivables	3,146,237	3,357,486
5-ter) Deferred tax assets		
- within 12 months	*356,582*	*352,456*
Total Deferred tax assets	*356,582*	*352,456*
5-quater) Due from others		
- within 12 months	493,759	730,491
- beyond 12 months		119,593
Total Due from others	*493,759*	*850,084*
Total Receivables	***19,992,075***	***16,751,765***
III - Financial Assets (other than fixed assets)		
5) Derivative financial instrument assets	*59,304*	*7,667*
Total financial assets (other than fixed assets)	***59,304***	***7,667***
IV - Cash and cash equivalents		
1) Bank and postal deposits	10,938,834	1,524,060
3) Cash on hand	52,983	55,845
Total cash and cash equivalents	*10,991,817*	*1,579,905*
C) Totale current assets	**46,237,656**	**33,261,859**

D) Accrued income and prepaid expenses		
Prepaid expenses	313,248	133,554
D) Total accrued income and prepaid expenses	***313,248***	***133,554***
TOTAL ASSETS	**79,118,592**	**57,709,125**
LIABILITIES AND SHAREHOLDERS' EQUITY	**31,12,2018**	**31,12,2017**
A) Patrimonio netto		
I Share capital	10,000,000	2,064,000
II - Share premium reserve	9,063,125	-
III Revaluation reserve	2,959,446	2,959,446
IV Legal reserve	943,276	943,276
VI - Other reserves, indicated separately		
Translation differences	-	-
Other reserves	51,575	51,576
Total other reserves	*51,575*	*51,576*
VII - Cash flow hedge reserve	44,459	(23,275)
VIII Profit (loss) carried forward	25,045,707	22,138,102
IX Profit (loss) for the period	3,290,556	2,907,606
Total Equity	***51,398,144***	***31,040,730***
B) Provisions for risks and charges		
1) Provisions for pensions or similar obligations	*54,257*	*59,621*
2) Provisions for taxes, including deferred	256,843	58,658
3) Derivative financial instrument liabilities	-	*38,292*
4) Other	600,855	522,855
Total provisions for risks and charges	***911,955***	***679,426***
C) Employee termination indemnities	**1,607,423**	**1,426,921**
D) Payables		
4) Payables due to banks		
- within 12 months	5,902,497	8,278,706
- beyond 12 months	7,370,295	4,199,012
Total payables due to banks	*13,272,793*	*12,477,718*
5) Payable due to other financial institutions		
- within 12 months	-	-
Total payable due to other financial institutions	-	-
6) Advances		
- within 12 months	871,287	838,370
Total advances	871,287	838,370
7) Trade payables		
- within 12 months	7,670,111	8,831,630
Totale trade payables	7,670,111	8,831,630
9) Payables to non-consolidated subsidiary companies		
- within 12 months	1,300,105	263,160
Total payables to non-consolidated subsidiary companies	1,300,105	263,160
12) Tax payables		
- within 12 months	324,963	564,975
Total tax payables	324,963	564,975
13) Payables to pension funds and social security agencies		
- within 12 months	492,303	395,380
Total payables to pension funds and social security funds	492,303	395,380
14) Other payables		
- within 12 months	1,145,408	1,101,876
- beyond 12 months	87,804	87,804
Total other payables	*1,233,212*	*1,189,680*
Total payables	***25,164,773***	***24,560,913***
E) Accrued liabilities and deferred income		
Accrued liabilities	36,297	1,135
Total accrued liabilities and deferred income	***36,297***	***1,135***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	***79,118,592***	***57,709,125***

PARENT COMPANY CASH FLOW STATEMENT

INDIRECT METHOD AS AT 31/12/2018

CASH FLOW STATEMENT CASH AND CASH EQUIVALENTS	31/12/2018	31/12/2017
A) Cash flow from operating activities (indirect method)		
Profit for the year	3,290,556	2,907,606
Income tax	833,673	1,189,220
Interest expenses/(income)	299,286	311,481
(Dividends)		
(Gains)/losses on asset disposals	(847,962)	(32,945)
1) Profit for the year before taxes, interest, dividends and capital gains/ losses on disposals	**3,575,552**	**4,375,362**
Non-cash adjustments not impacting working capital		
Provisions	356,897	436,696
Amortisation & depreciation	1,928,516	1,265,611
Impairments		
Adjustments to non-cash financial instrument assets and liabilities	(13,236)	(23,327)
Other non-cash increases/(decreases)		
Total non-cash adjustments not impacting working capital	***2,272,177***	***1,678,980***
2) Cash flow before working capital changes	**5,847,730**	**6,054,342**
Change in net working capital		
Decrease/(Increase) in inventories	(271,938)	(1,597,512)
Decrease/(Increase) in trade receivables	(1,202,858)	1,222,161
Increase/(Decrease) in trade payables	(124,574)	(911,011)
Decrease/(Increase) in accrued income and prepaid expenses	(194,069)	(29,357)
Increase/(Decrease) in accrued liabilities and deferred income	35,161	1,135
Other Decreases/(Other Increases) in net working capital	(961,874)	(4,536,742)
Total changes in working capital	***(2,720,152)***	***(5,851,326)***
3) Cash flow after net working capital changes	**3,127,577**	**203,016**
Other adjustments		
Interest received/(paid)	(299,286)	(311,481)
(Income taxes paid)	(1,068,603)	(447,831)
Dividends received		
(Utilisation of provisions)	(148,818)	(168,128)
Other receipts/(payments)		
Total other adjustments	***(1,516,708)***	***(927,440)***

CASH FLOW FROM OPERATING ACTIVITIES (A)	**1,610,870**	**(724,425)**
Tangible fixed assets	(3,451,632)	(2,682,985)
(Investments)	(3,603,669)	(2,715,930)
Divestments	152,037	32,945
Intangible fixed assets	(2,237,440)	(211,784)
(Investments)	(2,237,440)	(211,784)
Divestments		
Financial fixed assets	(4,204,088)	(2,939,810)
(Investments)	(4,204,088)	(2,939,810)
Divestments		
Current financial assets		
(Investments)		
Divestments		
CASH FLOW FROM INVESTING ACTIVITIES (B)	**(9,893,160)**	**(5,834,580)**
Third party funds		
Increase/(Decrease) in short-term bank loans	(2,376,209)	1,770,025
New loans	6,500,000	3,358,513
(Repayment of loans)	(3,428,717)	
Own funds		
Paid-in share capital increase	16,999,125	
(Repayment of share capital)		
Disposal/(Acquisition) of treasury shares		
(Dividends and advances on dividends paid)		
CASH FLOW FROM FINANCING ACTIVITIES (C)	**17,694,199**	**5,128,538**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C)	**9,411,909**	**(1,430,466)**
Opening cash and cash equivalents	**1,579,905**	**3,010,371**
of which:		
bank and postal deposits	1,524,060	2,977,145
Checks		
Cash on hand	55,845	33,226
Closing cash and cash equivalents	**10,991,817**	**1,579,905**
of which:		
bank and postal deposits	10,938,834	1,524,060
Checks		
Cash on hand	52,983	55,845

Notes to the Financial Statements

Dear Shareholders,
These financial statements, presented for your examination and approval, report a net profit of Euro 3,290,556.

Assessment of the going concern assumption by the directors

The directors consider, on the basis of the operating performances and the solid equity and financial position, that no significant uncertainties exist which may compromise the capacity of the company to continue to operate as a continuing entity for a period of at least 12 months from the reporting date and has therefore prepared the financial statements at December 31, 2018 on a going concern basis.

Significant events in the year

In order to further speed up the Group's growth and international expansion, in particular on the retail and e-commerce channel, the company completed the process launched with the Elite project and 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.. The trading of ordinary company 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.
In support of this strategy, in the initial part of 2018 a restructuring by shareholders of the Monnalisa share ownership into a single legal entity was undertaken.
In 2018, in order to maximise over the short and medium-term shareholder value, the industrial plan approved by the Board of Directors and communicated to the ownership was further executed.
Particular focus was placed on the company reorganisation initiated in 2015 to achieve greater operating efficiency and the restructuring of the company's presence on international markets, with the incorporation of other subsidiaries. For further information, reference should be made to the investments paragraph.

These investments were accompanied by other similarly significant investments in personnel and fixed assets, with the completion of the new building adjacent to the company's headquarters, providing therefore a complete solution to logistics, production and distribution needs, in implementation of the industrial plan.
Retail area development operations continued with the acquisition of the new business unit in Florence.

Subsequent events

Reference should be made in this regard to the Report on operations.

Accounting policies

These financial statements, comprising the balance sheet, the income statement, the cash flow statement and the explanatory notes, provide a true and fair view of the company financial statements and of the result for the year. The financial statements have been prepared in compliance with the provisions of Articles 2423 ter, 2424, 2424 bis, 2425, 2425 bis and 2425 ter of the Civil Code.
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. In accordance with Article 2423, sixth paragraph of the Civil Code, the Notes were prepared in units of Euro.
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.
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 year 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.
The financial statement accounts have been valued in accordance with the general criteria of prudence and accruals and on a going concern basis.
The application of the prudence concept has resulted in the separate measurement of the elements forming each asset and liability account so as to avoid offsetting losses that ought to be recognized in the accounts, and profits that should not be recognized as they have not been realized.
The application of the accruals method of accounting referred to signifies that the effects of Company transactions are recorded in the year to which they in fact relate, as opposed to being recorded simply on a cash 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, as is the case for receivables and payables with maturity of less than 12 months.
Consistency in the application of the accounting policies is fundamental to ensure comparable financial statements from year to year.
Recognition and presentation of the accounts was made taking into account the substance of the operations and of the contract.

Fixed assets

Intangible assets
Intangible assets consist of expenditures with a useful life of multiple years, associated with future benefits ensuring that they are recoverable. They are recognized at purchase price, inclusive of the ancillary costs directly attributable to the asset. Financial charges and other costs not specifically attributable to the intangible assets are not included.
These are recognised at historic acquisition cost and reported net of straight-line amortisation according to the residual possibility of use.

- Start-up and expansion costs, comprising costs incurred for the AIM listing, are amortised over a period of five years.
- The costs of the use of intellectual property (software) have been amortized over a period of five years, in consideration of their long-term utility.
- The costs of acquiring, registering and protecting trademarks have been amortized on the basis of their future utility, estimated at ten years.
- Goodwill has been recognized with the consent of the Board of Statutory Auditors at the cost incurred to acquire certain retail companies and following the mergers undertaken in 2015. It was decided to estimate the useful life of goodwill at ten years, on the basis of the sector, the related image factor and the specific operational conditions of the acquirees.
- Other intangible assets primarily include improvements to third-party assets, amortized on the basis of the residual useful lives of the assets, and sample garments, relating to previous seasons, obtained through the merger with Babalai Srl. These garments, which form a historic archive, constitute concrete and intellectual assets and as such are to be mainly valued as an "intangible" component. Similarly to the approach taken to goodwill, they have been amortized according to their useful lives, estimated at ten years.

Research and development costs are fully expensed to the income statement in the year incurred.
At each reporting date, the company assesses whether indicators suggest that a fixed asset may have been impaired.
Where such indicators exist, the company estimates the recoverable value of the asset (higher between value in use and fair value) and records a write-down where this is lower that the corresponding net book value. In the absence of indicators of potential losses in value it is not necessary to determine the recoverable value. Their original value is recovered, except for goodwill and capitalized expenses, when it is believed that the rationale for the previous impairment loss has ceased to apply, adjusted for the amortization charges not recognized due to impairment. The amortisation, depreciation and write-down methods adopted are described in the present notes.

Property, plant & equipment
Property, plant and equipment, which are tangible assets with useful lives of multiple years from which future benefits are expected to flow, ensuring that they may be recovered, are recognized at purchase cost, inclusive of directly attributable ancillary costs, net of presumed realizable value and less the relevant accumulated depreciation.
Financial charges and other costs not specifically attributable to the assets are not included. The amount stated in the financial statements includes ancillary costs and costs incurred for the use of the asset, reducing the cost for significant commercial and cash discounts.
There are no internally constructed assets.
Depreciation recorded in the income statement has been calculated on a straight-line basis in consideration of the use, intended purpose and economic-technical duration, on the basis of the residual possible useful life and in accordance with the actual use of the asset.
The rates applied, which have not changed compared to the previous year and reduced by half in the year of entry into service of the asset, are as follows:

Category	%
Industrial Building	3%
Machinery,tools,plants	12,50%
Cutting Machines and Automatic Machines	17,50%
Furniture and office equipment	12%
Electro-mechanical and electronic office machines	20%
Goods transportation vehicles	20%
Equipment	25%
Cars	25%
Photovoltaic System	9%

Incremental costs are only included in the acquisition cost where there is a real and measurable increase in the productivity or useful life of the assets and are depreciated according to their residual utilization. Any other cost concerning these assets is fully recognised to the Income Statement.
Since the requirements had not been met, no write-downs were applied to either property, plant and equipment or intangible assets as a result of a reduced ability to generate future economic benefits, their expected useful lives or market values.
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 properties, classified to a single category, subject to revaluation consist of an industrial building (with four floors, comprising offices, workshops and warehouses), identified in the New Urban Building Register of the Municipality of Arezzo in Sec. A, Page 103, Parcel 559, Census District 2, Category D/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 utilizing the option to apply for tax purposes, in addition, the higher revalued amount, through settlement of the IRES and IRAP substitution tax, deducted directly from the revaluation reserve specifically recognized in equity on a tax-suspension basis, subject to the restrictions on use and distribution established in the aforementioned law.
At each reporting date, the company assesses whether indicators suggest that a fixed asset may have been impaired. Where such indicators exist, the company estimates the recoverable value of the asset (higher between value in use and fair value) and records a write-down where this is lower that the corresponding net book value. In the absence of indicators of potential losses in value it is not necessary to determine the recoverable value. If and to the extent in subsequent years the reasons for the write-down no longer exist, the original value is restored, adjusted solely for the depreciation not recognized in view of the write-down.
In the case in which payment is deferred in comparison to normal market conditions, for similar or equivalent operations, the asset is recognised to the financial statements at the present value of future contractual payments.
No assets were discretionarily or voluntarily revalued and the asset values were determined objectively on the basis of their use.

Capital grants
No capital grants were disbursed to the Company in 2018.

Finance leases
The Company does not have any finance leases.

Investments
Investments in subsidiaries and associates are considered as long-term and strategic by the company.

- they are recorded to financial assets;
- they are valued at acquisition or subscription cost, including direct ancillary costs, adjusted for impairments, including, where existing, the value of capital payments made, capital grants and the amount of any receivables waived by the granting shareholder.

The carrying amount is tested for impairment on the base of reasonable expectations of use and recoverability in future years. Specific impairment losses are recognized to adjust the book value of such equity investments. If the impairment of an equity investment exceeds its carrying amount, it is written off and the adjustment is taken to the income statement as an impairment loss. Such impairment losses may be reversed in subsequent years if the rationale for recognizing them ceases to apply.
In the year in which the rationale for the impairment losses recognized ceases to apply, financial fixed assets are reversed through the income statement, up to their original value. All investments are recognised at acquisition cost, with no impairment recognised as not having been written down.
Receivables are classified as financial fixed assets or to a specific caption of working capital by type.
Dividends are recognised when the right to the relative receivable arises following the passing of a distribution motion by the investee company. Following this issue, the recoverability of the value is verified.
No dividend was however received during the year.
Prudently, a provision was made to the Investee Company Losses Coverage Provision, among the Risks Provisions. This is in the belief that no impairment exists and in view of the company's intention to support it in the development process.

Securities
In accordance with Italian GAAP standard OIC 20, it was decided to elect not to apply the amortized cost method to securities recognized before the financial year beginning January 1, 2016, and which therefore continue to be recognised at subscription/acquisition cost.
Securities are not written down as not having been impaired.

Inventory
The accounting policies adopted are unchanged from the previous year.
The values are perfectly in line with the realisable values.
Raw, supplies and consumable materials are stated at the lower of purchase cost, plus ancillary costs, and measured according to the LIFO method and their presumed realizable value. The value ascribed to the above categories does not differ significantly from the value that would result from using current costs or replacement cost at the reporting date.
Work in progress, semi-finished and finished goods are measured at the lower of the production cost attributable to them and their presumed realizable values, represented by the best estimate of the net price of sale that may be obtained. Production cost has been determined by including all costs directly attributable to the products, having regard to the phase reached in the production process.
As in previous seasons, this caption is inclusive of sample garments existing as at the reporting date, measured at the lower of the production cost incurred and net realizable value.
The value of inventories thus obtained is written down to reflect the obsolescence of the goods, in addition to the effective possibility of sale on the base of their movement.
Inventories are written back in the period in which the reasons for the previous write-down no longer apply within the limits of the original cost incurred.
With regards to the changes in the individual categories, reference should be made to the income statement.

Receivables
Receivables are classified to financial fixed assets or a specific caption of working capital by type and are recognized at their nominal value.
In accordance with Italian GAAP standard OIC 15, it should be noted that the amortized cost criterion has not been applied to receivables recognized prior to the year beginning on January 1, 2016, nor has it been applied to receivables arising after that date, since the effects are immaterial to the presentation of a true and fair view.
The accounting policies adopted by the Company are as follows:

- receivables with maturity of less than 12 months are not discounted;
- receivables are not discounted where the effective interest rate does not differ significantly from the market interest rate;
- the amortized cost method is not applied where the transaction costs, commissions and any other difference between the initial value and the value on maturity are insignificant.

Receivables relating to revenues for the sale of goods or provision of services are recognized when the production process for the goods and services has been completed and ownership has been transferred in substantial and not merely formal terms.
Receivables arising from other circumstances are only recognized where there is legal title to collect them.
Receivables are written down to their presumed realizable value by recognizing a specific "write-down provision" accounted for as a direct reduction in their amount, based on an analysis of the individual positions and the total risk associated with all receivables, i.e. covering losses in both situations of default that have already become evident but are not yet definitive and situations that have not yet become evident but that experience and knowledge of the sector in which the Company operates lead to believe are inherent in the accounting balances.
Receivables are only derecognized when the contractual rights to the cash flows are extinguished or where ownership of the receivables has been transferred along with essentially all risks associated with them.

Prepaid expenses and accrued income and accrued liabilities and deferred income
These are recorded according to the accruals concept.

Provisions for risks & charges
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.

Payables
The amortised cost criterion was not applied as the effects are irrelevant for the presentation of a true and fair view.
In particular, payables set to come due within 12 months, and/or for which the effect of discounting is immaterial, were not discounted. Accordingly, payables are stated at their nominal value.

Recognition of revenues and costs
Revenues from the sale of products are recognised on the transfer of the related risks and benefits, which normally takes place when the goods are shipped or delivered.
Revenues of a financial nature and revenues from services are recognised on an accruals basis.
The revenues and income, costs and charges related to transactions in foreign currencies are recorded at the exchange rate when the transaction took place.
The income and charges relating to sales operations with obligation of the return of goods, comprising the difference between the forward price and the spot price, are recorded according to the accruals principle.
Revenues and income, and costs and charges are recorded net of returns, discounts, rebates and premiums.
Product returns are recognized in the year in which the goods are returned by the customer. On a prudential basis, it was decided to set aside Euro 244,000 to the provision for returned goods in connection with sales transacted in 2018.
Purchase costs are recognized on the accruals principle.
Raw materials, ancillary, consumables and goods include ancillary acquisition costs (transport, insurance...) where the supplier has included such in the purchase price, otherwise they are recorded separately under service costs based on their nature.
Costs include not only those of a certain amount, but also those not yet documented for which transfer of ownership has already taken place or the service has already been received.
In accordance with the prudence principle, contingent assets or profits are not recognized. Rather, the necessary information is disclosed in this document.

Income taxes
Income taxes are recorded in accordance with the accruals principle; therefore, they include:

- the provisions for taxes paid or to be paid for the year, in accordance with the income tax rates and regulations in force;
- the amount of deferred tax income and charges in relation to timing differences arising and reversed in the period;
- the adjustment to deferred tax balances taking into account changes in the income tax rates.

The tax liability is shown under "Tax payables" net of advances, taxes withheld by third parties and tax credits.
Deferred tax assets and liabilities on IRES corporation tax arise from timing differences between the carrying amount of assets and liabilities determined in accordance with the financial reporting criteria set out by the Italian civil code and their tax base.
Current and deferred IRAP regional tax is determined exclusively with reference to the company.

Translation of foreign currency balances
Receivables and payables originally in foreign currencies, recorded using the exchange rates in force on the date on which they arose, are aligned to the exchange rates ruling at the balance sheet date.
Exchange gains and losses on the basis of the currency rate at year-end are recognised to account C17bis of the income statement.
The overall amount of net profits as per the income statement includes an unrealised component concerning profits of Euro 165,607 and losses of Euro 27,996.
There were no significant effects in terms of the changes in these exchange rates between the end of the financial year and the drafting of the financial statements (Article 2427, first paragraph, No. 6-bis of the Civil Code).

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 or for the hedging of interest rate risk in the case of medium/long-term debt. They have been accounted for according to the hedge accounting approach inasmuch as:

- the hedging instrument is formally designated and documented at the start of hedging;
- the hedge is expected to be highly effective;
- such efficacy can be reliably measured;
- the hedge is highly effective during the various accounting periods for which it is designated.

All financial derivatives are measured at fair value.

Given that the derivative financial instrument is designated as a hedge to the exposure of the changes in the cash flows of an asset or liability recorded in the financial statements or of an operation considered highly probable and which may have effects on the income statement, the effective portion of the profits or of the losses of the financial instrument is recognised under equity; the cumulative profits or losses are reversed from equity and recognised to the income statement in the same period in which the operation subject to hedging influences the income statement; the profit or loss related to a hedge or the part of the hedge becoming ineffective is recognised to the income statement when such inefficacy is recognised.
If hedge accounting cannot be applied, gains or losses deriving from the fair value of the financial derivative instrument are recognised directly in the income statement.

Derivative financial instruments, even if embedded in other financial instruments, are initially recognised when the associated rights and obligations are acquired; they are measured at fair value both at the initial recognition date and at each reporting date. The changes in the fair value compared to the previous year are recorded in the income statement, or if the instrument hedges the risk of changes in expected future cash flows of another financial instrument or scheduled operation, directly to a positive or negative equity reserve.

Derivative financial instruments with a positive fair value were recorded in the balance sheet assets. Their classification in fixed or current assets depends on the nature of the instrument itself:

- a derivative financial instrument designated as a hedge for cash flows or the fair value of an asset follows the classification of the hedged asset under current or fixed assets;
- a derivative financial instrument designated as a hedge for cash flows and the fair value of a liability, a firm commitment or a highly probable scheduled transaction, is classified under current assets;
- a non-hedging derivative financial instrument is classified under current assets.

The cash flow hedge reserve includes the changes in the fair value of the effective component of derivative financial instruments used for cash flow hedging purposes.
Derivative financial instruments with negative fair value were recorded in the balance sheet under provisions for risks and charges.

Exceptions

There were no exceptional cases requiring exemptions as per Article 2423, paragraph 5 of the Civil Code.

Notes to the Income Statement

Value of production

Description	2018	2017	Changes
Revenues from sales and services	43,064,801	42,272,824	791,977
Changes in inventories of products	(132,395)	1,236,418	(1,368,813)
Other revenues and income	2,921,817	1,809,136	1,112,681
Total	**45,854,223**	**45,318,378**	**535,845**

As specified in greater detail in the Report on operations, to which reference should be made, revenue and margin growth continued during the year, primarily in the retail area.

Breakdown of revenues from sales and services by business line

By business line	Current year
Sales of goods	76,645
Sales of products	42,988,156
Total	**43,064,801**

Breakdown of revenues from sales and services by geographical area

Geographical area	Current year
Italy	16,889,450
Europe	12,272,287
Rest of the world	13,903,064
Total	**43,064,801**

One-off revenues
Other revenues include for Euro 847,962 the gain from the exchange operation outlined above.
Other revenues, presented in account A 5), comprised for Euro 1,079,564 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 1, paragraph 35, Law No. 190/2014 of the 2015 Stability Law. The tax break relates to the new product research and development costs.

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)
Pursuant to Art. 1, paragraph 125 of Law No. 124 of August 4, 2017, in fulfilment of disclosure obligations, grants received are set out below in table form on an accrual basis:

Grantor	Grant amount	Purpose
GSE SPA	€ 20,449.02	Photovoltaic incentive
Sviluppo Toscana S.p.A.	€ 15,314.48	Business internationalization

Costs of Production

Description	2018	2017	Changes
Raw materials, consumables and goods	14,666,955	15,177,893	(510,938)
Services	13,581,135	14,356,249	(775,114)
Use of third-party assets	2,623,328	2,029,249	594,079
Personnel costs	8,411,272	7,069,608	1,341,664
Amortisation	776,011	487,274	288,737
Depreciation	1,152,505	778,337	374,168
Write-downs of current receivables	121,897	370,000	(248,103)
Change in inventories of raw materials	(390,751)	(328,311)	(62,440)
Other operating charges	425,409	285,551	139,858
Total	**41,367,761**	**40,225,850**	**1,141,911**

Costs for raw materials, ancillaries, consumables and goods
These are strictly correlated to the comments in the Report on operations and the description of point A (Value of production) of the Income Statement and are recognised according to the revenue matching principle.
This item includes the costs required to produce the goods involved in core business activity.
The costs of purchasing goods are taken to the income statement when the goods are delivered.
Revenues and income, and costs and charges are recorded net of returns, discounts, rebates and premiums.

Service costs
Service costs are recognised to the Income Statement on completion.
The breakdown of the account is as follows:

Description	2018	2017	Change
Production services costs	4,617,965	5,136,288	(518,323)
Independent auditors', Board of Statutory Auditors' and Board of Directors' emoluments	634,800	523,585	111,215
Cleaning and security	172,271	158,998	13,273
Maintenance	412,054	370,304	41,751
Transport	2,530,831	2,241,476	289,354
Utilities	243,852	223,860	19,992
Travel and transfer	231,938	249,978	(18,040)
Marketing	1,076,531	1,173,008	(96,477)
Canteen	123,414	109,267	14,147
Exhibits, fairs and fashion shows	491,702	441,210	50,492
Technical, administrative, indus. and commercial consultancy	1,142,651	1,501,999	(359,349)
Training courses	65,448	20,124	45,324
Agent cost	627,773	901,298	(273,524)
POA Commissions	293,730	273,071	20,659
Insurance	161,552	111,884	49,668
General services	754,623	919,900	(165,277)
Total	**13,581,135**	**14,356,249**	**(775,114)**

Service costs include:
- Façon costs (sewing, ironing, embroidery, printing & other services) for Euro 4,568,174
- costs of agents and representatives for Euro 627,773
- national and local advertising for Euro 291,408
- national and local fashion shows and events for Euro 491,703
- technical, industrial, administrative and commercial consultancy for Euro 2,098,861.

This item also includes the agents' indemnity provision (FIRR and supplementary indemnity) and the provisions for termination of coordinated ongoing self-employment contracts.

Rent, leasing and similar costs
The account includes costs incurred for cartoon character royalties for Euro 731,709 and property lease charges and condominium expenses for Euro 1,609,095.

Personnel costs
The account includes all costs for personnel including increases, promotions, vacation days not taken and provisions in accordance with law and collective contractual agreements.
The other costs associated with personnel have been allocated, in view of their strictly economic nature, to items B6 and B7.

Amortization, depreciation and write-downs
Depreciation was calculated according to the useful life of the assets and their utilisation in production, while the account B10 d) includes write-downs of trade receivables recorded under current assets.

Other operating charges
This account includes all operating costs not recognised to the other accounts of section b) of the income statement and ancillary management costs which are not of an extraordinary nature, in addition to all tax charges, other than direct income taxes, as follows:

- Taxes and levies (IMU-TARSU-CCIAA);
- Miscellaneous administrative expenses;
- Newspaper & magazine subscriptions;
- Doubtful debts not covered by specific provisions;
- Charitable donations.

Charitable donations to non-profits totalled Euro 10,500.

Financial income and charges
The figure for the year includes financial income of Euro 74,706, interest expense and other financial charges of Euro 373,993 and foreign exchange losses of Euro 48,274, with the following changes compared to the previous year:

Description	31/12/2018	31/12/2017	Changes
Financial Income on bonds	30,000	30,000	0
Banks Financial Income	1,186	4,202	(3,016)
Others	43,52	17,384	26,136
Total financial income	**74,706**	**51,586**	**23,120**
Banks Financial expenses	(123,017)	(127,300)	4,193
Others	(250,886)	(235,767)	(15,119)
Total financial expenses	**(373,993)**	**(363,067)**	**(10,926)**
Gains on currency exchange	238,534	111,002	127,531
Losses on currency exchange	(286,808)	(668,550)	381,742
Total Gains/Losses on currency exchange	**(48,274)**	**(557,548)**	**(509,274)**

In the previous year currency losses were exceptional, mainly due to the settlement of trade receivables from previous years.

Description	31/12/2018	31/12/2017	Changes
Write-backs of financial derivative instruments	37,095	23,952	13,143
Write-downs of equity investment	(30,000)	(150,000)	(120,000)
Write-downs of financial derivative instruments	(21,767)	625	(21,142)
Total	**(14,672)**	**(126,673)**	**(112,001)**

Write-downs of investments concern the provision to the loss coverage reserve, as stated previously.

Current and deferred taxes

Income taxes	2018	2017	Changes
Current income taxes:	**661,809**	**1,131,084**	**(469,275)**
IRES	466,327	876,357	(410,030)
IRAP	195,482	254,727	(59,245)
Deferred tax charges/(income)	**171,864**	**58,136**	**113,728**
IRES	176,880	61,262	115,618
IRAP	(5,016)	(3,126)	(1,890)
Total	**833,673**	**1,189,220**	**(355,547)**

Income taxes
Income taxes are recorded in accordance with the accruals principle; therefore, they include:

- the provisions for taxes paid or to be paid for the year, in accordance with the income tax rates and regulations in force;
- the amount of deferred tax income and charges in relation to timing differences arising and reversed in the period;
- the adjustment to deferred tax balances taking into account changes in the income tax rates.

The tax liability is shown under Tax payables net of advances, taxes withheld by third parties and tax credits.
Deferred tax assets and liabilities on IRES corporation tax arise from timing differences between the carrying amount of assets and liabilities determined in accordance with the financial reporting criteria set out by the Italian civil code and their tax base.
Current and deferred IRAP regional tax is determined exclusively with reference to the company.

Reconciliation between the result and the taxable income

Description	Amount	Tax
IRES		
Pretax Income	**4,124,229**	
Theoretical tax charge (%)	24	**989,818**
Increases		
Taxes not deductible	68,759	
Charitable donations	10,500	
Non-deductible expenses for vehicles	165,558	
Prior year charges	30,717	
Doubtful debt provision	70,355	
Exchange losses	27,996	
Non-deductible amortisation & depreciation	150,640	
Other changes	358,411	
Gain on sale of business unit 2015	54,110	
Total increase		**937,046**
Decreases		
Prior year charges	(35,139)	
Exchange differences	(165,607)	
Deductible IRAP	(128,606)	
Ace	(378,794)	
20% IMU Property Tax	(13,550)	
Gain on sale building	(678,369)	
R&D contribution	(1,078,564)	
Hyper and Maxi amortisation	(353,857)	
Other changes	(285,754)	
Total decreases		**(3,118,240)**
Total taxable IRES income		1,943,035
Ires 2018 (24%)		466,328
IRAP		
Difference between the value and cost of production		**13,019,631**
Theoretical tax charge (%)	4	**507,766**
Changes		
Amortization	148,136	
Personnel costs	(7,755,414)	
Third party remuneration	509,289	
IMU Property tax	67,594	
R&D contribution	(1,079,564)	
Other	12,171	
Value of Net Production		**4,921,843**
Current IRAP		**195,482**

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 tax assets are recorded if there is reasonable certainty that the temporary differences will reverse in future years against assessable income not lower than the differences that will be reversed.
The temporary differences that resulted in the recording of deferred tax income and charges are shown in the table below together with the relative effect.

Recording of deferred tax assets and liabilities and consequent effects
For a breakdown of deferred tax assets and liabilities of the parent company, reference should be made to the Consolidated Explanatory Notes and the "Deferred tax assets/liabilities" paragraph.

Notes to the balance sheet

ASSETS

B) FIXED ASSETS

The breakdown and the movements individual classes in the year are shown below:

Intangible fixed assets
The movements in the account are as follows:

Description	Start-up and expansion costs	Industrial Patent and Intellectual Property rights	Concessions, licences, trademarks and similar rights	Goodwill	Other	Total
Value at the beginning of the year		169,309	1,134	517,201	498,924	1,186,568
Cost						
Value at the beginning of the year		**169,309**	**1,134**	**517,201**	**498,924**	**1,186,568**
Acquisition	1,336,196	82,407		643,536	175,301	2,237,440
Amortization	267,239	117,598	1,134	209,569	180,471	776,011
Total changes in the year	1,068,957	(35,191)		433,967	(5,170)	1,461,429
Cost	1,068,957	134,118		951,168	493,754	2,647,997
Value at the end of the year	**1,068,957**	**134,118**		**951,168**	**493,754**	**2,647,997**

The costs recorded are reasonably correlated to their future use and are therefore amortised on a straight-line basis in relation to their future residual utility.
The increase is principally due to leasehold improvements, amortised according to the lease duration, costs incurred for the AIM listing and the purchase of a sales point in Florence, Piazza Strozzi.
The directors, on the basis of the period performance and of future positive results from company plans, consider that the intangible assets do not present indicators of impairment. The analysis carried out concerns specific business units acquired, including the value of goodwill paid.

Composition of start-up and expansion costs and development costs
Start-up and expansion costs and development costs, in addition to the reasons for their recognition, are outlined below:

Description	31/12/2017	Increases	Decreases	Amortization	31/12/2018
AIM share capital increase	0	1,336,196	0	(267,239)	1,068,957
Total	**0**	**1,336,196**	**0**	**(267,239)**	**1,068,957**

Start-up and expansion costs are recognised on the base of the cause-effect relationship between the costs in question and the benefits expected. The account includes costs incurred for the listing on the AIM Italia alternative capital market (legal costs, sponsorship costs, audit firm costs, ...), capitalised as per OIC 24.

Tangible fixed assets

The movements in the account are as follows:

Description	Land & buildings	Plant and machinery	Commercial and industrial equipment	Other assets	Assets in progress and advances	Total property, plant & equipment
Opening balance						
Cost	4,350,307	4,731,052	172,711	6,145,069	8,803,434	24,202,573
Accumulated depreciation	1,040,721	3,980,387	157,748	4,001,222		9,180,078
Book value	**3,309,586**	**750,665**	**14,963**	**2,143,847**	**8,803,434**	**15,022,495**
Changes in the year						
Increases for acquisitions	2,248,792	721,178	12,154	577,756		3,559,880
Reclassifications	5,852,345	2,951,089			(8,803,434)	
Decrease for disposals	108,249					108,249
Depreciation	201,537	479,822	7,608	463,538		1,152,505
Total changes	**7,791,351**	**3,192,445**	**4,546**	**114,218**	**(8,803,434)**	**2,299,126**
Closing balance						
Cost	12,329,059	8,403,319	184,865	6,722,826		27,640,069
Accumulated depreciation	1,228,122	4,460,209	165,356	4,464,761		10,318,448
Book value	**11,100,937**	**3,943,110**	**19,509**	**2,258,065**	**0**	**17,321,621**

During the year the new building adjacent to the company's offices was completed, triggering the allocation of the costs recognized over the course of the construction, partly to the building itself, partly to generic installations and partly to the new automated warehouse (within the facility), which became operational in 2018.
During the year, the transaction was undertaken with the company PJ Srl by which Monnalisa acquired a production building through a property exchange, with the disposal of a building not required for operations.

Total revaluations of fixed assets at year-end

In accordance with Article 10 Law No. 72/1983, the following property, plant and equipment upon which revaluations were made was recognised to the company's financial statements at 31/12/2018.
As highlighted in the introduction to these Explanatory Notes, property, plant and equipment were revalued on the base of special laws (special, general or sector) and no discretionary or voluntary revaluations were made, with the revaluations, within the maximum limit of the value in use of the asset, objectively determined.

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.

Finance leases
The Company does not have any finance leases.

Financial fixed assets
The movements in the account are as follows:

Description	Equity investments in subsidiary companies	Equity investments in other companies	Long-term receivables from subsidiary companies	Other securities	Long-term receivables from others
Value at the beginning of the year					
Cost	4,520,452	8,624	2,118,072	1,200,000	257,500
Value at the beginning of the year	**4,520,452**	**8,624**	**2,118,072**	**1,200,000**	**257,500**
Increases	2,717,309		1,686,779		
Reclassification					189,334
Decreases					(100,000)
Value at the end of the year	**7,237,761**	**8,624**	**3,804,851**	**1,200,000**	**346,834**

Investments
No equity investments have been reclassified.

Investments in subsidiaries are outlined below:

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, one of which was opened in the first half of 2018, based in Sogo Causeway Bay;

Monnalisa Rus 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. In 2018 two new stores were opened in Moscow, thus bringing the number of direct stores to four;

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 2018 a capital increase of Euro 1,500,000 was undertaken in accordance with this development approach. Three low-traffic stores (Yintasi, Grand Gateway and Scitech) were closed in 2018 and five new store (4 DOS and 1 DOO) were opened;

ML Retail Usa Inc.

incorporated on September 22, 2016, wholly-owned by Monnalisa S.p.A., managing retail operations in Miami and at the new sales points in New York and Los Angeles, acquired in 2018. It was decided to provide the subsidiary with an additional interest-bearing loan in 2018 totalling USD 1,500,000. In 2018 a new store in Philadelphia (King of Prussia) was opened;

Monnalisa Korea Ltd

incorporated in December 2016, wholly-owned by Monnalisa S.p.A. This company was established to operate on the Korean retail market and improve operating efficiency;

Monnalisa Brazil Participasoes LTDA

incorporated on December 22, 2016 to manage retail market operations in Brazil through two sales points at San Paolo and Belo Horizonte, the latter opened during the year. The subsidiary is held 99%;

Monnalisa BEBEK GİYİM SANAYİ VE TİCARET A.Ş.

incorporated on December 11, 2018, based in Turkey and fully owned by Monnalisa S.p.A., intended to develop the local retail market.

There are no restrictions on availability placed by the holding company on investees, nor options rights or other liens.
No significant transactions, with the exception of the increases in the holdings outlined above, regarding normal supplies and related to their funding, however at market conditions, was undertaken with the investees.
The breakdown of investments in other companies is shown below:

- CONAI as per Article 38 Legislative Decree 22/1997: Euro 23
- Aretino University Hub with offices in Arezzo: Euro 510
- Bimbo Italy Consortium with offices in Arezzo: Euro 1,291
- Consorzio Sviluppo Pratacci with offices in Arezzo: Euro 500
- Toscana Loft Consortium with offices in Florence: Euro 1,300
- Made in Italy Tuscany Academy Foundation with offices in Scandicci (FI): Euro 5,000

The other investments are recognised at acquisition or subscription cost.
The investments recorded at purchase cost have not been written down for impairments; no "restoration of values" were made.

Non-current investments in subsidiaries
The following information is provided in relation to investments held either directly or indirectly in subsidiary companies.

Companies	City whether in Italy, or foreign country	Share capital in Euro	Profit/ (Losses) for last year in Euro	Equity in Euro	Shares owned in Euro	Shares owned in %	Value in the financial statement of Monnalisa S.p.A.	Difference between Shares owned in Euro and value in the financial statement
MONNALISA HONK KONG LIMITED	HONG KONG	50,000	(188,543)	(164,255)	(164,255)	100	50,000	(214,255)
MONNALISA CHINA LLC	CHINA	4,800,000	(1,027,899)	2,449,289	2,449,289	100	4,800,000	(2,350,711)
MONNALISA RUSSIA LLC	RUSSIA	137	434,971	1,117,381	1,106,207	99	136	1,106,071
ML RETAIL USA INC	USA	591,156	(792,282)	(621,444)	(621,444)	100	591,156	(1,212,600)
MONNALISA KOREA LTD	KOREA	81,000	(16,272)	(118,587)	(118,587)	100	81,000	(199,587)
MONNALISA DO BRASIL IMPORTACAO E COMERCIO DE ROUPAS LTDA	BRASILE	505,087	(286,421)	(68,895)	(68,206)	99	500,036	(568,242)
Monnalisa BEBEK GİYİM SANAYİ VE TİCARET A.Ş	TURCHIA	1,215,434	(6,763)	1,223,256	1,223,256	100	1,215,434	7,822

The financial statements do not include financial assets in subsidiaries for which an impairment has been identified. With regards to the investment in Monnalisa China, the share capital has not been fully paid-in, recognising therefore a payable to the subsidiary of Euro 900,000, as is the case for Monnalisa Bebek GİYİM SANAYİ VE TİCARET A.Ş for Euro 400,105.
Monnalisa S.p.A.'s management has carried out a prudent analysis of the carrying amount of the investments recognised to its financial statements, making a comparison with the share of net equity identified through calculation of the economic value of the investees, according to an earnings criterion. The impairment test was carried out for the investments in the companies Monnalisa China LLC, ML Retail USA Inc. and Monnalisa Do Brasil Ltda.
The impairment test was carried out using an average cost of capital and a growth rate "g" as detailed here below:

Company	growth rate "g1"	growth rate "g2"	WACC
Monnalisa China LLC	5,60%	1,48%	9,65%
ML Retail USA Inc.	1,48%		8,19%
Monnalisa Do Brasil Ltda	2,22%	1,48%	12,85%

- Monnalisa China LLC→considering the high growth rates of the economy, even in the future, it was considered prudent to divide the value of the terminal value in two components corresponding to two different phases of growth. In detail, a growth rate for the first 5 years up to 2023 equal to 5.60% ("g1") and, subsequently, from the sixth year the "g rate" was reduced to 1.48% ("g2"), that can be considered reasonably the growth rate of a mature economy;
- ML Retail USA Inc. → the growth rate was assumed as a projection of future US economy growth of 1.48%;
- Monnalisa Do Brasil Ltda→considering the high growth rates of the economy, even in the future, it was considered prudent to divide the value of the terminal value in two components corresponding to two different phases of growth. In detail, a growth rate for the first 5 years up to 2023 equal to 2.22% ("g1") and, subsequently, from the sixth year the "g rate" was reduced to 1.48% ("g2"), that can be considered reasonably the growth rate of a mature economy.

The conclusions reached on the analysis upon the earnings forecasts led to Monnalisa S.p.A. management's conclusion of maintaining the carrying amount of the investments in the financial statements unchanged.
It is therefore not considered that indicators of impairment for the investments in subsidiaries exist, as the higher carrying amount of the investees against the corresponding share of equity from the latest financial statements of the investee is due to the start-up phase in which they are currently engaged, in view of the expected results in the 2019-2023 period.

Breakdown of the value of investments in other companies

Descrizione	Book value	Fair value
CONSORZIO BIMBO ITALIA	1,291	1,291
POLO UNIVERSITARIO ARETINO	510	510
CONAI	23	23
CONSORZIO SVILUPPO PRATACCI	500	500
CONSORZIO TOSCANA LOFT	1,300	1300
FONDAZIONE MADE IN RUSSEL	5,000	5000
Total	**8,624**	**8,624**

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

Description	31/12/2018	31/12/2017	Changes
Other securities	1,200,000	1,200,000	0

Changes and maturity of non-current receivables
No long-term receivables of an amount greater than their fair value are recognised to the financial statements.
In accordance with Italian GAAP standard OIC 20, in view of the fact that the loans are mainly short-term and/or with zero or insignificant settlement costs, it was decided to elect not to apply the amortized cost method to receivables recognized before the financial year beginning January 1, 2016, while application of this criterion was considered irrelevant for those arising subsequently.

Description	Non-current receivables from subsidiaries	Non-current receivables from others	Total non-current receivables
Opening balance	**2,118,073**	**257,500**	**2,375,573**
Changes in the year	1,686,778	89,334	1,776,112
Closing balance	**3,804,851**	**346,834**	**4,151,685**
Due within 12 months	3,804,851	100,000	3,904,851
Due beyond 12 months		246,834	246,834

The changes in the year were as follows:

Description	31/12/2017	Acquisitions	Reclassifications	Reductions	31/12/2018
Subsidiaries	2,118,073	1,686,778			3,804,851
Others	257,500		189,334	100,000	346,834
Total	**2,375,573**	**1,686,778**	**189,334**	**100,000**	**4,151,685**

The account comprises:

- Interest-bearing Monnalisa Korea Ltd loan: Euro 100,000;
- Interest-bearing Monnalisa Brazil loan: Euro 700,000;
- Interest-bearing Monnalisa ML Retail loan: Euro 3,004,851;
- Interest-bearing Jafin S.p.A. loan: Euro 100,000;
- Director leaving indemnity policy: Euro 57,500;
- Guarantee deposits: Euro 189,334.

Within financial assets, guarantee deposits concerning rent were reclassified to "Other receivables" for a better, more accurate representation in the balance sheet; they had previously been recognized to item "C.II.5-quater – Receivables from others".

Breakdown of non-current receivables by geographical area
The breakdown of receivables by geographical area is reported in the table below as follows:

Geographical Area	Long-term receivables from subsidiary companies	Long-term receivables from others	Long-term receivables Total
Italy		232,480	232,480
Europe		114,050	114,050
Rest of the world	3,804,851	304	3,805,155
Total	**3,804,851**	**346,834**	**4,151,685**

In accordance with Italian GAAP standard OIC 20, it was decided to elect not to apply the amortized cost method to securities recognized before the financial year beginning January 1, 2016. Accordingly, such securities have been recorded at subscription cost, inclusive of directly attributable ancillary costs. They have not become impaired, nor have they undergone any reversals of impairment losses. No other receivables of an amount greater than their fair value are recognised to the financial statements.
No securities held as fixed assets have been reclassified. The Company regards such securities as long-term investments. This specifically concerned bonds issued by Jafin S.p.A.

C) CURRENT ASSETS

Inventories

Description	31/12/2018	31/12/2017	Changes
Raw material, ancillaries and consumables	2,413,883	2,023,132	390,751
Work-in-progress and semi-finished products	1,672,876	1,618,539	54,337
Finished products and goods	11,025,603	11,212,336	(186,733)
Advances	82,098	68,515	13,583
Total inventories	**15,194,460**	**14,922,521**	**271,939**

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.

Current receivables

Changes and maturity of current receivables

Description	31/12/2017	Changes	31/12/2018	Due within one year	Due beyond one year
Current trade receivables	9,091,708	1,422,024	10,513,732	10,513,732	
Current receivables from subsidiaries	3,100,031	2,381,734	5,481,765	5,481,765	
Current tax receivables	3,357,486	(211,249)	3,146,237	3,146,237	
Current deferred tax assets	352,456	4,126	356,582		
Current other receivables	850,084	(356,325)	493,759	493,759	
Total current receivables	**16,751,765**	**3,240,310**	**19,992,075**	**19,635,493**	

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

Description	Total
Balance at 31/12/2017	**704,506**
Utilisation in the period	(62,206)
Provisions	121,897
Balance at 31/12/2018	**764,197**

For the movements in the period of deferred tax assets, reference should be made to the "Deferred tax assets/liabilities" paragraph.

Breakdown of current receivables by geographical area

The geographic breakdown of receivables is reported in the table below as follows:

Region	Current receivables from customers	Current receivables from subsidiaries	Current tax receivables	Current deferred tax assets	Current other receivables	Total current receivables
Italy	5,657,982		3,104,353	356,582	493,239	**9,612,156**
World	3,484,304	5,481,765			520	**8,966,589**
Europe	1,818,513		41,884			**1,860,397**
Outside Europa	317,130					**317,130**
Doubtful debt provision	(764,197)					**(764,197)**
Total	**10,513,732**	**5,481,765**	**3,146,237**	**356,582**	**493,759**	**19,992,075**

Current receivables concerning transactions with the obligation for the return of goods

There were no current receivables concerning transactions with the obligation for the return of goods.

Current financial assets

The account is broken down below and reports the following movements:

Description	Opening balance	Changes in the year	Closing balance
Current derivative financial instruments - Assets	7,667	51,637	59,304
Total current financial assets	**7,667**	**51,637**	**59,304**

Cash and cash equivalents

Description	Opening balance	Changes in the year	Closing balance
Bank and postal deposits	1,524,060	9,414,774	10,938,834
Cash in hand and similar	55,845	(2,862)	52,983
Total cash and cash equivalents	**1,579,905**	**9,411,912**	**10,991,817**

The account reflects the balance of cash and cash equivalents on hand at year-end.
Bank and postal deposits and cheques are valued at realisable value, while cash is valued at nominal value. There are no restricted accounts.
Monetary amounts in foreign currencies are recognised at the exchange rate at the reporting date.

Prepaid expenses and accrued income

They relate to income and charges accounted for on an accruals basis, irrespective of the date of payment or receipt. The accounting policies adopted in the measurement and translation of foreign currency amounts are described in the first part of the present notes.
There are no prepaid expenses and accrued income at 31/12/2018 with a duration of more than five years.

Description	Accrued income	Prepaid expenses	Total prepaid expenses and accrued income
Opening balance		**133,554**	**133,554**
Changes in the year		179,694	179,694
Closing balance		**313,248**	**313,248**

A breakdown follows:

Description	Amount
Maintenance fees	72,582
Rental	77,563
Derivatives	117,625
Hire	4,211
Commercial information	12,169
Insurance	8,222
Consulting	9,652
Other minor amounts	11,224
Total	**313,248**

LIABILITIES

Shareholders' Equity

Description	Opening balance	Allocation of previous year result		Other changes		Profit/(loss) for the year	Value at year-end
		Dividends allocated	Other allocations	Increases	Decreases		
Share capital	2,064,000			7,936,000			10,000,000
Share premium reserve				9,063,125			9,063,125
Revaluation reserve	2,959,446						2,959,446
Legal reserve	943,276						943,276
Other reserves	51,575						51,575
Cash flow hedge reserve	(23,275)			67,734			44,459
Retained earnings	22,138,102		2,907,605				25,045,707
Net profit (loss) for the year	2,907,606		(2,907,605)			3,290,556	3,290,556
Total Shareholders' Equity	**31,040,730**		**0**	**17,066,859**		**3,290,556**	**51,398,144**

Availability and utilisation of shareholders' equity

The Shareholders' Equity accounts are divided by origin, the possibility of utilisation, distribution and any utilisation in the previous three years (Article 2427, first paragraph, No. 7 bis of the Civil Code)

Description	Amount	Origin / Nature	Possibility of utilisation	Available amount
Revaluation reserve				
Legal reserve	9,063,125	A,B,C,D		
Statutory reserves	2,959,446	A, B		2,959,446
Other reserves	943,276	A, B		
Cash flow hedge reserve	51,575			51,575
Retained earnings	44,459	A, B, C, D		
Negative reserve for treasury shares in portfolio	25,045,707	A, B, C, D		25,045,707
Total	**48,107,588**			**28,056,729**
Non-distributable amount				
Residual distributable amount				28,056,729

Key: A: for share capital increase B: for coverage of losses C: for distribution to shareholders D: for other statutory restrictions E: other

Origin, possibility of use and distribution of miscellaneous other reserves

Description	Amount	Possibility of utilisation	Available amount
13) Provision as per Law 28/1977	51,576	A,B,C,D	51,576
Difference from Euro rounding	(1)	A,B,C,D	
Total	**51,575**		**51,575**

Key: A: for share capital increase B: for coverage of losses C: for distribution to shareholders D: for other statutory restrictions E: other

Changes in cash flow hedge reserve

The movements in the cash flow hedge reserve were as follows (Article 2427 bis, paragraph 1, No. 1 b) quater).

Description	Cash flow hedge reserve
Opening balance	**(23,275)**
Increases due to fair value changes	67,734
Closing balance	**44,459**

Formation and utilisation of the equity accounts

Description	Share capital	Legal reserve	Reserve	Net Result	Total
At the beginning of the previous year	**2,064,000**	**943,276**	**22,512,216**	**2,495,578**	**28,015,470**
Other changes					
- Increases			2,732,889	2,907,606	5,640,495
- Decreases			(119,257)	(2,495,978)	(2,615,235)
Prior year result				2,907,606	
At the end of the previous year	**2,064,000**	**943,276**	**25,125,848**	**2,907,606**	**1,040,730**
Other changes					
- Increases	7,936,000		12,038,434	3,290,556	3,264,990
- Decreases				(2,907,606)	(2,907,606)
Result for the year				3,290,556	
At the end of the year	**10,000,000**	**943,276**	**37,164,312**	**3,290,556**	**51,398,114**

In accordance with accounting standard No. 28 on Shareholders' Equity, revaluation reserves of Euro 2,959,446 are reported. There are no statutory reserves.
The revaluation reserves only comprised the reserve as per Legislative Decree 185/2008 for Euro 2,959,446.
The shareholders' equity includes:

- Euro 9,063,125, as share premium reserve recognised on the share capital increase following the listing process;
- reserves or other provisions which in the event of distribution form assessable income of the company comprise the Provision as per Law 28/77 for Euro 51,575 and the above-stated revaluation provision as per Legislative Decree 185/2008;
- reserves or other provisions, which in the event of distribution, do not form assessable income for shareholders, independent of the period of formation, comprising profits as per s.n.c for Euro 128.

Provisions for risks & charges

Description	Pensions and similar obligations	Provision for taxation, including deferred tax liabilities	Derivative financial instruments - liabilities	Other provisions	Total provisions for risks and charges
Opening balance	**59,621**	**58,658**	**38,292**	**522,855**	**679,426**
Provisions	9,116	243,244		78,000	330,360
Utilisation in the year	14,480	45,059	38,292		97,831
Total changes	(5,364)	198,185	(38,292)	78,000	232,529
Closing balance	**54,257**	**256,843**		**600,855**	**911,955**

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 item comprises that provisioned:

- to the Agent's indemnity provision of Euro 54,257;
- to the 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 244,000, 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;
- to the losses coverage reserve provision of investees for Euro 180,000, as stated previously.

Tax provisions also include Deferred tax liabilities of Euro 256,843 concerning temporary assessable differences. For a description of these amounts, reference should be made to the relative paragraph of the present notes.

Employee termination indemnities

Description	Employee termination indemnities
Opening balance	**1,426,921**
Provisions in the year	269,781
Utilisation in the year	89,279
Total changes	180,502
Closing balance	**1,607,423**

This provision represents the Company's actual liability at December 31, 2018 towards employees in service at that date, less any advances paid in accordance with applicable law and labour agreements, taking into account all forms of remuneration of an ongoing nature, less advances disbursed, and is equal to the sum that would have been due to the employees had their employment been severed on the date concerned.
The provision does not include indemnities matured from January 1, 2008, allocated to supplementary pensions as per Legislative Decree No. 252 of December 5, 2005 (or transferred to the INPS treasury fund). The provision is the total of the individual indemnities until December 31, 2016 accruing in favour of employees at the balance sheet date, net of advances paid.
Employee termination indemnities with payment due before December 31, 2018 or by the following year were recorded to the account D.14 of the balance sheet under other payables.
The applicable labour agreement provides that workers with at least eight years' seniority of service may apply to their employer for an advance not to exceed 70% of the benefits to which they would be entitled in the event of severance of employment on the requested date. Such requests are contingent on the employee being required to incur significant expenses for healthcare, the purchase of a first home or themselves or their children, expenses relating to maternity leave or education. Where possible, Monnalisa provides an advance to all those requesting post-employment benefits, also in higher percentages.

Payables
Payable maturities are as follows (Article 2427, first paragraph No. 6 of the Civil Code).

Description	Opening balance	Changes in the year	Closing balance	Due within one year	Due beyond one year	Of which beyond 5 years
Bank payables	12,477,718	795,074	13,272,792	5,902,497	7,370,295	
Advances	838,370	32,917	871,287	871,287		
Trade payables	8,831,630	(1,161,519)	7,670,111	7,670,111		
Payable due to subsidiaries	263,160	1,036,945	1,300,105	1,300,105		
Tax payables	564,975	(240,012)	324,963	324,963		
Payables due to social security institutions	395,380	96,923	492,303	492,303		
Other payables	1,189,680	43,532	1,233,212	1,145,408	87,804	
Total payables	**24,560,913**	**603,860**	**25,164,773**	**17,706,674**	**7,458,099**	

In detail:

- "Payables due to banks" include loan payments and reflecting the effective debt in terms of principal, interest and other ancillary charges matured and due at 31.12.2018;
- "Advances" include payments received for the provision of goods not yet supplied;
- "Trade payables" are 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); these overall amount to Euro 324,963; in particular, the value includes withholdings for employees and contractors, duly paid-in 2019;
- "Other payables" mostly concern accrued commissions payable to agents of Euro 332,205, deferred amounts and additional months payable to employees of Euro 829,695, duly settled in 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.
The account did not change significantly.
Over the final months of 2018, a mortgage of Euro 5,000,000 was drawn down with the bank Unicredit for the completion of the new building adjacent to the company's offices and for the settlement of the bridge loan which was granted with the same purpose in the initial investment phase.

Breakdown of payables by geographical area
The geographical breakdown of payables at 31/12/2018 is as follows.

Region	Bank payables	Advances	Trade payables	Payables to subsidiaries	Tax payables	Social security institutions	Other payables
Italy	13,272,793	6,431	6,574,138		285,189	475,272	1,233,212
Europe		280,683	163,784		39,774	17,031	
Outside Europe		36,592	(1,767)				
World		547,581	933,956	1,300,105			
Total	**13,272,793**	**871,287**	**7,670,111**	**1,300,105**	**324,963**	**492,303**	**1,233,212**

Accrued liabilities and deferred income

Description	Accrued liabilities	Total accrued liabilities and deferred income
Opening balance	**1,135**	**1,135**
Changes in the year	35,162	35,162
Closing balance	**36,297**	**36,297**

A breakdown follows:

Description	Amount
UK rates (rent rates)	36,297
Total	**36,297**

The account relates to costs and revenues recorded in accordance with the accruals principle.
The criteria adopted for the measurement and translation of amounts recorded in foreign currencies are described in the first part of the present notes.
There are no accrued liabilities and deferred income at 31/12/2018 with a duration of more than five years.

Other Information

Workforce

The changes in the workforce from the preceding year were as follows.

Workforce	31/12/2018	31/12/2017	Changes
Executives	1	0	1
Managers	5	3	2
White-collar workers	150	142	8
Blue-collar workers	37	33	4
Total	**193**	**178**	**15**

For the workforce dedicated to retail (sales employees and store managers), the national contract applicable is the commercial contract renewed on April 1, 2015. For the remaining collaborators, the work contract applied is that of the textile-clothing industry, formally renewed by the trade unions Filctem-Cgil, Femca-Cisl, Uiltec-Uil, together with SMI (Sistema Moda Italia), the Italian association of textile businesses belonging to Confindustria, of February 4, 2014, running from April 1,2013-March 31, 2016 and currently subject to further renewal.

Workforce	Average employees
Executives	1
Managers	4
White-collar workers	145
Blue-collar workers	37
Total	**187**

Remuneration, advances and receivables granted to directors and statutory auditors and commitments undertaken on their behalf

In accordance with current legislation, total remuneration payable to the Directors and the members of the Board of Statutory Auditors is indicated below.

Description	Directors	Statutory Auditors
Remuneration	479,054	39,079

Independent auditors' fees

The fees pertaining to this year for services provided by the independent auditor to the group for the audit of the Parent Company of Euro 73,000, of which Euro 41,000 for the statutory audit of the separate and consolidated financial statements, Euro 22,000 for the limited audit of the first interim consolidated financial statements at and for the period ended June 30, 2018 and the related audit of the comparative period, and Euro 20,000 for the issuance of comfort letters on the financial data in the Admission Document.

Classes of shares issued by the company

The share capital is composed of:

Shares	Number	Nominal value in Euro
Ordinary shares	5,236,300	10,000,000
Total	**5,236,300**	**10,000,000**

Description	Shares subscribed in the year, number	Shares subscribed in the year, nominal value	Opening amount, number	Closing amount, number	Opening amount, nominal value	Closing amount, nominal value
Shares	1,236,300	7,936,000	4,000,000	5,236,300	2,064,000	10,000,000
Total	**1,236,300**	**7,936,000**	**4,000,000**	**5,236,300**	**2,064,000**	**10,000,000**

Securities in circulation at the reporting date exclusively comprise 5,236,300 ordinary shares.

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 or for the hedging of interest rate risk in the case of medium/long-term debt. In this regard, reference should be made to the first part of these notes for the accounting policies.
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 December 31, 2018 with financial counterparties comprise:

Interest Rate Cap

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 31/12/18, the mark to market of the transaction was euro + 1,000.16.

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 31/12/18, the mark to market of the transaction was Euro + 58,303.06.

Off balance sheet commitments, guarantees and contingent liabilities

There are no off-balance sheet commitments, guarantees or potential liabilities except for the mortgage guarantee already described above.

Information on equity and loans allocated to a specific business

At the reporting date, no equity or loans allocated to a specific business purpose are reported.

Information on related party transactions

With regards to transactions carried out with related parties, reference should be made to the Report on operations.

Off-balance sheet agreements

No significant off-balance sheet agreements as per No. 22-ter of Article 2427 of the Civil Code are reported.

Proposal to allocate profits or for the coverage of losses

A proposal will be made to the Shareholders' Meeting concerning the result as follows:

2018 Net Profit	Euro	3,290,556
5% to the legal reserve	Euro	165,000
To the non-distributable reserve For Exchange diffs.	Euro	137,611
To increase retained earnings	Euro	2,987,945

These Explanatory Notes were prepared in accordance with the Civil Code and the accounting policies. In compliance with the publication obligations of the companies registration office, once approved, they will be converted into XBRL format; they may therefore be subject to some formal changes in order to make the notes compatible with the format required for filing.
These financial statements, consisting of the balance sheet, income statement, the explanatory notes thereto and the cash flow statement, present a true and fair view of the Company's financial position and results of operations for the year and correspond to the underlying accounting records.

Chairman of the Board of Directors
Piero Iacomoni

REPORT OF THE BOARD OF STATUTORY AUDITORS TO
THE SHAREHOLDERS' MEETING

Statutory financial statements at 31.12.2018

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

INTRODUCTION
It is firstly stated that your company has assigned the Board of Statutory Auditors only oversight activities, while the legal audit of accounts has been assigned to the independent audit firm EY S.p.A.;
on this basis, we report upon our activities for the year ended December 31, 2018.

REPORT
During the year ended on December 31, 2018, in consideration of the fact that Monnalisa spa shares are currently listed on the AIM Italia market, our activity arises from the legal provisions and the Rules of Conduct of the Board of Statutory Auditors issued by the National Board of Chartered Accountants and Accounting Experts (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), taking account also of the recommended rules for listed companies, as suggested in the introductions thereto and assessing, as applicable, also in relation to the ownership structure and the individual transactions, the opportunity for aligning thereto, even where not expressly applicable to companies listed on the AIM alternative market and in respect of which we carried out a self-assessment, with a positive outcome, for each member of the Board of Statutory Auditors.

1) Oversight activities pursuant to Art. 2403 and following, of the Italian Civil Code
We have verified compliance with law and the company By-Laws and with the principles of correct administration.
We attended the Shareholders' Meetings and the Board of Directors Meetings and based on the available information we did not note any violations of law or the Company By-Laws, nor transactions which were imprudent, risk related, in potential conflict of interest or such as to compromise the integrity of the company assets.
We received from the Directors during the meetings information on the general performance and on the outlook, as well as on the most significant operations, in terms of size or nature, carried out by the Company and its subsidiaries and based on the information acquired we do not have any matters to report.
We reviewed the report of the Supervisory Board and noting their reports and with whom we also met, we do not indicate any critical issues with regards to the correct implementation of the organisational model to be reported herein.
We acquired knowledge and reviewed, within the ambit of our role, the adequacy and functioning of the organisational structure of the company, also through collecting information from the managers of the functions, and in relation to this there are no matters to report upon.
We acquired knowledge and reviewed, within the scope of our role, the adequacy and functioning of the administrative-accounting system, in addition to the reliability of this latter to correctly represent operating events, through obtaining information from the department managers and the review of company documents, and in this regard we do not have any observations to report.
We verified compliance with law regarding the preparation of the Directors' Report and in this regard we do not have particular observations to report.
No petitions as per Article 2408 of the Civil Code were received.
During the year, the Board of Statutory Auditors did not issue any legally-required opinions.
We supervise, to the extent of our scope, compliance with the Related parties' transactions policy with the applicable regulation and the AIM regulation, also with regards to the verification of the application of market conditions.
The Board of Statutory Auditors did not note any atypical and/or unusual transactions with Group companies, third parties or with related parties.
The above oversight activities were carried out through 9 Board of Statutory Auditors meetings and 15 Board of Directors' meetings, in addition to 2 Shareholders' Meetings.
During 2018, no situations in which the statutory auditors, on their own behalf or on behalf of third parties, had an interest in the execution of a certain transaction, were verified.
During the verifications as described above, no other significant matters emerged meriting mention in this report.

2) Observations on the statutory financial statements
The statutory financial statements were communicated to us in accordance with law, together with the Directors' Report and were prepared in accordance with Italian GAAP.
As our task is not to perform the legally-required audit, we verified the general preparation of the data, the general conformity to law in relation to the formation and structure - upon which there are no particular matters to report.
To our knowledge, the Directors did not make recourse to any exceptions as permitted by Article 2423, paragraph 4 of the Civil Code.
In accordance with Article 2426, No. 5 of the civil code, we expressed our agreement with the recognition to assets of start-up and expansion costs for Euro 1,336,196.
Under art. 2426, no. 6, of the civil code we expressed our consent to the inclusion of Euro 643,536 in the assets section of the balance sheet for goodwill.

Consolidated Financial Statements
The Board of Statutory Auditors notes that the company prepared the consolidated financial statements, submitting them for the legal audit of the Independent Audit Firm EY S.p.A.
The Board of Statutory Auditors carried out on the consolidated financial statements and the consolidated Directors' Report the same oversight activities as for the statutory financial statements, in particular overseeing, to the extent of its remit, compliance with law and the By-Laws and the correct definition of the consolidation scope and in this regard we do not have particular observations to report.

3) Observations and proposals regarding the approval of the financial statements
Considering also the results of the activities carried out by the independent audit firm EY S.p.A. on the legal audit contained in the report as per Article 14 of Legislative Decree No. 39 of January 27, 2010, issued today, which does not highlight issues regarding significant deviations, or negative opinions or an impossibility to express an opinion or a call for information, with therefore a positive opinion issued, the Board of Statutory Auditors proposes to the Shareholders' Meeting approval of the statutory financial statements at December 31, 2018, as prepared by the directors.
The Board of Statutory Auditors agrees with the net profit allocation proposal of the directors stated in the Explanatory Notes.

Arezzo, 13.04.2019
The Statutory Auditors:
Badiali Micaela
Nardi Gabriele
Sgrevi Susanna

EY
Building a better working world

Monnalisa S.p.A.

Financial statements as at December 31, 2018

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

EY
Building a better working world

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

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

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

To the Shareholders of
Monnalisa S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Monnalisa S.p.A. (the Company), which comprise the balance sheet as at December 31 2018, the income statement and cash flows statement for the year then ended, and explanatory notes.
In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Italian regulations governing financial statements.

Basis for Opinion

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

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

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on compliance with other legal and regulatory requirements

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

The Directors of Monnalisa S.p.A. are responsible for the preparation of the Report on Operations of Monnalisa S.p.A. as at December 31 2018, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

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We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the financial statements of Monnalisa S.p.A. as at December 31 2018 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of Monnalisa S.p.A. as at December 31 2018 and comply with the applicable laws and regulations.

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

Firenze, April 13 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.

Productive and Intellectual Capital

By productive and intellectual capital, we respectively mean the set of tangible (manufactured physical objects as opposed to natural physical objects) and intangible knowledge-based assets (legal rights to property, technology, patents, copyright, strategies, culture, structures, systems, organizational practices and procedures) that an organization can use to produce goods or offer services.

With specific reference to Monnalisa, productive and intellectual capital is not only manual skill contained within a corporate infrastructure equipped with the most advanced systems in terms of product quality and safety, but also experience, extreme care and attention to detail, and constant research and development into new materials and technologies as levers for improving efficiency, quality and competitiveness.

Another critical success factor for Monnalisa is innovation throughout the entire supply chain, substantiated by supplier collaboration aimed not only at sharing objectives and tools, but also at jointly identifying professional solutions able to satisfy the highest standards of quality, sustainability and efficiency.

Creativity

Monnalisa's products come from innovation, and aesthetic design and applied research are the driving force for the entire company.

Monnalisa's research and development activities, which are the fruit of constant exchange between the Style and Marketing Offices, are subdivided into:

- Identification of fashion trends, colours and themes to be developed within each line
- Research, selection and creation of new materials, fabrics and applications
- Creation of sketches for prints, embroideries, applications and printed fabrics
- Research, selection and realization of specific accessories for garments and their packaging.

Table 1 Creativity indices

		2016	2017	2018
Resources dedicated to creative activities	Average seniority of the creativity team	10	12	13
	Impact of the cost of research, development and realization of samples on turnover	10%	10%	8%
Collection success rate	% of models that have sold at least 50% more than the average sold per model	21%	21%	19%
	% of models placed on the market out of total models presented	82%	91%	94%

The reported creativity indices measure, on the one hand, research drivers, understood as business investments in creative activities, and, on the other, their results.
The average seniority of the creativity team is growing, thanks also to a low staff turnover.
The research and development activities of the two collections, entirely accounted for in the financial statements, include the cost items relating to the dedicated personnel, external consultants and other internal and external resources.
The high percentage of items placed on the market over the total items presented, associated with a growth in stylistic proposals, indicates the appreciation from customers of the creative choices made.

Product safety

Just as any item of clothing, and even more so when intended for children, Monnalisa's products are designed and tested according to various health and safety aspects. Since regulations may differ from country to country, Monnalisa has chosen for reference those of the countries of China and the United States which, to date, represent the most stringent regulations in terms of health and safety requirements for the marketing of children's clothing products.
Tests have been performed concerning both specific models and types of fabric used for various models. Where necessary, tests were repeated various times until any emerging issues were resolved.
The most performed tests for the Chinese market include analyses for the presence of azo dyes, carcinogenic dyes, dispersed allergenic dyes, formaldehyde and heavy metals, and analyses of pH, and of colour resistance to saliva, transpiration, light and rubbing. All tests were passed - confirming the safety of the products.
All materials with unsatisfactory results (in almost all cases concerning pH values) have been retreated and brought in line with standards. For some years now, pH tests have been carried out internally in order to prevent and correct any anomalies in-house before testing is carried out in China.
Among the most performed tests for the American market were analyses for the presence of lead, cadmium, nickel, formaldehyde and phthalates, and flammability testing. Only garments that had successfully passed the tests were placed on the market.
By explicit agreement with both foreign and Italian suppliers, the cost of testing is borne by Monnalisa only if successful. In all cases of non-compliance, suppliers bear the cost of testing until compliance is reached. This policy is aimed at raising the awareness and responsibility of suppliers on product health and safety issues by incentivizing the creation of compliant products.
The accredited certifying body that performs the product tests also provides Monnalisa with all updates regarding relevant regulations and legislation. At the same time, the company also receives and takes into consideration thematic newsletters from an Italian chemical analysis laboratory. There were no cases of the sale of products which were non-compliant with the rules of the specific destination countries.
All zips and metal accessories used by Monnalisa are nickel free.
From the FW 2015 season, all fabric suppliers were notified on the need to respect the parameters of standard GB18401 of the Chinese National General Safety Technical Code for Textile Products, and to provide certification as an independent accredited third party. In June 2016, the legislation was updated with the more stringent standard GB31701, adding limits for heavy metals in dyes and flammability testing.
Falling within the topic of product health and safety is the application of the REACH* regulation, which is expressly provided for in the Monnalisa Supplier Code of Conduct, which represents a specific contractual obligation for suppliers. Suppliers are progressively conforming to such provisions, submitting their consent and indicating their commitment to guaranteeing regulatory compliance. To date, 95% of suppliers have sent Monnalisa their consent to the REACH commitment.
From the FW 2019 season, all fabric and finished product suppliers will be sent a new Product Restricted Substances List (PRLS), containing specifications to adopt in order to comply with the most stringent export market, and instructions on providing certification as an independent accredited third party.

Label

All Monnalisa products feature a 10x3.5cm resin-backed composition and care label, containing the following information in ten languages: model, item, size, corresponding Chinese size, washing symbols, additional care instructions, Made In ..., any royalty trademarks and any other indications on the origin of leathers (where used). The label is the output of a process that requires suppliers to be provided with all the information relating to the materials that make up the products, the integration of that information on the centralized system and its entry in specific management software, updated in real time with all international product labelling regulations.

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

The value of the brand

Monnalisa's market competition includes several well-known luxury brands, which also operate in the adult clothing segment, and specialist players operating mainly through licensed brands.
Monnalisa's business activities have always been aimed at the constant enhancement of proprietary brands, as opposed to the acquisition of licenses from third parties, with the aim of guaranteeing total strategic autonomy and a considered concentration of investments, operating through innovative and avant-garde synergies and the internalization of all collection design and development, prototyping and model creation phases.

Brand value of therefore represents a critical corporate asset both from a strategic and a financial point of view. The brand is the fundamental element communicating an orientation to customers and positioning the company and its offerings within the competitive context.

Over the years, Monnalisa has pursued a constant process of internationalization, with the aim of strengthening brand awareness and value. Enhancement of brand awareness and value has also been pursued through Monnalisa' s entry into segments connected or close to that of children's clothing, with the aim of strengthening the identity of the Monnalisa lifestyle. In this regard, the company has recently extended its business to furniture and furnishings, with the launch of the "Monnalisa Living" line, as well as to cosmetics and bedding. Footwear, bags and accessory ranges, again in the children's sector, have also been extended.

Last year, ICM Research, in collaboration with LC Publishing Group, presented the fifth edition of its research project dedicated to the value analysis of the brand portfolios of the 50-leading medium-sized Italian companies in Fashion, Food and Furniture sectors. Monnalisa was also included in the selection of the top companies, and thus given a Brand Equity Score and Financial Valuation. The Brand Equity Score is an evaluation method that assigns a brand points for its strength, potential and associated risks. The score is expressed on a scale of 0 to 5, where a score of 2.5 represents competitive parity in the brand's sector and reference market in relation to its competition. The score assigned to the Monnalisa brand was 3.8.
The financial valuation of the brand value was carried out by attributing brand portfolios a value equal to estimated cash flows from hypothetical royalties that a third party, without a brand portfolio, would be willing to pay in order to make use of them in its production processes. The final valuation is completed through business considerations relating to positioning, development and image potential, and market relevance. The Monnalisa brand was thus valued at Euro 20,000,000.

The supply chain

The production process is mainly carried using an industrialized methodology, that is using independent third-party contractors exclusively for garment production and processing phases, excluding cutting, which is performed internally. A commercial production method is also used, i.e. the direct procurement of finished products. In both cases, the third-party manufacturers operate under the strict supervision of Monnalisa, which defines the procedures for the assignment of production batches and product realization times, and implements quality control checks.

Monnalisa's collaborations with its main suppliers are based on the principle of creating a long-term partnership through shared objectives and tools for the identification of professional solutions of quality and efficiency, and the achievement of results of mutual satisfaction.
The quality of this process is evidenced by the continuity and stability of the relationships established with main suppliers. Monnalisa tends to favour those suppliers with which it jointly collaborates on research, development and experimentation. With such companies, Monnalisa establishes a strong relationship that tends to be continuous and stable over time.

The suppliers analysed here are exclusively the suppliers of products and services with a direct impact on the company's production activity, including suppliers of fabrics, accessories, finished products, and processing services (e.g. cutting, sewing, ironing and accessory phases).
Evidencing the stability and robustness of the relationships is the fact that, on average, more than half of the consolidated suppliers (with which the company has worked in at least two of the last four seasons) consist of continuous suppliers (from which the company has purchased in all four of its latest collections). The most stable relationship is with processing contractors.

Reasoning in terms of procurement volumes, we can obtain the supplier dependency index, representing the percentage of procurement volumes from the top ten suppliers over the total volumes procured by procurement type.
The index has grown in all product categories except for finished products.

The payment terms established with suppliers vary with the type of product procured. For fabrics, longer payment terms are justified by the risk assumed by Monnalisa in buying the materials "in the dark*", that is a long time in advance and before the collections have been sold, which is necessary in order to anticipate production process times so that prompt delivery can be guaranteed to the customer.
Monnalisa, except in cases of dispute over purchased goods or services, regularly observes the contractual terms agreed with the supplier.
This, together with the approach to building lasting partnerships with suppliers, protects the company from any non-compliance with supply agreements.

** In companies working in a programmed way for customers, an order "in the dark" is an order from suppliers of raw materials that is not based on sales forecasts, but only on historical data and on an estimation that considers the specifics of the relevant collection. This represents a risk factor and a financial commitment for the company in advance of forecast-based and final orders.*

Reverse Factoring

Monnalisa has a reverse factoring agreement in place with a major banking institution. Monnalisa informs the bank of its most stable suppliers, who are offered the possibility of assigning credit to Monnalisa, managing and anticipating, under particularly favourable conditions, receivables due from the purchaser. Monnalisa, as partner company, thus collaborates in the development of the project with the aim of meeting the financial needs of the largest number of suppliers. The advantage is, for suppliers, the anticipation of receivable cash flows, and, for both parties, the strengthening of relations.

Table 2 Number of suppliers by type (listed; consolidated; ongoing)

Supplier type	No. of suppliers listed	Of which Consolidated suppliers (at least 2 out of 4 seasons)	Of which Ongoing suppliers (4 out of 4 seasons)
Textiles	639	40	19
Accessories	284	53	26
Processing	311	22	19
Finished product	443	42	24

Table 3 Supplier relationship stability index

Supplier type	% continuous/consolidated		
	2016	**2017**	**2018**
Textiles	50%	48%	48%
Accessories	61%	56%	49%
Processing	72%	71%	86%
Finished product	47%	34%	57%
Overall percentage	**57%**	**50%**	**56%**

Table 4 Supplier dependency index

	2016	2017	2018
Textiles	84%	79%	80%
Accessories	75%	72%	81%
Processing	59%	62%	66%
Finished product	78%	74%	71%

Table 5 Contractual payment terms by type of supplier (actively listed)

Supplier type	30 days	60 days	90 days	120 days
Fabrics	119	71	202	247
Accessories	49	72	102	61
Processing	101	199	6	5
Finished product	168	251	10	14

The guarantee of production chain quality

Monnalisa, in the management of its supply chain, adopts an active collaboration approach with its suppliers, going beyond its own corporate boundaries to work on upstream activities oriented to suppliers, and downstream activities, oriented to customers. The company has thus forged relationships of collaboration and trust with stakeholders. Thus, a network of companies has been created, which, by working together for the same purpose, is able to deliver greater added value for the products and services offered to customers, and reductions in supply times and costs, thus guaranteeing better competitiveness in the marketplace. The goal is to move towards a supply chain management that involves all companies in the cycle, both upstream and downstream, precisely because such collaboration is strategic for the acquisition of a competitive advantage in the market.

Product and process quality

At the end of each season, Monnalisa evaluates all its materials, processing and finished product suppliers on the basis of: quality of the product or service provided, value for money, flexibility, creativity and versatility.

The percentage of suppliers with fair, good and excellent quality indices, out of all suppliers evaluated, is high and up on the previous year, evidencing the significant wealth of skills and knowledge capitalized in Monnalisa's management of its supply chain.

Table 6 Summer season fabric, processing and finished product supplier evaluation

	Textiles					Processing and finished product					Accessories					Tot
	E	D	C	B	A	E	D	C	B	A	E	D	C	B	A	
2016	0	4	10	11	9	2	10	17	30	5	1	6	5	10	21	141
2017	0	8	14	13	3	4	11	24	24	4	0	1	5	6	21	138
2018	1	13	10	9	7	6	10	21	27	1	0	7	11	11	23	157

Table 7 Winter season fabric, processing and finished product supplier evaluation

	Textiles					Processing and finished product					Accessories					Tot
	E	D	C	B	A	E	D	C	B	A	E	D	C	B	A	
2016	0	6	11	14	3	8	8	23	18	6	1	5	9	6	21	139
2017	1	4	11	14	3	9	11	23	18	5	2	5	9	6	21	142
2018	0	6	13	12	3	0	9	24	31	2	2	6	9	7	20	144

E= unsatisfactory; D= adequate; C= fair; B= good; A= excellent

80.2%

% of suppliers with fair, good and excellent quality indices out of all suppliers evaluated

(Average of the two seasons analysed)

Ethics quality

An analysis of the supply chain from a global point of view evidences the predominance of Italian suppliers. Indeed, in 2018, only 33% of procurement volumes came from suppliers located abroad, of which most were concentrated in China, Bulgaria, Egypt and Turkey.
The application of SA8000 Social Accountability certification in such countries mitigates the risk of human rights violations. Standard SA8000 contains specific requirements on the extension of control processes to the supply chain, allowing the company to monitor (via an evaluation questionnaire on supplier commitments to complying with the standard requirements, and audits at supplier premises) suppliers throughout the entire supply chain, including potential new suppliers. All Monnalisa supply contracts include clauses on work practices and social, environmental and sustainability aspects. All suppliers are required to comply with SA8000 requirements and the provisions of the Monnalisa Code of Conduct.
Additionally, audits are carried out, both by third parties and by Monnalisa directly, and scheduled on a regular basis depending on various factors such as the type of processing, the size and location of the company, and the outcome of previous inspections.

Table 8 Audits at supplier premises

	2016	2017	2018
No. of visits to suppliers made	10	10	19
of which in Italy	8	6	12
of which abroad	2	4	7

Audits carried out in 2018 covered approximately 19.41% of the value of procured material and processing, though, considering the last three years, the coverage rises to 28.36%. The audits were carried out at seven finished product suppliers in China and twelve suppliers in Italy, of which three materials suppliers, four finished product suppliers and five processing contractors.

Areas for improvement were identified and shared with the companies, though the audits found no critical non-conformities. In addition to these audits were several audits by Disney at foreign suppliers processing products containing Disney images subject to royalties. Such audits (5 in 2018) aim to verify the compliance of the suppliers with the ethical provisions of the Disney Code of Conduct.

Code of conduct

With the aim of reinforcing its commitment to sustainability throughout the supply chain, Monnalisa has developed a Supplier Code of Conduct that acts as a contract with suppliers indicating the standards which the company wishes to uphold. Specifically, in addition to the requirements of standard SA8000, the code includes clauses relating to the environment, the Organizational and Management Model, product safety and the protection of company know-how. In signing a supply contract, of which the code represents a clause, the supplier undertakes to ensure the implementation of the code and to accept any inspection visits aimed at verifying its correct implementation.
The Supplier Code of Conduct can be consulted on the corporate website at the address: http://portal.monnalisa.eu/comunicazione_istituzionale/responsabilita_sociale_it-IT/codice_di_condotta_per_i_fornitori.aspx

Environmental quality

Adding to those relating to quality and social responsibility, an environmental evaluation was introduced three years ago.
This activity mainly aims to evaluate the technical and organizational capacities of Monnalisa suppliers in the environmental field. The suppliers are evaluated on the basis of self-assessment questionnaires, which summarize the concepts expressed by the standard UNI EN ISO 14001. The application of the requirements of the standard was evaluated according to technical and organization criteria and the relevance of environmental aspects to the supplier in question.
Considering the high number of suppliers, audits were prioritized for those suppliers with considerable turnovers and on first contact with Monnalisa. Furthermore, the self-assessment questionnaires submitted in 2018 evidence that the response rate among material suppliers was 10%. The responses show that those with significant environmental impacts responded positively to the question relating to the application of control procedures, the management of environmental performance, and the possession of specific authorizations. These suppliers have already implemented or intend to implement specific improvements, especially of a technological nature, to reduce environmental impacts.
Finished products suppliers, on the other hand, had a response rate of 47% of the total. From an analysis of the answers given, it appears that 43% of them have active procedures for the control and management of environmental performance, as well as an internal figure in the company with the role of Environmental Manager.
A particularly positive result was recorded by processing suppliers, with 100% of them returning a completed self-assessment questionnaire. From the replies received, it appears that the suppliers do not generate significant impacts, except for one that produces some hazardous waste, whose disposal is covered by relevant authorizations. The same company has a dedicated Environmental Manager, and responded positively on the question on future improvements, detailing the planned replacement of lighting systems and its ongoing evaluation of the installation of a photovoltaic system.
Of the remaining suppliers, who adopt control procedures and have confirmed the presence of an environmental manager, evidence was given of a greater awareness and more detailed planning of activities for improving environmental performance.
In addition to product suppliers are those providing services such as maintenance, transport and waste collection and disposal. This group of suppliers is evaluated via the Environmental Management System, with appropriate objective assessment parameters approved by the relevant certification body, giving the supplier a score based on environmental and regulatory criteria. From 2018, the service providers of the operational headquarters are also evaluated.
The analysis performed indicates that of the suppliers around 62% obtained a score of "Excellent", 31% a score of "Good", and 3% scores of "Adequate" and "Unsatisfactory". It is therefore clear that the majority of service providers are therefore reliable and maintain a collaborative relationship without any particular challenges. Plans for improvement were shared with those achieving "Adequate" results. For those who obtaining "Unsatisfactory", contractual relations will be reviewed during 2019.

Supplier assessment process

The criticality of the supplier in relation to the requirements of the standards SA8000, ISO 9001 and ISO 14001 is established on the occurrence of one or more of the following conditions:
- Small-scale or craft supplier
- Supplier location in areas at risk
- Service providers in sectors where workers' rights are more easily abused

Not all service providers are subjected to assessment, only those that provide services that form part of the main production cycle, thus excluding secondary suppliers.
The supply relationship is governed by supply orders, order confirmations, contracts and written agreements. All suppliers receive a document of presentation of the company, illustrating the values and mission of Monnalisa, its quality, social responsibility and environmental, the standards SA8000, ISO 9001 and ISO 14001 to which it complies, as well as the Code of Conduct, which includes clauses relating to the environment, product safety and the protection of company know-how. The document must be returned to the company countersigned by the supplier for acceptance.
At the beginning of the collaborative relationship, for the purposes of evaluation, all suppliers receive a self-assessment questionnaire containing a variety of questions on the supplier, including aspects relating to human resources, health and safety, data processing and compliance with the standards SA 8000, ISO 9001 and ISO 14001. The supplier must return the digitally completed questionnaire, undertaking to comply with the requirements of the standards and accepting both scheduled and unscheduled inspection visits from Monnalisa.
The submission of the required documentation may be followed by a Monnalisa audit aimed at assessing the supplier's effective compliance with the answers given in the self-assessment questionnaire.
Any non-conformities detected during the audit are recorded in the evaluation system, and reported to the supplier in writing, indicating, where possible, any corrective actions to be taken within certain deadlines.
Following any negative outcome of the visit, the supplier must provide an improvement plan to the non-conformities encountered.

If, on the other hand, the assessment is positive with some reservations, the supplier in is put in stand-by, informed of the issues that have emerged, and will be subjected to further evaluations and audits. Suppliers must guarantee the compliance of any sub-suppliers they use with the requirements of Monnalisa.

The wholesale channel

Wholesale distribution is carried out through multi-brand stores and third-party operated stores (TPOS), which include so-called third-party shop-in-shops (TPSIS), or mono-brand sales points, of limited floor space, located within department stores.
At December 31, 2018, Monnalisa distributed to more than 750 wholesale sales outlets, of which sixty were TPOS.
Before stipulating supply contracts with its customers, Monnalisa makes a careful selection based on their location, the visibility that they can give to the products, coherence with the Monnalisa brand and their good standing, in order to reduce the risk of insolvency or late payments of orders. Furthermore, the company ensures that the products will be presented to the public in the manner most in keeping with its own standards and tastes, and in the most suitable light compared to the presentation of the products of its main competitors.

To serve the wholesale distribution channel, Monnalisa mainly uses directly managed showrooms with the aim of having the most effective control over customers, and the quantity and assortment of orders. To date, the company has six showrooms located in Arezzo, Naples, Rome, Milan, Viernheim and London.
Monnalisa also makes use of a network of agents, relying on the skills, sensitivity and entrepreneurial spirit of each. In some countries, such as Portugal, Cyprus and Greece, the company makes use of distributors who purchase Monnalisa products and resell them to selected independent multi-brand stores located in territories exclusively licensed to them.

The direct retail channel

The retail channel consists of single-brand stores managed directly by Monnalisa in Italy and by its subsidiaries worldwide. At December 31, 2018, the Group had 42 direct stores, 8 of which outlets and 34 of which full-price stores. 21% of the stores are located in Italy, while the rest are located in China, the USA, Hong Kong, Russia, Brazil and other European countries. Only 8 of the 42 stores have a seniority of more than 3 years, signifying the large investment made by Monnalisa in this channel in recent years.

The location of retail boutiques in the most prestigious shopping streets in the world (Milan, New York and Hong Kong) and the presence of the brand in major luxury department stores and malls are further significant contributions in communicating the Monnalisa brand as a synonym of luxury able to compete with the best players in this market. Monnalisa intends to continue developing its direct retail distribution network through the opening of new stores in exclusive and internationally important locations, in line with the brand's standing and visibility.
The direct management of the points of sale also makes it possible to standardize distribution, marketing and communication activities, to better manage inventories and the integration of online and offline platforms, and to better plan production cycles and the procurement of materials.

Digital innovation

Creativity and innovation are among the fundamental values of Monnalisa. Innovation also passes through the digital transformation that Monnalisa has been pursuing and implementing for some time. Its B2B portal and B2C channel have leading roles in this transformation. These are two touch points dedicated to the retail world and end customers, which represent two fundamental assets for the company.

B2B
The B2B service is an e-commerce platform for retail customers, where they can view finished products in stock and available for restocking and independently select and purchase them. The service offered by the platform includes a series of functions aimed at making communications between the company and the sales network, and between the company and retailers, much easier and more immediate.

B2C
The e-commerce platform has continued to grow at a fast pace in recent years. The number of subscribers has increased by 18% on 2017 (up 51% on 2016), together with the number of visits (up 14%). Meanwhile, the average time spent on the site continues to decrease, as a sign of better site navigability. In just eight years, the number of subscribers has increased from 300 to over 32,000, representing the most important intangible relational asset of this tool. The channel saw its performance grow thanks to the reputation of the online boutique, the improvement of various business processes connected to the service, the growth in the range and depth of offerings, and the improvement in customer care through a personalized and constant communications policy in relation to final consumers. 79.3% of visits are new visitors.

Monnalisa uses secure payment systems managed by certified companies that employ the best security protocols. Internal controls are applied to ensure that transactions are formally and substantially correct.

Table 9 B2C e-commerce indicators

	2016	2017	2018
Registered users	21,431	27,454	32,400
Number of visits	1,065,572	1,224,126	1,395,864
Number of pages viewed	11,358,701	10,595,492	11,473,518
Number of pages viewed per visit	10.66	8.66	8.22
Average time spent on the site	6' and 46"	5' e 09"	4' and 42"

The building up of relationships which improve customer loyalty is achieved by offering quality products and services that respond in a reliable, personalized and appropriate manner to various needs, also through the technological development of new communication channels.
Monnalisa recognizes the importance of all relationships established with its suppliers in the value generation process, and therefore is committed to promoting such relationships based on transparency and fairness, in order to guarantee the right conditions for the creation of products that can compete profitably on the market.

Innovation, research and development

For the company, innovation means making changes that produce improvements, optimize costs, increase turnover and build on competitiveness. This is a gradual and continuous process which must pervade all aspects of corporate life, every day, in a constant process of research, transformation and planning.
This section thus reports on the main research and development projects in the reporting year, which testify to the strong propensity and passion for change that pervades the entire company.
Since innovation starts with and develops from people focusing their skills, motivation, commitment and passion, one can easily imagine the happy concentration of "innovators" present in the staff of Monnalisa.

WMS – Warehouse Management System

In 2018, the activities to integrate the Warehouse Management System into the new semi-automatic warehouse, assigned to the management of programmed finished products, were completed. The WMS is a system that supports the operational management of a warehouse's physical flows, allowing the optimization of goods handling activities and efficient control of performance through ABC goods location and product rotation logic, the management of expiry dates, lots, shelf lives and particular product states, and iterative interactions with the corporate ERP system. The main advantages of the adoption of this software is summarized in the following points:
- Elimination of errors by operators, during both goods reception and, above all, picking and preparation for shipment. Warehouse staff are constantly guided by the system via radio terminals.
- Increased usability, accuracy and reliability of data relating to items in stock.
- Greater decision-making capability of the management via a database aligned in real time to the physical situation of the warehouse.
- Increased operational flexibility, facilitating the management of activity peak times.
- Less effort (and time) in shipment management by improving and minimizing the duration of picking activities, which, in general, represent the highest costs in warehouse management.

At the end of the operating season, the yield of the logistics cycle increased by as much as 20%, and a further increase of 19% is expected in 2019.

Latest technology cutting machines

In order to improve the operational performance of the industrialized fabric cutting department, two latest generation replacement cutting machines have been installed, which offer extremely high productivity yields (20% more than the previous models) without sacrificing energy savings and the minimization of environmental impacts. This new technology can support the acceleration of work cycles in terms of speed and productivity, using a set of technological features and innovative materials that allow unprecedented cutting performance to be achieved, and raise the Monnalisa facilities to a further degree of excellence. Furthermore, the chosen machines are the only ones of their kind to have obtained A+Gold certification, after passing tests by TÜV Italia. This has benefited the company enormously by achieving a drastic reduction in the electricity consumption previously attributed to this department.
In particular, electricity consumption fell by as much as 19.5 kW per hour of work (thus saving 33,000 kW per year), resulting in a reduction of carbon emissions of approximately 14,000 kg of CO_2 in 2018 alone.

Social and relational capital

The ability of an organization to create value for itself is closely related to the value it can create for other stakeholders in its target market. This value comes from a wide range of interactions, activities, relationships, causes and effects, in addition to aspects directly related to changes in financial capital. In this regard, Monnalisa's approach to its social and relational capital hinges on its ability to create and maintain robust relationships with customers, investors and the community at large. The aim is to improve the well-being and competitiveness of the communities and of the context in which the company lives and works.

The stakeholders

In carrying out its business, Monnalisa comes into contact with numerous parties, who, for various reasons, enter into relations with the company. These parties are stakeholders, those who may more or less directly influence the company's activities, and who may have an interest in seeing Monnalisa conduct its activities in a responsible and sustainable manner. Relationships based on listening, continuous dialogue and the active engagement of stakeholders are therefore not only a form of responsibility of the Group towards the context in which it operates, but also a source of valuable information and ideas contributing to a better understanding of and response to the needs of the local community. The process of listening to stakeholders through structured initiatives and channels generates shared and long-lasting value in the interests of both the Group and its stakeholders.

Table 1 The stakeholders: Who they are and what they represent

internal and external collaborators: all company employees and contractors, and, more generally, all those who cooperate closely with Monnalisa in realizing its mission
the shareholders/financiers: the financial holding company Jafin Due SpA, the institutional and retail investors via the AIM market, and the lending banks
the suppliers: all those who, in various respects, supply goods, services or resources necessary for the company's production activities. This category includes: processing contractors, suppliers of raw materials, fabrics, accessories and finished products, the company's service providers, external consultants
the customers and consumers: those who use the company's products. These are customers of Monnalisa: mono-brand and multi-brand stores, department stores, importers and end-consumers
the agents: those who promote and distribute Monnalisa products and have direct relations with customers
the collectivity: the local communities (physical and social) in which Monnalisa operates. More specifically, this category includes: organizations in relation to which the company promotes social initiatives or with which it establishes short-term partnerships, such as schools, universities and trade associations active in the local community. The physical and natural environment is also an integral part of the concept of "collectivity"
the public sector: governmental institutions at national, regional, provincial and municipal levels

With a view to further scrutinizing the list, the stakeholders were assigned a score from 1 (low) to 5 (high) indicating the degree of relative influence that each party has on the company or the company has on the party. These scores were then used to create a stakeholder map. Crucial in objectively determining the relevance of stakeholders was a questionnaire administered by mono-brand stores and an in-depth benchmarking exercise performed on a representative sample of sector players.

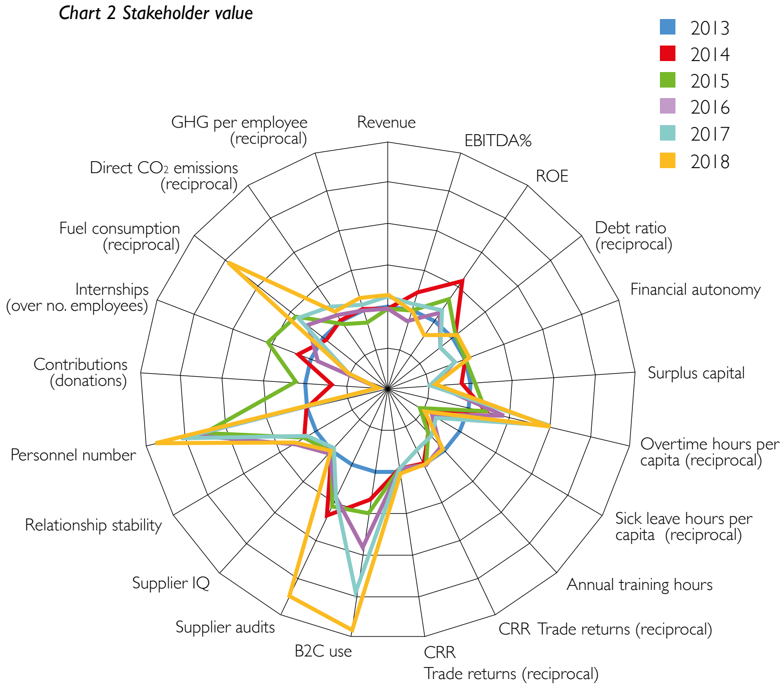
The stakeholders that exert the greatest influence on Monnalisa are employees, consumers, shareholders and top management, while those on which Monnalisa has the greatest influence are employees. (Chart 1).

The company, as an autonomous body, is also a stakeholder, since it is a direct beneficiary of the value generated by its business activities. Added value capitalized by the company will allow it to last over time, and therefore honour its commitment to social responsibility.

In order to better understand its relationships and create structured dialogue with its stakeholders, Monnalisa has always engaged in a variety of initiatives, such as workshops, focus groups, surveys, questionnaires, and interviews. Over the years, ten specific categories have been engaged in such initiatives, thus creating the basis for relationships in which critical and positive issues and ideas can come to the fore. Thus, increasingly constructive improvement commitments have been formulated over time between the company and its stakeholders.

To better understand the value and impacts the company has generated over in relation to its stakeholders, three indicators have been selected to represent the relationship with each.
The following dartboard chart shows the change in the indicators since 2013, giving an indication of the evolution of the company's relationships with its stakeholders and the effectiveness of its initiatives to improve such relationships. The farther the chart point moves away from the centre, the greater the improvement in the indicator compared with 2013. The chart not only shows the creation of value for stakeholders, but also the inevitable trade-offs in relating to all stakeholders. The evolution in points towards or away from the centre is less significative in absolute values than it is in revealing differences in the evolution of the relationships with different stakeholders in response to the company's strategies and policies over time.

Chart 2 Stakeholder value

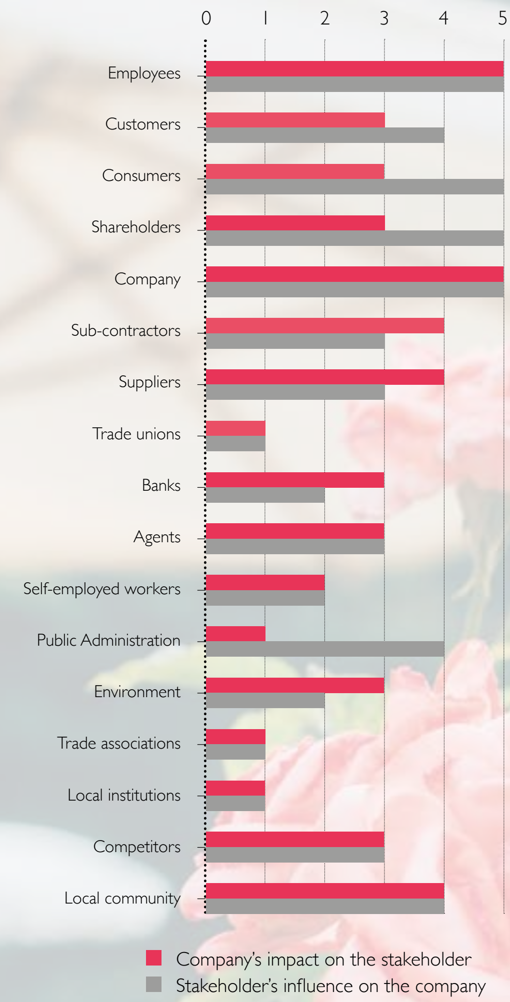


Source: Bonacchi, M. and Rinaldi, L., 2007. Dartboards and clovers as new tools in sustainability planning and control. Business Strategy and the Environment 16 (7): 461-473. http://dx.doi.org/10.1002/bse.596

Stakeholder relations

Monnalisa operates in total transparency and approachability in relation to its stakeholders. Thus, stakeholders may, at any time, easily contact corporate management bodies through the main channels provided. In the case of employees, stakeholder consultation is articulated by directly engaging their representatives via the Social Performance Team. Consultations with the other stakeholders are managed via focus groups, questionnaires, surveys and interviews.
Regarding employees, Monnalisa has also had, for some time, a Suggestions Box that anyone can use to propose new ideas or highlight particular issues. Moreover, the positive work environment and flat hierarchical structure of Monnalisa facilitates the sharing of employees' needs with managers and the general management.
Relationships with suppliers are managed by their commitment to the Supplier Code of Conduct, as well as by periodic audits performed by Monnalisa. Furthermore, suppliers complete self-assessment questionnaires on their human resources, health and safety, environmental aspects, quality and social responsibility.
The results of the audits, controls and questionnaires are directly reported to the Chief Executive Officer and to the Board of Directors, in order to maintain a continuous assessment of suppliers and of their compliance with the Code of Conduct.

Graph 2.1 Stakeholder chart



The customers

Monnalisa distributes its product through several distribution channels: directly operated stores, retail sales through proprietary stores (directly as Monnalisa or indirect through subsidiaries abroad); mono-brand wholesale, sales through mono-brand stores managed by independent customers with distribution agreements; multi-brand wholesale, sales to independent multi-brand retail stores, including department stores; e-commerce, both mono-brand, direct and indirect, and multi-brand

Table 2 Loyalty

	2016	2017	2018
Year-on-year change in turnover*	-1.9%	9%	1.87%
Net turnover in terms of garments	+0.24%	-3.39%	-5.81%
% retained customers over total customers	81%	68.50%	85%
Outgoing turnover rate (customers lost over total)	19.50%	35.50%	20.50%
CRR - Customer Retention Rate	80.73%	63.95%	78.94%

**the change has been calculated by comparing revenues from the statutory reclassified income statement in the directors' report.*

Monnalisa strongly supports all distribution channels, demonstrating its commitment to the partnership between customers and suppliers. Among various support initiatives are personalized assistance in planning the layout and design of sales points or corners, ordering equipment, monitoring the range of products, training sales staff in visual merchandising, with direct interventions from Monnalisa and remote support, and the co-management and organization of in-store events.
In order to mitigate the risk of customer insolvency, Monnalisa insures its credit with a leading insurance company. A service that provides online access to commercial information in real time is also used to decide upon the granting of credit to customers in a more knowledgeable way, monitoring developments over time.
The company also contributes to customer service quality through the quality of deliveries in terms of both the number of shipments and the percentage of fulfilled orders. Compared to previous years, the average number of shipments per order has decreased, while the percentage of orders fulfilled has increased from 98 to 100%.

Table 3 Reliability

	2016	2017	2018
Average no. of shipments per order	3.82	4.48	3.87
% fulfilled orders with fulfilment % between 98% and 100%	71.44%	78%	83.79%
Replenishments/trade returns (in garments)	1.75	1.37	1.11
% marketing and sales personnel over total staff	36%	33%	40%

Goods may be returned by customers for not meeting expected quality requirements, or, more frequently as a trade lever under a customer service agreement, by which certain slow-selling goods are replaced with more suitable products for the local market.

Table 4 Trade returns over total returns

	2016	2017	2018
% trade returns over total returns	87%	88%	81%

For every garment returned for trade reasons, therefore not for production or design defects, at least one is restocked.

Investors and financial communication

Following the listing of the company on the AIM market on July 12, 2018, new investors joined the majority shareholder, Jafin Due SpA.
43 institutional investors took part in the book building for listing, with a subscription of 70% of the shares by Italian investors, and 30% by foreign investors (from the UK, Switzerland, France, Luxembourg and Spain).
On listing, communications with investors must respond to specific regulations governing minimum and mandatory disclosures, as well as their timings and procedures.
From the day of listing until 31/12/18, eleven press releases were published on the System for the Distribution of Regulated Information (SDIR) platform and on the corporate website in the Investor Relations section. Of these, two related to the approval of the half-year report and the publication of the financial calendar. The others related to updates on company results and progress in the implementation of the three-year development plan.

On the disclosure of the half-year results, Monnalisa participated in the Half-Time Conference organized by KT&Partners in Milan to explain the financial results and answer questions from investors. A conference call was also organized for foreign investors.
Last October 2018, the company took part in the London AIM Italia Conference, an investor day organized to meet with the financial community, through both one-to-one and one-to-many meetings.
The 2018 financial statements were published on the SDIR and the corporate website, together with the draft financial statements approved by the Board of Directors on March 29, 2019. In the following days, a presentation was made to investors at the Milan showroom and a conference call to foreign investors. Finally, on April 16, 2019, Monnalisa participated in the Small Cap Event in Paris.
All the documentation relating to the financial statements, including the minutes of the shareholders' meeting to approve the statutory financial statements and to review the 2018 consolidated financial statements, are published on the company website. The financial statements are also available in English.

Corporate communication

Stakeholders often ask Monnalisa to communicate its identity and make its choices known. In this regard, Monnalisa is committed to implementing communicative and informative initiatives addressed to both employees (via internal communications) and stakeholders in general, with a common approach inspired by the principles of transparency, clarity, effectiveness and adequacy.

Internal communications

The internal portal is the primary system for circulating information within the company. A bulletin board on the first page of the portal allows authorized departments (e.g. Human Resources, Communications, General Management) to circulate information, communications and notices to all or only certain offices. This guarantees both the widespread circulation of information and its official status, in addition to allowing recipients to respond via a "comment" function.
The human resources area of the portal contains all the documentation on individuals' employment relationships and pay packets. It also publishes presentation or meeting videos of general interest so that even those working off-site can access the content.

External communications

The primary form of external communication is advertising, which - through products and press releases - conveys the identity of the brand and the company to all external stakeholders. During 2018, Monnalisa did not invest in advertising campaigns but benefited from a strong resonance of the brand and Group activities through numerous free editorials in a range of both sector and financial publications. A total of 405 editorial pages were published in print media around the world, in addition to an equivalent of 180 editorial articles published on the web. The value of advertising published in the form of free editorials corresponded to approximately 4% of the turnover of the parent company.

Currently, Monnalisa does not adhere to specific voluntary codes or standards relating to marketing and advertising practices. In any case, in addressing a market specifically dedicated to children, Monnalisa opposes, in all possible forms of advertising, attitudes and images that might, in any way, be disrespectful of the dignity of children. Cases of non-compliance with voluntary regulations or codes regarding marketing activities including advertising, promotion and sponsorship.

Supplementing traditional forms of advertising is that conveyed through the web, including corporate communications via the company website (www.monnalisa.eu) and via social media. Overall, around 40,000 external users interact with the main digital touchpoints, including agents, retailers and consumers (via B2C).

In store events

2018 saw numerous in-store event activities taking place, through 13 different formats in over 170 stores worldwide.
The new year began with the simultaneous worldwide launch of "The Travel Diary" campaign across all mono-brand stores.
The integrated online and offline communications campaign featured the character "Miss Monnalisa" as protagonist, brand-interpreter, and inspiration for the collections, represented in-store by a life-sized cartoon communicating her curious, fashionable and romantic nature. The event kicked off with a series of animated videos, presented on a monthly basis across the social networks, which saw the iconic girl star in various adventurous journeys, inspired by prints and other elements from the collection. Miss Monnalisa's adventures concluded in stores for the launch of the "back-to-school" campaign with an event in which fans could collect pins representing her and their own summer travel adventures. The year ended with Mickey Mouse's birthday, celebrated in Monnalisa stores through a Disney co-marketing campaign, with fun, themed merchandising inspired by the collection.


MONNALISA
Fairy Tale



MONNALISA


Engagement

The engagement initiatives periodically carried out by Monnalisa collect stakeholders' expectations and identify areas for improvement. This policy of engagement was initiated over ten years ago, and represents the company's commitment to responding to stakeholders and recording its responses through this report.
In the course of its business, Monnalisa, just like any other organization, comes into frequent contact with a wide range of parties who, for various reasons, have an interest in the company's corporate mission, and who, therefore, expect to receive information on its activities and performance.
What stakeholders have in common is their object of interest, the company. However, their expectations may vary widely, and, therefore, it is up to the company to:

- Confirm, through its conduct and the reporting of its activities, the bond of trust established in various ways with both internal and external stakeholders.
- Mediate between the implicit and explicit expectations of the various stakeholders, objectively considering the interests of the company in light of the common interests of all current and potential future stakeholders.

Employee communication and engagement

Following the update to standard SA8000 in 2014, Monnalisa approved a management policy establishing a Social Performance Team (SPT), as a reformulation of the previous Ethics Committee and consisting of a balanced representation of workers' representatives and management. All members of the SPT have been trained in detail on the new issues introduced in the new edition of the standard. One of the tasks of the SPT is to report all criticalities and reports and any complaints received from stakeholders relating to social and environmental responsibility to the Board of Directors and CEO.
In 2018, 9 reports were received, down from 10 in the previous year. All were analysed by the SPT at its periodic meetings in February, May and October. Reports came via the central offices and operational headquarters, through direct communications with the SA8000 workers' representatives, or through the Suggestions Box, which guarantees anonymity.
Certain reports expressed requests for specific improvement actions by the company. Others gave the management the opportunity to explain and give reasons for the implementation of certain rules and decisions. Further reports came via the Human Resources Office, in the form of suggestions, requests, remarks, complaints and notifications of potential non-conformities, supplementing information emerging from the internal audits of the company's management systems.
Of all reports received in 2018, none concerned any violations of human rights. All reports were responded to, including all cases of anonymous reporting. 100% of the reports were therefore accepted and managed.

Breathing life into the non-financial report

One of the main qualities of this report comes from the company's decision to engage employees in its preparation. A fundamental consequence of such engagement is raising the awareness of a numerically significant group of employees about the company's performance over the reference year. Furthermore, widening the dissemination of this report means engaging a greater number of people in collecting, commenting on and analysing the valuable data. In particular, specific engagement initiatives involved the managers of the various corporate departments in collecting and commenting on the data necessary for the preparation of the report. Furthermore, certain participants and managers of particularly innovative projects were consulted on the characteristics of their activities and their contribution to the pursuit of corporate goals. All contributions were then collated to form part of the report.

External communications: consumers

In an increasingly social marketplace, in which time spent on the web grows exponentially every year, the rules of sociality are changing with the evolution in consumer behaviour, making the creation of institutional accounts across major networks fundamental.
Monnalisa is present on and connected across Facebook, Pinterest, YouTube and Instagram. The current social media audience consists of a community of 186,220 fans, subscribers and followers that shows continual growth (up 25% in 2018 from 2017).

Product posts, company news, catalogue images and e-commerce links are accompanied by in-depth information on a range of topics related to the target market. Responses to such social media activities allow the company to listen to the needs of users and consumers, to convert them into ad-hoc products and services, and to monitor chatter and conversations emerging around the brand, in order to improve the relations with consumers, and to develop content that generates added value and creates opportunities for people to feel more connected to the world of Monnalisa (see the section on "Productive and intellectual capital", "Creativity").
These are the main goals the company has set itself, in addition to an intensification in relationship marketing and the identification and engagement of opinion leaders able to transmit trust, generate enthusiasm for the brand and improve the reputation of the company.

Brand reputation

Monnalisa's collections and image and communications activities are well perceived by customers. Surveys published periodically in the magazine Fashion, based on a significant sample of Italian consumers, indicate that Monnalisa is highly rated by the market, with the company consistently among the top three brands in terms of best sellers.

Company chairman Mr. Iacomoni collects award presented by LC Publishing Group in collaboration with ICM Advisors
Milan, November 28, 2018 - Monnalisa SpA was recognised at the fifth edition of the Save the Brand awards organised by LC Publishing Group in collaboration with ICM Advisors, in the international expansion category. Made in Italy's three F's – Food Fashion Furniture – were celebrated at the gala evening held at the Four Seasons in Milan, which saw the exclusive presentation of research conducted by ICM Advisors for LC Publishing Group. The Research Centre, having created a database of over 1,000 enterprises, sought to identify those which are fundamentally capable of outperforming the sector average in terms of revenues and earnings, international expansion and marketing structure. Monnalisa, listed as one of the 50 enterprises considered as examples of "excellence", met the criteria set and received the "Save the Brand 2018" award. Piero Iacomoni commented: "We are delighted with this recognition and truly proud of the work which we have undertaken to this point. We have ambitious growth plans and the Group's ongoing international expansion will bring the quality of Made in Italy to the entire world".

The local community

Monnalisa considers the new generations to be important stakeholders. It has therefore established ties with numerous educational institutions, with which it actively organizes initiatives of teaching, project work tutoring, internships and research. For several decades, Monnalisa has collaborated with the Department of Corporate and Legal Studies of the University of Siena in joint training activities, a cycle of entrepreneurship lectures is ongoing with the University of Oklahoma, and a series of study tours have been organized with the Milan Fashion Institute. A particularly close collaboration is with the Marketing, Sales & Digital Communications Master's programme of the University of Turin, through which internships are organized abroad through agreements with the Borgo Italia network, of which the founder of Monnalisa is President.
Monnalisa annually prepares an internship plan divided up into areas of professional expertise. Applications can be submitted directly by potential interns or can be proposed by universities, educational institutions, and training and specialization schools. Monnalisa on occasion itself actively searches for young people at such institutions in order to offer them internship projects.

The interns can make use of the internships for different purposes, such as:

- for the completion of his or her university education, with the writing of a thesis.
- to fulfil a specific curriculum requirement for educational credits,
- to join the world of work,
- to start in the world of work for people with physical or mental handicaps.

Of the eighteen internships in 2018, 78% were provided with monthly reimbursements for expenses, and all were guaranteed lunch at the company's partner restaurant.

Table 5 Internships in 2018

Ente promotore	No. Interns	Duration	Internship Area
Bologna Business School	1	3 months	Retail
Arezzo Employment Centre	5	24 months	Retail E-commerce warehouse Style Office Technical Office
Metropolitan City of Naples	2	5 months	Naples Showroom
Four Stars	1	3 months	Milan Showroom
Polytechnic University of Milan	1	3 months	Milan Showroom
University of Prato PIN	1	1 month	Retail
European School of Interpreters and Translators Perugia	1	3 months	Italy and domestic sales
University of Bologna	2	6 months	Marketing
University of Siena	3	12 months	Administration Retail Finished Product Production
University of Siena	1	3 months	Italy and Domestic Sales Office

The internships in 2018 led to 4 recruitments between 2018 and 2019, 2 of which as maternity replacements.

Intern Policy

Monnalisa guarantees all trainees the presence of a tutor, who supervises them throughout the internship, an agreed training project in line with the intern's training and previous experience, a dedicated workstation within the company (with a pc and e-mail address), participation in internal meetings relating to the content of the internship, lunch at an external partner restaurant, and, under certain conditions, monthly reimbursements for expenses up to a maximum of Euro 500.

Applications for Thesis Projects and Internships

Open positions for company internships are published on the "portal. monnalisa.eu" corporate portal, in the "Thesis Projects and Internships" section, allowing for direct application on-line via the relevant form. The same section features suggested themes of corporate interest for internship theses that can used in applications.interesse aziendale a fronte delle quali gli studenti possono candidarsi per l'elaborazione della propria tesi di laurea.

Internships for employee children

The welfare policies of Monnalisa have also introduced the opportunity for the children of employees to carry out internships in the company. Every year, five internship positions are reserved for the children of employees in any of the company's local units and professional fields. If the internship is extracurricular, then reimbursement of expenses is guaranteed to a variable amount depending on the region in which the internship takes place. If the internship is under an alternating school-work programme or a curricular internship, no reimbursement of expenses is currently provided. The canteen service is offered for all types of internships.

Diary of an intern

Mattia Baldoni

On returning from Pitti in January, I had the opportunity to spend some time with Piero Iacomoni, and I was struck by and will always remember something he told me, "In life, you always have to take risks, be tenacious, and not be afraid of showing the world who you are".
From that moment on, that sentence became a sort of mantra for me.
I had the honour and pleasure of being part of this great family that is Monnalisa. A family full of stories, experiences, and people with whom I could collaborate.
At my age, having the opportunity to work as a graphic designer, constructing and conceiving designs to apply to children's clothes, has been rewarding beyond any financial compensation. What I wanted to convey, having the opportunity of this experience, is the ability to always give all you have got and in the best possible way, even if it is the very first work experience. Thanks for everything, a greeting from your friendly neighbourhood Mattia Baldoni!

Ileana Lombardi

My name is Ileana.
I am 26 years old and I studied Business Management and Control at the University of Siena. My experience at Monnalisa could be defined as "a dream come true".
After completing my university exams, I was offered the opportunity to carry out an internship at Monnalisa, which ended with me being hired by the company, which had already fascinated me since I was very little, for its extremely original garments.
Once I had joined the company, I had no doubts, I was aware of being part of a company that, despite its continuous growth, retains the characteristics of a family, where employees are always valued and where human relations are fundamental.
I am struck by Monnalisa's dynamism, its attention to detail and its constant pursuit of high quality. So, I can't help but be proud to be part of this great group.

New Resources Openness

Monnalisa uses a web-based tool for archiving and managing CVs, linked to the "Work with us" page of the company portal. All the CVs that arrive in the company in any way are channelled into the same management software, so that the company has an updated database that allows for filtered searches of suitable profiles. The same tool keeps track of the interviews given and their outcomes. External users who send their CVs to Monnalisa may make changes to their own data at any time.

Table 6 CVs, interviews and hiring

	2016	2017	2018
CV's sent	884	906	871
Interviews	243	203	127
Hires	39	40	52

Table 7 Interviews, internships and hires under 30

	2016	2017	2018
Interviews held	243	203	127
Training internships completed (as a percentage over the number of employees)	18%	10%	9%
Under-30s hired over the total number of people hired	31%	38%	33%

By assigning the considered indicators a score from one to five, a weighted value can be calculated from the company's historical data and the sustainability of commitments made in terms of human resources, in order to represent the company's openness to new resources.

Table 8 Openness to new resources

	Index 2016	Index 2017	Index 2018	Weigh	Rate 2016	Rate 2017	Rate 2018
Interviews held	6.75	5.64	3.08	20%			
Training internships completed (as a percentage over the number of employees)	3.6	2.67	2.4	30%	3.67	3.05	2.66
Under-30s hired over the total number of people hired	2.48	2.24	2.64	50%			

The index shows a positive and constant openness to new resources over time.

It4Fashion Firenze

Monnalisa participated in the 8th edition of the IT4Fashion (www.it4fashion.org) conference, held in Florence on April 18-20, 2018, and dedicated to the support that the world of ITC can bring to supply chain operations in the fashion sector.. The last day of the conference was dedicated to human resources recruitment in the fashion sector, and the creation of a fruitful environment in which the various players can share experiences and help each other to improve the approach to the world of work. Around 150 students from various universities, including the Polytechnic University of Milan, the University of Parma and the University of Padua, joined in with those from the University of Florence in organizing the conference.

Made in Tuscany Academy

Monnalisa is a founding member of the Made in Italy Tuscany Academy (MITA), the only higher education specialization school in Tuscany and in the "Made in Italy" sector. The Academy seeks to guarantee a supply of qualified technicians at the post-secondary graduate level to satisfy the demand from the "Made in Italy" sector, with particular regard to that of fashion, to support innovation and the transfer of technologies to SMEs, to disseminate technical and scientific culture, and to support integration between education, training and the world of work.

SLIN (Senza Lasciare Indietro Nessuno)

Monnalisa has joined the SLIN (Senza Lasciare Indietro Nessuno) project to develop innovative ways for disabled people and vulnerable people to approach the world of work. A long-term internship was activated as part of the project, to the mutual satisfaction of the company and the intern, and concluded with the intern's recruitment in the first few months of 2019.

Monnalisa and social responsibility

To share and initiate a discussion on issues concerning corporate social responsibility and reporting, you can contact the company via the contact form on the website www.monnalisa.eu.
In order to speed up and facilitate the usability of the information, the annual report can be downloaded directly from the company website, without needing to sign up or fill out any request form.

Sodalitas Foundation

Since 2010, Monnalisa has been a member of the Sodalitas Foundation, a local area association of Confindustria, the Italian employers' federation, in order to help bridge the gap between the business and the non-profit world. Together with businesses, the foundation develops projects to promote corporate sustainability in the Italian marketplace. Sodalitas member companies are united by the decision to do business according to socially and economically innovative principles in order to promote responsible and sustainable competitiveness, and to contribute to the development of an inclusive, equitable and cohesive society (www.sodalitas. it).

Sviluppo Pratacci Consortium

Monnalisa has contributed to the creation of the Sviluppo Pratacci Consortium, which brings companies operating in the Arezzo industrial area together to work on the redevelopment, improvement and maintenance of the Pratacci urban area to the benefit of the individual companies. Among proposals from consortium members was a project to improve the state of road access, lighting, traffic and signage in the area, which was immediately welcomed by the public administration.

Arezzo Fashion Consortium

Monnalisa is a member of the Arezzo Fashion Consortium, created to revive Arezzo's fashion and goldsmith industries through the promotion of new brands, ad-hoc training for young students and the creation of professional figures to satisfy demand in the local labour market. Leading proponents of the consortium include the Institute of Higher Education "Piero della Francesca" in Arezzo and ten companies active in fashion, accessory and jewellery sectors, with the full support and enthusiasm of the Italian Cultural Recreational Association (ARCI), the Provincial public administration and the relevant trade associations.

Foundation activities

With the establishment of the Foundation, Monnalisa has concentrated corporate donations in order to implement targeted aid projects consistent with the values of the company and the owner family. Over time, the Foundation has become a real community project to pursue the improvement of the quality of life of the local community and the strengthening of solidarity between those who live and work in the area by supporting and contributing to the financing of causes suggested by the community itself. From a body created by the contributions of the founding members, the Foundation has evolved to become a community in which all social actors, including institutions, for-profit companies, non-profit companies and individual citizens, feel actively engaged in initiatives that benefit the whole community.

Sports and cultural initiatives

Monnalisa supports:
- The volleyball club Polisportiva Savinese, affiliated with the Italian Volleyball Federation (FIPAV), for the participation of the men's team in the national Series C championship;
- The Arezzo Baseball Club.

Monnalisa, by its own internal policies, does not contribute to any political party or politician.

Monnalisa has a defibrillator available for use by the Pratacci industrial area community and also one at its Badia al Pino site. At least eighteen people in the company are trained in the use of the equipment and in resuscitation techniques.


Monnalisa

Human capital

Human capital encompasses the set of skills and relationships between people working in the core business of a company. Constituting the foundation of the organization, it is from this form of capital that the culture of the entire group descends.
For Monnalisa, the distinctive characteristics of the Group team are passion, professional competence, reliability and a sense of belonging. The company fully supports its employees throughout their working lives, listening to their needs, promoting their skills and personal growth, and helping them to progress in careers designed to develop their competences and talents.
Monnalisa is committed to creating a dynamic work environment that constantly stimulates the desire to learn and develop, balances the spheres of life and work, promotes initiatives to protect health and safety, and effectively prevents and remedies any conflicts that might harm a healthy and positive working environment.
Such a commitment lays the foundations for improving and enhancing people's satisfaction and motivation.

Breakdown of personnel

Operating across 9 countries, 318 workers, of which 12% blue collar, 85% white collar and 3% managers, contributed to the results and success achieved by the Monnalisa Group.
For reasons of uniformity and clarity, we will first analyse the human capital located in Italy, before dedicating a separate section to the human capital located in other European and non-European countries, in the Group's branches, commercial offices and subsidiaries.
Compared with 2017, the workforce has grown by 18 people, an increase mainly due to the opening of new sales points and the strengthening of specific business areas

The number of personnel has grown consistently across the business areas.

There are more women employees than men, with a ratio of 2.5 women to every man.
The average age is 42.The following graph shows the distribution of personnel by gender and role/category. Monnalisa has a predominantly flat hierarchical structure, due to its size, origins and history as a family business. This means that many administrative personnel hold positions of responsibility in terms of sales budgets, purchases, type of activity and coordination of teams. It is therefore necessary to consider such figures when contemplating the degree of implicit autonomy and managerial skills present within the company.

Compared to previous years, the gender balance has been inverted by a greater distribution of roles of responsibility to the female population. Most employees and managers come from provincial and regional areas.

41% of employees have been working at Monnalisa for less than five years, due to the high seasonality of part of the workforce towards the end of the year and the opening of new sales points during the reference year, as in other recent years. However, the average company seniority remains stable. As indicated in previous reports, all extraordinary operations, such as the acquisition of company branches or the centralization of functions previously delegated to other group companies, have always guaranteed employees' acquired seniority.

Table 1 Personnel by category, years 2016-18, Monnalisa Italy

	2016	2017	2018
Executives	0	0	1
Managers	2	6	5
White-collar	126	131	148
Blue-collar & Interim	39	38	39
Total	165	175	193

Chart 1 Percentage distribution of Monnalisa employees by business area

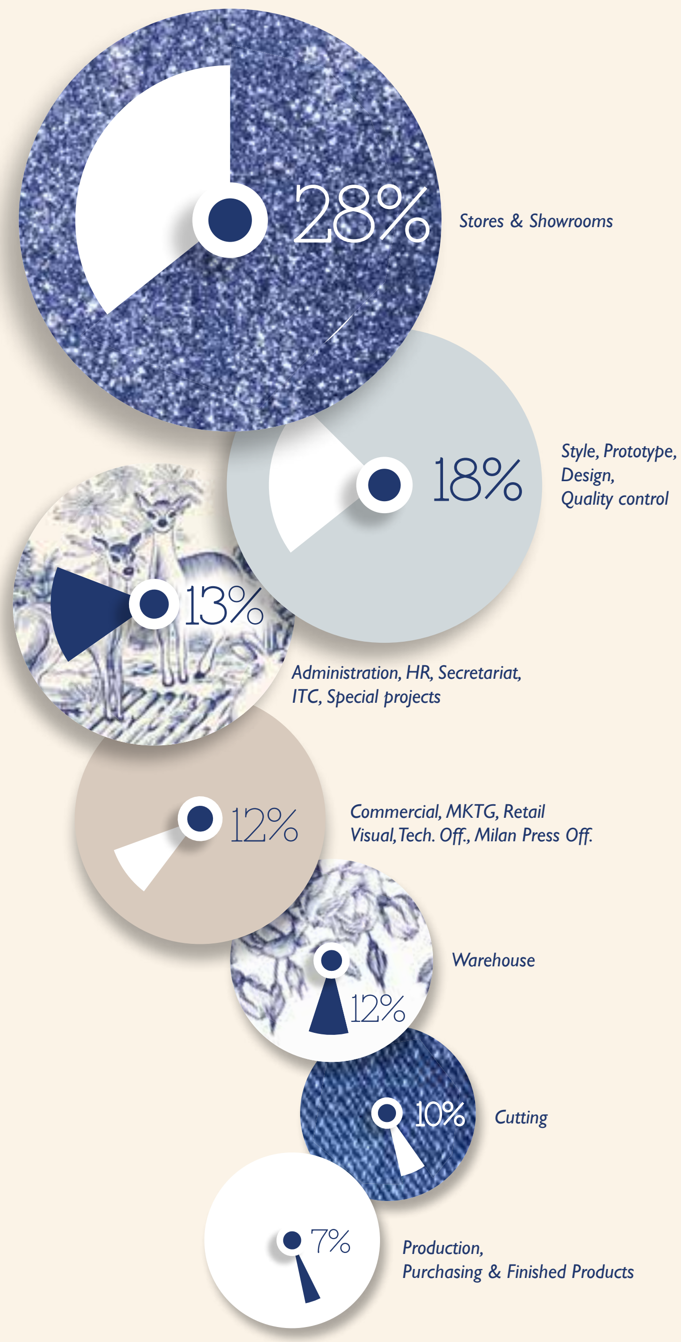


Table 2 Personnel by age and gender MONNALISA

	Female					Male				
Age	Exe.	Manager	W.C.	B.C.	Total	Exe.	Manager	W.C.	B.C.	Total
<18	0	0	0	0	**0**	0	0	0	0	**0**
18-30	0	0	21	2	**23**	0	0	6	2	**8**
31-40	0	0	44	1	**45**	0	0	5	6	**11**
41-50	1	1	37	8	**47**	0	2	8	8	**18**
51-60	0	1	17	4	**22**	0	1	8	8	**17**
Beyond	0	0	1	0	**1**	0	0	1	0	**1**
Total	**1**	**2**	**120**	**15**	**138**	**0**	**3**	**28**	**24**	**55**

Table 3 Distribution of women and men by function

	Femal	Male
Executives, managers & white-collar with resp.	22	10
White-collar	101	21
Blue-collar	15	24

Table 4 Seniority

Years of seniority	Exe.	Manager	W.C.	B.C.	Total
0-5	0	0	67	13	80
6-10	0	0	33	12	45
11-15	1	2	24	8	35
16-25	0	3	13	5	21
over 25	0	0	11	1	12
Total	1	5	148	39	193

Table 5 Average company seniority

	2016	2017	2018
Average company seniority in years	8	9	9

Protected categories

At the end of 2018, eleven people protected under the categories of Italian Law 68/1999, "Regulations on the right to work of disabled people" were working in the company, of which ten people with disabilities. At 31/12/2018, the company was lacking one disabled person and a protected category. In January 2019, a disabled worker was hired and a request to start work has been submitted to the employment centre for hiring workers belonging to protected categories.

Breakdown by contract

Of the 193 employees, 28 are on temporary contracts (of which 18 are women), and 165 are on permanent contracts (of which 120 are women). During the year, eleven temporary contracts were converted into permanent contracts.

Of the twenty-eight temporary contracts, fourteen are in direct sales stores, seven correspond to seasonal warehouse employment, four correspond to maternity or sick leave coverage, and the remaining three are new resources hired to support increased workloads in specific areas. The average age of the eighteen women and ten men on temporary contracts is 28 years old (compared to 33 last year).

Monnalisa has a second-level corporate seasonality agreement in place, which extends the initiatives already defined by the collective seasonal labour agreement for the textile industry, and pertains to warehouse employment for seasonal peaks in the reception and shipping of goods. The agreement specifically promotes the continuity of seasonal employment, and its conversion into permanent employment where possible (100% of employees with permanent contracts have previously worked as seasonal workers). Furthermore, two new initiatives have been introduced:

- The creation of a pool of seasonal workers to draw on when permanent situations are created for similar profiles, rigorously ranked in terms of seniority, age and skills.
- The engagement of warehouse employees in training activities organized within the company, including outside of contractual periods. The training opportunities are offered to seasonal employees, who may freely accept or refuse to take part, without their personal choices having any effect on the stipulation of future temporary contracts.

Out of the total of 193 employees, 14% have part-time contracts, personalized in terms of both total weekly hours, and their distribution over week days and during the day. 93% of the part-time contracts are held by women. The 30 people with part-time contracts correspond to an equivalence of 23 full-time personnel.
In order to balance the needs of work and one's personal life, it is possible to request part-time work even for specific and temporary needs.
Supplementing the opportunity of part-time work is that of teleworking, which four people made use of in order to reconcile their family and work needs. An agreement on smart working is still being studied.

Chart 2 Personnel breakdown by type of contract

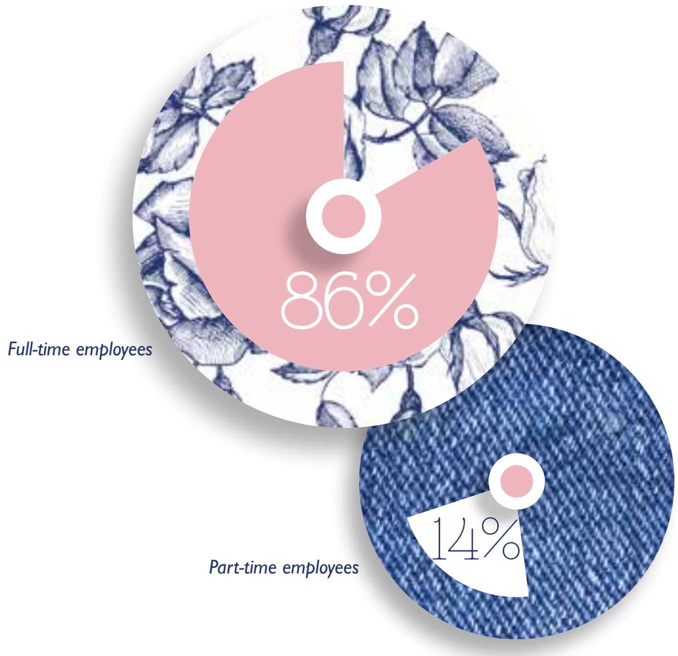


Table 6 % of seasonal workers

	2016	2017	2018
Percentage of continuing seasonal workers/total seasonal workers	83%	63%	100%

Turnover

Net turnover is positive, with 52 hires against 34 terminations (+18).

The number of people hired does not coincide exactly with the number of actual hires, since many of the seasonal workers were hired more than once during the year, on separate contracts for each of the shipping seasons. Additionally, one sales employee had two contracts in 2018, of which one is still ongoing.

The 52 hires involved a total of 45 people, who were offered contracts for the following reasons:
- For the opening or strengthening of direct sales points (24 people)
- For office support (8 people)
- For maternity or accident coverage (5 people)
- Seasonality (8 people).

The 34 terminations during the year involved 27 people, for the following reasons:
- conclusion of contract (17 people)
- failure to pass the probationary period (6 people)
- resignations (4 people)
The terminations involved 17 women and 8 men: 11 people up to 30 years old, 10 between 31 and 40, 5 between 41 and 50, and 1 over 51.

Table 7 Monnalisa Turnover

	2017	Hires	Departures	Transfers category	2018
Executives	0	1	0	0	1
Managers	6	0	1	0	5
White-collar	131	41	23	-1	148
Blue-collar & Interim	38	10	10	+1	39
Total	175	52	34	0	193

The turnover was calculated from the balance of personnel by category (including executives, managers, white-collar and blue-collar) at 31/12/18, adding hires and subtracting departures throughout 2018. The resulting algebraic sum therefore represents the personnel situation at 31/12/18. The terminations refer to two employees whose last day of work was 31/12/17, and who were therefore considered in the initial number of employees.

Table 8 Turnover in and out during 2016-2018

	2016	2017	2018
Incoming turnover rate (number of hires over total employees at the beginning of the period)	25%	24%	30%
Outgoing turnover rate (number of terminations over total employees at the beginning of the period)	18%	18%	19%

Working hours and flexibility

Monnalisa has three contracts in place: one for managers of industrial companies, one for tertiary workers, and one for textile and clothing industry employees.
The contract working hours for tertiary workers is 40 hours per week scheduled to guarantee coverage of store opening times, without the possibility for flexible hours, due to the need to guarantee service to end consumers.
Standard hours for textile and clothing industry contracts are 40 hours per week, distributed over five working days of eight hours from 8:30am to 12:45pm and 1:45pm to 5:30pm. The internal work time policy provides for both flexibility and elasticity, allowing for workers to make up for absences by working extra hours within the working week. The work time policy has been incorporated into the second-level agreement on welfare, in order to promote greater continuity and value in the balance between work and home life.

The company's production process is divided into two seasons over the year, with consecutive and overlapping activities, including sample creation, sales, production and shipping. Peak work times ordinarily occur in January, February, December and the summer months, characterized by sales activities of the coming collection, and by the shipment of the collection already sold to customers.

Overtime is up 15% on the previous year in absolute terms and 14% averaged over the number of employees.

Approximately 10% of overtime hours is equivalent to additional work hours, that is to say extra hours worked by part-time workers up to the maximum full-time standard working week. Thus, excluding additional work hours, overtime hours are approximately up 21% on the preceding year.
In order to better understand the recourse to overtime hours, it is useful to analyse the number of hours per department, in order to identify possible causes. 32% of total annual overtime hours relates to direct stores, 10% to the production and cutting department, 22% to the warehouse department, to manage the arrival of goods and increasingly intensive periods of shipping and high product volumes, and 16% to the sales department, in marketing and retail areas, due to exhibition commitments and business travel, mostly abroad, with the remaining hours distributed across staff roles.

The average monthly value per employee, calculated using the average number of employees for the year, saw an increase of 1.5%.

Monthly overtime hours peaks during the months at the beginning and end of year and during the summer, corresponding with the arrival of goods in the warehouse, and the preparation of samples.

The use of days off is equal to 86% of that contractually envisaged in terms of rest periods (assuming 20 days of average annual leave for all employees, regardless of working hours).

Absences for paid leave include those pursuant to Italian Law 104 , by which 15 employees took a total of 1,553 hours of leave during 2018, equal to 46% of the total amount due by law.

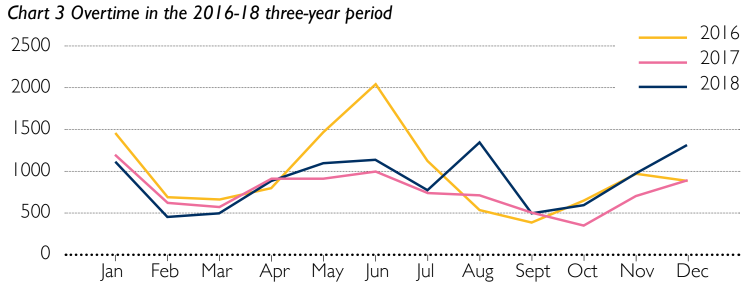
During the three-year period, only one employee resigned after maternity leave. The resignations have been validated by the Territorial Labour Directorate. Upon returning from maternity leave, many employees enjoyed a personalized work schedule, greater work hour flexibility, a part-time working period, and, in some cases, where compatible with specific roles, teleworking arrangements, albeit on a temporary basis.
Under the second-level supplementary agreement, Monnalisa guarantees all new fathers one day of leave paid by the company, outside of contractual and holiday leave, in addition to the current legal provisions of four days of mandatory leave

Table 9 Overtime hours worked

	2016	2017	2018
Total annual hours	11,605.95	9,016.3	10,571.96
Average per employee	76.35	56.35	57.15

**The per employee average was calculated using the average number of employees for the year (185 in 2018), and not the number of employees at December 31 (193 people).*

Chart 3 Overtime in the 2016-18 three-year period

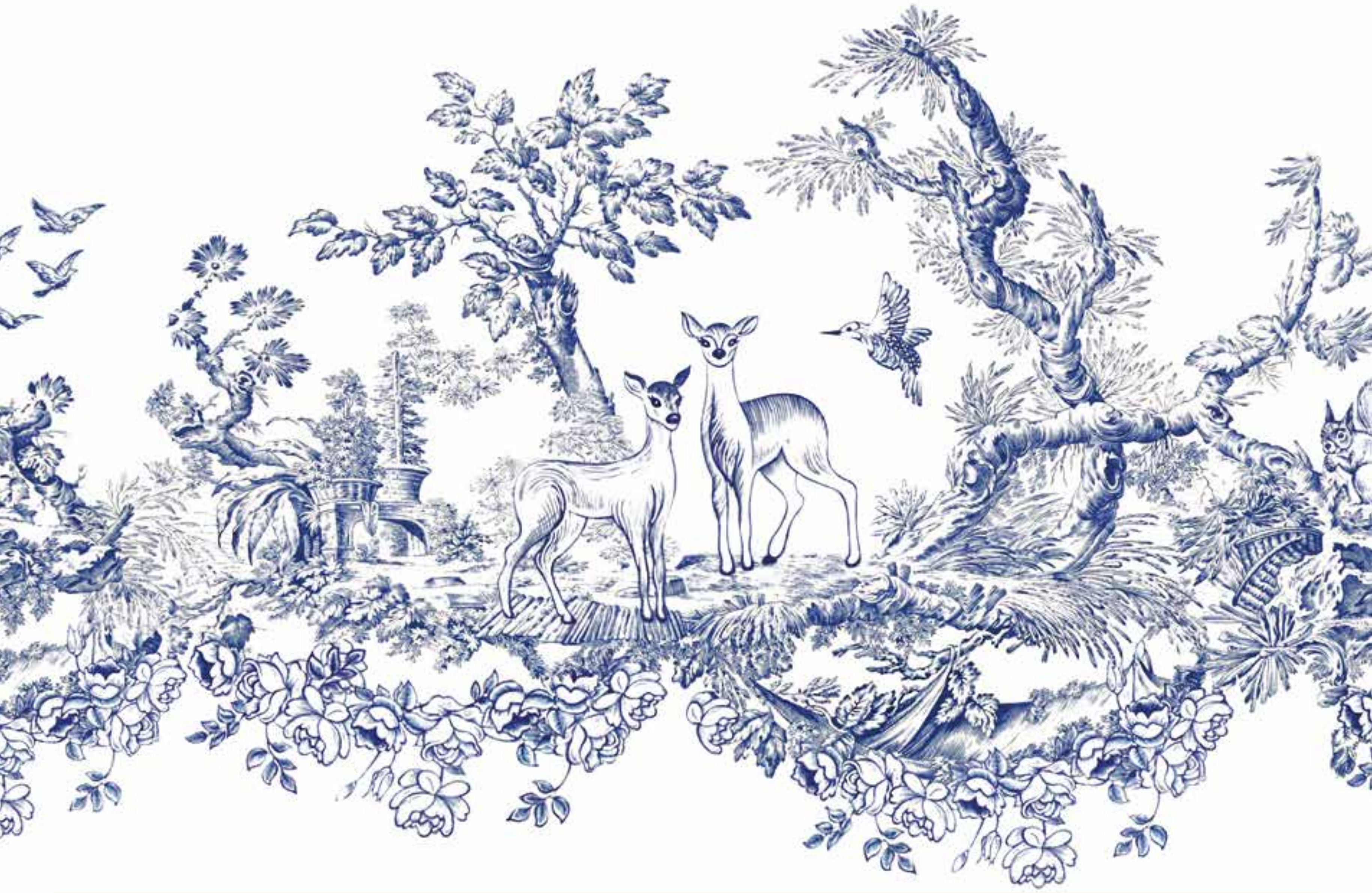


[1] Italian Law 104/92 provides for leave paid by the National Institute for Social Security (INPS) specifically for: regular employees with severe disabilities (entitled to 2 hours per day or 3 days per month, also divisible in hours); regular employees who are parents to children with severe disabilities under the age of three (entitled to an extension of optional leave, 2 hours per day or 3 days per month up until the child reaches the age of 3, also divisible in hours); regular employees who are spouses or up to 2nd degree relatives, or similar, of people with severe disabilities, (entitled to 3 days per month, also divisible in hours).

Table 10 Absences and attendance in the last three years

	2016			2017			2018		
	Total hours	Hours per capita	Days per capita	Total hours	Hours per capita	Days per capita	Total hours	Hours per capita	Days per capita
Sick leave	6,320.03	41.58	5.20	6,124.33	38.28	4.78	8,436.68	45.60	5.70
Maternity/Paternity	11,877.50	n.s.	n.s.	8,868.00	n.s.	n.s.	8,147.60	n.s.	n.s.
Breastfeeding	1,195.00	n.s.	n.s.	1,171.00	n.s.	n.s.	856.00	n.s.	n.s.
Injury	403.50	n.s.	n.s.	280.00	n.s.	n.s.	488.30	n.s.	n.s.
Paid leave (Reduced working hours/public holidays, 104 leave)	11,226.51	73.86	n.s.	6,989.63	43.69	n.s.	3,365.64	18.19	n.s.
Holiday leave	22,794.47	149.96	18.75	25,392.47	158.70	19.84	27,643.91	149.43	18.68
Total absences	**53,817.01**	**354.06**	**44.26**	**48,825.43**	**305.16**	**38.14**	**48,938.13**	**264.53**	**33.07**
Ordinary hours	255,463.03	1,680.68	210.08	268,258.15	1,676.61	209.58	297,361.15	1,607.36	200.92
Overtime and additional work	15,621.74	102.77	12.85	9,016.30	56.35	7.04	10,571.96	57.15	7.14
Total presence	**271,084.77**	**1,783.45**	**222.93**	**277,274.45**	**1,732.97**	**216.62**	**801,477.86**	**4,332.31**	**541.54**

**Il dato pro capite è ottenuto mediante rapporto rispetto alla media annuale del numero di dipendenti (185 persone).*



Disciplinary practices and disputes

Monnalisa, if and when necessary, applies the disciplinary procedures envisaged by collective bargaining. Disputes are extremely rare, and are managed, where feasible, by conciliation, in order to minimize the impacts of any disputes in terms of time and costs. In 2018, there were no disputes or disciplinary actions.

Remuneration policies

Monnalisa has adopted a remuneration policy directly defined and approved by the Board of Directors. This policy has been published on the company's internal portal, and is thus available to internal stakeholders, who are able to request clarifications or make improvement proposals via the appropriate channels (SPT, Suggestions Box and e-mail address risorseumane@monnalisa.eu, Human Resources Department).

The remuneration definition process is completely managed internally, and involves the Human Resources Department, the Chief Executive Officer and the Board of Directors, bound by the By-Laws, internal policies, the decisional limits of each individual and the related party policy, where applicable.

The company has introduced a position weighting system based on objective and homogeneous parameters. The characteristics of each role and homogenous professional groupings are outlined and identified according to the criteria of organizational position (in terms of hierarchy, managed resources and responsibilities), role complexity and strategy (influence on the strategic factors defined in the business plan). In line with real wages, pay bands were created for each grouping. Personal remuneration growth depends on the degree of seniority (experience, skill and effectiveness) of the person and his or her constancy and capacity in achieving goals.

Promotions in terms of revising an individual's category or remuneration are decided during the preparation of the annual budget, as well as in the months of December and May. In any case, such decisions become effective in January and June. The remuneration decision-making process envisages the following steps:

1. Line supervisor proposal
2. The Human Resources Manager analyses the proposal on the basis of the equity analysis, the current category of the employee and the weighting of positions, and then presents the request to the Chief Executive Officer.
3. The CEO makes an assessment and decision within his own decision limits. If these are not sufficient to make the decision, the decision-making process passes to the Board of Directors, and, if necessary, the Related Parties Committee is involved.
4. Finally, the line manager informs the employee of the decision taken.

The remuneration of the members of the Board of Directors is fixed, and does not provide for stock options or any form of monetary incentivization. The only exception is the CEO, for whom a long-term incentivization plan was approved in June 2018. This plan aims to incentivize the CEO to increase the value of the company, and, with a view to retention, provides for the free and personal attribution free of an incentive and cash amount on the meeting of certain conditions.

None of the Board members have a post-mandate indemnity.

For the top levels of the company, the applicable national contract is applied, together with an allowance over basic pay established by negotiation. The reward system, both for commercial and industrial sectors, has an annual basis, is formalized via a trade union agreement, and does not provide for any stock options.

The lack of stock options in the Monnalisa remuneration policy provides for greater sustainability by not encouraging managers to focus predominantly on short-term objectives. With the current policy, managers are fully focused on long-term performance, thus ensuring greater corporate sustainability.

Following is a table showing the ratio between the remuneration paid to the top managers and the median of that paid to employees in 2018.

	Ratio of real values
Board of Directors remuneration and the median of employee remuneration	9.78
CEO remuneration and the median of employee remuneration	7.83
Remuneration for the highest paid figure and the median of employee remuneration	6.86

Equity analysis

The position weighting system has allowed the creation of homogeneous groupings of Monnalisa personnel, who, though they have non-homogeneous roles, are equivalent in terms of task complexity, integration, strategic and organizational contributions, and responsibilities.
Within the groupings, positions were compared in terms of remuneration to obtain the median of the remuneration for each grouping and the deviation in the remuneration of each from the median.

Table 11 Remuneration deviation per grouping

Profile	Deviation between minimum and median GAI of the grouping	Deviation between maximum and median GAI of the grouping	% of grouping employees with GAI ≥ the median
Manager	-28%	172%	60%
Line manager and professional A	-27%	51%	54%
Line manager and professional head B	-22%	56%	40%
Specialist A	-19%	32%	55%
Specialist B	-14%	52%	50%
Specialist C	-8%	56%	57%
Employee	-6%	7%	52%

The analysis shows a general prevalence, within each grouping, of remunerations higher than the median. Furthermore, where there is a significant negative deviation from the median of the grouping, this is attributable to the lesser seniority of the role.

Table 12 Direct and indirect remuneration in years 2016-2018

	2016	2017	2018
Remuneration	4,589,780	5,142,106	6,050,475
Social security charges	1,336,121	1,468,572	1,728,199
Post-employment benefits	324,274	239,083	275,112
Total	6,250,175	6,849,761	8,053,786

*Table 13 Personnel costs and average gross pay years 2016-2018**

	2016	2017	2018
Cost work/employee	41,119.57	42,811.01	43,533.97
Gross average remuneration/employee	30,195.92	32,138.16	32,705.27

** The indices were calculated using the average number of employees during the reference year*

The average cost of labour per employee has grown more than proportionally in relation to the increase in remuneration, which is, moreover, limited by the average per capita remuneration.

In addition to the industrial sector executive contract, Monnalisa applies two other contracts, a commercial and services contract for direct sales outlet staff, and a textile and clothing industry contract for all other workers. In numerical terms, out of the total number of employees at 31/12/18, 48 corresponded to the commercial sector and 145 to the industrial sector.
The last renewal of the National Collective Bargaining Agreement was on March 30, 2015, for the period 2015-2017. In the first few months of 2019, a supplementary agreement was signed between union representatives and the business confederation Confcommercio Imprese to extend the duration of the contract to December 31, 2019. The textile-clothing industry Collective Bargaining Agreement was formally renewed by the trade unions Filter-Cgil, Femca-Cisl, Uiltec-Uil, together with SMI (Sistema Moda Italia), the Italian association of textile businesses belonging to Confindustria, on July 5, 2017. On July 1, 2018, the second increase in the national remuneration component entered into force (Euro 25 gross for 4th level contractual category), and a further increase of Euro 20 gross is envisaged for July 1, 2019.

Table 14 Remuneration deviation between Monnalisa and the collective industrial contract (CCNL)*

Category (manual and clerical)	No. people	M	F	CCNL basic pay	Average Monnalisa*	Average	Average deviation
8th level	5	3	2	2,151.65	4,771.98	2,620.33	122%
7th level	11	6	5	2,029.30	3,481.71	1,452.41	72%
6th level	15	3	12	1,905.45	2,686.59	781.14	41%
5th level	48	13	35	1,784.91	1,994.04	209.13	12%
4th level	26	18	8	1,697.95	1,793.67	95.72	6%
3rd level	11	9	2	1,621.81	1,630.90	9.09	1%
2nd level	1	1	0	1,540.71	1,540.71	-	0%

** The Monnalisa remuneration is calculated net of seniority allowances*

The difference between the contractual remuneration and the Monnalisa remuneration increases progressively with the category level, resulting in a greater remuneration relative to the market offer for the same role.

Table 15 Remuneration deviation between Monnalisa and the collective commercial contract (CCNL)*

Category (manual and clerical)	No. people	M	F	CCNL basic pay	Average Monnalisa*	Average	Average deviation
1st level	7	0	7	2,248.08	2,519.93	271.85	12%
2nd level	2	0	2	2,012.44	2,125.18	112.74	6%
3rd level	4	1	3	1,793.11	1,908.26	115.15	6%
4th level	35	0	35	1,618.75	1,655.82	37.07	2%

** The Monnalisa remuneration is calculated net of seniority allowances*

The deviation between female and male remuneration is minimal, and often has a positive value.

Table 16 Deviation between average male and female remunerations (industrial sector)*

Category	Level	M	F	Remuneration ratio
Clerical	8°	3	2	146%
Clerical	7°	6	5	98%
Clerical	6°	3	12	89%
Clerical	5°	10	50	101%
Clerical	4°	7	6	92%
Clerical	3°	0	1	n.a.
Manual	5°	3	12	97%
Manual	4°	11	2	100%
Manual	3°	9	1	99%
Manual	2°	1	0	n.a.

** The average remuneration here is calculated to include seniority allowances.*

All employees with commercial contracts are women, except for one. The difference between male and female remuneration therefore appears negligible.

Development of human capital

In its relations with collaborators, Monnalisa sets itself the primary objective of bringing out that additional, often unexpressed, element, that goes beyond the mere contractual relationship, and is made up of vitality, energy, knowledge and dedication. The company's initiatives in the field of human resources aim to promote this element in each individual, with the effect of reinforcing the relationship and bond of trust, improving the quality of work and well-being, both in and out of the work corporate environment.

All new hires (graduates or not) are categorized according to the levels envisaged by the contracts for their assigned roles, and subsequently participate in the appraisal and career development mechanisms that apply to all personnel and are defined in the company remuneration policy approved by the Board of Directors.
On a periodic basis, an internal and external equity analysis is elaborated, aimed at a comparative assessment of the category levels and remunerations of resources. For higher qualifications, a similar analysis is performed in comparison with the market offer (i.e. an external equity analysis).
Such analyses, associated with an appraisal of employee performance, are used to elaborate periodic personal development initiatives.

The company has invested around Euro 95,000 in personal wage increases and promotions, in addition to periodic contractual increases.

It is common to have the opportunity for development by changing or broadening one's role. This leads to a high number of resources capable of performing various roles with professionalism and competence, as expressed by the versatility index representing the percentage of resources that have covered other positions in the company than their current one. This aspect undoubtedly reflects the intellectual vivacity and propensity for change of both the company and its people.

Table 17 Personnel growth initiatives

Type	2016	2017	2018
Salary increase	21	18	15
Level movement	11	15	15
Transfer from temporary to permanent	11	6	11
Category movement	0	1	0
Contract renewal	2	5	8
Change of roles with new responsibilities	4	3	1
Personal bonus	0	0	3

Table 18 Versatility index

	2016	2017	2018
Versatility index	29%	29%	26%

Industrial incentive system

With the aim of redistributing generated wealth and recognizing the contribution of each resource to the success of the company, a second level trade union agreement has been signed and filed to supplement and improve on the provisions of the applicable national contract for industrial sector employees. In cases of satisfactory company profitability, a cash bonus, of a differing amount according to professional profile, is allocated to all employees under contract on June 1, who have served as employees in the company during the previous year for at least 8 months, whether consecutive or not. The agreement provides for the possibility for the employee to convert all or part of the bonus from money to welfare benefits.

The objectives of satisfactory profitability, efficiency, productivity, innovation and quality were achieved for 2017, thus enabling the incentive system to be enacted in 2018.

Commercial incentive system

Monnalisa applies two national contracts: one for the commercial sector and one for the textile and clothing industrial sector. In recognizing the peculiarities of the two different work contexts, it was decided to establish two distinct incentive systems. This led to the signing of a supplementary second-level company agreement for Monnalisa employees with commercial contracts, in practice all the employees of the company's sales points in Italy.
The incentive system differentiates between the specific type of point of sale (boutique, outlet, shopping centre outlet, shopping centre outlet with a turnover exceeding Euro 800,000 per year), and awards a monthly bonus that varies according to the percentage of achievement of sales goals in the same period. The agreement provides for the possibility for the employee to convert all or part of the bonus from money to flexible welfare benefits. The agreement entered into force in January 2018.

Supplementary healthcare fund

The latest contract renewal introduced supplementary healthcare for textile and clothing industrial sector employees, able to take advantage of the benefit from April 1, 2018.
Without the need for specific contractual arrangements, Monnalisa has actively and independently been invested this area considered extremely important by many people. Since 2015, all employees under the permanent collective national industrial contract have received supplementary healthcare via Plan A of the FasiOpen package. The health coverage can be extended at the request of the employee, and, through a contribution, to family members. FasiOpen's health coverage does not involve risk selection, operates through a widespread network of affiliated branches and professionals, intervenes across all prevention areas, and has become of primary importance in providing complementary assistance. The average annual investment for the company is around Euro 19,000.
Being equivalent in terms of coverage and costs for the company, the healthcare contract with Fasiopen was maintained rather than contracting Sanimoda, which provides coverage to the companies in the textile industry sector.

Out of a total of 300 health services provided, 23% concerned specialist appointments, 49% check-ups and diagnostic tests, and 22% dental services. From 2015 to 2018 the services provided nearly quadrupled.

Travel Policy

An internal Travel Policy has also been introduced to reimburse employee travel expenses on company-approved business trips and missions. The policy also establishes procedures to guarantee the adequate planning and booking of essential travel services based on the principles of: employee safety, minimization of environmental impacts, the right balance of comfort, efficiency and reduced costs, and fairness for all employees.

Flexible benefit

The company population consists of 138 women and 55 men, with an average age of 42 years old. 62% of employees have children, with an average of 1.6 children per person. Given the composition of the workforce, Monnalisa has paid particular attention to aspects of remuneration and purchasing power, making it possible, wherever possible, to reduce the tax burden, giving more benefits targeted to make the most of budgeted resources.
A flexible benefit system was thus introduced, through a second-level company agreement with trade unions, seeing its first implementation in June 2016, and its continuing implementation today. Each professional profile is assigned an amount that can be spent by the employee on the cost items provided under Articles 51 and 100 of the Consolidated Income Tax Act (TUIR). Benefits can therefore freely be used to reimburse the costs of the school canteen, nursery school, children's summer camps, gym membership, travel, magazine subscriptions or even cinema tickets.

Following the introduction of the possibility to convert bonuses from money to welfare benefits, 2018's virtual fund has grown to the extent that it now provides flexible benefits to 164 people, amounting to an average of Euro 1,095 per employee, and a total investment for the company of around Euro 180,000. The main use of flexible benefits is to cover healthcare costs, followed by children's education, and travel and holiday expenses, respectively 34%, 27% and 18% of the total benefit expense item.

Rating Welfare Index 2019

Monnalisa participated in the fourth edition of Welfare Index PMI, together with 4,561 other Italian small and medium enterprises. This is the leading research project on corporate welfare in Italy, which has given rise to the Rating Welfare Index PMI, a tool allowing companies to communicate their welfare performance in a simpler and more immediate way, making corporate welfare into a competitive advantage, as well as stimulating development. The participating companies were classified from 1W to 5W according to initiative extents and contents, originality and welfare policies. Monnalisa confirmed its placing in the highest Welfare Champion category, with a score of 5W (awarded to only 68 companies in the sample, equivalent to 1.5%). SMEs attributed a score of 5W by the index's algorithm are considered "Companies with an extremely broad corporate welfare system (with initiatives in at least 8 areas according to the Welfare Index PMI classification), a high concentration of initiatives (usually more than one initiative per area, often beyond the measures provided for by national collective labour agreements), a high orientation towards social innovation, a significant economic-organizational commitment and a systematic engagement of workers".

Supplementary Pension

As part of the welfare project, and with the aim of raising employee awareness of the importance of supplementary pension provisions, Monnalisa has signed a multi-faceted agreement for collective participation in the Azimut Previdenza's open pension fund. The fund represents an additional and alternative opportunity to the contractual one (Previmoda).
The Azimut fund is aimed at those wanting a supplementary pension plan on an individual basis. Participation is free and voluntary, and, for each participating employee, Monnalisa undertakes to pay 1.5% of their gross annual remuneration, excluding any variable remuneration elements. At 31/12/18, there were 40 participating employees, up from 27 in 2017.

Business Trip Policy

The company's high degree of internationalization means that many employees have to travel abroad for business during the year. Monnalisa has, therefore, undertaken a globally valid insurance policy covering all the most significant illnesses and accidents, in order to guarantee safer travel to all employees on business trips.

Skills development

The division of employees by qualification has seen the percentage of graduates increase by one percentage point, and the number of employees with a lower secondary school diploma decrease. By attributing an increasing educational score (from primary school diploma through to graduate), a summary employee educational index can be calculated as equal to 3.12 on a scale of 1 to 4 (tab 19).

The number of training hours, in absolute terms, has increased significantly from the previous year (+32%), with a sharp increase in real training hours delivered, particularly concerning internal training by external instructors (tab. 20).

Training projects launched in 2018 included the following topics: specific low-risk safety procedures for commissioning of the new facility, electronic invoicing, privacy and the GDPR regulation, the Organizational and Management Model (231), the Selling Ceremony, language training, and IT training. Over 1,000 hours, equal to approximately 29% of the total training hours, were given over to health and safety topics.
Though each course is specifically addressed to a subset of employees, the training materials are made available as a common resource to everyone via corporate intranet.

The per capita investment and percentage of turnover invested in training accounts not only of training costs itemized in the income statement, but also of the promotion of external training by internal instructors, financed training (from funds awarded by Fondimpresa or provincial entities), and an estimate of the opportunity cost of employees in training.
The training expenditure also indirectly includes the purchase of books and periodical publications for the professional updating of employees.

Fondimpresa is the inter-professional fund for continuous training promoted by Confindustria, CGIL, CISL and UIL. It is the most important training fund in Italy, and is available to companies of every sector and size.

Chart 4 Employee education

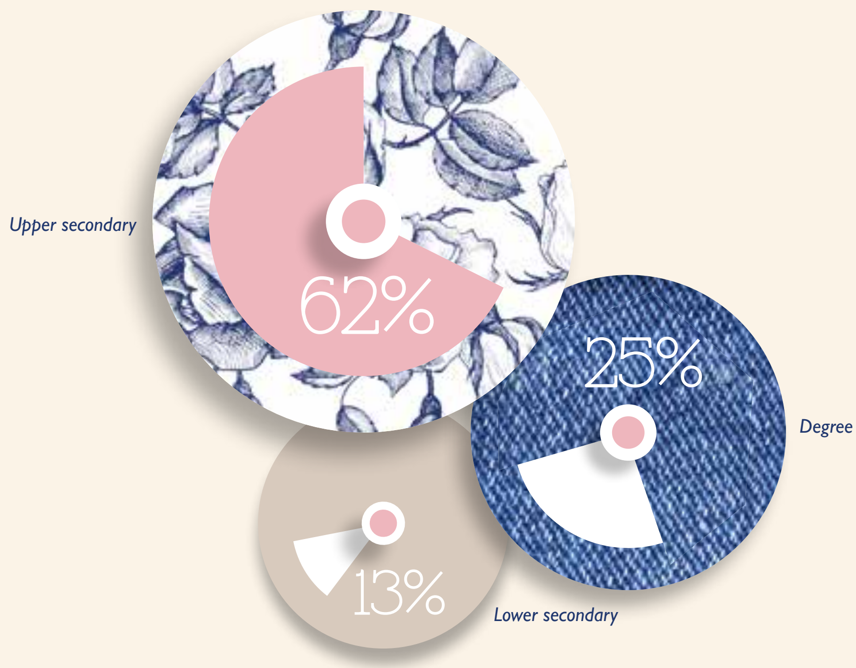


Table 19 Education index

	2016	2017	2018
Summary employee educational index	3.06	3.10	3.12

*Table 20 Training and education**

	2016	2017	2018
No. employees involved in training	86	117	170
No. overall hours of training and education	3,320	2,866	3,423
No. of education hours for role changes or broadening (internal instructors)	1,640	1,120	1,360
No. of education hours for new employees (internal instructors)	1,640	1,120	1,389
No. of internal training hours with internal instructors	862	982	1,014
No. of internal training hours with external instructors (including online training)	818	764	1,020
No. of external training hours	21.84	17.91	18.50
No. average hours of training and education per employee	11.05	10.91	10.99

** The calculation of training hours for new hires and employees with new roles estimates the time required for the achievement of complete autonomy in the role in question. This type of training involved new hires and employees changing roles, excluding returning seasonal workers trained in previous years.*

Table 21 Training by gender

	No. training and/or education hours by gender	Average hours of training and/or education by gender per trainee	Average* hours of training and/or education by gender
Female	2,611	29	24.80
Male	812	65.82	62.23

** Ratio of the number of hours of training/education by gender to total employees by gender in December*

Table 22 Training by category

	No. training and/or education hours by category	Average hours of training and/or education by category per trainee	Average* hours of training and/or education by category
White-collar & Managers	3,105	22.18	20.29
Blue-collar	302	10.41	7.74

** Ratio of the number of hours of training/education by category to total employees by category in December*

Table 23 Role specific training

	2016	2017	2018
Number of people involved in role specific training*	45	45	39
No. of role specific training activities	38	29	40

**of a total of 24 women and 15 men*

Table 24 Investment in training

	2016	2017	2018
Per capita investment in training*	888.05	695.33	1,075.07
% of turnover invested in training	0.34%	0.26%	0.46%

**Ratios were calculated using the average number of employees for the year (185 people).*

Health & Safety

The collective national labour contracts applied in the company prioritize workplace health and safety initiatives to consolidate and disseminate informed and participatory behaviours in compliance with obligations of applicable law. The objective is to eliminate or progressively reduce risks at their source, improving workplace conditions, ergonomics, organization, and the quality of health and environmental protection.

Worker health and safety protection is guaranteed by the Safety Office, which provides for the effective organization of the prevention and protection service according to the legal provisions of Legislative Decree April 9, 2008, No. 81.
Adequate information and training on health and safety, with particular attention to one's own workplace and duties, was also addressed to employees of the company's sales points. In addition, periodic updates were made to the risk assessment documents relating to the various premises.

At the end of the year, the periodic Risk Prevention and Protection Meeting was held at headquarters, as per Article 35 of Legislative Decree 81/08, and was attended by: the Employer Delegate, the Head of the Prevention and Protection Service (RSPP), the Prevention and Protection Service Officer (ASPP), the Appointed Doctor, the Workers' Safety Representatives (RLS), the Warehouse Manager and the Environmental Representative.

Regarding health supervision, a single contact officer was established to supervise the staff of sales points across Italy, confirming the position of Coordinating Doctor to the Appointed Doctor of the Arezzo site. As a preventive measure, warehouse employees are subject to specific health supervision aimed at excluding alcohol or psychotropic substance abuse. This measure is addressed exclusively at employees of the raised floors of the warehouse.
In 2018, training interventions, in fulfilment of the provisions of Article 37 of Legislative Decree 81/08, were delivered to all personnel, with specific refreshers courses addressed to Workers' Safety Representatives (RLS), and first aid and fire prevention refresher courses, as well as specific health and safety training provided to two maintenance staff. In light of the expansion of the facility, the Risk Assessment Document (DVR) was updated for the company's main site.
Monnalisa has continued to monitor the use of PPE by workers via their supervisors, and, where necessary, carries out specific awareness-raising initiatives. All emergency management teams have been expanded, both in terms of fire prevention and first aid officers, across all the various premises.
In order to verify, monitor and advise on workplace safety programmes, a formal Health and Safety Committee has been established at the various production and commercial sites, consisting of managerial staff and workers' representatives. The percentage of the labour force represented in such committees is 100%.

Accidents

During the year, 3 accidents occurred, of which one commuting, for a total of 56 lost days. No requests were made for occupational illnesses.

Table 25 Accidents in the period 2016-2018

	No. total accidents	Accidents on commute
2016	5 (all women)	0
2017	1 (1 woman)	1
2018	3 (3 women)	1

During 2018, only one incident report was filed, relating to reports of "near" incidents at the operating facility in Badia al Pino. The cases of "near" incidents were resolved without any consequences through the application of correct company procedures.

Monnalisa's human capital abroad

In line with its corporate values and personnel management strategy, Monnalisa's approach to managing human resources in the subsidiaries of the countries in which it operates is built on the principles of personal development and protection.
Since, in many cases, no national collective labour agreements exist to refer to, Monnalisa undertakes to guarantee to all Group personnel a series of conditions that improve on local legislation concerning topics such as labour standards, health and safety and work-life balance.
An example of this is the awarding of bonuses and commissions to sales staff at single-brand stores, extra days off in China according to seniority, and healthcare insurance in the USA for full-time staff.

Table 26 Monnalisa personnel at subsidiaries and branches

	Subsidiaries					Branch	
	China	Usa	Brazil	HK	Russia	Spain	France
No People	54	14	7	13	24	9	2
Women	53	14	7	13	24	9	2
Men	1	0	0	0	0	0	0
Recruited	24	11	4	14	12	4	2
Terminated	34	5	2	8	0	2	2
Full-time	52	8	2	13	2	8	2
Part-time	2	6	5	0	5	1	0
Permanent	3	14	7	13	22	7	2
Temporary	51	0	0	0	2	2	0
Average Age	30	31	35	33	40	36	34

In order to make a comparison with the standard Monnalisa remuneration policy, the living and statutory minimum wages of each of the countries in which Monnalisa is present have been considered, with the exception of European countries.

Table 27 Living and statutory minimum wages by country (https://wageindicator.org/salary/wages-in-context

Country	Statutory Minimum Wage	Living Wage single adult	
		min	max
Brazil	228.00 €	247.00 €	343.00 €
Russia	157.00 €	177.00 €	280.00 €
China	161.00 €	228.00 €	428.00 €
Hong Kong	667.33 €	nd	nd
USA	1,106.00 €	1,012.00 €	1,417.00 €

In labour law, the statutory minimum wage is the lowest remuneration or hourly, daily or monthly wage that, by the law of that country, employers must pay to their own employees, including both administrative staff and manual workers.
The living wage is the minimum wage necessary for a worker to satisfy his or her basic needs (food, housing, and other essentials such as clothing).

Table 28 Comparison between living wage and average Monnalisa wage per country

	Average non-managerial remuneration	% deviation from max. living wage	% employees with remuneration higher than max. living wage
Brasile	454.08	32%	100%
Russia	989.75	253%	100%
Cina	620.11	45%	100%
Hong Kong*	1,879.07	182%	100%
USA	2,201.00	55%	100%

**For Hong Kong, the percentage deviation is calculated in relation to the statutory minimum wage*

For all countries in which Monnalisa is present, the average remuneration for non-managerial roles is higher than the living wage, and higher than the statutory wage where data on the living wage is not available. The positive deviation ranges from a minimum of 32% in Brazil to a maximum of 253% in Russia. In fact, the deviation is even more positive, since, for the purposes of comparison, only basic pay data was considered, excluding commissions, bonuses and other forms of compensation.

NATURAL Capital

In recent years, the gap between the exploitation of the Earth's natural resources and their availability has been widening rapidly.
In this scenario, companies play a crucial role in safeguarding the environmental conditions in which they operate.
Therefore, while, on the one hand, they must create value for their stakeholders and maintain their competitive advantage over time, on the other, they must work towards the implementation of environmental policies that protect the well-being of both current and future generations.
Furthermore, consumers are increasingly concerned about sustainability issues, so much so that they are actively choosing lower environmental impact products.

Monnalisa is particularly sensitive to such issues, and so has adopted a proactive approach to environmental protection. A sign of this commitment is the company's certification, from March 2015, to the environmental standard UNI EN ISO 14001, which promotes environmental management system control and analysis and measurable improvement plans.

The analysis of the natural capital in this section applies, in terms of reporting scope, to the headquarters , the rented warehouse (used for planned handling and storage), the operational site in Badia al Pino (used for raw materials and accessories storage, quality control, and the laying out and cutting of fabrics), and the external office in Montepulciano[4].

Environmental performance indicators

Although the company's production processes and the location of its sites do not involve specific physical risks relating to environmental changes, Monnalisa is, nonetheless, active in mitigating all negative impacts that its activities may have on the environment.
For this reason, the company has developed a monitoring system for its main items of consumption, in order to intervene immediately if values go beyond set thresholds.
Monnnalisa has never received any fine or non-monetary sanction for failure to comply with environmental regulations or laws.

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

TRAVELS AND SHIPMENTS

The international aspect of Monnalisa's business involves the movement of sizeable volumes of goods, for both purchase and sale, to and from abroad, and the management of a dense network of relations with a range of parties, be they customers, agents, importers or suppliers, located everywhere in the world.
The environmental impacts generated by such activities derive mainly from:

- The mobility of people: trips by company personnel to manage their own network of business relations
- The mobility of goods: incoming, for the purchase (and often import) of raw materials and finished products, and outgoing, for the shipment of finished products to end customers in Italy and the rest of the world.

The impacts of both types of mobility have been estimated by using online calculators, the quantities of shipped goods and the number of passengers per trip.

Mobility of persons

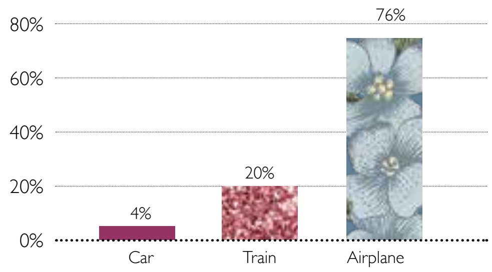
The growth of new owned stores in foreign countries has generated an inevitable increase in kilometres travelled. Most trips involve destinations outside of Europe: of the approx. 956,000 km (10% more than in 2017), 76% used aircraft as a transport means.
For travel in Italy, compared to the previous year, there was a decrease in the use of cars and an increase in the use of trains over the total transport means considered (Graph 1). This is also a result of the dissemination of the company's new Travel Policy, prepared by the Management to regulate the planning and booking of services for business trips. The policy's aim is to ensure greater travel safety and lower environmental impact, balanced with greater comfort, efficiency and cost reductions.

Mobility of goods

Monnalisa ships its collections anywhere in the world.
In Italy, the total number of shipments was lower than the previous year. This is reflected in the number of km travelled, down 0.22%.
In EU and non-EU countries, however, an increase in the number of shipments of approximately 3% was recorded.
The most used transport means were trucks, accounting for 69% of the total km travelled.

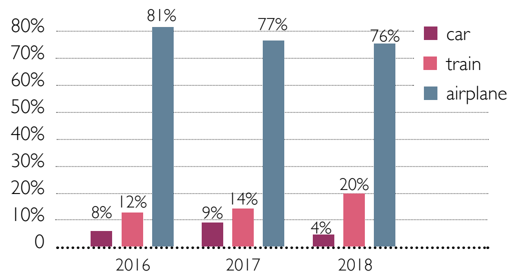
In addition to outgoing shipments, incoming shipments of mainly finished products to the company from abroad must also be considered. Such shipments, mainly from Asian regions, total approximately 1,080,000 km. The 10% increase from 2017 is due to the increase in the number of routes, with a preference for aircraft travel over other transport means. This is due to the company's commitment to improving the speed and punctuality finished product deliveries. Of a total of 142 shipments arriving in Italy, the kilometres travelled by different transport means were 61% by plane, 27% by ship and 12% by road.

*Graph 1 - Percentage of km travelled by transport means **

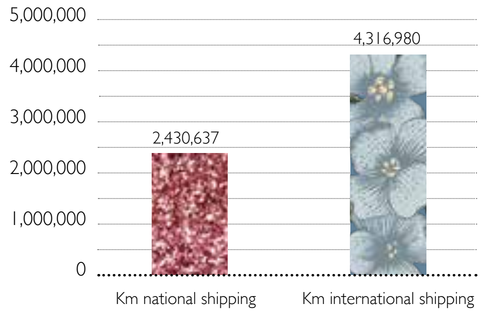


** The km travelled were estimated using online calculators. For km travelled on land, distances were calculated from Arezzo, i.e. from headquarters to the destination (using www.ecotransit.org, www.viamichelin.it, www.distanza.org), while, for km travelled by air, distances were calculated between departure and destination airports. Also in this case online calculators were used (www.ecotransit.org, http://www.webflyer.com/travel/mileage_calculator/ index.php*

Graph 2 - Year-by-year comparison of the percentage of km travelled by transport means.



*Graph 3 Shipping (in km)**



**The km travelled are estimated by default, as they are calculated not from actual journeys of goods to their destinations but from the distance between Monnalisa and the provincial capital corresponding to the destination, in the case of shipments within Italy, and the distance between Monnalisa and the capital of the foreign state corresponding to the destination, in the case of shipping abroad. The same online distance calculators were used for km travelled for business trips.*

CONSUMPTION OF MATERIALS

The following analysis of the consumption of water, electricity, gas for heating and paper applies, in terms of reporting scope, to the corporate buildings in Arezzo, including the head office, to the production facility (used for raw materials and accessories storage, quality control, and the laying out and cutting of fabrics), and to the finished product warehouse, external to the company headquarters.
Excluded from the reporting scope is the consumption of water, heating gas and paper in relation to owned stores, showrooms and the external office in Montepulciano, due to the incompleteness of data, as these sites are managed separately from production activities. These sites are not, however, excluded from the reporting scope as far as the consumption of electricity is concerned.
Where the relationship between electricity consumption and the number of users is significant, the latter figure includes the sum of employees present at the three aforementioned sites and employees working in the Italian direct sales stores.
In order to be more objective, the consumption of electricity, gas and water relate to the average number of hours worked in the reference periods.
The consumption of electricity, gas and water refers only to non-industrial use.

Fuel

Fuel consumption refers only to company cars used for commercial and representation purposes. Compared to 2017, there was, on average, a 44% reduction in fuel consumption, equal to around 4,500 litres less than the previous year, again due to the dissemination of the new Travel Policy and greater employee awareness about the use of trains as opposed to cars. The consumption of unleaded petrol and diesel decreased by 84% and 17% respectively. It should also be noted that the consumption of diesel includes Diesel+, containing 15% Green Diesel, which, compared to standard diesel, contributes to lower emissions of CO_2 and other gases (Other gases include particulate matter, HC/CO and NOx).

Table 1 Fuel consumption 2016-2018

	Litres 2016	Litres 2017	Litres 2018	Change lt	Change %
Unleaded 98	3,147	3,409	530	-2,880	-84%
Diesel	6,234	6,411	5,096	-1,315	-17%
Diesel +	-	-	213	213	
Blu Diesel Tech	1,792	601	-	-601	-
Blu Super 98	106	-	-	-	-
Total	11,280	10,420	5,838	-4,582	-44%

**To calculate fuel energy in GJ, the specific weights of the fuels were taken from Eni technical data, and product tons were multiplied by Net Calorific Values, as stated in the National Standard Coefficients 2018*

Water

Compared to the previous year, water consumption has increased in absolute terms, as well as per employee and per hours worked. The consumption refers to the headquarters, the production site and the finished product warehouse. Italian owned stores were excluded, since the data for the reference year is still incomplete.

The largest water use recorded in 2018 was for the commissioning of the new fire extinguishing system serving the warehouse and the garage.

Water is taken exclusively from municipal mains water supply.

Table 2 Water consumption years 2016-2018

Years	m3	m3/employee	m3/effective hr worked
2016	902	7.22	0.0044
2017	701	5.23	0.0033
2018	1,023	24.45	0.0141

EnergY

Table 3 Purchases of electricity years 2016-2018

Years	Kw/h	GJ*	Per employee	Per month	Per Employee/ Month	Per effective hours worked
2016	642,615	2313	3,550.36	53,551.25	295.86	2.37
2017	619,075	2229	3,224.35	51,589.58	268.70	2.17
2018	673,640	2425	3,508.54	56,136.67	292.38	2.02

**The data expressed in GJ has been calculated using the following equation: 1kWh = 0.0036 GJ*

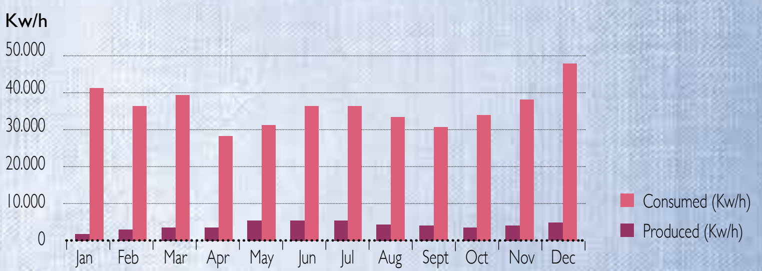
Table 4 Electricity consumption in Italian stores and showrooms and external office in the period 2016-2018

Years	Kw/h	GJ*	Per employee	Per month	Per Employee/ Month	Per effective hours worked
2016	243,297	875,87	4,344.59	20,274.75	362.05	3.77
2017	212,598	765,35	3,665.48	17,716.50	305.46	2.95
2018	235,973	849,50	4,369.87	19,664.42	364.16	3.16

Table 5 Purchases of electricity compared to self-produced years 2016-2018

Years	KWH purchased	KWH produced
2016	642,615	68,525
2017	619,075	68,932
2018	673,640	50,284

Chart 4 Energy consumption: consumption and production



Electricity

Electricity consumption increase in absolute terms from 2017.
In percentage terms, a greater increase in consumption was recorded at headquarters, due to an expansion of approximately 7,000 square metres used for warehousing, offices, showroom areas and meeting rooms.
In 2017, Monnalisa signed a contract for the supply, to all the company's active meters, starting in January 2018, of certified electricity of Guarantee of Origin (GO)[6] coming from renewable sources. The consumptions shown in the following table include those from 7 owned stores and 2 showrooms located in Italy, as well as the external office in Montepulciano[7].
Monnalisa has two photovoltaic plants, which produce electricity and contribute, under a net metering scheme, to offsetting the electricity supplied and consumed during the year by approximately 10%. On average, 4,190.37 kW/h were generated per month. The data relating to energy production are submitted monthly to the energy services manager, GSE, by the local grid managers. Compared to the previous year, self-produced photovoltaic energy was down by 27%, due to the malfunctioning of the production and cutting building's plant, inoperative for several months, and less favourable weather conditions than in 2017.

6 Guarantees of Origin (GO) provides an electronic certification of the renewable origin of sources.
7 The data shown in the table does not include 1 outlet store and 2 airport shops, as the data for the reference year is incomplete.

Gas for heating

Compared to 2018, gas consumption increased by approximately 18%, with peaks recorded in the coldest months of the year (February and March). As a result, the amount of CO2 emitted into the atmosphere also increased.
Monnalisa uses two condensing boilers, with high yields due to the recovery of latent condensation heat from fumes, and up to 70% lower emissions of nitric oxide and carbon monoxide than traditional systems.

Table 6 Consumption of gas for heating in the period 2016-18

Years	m3	GJ	m3 per m2	m3 per employee	m3 per month	m3 per employee per month	m3 per hours worked
2016	37,749.73	1,321.24	9.86	302.00	3,145.81	25.17	0.18
2017	32,083.66	1,122.93	8.36	239.43	2,673.64	19.95	0.15
2018	37,720.00	1,329.74	9.85	271.37	3,143.33	22.61	0.16

** The data expressed in GJ has been calculated using the Net Calorific Value for methane, as stated in the National Standard Coefficients 2018 (35.253 GJ/1000 standard m3). In order to ensure data consistency with the previous year, the finished product storage unit (not equipped with a heating system) was included in the calculation of m3 per employee, and excluded from the calculation of m3 per average hours worked, thus ensuring more objective hourly consumption data*

Raw materials

Paper and cardboard packaging

The purchasing of packaging has increased. The total weight increased 10% compared to the previous year. It should, however, be noted that this increase, in proportion to the number of boxes purchased, is less than in previous years. This is due to the replacement of old cardboard with lighter cardboard, in conjunction with the opening of the new logistics centre, and the commissioning of a new packaging line, under an increasingly sustainable packaging policy. Regarding all materials, Monnalisa has made full payment to the national packaging consortium Conai in support of separate waste collection and packaging waste recycling. All packaging purchased by Monnalisa is FSC Mix certified. 2018 data on packaging destined for paper and cardboard recovery, inferable from the FIR (Formulario di Identificazione dei Rifiuti) register, totalled 38.82 tonnes, and originated from the headquarters and finished product warehouse and production sites. Furthermore, it should be noted that Monnalisa supplies mono-brand stores and top customers (shop-in-shops, corners, spaces) with shopping bags made from FSC Mix paper, satin ribbons or cotton cords, depending on the reference brand, purchasable by customers on the B2B website. The pallets on which Monnalisa receives incoming goods are returned to the supplier for reuse.

Table 7 Paper and cardboard packaging purchased in the period 2016-2018

Years	boxes	boxes per garments produced	kg of paper per garments produced	weight (in tons*) purchased
2016	44,388	0.045	0.00494	85.0
2017	48,333	0.045	0.00491	120.1
2018	62,820	0.063	0.00822	132.0

**The total weight of the boxes was calculated by multiplying the weight of each type of box by the respective quantity purchased. The data was taken from purchase invoices and the material data sheets*

Table 8 Plastic packaging purchased (items and weight)

Material	2016		2017		2018	
	Qty.	Weight (ton)	Qty	Weight (ton)	Qty	Weight (ton)
envelopes	899,088	19.95	882,590	5.07	815,120	11.41
hangers	415,403	22.93	403,084	21.83	361,876	21.15
rods	1,000	0.29	1,000	0.28	1,900	0.532
pvc boxes	12,973	2.71	47,334	3.81	37,092	2.556
total	**1,328,464**	**45.90**	**1,334,008**	**31.01**	**1,215,988**	**35.65**

The total weight of each category was derived from the weights indicated in invoices. The data was taken from the material data sheets or from accounting documents

Plastic packaging

The packaging in plastic consists of: bags for hanging garments, resin or plastic hangers, PVC boxes for transporting garments and hanging rods. Compared to the previous year, there was a 9% reduction in plastic packaging purchased.
The plastic packaging purchased refers to the weight per item communicated by suppliers or stated in invoices for the purposes of Conai. The quantities of hangers include, in addition to those purchased directly during the year, those that come with imported garments.
In 2018, Monnalisa made Conai environmental contributions in relation to plastic totalling Euro 7,579.14.

Table 9 Metres of fabric purchased over the last three years

	2016	2017	2018
Natural	232,408	216,589	248,849
Technical fibres	485,378	210,821	154,300
Synthetic	396,757	150,739	97,828
Artificial	88,621	60,082	56,472
Total	**717,786**	**427,410**	**403,149**

Table 10 Fabric purchased by composition

	mt purchased for summer season	mt purchased for winter season	total metres purchased
Natural	168,978	79,871	248,849
Technical fibres	50,603	103,697	154,300
Synthetic	29,625	68,203	97,828
Artificial	20,978	35,494	56,472
Total	**219,581**	**183,568**	**403,149**

Natural fibres exist in nature, while technical fibres are defined as produced by man. Technical fibres are then considered artificial if they are made from organic polymers of natural origin, and synthetic if they are made from synthetic polymers.

Chart 5 Fabric purchased by composition and by collection in 2018

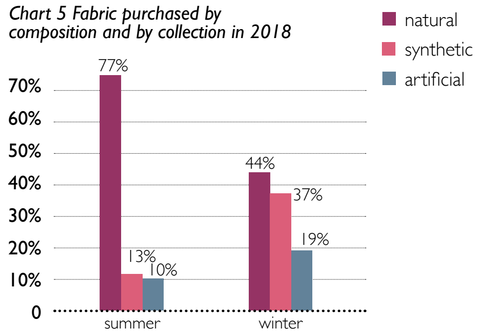
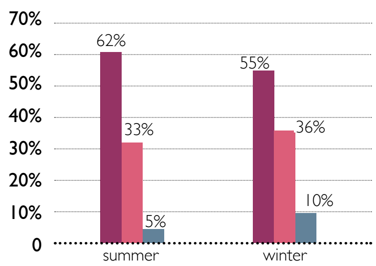


Chart 6 Supplied finished products by type of fabric in 2018



Fabric

Compared to 2017, the total amount of fabric purchased was fell by 6%. In particular, there was a 27% reduction in the purchase of technical fibre products, of which 35% referred to a decrease in the purchase of synthetic fibre products.
Though Table 9 makes references to calendar years, the calculation is based on the reference calendar years of the actual production seasons.

In particular, in 2018, there was a prevalence of natural fabrics in both summer and winter seasons.

In the category of finished products purchased from suppliers, most products contain natural fibres.

Cold (30°) washing, by hand and in the washing machine, remains the type of washing indicated for most of the items produced and bought as finished products from suppliers.

Paper

Paper consumption has fallen by 4% compared to the previous year.
Regarding continuous forms used for the printing of the envisaged 4 copies of transport documents, 894,000 units were purchased in 2018 following the exhaustion of stocks.
Additional consumption includes that of thermo-adhesive plotter paper (5.43 t), backing card for the laying out of fabric (4.78 t) and cutting pattern paper (0.64 t), all materials used in fabric cutting.
Paper for internal use is always reused where possible, and, when no longer useful, is disposed of by separate waste collection for subsequent recycling. As for packaging, all the paper used for both printers and plotters, equivalent to 36% of the total, is marked FSC Mix.
This report, just as past editions, is printed on recycled paper. In 2018, Monnalisa made Conai environmental contributions in relation to paper totalling Euro 8,227.05.

Table 11 Paper consumption years 2016-2018

	Reams	Weight in tonnes	Reams/ Employee	Continuous form	Plotter paper (tonnes)
2016	2,140	5.46	21.19	-	0.56
2017	2,240	5.79	19.31	302,400	0.57
2018	2,157	5.44	17.83	6,758,640	0.60

Toners, cartridges and ribbons for printers

In 2018, Monnalisa only used toners under a copy contract, where the cost of toners is based on the number of copies or prints made.
Of note is the reduction in purchased ribbons and cartridges, down 41% and 33% respectively on the previous year.
In order to keep track of the effective consumption of toners under the copy contract, since 2017, an internal register has been kept indicating the number of toners returned to the supplier. Throughout 2018, 170 toners were recorded as consumed.

Table 12 Toners, cartridges and ribbons purchased in 2016-2018

	Toner			Cartridges			Ribbons		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Total purchases	183	160	73	11	6	4	18	27	16

Waste

Monnalisa is committed to implementing a series of initiatives and procedures for improved management of waste

Proposals have been advanced on the recycling and recovery of fabric waste generated by cutting. However, due to the great variety of fabrics used by Monnalisa, this is, at the moment, deemed unfeasible. In any case, waste is managed according to all current applicable disposal regulations.
The other waste attributable to the company is generated on a daily basis by intra-logistic activities. For the most part, this waste comes from primary and secondary packaging of garments arriving in warehouse sorting areas. Many of the materials used in the business process are not waste.
Paper and plastic waste is carefully separated and collected via Eco-Boxes situated in all Monnalisa offices.
The company has implemented an Environmental Management Policy compliant with standard UNI EN ISO 14001, which requires products and waste to be handled and collected exclusively by certified and authorized transporters and service suppliers. The company does not produce or manage any hazardous waste.

CO_2 EMISSIONS

Greenhouse gas emissions are the main cause of climate change. One such emission gas is carbon dioxide (CO2), which builds up in the atmosphere due to human activity in the burning of fossil fuels, deforestation and changes in the use of agricultural land. The direct and indirect greenhouse gas emissions calculated by the company refer only to CO2, and are associated with the following activities:

- Electricity consumption
- Consumption of gas for heating
- Transportation of products for purchase and sale
- Personal transport for business trips
- Employee commuting.

In relation to transport for business trips, it should be noted that Monnalisa uses:
1. company cars; 2. long-term rental cars; 3. short-term rental cars.
For the purposes of this report, the emissions from the first two are considered direct, while those from short-term rentals are included in the category "other indirect emissions".

Direct emissions

Greenhouse gas emissions from sources that are owned or controlled by the organization. For example, direct emissions deriving from combustion aimed at energy production within the organization's operational scope.

Direct emissions include those relating to:

	t CO_2
Heating*	74.38
Own and long-term rental cars**	6.44
Total CO2	80.82

**The national standard parameters table was used for the calculation: Coefficients used for the inventory of CO2 emissions in the UNFCCC national inventory (average values for years 2015-2017). This data can be used for the calculation of emissions from January 1, 2018 to December 31, 2018.*
***The calculation method was based on EPA 430 guidelines*

The consumption of methane increased by 18% in comparison with 2017, with CO2 emissions increasing proportionally, corresponding to approximately 11 tonnes. For each property, headquarters and production site, consumption increased by approximately 5,700 standard m3 per year. As required by standard UNI ISO 14064-1, incorporating the Greenhouse Gas Protocol, the category of direct emissions must include those relating to owned and long-term rental vehicles, which, in the case of the company, generated approximately 6,44 tonnes of CO2 emissions. In 2018, the electric car purchased by the company was used for company errands in the municipal area of Arezzo totalling approximately 1,822 km, thus saving approximately 0.21 tonnes of CO2 emissions. The estimate of CO2 emissions saved derives from a comparison with emissions relating to a company owned Fiat 500L car.

*Table 13 Km and emissions relating to owned and/or long-term rental vehicles**

	2018		2017		2016	
	Km	CO_2 (ton)	Km	CO_2 (ton)	Km	CO_2 (ton)
Owned	7,435.8	1.59	11,428	2.44	29,290	6.63
Long-term rental	22,776	4.86	22,776	4.86	22,776	5.15
Total	30,212	6.44	34,204	7.29	52,066	11.78

**The figure was estimated on the basis of the use of owned cars for business trips. The website http://www.viamichelin.it/ was used to estimate the km travelled. The calculation includes travel for Pitti events and general company errands. The method used for calculating CO2 emissions was based on the EPA430 guidelines.*

Indirect emissions

Emissions resulting from the activities of the organization, but which have been generated by sources owned or controlled by other organizations. These include, for example, greenhouse gas emissions for the production of electricity, heating and steam supplied to and then consumed by the organization.

Indirect CO2 emissions include all emissions relating to the production of electricity purchased and consumed by the company. Regarding Scope 2 emissions, that is those relating purchased electricity, steam, heat, and cooling, the Greenhouse Gas Protocol requires companies operating in liberalized markets to report two values determined by two different approaches:

- Location-based method: greenhouse gas emissions from the production of purchased energy calculated on the basis of the average emission factors of the grid and without considering specific information about the supplier or any supply contracts stipulated by the company.
- Market-based method: greenhouse gas emissions calculated on the basis of the origin of energy, reflecting purposeful choices made by the company regarding its supply. To be able to consider the specific characteristics of the purchased energy, however, its origin must be certified by contractual instruments that meet "minimum quality criteria", as defined in the GHG Protocal Scope 2 Guidance. Otherwise the calculation must be made considering the so-called residual mix, that is using the default emission factors representing untracked or unclaimed emissions.

In 2018, 6% of the electricity consumption was not certified by Guarantees of Origin (GO). Therefore, in order to determine the emissions according to the two methods, the following considerations were made:

- Location-based method: The "grid mix" emission factor, obtained from the National Inventory Report 2019 - Italian Greenhouse Gas Inventory 1990-2017 (equal to 316 g CO2/kWh) was used to obtain indirect emissions equal to:
  - -199.49 tonnes of CO2/kWh for electricity with Guarantees of Origin
  - -13.38 tonnes of CO2/kWh for electricity without Guarantees of Origin
- Market-based method: the indirect emissions according to this method are equal to 20.19 tonne of CO2

Electricity consumption (kwh)	Kwh	CO2 Emissions (t CO2)	
		Location-based method (renewable and fossil mix)	Market based method
Photovoltaic energy	50,284.43	0	0
Energy GO certified	631,305.00	199.49	0
Energy not GO certified	42,335.00	13.38	20.19
Total	**723,924.43**	**212.87**	**20.19**

Sources: http://www.sinanet.isprambiente.it/it/sia-ispra/serie-storiche-emissioni/national-inventory-report-2018/view https://www.aib-net.org/facts/european-residual-mix/2017

Other indirect emissions

Emissions, different from the other emissions that may include, by way of non-exhaustive example, journeys to the workplace, or the transport of an organization's products, materials, people or waste

The other indirect emissions are those resulting from the activities of the organization, but which have been generated by sources owned or controlled by other organizations.
The first step in determining such emissions was the identification of the categories of activities from which they derive. However, sources and categories whose contribution was not significant or whose quantification is not technically or economically feasible have been excluded.
Emissions have thus been calculated relating to:

- The transport of finished products (incoming and outgoing)
- Staff mobility for business trips (with short-term rentals)
- Commuting from home to office and vice versa.

Considering all the shipments of Monnalisa S.p.A. in 2018, in comparison with 2017, there was a reduction in shipments and km travelled in Italy, and an increase in shipments and km travelled in European and non-European countries.
Regarding total CO2 emissions, a decrease of approximately 5% was calculated in comparison with the previous year for total shipments. Table 16 shows the detail of emissions by countries of destination. The percentage reduction in CO2 emissions has affected both European and non-European countries. Indeed, compared to 2017, the number of such destinations has decreased, in particular those outside Europe, which have the greatest impact in terms of CO2 emissions from air transport.
Emissions relating to personnel travel refer to mobility for business trips, by plane, train and car.
Air transport was the means having the greatest impact on the total, accounting for 79% of CO2 emissions.
Compared to 2017, in this case, there was a slight increase of 0.34% in CO2 emissions.
Finally, we analyse CO2 emissions from the commuting of employees.
For the purposes of the calculation, the entire corporate population of Arezzo (Monnalisa's headquarters, warehouse and production site) is considered, distinguishing between part-time and full-time employees. Part-time employees are considered to make two daily trips: one to go to work, and one to return home. For full time employees, on the other hand, a further distinction is required as there are those who use the external company canteen and those who return home for lunch, thus making four daily commuting trips.

Once the km for each trip and employee had been determined, the EPA430 method was used to calculate CO2 emissions per km.

*Table 14 CO2 emissions for the transport of products in the period 2016-2018**

	2016			2017			2018		
	Incoming	Outgoing	Total (t)	Incoming	Outgoing	Total (t)	Incoming	Outgoing	Total (t)
Trucks	4.3	12.5	**16.8**	4.31	14.27	**18.58**	6.60	14.38	**21.45**
Air	182.5	294.9	**477.5**	182.56	328.24	**510.79**	340.75	310.95	**651.70**
Ships	3.3	0	**3.3**	3.30	0	**3.30**	2.70	0	**3.30**
Total	**190.170**	**307.4**	**497.6**	**190.166**	**342.51**	**532.68**	**350.054**	**325.80**	**657.85**

**The quantity of emissions produced was calculated using the website http://www.ecotransit.org/, with reference to EN 16258 Guidelines: 2013 "Methodology for calculation and declaration of energy consumption and GHG emissions of transport services (freight and passengers)". For each trip, the quantity of goods shipped (expressed in gross weight) and transport means used were determined from transport and customs documents. The outgoing goods relate to the shipments referred to in Graph 3. Emissions of CO2 are not directly proportional to the kilometres travelled for incoming and outgoing goods, as they depend on the combination of km travelled, the transport means used, and the weight of the goods transported.*

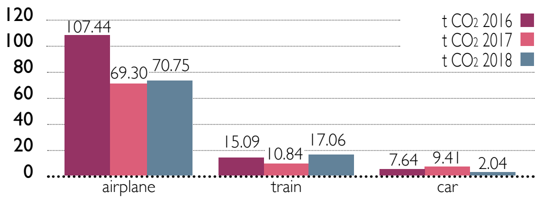
Table 15 Number of shipments and km travelled by destination

	Italy		EU and Non-EU	
	no. shipments	km covered	no. shipments	km covered
2016	5,618	2,385,898	1,621	3,886,985
2017	5,654	2,435,930	1,763	4,168,693
2018	5,496	2,430,637	1,823	4,316,980
Change	**-2.79%**	**-0.22%**	**3.44%**	**3.56%**

Tab. 16 CO2 emissions by weight and destination (Italy, EU and non-EU)

	Italy		EU and Non-EU	
	Gross weight Kg	Ton CO2	Gross weight Kg	Ton CO2
2016	132,657.50	3.63	188,396.25	304
2017	140,533.85	3.89	207,741.81	339
2018	153,552.25	4.06	210,940.05	322
Change	**9%**	**4%**	**1.54%**	**-4.99%**

*Chart 7 CO2 emissions (in tonnes) relating to business travel by transport means**



**The sources and estimation criteria used differ according to the transport means used.*
For all transport means used for business trips, CO2 emissions have been calculated using a method based on the EPA430 guidelines.

Table 17 CO2 for employee commute

	2016		2017		2018	
	Km	CO_2 (ton)	Km	CO_2 (ton)	Km	CO_2 (ton)
Monnalisa	956,716.05	216.44	1,035,975.65	220.85	1,060,471.07	226.07
Operational headquarters	174,678.48	39.52	165,677.73	35.32	160,069.13	34.12
total	1,131,394.53	255.95	1,201,653.38	256.16	1,220,540.20	260.19
total with stores	1,781,.809.67	380.43	1,796,791.51	383.03	1,811,873.33	386.25

The 2018 figures are in line with the previous year.

CO2 emissions increased 15.19% over 2017.
The largest impact comes from other emissions, which includes import and export product shipments and the mobility of personnel.
Of all the sources of emissions analysed, the most signficant is that of transporting products (51%).
In accordance with GRI Standards, the company has determined the GRI 305-4 greenhouse gas (GHG) emission intensity index by relating the sum of all CO2 emissions (direct, indirect and other) to the number of all Monnalisa employees, excluding stores, and the number of actual hours worked. Finally, the emissions of the pollutants SOx and NOx relating to goods import and export activities are reported.

Table 18 Intensity index of greenhouse gas emissions (GHG)- environmental performance index: Number of employees

GHG emission intensity	Unit	2016	2017	2018
GHG emitted per employee	(ton CO_2 eq.)	8.8	8.55	9.56

Table 19 Intensity index of greenhouse gas emissions (GHG)- environmental performance index: Effective hours worked

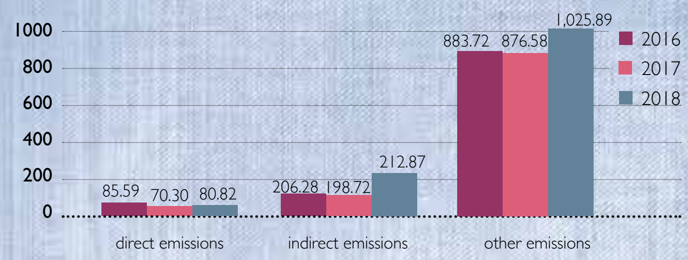
GHG emission intensity	Unit	2016	2017	2018
GHG issued per hours worked	(ton CO_2 eq.)	0.0054	0.0054	0.0062

Infine, vengono riportate le emissioni degli inquinanti SOx e NOx relativi alle attività di import e di export delle merci movimentate dell'azienda.

Table 20 NOx e SOx

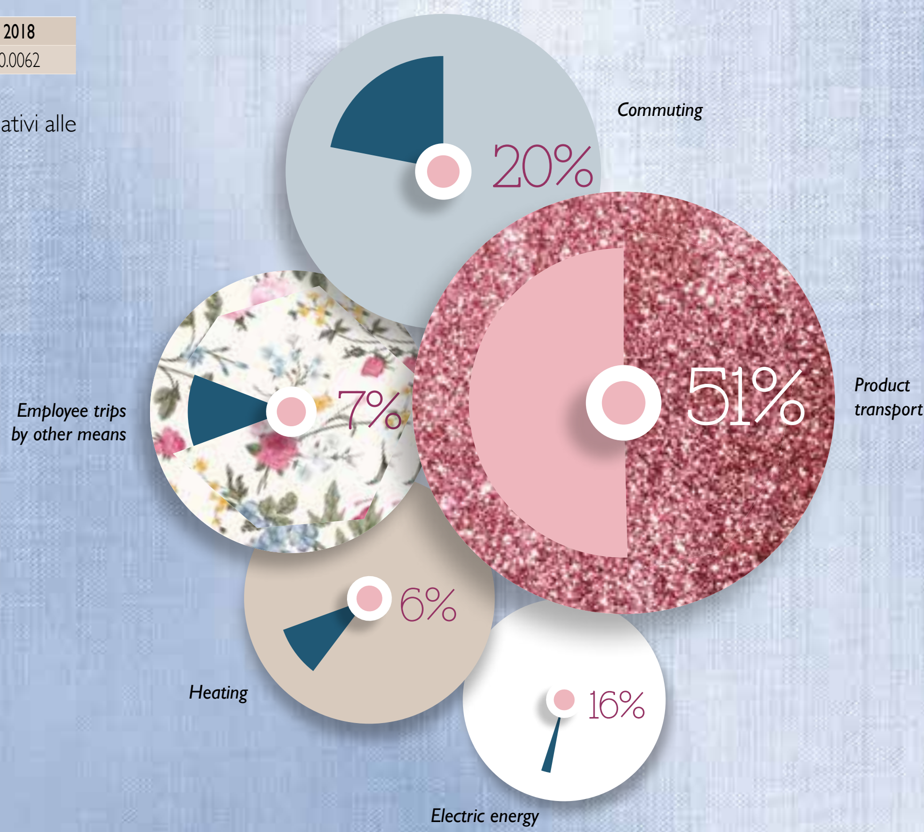
Other atmospheric emissions	Unit	2016	2017	2018
NOx	(kg or multiples)	2,169.46	2,545.39	2,932.56
SOx	(kg or multiples)	176.04	202.77	220.96

Chart 8 Direct, indirect and other indirect CO2 emissions (in tonnes)



Direct emissions: *heating, car trips and long-term car rentals*
Indirect emissions: *electricity consumption - location-based approach*
Other emissions: *import and export of products, employee commuting, short-term car rentals, train and air travel by employees.*

Chart 9 Direct, indirect and other indirect CO2 emissions (in tonnes) by source



Suppliers

New assessment and monitoring procedures have been introduced for suppliers in order to minimize any non-compliance with the requirements of standards SA8000, ISO 9001 and ISO 14001.
Monnalisa's suppliers can be differentiated on basis of the products or services they supply:

- raw materials (fabrics and accessories);
- processing (embroidery, sewing, ironing, cutting, printing, other processing).
- finished goods (distributed);
- services (cleaning, premises and machinery maintenance services).

Such suppliers are required to complete a self-assessment questionnaire during the signing of their contracts, for a first screening of environmental and other related impacts attributable to their activities.The documentation exchange is followed by an audit by Monnalisa to verify the answers given to the questionnaire. The goal is to make all its external collaborators aware of the principles of social and environmental responsibility that Monnalisa aspires to and to promote, where necessary, the implementation of improvement measures.

In addition to the verification of documentation, the supplier receives a seasonal score based on the quality of their collaboration.This score accounts for requirements such as the possession of ISO 14001 and/or CE1221 certification (EMAS regulation), with a weight of 5% applied to the final quality judgment.

Area	Annual Report 2017 Commitments	Outcome and Goal Achievement
Risk Management	Respect the contents of the action plan and internally train resources on compliance issues	A team of people dedicated to compliance, in its various forms, has been created and trained
	Integrating the contents of the 231/01 Organizational and Management Model into the ISO9001 management system	The contents of the model have been integrated into the ISO 9001 management system
Consolidation of CSR in business processes	Extend ISO 14001 certification to the Badia al Pino production site	ISO 14001 certification has been extended to the Badia al Pino production site
	Review and update the Materiality Matrix	"The materiality matrix was revised for the 2018 edition of the report"
	In the 2017 report, some indicators began to be reported regarding subsidiaries - this activity will be extended in the 2018 edition of the annual report	In the chapter on Human Capital, reporting on subsidiaries was examined in depth, and the subsidiaries were also involved in the materiality analysis process
Growth Management	Code of Conduct dissemination and training to all employees	Several training sessions were organized on the Code of Conduct
	Conclude the operational consolidation project	The operational consolidation project has been concluded
Employee health and safety	Design a smart-working agreement and promote work-life balance policies	The goal has been postponed to the new year
	Expansion of the company headquarters and offices, with the refurbishment of the office part of the old building	The company headquarters has been expanded, and the office part of the old building is undergoing final refurbishment
Supply Chain Management	Train and continually inform suppliers on the Group's sustainability policies	The commitment to these issues has continued in relation to suppliers

Area	Goals 2018	Lines of intervention
Governance	Impact assessment of the Monnalisa's activities along its entire value chain	Measure the impact generated by the company along its value chain, with specific reference to contributions to the achievement of the UN Sustainable Development Goals (SDGs)
	Consolidation of the reporting scope	Present the data information not yet reported in the financial statements in an aggregate form
	Development of engagement activities addressed to all stakeholders	Widening of systematic and structured dialogue with certain categories of stakeholders, in particular, investors and employees
Product and Consumer Responsibilities	*Counterfeiting risk assessment*	Development of a systematic approach to risk assessment that includes the risk of counterfeiting, for example, by implementing dedicated monitoring
	Promote initiatives for sustainable and responsible consumption	Promotion of sustainable consumption campaigns in stores and/or through dedicated labelling
	Development of a sustainable innovation programme	Development of a line of sustainable products with a reduction in the release of plastics from washing
Local Communities	Support for and promotion of culture, art and beauty	Organization or sponsorship of events on the theme of culture, art and beauty through the foundation Fondazione Monnalisa
Economic, Supplier and Partner Responsibilities	Improvement in financial communications	Review the Investor Relator section of the website to make financial communications more effective and timely
People	Enhancement of training and internal communications on sustainability issues	Analysis of the numerous existing internal channels and opportunities for communications, and the design of an awareness raising and communications plan on sustainability issues
	Continuous improvement in guaranteeing the health and safety of workers	Promotion of work-life balance policies
Environmental Responsibility	Energy	Reduce electricity consumption of the operational headquarters by 5% by 2019
	Supply chain	Increase the number of audits at supplier premises by 25%
	Waste	Initiate a feasibility study for the elimination of plastic bottles from company dispensers

GRI Content Index

GRI STANDARDS	DISCLOSURE	PAGE NUMBER(s) AND/OR URL(s)	OMISSION	MATERIAL TOPIC
GRI 101: Foundation 2016				
General Disclosures				
GRI 102: General Disclosures 2016	**Organizational profile**			
	102-1 Name of the organization	Monnalisa SpA		Value & Mission
	102-2 Activities, brands, products, and services	page 10-14		
	102-3 Location of headquarters	page 39		
	102-4 Location of operations	page 39		
	102-5 Ownership and legal form	page 15-18; page 28		
	102-6 Markets served	page 29-30		
	102-7 Scale of the organization	page 4; page 33		
	102-8 Information on employees and other workers	page 88-97		
	102-9 Supply chain	page 73-75		
	102-10 Significant changes to the organization and its supply chain		no significant change took place in 2018	
	102-11 Precautionary Principle or approach	page 24-25; page 36-37		
	102-12 External initiatives	page 86		
	102-13 Membership of associations	page 87		
	Strategy			
	102-14 Statement from senior decision-maker	page 3		Sustainability Strategy
	102-15 Key impacts, risks, and opportunities	page 24-25; page 36-37		
	Ethics and integrity			
	102-16 Values, principles, standards, and norms of behavior	page 14; page 20-21		Standard/Code of Conduct
	102-17 Mechanisms for advice and concerns about ethics	page 21		
	Governance			
	102-19 Delegating authority	page 18-21		Sustainability Strategy
	102-20 Executive-level responsibility for economic, environmental, and social topics	page 18-21		
	102-21 Consulting stakeholders on economic, environmental, and social topics	page 6		
	102-22 Composition of the highest governance body and its committees	page 18		
	102-23 Chair of the highest governance body	page 18		
	102-24 Nominating and selecting the highest governance body	page 19		
	102-25 Conflicts of interest	page 20-21		
	102-26 Role of highest governance body in setting purpose, values, and strategy	page 19		
	102-27 Collective knowledge of highest governance body	page 19		
	102-28 Evaluating the highest governance body's performance	page 19		
	102-29 Identifying and managing economic, environmental, and social impacts	page 6; 19; 21-23; 79-80		
	102-30 Effectiveness of risk management processes	page 20-21; 24-25		
	102-31 Review of economic, environmental and social topics	page 21		
	102-32 Highest governance body's role in sustainability reporting	page 19		
	102-33 Communicating critical concerns	page 21		
	102-34 Nature and total number of critical concerns	page 21		
	102-35 Remuneration policies	page 93-94		
	102-36 Process for determining remuneration	page 93		
	102-37 Stakeholders involvement in remuneration	page 93		
	102-38 Annual total compensation ratio	page 93-94		
	102-39 Percentage increase in annual total compensation ratio	page 93-94		
	Stakeholder engagement			
	102-40 List of stakeholder groups	page 79-80		Sustainability Strategy
	102-41 Collective bargaining agreements	page 94		
	102-42 Identifying and selecting stakeholders	page 79-80		
	102-43 Approach to stakeholder engagement	page 79-80		
	102-44 Key topics and concerns raised	page 6		
	Reporting practice			
	102-45 Entities included in the consolidated financial statements	page 5		
	102-46 Defining report content and topic Boundaries	page 5		
	102-47 List of material topics	page 6		
	102-48 Restatements of information		no significant change took place in 2018. Further KPIs on subsidiaries have been included in the report	
	102-49 Changes in reporting	page 5		
	102-50 Reporting period	page 5		
	102-51 Date of most recent report		2018	
	102-52 Reporting cycle		annual	
	102-53 Contact point for questions regarding the report	page 2	info@monnalisa.eu	
	102-54 Claims of reporting in accordance with the GRI Standards	page 5		
	102-55 GRI content index	page 108		
	102-56 External assurance	page 110-111		
GRI 200 Economic Standard Series				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	page 35		Economic Performance
	201-2 Financial implications and other risks and opportunities due to climate change		Information currently not available	
	201-3 Defined benefit plan obligations and other retirement plans	page 95		
	201-4 Financial assistance received from government	page 35		
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	page 94;97		
	202-2 Proportion of senior management hired from the local community		100%	
GRI 203: Indirect Economic impact 2016	203-1 Infrastructure investments and services supported	page 87		
	203-2 Significant indirect economic impacts	page 86-87		
GRI 204: Procurement Practices 2016	**GRI 103: Management Approach 2016**	page 73-74		Supply Chain Management
	204-1 Proportion of spending on local suppliers	page 74		
GRI 205: Anti-corruption 2016	**GRI 103: Management Approach 2016**	page 20		Standard/Code of Conduct
	205-1 Operations assessed for risks related to corruption	page 20-21		
	205-2 Communication and training about anticorruption policies and procedures	page 21		
	205-3 Confirmed incidents of corruption and actions taken		During the reporting period no incident or behaviour in conflict with anti corruption laws was recorded	
GRI 206: Anti-competitive Behavior 2016	**GRI 103: Management Approach 2016**			Standard/Code of Conduct
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		During the reporting period no fines or significant sanctions were registered	

GRI STANDARDS	DISCLOSURE	PAGE NUMBER(s) AND/OR URL(s)	OMISSION	MATERIAL TOPIC
GRI 300 Environmental Standards Series				
GRI 301: Materials 2016	GRI 103: Management Approach 2016	page 99		
	301-1 Materials used by weight or volume	page 100-101		Sustainability Row Material
	301-2 Recycled input materials used	page 100-101		Sustainability Packaging
	301-3 Reclaimed products and their packaging materials	page 100-101		
GRI 302: Energy 2016	GRI 103: Management Approach 2016	page 100		
	302-1 Energy consumption within the organization	page 99-100		
	302-2 Energy consumption outside of the organization		information currently not available	
	302-3 Energy intensity	page 100		Energy Performances
	302-4 Reduction of energy consumption	page 77; 99		
	302-5 Reductions in energy requirements of products and services	page 77		
GRI 303: Water 2016	GRI 103: Management Approach 2016	page 98		
	303-1 Water withdrawal by source	page 99		
	303-2 Water sources significantly affected by withdrawal of water	page 99	there are no significant direct withdrawals from water sources such as lakes, rivers, etc.	
	303-3 Water recycled and reused	page 99	the use of recycled water in the production process is not foreseen	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		not applicable	
	304-2 Significant impacts of activities, products, and services on biodiversity		not applicable	
	304-3 Habitats protected or restored		not applicable	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		not applicable	
GRI 305: Emissions 2016	GRI 103: Management Approach 2016	page 102		
	305-1 Direct (Scope 1) GHG emissions	page 102		
	305-2 Energy indirect (Scope 2) GHG emissions	page 102		Energy Performances
	305-3 Other indirect (Scope 3) GHG emissions	page 103		
	305-4 GHG emissions intensity	page 104		
	305-5 Reduction of GHG emissions	page 104		
	305-6 Emissions of ozone-depleting substances (ODS)		information currently not available	
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	page 104		
GRI 306: Effluents and Waste 2016	GRI 103: Management Approach 2016	page 100		
	306-1 Water discharge by quality and destination		information currently not available	
	306-2 Waste by type and disposal method	page 101		
	306-3 Significant spills		not applicable	Waste Management
	306-4 Transport of hazardous waste		not applicable	
	306-5 Water bodies affected by water discharges and/or runoff		not applicable	
GRI 307: Environmental Compliance 2016	GRI 103: Management Approach 2016			
	307-1 Non-compliance with environmental laws and regulations		During the reporting period no fines or significant sanctions were registered	
GRI 308: Supplier Environmental Assessment 2016	GRI 103: Management Approach 2016	page 74		
	308-1 New suppliers that were screened using environmental criteria	page 74-75		Supply Chain Management
	308-2 Negative environmental impacts in the supply chain and actions taken	page 38	During the reporting period no negative environmental impact was registered	
GRI 400 Social Standards Series				
GRI 401: Employment 2016	GRI 103: Management Approach 2016	page 90		
	401-1 New employee hires and employee turnover	page 91;97		Human Resources Management Work-Life Balance
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	page 95		
	401-3 Parental leave	page 92		
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes		In case a reorganization or a revision in the company structure takes place, employees and their representatives are previously informed in full respect of local law, collective labor contracts and agreements with trade unions.	
GRI 403: Occupational Health and Safety 2016	GRI 103: Management Approach 2016	page 90		
	403-1 Workers representation in formal joint management- worker health and safety committees	page 97		
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	page 92;97		
	403-3 Workers with high incidence or high risk of diseases related to their occupation		In the company processes no employees with high incidence or with high risk of work related deseases are registered	Health and Safety
	403-4 Health and safety topics covered in formal agreements with trade unions	page 95;97		
GRI 404: Training and Education 2016	GRI 103: Management Approach 2016	page 96		
	404-1 Average hours of training per year per employee	page 96		
	404-2 Programs for upgrading employee skills and transition assistance programs	page 96		Uman Resources Management
	404-3 Percentage of employees receiving regular performance and career development reviews	page 93-94		
GRI 405: Diversity and Equal Opportunity 2016	GRI 103: Management Approach 2016	page 90		
	405-1 Diversity of governance bodies and employees	page 90; 94; 97		Diversity Management and Equal Opportunity
	405-2 Ratio of basic salary and remuneration of women to men	page 94		
GRI 406: Non-discrimination 2016	GRI 103: Management Approach 2016	page 7; 90		
	406-1 Incidents of discrimination and corrective actions taken	page 21		Diversity Management and Equal Opportunity
GRI 407: Freedom of Association and Collective Bargaining 2016	GRI 103: Management Approach 2016	page 73		
	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	page 74-75; 93		Human Resources Mgmt; Supply Chain Management
GRI 408: Child Labor 2016	GRI 103: Management Approach 2016	page 73		
	408-1 Operations and suppliers at significant risk for incidents of child labor	page 74-75		Supply Chain Management
GRI 409: Forced or Compulsory Labor 2016	GRI 103: Management Approach 2016	page 73		
	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	page 74-75		Supply Chain Management
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	-	In the reporting boundaries there is no security personnel	
GRI 411: Rights of indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	-	Information currently not available	
GRI 412: Human Rights Assessment 2016	GRI 103: Management Approach 2016	page 21		
	412-1 Operations that have been subject to human rights reviews or impact assessments		The company is SA8000 Certified	
	412-2 Employee training on human rights policies or procedures	page 21; 96	Information Unavailable: number of hours of training on human rights and % of employees trained	Human Resources Management Human Rights
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	page 74-75		
GRI 413: Local Comunities 2016	GRI 103: Management Approach 2016	page 79		
	413-1 Operations with local community engagement, impact assessments, and development programs	page 79-80; 87		Economic Model Development
	413-2 Operations with significant actual and potential negative impacts on local communities		Information currently not available	
GRI 414: Supplier Social Assessment 2016	GRI 103: Management Approach 2016	page 73		
	414-1 New suppliers that were screened using social criteria	page 74-75		Supply Chain Management
	414-2 Negative social impacts in the supply chain and actions taken	page 21		
GRI 415: Public Policy 2016	415-1 Political contributions	page 87		
GRI 416: Customer Health and Safety 2016	GRI 103: Management Approach 2016	page 72		
	416-1 Assessment of the health and safety impacts of product and service categories	page 72		Product Safety
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	page 72		
GRI 417: Marketing and Labelling 2016	GRI 103: Management Approach 2016	page 72		
	417-1 Requirements for product and service information and labeling	page 72		
	417-2 Incidents of non-compliance concerning product and service information and labeling	page 72		Product Safety
	417-3 Incidents of non-compliance concerning marketing communications	page 82		
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	page 21; 77		
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	page 20-21		
OTHER MATERIAL TOPICS IDENTIFIED (not covered by the GRI Standards)				
Product Distinctiveness (Eco-Design and product innovation)		page 71-72		
Communication & Brand Identity		page 82; 85; 72		

Assurance Statement

SGS Italia S.p.A. was commissioned by the Management of Monnalisa SpA to undertake an independent assurance of the Company's Annual Report 2018 (the 'Report') in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by the GRI - Global Reporting Initiative (hereinafter the" GRI Standards").

Our responsibility in conducting the work commissioned from us, in accordance with the term of reference agreed on with the Organization, is solely towards the management of Monnalisa.

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

RESPONSIBILITY OF THE DIRECTORS FOR THE REPORT

The Directors are responsible for preparing the Report in compliance with the "GRI standards" guideline, and for that part of internal control that they consider necessary to prepare Sustainability Report that is free from material misstatement, whether due to fraud or unintentional behaviours or events. The Directors are also responsible for defining the sustainability performance targets of Monnalisa, for reporting the sustainability results, as well as for identifying the stakeholders and the significant aspects to be reported.

SGS Italia S.p.A. expressly disclaims any liability or co-responsibility in the preparation of any of the material included in this document or in the process of collection and treatment of the data therein.

INDEPENDENCE OF THE AUDITORS AND QUALITY CONTROL

SGS Italia S.p.A. SGS affirms its independence from Monnalisa, being free from bias and conflict of interests with the Organization, its subsidiaries and stakeholders.

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

AUDITOR'S RESPONSABILITY

The responsibility of SGS Italia S.p.A. is to express an opinion concerning the reliability and accuracy of the information, data and statements contained in the 2018 Sustainability Report and to assess the compliance of Report with the reference requirements, within the below mentioned assurance scope, with the purpose to inform all Interested Parties.

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

- Analysis, according to Limited Assurance Engagement, of the business and data on sustainability, for the period January 2018 to December 2018, as contained in the Report
- Assessment of the reporting standards referred to in the GRI Standards guideline, in accordance with the "Comprehensive" option.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000), issued by the IAASB (International Auditing and Assurance Standards Board) for limited assurance engagements. The standard requires that we comply with applicable ethical requirements, including professional independence, and that we plan and perform our work to obtain limited assurance that the Report is free from material misstatement.

SGS Italia S.p.A.
Via Caldera, 21, 20153 Milano (MI) – Italy - t +39 02 73931 f +39 02 70124630 e sgs.italy@sgs.com www.sgs.com
Membri del Gruppo SGS (Société Générale de Surveillance) - Sede Legale Milano Via Caldera, 21 - Capitale sociale € 2.500.000 i.v. C.F./ N. Iscriz. Reg. Imprese di Milano 04112680378 - P. IVA n. 11370520154 - Cod. Mecc. n. MI223913 - Società unipersonale soggetta a direzione e coordinamento di SGS European Subholding BV

SGS

ASSURANCE METHODOLOGY

The procedures we performed consisted in verifying the compliance of the Report with the principles for defining the content and the quality of a sustainability report set out in the GRI Standards and are summarized as follows:

- analysing, through inquiries, the governance system and the process for managing the sustainability issues relating to the Group's strategy and operations;
- analysing the process aimed at defining the significant reporting areas to be disclosed in the Report (materiality analysis), with reference to the methods for their identification, in terms of priority for the various stakeholders, as well as the internal validation of the process findings;
- analysing the internal consistency of the qualitative information described in the Report and analysing the processes underlying the generation, recording and management of quantitative data included in the Report. In detail, we carried out:
    - meetings and interviews with Monnalisa management to achieve a general understanding of the information, accounting and reporting systems in use to prepare the Report, as well as of the internal control processes and procedures supporting the collection, aggregation, processing and submission of the information to the function responsible for the Report preparation;
    - a sample-based analysis of the documents supporting the preparation of the Report, in order to obtain evidence of the reliability of processes in place and of the internal control system underlying the treatment of the information relating to the objectives disclosed in the Report;

The audit team was assembled based on their technical know-how, experience and qualification of each member in relation to the various dimensions assessed.

Audit activities were carried out during June 2019 at the Head Quarters in Arezzo.

LIMITATIONS

Economic and financial data contained in the Consolidated Financial Statements at 31 December 2018, included in the Sustainability Report, have not been audited by SGS.

CONCLUSIONS

Based on the work performed, nothing has come to our attention that causes us to believe that the Sustainability Report as of 31 December 2018 of Monnalisa has not been prepared, in all material respects, in compliance with the GRI Standards as disclosed in the paragraph "Methodological Note" of the Annual Report.

Milan, 27th June 2019

SGS Italia S.p.A.

Paola Santarelli
Certification & Business Enhancement
Business Manager

M. Laura Ligi
Certification & Business Enhancement
Project Leader

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MONNALISA®

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