MONNALISA S.p.A.

(Subject to the direction and coordination activities of Jafin Due S.p.A.)

Financial Statements 2019

Summary

Report on operations

Corporate Boards

Board of Directors

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

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 Auditors*
SUSANNA SGREVI	*Statutory Auditors*
PATRIZIA BELLI	*Alternate Auditors*
GIANNI PAPI	*Alternate Auditors*

INDEPENDENT AUDITORS EY S.p.A.

NOMAD CFO Sim S.p.A.

Dear Shareholders,
Consolidated profit for the year ended December 31, 2019 amounted to Euro 8,422,207, including a minority interest share of Euro 6,691. At the level of the separate financial statements of the parent company, Monnalisa S.p.A. ("Monnalisa"), reported a loss of Euro 5,077,544 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.

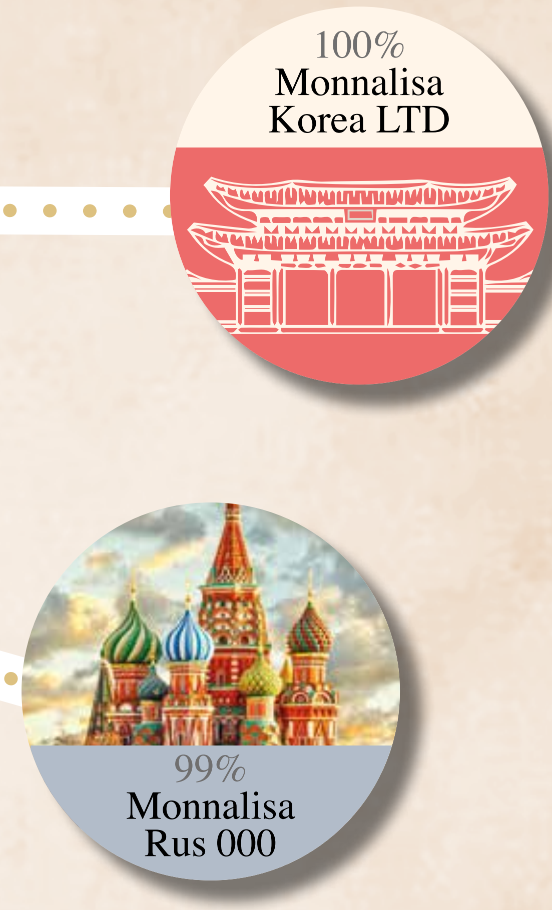
Activities
Founded in Arezzo in 1968 by Piero Iacomoni, currently Chairperson of the Board of Directors, Monnalisa designs, manufactures and distributes high-end childrenswear for ages 0-16 under the brand of the same name through various distribution channels. The company's philosophy has always combined 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, 2019, corresponding to the scope of consolidation, is presented in the chart here beside

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. 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 30 Italian and international institutional investors. Monnalisa's shareholders include nearly all the largest asset management companies in Italy in terms of assets managed.
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.

Key Stock Exchange Indicators

Official price at December 28, 2019	6
Minimum price 28/12/19	5.85
Maximum price 13/07/2019	9.5
Market capitalization at December 31, 2019	31,417,800 €
No. of shares outstanding at December 31, 2019	5,236,300



OPERATING PERFORMANCE

The Group in 2019 continued to roll out its development plan. 14 new direct sales points were opened, 10 of which in the June-December period, which however contributed to increasing direct costs related to personnel (+17%) and rental (+38%), in addition to the increased amortization and depreciation for investments, in the absence however of a proportional increase in revenues. During the year, 8 sales points were closed, 6 of which in the second half of the year, in order to improve the channel's earnings. A number of closures ahead of that stipulated contractually impacted the income statement, in support of "way out" costs and for the full depreciation of the relative assets.
The details of the new store locations opened in 2019 are provided below:

Type	Country	City	Location
DOO	Belgium	Maasmechelen	Mall
DOO	Italy	Fidenza	Mall
DOS	Spain	Barcelona ECI	Dept Store
DOS	Turkey	Istanbul Airport	Travel Retail
DOO	UK	Bicester Village	Mall
DOS	UK	Harrods	Dept Store
DOO	USA	Sawgrass	Mall
DOS	USA	Guam	Mall
DOS	Italy	Rome	Road
DOO	Brazil	São Roque	Mall
DOS	Brazil	Recife	Mall
DOS	Russia	Moscow	Mall
DOO	Russia	Moscow	Mall
DOO	Taiwan	Taipei	Mall

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

During the same period, according to plan, five low-traffic stores were closed in China (MIXC Shenyang, Wuhan, Shanghai Babaiban, Hangzhou MIXC and SH IFC) and one in America (Philadelphia). The temporary store at the Bicester outlet was closed in January and subsequently re-opened from June to September.
Accordingly, at the end of 2019 the Monnalisa Group had a total of 48 direct stores, including both DOSs and DOOs.

Revenues by distribution channel

Sales revenues amounted to approx. Euro 48 million, compared to Euro 49 million in the previous year. In line with the Group's growth strategy, retail channel revenues grew to Euro 15.5 million at current exchange rates and Euro 15.3 million at like-for-like exchange rates, respectively up 26% and 24% on Euro 12.3 million in 2018. The retail channel was up 7 points on the previous year, thanks to the opening of new direct sales points, mainly overseas. Direct e-commerce revenues remained stable on the previous year. During the second half of the year, a major project to introduce a new e-commerce platform, a customer relationship management system and a marketing automation system began. The new direct online sales website was launched in December. Despite the number of months necessary for the fine tuning of the project, in the initial months of 2020 sales grew gradually, and the average value of transactions and the conversion rate particularly improved.

Wholesale channel revenues were Euro 30.9 million at current and like-for-like exchange rates, compared to Euro 35.3 million in the previous year. The drop in wholesale channel sales follows the interruption to relations with the Japanese importer - where Monnalisa is working to enter the retail market independently - and the transfer to the concessions category of the client Harrods, which is therefore now included in the retail channel. These two factors combined account for approximately one-third of the decline in wholesale revenues.

However, the wholesale channel suffered a decline in the second half of the year due to the worsening situation for the multi-brand distribution of children's clothing products, mainly in Italy and Russia, as well as the political and economic instability in certain key regions for Monnalisa and particularly in the Middle East. Wholesale revenues were impacted also by an increase in previous year returns, associated with the further bringing forward of the summer collection at the end of 2018.

The company's structure was calibrated for a higher level of wholesale revenues than that which materialized - which was not only down on that budgeted, but significantly lower than 2018. In fact, any growth on the wholesale channel would not increase the relative costs, but a reduction would have an immediate impact on the operating margins of a channel that, according to the business plan, should have contributed to the growth and economic support of the retail channel in the start-up phase. For this reason, the Board of Directors is assessing strategies to support the future growth of the wholesale channel.

Accessory operating revenues also significantly decreased in the year. In 2018, they contributed significantly to total earnings and revenues.

Revenues by region

Revenues by region indicate high single-digit growth for Europe at 7% at like-for-like exchange rates, following the strong contribution from the UK subsidiary. The largest contraction was reported in Italy, where the increase in retail channel revenues did not offset the decrease on the independent multi-brand channel. The sales performance for comparable stores was impacted by the reduced sales of the Hong Kong sales points, following the major social disruption which hit the country in the second half of the year.

Reported EBITDA saw a loss of Euro 2.9 million (loss of Euro 2.8 million at like-for-like exchange rates), compared to Euro 5.2 million in 2018.

Adjusted EBITDA was approx. Euro 0.26 million (Adjusted EBITDA in 2018 of Euro 7.3 million). The adjustments to EBITDA concern the DOS openings and closures in the year and a number of one-off costs incurred, in view of the fact that - in line with the business plan - many openings and as many closures were made in an amount to be considered entirely "extraordinary".

Amortization and depreciation rose 0.4 million over 2018, following the major investments made over recent years, including the new warehouse and the new headquarters, already fully operative in 2019, to which the write-off of goodwill of the American subsidiary has to be added (1 million).

The choice to incorporate the estimates on the impact of the current global health emergency to the company's results led the Group prudently to amend the valuation of certain items. In particular, the Company carried out the discounted cash-flow analysis to identify the presence of any impairment indicators relating to investments in subsidiaries, using as a starting point the business plans of the subsidiaries for the years 2020-2024 drawn up and approved by the Board of Directors taking into account the likely negative effects of Covid-19. This resulted in a write-down of goodwill of the US company and the elimination of the deferred tax assets of the Chinese and Brazilian subsidiaries, impacting the result for approx. Euro 2 million.

The significant number of openings in the year, and the impact for the entire year of the stores opened in 2018, contributed to increasing direct costs related to personnel (+17%) and rental (+38%), in addition to increasing amortization and depreciation for investments - in the absence however of a proportional increase in revenues. During the year, 8 sales points were closed, 6 of which in the second half of the year, in order to improve the channel's long-term earnings. A number of closures ahead of that stipulated contractually impacted the income statement, in support of "way out" costs and for the full depreciation of the relative assets.

Reported EBIT was a loss of Euro 7.6 million (Euro 2.1 million in 2018), while adjusted EBIT was a loss of Euro 2.9 million, including the prudential valuation of the goodwill of the US subsidiary.

A Net Loss of Euro 8.4 million was reported (profit of Euro 1.3 million in 2018).

** 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.*

Ended 31 December (at current exchange rates)

In thousands of €	2019	% on revenues	2018	% on revenues	Cge	Change %
Retail	15,531	32%	12,334	25%	3,197	26%
Wholesale	30,950	65%	35,333	72%	(4,383)	-12%
B2C	1,453	3%	1,463	3%	(10)	-1%
Total	**47,934**	**100%**	**49,129**	**100%**	**(1,196)**	**-2%**

Ended 31 December (at constant exchange rates)

In thousands of €	2019	% on revenues	2018	% on revenues	Cge	Change %
Retail	15,299	32%	12,334	25%	2,965	24%
Wholesale	30,887	65%	35,333	72%	(4,446)	-13%
B2C	1,453	3%	1,463	3%	(10)	-1%
Total	**47,638**	**100%**	**49,129**	**100%**	**(1,491)**	**-3%**

Ended 31 December (at current exchange rates)

In thousands of €	2019	% on revenues	2018*	% on revenues	Cge	Change %
Italy	15,745	33%	16,876	34%	(1,131)	-7%
Europe	13,011	27%	12,256	25%	755	6%
Rest of the world	19,178	40%	19,997	41%	(819)	-4%
Total	**47,934**	**100%**	**49,129**	**100%**	**(1,196)**	**-2%**

**reclassified from the approved 2018 financial statements*

Ended 31 December (at constant exchange rates)

In thousands of €	2019	% on revenues	2018	% on revenues	Cge	Change %
Italy	15,745	33%	16,876	34%	(1,131)	-7%
Europe	13,135	28%	12,256	25%	879	7%
Rest of the world	18,758	39%	19,997	41%	(1,239)	-6%
Total	**47,638**	**100%**	**49,129**	**100%**	**(1,491)**	**-3%**

The Adjusted Net Loss was Euro 2.5 million, due to the multiple above mentioned non recurrent factors including the prudent elimination of the deferred tax assets receivable on the Brazilian and Chinese subsidiaries, in light of the assessment of the Covid-19 impact on future estimates.

The patrimonial situation at December 31, 2019 was solid, with total uses of Euro 68 million, covered by equity of Euro 38.9 million and net debt of Euro 14.7 million.

In addition to covering all fixed assets, amounting to Euro 25.4 million, equity thus also finances approximately 32% of working capital, amounting to Euro 42.6 million, with borrowings of Euro 14.7 million and total provisions (risks and post-employment benefits) of Euro 2.6 million.

Net working capital – typically higher at the end of December due to the seasonal effect – amounted to Euro 22.5 million (24), as a consequence, in terms of uses, of greater inventories (converted into revenues in the following months) and lower receivables (Euro 15.7 million from Euro 17.7 million at December 31, 2018).

From the standpoint of cash flows, during the reporting period the Company absorbed cash of approximately Euro 2.1 million in its core business, compared with cash generated of Euro 1.5 million in 2018.

The Net Financial Position was a debt position of Euro 3.4 million, against a Cash position of Euro 2.5 million at December 31, 2018, also due to investment activities, which absorbed financial resources of approx. Euro 3.7 million, of which Euro 2 million for retail channel development. Residual investments concerned the completion of the offices at the new building and the construction of the new showroom in Arezzo. Despite the negative result, net of investment activities, the cash absorption from operating activities was limited.

Fall-Winter Collection 2021

THE SITUATION OF THE PARENT COMPANY AND THE GROUP

Operating performance

Performance in 2019 – above all from the standpoint of patrimonial 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.
Three new companies were in addition established (in Japan, Great Britain and Taiwan) for direct retail management.

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. For completeness of information, the analysis is provided at the level of Monnalisa on a stand-alone basis as well as at the Group level.
The Monnalisa Group in addition utilizes alternative performance indicators, which are not recognized 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 utilized are the following:
EBITDA ***(Earnings Before Interest, Taxes, Depreciation, Amortization):*** the operating result before amortization, 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 1 - 1bis).
On the other hand, the balance sheet reclassified by segment is useful in understanding funding requirements and financial structure dynamics, permitting categories of uses 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 2 - 2bis).
The reclassified income statement is divided into segments by distinguishing between ordinary operations (core and non-core), extraordinary operations and financial operations.
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 - 3bis).

Table 1 Balance sheet of the parent company

	2017	%	2018	%	2019	%
Assets						
FIXED ASSETS	**24,313,712**	**42.13%**	**32,567,689**	**41.16%**	**32,527,447**	**43%**
Intangible assets	1,186,568		2,647,997		2,517,147	
Tangible assets	15,022,495		17,321,621		17,195,707	
Financial Assets	8,104,649		12,598,071		12,814,594	
CURRENT ASSETS	**33,395,413**	**57.87%**	**46,550,904**	**58.84%**	**43,005,477**	**57%**
Inventory	14,922,522		15,194,460		15,171,715	
Deferred Cash	16,892,986		20,364,627		21,354,368	
Cash on hand	1,579,905		10,991,817		6,479,394	
INVESTED CAPITAL	**57,709,126**	**100%**	**79,118,593**	**100%**	**75,532,925**	**100%**
Liabilities						
EQUITY	**31,040,729**	**53.79%**	**51,398,143**	**64.96%**	**46,134,591**	**61%**
Share Capital	2,064,000		10,000,000		10,000,000	
Reserves	26,069,123		38,107,588		41,212,135	
Profit/(loss) for the period	2,907,606		3,290,556		(5,077,544)	
CONSOLIDATED LIABILITIES	**6,393,163**	**11.08%**	**9,977,477**	**12.61%**	**12,599,781**	**17%**
Financial	4,199,012		7,370,295		9,036,962	
Non financial	2,194,151		2,607,182		3,562,819	
CURRENT LIABILITIES	**20,275,233**	**35.13%**	**17,742,972**	**22.43%**	**16,798,552**	**22%**
Financial	8,541,867		7,202,603		6,220,328	
Non financial	11,733,366		10,540,368		10,578,224	
FINANCING CAPITAL	**57,709,126**	**100%**	**79,118,593**	**100%**	**75,532,925**	**100%**

Table 1bis Group balance sheet

	2017	%	2018	%	2019	%
Assets						
SUBSCRIBED CAPITAL UNPAID	**32**					
FIXED ASSETS	**19,349,759**	**34.03%**	**25,733,073**	**34.03%**	**25,468,487**	**37.38%**
Intangible assets	2,531,744		5,427,809		4,161,899	
Tangible assets	15,351,891		18,137,073		18,338,905	
Financial Assets	1,466,124		2,168,191		2,967,683	
CURRENT ASSETS	**37,506,903**	**65.97%**	**49,150,933**	**65.97%**	**42,597,245**	**62.62%**
Inventory	16,774,262		17,826,800		18,510,004	
Deferred Cash	17,920,718		17,745,383		15,730,357	
Cash on hand	2,811,923		13,578,750		8,356,884	
INVESTED CAPITAL	**56,856,695**	**100%**	**74,884,006**	**100%**	**68,056,733**	**100%**
Liabilities						
EQUITY	**29,203,237**	**51.36%**	**47,397,682**	**63.29%**	**38,900,640**	**57.19%**
Share Capital	2,064,000		10,000,000		10,000,000	
Reserves	24,885,583		36,104,344		37,322,847	
Profit/(loss) for the period	2,248,215		1,291,853		(8,415,516)	
Profit/(loss) attributable to minority interest	5,439		1,486		(6,691)	
CONSOLIDATED LIABILITIES	**6,243,163**	**10.98%**	**9,797,477**	**13.08%**	**9,322,567**	**13.64%**
Financial	4,199,012		7,370,295		6,564,737	
Non financial	2,044,151		2,427,182		2,757,830	
CURRENT LIABILITIES	**21,410,295**	**37.66%**	**17,688,846**	**23.62%**	**19,842,525**	**29.17%**
Financial	8,278,706		6,154,475		8,127,152	
Non financial	13,131,589		11,534,371		11,715,373	
FINANCING CAPITAL	**56,856,695**	**100%**	**74,884,006**	**100%**	**68,065,733**	**100%**

Table 2 Balance sheet of the parent company by segment

	2017	%	2018	%	2019	%
Uses						
OPERATING INVESTED CAPITAL/ EQUITY	**49,596,809**		**66,461,218**		**62,706,520**	
Operating Liabilities	14,190,677		14,483,952		14,706,444	
NET OPERATING INVESTED CAPITAL/ EQUITY	**35,406,132**	**81%**	**52,013,562**	**80%**	**48,000,076**	**79%**
NON-OPERATING INVESTMENTS	**8,112,317**	**19%**	**12,657,375**	**20%**	**12,826,405**	**21%**
NET INVESTED CAPITAL/EQUITY	**43,518,448**	**100%**	**64,670,938**	**100%**	**60,826,481**	**100%**
Sources						
EQUITY	**31,040,730**	**71%**	**51,398,145**	**79%**	**46,134,591**	**76%**
FINANCIAL LIABILITIES	**12,477,718**	**29%**	**13,272,793**	**21%**	**14,691,889**	**24%**
FINANCING CAPITAL	**43,518,448**	**100%**	**64,670,938**	**100%**	**60,826,481**	**100%**

Table 2bis Consolidated balance sheet by segment

	2017	%	2018	%	2019	%
USES						
OPERATING INVESTED CAPITAL/ EQUITY	55,382,871		72,656,510		65,086,239	
- Operating Liabilities	15,175,780		13,973,418		14,473,203	
NET OPERATING INVESTED CAPITAL/ EQUITY	40,207,091	96%	58,683,092	96%	50,613,036	95%
NON-OPERATING INVESTMENTS	1,473,823	4%	2,227,496	4%	2,979,494	5%
NET INVESTED CAPITAL/EQUITY	41,680,914	100%	60,910,588	100%	53,592,530	100%
SOURCES						
EQUITY	29,203,197	70%	47,397,682	78%	38,900,640	73%
FINANCIAL LIABILITIES	12,477,718	30%	13,512,906	22%	14,691,889	27%
FINANCING CAPITAL	41,680,914	100%	60,910,588	100%	53,592,530	100%

Table 3 Reclassified income statement of the parent company

Description	2017	%	2018	%	2019	%
Revenues from sales	42,272,824		43,064,801		40,800,301	
Profit/(loss) non-core income	661,139		1,798,088		719,707	
Total Revenues	42,933,963	100%	44,862,889	100%	41,520,008	100%
Product Manufacturing Costs	(19,736,580)		(22,646,005)		(19,524,122)	
Costs for raw materials and finished products	(13,320,190)		(16,764,100)		(13,634,496)	
Costs for production services	(6,416,390)		(5,881,905)		(5,889,626)	
Costs for use of third-party assets	(1,605,082)		(1,867,279)		(2,183,497)	
Marketing Costs	(1,582,193)		(1,851,572)		(2,585,573)	
Costs for other services	(5,926,811)		(5,354,827)		(6,685,107)	
ADDED VALUE	14,083,297	33%	13,143,206	29%	10,541,711	25%
Personnel Costs	(7,069,608)		(6,274,552)		(8,997,602)	
Miscellaneous operating costs	(412,223)		(439,127)		(174,508)	
Provisions for bad and doubtful accounts	(370,000)		(121,897)		(130,314)	
EBITDA	6,231,466	15%	6,307,630	14%	1,239,286	3%
Amortization tangibles	(778,337)		(1,066,444)		(1,570,687)	
Amortization intangibles	(487,274)		(769,397)		(671,695)	
Extraordinary management	(557,548)		(48,274)			
EBIT	4,408,307	10%	4,423,514	10%	(1,003,096)	-2%
Financial Management (ex. Currency)	(311,481)		(299,286)		(285,994)	
Value adjustments and provisions for risks on financial activities					(3,862,385)	
Profit/(Loss) before taxes	4,096,826	10%	4,124,228	9%	(5,151,475)	-12%
Taxes	(1,189,220)		(833,673)		73,931	
Net Profit/(Loss)	2,907,606	7%	3,290,556	7%	(5,077,544)	-12%

Table 3bis Reclassified consolidated income statement

Description	2017	%	2018	%	2019	%
Revenues from sales	47,011,251		49,129,438		47,942,231	
Profit non-core income	684,342		1,943,111		772,163	
Total Revenues	47,695,593	100%	51,072,549	100%	48,714,394	100%
Product Manufacturing Costs	(19,832,715)		(20,409,377)		(19,982,296)	
Costs for raw materials and finished products	*(12,703,550)*		*(13,396,440)*		*(13,237,993)*	
Costs for production services	*(7,129,165)*		*(7,012,937)*		*(6,744,302)*	
Costs for use of third-party assets	(3,314,110)		(4,877,477)		(6,718,720)	
Marketing Costs	(1,751,943)		(2,140,082)		(2,611,753)	
Costs for other services	(6,875,626)		(7,077,065)		(8,883,391)	
ADDED VALUE	15,921,199	33%	16,568,547	32%	10,518,234	22%
Personnel Costs	(8,721,525)		(10,614,232)		(12,439,131)	
Miscellaneous operating costs	(450,670)		(594,915)		(888,495)	
Provisions for bad and doubtful accounts	(170,000)		(121,897)		(146,630)	
EBITDA	6,579,004	14%	5,237,502	10%	(2,956,022)	-6%
Amortization tangibles	(883,919)		(1,281,960)		(1,798,122)	
Amortization intangibles	(1,374,191)		(1,799,370)		(2,755,178)	
Extraordinary management	(801,743)		(75,051)			
EBIT	3,519,151	7%	2,081,122	4%	(7,509,322)	-15%
Financial Management	(373,591)		(369,043)		(387,301)	
Profit/(Loss) before taxes	3,145,560	7%	1,712,079	3%	(7,896,623)	-16%
Taxes	(891,906)		(418,741)		(525,584)	
Consolidated Net Profit/(Loss)	2,253,654	5%	1,293,338	3%	(8,422,207)	-17%

INCOME STATEMENT

Profitability represents the company's ability to generate income adequate to the capital invested in it over the long term.
Consolidated earnings decreased significantly, as considerably impacted - on the one hand - by a retail channel contribution not yet supported by revenues which adequately match the relative costs - and on the other - by the significant decline on the wholesale channel. The company's structure was calibrated for a higher level of wholesale revenues than that which materialized - which was not only down on that budgeted, but significantly lower than the previous year. Any growth on the wholesale channel would not increase the relative costs, but a reduction would have an immediate impact on the operating margins.

BALANCE SHEET

The analysis of the capital structure focuses on stability, which represents the company's ability to face external and internal adverse events.
Tab. 4 Financial stability indicators.
Despite the volume of investments in the year and the loss recorded, the company continues to report a strong balance sheet, ending the year with consolidated equity of Euro 38.9 million and fixed assets of Euro 25.4 million.

Table 4 Financial stability indicators

Contents	Formula	2017	2018	2019	consolidated 2017	consolidated 2018	consolidated 2019
Debt Ratio	Consolidated and current liabilities/ debt capital	46.21%	35.04%	38.88%	48.64%	36.79%	38.37%
Equity ratio	Equity/debt capital	53.79%	64.96%	61.12%	51.36%	63.21%	61.63%
Primary ratio	Own funds/fixed assets	1.28	1.58	1.42	1.51	1.84	1.77

THE FINANCIAL SITUATION

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. 5).

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. 6 - 6bis). The Net financial position is determined in accordance with C.E.S.R.'s ("Committee of European Securities Regulators") recommendation "Recommendations for the uniform implementation of the European Commission regulations on information prospectus" of February 10, 2005, paragraph 127 "Own funds and debt". A negative "net financial position" indicates that liquidity and financial receivables are greater than payables.

Table 5 liquidity indicators

Contents	Formula	2017	2018	2019	consolidated 2017	consolidated 2018	consolidated 2019
Current	Working capital/ current liabilities	1.65	2.62	2.56	1.70	2.78	2.66
Treasury ratio (acid test)	Current and deferred liquidity/ current liabilities	0.91	1.77	1.66	0.94	1.77	1.60
Treasury margin (€)	Current and deferred liquidity – current liabilities	(1,802,342)	13,613,472	11,035,210	(1,389,406)	13,635,287	11,228,091

Table 6 Net financial position of the parent company

In thousands of €	31/12/17	31/12/18	31/12/19
A- Cash on hand	1,524	53	50
B- Bank and postal deposits	56	10,939	6,430
D- Cash and cash equivalents (A+B)	**1,580**	**10,992**	**6,479**
E- Other current financial assets	**3,318**	**5,352**	**7,199**
F- Current bank payables	6,991	3,665	5,655
G- Current part of non-current debt	1,288	2,237	2,472
H- Other current financial liabilities	263	1,300	367
I- Current Financial Debt (F+G+H)	**8,542**	**7,203**	**8,494**
J- Net Current Financial Debt (I-E-D)	**3,644**	**(9,141)**	**(5,184)**
K- Non-current bank payables	4,199	7,370	6,565
L- Bonds issued	-	-	-
M- Other non-current financial liabilities	-	-	-
N-Non-current financial debt (K+L+M)	**4,199**	**7,370**	**6,565**
O- Net Financial Debt or NPF (J+K)	**7,843**	**(1,771)**	**1,380**

Table 6bis Net financial position of the group

In thousands of €	31/12/17	31/12/18	31/12/19
A- Cash on hand	65	62	76
B- Bank and postal deposits	2,747	13,519	8,281
D- Cash and cash equivalents (A+B)	**2,812**	**13,581**	**8,357**
E- Other current financial assets	**1,400**	**2,435**	**2,913**
F- Current bank payables	4,276	3,905	5,655
G- Current part of non-current debt	4,002	2,237	2,472
H- Other current financial liabilities	-	-	-
I- Current Financial Debt (F+G+H)	**8,278**	**6,143**	**8,127**
J- Net Current Financial Debt (I-E-D)	**4,066**	**(9,873)**	**(3,143)**
K- Non-current bank payables	4,199	7,370	6,565
L- Bonds issued	-	-	-
M- Other non-current financial liabilities	-	-	-
N-Non-current financial debt (K+L+M)	**4,199**	**7,370**	**6,565**
O- Net Financial Debt or NPF (J+K)	**8,265**	**(2,503)**	**3,422**

CALCULATION AND ALLOCATION OF VALUE ADDED

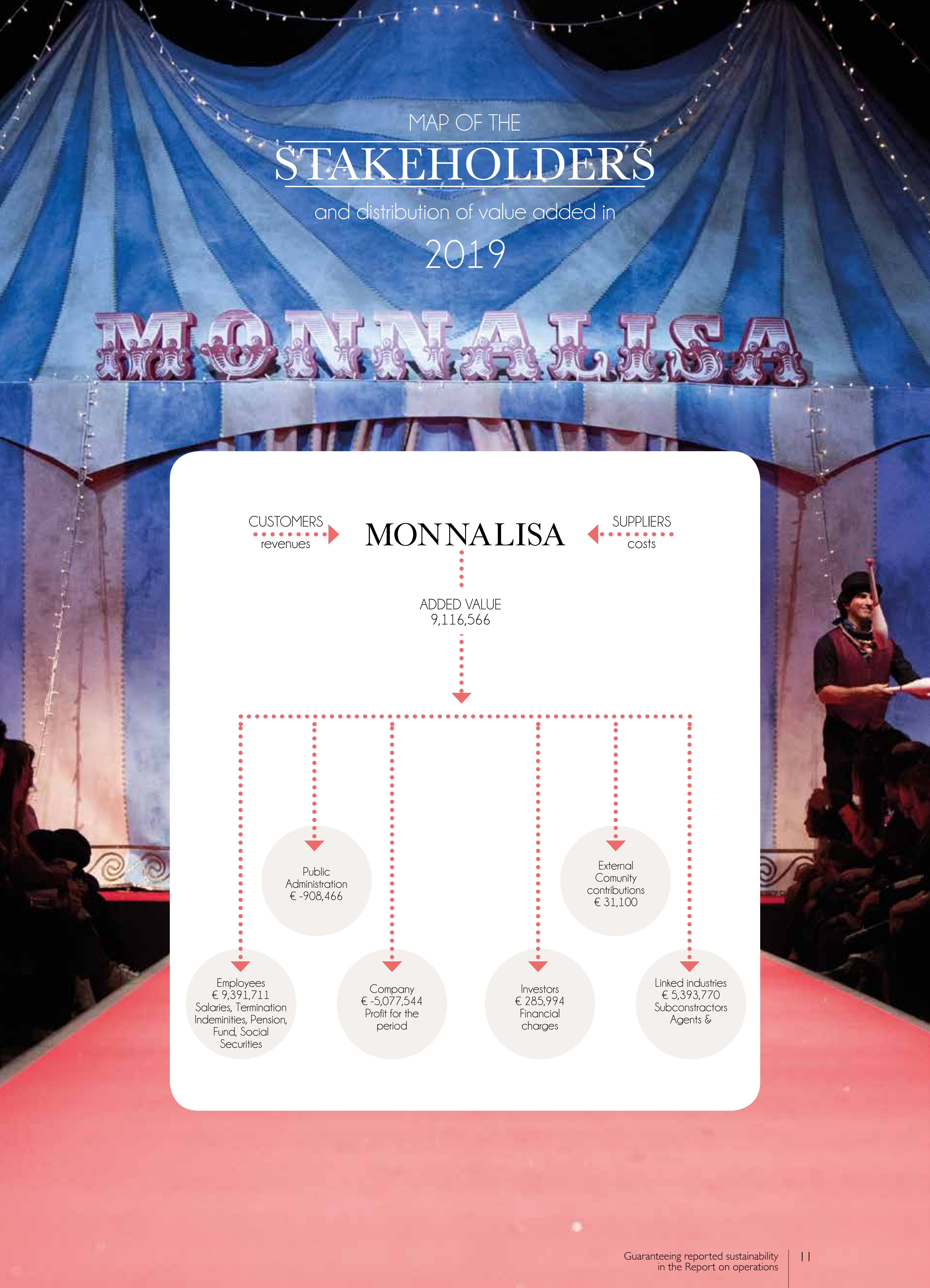
The statement of value added is designed to highlight the value added in view of its distribution to the company's various stakeholders. Value added fact measures the wealth generated by the company during the year in respect of the stakeholders to which it is distributed. In identifying the items in 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.
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. Accessory 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 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 are related to: the photovoltaic incentive (Euro 20,697.64), internship grants (Euro 2,700), Chamber of Commerce grant (Euro 1,726), the Fondimpresa professional training grant (Euro 13,460), R&D grant (Euro 751,903.82), AIM listing grant (Euro 200,000) and the training 4.0 grant (Euro 22,559.60).

Table 7 Statement of value added of the parent company

	31/12/17	31/12/18	31/12/19
Value of Production	44,170,381	44,730,494	41,535,892
Net Revenues from sales and services	42,272,824	42,997,287	40,668,197
Changes in inventories of work-in-progress, semi-finished goods and finished products	1,236,418	(132,395)	45,200
Other revenues and income	661,139	1,865,602	822,496
Revenues from core production	**44,170,381**	**44,730,494**	**41,535,892**
Intermediate production costs for:	**25,308,551**	**25,240,403**	**26,519,641**
Consumption of raw materials	15,175,794	14,655,641	14,385,649
Costs for services	7,925,902	8,027,222	9,088,024
Cost use of third-party assets	2,029,249	2,623,328	2,684,070
Provision for risks	370,000	121,897	130,314
Changes in inventory of raw, ancillary and consumable materials and goods	(328,311)	(390,751)	70,240
Other operating charges	135,917	203,065	161,344
GROSS VALUE ADDED FROM ORDINARY OPERATIONS	**18,861,830**	**19,490,091**	**15,016,251**
Other income and expenses	**(557,548)**	**(48,274)**	**222,207**
+/- balance of additional management	(557,548)	(48,274)	222,207
Other revenues			222,207
Other expenses	(557,548)	(48,274)	
GLOBAL GROSS ADDED VALUE	**18,304,282**	**19,441,817**	**15,238,458**
Adjustments	150,625	51,767	3,879,510
Period Amortization	1,265,611	1,928,516	2,242,382
GLOBAL NET ADDED VALUE	**16,888,045**	**17,461,534**	**9,116,566**

Table 8 Distribution of value added

	2017	%	2018	%	2019	%
Personnel Payments	**7,510,138**	**44%**	**8,783,864**	**50%**	**9,391,711**	**103%**
Employees	7,510,138		8,783,864		9,391,711	
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)	5,296,427		6,076,575		6,492,134	
b) indirect remunerations	1,836,504		2,157,724		2,395,213	
c)reimbursement of expenses and safety expenses	153,623		154,317		188,017	
d) canteen expenses	109,267		123,414		149,826	
e) training	23,319		68,761		27,016	
f) welfare	90,998		203,073		139,504	
Payments to linked industries: subcontractors	**5,089,993**	**30%**	**4,568,174**	**26%**	**4,576,245**	**50%**
Cost for embroidery, printing, sewing, ironing and dyeing	5,089,993		4,568,174		4,576,245	
Payment to linked industries: agents and representatives	**905,117**	**5%**	**627,773**	**4%**	**817,525**	**9%**
a) direct remunerations	877,509		573,925		568,956	
b) indirect remunerations	27,608		53,848		248,569	
Payments to the Public Administration	**177,160**	**1%**	**(81,524)**	**0%**	**(908,466)**	**-10%**
Direct Taxes	1,189,220		833,673		(73,931)	
Indirect Taxes	135,937		208,532		178,512	
Subsidies for the period	1,147,997		1,123,728		1,013,047	
Payment on credit capital	**287,529**	**2%**	**262,191**	**2%**	**285,994**	**3%**
Costs for short-term capital	248,602		215,611		189,139	
Costs for long-term capital	38,927		46,580		96,856	
Payment on credit capital	**0**		**0**		**0**	
Costs for short-term capital	0		0		0	
Payment on credit capital	**2,907,606**	**17%**	**3,290,556**	**19%**	**(5,077,544)**	**-56%**
Costs for short-term capital	2,907,606		3,290,556		(5,077,544)	
External Charity Donations	**10,503**	**0%**	**10,500**	**0%**	**31,100**	**0%**
GLOBAL NET ADDED VALUE	**16,888,045**	**100%**	**17,461,534**	**100%**	**9,116,566**	**100%**



MAP OF THE STAKEHOLDERS and distribution of value added in 2019

CUSTOMERS → revenues

MONNALISA

SUPPLIERS ← costs

ADDED VALUE
9,116,566

Employees
€ 9,391,711
Salaries, Termination Indeminities, Pension, Fund, Social Securities

Public Administration
€ -908,466

Company
€ -5,077,544
Profit for the period

Investors
€ 285,994
Financial charges

External Comunity contributions
€ 31,100

Linked industries
€ 5,393,770
Subconstractors Agents &

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 RISKS

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

RISKS RELATED WITH IMAGE

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

DISTRIBUTION NETWORK RISKS

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

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 year.

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.
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.

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.

Relations with financial institutions and ratings agencies

The debt mainly concerns the parent company alone. 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 9 EBITDA to financial charges at the level of the parent company

	EBITDA	Financial charges	EBITDA/financial charges
2017	6,231,466	311,481	20.00
2018	6,307,630	373,993	16.87
2019	1,239,286	373,553	3.31

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	0	71,319
Industrial patent rights	264,258	289,461
Other intangible assets	276,587	1,377,252
Land and buildings	181,552	181,552
Plant and machinery	409,579	439,820
Industrial and commercial equipment	43,463	297,031
Other assets	807,708	1,036,055
Work in progress & advance payments	5,400	5,400

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 2019 amounted to Euro 1,951,722.22.
- 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 751,903.82.

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

In relation to the activities to protect the rights of individuals regarding the processing of personal data, as per EU Regulation 2016/679, the Company undertook the following further activities:

1. training sessions for Store Managers on privacy issues and the main new developments;
2. preparation of the Processing register, updated in 2020;
3. definition of the privacy "guidelines" to be provided to "outside managers" and the "data breach" procedure;
4. in the initial months of 2020, a series of infrastructural checks were carried out ("penetration tests" and "vulnerability assessment"), whose outcomes were positive;
5. in 2020 - in view of the ongoing health emergency - the company intends to adopt an "IT" Regulation to govern the use of and access to e-mail and the use of company property (laptops, tablets, smartphones). The objective is mainly to eliminate data loss risk (regarding the company and natural persons).

Intra-group and related-party transactions

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

- Jafin SpA: finance company with which Monnalisa has signed a bond loan
- PJ Srl: real-estate company that leases the showrooms, for the collection of orders, and other premises used in production
- Monnalisa & Co. Srl: company with which there are residual transactions in progress relating to the purchase of a business unit undertaken by Monnalisa in 2015
- Fondazione Monnalisa: non profit entity that manages filantropic activities in Arezzo
- Hermes&Athena: commercial consultancy firm
- Arcangioli Consulting Srl: directional consultancy firm
- Barbara Bertocci: Monnalisa creative director
- Pierangelo Arcangioli: tax and accountancy consultant
- Monnalisa Hong Kong Ltd: retail development in HK
- Monnalisa China Ltd: retail development in China
- Monnalisa Korea Ltd: retail development in South Korea
- Monnalisa Rus Llc: retail and wholesale development in Russia
- Monnalisa Brasil Ltda: retail development in Brazil
- ML Retail USA Inc: retail development in the USA
- Monnalisa Bebek Gygim Sanayi Ve Ticaret A.S.: retail development in Turkey
- Monnalisa Japan: retail development in Japan
- Monnalisa International: retail development in Taiwan
- Monnalisa UK Ltd: retail development in Great Britain.

The following table presents the impact of the transactions undertaken during the year ended December 31, 2019, including the provision of intercompany sales and services:

Company	Investments	Trade Receivables	Other receivables	Trade payables	Other payables	Sales	Purchases
Jafin SpA		12,200	1,230,000			10,000	
PJ Srl		28,504		6,737		5,311	416,453
Monnalisa &Co. Srl		14,640				3,000	
Fondazione Monnalisa		156,754					
DiDj srl				70,299			16,299
Hermes & Athena Consulting Srl				400,000			200,000
Arcangioli Consulting Srl			31,000	2,000	30,000		32,000
Arcangioli Pierangelo							123,852
Barbara Bertocci							250,000
Monnalisa Hong Kong LTD	500,000	1,713,986	100,000	33,143		572,226	34,552
Monnalisa Brazil Ltda	500,036	297,885	1,100,000	12,150		126,879	12,211
Monnalisa China LLC	4,800,000	3,284,016		76,357		930,379	82,510
Monnalisa Rus OOO	592,678	845,387				2,198,203	5,660
ML Retail Usa Inc	591,156	1,799,856	3,908,274	69,361		989,510	71,578
Monnalisa Bebek Giyim Sanayi ve Ticarted A.Ş.	1,215,434	123,315		7,859	366,531	123,305	8,613
Monnalisa UK LTD	235,377	133,002		27,512		662,481	4,167
Monnalisa Korea Ltd	81,000	99,296	100,000			1,000	
Monnalisa Taiwan	202,731	16,386				15,053	
Monnalisa Japan	8,189		80,000				
TOTAL	**8,726,601**	**8,525,226**	**6,549,274**	**705,418**	**396,531**	**5,637,349**	**1,257,896**

The shares in Monnalisa are 74.48% held by Jafin Due SpA, which exercises management and coordination pursuant to Art. 2497-sexies of the Italian Civil Code.

Treasury shares and shares in parent companies

At year-end, the company held 18,075 treasury shares for a value of Euro 149,915, acquired under the programme for the purchase and disposal of treasury shares of the company approved on January 16, 2019 by the Board of Directors of Monnalisa S.p.A. in execution of Shareholders' Meeting motion of June 15, 2018. The Board of Directors established the programme duration as between January 28, 2019 and December 15, 2019.

The plan was required in order to: (i) utilize 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 regularize trading and prices, against temporary distortions related to excessive volatility or reduced levels of trading.
Purchases could have been 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 were 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 could have been 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 were 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 was co-ordinated by an entrusted intermediary, who made the purchases entirely independently and without influence from Monnalisa in terms of the moment at which to execute purchases.
The transactions undertaken were 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.

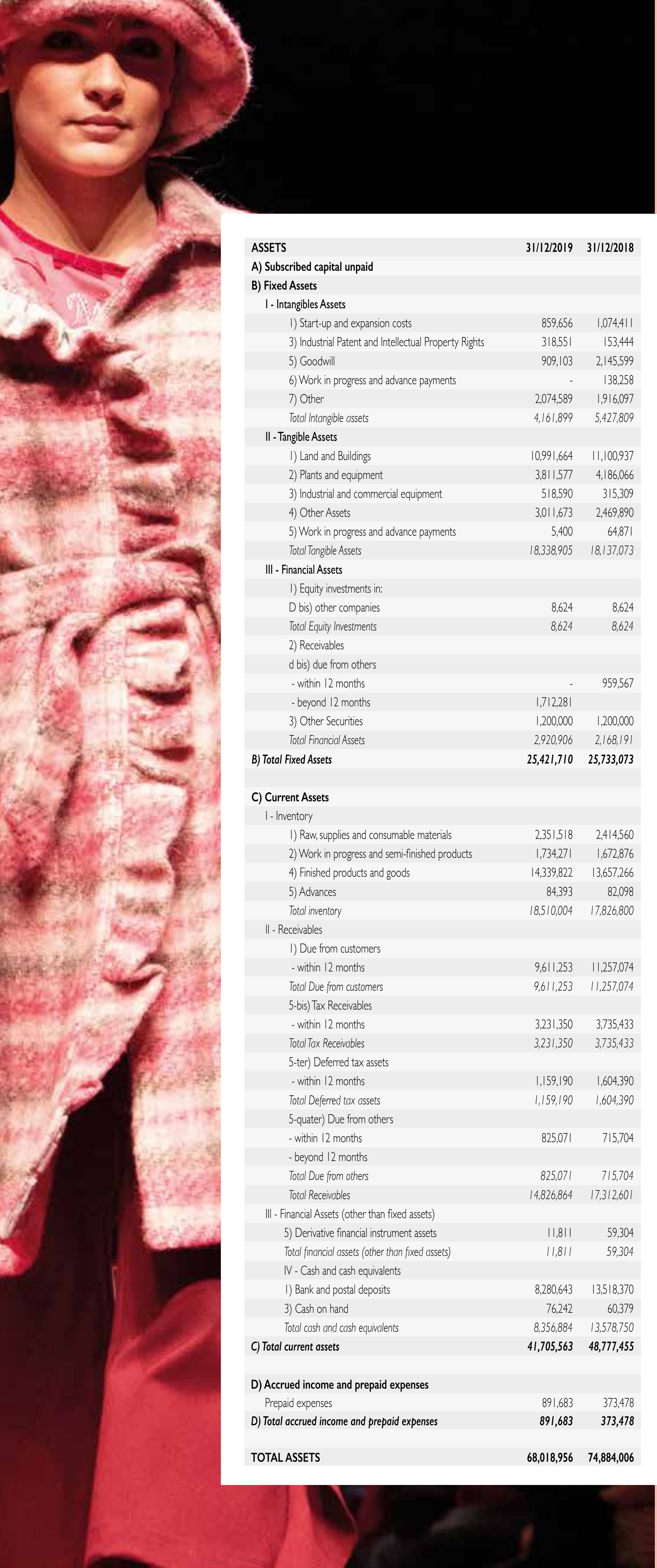
Subsequent events and outlook
2020 began with the unforeseeable effects of the COVID-19 pandemic, which continues to impact the globe.
The developing situation was tackled immediately, with the activation of exceptional measures to reduce the risks of spreading the virus and ensure the safety of employees and customers in direct stores, in Italy and in all other countries where Monnalisa is present. A dedicated emergency management team was set up at the beginning of March, executing all possible initiatives to prepare the Group for the altered environment.
From the middle of March, in advance of parliament, the Company ordered the closure of the showrooms and direct sales points in Italy and thereafter, from March 23, the closure of the company in compliance with the "Italian Care Decree". These measures are still in force.
The stores managed directly by the Group's subsidiaries have been gradually closed, adapting to the spread of the pandemic, first in the East, and then since March, in France, the United States, Spain, Belgium, Brazil, the United Kingdom, Russia and Turkey, in accordance with local legislation. The e-commerce channel continued to operate regularly, being among the few activities permitted during the lockdown.
In terms of personnel, the use of accrued holidays and leave has been promoted, while thereafter the company introduced the Temporary Lay-Off Scheme. Each of the subsidiaries has made use of the national legislation in force regarding social security benefits for its sales staff, and therefore using leave and holidays accrued in the first instance as well as applying the local lay-off schemes, or opting for the payment by the individual State of part or all of the cost of personnel, or have put employees on unpaid leave so as to allow them to receive unemployment benefits. For all Italian employees, a special insurance policy was taken out to cover personal risks from Covid-19.
Contacts with property owners were immediately initiated, so as to suspend rents at least for the period of closure of the sales outlets, for their restructuring or at least for the revision of payment terms. All costs not considered strictly necessary have been minimized, both at the direct store level and at corporate level, in addition to those dedicated to sales support. The investment forecasts for the current year have been scaled down, confirming only investments already contracted. On the wholesale channel, summer merchandise had already been almost fully supplied before the pandemic began, but the closure of multi-brand customer outlets is lengthening the time to collect trade receivables. The order backlog for the winter collection, on the other hand, which was also almost completely collected before the emergency, was subject to some cancellations, both to eliminate customer orders and due to the consequences of the pandemic on sales considered to be at greater risk, both to lessen procurement and the consequent risk of an increase in inventories linked to possible, although still not formalized, requests for order reductions or customer closures. However, management has worked to focus such cancellations or quantity reductions on lower margin models.
To date, visibility on the impact on the year's sales is still limited. However, the almost total lack of collections in March and the drastic contraction in April, as well as the foreseeable reduction also in the initial months following the end of the lockdown, have resulted in measures to defer payments. Revenues in 2020 are expected to sharply contract. In addition to the almost two months of interruption, it is reasonable to expect a reduction even post-reopening. The cost containment measures in place, the help of the lay-off scheme, discounts from suppliers, combined with lower costs for services and rents will be the main levers we will use to offset as much as possible the resulting loss of profitability.
In terms of liquidity, the recent "Liquidity Decree" represents a possible form of financial support and discussions in this regard with the banking institutions have already begun. In addition to this, we are also evaluating other instruments to extend the payment terms for some supplies.
In the past few weeks, production was converted for the manufacture of disposable surgical masks, supplied free of charge to the Health Authority, the police and the local administration of the city of Arezzo. The company is continuing to produce masks in a specific patterned fabric format for children from 6 years old. They have already been supplied to the pediatrics department in Arezzo and will be given as a gift to customers on the e-commerce channel, and subsequently extended to direct sales outlets. From the month of May, following the great success also on social channels, some models will be introduced for sale along with items from our collections. Since April 14, in Italy, children's shops have been authorized to reopen although, in order to protect employees and to organize a safe restart for everyone, Monnalisa has decided to begin with openings by appointment, also in line with that envisaged for many other luxury brands.
At the same time, an exception has been requested for the completion of the production of garments for online sales and the company has just restarted. Overseas suppliers are completing the winter processing orders. Monnalisa has however continued to work remotely on the research and development of the Spring-Summer 2021 samples and is preparing for the possible collection of orders online, using also internally developed photographic material. In fact, we continue to look ahead, beyond the crisis, and we believe that maintaining our competitive advantage in terms of delivery times will be a key factor for a successful a re-start over the coming seasons.
The Group has also launched a series of digital-oriented initiatives to adapt the working methods of the commercial network and maintain interaction with customers.
In particular, a project has been launched for the creation of virtual showrooms, as well as the redefinition of the relationship with boutique customers, who shall be welcomed by appointment only through a "fashion atelier" type service, and with whom we are sharing content and product presentations through social media casting. The creation of the new collections also continues. The fashion and creativity that has always been at the heart of the Group's philosophy remains the source of inspiration.
Although many initiatives have been taken, considering the fast evolution of the situation and of the infection, and due to the strong uncertainties related to the duration of the Covid 19 emergency and its social and economic impact, at the moment it's not possible to value -on a confident basis- the real impacts on the company performances and on the financial and capital structure of the Group.

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
Rome, Via del Babuino 136-137
Fidenza, Via Federico Fellini

CONSOLIDATED FINANCIAL STATEMENTS

AT 31/12/2019

INCOME STATEMENT	31/12/2019	31/12/2018
A) Value of Production		
1) Revenues from sales	47,933,614	49,129,438
2) Changes in inventories of work in progress, semi-finished goods and finished products	605,945	546,466
4) Capitalization of internal work	115,404	30,897
5) Other revenues and income	1,449,109	3,035,942
Total value of production	***50,104,072***	***52,742,743***
B) Costs of Production		
6) Raw materials, consumables and goods for resale	14,560,070	14,801,858
7) Services	17,749,429	16,153,629
8) Use of third-party assets	7,219,293	5,609,186
9) Personnel Costs		
a) Wages and salaries	9,488,898	8,068,473
b) Social security charges	2,173,685	1,874,913
c) Termination indemnities	304,053	281,358
d) Pensions and similar obligations	233,571	154,413
e) Other costs	238,925	235,075
Total personnel Costs	*12,439,131*	*10,614,232*
10) Amortization, depreciation and write-downs		
a) Amortization of intangible fixed assets	1,667,622	1,799,370
b) Depreciation of tangible fixed assets	1,798,122	1,281,960
c) Write-downs of other assets	1,087,556	
d) Write-downs of receivables in current assets and cash and cash equivalents	146,630	121,897
Total amortization, depreciation and write-downs	*4,699,930*	*3,203,226*
11) Change in inventory of raw, ancillary, consumable materials and goods	63,332	(391,431)
14) Other operating costs	952,186	611,198
Total production costs	***57,683,370***	***50,601,898***
Difference between value and production costs (A-B)	**(7,579,298)**	**2,140,845**
C) Financial income and expenses		
16) Other financial income:		
b) from securities classified as fixed assets	30,000	30,000
d) others	12,988	24,725
Total financial income	*42,988*	*54,725*
17) Interests and other financial expenses		
-other	430,289	423,767
Total financial expenses	*430,289*	*423,767*
17-bis) Losses and gains on currency exchange	87,101	(75,051)
Total financial income and expenses	***(300,200)***	***(444,094)***
D) Value adjustments to financial assets		
18) Write-backs:		
d) financial derivative instruments		37,095
Total write-backs		*37,095*
19) Write-downs:		
d) financial derivative instruments	17,125	21,767
Total write-downs	*17,125*	*21,767*
Total value adjustments to financial assets (D)	***(17,125)***	***15,328***
Profit/(Loss) before taxes (A-B±C±D)	**(7,896,623)**	**1,712,079**
a) Current taxes	22,999	784,743
b) Deferred taxes	502,585	(366,002)
Total Income, current, deferred taxes	*525,584*	*418,741*
21) Profit (loss) for the period	**(8,422,207)**	**1,293,338**
Profit (loss) attributable to the Group	(8,415,516)	1,291,853
Profit (loss) attributable to minority interests	(6,691)	1,486



ASSETS	31/12/2019	31/12/2018
A) Subscribed capital unpaid		
B) Fixed Assets		
I - Intangibles Assets		
1) Start-up and expansion costs	859,656	1,074,411
3) Industrial Patent and Intellectual Property Rights	318,551	153,444
5) Goodwill	909,103	2,145,599
6) Work in progress and advance payments	-	138,258
7) Other	2,074,589	1,916,097
Total Intangible assets	*4,161,899*	*5,427,809*
II - Tangible Assets		
1) Land and Buildings	10,991,664	11,100,937
2) Plants and equipment	3,811,577	4,186,066
3) Industrial and commercial equipment	518,590	315,309
4) Other Assets	3,011,673	2,469,890
5) Work in progress and advance payments	5,400	64,871
Total Tangible Assets	*18,338,905*	*18,137,073*
III - Financial Assets		
1) Equity investments in:		
D bis) other companies	8,624	8,624
Total Equity Investments	*8,624*	*8,624*
2) Receivables		
d bis) due from others		
- within 12 months	-	959,567
- beyond 12 months	1,712,281	
3) Other Securities	1,200,000	1,200,000
Total Financial Assets	*2,920,906*	*2,168,191*
B) Total Fixed Assets	***25,421,710***	***25,733,073***
C) Current Assets		
I - Inventory		
1) Raw, supplies and consumable materials	2,351,518	2,414,560
2) Work in progress and semi-finished products	1,734,271	1,672,876
4) Finished products and goods	14,339,822	13,657,266
5) Advances	84,393	82,098
Total inventory	*18,510,004*	*17,826,800*
II - Receivables		
1) Due from customers		
- within 12 months	9,611,253	11,257,074
Total Due from customers	*9,611,253*	*11,257,074*
5-bis) Tax Receivables		
- within 12 months	3,231,350	3,735,433
Total Tax Receivables	*3,231,350*	*3,735,433*
5-ter) Deferred tax assets		
- within 12 months	1,159,190	1,604,390
Total Deferred tax assets	*1,159,190*	*1,604,390*
5-quater) Due from others		
- within 12 months	825,071	715,704
- beyond 12 months		
Total Due from others	*825,071*	*715,704*
Total Receivables	*14,826,864*	*17,312,601*
III - Financial Assets (other than fixed assets)		
5) Derivative financial instrument assets	11,811	59,304
Total financial assets (other than fixed assets)	*11,811*	*59,304*
IV - Cash and cash equivalents		
1) Bank and postal deposits	8,280,643	13,518,370
3) Cash on hand	76,242	60,379
Total cash and cash equivalents	*8,356,884*	*13,578,750*
C) Total current assets	***41,705,563***	***48,777,455***
D) Accrued income and prepaid expenses		
Prepaid expenses	891,683	373,478
D) Total accrued income and prepaid expenses	***891,683***	***373,478***
TOTAL ASSETS	**68,018,956**	**74,884,006**

LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2019	31/12/2018
A) Shareholders' Equity		
I Share capital	10,000,000	10,000,000
II Share premium reserve	9,063,125	9,063,125
III Revaluation reserve	2,959,446	2,959,446
IV Legal reserve	1,108,276	943,276
VI Other reserves, indicated separately		
Translation differences	(608,669)	(717,937)
Other reserves	189,187	51,576
Total other reserves	*(419,482)*	*(666,360)*
VII Cash flow hedge reserve	8,364	44,459
VIII Profit (loss) carried forward	24,740,642	23,751,400
IX Profit (loss) for the period	(8,415,516)	1,291,853
X Negative reserve for own portfolio shares	(149,915)	-
Total Group Shareholder's Equity	***38,894,939***	***47,387,198***
Third Party capital and reserves	12,394	8,999
Profit (loss) attributable to minority interests	(6,691)	1,486
Total Minority Shareholder's Equity	*5,703*	*10,485*
Total Shareholder's Equity	***38,900,642***	***47,397,683***
B) Provisions for risks and charges		
1) Provisions for pensions or similar obligations	59,397	54,257
2) Provisions for taxes, including deferred	264,928	256,843
4) Other	489,175	420,855
Total provisions for risks and charges	***813,499***	***731,955***
C) Employee termination indemnities	**1,809,749**	**1,607,423**
D) Payables		
4) Payables due to banks		
- within 12 months	8,127,152	5,733,506
- beyond 12 months	6,564,737	7,779,400
Total payables due to banks	*14,691,889*	*13,512,906*
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	951,813	1,324,853
Total advances	*951,813*	*1,324,853*
7) Trade payables		
- within 12 months	7,942,570	7,758,687
Total trade payables	*7,942,570*	*7,758,687*
12) Tax payables		
- within 12 months	580,504	425,632
Total tax payables	*580,504*	*425,632*
13) Payables to pension funds and social security agencies		
- within 12 months	540,079	492,303
Total payables to pension funds and social security funds	*540,079*	*492,303*
14) Other payables		
- within 12 months	1,252,322	1,400,026
- beyond 12 months	87,804	87,804
Total other payables	*1,340,126*	*1,487,829*
Total payables	***26,046,982***	***25,014,074***
E) Accrued liabilities and deferred income		
Accrued liabilities	148,084	132,871
Deferred Income	300,000	
Total accrued liabilities and deferred income	***448,084***	***132,871***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**68,018,956**	**74,884,006**

CONSOLIDATED CASH FLOW STATEMENT

INDIRECT METHOD AT 31/12/2019

CASH FLOW STATEMENT CASH AND CASH EQUIVALENTS	31/12/2019	31/12/2018
A) Cash flow from operating activities (indirect method)		
Profit/(Loss) for the period	(8,422,207)	1,293,338
Income tax	525,584	418,741
Interest expenses/(income)	387,301	369,043
(Dividends)	-	-
(Gains)/losses on asset disposals	(525)	(847,962)
1) Profit for the period before taxes, interest, dividends and capital gains/ losses on disposals	**(7,509,847)**	**1,233,160**
Non-cash adjustments not impacting working capital		
Provisions	661,373	326,897
Amortization & depreciation	3,465,744	3,081,330
Impairments	1,087,556	-
Adjustments to non-cash financial instrument assets and liabilities	19,547	(13,236)
Other non-cash increases/(decreases)	3,543	-
Non-cash adjustments not impacting working capital	**5,237,764**	**3,394,991**
2) Cash flow before working capital changes	**(2,272,084)**	**4,628,151**
Change in net working capital		
Decrease/(Increase) in inventories	(683,204)	(1,052,539)
Decrease/(Increase) in trade receivables	1,229,127	(149,245)
Increase/(Decrease) in trade payables	183,883	(1,787,346)
Decrease/(Increase) in accrued income and prepaid expenses	(535,330)	(254,299)
Increase/(Decrease) in accrued liabilities and deferred income	315,213	101,023
Other Decreases/(Other Increases) in net working capital	408,480	1,864,756
Total changes in net working capital	**918,169**	**(1,277,649)**
3) Cash flow after net working capital changes	**(1,353,914)**	**3,350,502**
Other adjustments		
Interest received/(paid)	(387,301)	(369,043)
(Income taxes paid)	(406,548)	(1,271,802)
Dividends received	-	-
(Utilization of provisions)	(385,587)	(148,818)
Other receipts/(payments)	-	(65,751)
Total other adjustments	**(1,179,436)**	**(1,855,414)**
CASH FLOW FROM OPERATING ACTIVITIES (A)	**(2,533,350)**	**1,495,088**
Tangible fixed assets	(1,643,032)	(4,067,141)
(Investments)	(1,959,859)	(4,249,867)
Divestments	316,827	182,726
Intangible fixed assets	(1,738,032)	(4,695,436)
(Investments)	(1,738,032)	(4,695,436)
Divestments	-	-
Financial fixed assets	(336,519)	-
(Investments)	(479,664)	-
Divestments	143,145	-
Current financial assets	-	-
(Investments)	-	-
Divestments	-	-
CASH FLOW FROM INVESTING ACTIVITIES (B)	(3,717,583)	(8,762,577)
Third party funds		
Increase/(Decrease) in short-term bank payables	1,749,498	(2,376,209)
New loans	2,000,000	6,740,113
(Repayment of loans)	(2,570,514)	(3,328,717)
Own funds		
Paid-in share capital increase	-	16,999,125
(Repayment of share capital)	-	-
Disposal/(Acquisition) of treasury shares	(149,915)	-
(Dividends and advances on dividends paid)	-	-
CASH FLOW FROM FINANCING ACTIVITIES (C)	**1,029,069**	**18,034,312**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C)	**(5,221,864)**	**10,766,823**
Opening cash and cash equivalents	**13,578,750**	**2,811,923**
Bank and postal deposits	13,518,370	2,746,976
Cheques	-	-
Cash on hand	60,379	64,947
Closing cash and cash equivalents	**8,356,885**	**13,578,750**
Bank and postal deposits	8,280,643	13,518,370
Checks	-	-
Cash on hand	76,242	60,379

NOTES TO THE
consolidated financial statements
AT 31/12/2019

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 (Cina)	Yuan	36,505,707	Monnalisa SPA	100%	100%
Monnalisa Hong Kong LTD	Hong Kong	HKD	427,565	Monnalisa SPA	100%	100%
Monnalisa Korea Ltd	Seoul (Korea)	WON	100,000,000	Monnalisa SPA	100%	100%
Monnalisa Rus OOO	Mosca (Russia)	RUR	41,410,00	Monnalisa SPA; Jafin SPA	99,9%	100%
ML Retail Usa Inc	Houston Texas (USA)	USD	644,573	Monnalisa SPA	100%	100%
Monnalisa Bebek Giyim Sanayi ve Ticaret A.Ş.	Istanbul (Turchia)	TRY	7,450,000	Monnalisa SPA	100%	100%
Monnalisa UK LTD	London (UK)	GBP	200,000	Monnalisa SPA	100%	100%
Monnalisa Japan Co Ltd	Tokyo (Giappone)	JPY	1,000,000	Monnalisa SPA	100%	100%
Monnalisa International Ltd	Taipei (Taiwan)	TWD	7,000,000	Monnalisa SPA		100%

No companies are consolidated proportionally and none of the companies are held for an amount under the 20% threshold.
For the consolidation, the financial statements at December 31, 2019 of the individual companies were used, reclassified and adjusted in line with the accounting standards and policies adopted by the Group.
In accordance with Article 31, paragraph 1 of Legislative Decree No. 127 of April 9, 1991, the reporting dates of these consolidated financial statements coincides with December 31, 2019.
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;

Monnalisa Russia LLC

incorporated on January 14, 2016 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. At year-end, the subsidiary manages 6 stores (4 DOS and 2 DOO), with two new openings in 2019. Monnalisa S.p.A. during the year increased the share capital of the subsidiary for Rubles 41.4 million, following full subscription by the majority shareholder, bringing its holding from 99% in the previous year to 99.99% in the present year;

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 develop the local retail market through the opening of monobrand stores in the best-known malls in Shanghai, Beijing and other major cities. In 2019, five low traffic sales points were closed in the country (Shenyang MIXC, Shanghai Babaiban, Hangzhou MIXC, Shanghai IFC and Wuhan IP). In addition to the retail channel, the company since 2018 has operated also through the B2C distribution channel;

ML Retail Usa, Inc.

incorporated on September 22, 2016, wholly-owned by Monnalisa S.p.A., managing local retail operations. During the period, two new sales points, respectively based in Guam (DOS) and Florida (DOO Sawgrass Mill) were opened, bringing therefore the number of sales points to five. We indicate the closure at the end of 2019 of the low-traffic sales point in Philadelphia;

Monnalisa Korea Ltd

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

Monnalisa Brazil Participasoes LTDA

incorporated on December 22, 2016 to manage retail market operations in Brazil. In 2019, two additional sales points were opened - a DOO in São Roque (San Paolo) and a DOS in Recife - bringing to 4 the number of sales points in the country. The subsidiary is held 99%;;

Monnalisa BEBEK GİYİM SANAYİVE TİCARET A.Ş.

incorporated on December 12, 2018, based in Turkey and fully owned by Monnalisa S.p.A., intended to develop the local retail market, where in June 2019 a store was opened at the new Istanbul airport;

Monnalisa UK Ltd:

incorporated in January 2019, with registered office in London, managing a concession at Harrods and with the opening of a temporary monobrand sales point at Bicester Village. The company is a 100% subsidiary of Monnalisa Spa;

Monnalisa International Limited:

incorporated in May 2019, based in Taiwan and wholly-owned by Monnalisa S.p.A., to develop the local retail market, with a store in the city of Taipei opened in September 2019;

Monnalisa Japan Co Ltd:

wholly-owned by Monnalisa Spa. The company incorporated at the end of June was still inactive at 31/12/19; it was set up to develop the local retail market from 2020.

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, with the exception of that verified for the Brazilian subsidiary.
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 utilized, as indicated in the following table. The average is calculated as the average of the individual month average exchange rates:

Currency	at 31/12/2019	Average 2019
Real	4.51570	4.41350
Yuan	7.82050	7.73390
Euro	1.00000	1.00000
Pound Sterling	0.85080	0.87731
Dollar Hong Kong	8.74730	8.77240
Japanese Yen	121.9400	122.0564
Won	1296.28	1304.90
Ruble	69.9563	72.4593
Turkish Lira	6.68430	6.35740
New Taiwan dollar	33.71560	34.6051
Dollar	1.12340	1.11960

Accounting policies

The accounting policies for the consolidated financial statements at 31/12/2019 are those utilized 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:

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 incidental 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, recognized with the consent of the Board of Statutory Auditors, 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, and however is annually subject to a recoverability test. 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 fixed assets mainly comprise of leasehold improvements, which include principally the costs incurred to modernize the direct sales points network and/or all other buildings which are not owned. They are depreciated on the basis of the remaining useful life of the assets. This item includes 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 amortization, 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 accessory 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 incidental 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:

Class	%
Industrial Buildings	3%
Machines,tools,equipments	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%
Vehicles	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 recognized 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 recognized according to their realizable value, therefore the method adopted is the same as that utilized 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 accessory 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 paid-in

No grants towards operating expenses were disbursed to the Company in 2019.

Finance leases
The Group did not have any finance lease transactions in place at December 31, 2019.

Inventory
Raw, supplies and consumable materials are stated at the lower of purchase cost, plus accessory costs, and measured according to the LIFO method at 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 factory cost attributable to them and their presumed realizable values, represented by the best estimate of the net price of sale that may be obtained, taking account of the effective possibility of sale on the basis of their movements. Factory 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 factory cost incurred and net realizable value.
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 cancelled from the financial statements when the contractual rights upon cash flows deriving from the receivable lapse or where all of the risks relating to the receivable subject to collection are transferred.

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 and 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".

Employment termination indemnities
This provision represents the Company's actual liability at December 31, 2019 towards employees in service at that date, less any advances paid in accordance with applicable law and labor 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 2016 accruing in favor of employees at the balance sheet date, net of advances paid.
Employee termination indemnities with payment due before December 31, 2019 or by the following year were recorded to the account D.14 of the balance sheet under other payables.
The applicable labor 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 amortized 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, 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 Article 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 recognized 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.
In particular, 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 312,320 to the provision for returned goods in connection with sales transacted in 2019.
Raw materials, ancillary, consumables and goods include accessory 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.


MONN


ALISA

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 on the basis of 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 include, 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 unfavorably 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.
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 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 recognized under net equity; the cumulative profits or losses are reversed from net equity and recognized 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 recognized to the income statement when such inefficacy is recognized.
If hedge accounting cannot be applied, gains or losses deriving from the fair value of the financial derivative instrument are recognized directly in the income statement.
Derivative financial instruments, even if embedded in other financial instruments, are initially recognized 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 reporting date there are no payables supported by secured guarantees on company assets (Article 2427, first paragraph, No. 6 of the Civil Code), with the exception of the property loan signed at the end of 2018 with Unicredit S.p.A. for an amount of Euro 5,000,000, supported by the mortgage guarantee on the property located at Arezzo in V. Madame Curie 7/G.
Following is the detail of bank guarantees as at 31/12/19.
Bank guarantee in favor of Monnalisa Turkey for € 403,654
Bank guarantee in favor of Ankara Ministry of Commerce for TRY 660,000
Bank guarantee in favor of ML Retail USA for USD 153,240
Bank guarantee in favor of Mr Bruno Gotti and Ms Angela Lesmo for € 22,550
Bank guarantee in favor of Toscana Airports for € 65,000
Bank guarantee in favor of Mr Bardo Barducci for € 131,760
Bank guarantee in favor of Serravalle Outlet for € 75,804
Bank guarantee in favor of Ms Flora Famiglini for € 26,400
Bank guarantee in favor of VR Milan Srl for € 53,985
Bank guarantee in favor of Dominici Cons Socio Unico for € 165,000
Bank guarantee in favor of Ms Gloria Mazzola for € 50,000
Bank guarantee in favor of Capri Due Outlet Srl for € 54,318
Bank guarantee in favor of Sicily Outlet Village Spa for € 28,822
Bank guarantee in favor of Comune di Arezzo for € 5,400
Bank guarantee in favor of Comune di Arezzo for € 13,030.

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

Workforce	31/12/2019	31/12/2018	Changes
Executives	3	1	+2
Managers	8	8	0
White-collar	314	268	+46
Blue-collar	37	37	0
Total	**362**	**314**	**+48**

Explanatory Notes to the income statement

Revenues by segment
A breakdown follows:

Description	31/12/2019	31/12/2018	Changes
Sales of goods	106,916	101,280	5,636
Sales of products	47,826,698	49,028,158	(1,201,460)
Total	**47,933,614**	**49,129,438**	**(1,195,824)**

For greater details on the development of revenues in the year, reference should be made to the preceding section of the Directors' Report.
A breakdown by geographical area is provided below:

Region	31/12/2019
Italy	15,745,178
EU	13,010,719
Rest of the word	19,177,717
Total	**47,933,614**

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	€ 20,697.64	Photovoltaic Incentive

Costs of production
A breakdown follows:

Description	31/12/2019	31/12/2018	Changes
Raw materials, consumables and goods	14,560,070	14,801,858	(241,788)
Services	17,749,429	16,153,629	1,595,800
Use of third-party assets	7,219,293	5,609,186	1,610,107
Personnel costs	12,439,131	10,614,232	1,824,899
Amortization	1,667,622	1,799,370	(131,748)
Depreciation	1,798,122	1,281,960	516,162
Write-downs of other assets	1,087,556	0	1,087,556
Write-downs of current receivables	0	121,897	24,733
Change in inventories of raw materials	966,352	(391,431)	454,763
Other operating costs	952,186	611,198	340,988
Total	**57,683,370**	**50,601,899**	**7,081,471**

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 Directors' Report and the description of point A (Value of production) of the Income Statement and are recognized 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	31/12/2019	31/12/2018	Changes
Insurance	259,834	189,034	70,800
POA Commissions	425,712	390,362	35,350
Independent auditors', Board of Statutory Auditors' and Board of Directors' emoluments	632,715	648,939	(16,224)
Technical, administrative, indus. and commercial consultancy	3,427,973	2,826,151	601,822
Agent cost	867,077	682,248	184,829
Production services costs	4,625,462	4,568,174	57,288
Maintenance	748,021	484,444	263,577
Exhibits, fairs and fashion shows	590,700	493,171	97,529
Cleaning and security	246,279	204,409	41,870
Utilities and postal expenses	581,126	486,905	94,221
Training courses	24,742	65,598	(40,856)
Entertainment expenses	130,940	124,626	6,314
Marketing and advertising	588,514	511,944	76,570
Canteen	149,826	123,414	26,412
Transport	3,214,763	3,472,944	(258,181)
Travel and transfer	373,934	336,471	37,463
General services	861,811	544,795	317,016
Total	**17,749,429**	**16,153,629**	**1,595,800**

In further detail, service costs primarily include:
- Façon costs (sewing, ironing, embroidery, printing & other services) for Euro 4,625,462
- Agents' costs for Euro 867,077
- national and local advertising, for Euro 588,514
- national and local fashion shows and events for Euro 590,700
- costs of non-financial banking services, for Euro 425,712
- technical, industrial, administrative and commercial consultancy for Euro 3,427,973.

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 all costs from the use of third-party assets, such as costs incurred for cartoon character royalties, property lease charges and other condominium expenses.
A breakdown by type and comparison to the previous year for these costs is provided below.

Description	31/12/2019	31/12/2018	Changes
Rental costs	6,327,328	4,594,954	1,732,374
Hire costs	391,392	282,523	108,869
Royalties costs	500,573	731,709	(231,136)
Total	**7,219,293**	**5,609,186**	**1,610,107**

The increase in rent was the direct result of the investments undertaken in 2019. In detail, the following locations were opened during the year:
- 2 new stores in USA (1 DOO and 1 DOS),
- 2 new stores in Russia (1 DOO and 1 DOS),
- 2 new stores in Brazil (1 DOO and 1 DOS),
- 1 new DOS in Turkey (Istanbul Airport),
- 2 new stores in England (1 DOO and 1 DOS),
- 1 new DOS in Taiwan (Taipei),
- 1 new DOO in Belgium (Maasmechelen),
- 2 new stores in Italy (1 DOO in Fidenza and 1 DOS in Rome),
- 1 new store in Spain (Barcelona Corte Inglés).

Personnel expense
The personnel costs incurred during the year amounted to Euro 12,439,131, an increase of Euro 1,824,899 on the comparative year.
The account includes all costs for personnel including raises, promotions, vacation days not taken and provisions in accordance with law and national collective contractual agreements.
Employee termination indemnities, in addition to the portion accrued during the year, include the amount accrued and paid to personnel engaged and dismissed during the same period and the amount contributed to external pension funds.
The other costs associated with personnel have been allocated, in view of their strictly economic nature, to items B6 and B7.

Amortization and depreciation/write-downs
Depreciation was calculated according to the useful life of the assets and their utilization in production, while the account B10 d) includes write-downs of trade receivables recorded under current assets.
In 2019, the impairment test carried out on the goodwill of the subsidiary ML Retail indicated a loss in value to the goodwill recognized to the financial statements of Euro 1,087,556. This write-down is due to poor sales development and the consequent reduction in earnings against those forecast in the initial development plans.

Other operating charges
This account amounting to Euro 952,186 includes all operating costs not recognized to the other accounts of section b) of the income statement and accessory management costs which are not of an extraordinary nature, in addition to all tax charges, other than direct income taxes. This account is principally composed of:
- Taxes and levies (property and waste disposal taxes) for Euro 351,940,
- Losses on disposal of assets for Euro 300,152 following the closure of the Philadelphia store,
- Miscellaneous administrative expenses for Euro 33,219,
- Charity donations for Euro 31,100.

Financial income and charges
The figure for the year includes financial income of Euro 42,988, interest expense and other financial charges of Euro 430,289 and foreign exchange gains of Euro 87,101, with the following changes compared to the previous year:

Description	31/12/2019	31/12/2018	Changes
Interest income on bonds	30,000	30,000	0
Bank interest income	5,250	24,725	(19,475)
Other interest income	7,738	0	7,738
Total Interest income	42,988	54,725	(11,737)
Bank financial interests	(240,052)	(228,683)	(11,369)
Other financial interests	(190,237)	(195,084)	4,847
Total Interest income	(430,289)	(423,767)	(6,522)
Exchange gains	760,600	523,889	236,711
Exchange losses	(673,498)	(598,940)	(74,558)
Total Exchange gains/Losses	**87,101**	**(75,051)**	**162,152**

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	31/12/2019	31/12/2018	Changes
Current taxes	22,999	784,743	(761,744)
Deferred tax charges/(income)	502,585	(366,002)	868,587
Total	**525,584**	**418,741**	**106,843**

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 recognized to the income statement	31/12/2019	31/12/2018
Amortization of brands	598	347
Amortization of goodwill	(3,575)	(24,501)
Risks provision	(19,061)	(13,392)
Other	(102)	24,229
Intercompany margin on inventory	(165,561)	(83,038)
Subsidiary tax losses carried forward	(222,619)	(454,827)
Write off of deferred tax assets	899,839	
Deferred tax income	**489,520**	**(551,182)**
Business unit disposal	(12,987)	(12,987)
Disposal of fixed assets	(47,316)	189,267
Other	73,368	8,901
Deferred tax charges	13,065	185,181
Deferred tax charges/(income)	**502,585**	**(366,002)**

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

Description	31/12/2019				31/12/2018			
	Amount IRES temporary differences	IRES tax result	Amount IRAP temporary differences	IRAP tax result	Amount IRES temporary differences	IRES tax result	Amount IRAP temporary differences	IRAP tax result
Deferred tax income:								
Amortization of Brands	(2,183)			(74)	(1,275)	(306)	(1,051)	(41)
Amortization of Goodwill	12,818	(524)	(1,905)	499	87,817	21,076	87,821	3,425
Provision for risks	68,320	3,076	12,795	2,664	244,000	58,560	244,000	9,516
Write-downs receivables 2017		16,397	68,307		(62,204)	(14,929)		
Consultancy	(10,658)			(415)	(10,660)	(2,558)	(10,660)	(416)
Provision for risk 2017		(2,558)	(10,641)		(196,000)	(47,040)	(196,000)	(7,644)
-downs receivables 2018					70,354	16,885		
-downs receivables 2019	35,088							
ISC Provision	5,596	8,421		218	6,404	1,537	6,410	250
Settlement ISC 2017		1,343	5,589		(10,200)	(2,448)	(10,205)	(398)
Exchange rate losses	(19,109)				(101,971)	(24,473)		
Director compensation	(8,321)	(4,586)		(324)	8,321	1,997	8,321	324
Total	**81551**	**(1,997)**	**(8,307)**	**2,568**	**34,586**	**8,301**	**128,636**	**5,016**
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	(169,592)	(40,702)	(169,592)	(6,614)	678,371	162,809	678,371	26,458
Exchange rate losses 2018	35,466	8,512			165,608	39,746		
Total	**(188,236)**	**(45,177)**	**(169,592)**	**(6,614)**	**661,348**	**158,723**	**678,371**	**26,458**
DEFERRED TAX ASSETS AND LIABILITIES		**(64,749)**		**(9,182)**		**150,422**		**21,442**

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. On the basis of the forecasts for the subsidiaries Monnalisa China and Monnalisa Brazil, it was also considered necessary to reverse the previously recognized deferred tax asset for Euro 889,745 as the conditions to forecast assessable income to permit its further recognition were not met.

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	31/12/2019	31/12/2018	Changes
B) Fixed assets	25,421,710	25,733,073	(311,363)
C) Current assets	41,705,563	48,777,455	(7,071,892)
D) Prepaid expenses and accrued income	891,683	373,478	518,205
Total	**68,018,956**	**74,884,006**	**(6,865,050)**

B) NON-CURRENT ASSETS

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

Intangible assets

The movements in the account are as follows:

Description	31/12/2018	Increases	Decre-ases	Exc. diffs	Reclassifi-cations	Other changes	Amortiza-tion	31/12/2019
1) Set-up and expansion costs	1,074,411	71,319		(2,698)			(283,375)	859,657
3) Industrial patents	153,444	289,461		64			(124,418)	318,551
4) Concessions, licenses, trademarks & similar rights								
5) Goodwill	2,145,599			19,660		(1,087,556)	(168,600)	909,102
6) Assets in progress and advances	138,258			3,137	(141,395)			
7) Other	1,916,097	1,377,252	(315,468)	43,263	141,395		(1,087,950)	2,074,589
Total	**5,427,809**	**1,738,032**	**(315,468)**	**63,425**	**0**	**(1,087,556)**	**(1,664,343)**	**4,161,899**

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

"Start-up and expansion costs" mainly comprise costs incurred by the Parent Company Monnalisa S.p.A. in connection with the listing on the AIM Italia Market.
The increase in "Industrial patents" mainly relates to the acquisition of software licenses.
The item "Other" primarily includes the costs of leasehold improvements, amortized according to the term of the lease. The increases chiefly related to the new stores opened during the period (mainly Italy, Turkey and Russia) and the improvement works for the relocation of the Hong Kong store at the Ocean Terminal.
At each reporting date, the Company reviews the carrying value of its intangible and tangible assets to determine if there are indications that these assets have incurred a loss in value. When it is determined that a potential loss exists, the directors make valuations on the recoverable amount of those assets in order to identify the potential amount of the loss. Where it is not possible to make an estimate of the recoverable amount of an asset individually, the Company makes an estimate of the recoverable amount of the cash-generating unit the asset belongs to.
In particular, the recoverable value of the residual "Goodwill" was measured to ensure that the carrying amount in the financial statements does not exceed the recoverable value. The recoverable value is the higher between fair value less costs to sell and value in use. In determining the value in use, the estimated future cash flows are discounted on a pre-tax basis which reflects the market assessment of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or a CGU) is lower than its carrying amount, it is impaired to that recoverable amount. An impairment is recognized to the income statement immediately. If there is an indication that an impairment loss recognized 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 recognized for the asset. The restated values are immediately recognized in the income statement.
No indicators of impairment were identified for the parent company's goodwill.
With regards however to the goodwill of the US subsidiary ML Retail USA Inc., the Board of Directors drew up and approved a long-term plan, taking account also of the possible impacts from the new Coronavirus (Covid-19), specifically those regarding the 2020 financial year. The residual value of the goodwill in the U.S. subsidiary has been compared with the company's estimated economic value according to the discounted cash flow method. The impairment test was performed using an average cost of capital of 7.52% and a "g" growth rate of 1.57%.
In view of that indicated above, a write-down to recognized goodwill of Euro 1,087 thousand was made.

Property, plant and equipment
The movements in the account are as follows:

Description	31/12/2018	Increases	Decreases	Exc. diffs.	Other changes	Deprecia-tion	31/12/2019
1) Land and buildings	11,100,937	181,552				(290,825)	10,991,664
2) Plant and machinery	4,186,066	439,820	(2,958)	1,491	(40,593)	(772,249)	3,811,577
3) Industrial and commercial equipment	315,309	297,031		47,279		(141,028)	518,591
4) Other assets	2,469,890	1,036,055	(1,155)	(4,562)	105,464	(594,020)	3,011,672
5) Assets in progress and advances	64,871	5,400			(64,871)		5,400
Total	**18,137,072**	**1,959,859**	**(4,113)**	**44,208**	**0**	**(1,798,121)**	**18,338,905**

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 and the furnishings for the 2019 new openings and the upgrades to existing stores.

In addition, new machinery and plant for the style and production office were acquired 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 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. In accordance with Article 10 Law No. 72/1983, the following tangible assets upon which monetary revaluations were made were recognized to the company's financial statements at 31/12/2019.

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 as at 31/12/08, now reduced due to the increased accumulated depreciation on this amount.

Capitalization of financial charges

During the year no financial charges were expensed to fixed assets.

Financial assets

Investments in other companies
"Investments in other companies" include the values of minority equity investments, as specified below. The item amounts to Euro 8,624 and does not report any changes compared to 31.12.2018

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

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

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

Description	31/12/2018	Increases	Decreases	Reclassifi-cations	31/12/2019
Other receivables	959,567	895,859	(143,145)	-	1,712,281

These receivables mainly comprise guarantee deposits for Euro 1.3 million and the increases in the year concern new guarantee deposits paid for the opening of the new sales points. The item in addition includes the Director Leaving Indemnity policy for Euro 57,500.
In 2019, the final portion of the interest-bearing loan was repaid to Jafin S.p.A. for an amount of Euro 100,000, therefore closing the credit position opened at December 31, 2018.

"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 year.

Inventories
Inventories amounted to Euro 18,510,004 at December 31, 2019. They are broken down as follows:

Description	31/12/2019	31/12/2018	Changes
1) Raw materials, supplies and consumables	2,351,518	2,414,560	(63,042)
2) Work in progress and semi-finished products	1,734,271	1,672,876	61,395
4) Finished products and goods	14,339,822	13,657,266	682,556
5) Advances	84,393	82,098	2,295
Total	**18,510,004**	**17,826,800**	**683,204**

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

Description	31/12/2019	31/12/2018	Changes
1) trade receivables	9,611,253	11,257,074	(1,645,821)
5-bis) - tax receivables	3,231,350	3,735,433	(504,083)
5-ter) deferred tax assets	1,159,190	1,604,390	(445,200)
5-quater) others	824,571	715,704	108,867
Total	**14,826,363**	**17,312,601**	**(2,486,238)**

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

Description	Total
Balance at 31/12/2018	**764,197**
Utilization in the period	(48,012)
Provision in the period	130,314
Balance at 31/12/2019	**846,499**

The item "Tax receivables" primarily consists of VAT receivables of approximately Euro 1.3 million and the research and development tax credit of Euro 774 thousand. 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	31/12/2019	31/12/2018	Changes
1) Bank & postal deposits	8,280,643	13,518,370	(5,237,727)
3) Cash & cash equivalents on hand	76,242	60,379	15,863
Total	**8,356,885**	**13,578,750**	**(5,221,865)**

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

Description	31/12/2019	31/12/2018	Changes
Maintenance fees	92,204	72,582	19,622
Rental	533,824	108,958	424,866
Hire	36,867	4,211	32,656
Insurance	40,431	8,222	32,209
Derivatives	100,500	117,625	(17,125)
Consulting	11,785	9,652	2,133
Other	76,062	52,229	23,833
Total	**891,673**	**373,478**	**518,195**

At 31.12.2019, there are no accrued income and prepayments over five years. A breakdown is provided below:

Description	Beyond five years
Derivatives	40,125
Flat-rate tax	20,000
Total	**60,125**

LIABILITIES

Shareholders' Equity

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

	Shareholders' Equity	Net Result
Net equity and net result for the year as reported in the parent company financial statements	**46,134,591**	**(5,077,544)**
Adjustments in compliance with accounting standards		
Elimination of book values of consolidated holdings:		
a) difference between book value and pro-quota net equity		
b) pro-quota results of investees	(9,824,161)	(6,801,432)
c) elimination of write off consolidated companies	3,862,385	3,862,385
d) translation difference	(608,669)	
Elimination of the effects of transactions between consolidated companies	(669,207)	(398,925)
Net equity and net result pertaining to Group	38,894,939	(8,415,516)
Net equity and net result pertaining to minority interests	5,703	
Consolidated net equity and net result	**38,900,642**	**(8,422,207)**

Statement of changes in consolidated net equity

	Share capital	Reserves	Negative reserve for own portfolio shares	Translation differences	Profit/loss Carried forward	Profit/Loss for the year	Total
Opening balance at 01/01/2019	**10,000,000**	**13,061,882**		**(717,937)**	**23,751,400**	**1,291,853**	**47,387,198**
Changes in the year		302,611			989,242	(1,291,853)	
Increases/(Decreases)							
Net Profit						(8,415,516)	(8,415,516)
Translation differences from conversion of financial statements expressed in foreign currencies				109,268			109,268
Other changes		(36,095)	(149,915)				(186,010)
Closing balance at 31/12/2019	**10,000,000**	**13,328,398**	**(149,915)**	**(608,669)**	**24,740,642**	**(8,415,516)**	**38,894,939**

Provisions for risks and charges

A breakdown follows:

Description	31/12/2019	31/12/2018	Changes
1) Provisions for pension and similar	59,397	54,257	5,140
2) taxation, including deferred taxes	264,928	256,843	8,085
4) Others	489,175	420,855	68,320
Total	**813,499**	**731,955**	**81,544**

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 59,397;
- 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 312,320, 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 264,928 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	31/12/2018	Provisions	Utilizations in the year	Other changes	31/12/2019
Post-employment benefits	1,607,423	290,110	(87,784)	0	1,809,749

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
Bank payables	8,127,152	6,564,737		14,691,889
Other lenders	951,813			951,813
Advances	7,942,570			7,942,570
Trade payables	580,504			580,504
Tax payables	540,079			540,079
Social security institutions	1,252,322	87,804		1,340,126
Total	**19,394,441**	**6,652,541**	**0**	**26,046,982**

The account comprises:
- "Bank payables": including loans and reflecting the effective debt in terms of principal, interest and other accessory charges matured and due at 31.12.2019;
- "Advances": including payments received for the provision of goods not yet supplied;
- "Trade payables": recorded net of commercial discounts; "cash" discounts are recorded on payment;
- "Tax payables": includes only definite tax liabilities, net of the relative advances, as the liabilities for probable income taxes or where the amount or the date of payment is uncertain, in relation to deferred tax liabilities, are recorded in account B.2 under liabilities (Deferred tax liabilities). The account amounted to Euro 580,504 and includes, in particular, sums withheld from employees and self-employed workers and duly paid in 2020;
- "Other payables" mostly concern accrued commissions payable to agents of Euro 298,355, deferred amounts and additional months payable to employees of Euro 886,260, duly settled in 2020, 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 448,084 at December 31, 2019 and are broken down as follows:

Description	31/12/2019	31/12/2018
Consulting	1,967	13,184
"AIM" contribution	300,000	0
Others	146,117	119,687
Total	**448,084**	**132,871**

In 2019, the Ministry for Economic Development approved in favor of Monnalisa the AIM listing grant, in the form of a tax credit for Euro 500,000 (maximum permitted aid); this grant was recognized for Euro 200,000 in the present year and for Euro 300,000 under deferred income.
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 31/12/2019 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.

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.

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	2,000,000 euro
Premium	15,000 euro
Bank Parameter Rate	Euribor 3 months
Client Parameter Rate	Euribor 3 months
Rate Cap	0%

At 31/12/19, the mark to market of the transaction was Euro +29.24.

Interest Rate Cap (II)	
Contract ID	12677683
Date of the operation	27/12/2018
Counterparty	Unicredit S.p.A.
Maturity Date	31/12/2026
Notional Amount	5,000,000 euro
Premium	107,000 euro
Bank Parameter Rate	Euribor 6 months
Client Parameter Rate	Euribor 6 months
Rate Cap	1%

At 31/12/19, the mark to market of the transaction was Euro +11,781.67.

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 categorized by nature, except where separate indication is considered necessary to understand the effects of the transactions on the balance sheet, financial position and consolidated result of the company.

Company	Trade Receivables	Other receivables	Trade Payables	Other Payables	Revenues	Costs
Jafin SpA	12,200	1,230,000			10,000	
PJ Srl	28,504		6,737		5,311	416,453
Monnalisa &Co. Srl	14,640				3,000	
Fondazione Monnalisa	156,754					
DiDj srl			70,299			16,299
Hermes & Athena Consulting Srl			400,000			200,000
Arcangioli Consulting Srl		31,000	2,000	30,000		32,000
Arcangioli Pierangelo						123,852
Barbara Bertocci						250,000

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 56,000, of which Euro 41,000 for the statutory audit of the separate and consolidated financial statements, Euro 15,000 for the limited audit of the interim consolidated financial statements at and for the period ended June 30, 2019, and Euro 9,500 for ancillary activities.

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 2019
Directors	496,532
Board of Statutory Auditors	40,144
Total	**536,676**

SUBSEQUENT EVENTS

2020 began with the unforeseeable effects of the COVID-19 pandemic, which continues to impact the globe.
The developing situation was tackled immediately, with the activation of exceptional measures to reduce the risks of spreading the virus and ensure the safety of employees and customers in direct stores, in Italy and in all other countries where Monnalisa is present. A dedicated emergency management team was set up at the beginning of March, executing all possible initiatives to prepare the Group for the altered environment.
From the middle of March, in advance of parliament, the Company ordered the closure of the showrooms and direct sales points in Italy and thereafter, from March 23, the closure of the company in compliance with the "Italian Care Decree". These measures are still in force.
The stores managed directly by the Group's subsidiaries have been gradually closed, adapting to the spread of the pandemic, first in the East, and then since March, in France, the United States, Spain, Belgium, Brazil, the United Kingdom, Russia and Turkey, in accordance with local legislation. The e-commerce channel continued to operate regularly, being among the few activities permitted during the lockdown.
In terms of personnel, the use of accrued holidays and leave has been promoted, while thereafter the company introduced the Temporary Lay-Off Scheme. Each of the subsidiaries has made use of the national legislation in force regarding social security benefits for its sales staff, and therefore using leave and holidays accrued in the first instance as well as applying the local lay-off schemes, or opting for the payment by the individual State of part or all of the cost of personnel, or have put employees on unpaid leave so as to allow them to receive unemployment benefits. For all Italian employees, a special insurance policy was taken out to cover personal risks from Covid-19.
Contacts with property owners were immediately initiated, so as to suspend rents at least for the period of closure of the sales outlets, for their restructuring or at least for the revision of payment terms. All costs not considered strictly necessary have been minimized, both at the direct store level and at corporate level, in addition to those dedicated to sales support. The investment forecasts for the current year have been scaled down, confirming only investments already contracted. On the wholesale channel, summer merchandise had already been almost fully supplied before the pandemic began, but the closure of multi-brand customer outlets is lengthening the time to collect trade receivables. The order backlog for the winter collection, on the other hand, which was also almost completely collected before the emergency, was subject to some cancellations, both to eliminate customer orders and due to the consequences of the pandemic on sales considered to be at greater risk, both to lessen procurement and the consequent risk of an increase in inventories linked to possible, although still not formalized, requests for order reductions or customer closures.
However, management has worked to focus such cancellations or quantity reductions on lower margin models.
To date, visibility on the impact on the year's sales is still limited. However, the almost total lack of collections in March and the drastic contraction in April, as well as the foreseeable reduction also in the initial months following the end of the lockdown, have resulted in measures to defer payments. Revenues in 2020 are expected to sharply contract. In addition to the almost two months of interruption, it is reasonable to expect a reduction even post-reopening. The cost containment measures in place, the help of the lay-off scheme, discounts from suppliers, combined with lower costs for services and rents will be the main levers we will use to offset as much as possible the resulting loss of profitability.
In terms of liquidity, the recent "Liquidity Decree" represents a possible form of financial support and discussions in this regard with the banking institutions have already begun. In addition to this, we are also evaluating other instruments to extend the payment terms for some supplies.
In the past few weeks, production was converted for the manufacture of disposable surgical masks, supplied free of charge to the Health Authority, the police and the local administration of the city of Arezzo. The company is continuing to produce masks in a specific patterned fabric format for children from 6 years old. They have already been supplied to the pediatrics department in Arezzo and will be given as a gift to customers on the e-commerce channel, and subsequently extended to direct sales outlets. From the month of May, following the great success also on social channels, some models will be introduced for sale along with items from our collections.
Since April 14, in Italy, children's shops have been authorized to reopen although, in order to protect employees and to organize a safe restart for everyone, Monnalisa has decided to begin with openings by appointment, also in line with that envisaged for many other luxury brands.

At the same time, an exception has been requested for the completion of the production of garments for online sales and the company has just restarted. Overseas suppliers are completing the winter processing orders. Monnalisa has however continued to work remotely on the research and development of the Spring-Summer 2021 samples and is preparing for the possible collection of orders online, using also internally developed photographic material. In fact, we continue to look ahead, beyond the crisis, and we believe that maintaining our competitive advantage in terms of delivery times will be a key factor for a successful a re-start over the coming seasons.
The Group has also launched a series of digital-oriented initiatives to adapt the working methods of the commercial network and maintain interaction with customers.
In particular, a project has been launched for the creation of virtual showrooms, as well as the redefinition of the relationship with boutique customers, who shall be welcomed by appointment only through a "fashion atelier" type service, and with whom we are sharing content and product presentations through social media casting. The creation of the new collections also continues. The fashion and creativity that has always been at the heart of the Group's philosophy remains the source of inspiration.
Although many initiatives have been taken, considering the fast evolution of the situation and of the infection, and due to the strong uncertainties related to the duration of the Covid 19 emergency and its social and economic impact, at the moment it's not possible to value -on a confident basis- the real impacts on the company performances and on the financial and capital structure of the Group.

EY
Building a better working world

Monnalisa S.p.A.

Consolidated financial statements as at December 31, 2019

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 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, 2019, the income statement and the consolidated cash flow statement for the year then ended, and explanatory notes.
In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2019, 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.

Emphasis of matter

We draw attention to paragraph "10. Subsequent events" of the explanatory notes to the consolidated financial statements, which describes the effects of the spreading of COVID 19 and of all related measures imposed by governments of countries in which the Group perform its operations to protect the public health on the Group's business operations.

Our opinion is not modified in respect of this matter.

Other matters

The audit activity has been partially affected by the spreading of COVID 19 and all related measures imposed by the Italian government to protect the public health, including restrictions to all travel initiatives. Consequently, due to an objective situation of force majeure, certain audit procedures performed in accordance with the applicable auditing standards have been carried out considering (i) a revised organization of our employees and audit teams, based on a wide use of smart working models, and (ii) different means to connect with client management personnel and gather audit evidence, that primarily involved the use of electronic support provided through remote communication networks.

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

EY
Building a better working world

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 the Group to cease to continue as a going concern;

EY
Building a better working world

- 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, 2019, 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, 2019 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, 2019 and comply with the applicable laws and regulations.

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

Florence, 8 may 2020

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

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

SEPARATE BALANCE SHEET STATEMENT

INCOME STATEMENT	31.12.2019	31.12.2018
A) Value of Production		
A) Value of Production	40,791,683	43,064,801
1) Revenues from sales	45,200	(132,395)
2) Changes in inventories of work in progress, semi-finished goods and finished products		
5) Other revenues and income	1,712,057	2,921,817
Total value of production	***42,548,940***	***45,854,223***
B) Costs of Production		
6) Raw materials, consumables and goods for resale	14,393,905	14,666,955
7) Services	14,865,300	13,581,135
8) Use of third-party assets	2,684,070	2,623,328
9) Personnel Costs		
a) Wages and salaries	6,462,884	6,050,475
b) Social security charges	1,924,987	1,728,199
c) Termination indemnities	294,919	275,112
d) Pensions and similar obligations	175,307	154,413
e) Other costs	139,504	203,073
Total personnel Costs	*8,997,602*	*8,411,272*
10) Amortization, depreciation and write-downs		
a) Amortization of intangible fixed assets	671,695	776,011
b) Depreciation of tangible fixed assets	1,570,687	1,152,505
d) Write-downs of receivables in current assets and cash and cash equivalents	130,314	121,897
Total amortization, depreciation and write-downs	*2,372,696*	*2,050,413*
11) Change in inventory of raw, ancillary, consumable materials and goods	70,240	(390,751)
14) Other operating costs	373,304	425,409
Total production costs	***43,757,117***	***41,367,761***
Difference between value and production costs (A-B)	***(1,208,177)***	***4,486,461***
C) Financial income and expenses		
16) Other financial income:		
b) from securities classified as fixed assets	30,000	30,000
d) others	57,559	44,706
Total financial income	87,559	74,706
17) Interests and other financial expenses		
other	373,553	373,993
Total financial expenses	*373,553*	*373,993*
17-bis) Losses and gains on currency exchange	222,207	(48,274)
Total financial income and expenses	***(63,788)***	***(347,561)***
D) Value adjustments to financial assets		
18) Write-backs:		
d) financial derivative instruments		37,095
Total write-backs		*37,095*
19) Write-downs:		
a) equity investments in subsidiary companies	3,862,385	30,000
d) financial derivative instruments	17,125	21,767
Total write-downs	*3,879,510*	*51,767*
Total value adjustments to financial assets (D)	***(3,879,510)***	***(14,672)***
Profit/(Loss) before taxes (A-B±C±D)	(5,151,475)	4,124,229
a) Current taxes		661,809
b) Deferred taxes	(73,931)	171,864
Total Income, current, deferred taxes	*(73,931)*	*833,673*
21) Profit (loss) for the period	**(5,077,544)**	**3,290,556**

ASSETS	31.12.2019	31.12.2018
A) Subscribed capital unpaid	**0**	**0**
B) Fixed Assets		
I - Intangibles Assets		
1) Start-up and expansion costs	801,718	1,068,957
3) Industrial Patent and Intellectual Property Rights	292,352	134,118
5) Goodwill	816,599	951,168
7) Other	606,479	493,754
Total Intangible assets	*2,517,147*	*2,647,997*
II - Tangible Assets		
1) Land and Buildings	10,991,664	11,100,937
2) Plants and equipment	3,614,796	3,943,110
3) Industrial and commercial equipment	49,961	19,509
4) Other Assets	2,533,885	2,258,065
5) Work in progress and advance payments	5,400	0
Total Tangible Assets	*17,195,707*	*17,321,621*
III - Financial Assets		
1) Equity investments in:		
a) Subsidiary companies	5,607,869	7,237,761
d bis) other companies	8,624	8,624
Total Equity Investments	*5,616,493*	*7,246,385*
2) Receivables		
a) due from subsidiary companies		
- within 12 months	5,288,274	3,804,851
- beyond 12 months	486,137	-
d bis) due from others		
- within 12 months	223,689	246,834
- beyond 12 months	-	100,000
3) Other Securities	1,200,000	1,200,000
Total Financial Assets	*12,814,594*	*12,598,071*
B) Total Fixed Assets	***32,527,447***	***32,567,689***
C) Current Assets		
I - Inventory		
1) Raw, supplies and consumable materials	2,343,643	2,413,883
2) Work in progress and semi-finished products	1,734,271	1,672,876
4) Finished products and goods	*11,009,408*	*11,025,603*
5) Advances	84,393	82,098
Total inventory	*15,171,715*	*15,194,460*
II - Receivables		
1) Due from customers		
- within 12 months	9,486,407	10,513,732
Total Due from customers	9,486,407	10,513,732
2) due from subsidiary companies		
- within 12 months	7,799,480	5,481,765
Total Due from subsidiary companies	7,799,480	5,481,765
5-bis) Tax Receivables		
- within 12 months	2,196,843	3,146,237
Total Tax Receivables	2,196,843	3,146,237
5-ter) Deferred tax assets		
- within 12 months	*378,723*	*356,582*
Total Deferred tax assets	*378,723*	*356,582*
5-quater) Due from others		
- within 12 months	715,412	493,759
Total Due from others	*715,412*	*493,759*
Total Receivables	***20,576,864***	***19,992,075***
III - Financial Assets (other than fixed assets)		
5) Derivative financial instrument assets	*11,811*	*59,304*
Total financial assets (other than fixed assets)	***11,811***	***59,304***
IV - Cash and cash equivalents		
1) Bank and postal deposits	6,429,861	10,938,834
3) Cash on hand	49,533	52,983
Total cash and cash equivalents	*6,479,394*	*10,991,817*
C) Total current assets	**42,239,784**	**46,237,656**

D) Accrued income and prepaid expenses		
Prepaid expenses	765,693	313,248
D) Total accrued income and prepaid expenses	***765,693***	***313,248***
TOTAL ASSETS	**75,532,924**	**79,118,592**

LIABILITIES AND SHAREHOLDERS' EQUITY	31,12,2019	31,12,2018
A) Shareholders' equity		
I Share capital	10,000,000	10,000,000
II Share premium reserve	9,063,125	9,063,125
III Revaluation reserve	2,959,446	2,959,446
IV Legal reserve	1,108,276	943,276
VI Other reserves, indicated separately		
Other reserves	189,187	51,575
Total other reserves	*189,187*	*51,575*
VII - Cash flow hedge reserve	8,364	44,459
VIII Profit (loss) carried forward	28,033,652	25,045,707
IX Profit (loss) for the period	(5,077,544)	3,290,556
X Negative reserve for own portfolio shares	(149,915)	-
Total Equity	***46,134,591***	***51,398,144***
B) Provisions for risks and charges		
1) Provisions for pensions or similar obligations	59,397	54,257
2) Provisions for taxes, including deferred	193,042	256,843
3) Derivative financial instrument liabilities	-	-
4) Other	1,412,828	600,855
Total provisions for risks and charges	***1,665,267***	***911,955***
C) Employee termination indemnities	**1,809,749**	**1,607,423**
D) Payables		
4) Payables due to banks		
- within 12 months	8,127,152	5,902,497
- beyond 12 months	6,564,737	7,370,295
Total payables due to banks	*14,691,889*	*13,272,793*
6) Advances		
- within 12 months	719,059	871,287
Total advances	719,059	871,287
7) Trade payables		
- within 12 months	7,540,878	7,670,111
Total trade payables	7,540,878	7,670,111
9) Payables to subsidiary companies		
- within 12 months	565,401	1,300,105
Total payables to subsidiary companies	565,401	1,300,105
12) Tax payables		
- within 12 months	371,547	324,963
Total tax payables	371,547	324,963
13) Payables to pension funds and social security agencies		
- within 12 months	537,102	492,303
Total payables to pension funds and social security funds	537,102	492,303
14) Other payables		
- within 12 months	1,107,670	1,145,408
- beyond 12 months	87,804	87,804
Total other payables	*1,195,474*	*1,233,212*
Total payables	***25,621,351***	***25,164,773***
E) Accrued liabilities and deferred income		
Accrued liabilities	1,967	36,297
Deferred income	300,000	-
Total accrued liabilities and deferred income	***301,967***	***36,297***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	***75,532,924***	***79,118,592***

PARENT COMPANY CASH FLOW STATEMENT

INDIRECT METHOD
AT 31/12/2019

CASH FLOW STATEMENT CASH AND CASH EQUIVALENTS	31/12/2019	31/12/2018
A. Cash flow from operating activities (indirect method)		
Profit/(Loss) for the period	(5,077,544)	3,290,556
Income tax	(73,931)	833,673
Interest expenses/(income)	285,994	299,286
(Dividends)		
(Gains)/losses on asset disposals	(525)	(847,962)
1. Profit/(Loss) for the period before taxes, interest, dividends and capital gains/losses on disposals	**(4,866,006)**	**3,575,552**
Non-cash adjustments not impacting working capital		
Provisions	1,405,025	356,897
Amortization & depreciation	2,242,382	1,928,516
Impairments	3,118,732	
Adjustments to non-cash financial instrument assets and liabilities	19,547	(13,236)
Other non-cash increases/(decreases)		
Non-cash adjustments not impacting working capital	*6,785,686*	*2,272,177*
2. Cash flow before working capital changes	**1,919,680**	**5,847,730**
Change in net working capital		
Decrease/(Increase) in inventories	22,745	(271,938)
Decrease/(Increase) in trade receivables	1,027,325	(1,202,858)
Increase/(Decrease) in trade payables	(863,938)	(124,574)
Decrease/(Increase) in accrued income and prepaid expenses	(469,570)	(194,069)
Increase/(Decrease) in accrued liabilities and deferred income	265,670	35,161
Other Decreases/(Other Increases) in net working capital	(1,926,616)	(961,874)
Total changes in net working capital	*(1,944,384)*	*(2,720,152)*
3. Cash flow after net working capital changes	**(24,704)**	**3,127,577**
Other adjustments		
Interest received/(paid)	(285,994)	(299,286)
(Income taxes paid)	(250,586)	(1,068,603)
Dividends received		
(Utilization of provisions)	(385,587)	(148,818)
Other receipts/(payments)		
Total other adjustments	*(922,167)*	*(1,516,708)*

CASH FLOW FROM OPERATING ACTIVITIES (A)	**(946,871)**	**1,610,870**
Tangible fixed assets	(1,444,772)	(3,451,632)
(Investments)	(1,447,702)	(3,603,669)
Divestments	3,455	152,037
Intangible fixed assets	(540,845)	(2,237,440)
(Investments)	(540,845)	(2,237,440)
Divestments		
Financial fixed assets	(2,849,117)	(4,204,088)
(Investments)	(2,992,262)	(4,204,088)
Divestments	143,145	
Current financial assets		
(Investments)		
Divestments		
CASH FLOW FROM INVESTING ACTIVITIES (B)	**(4,834,734)**	**(9,893,160)**
Third party funds		
Increase/(Decrease) in short-term bank payables	1,989,611	(2,376,209)
New loans	2,000,000	6,500,000
(Repayment of loans)	(2,570,514)	(3,428,717)
Own funds		
Paid-in share capital increase		16,999,125
(Repayment of share capital)		
Disposal/(Acquisition) of treasury shares	(149,915)	
(Dividends and advances on dividends paid)		
CASH FLOW FROM FINANCING ACTIVITIES (C)	**1,269,182**	**17,694,199**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C)	**(4,512,423)**	**9,411,909**
Opening cash and cash equivalents	10,991,817	1,579,905
Bank and postal deposits	10,938,834	1,524,060
Cheques		
Cash on hand	52,983	55,845
Closing cash and cash equivalents	6,479,394	10,991,817
Bank and postal deposits	6,429,861	10,938,834
Checks		
Cash on hand	49,533	52,983

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

AT 31/12/2019

These financial statements, presented for your examination and approval, report a net loss of Euro 5,077,544

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, 2019 on a going concern basis.

Significant events in the year

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

Subsequent events

2020 began with the unforeseeable effects of the COVID-19 pandemic, which continues to impact the globe.
The developing situation was tackled immediately, with the activation of exceptional measures to reduce the risks of spreading the virus and ensure the safety of employees and customers in direct stores, in Italy and in all other countries where Monnalisa is present. A dedicated emergency management team was set up at the beginning of March, executing all possible initiatives to prepare the Group for the altered environment.
From the middle of March, in advance of parliament, the Company ordered the closure of the showrooms and direct sales points in Italy and thereafter, from March 23, the closure of the company in compliance with the "Italian Care Decree". These measures are still in force.
The stores managed directly by the Group's subsidiaries have been gradually closed, adapting to the spread of the pandemic, first in the East, and then since March, in France, the United States, Spain, Belgium, Brazil, the United Kingdom, Russia and Turkey, in accordance with local legislation.
The e-commerce channel continued to operate regularly, being among the few activities permitted during the lockdown.
In terms of personnel, the use of accrued holidays and leave has been promoted, while thereafter the company introduced the Temporary Lay-Off Scheme. Each of the subsidiaries has made use of the national legislation in force regarding social security benefits for its sales staff, and therefore using leave and holidays accrued in the first instance as well as applying the local lay-off schemes, or opting for the payment by the individual State of part or all of the cost of personnel, or have put employees on unpaid leave so as to allow them to receive unemployment benefits. For all Italian employees, a special insurance policy was taken out to cover personal risks from Covid-19.

Contacts with property owners were immediately initiated, so as to suspend rents at least for the period of closure of the sales outlets, for their restructuring or at least for the revision of payment terms. All costs not considered strictly necessary have been minimized, both at the direct store level and at corporate level, in addition to those dedicated to sales support. The investment forecasts for the current year have been scaled down, confirming only investments already contracted.
On the wholesale channel, summer merchandise had already been almost fully supplied before the pandemic began, but the closure of multi-brand customer outlets is lengthening the time to collect trade receivables. The order backlog for the winter collection, on the other hand, which was also almost completely collected before the emergency, was subject to some cancellations, both to eliminate customer orders and due to the consequences of the pandemic on

sales considered to be at greater risk, both to lessen procurement and the consequent risk of an increase in inventories linked to possible, although still not formalized, requests for order reductions or customer closures. However, management has worked to focus such cancellations or quantity reductions on lower margin models.

To date, visibility on the impact on the year's sales is still limited. However, the almost total lack of collections in March and the drastic contraction in April, as well as the foreseeable reduction also in the initial months following the end of the lockdown, have resulted in measures to defer payments. Revenues in 2020 are expected to sharply contract. In addition to the almost two months of interruption, it is reasonable to expect a reduction even post-reopening. The cost containment measures in place, the help of the lay-off scheme, discounts from suppliers, combined with lower costs for services and rents will be the main levers we will use to offset as much as possible the resulting loss of profitability.

In terms of liquidity, the recent "Liquidity Decree" represents a possible form of financial support and discussions in this regard with the banking institutions have already begun. In addition to this, we are also evaluating other instruments to extend the payment terms for some supplies.
In the past few weeks, production was converted for the manufacture of disposable surgical masks, supplied free of charge to the Health Authority, the police and the local administration of the city of Arezzo. The company is continuing to produce masks in a specific patterned fabric format for children from 6 years old. They have already been supplied to the pediatrics department in Arezzo and will be given as a gift to customers on the e-commerce channel, and subsequently extended to direct sales outlets. From the month of May, following the great success also on social channels, some models will be introduced for sale along with items from our collections. Since April 14, in Italy, children's shops have been authorized to reopen although, in order to protect employees and to organize a safe restart for everyone, Monnalisa has decided to begin with openings by appointment, also in line with that envisaged for many other luxury brands.

At the same time, an exception has been requested for the completion of the production of garments for online sales and the company has just restarted. Overseas suppliers are completing the winter processing orders. Monnalisa has however continued to work remotely on the research and development of the Spring-Summer 2021 samples and is preparing for the possible collection of orders online, using also internally developed photographic material. In fact, we continue to look ahead, beyond the crisis, and we believe that maintaining our competitive advantage in terms of delivery times will be a key factor for a successful a re-start over the coming seasons.

The Group has also launched a series of digital-oriented initiatives to adapt the working methods of the commercial network and maintain interaction with customers.
In particular, a project has been launched for the creation of virtual showrooms, as well as the redefinition of the relationship with boutique customers, who shall be welcomed by appointment only through a "fashion atelier" type service, and with whom we are sharing content and product presentations through social media casting. The creation of the new collections also continues. The fashion and creativity that has always been at the heart of the Group's philosophy remains the source of inspiration.
Although many initiatives have been taken, considering the fast evolution of the situation and of the infection, and due to the strong uncertainties related to the duration of the Covid 19 emergency and its social and economic impact, at the moment it's not possible to value -on a confident basis- the real impacts on the company performances and on the financial and capital structure of the Group.

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
These are recognized at historic acquisition cost and reported net of straight-line amortization according to the residual possibility of use.
- Start-up and expansion costs, recognized with the consent of the Board of Statutory Auditors, comprising costs incurred for the AIM listing, are amortized 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 fixed assets mainly comprise of leasehold improvements, which include principally the costs incurred to modernize the direct sales points network and/or all other buildings which are not owned. They are depreciated on the basis of the remaining useful life of the assets. This item includes 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 amortization, 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 accessory 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 incidental 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:

Class	%
Industrial Building	3%
Machinery,tools,equipment	12,5%
Cutting Machines and Automatic Machines	17,5%
Furniture and office equipment	12%
Electro-mechanical and electronic office machines	20%
Goods transportation vehicles	20%
Vehicles	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 recognized 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 recognized 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 paid-in
No grants towards operating expenses were disbursed to the Company in 2019.

Finance leases
The Company does not have any finance leases.

Equity 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 accessory 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 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.
All equity investments were recognized at acquisition cost, except for those where an impairment loss was deemed to exist, such as to justify their write-down. Receivables are classified as financial fixed assets or to a specific caption of working capital by type.
Dividends are recognized 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.
It should be noted that for the portion of the permanent loss exceeding the nominal value of the equity investment, an appropriate accrual has been made to the Risks Provision, details of which are provided below.

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 recognized 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 realizable values.
Raw, supplies and consumable materials are stated at the lower of purchase cost, plus accessory costs, and measured according to the LIFO method at 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 factory cost attributable to them and their presumed realizable values, represented by the best estimate of the net price of sale that may be obtained. Factory 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 factory 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 basis 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 cancelled from the financial statements when the contractual rights upon cash flows deriving from the receivable lapse or where all of the risks relating to the receivable subject to collection are transferred.

Accruals and deferrals
These are recorded according to the accruals concept.

Provisions for risks and 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 amortized 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 recognized 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 recognized 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 312,320 to the provision for returned goods in connection with sales transacted in 2019.
Purchase costs are recognized on the accruals principle.
Raw materials, ancillary, consumables and goods include accessory 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.

Taxes on income

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 recognized to account C17bis of the income statement.
The overall amount of net profits as per the income statement includes an unrealized component concerning profits of Euro 201,077 and losses of Euro 8,877.
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.
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 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 recognized under net equity; the cumulative profits or losses are reversed from net equity and recognized 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 recognized to the income statement when such inefficacy is recognized.
If hedge accounting cannot be applied, gains or losses deriving from the fair value of the financial derivative instrument are recognized directly in the income statement.
Derivative financial instruments, even if embedded in other financial instruments, are initially recognized 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.

Derogations

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

Explanatory Notes to the Income Statement

Value of production

Description	31/12/2019	31/12/2018	Changes
Revenues from sales and services	40,791,683	43,064,801	(2,273,118)
Changes in inventories	45,200	(132,395)	177,595
Other revenues and income	1,712,057	2,921,817	(1,209,760)
Total	**42,548,939**	**45,854,223**	**(3,305,283)**

For greater details on the movements in these items, reference should be made to the Directors' Report.
Revenues are broken down below by category of activity and region below:

By business line	31/12/2019
Sales of goods	85,127
Sales of products	40,706,466
Total	**40,791,683**

Region	31/12/2019
Italy	15,745,177
Europe	11,927,164
Rest of the word	13,119,342
Total	**40,791,683**

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	€ 20,697.64	Photovoltaic Incentive

Costs of production

Description	31/12/2019	31/12/2018	Changes
Raw materials, consumables and goods	14,393,905	14,666,955	(273,050)
Services	14,865,300	13,581,135	1,284,165
Use of third-party assets	2,684,070	2,623,328	60,742
Personnel costs	8,997,602	8,411,272	586,330
Amortization	671,695	776,011	(104,316)
Depreciation	1,570,687	1,152,505	418,182
Write-downs of current receivables	130,314	121,897	8,417
Change in inventories of raw materials	70,240	(390,751)	460,991
Other operating charges	373,304	425,409	(52,105)
Total	**43,757,117**	**41,367,761**	**2,389,356**

Costs for raw materials, ancillaries, consumables and goods

These are strictly correlated to the comments in the Directors' Report and the description of point A (Value of production) of the Income Statement and are recognized 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 recognized to the Income Statement on completion.

The breakdown of the account is as follows:

Description	31/12/2019	31/12/2018	Changes
Production services costs	4,625,462	4,617,965	7,497
Independent auditors', Board of Statutory Auditors' and Board of Directors' emoluments	595,344	634,800	(39,456)
Cleaning and security	198,965	172,271	26,694
Maintenance	610,686	412,054	198,632
Transport	2,360,086	2,530,831	(170,745)
Utilities	307,670	243,852	63,818
Travel and transfer	243,308	231,938	11,370
Marketing	726,825	1,076,531	(349,706)
Canteen	149,826	123,414	26,412
Exhibits, fairs and fashion shows	563,721	491,702	72,019
Technical, administrative, indus. and commercial consultancy	2,584,050	1,142,651	1,441,399
Training courses	24,669	65,448	(40,779)
Agent cost	855,162	627,773	227,389
POA Commissions	299,838	293,730	6,108
Insurance	175,274	161,552	13,722
General services	544,413	754,623	(210,210)
Total	**14,865,300**	**13,581,135**	**1,284,165**

Service costs include:
- Façon costs (sewing, ironing, embroidery, printing & other services) for Euro 4,625,462
- costs of Agents and Representatives for Euro 855,162
- national and local advertising for Euro 469,603
- national and local fashion shows and events for Euro 563,721
- technical, industrial, administrative and commercial consultancy for Euro 2,584,050

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 500,573 and property lease charges and condominium expenses for Euro 1,488,687.

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 utilization 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 recognized to the other accounts of section b) of the income statement and accessory management costs which are not of an extraordinary nature, in addition to all tax charges, other than direct income taxes, as follows:
Taxes and levies (property and waste disposal taxes) for Euro 178,512
Miscellaneous administrative expenses for Euro 18,951
Charity donations for Euro 31,100

Financial income and charges
The figure for the year includes financial income of Euro 87,559, interest expense and other financial charges of Euro 373,553 and foreign exchange losses of Euro 222,207, with the following changes compared to the previous year:

Description	31/12/2019	31/12/2018	Changes
Interest income on bonds	30,000	30,000	-
Bank interest income	8,695	1,186	7,509
Other interest income	48,864	43,520	5,344
Total Interest income	**87,559**	**74,706**	**12,853**
Bank financial interests	(139,831)	(123,107)	(16,724)
Other financial interests	(233,722)	(250,886)	17,164
Total Interest income	**(373,553)**	**(373,993)**	**440**
Exchange gains	391,089	238,534	152,255
Exchange losses	(168,882)	(286,808)	117,926
Total Exchange gains/Losses	**222,207**	**(48,274)**	**270,481**

Revaluations and write-downs
"Revaluations" report the following movements in the period:

Description	31/12/2019	31/12/2018	Changes
Write-backs of financial derivative instruments	0	37,095	(37,095)
Total	**0**	**37,095**	**(37,095)**

The item "Write-downs" is broken down as follows:

Description	31/12/2019	31/12/2018	Changes
Write-downs of financial derivative instruments	17,125	21,767	(4,642)
Write-downs of equity investment	3,862,385	30,000	3,832,385
Total	**3,879,510**	**51,767**	**3,827,743**

For details of the write-downs of equity investments, reference should be made to the "Equity investments" paragraph in the comment on Financial fixed assets.

Current and deferred taxes

Income taxes	31/12/2019	31/12/2018	Changes
Current income taxes:	**0**	**661,809**	**(661,809)**
IRES	0	466,327	(466,327)
IRAP	0	195,482	(195,482)
Deferred tax charges/(income)	**(73,931)**	**171,864**	**(245,795)**
IRES	(71,363)	176,880	(248,243)
IRAP	(2,569)	(5,016)	2,447
Total	**(73,931)**	**833,673**	**(907,604)**

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.

Deferred tax assets/liabilities
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.

Description	31/12/2019 Amount IRES temporary differences	31/12/2019 IRES tax result	31/12/2019 Amount IRAP temporary differences	31/12/2019 IRAP tax result	31/12/2018 Amount IRES temporary differences	31/12/2018 IRES tax result	31/12/2018 Amount IRAP temporary differences	31/12/2018 IRAP tax result
Deferred tax assets:								
Amortization Brands	(2.183)	(524)	(1.905)	(74)	(1.275)	(306)	(1.051)	(41)
Amortization Goodwill	12.818	3.076	12.795	499	87.817	21.076	87.821	3.425
Provision for risk	68.320	16.397	68.307	2.664	244.000	58.560	244.000	9.516
Write-downs receivables 2017					(62.204)	(14.929)		
Consultancy	(10.658)	(2.558)	(10.641)	(415)	(10.660)	(2.558)	(10.660)	(416)
Provision for risk 2017					(196.000)	(47.040)	(196.000)	(7.644)
-downs receivables 2018					70.354	16.885		
-downs receivables 2019	35.088	8.421						
ISC Provision	5.596	1.343	5.589	218	6.404	1.537	6.410	250
Settlement ISC 2017					(10.200)	(2.448)	(10.205)	(398)
Exchange rate losses	(19.109)	(4.586)			(101.971)	(24.473)		
Administrator compensation	(8.321)	(1.997)	(8.307)	(324)	8.321	1.997	8.321	324
Total	**81.551**	**19.572**	**65.838**	**2.568**	**34.586**	**8.301**	**128.636**	**5.016**
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	(169.592)	(40.702)	(169.592)	(6.614)	678.371	162.809	678.371	26.458
Exchange rate losses 2018	35.466	8.512			165.608	39.746		
Total	**(188.236)**	**(45.177)**	**(169.592)**	**(6.614)**	**661.348**	**158.723**	**678.371**	**26.458**
DEFERRED TAX ASSETS AND LIABILITIES		**(64.749)**		**(9.182)**		**150.422**		**21.442**

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 of the individual classes in the year are shown below:

Intangible assets
The movements in the account are as follows:

Description	Start-up and expansion costs	Industrial Patent and Intellectual Property rights	Goodwill	Other	Total
Value at the beginning of the year	**1,068,957**	**134,118**	**951,168**	**493,754**	**2,647,997**
Increases for acquisitions		264,258		276,587	540,845
Reclassifications					
Decrease for disposals					
Depreciation	267,239	106,024	134,569	163,862	671,694
Other Change					
Value at the end of the year	**801,718**	**292,352**	**816,599**	**606,479**	**2,517,147**

The costs recorded are reasonably correlated to their future use, and are therefore amortized on a straight-line basis in relation to their future residual utility.
"Start-up and expansion costs" mainly comprise costs incurred by the Parent Company Monnalisa S.p.A. in connection with the listing on the AIM Italia Market, capitalized as per OIC 24.
The item "Other" primarily includes the costs of leasehold improvements, amortized according to the term of the lease. The increases during the year related to the new stores opened during the year.
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 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.

Property, plant and equipment
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
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
Value at the beginning of the year	**11,100,937**	**3,943,110**	**19,509**	**2,258,065**	**-**	**17,321,621**
Increases for acquisitions	181,552	409,579	43,463	807,708	5,400	1,447,702
Reclassifications						
Decrease for disposals		1,775		1,155		2,930
Amortization	290,825	736,118	13,010	530,733		1,570,686
Total Changes	**(109,273)**	**(328,314)**	**30,453**	**275,820**	**5,400**	**(125,914)**
Cost	12,510,611	8.807.219	228,328	7.529.141	5,400	29.080.699
Accumulated depreciation	1,518,947	5.192.423	178,366	4.995.256		11.884.993
Value at the end of the year	**10,991,664**	**3,614,796**	**49,961**	**2,533,885**	**5,400**	**17,195,707**

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 and the furnishings for the 2019 new openings and the upgrades to existing stores.
In addition, new machinery and plant for the style and production office were acquired in the year.

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 recognized to the company's financial statements at 31/12/2019.
As highlighted in the introduction to these Explanatory Notes, property, plant and equipment were revalued on the basis 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 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	Long-term receivables from others	Other securities
Cost	7,237,761	8,624	3,804,851	346,834	1,200,000
Value at the beginning of the year	**7,237,761**	**8,624**	**3,804,851**	**346,834**	**1,200,000**
Increases	1,488,840		1,483,423		
Reclassification			486,137*		
Decreases				(123,145)	
Write off	(3,118,732)				
Value at the end of the year	**5,607,869**	**8,624**	**5,774,411**	**223,689**	**1,200,000**

**reclassification from trade receivables to financial receivables*

Equity investments
The non-current investments remain long-term in nature.
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;

Monnalisa Rus LLC

incorporated on January 14, 2016 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. At year-end, the subsidiary manages 6 stores (4 DOS and 2 DOO);

Monnalisa China Ltd

incorporated on February 17, 2016, with registered office in Shanghai and wholly-owned by Monnalisa S.p.A. The company was established to develop the local retail market through the opening of monobrand stores in the best-known malls in Shanghai, Beijing and other major cities. In 2019, five low traffic sales points were closed in the country (Shenyang MIXC, Shanghai Babaiban, Hangzhou MIXC, Shanghai IFC and Wuhan IP). In addition to the retail channel, the company since 2018 has operated also through the B2C distribution channel;


Monnalisa
Monnalisa

ML Retail Usa Inc.

incorporated on September 22, 2016, wholly-owned by Monnalisa S.p.A., managing local retail operations. During the period, two new sales points, respectively based in Guam (DOS) and Florida (DOO Sawgrass Mill) were opened, bringing therefore the number of sales points to five. We indicate the closure during the year of the low-traffic sales point in Philadelphia;

Monnalisa Korea Ltd

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

Monnalisa Brazil Participasoes LTDA

incorporated on December 22, 2016 to manage retail market operations in Brazil. In 2019, two additional sales points were opened - a DOO in São Roque (San Paolo) and a DOS in Recife - bringing to 4 the number of sales points in the country. The subsidiary is held 99%;

Monnalisa BEBEK GİYİM SANAYİVE TİCARET A.Ş.

incorporated on December 12, 2018, based in Turkey and fully owned by Monnalisa S.p.A., intended to develop the local retail market, where in June 2019 a store was opened at the new Istanbul airport;

Monnalisa UK Ltd

incorporated in January 2019, with registered office in London, managing a concession at Harrods and with the opening of a temporary monobrand sales point at Bicester Village. The company is a 100% subsidiary of Monnalisa Spa;

Monnalisa International Ltd

incorporated in May 2019, based in Taiwan and wholly-owned by Monnalisa S.p.A., to develop the local retail market, with a store in the city of Taipei opened in September 2019;

Monnalisa Japan Co Ltd

wholly-owned by Monnalisa Spa. The company, incorporated at the end of June, was still inactive at the reporting date. It will develop operations on the local retail market.

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 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 SpA	Difference between Shares owned in Euro and value in the financial statement
Monnalisa Brazil Ltda	San Paolo (Brazil)	505,087	(669,081)	(721,739)	(714,522)	99	-	(714,522)
Monnalisa China LLC	Shanghai (Cina)	4,800,000	(2,100,758)	388,894	388,894	100	3,134,036	(2,745,142)
Monnalisa UK LTD	London (UK)	235,377	46,525	283,040	283,040	100	235,377	47,662
Monnalisa Hong Kong LTD	Hong Kong	500,000	(615,091)	(346,075)	(346,075)	100	500,000	(846,075)
Monnalisa Japan Co Ltd	Tokyo (Japan)	8,189		8,201	8,201	100	8,189	12
Monnalisa Korea Ltd	Seoul (Korea)	81,000	(39,280)	(156,450)	(156,450)	100	81,000	(237,450)
Monnalisa Rus OOO	Mosca (Russia)	592,679	(113,401)	1,747,597	1,730,121	99	592,678	1,137,443
Monnalisa Bebek Giyim Sanayi ve Tic.A.Ş.	Istanbul (Turkey)	1,215,434	(354,813)	771,326	771,326	100	853,858	(82,532)
Monnalisa International Limited	Taipei (Taiwan)	202,731	(60,510)	145,513	145,513	100	202,731	(57,219)
ML Retail Usa Inc	Houston Texas (USA)	591,156	(2,901,715)	(3,525,293)	(3,525,293)	100	-	(3,525,293)

With regards to the investment in Monnalisa Bebek GİYİM SANAYİ VE TİCARET A.Ş, the share capital has not been fully paid-in, recognizing therefore a payable to the subsidiary of Euro 366,531 at 31.12.2019.
The company undertook analysis to identify any indicators of impairment and/or permanent losses in value of the subsidiaries. In particular, the recoverability of the residual value in the equity investments was measured to ensure that the carrying amount in the financial statements does not exceed the recoverable value.

The impairment tests were conducted considering the US subsidiary subject to analysis as the CGU. The value configuration used to determine the recoverable value of the CGUs is the value in use, estimated on the basis of expected cash flows and their discounting at an appropriate discount rate (Discounted cash-flow analysis - DCF). In particular, the value in use was estimated by discounting the operating cash flows of the CGUs at a rate equal to the weighted average cost of debt and equity (WACC -Weighted Average Cost of Capital).

For the purpose of calculating the residual value, a normalized cash flow extrapolated from the last explicit forecast year and to which an annual growth rate ('g') was applied was considered.
The Discounted cash-flow analysis was prepared using as a starting point the budget for 2020, prepared and approved by the Board of Directors, and for the following four years (2021 and 2024), drawn up according to management's expectations regarding the performance of the markets in which the investments are located. These plans take into account the possible negative effects of the new coronavirus known as Covid-19, in particular those on financial year 2020.

The principal assumptions for the calculation of the recoverable value are as follows:

- Terminal Value: calculated according to the perpetual yield method at a long-term "g" growth rate, which represents the present value, at the final year of projection, of all future expected cash flows.
- Growth rate "g":
- Weighted Average Cost of Capital (WACC).

Specifically:

Company	Growth rate "g1"	WACC
Monnalisa China LLC	5.50%	11.69%
ML Retail USA Inc.	1.57%	7.52%
Monnalisa Hong Kong	2.99%	9.8%

In view of the results from the impairment analysis, it was decided not to write-down the investment in Monnalisa HK, while however to write-down that in Monnalisa China, for Euro 1,665,964, and that in ML Retail USA, for Euro 670,565, of which Euro 591,156 to the Equity Investments Write-down Provision and Euro 79,409 to the Equity Investments Risks Provision, to reflect the equity losses and to adjust the carrying amount to the recoverable value.
As a result of the failure to achieve the objectives set out in the company plans, in view of the impossibility to foresee, over a time period for which reliable forecasts can be made, the resolution of the issues resulting in the losses, it was in addition considered prudent to write-down the value of the investments in Monnalisa Brazil and Monnalisa Turkey, in line with their carrying amount.
This result was obtained for Monnalisa Turkey by booking € 361,576 to a specific equity investments write-down provision and for Monnalisa Brazil by booking € 500,035.79 to a specific equity investments write-down provision and recognizing € 664,243.90 to a specific risks provision.
For the other equity investments in subsidiaries, it is not considered that indicators of impairment exist, as the higher carrying amount of the investees against the corresponding share of net 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
The breakdown of investments in other companies is shown below. Other investments are recorded at purchase or subscription cost.
The investments recorded at purchase cost have not been written down for impairments; no "restoration of values" were made.

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

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 year.

Description	31/12/2019	31/12/2018	Changes
31/12/2019	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 recognized 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.
The changes in the year were as follows.

Description	Non-current receivables from subsidiaries	Non-current receivables from others	Total non-current receivables
Opening balance	**3,804,851**	**346,834**	**4,151,685**
Changes in the year	1,969,560	(123,145)	1,846,415
Closing balance	**5,774,411**	**223,689**	**5,998,100**

The account comprises:
Interest-bearing Monnalisa Korea Ltd loan: Euro 100,000
Interest-bearing Monnalisa Brazil loan: Euro 1,100,000;
Interest-bearing Monnalisa Hong Kong loan: Euro 100,000
Interest-bearing Monnalisa ML Retail loan: Euro 3,908,274
Financial receivables from ML Retail: Euro 486,137
Interest-bearing Monnalisa Japan loan: Euro 80,000
Director leaving indemnity policy: Euro 57,500
Guarantee deposits: Euro 166,689

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 region

The regional breakdown of receivables at 31/12/2019 is reported in the table below as follows:

Description	Financial receivables from subsidiaries	Financial receivables from others	Total
ITALY		122,481	122,481
EUROPE		100,904	100,904
REST OF THE WORLD	5,774,411	304	5,774,715

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 accessory 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 recognized 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

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.

Description	31/12/2019	31/12/2018	Changes
Raw material, ancillaries and consumables	2,343,643	2,413,883	(70,240)
Work-in-progress and semi-finished products	1,734,271	1,672,876	61,395
Finished products and goods	11,009,408	11,025,603	(16,195)
Advances	84,393	82,098	2,295
Total	**15,171,715**	**15,194,460**	**(22,745)**

The account "inventories" at 31/12/2019 amounts to euro 15,171,715 remained stable on the previous year without significant changes

Current receivables

Changes and maturity of current receivables

Description	31/12/2018	Changes	31/12/2019	Due within one year
Current trade receivables	10,513,732	(1,027,325)	9,486,407	9,486,407
Current receivables from subsidiaries	5,481,765	2,317,715	7,799,840	7,799,840
Current tax receivables	3,146,237	(949,394)	2,196,843	2,196,843
Current deferred tax assets	356,582	22,141	378,723	378,723
Current other receivables	493,759	221,653	715,412	715,412
Total	**19,992,075**	**584,790**	**20,576,864**	**20,576,864**

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

Description	Total
Balance at 31/12/2018	**764,197**
Utilization in the period	(48,012)
Provisions	130,314
Balance at 31/12/2019	**846,499**

For a breakdown on the movements in the "Deferred tax assets" item, reference should be made to the "Deferred tax assets/liabilities" paragraph. Breakdown of current receivables by region.

Breakdown of current receivables by region

The regional breakdown of receivables at 31/12/2019 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	5,282,375		2,196,731	378,723	628,704	**8,486,533**
Europe	1,459,586	133,002	112		15,507	**1,608,207**
Outside Europe	47,572	7,666,478				**7,714,050**
World	3,543,372				71,201	**3,614,573**
Bad debts provision	(846,498)					**(846,498)**
Total	**9,486,407**	**7,799,480**	**2,196,843**	**378,723**	**715,412**	**20,576,865**

Receivables from subsidiaries are related to supply contracts between Monnalisa Spa and the other subsidiaries included in the consolidation perimeter. Tax receivables are related to VAT credits for Euro 730 thousand, R&D credit for Euro 774 thousand and IRES/IRAP deposits for Euro 657 thousand.

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	31/12/2018	Changes	31/12/2019
Current derivative financial instruments - Assets	59,304	(47,493)	11,811
Total	**59,304**	**(47,493)**	**11,811**

More details are available in the paragraph "Information relating to the fair value of derivative financial instruments".

Cash and cash equivalents

Description	Opening balance	Changes in the year	Closing balance
Bank and postal deposits	10,938,834	(4,508,973)	6,429,861
Cash in hand and similar	52,983	(3,450)	49,533
Total	**10,991,817**	**(4,512,423)**	**6,479,394**

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

Description	Accrued income	Prepaid expenses	Total prepaid expenses and accrued income
Opening balance		**313,248**	**313,248**
Changes in the year		452,445	452,445
Closing balance		**756,693**	**756,693**

A breakdown follows:

Description	31/12/2019	31/12/2018
Maintenance fees	92,204	72,582
Rental	448,133	77,563
Derivatives	100,500	117,625
Hire	36,867	4,211
Insurance	14,895	8,222
Consulting	11,785	9,652
Other	61,308	23,393
Total	**765,693**	**313,248**

At 31.12.2019, there are accrued income and prepaid expenses over five years. A breakdown is provided below:

Description	Over 5 years
Derivatives	**40,125**
Flat-rate tax	20,000
Total	**60,125**

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	10,000,000						10,000,000
Share premium reserve	9,063,125						9,063,125
Revaluation reserve	2,959,446						2,959,446
Legal reserve	943,276		165,000				1,108,276
Other reserves	51,575		137,611				189,186
Cash flow hedge reserve	44,459				(36,095)		8,364
Negative reserve for own portfolio shares				(149,915)			(149,915)
Retained earnings	25,045,707		2,987,945				28,033,652
Net profit (loss) for the year	3,290,556		(3,290,556)			(5,077,544)	(5,077,544)
Shareholder's Equity	**51,398,144**	**0**	**0**	**(149,915)**	**(36,095)**	**(5,077,544)**	**46,134,591**

Availability and utilization of shareholders' equity

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

Description	Amount	Origin / Nature	Possibility of utilization	Quota available
	10,000,000	B		
Share capital	9,063,125	A,B,C,D		
Share premium reserve	2,959,446	A,B		2,959,446
Revaluation reserve	1,108,276	A,B		
Legal reserve	189,187			189,187
Other reserves	8,364	A,B,C,D		
Cash flow hedge reserve	(149,915)	C		
Negative reserve for own portfolio shares	28,033,652	A,B,C,D		28,033,652
Retained earnings	**51,212,135**			**31,182,285**
Total				
Non-distributable amount				31,182,285
Residual distributable amount				

*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 utilization	Quota available
13) Provision as per Law 28/1977	51,576	A,B,C,D	51,576
Difference from Euro rounding	137,611	C	
TOTAL	**189,188**		**189,188**

*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 the 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	**44,459**
Decreases due to fair value changes	(36,095)
Closing balance	**8,364**

Formation and utilization 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	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)
Prior year result				3,290,556	
At the end of the previous year	**10,000,000**	**943,276**	**37,164,312**	**3,290,556**	**51,398,114**
Allocation of net results					
- Other			2		
other changes					
- Increases		165,000	2,984,617	(5,077,544)	(1,927,927)
- Decreases			45,071	3,290,556	3,335,627
Result for the year				(5,077,544)	
At the end of the year	**10,000,000**	**1,108,276**	**37,164,312**	**(5,077,544)**	**46,134,592**

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 recognized 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 currency differences reserve for Euro 137,611;
- 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 and 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	**54,257**	**256,843**		**600,855**	**911,955**
Provisions	7,850	51,093		1,055,973	1,114,916
Utilization in the year	(2,710)	(114,894)		(244,000)	(361,604)
Closing balance	**59,397**	**193,043**		**1,412,828**	**1,665,266**

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 59,397;
- 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 312,320, 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 923,653, as stated previously.

Tax provisions also include Deferred tax liabilities of Euro 193,043 concerning temporary assessable differences. For a description of these amounts, reference should be made to the relative paragraph of the present notes.

Post-employment benefit provision

Description	Employee termination indemnities
Opening balance	**1,607,423**
Provisions in the year	290,110
Utilization in the year	87,784
Total changes	202,326
Closing balance	**1,809,749**

This provision represents the Company's actual liability at December 31, 2019 towards employees in service at that date, less any advances paid in accordance with applicable law and labor 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, 2006 accruing in favor of employees at the balance sheet date, net of advances paid.
Employee termination indemnities with payment due before December 31, 2019 or by the following year were recorded to the account D.14 of the balance sheet under other payables.

The applicable labor 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	13,272,792	1,419,096	14,691,889	8,127,152	6,564,737	
Advances	871,287	(152,227)	719,059	719,059		
Supplier payables	7,670,111	(129,233)	7,540,878	7,540,878		
Payable to subsidiaries	1,300,105	(734,705)	565,401	565,400		
Tax payables	324,963	46,584	371,547	371,547		
Payables to social security institutions	492,303	44,799	537,102	537,102		
Other payables	1,233,212	(37,738)	1,195,474	1,107,670	87,804	
Total	**25,164,773**	**456,577**	**25,621,351**	**18,968,809**	**6,652,541**	

In detail:
- "Payables due to banks" include loan payments and reflecting the effective debt in terms of principal, interest and other accessory charges matured and due at 31.12.2019;
- "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;
- the account "Tax payables", amounting to Euro 371,547 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 the account B2 under liabilities (Deferred tax liabilities). In particular, the account includes sums withheld from employees and self-employed workers and duly paid in 2020;
- "Other payables" mostly concern accrued commissions payable to agents, deferred amounts and additional months payable to employees of Euro 794,981, duly settled in 2020, and amounts due in connection with the end of service of the previous board of directors of Euro 67,500;
- "Payables to subsidiaries" are related to the residual share capital already subscribed yet to be paid in Monnalisa Turkey for Euro 366,351 and to the payment due for some services provided by the subsidiaries to the mother company for Euro 198,870;
- "Payables to social security institutions" are related to what matured at the end of the year and regularly paid in 2020.

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.

Breakdown of payables by region

The regional breakdown of payables at 31/12/2019 is as follows:

Region	Bank payables	Advances	Trade payables	Payables to subsidiaries	Tax payables	Social security institutions	Other payables
Italy	14,691,889		5,790,871		318,027	511,732	1,113,222
Europe		186,489	170,908	33,143	53,520	25,370	82,252
Outside Europe			1,321				
World		532,570	1,577,778	532,258			
Total	**14,691,889**	**719,059**	**7,548,878**	**565,401**	**371,547**	**537,102**	**1,195,474**

Accrued liabilities and deferred income

A breakdown follows:

Description	31/12/2019
Consultancy	1,967
"AIM" Contribution	300,000
Total	**301,967**

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 31/12/2019 with a duration of more than five years.

9. Other information

Workforce

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

Workforce	31/12/2019	31/12/2018	Changes
Executives	3	1	+2
Managers	4	5	-1
White-collar workers	159	150	+9
Blue-collar workers	37	37	0
Total	**203**	**193**	**+10**

For the workforce dedicated to retail (sales employees and store managers), the national contract applicable is the commercial contract renewed on April 1, 2015, with maturity on December 31, 2019, and supplemented by the agreement of September 10, 2019 on contractual minimums. 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, on July 5, 2017, supplemented by the agreement of August 2, 2019 on the adjustment to the National Salary Minimum and the agreement of April 10, 2020 on supplemental assistance and pensions, with effect from April 1, 2016-March 31, 2020.
In addition to the employees in Italy, those in the branches and representative offices in Europe should be considered. Specifically, one in Great Britain, one in Germany, two in France, five in Belgium, and ten in Spain, all hired under local law labour contracts.

Average employees	31/12/2019
Executives	2
Managers	3
White-collar workers	155
Blue-collar workers	38
Total (only Italy)	**198**

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	469,352	40,144

Fees of the auditor or the independent audit firm

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

- consideration due for the audit of the Parent Company of Euro 56,000, of which Euro 41,000 for the statutory audit of the separate and consolidated financial statements, Euro 15,000 for the limited audit of the interim consolidated financial statements for the period ended June 30, 2019, and Euro 9,500 for ancillary activities.

Classes of shares issued by the company

The share capital is composed as follows:

Shares	Number	Nominal value in Euro
Ordinary shares	5,236,300	10,000,000
Total	**5,236,300**	**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. 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, 2019 with financial counterparties comprise:

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

At 31/12/19, the mark to market of the transaction was Euro +29.24.

Interest Rate Cap (II)	
Contract ID	12677683
Date of the operation	27/12/2018
Counterparty	Unicredit S.p.A.
Maturity Date	31/12/2026
Notional Amount	5,000,000 euro
Premium	107,000 euro
Bank Parameter Rate	Euribor 6 months
Client Parameter Rate	Euribor 6 months
Rate Cap	1%

At 31/12/19, the mark to market of the transaction was Euro +11,781.67.

Key financial highlights of the company which exercises management and co-ordination

The table below provides the key data from the last approved financial statements of Jafin Due SpA with registered office in Arezzo, Via Madame Curie 7, which exercises management and co-ordination as per Article 2497-bis, fourth paragraph of the Civil Code. The Company, however, prepares the consolidated financial statements. It should also be noted that the financial statements at 31/12/18 are the first financial statements since its incorporation.

Date of the last approved financial statements	31/12/18
A) Subscribed capital unpaid	0
B) Fixed assets	6,966,353
C) Current assets	1,294,003
D) Accrued income and prepaid expenses	0
Total assets	8,260,356
Share capital	800,000
Reserves	7,573,107
Profit (loss) for the year	(160,471)
Total Net Equity	8,212,636
B) Provisions for risks and charges	0
C) Employee termination indemnities	0
D) Payables	47,720
E) Accrued liabilities and deferred income	0
Total liabilities	8,260,356

Date of the last approved financial statements	31/12/18
A) Value of production	0
B) Costs of production	(91,978)
C) Financial income and charges	(68,493)
D) Adjustment to financial assets	0
Income taxes	0
Profit (loss) for the year	(160,471)

Off balance sheet commitments, guarantees and contingent liabilities

There are no off-balance sheet commitments, guarantees or potential liabilities, with the exception of the above described mortgage guarantee.

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.

Related party transactions

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

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

It is proposed to the Shareholders' Meeting to cover the loss through the utilization of prior year profits carried forward.
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

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, 2019.

REPORT ON OVERSIGHT ACTIVITIES AS PER ARTICLE 2429, PARAGRAPH 2, OF THE CIVIL CODE
During the year ended on December 31, 2019, 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.

B1) Oversight activities as per Article 2403 and subsequent of the 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 Chief Executive Officer, also 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 met the Supervisory Board and no critical issues emerged with regards to the correct implementation of the organisational model to be reported herein.
We acquired knowledge and reviewed the adequacy of the organisational, administrative and accounting structure, in addition to its correct operation, also through the information received from departmental managers. In this regard, there are no matters to report upon.
We received from the Directors' information on the measures adopted by the company regarding the containment and management of the COVID-19 health emergency and we have maintained contact with the Supervisory Board and with the DPO for the monitoring of the controls within their scope with regards to this extraordinary event.
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.
During 2019, 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.

B2) Observations on the separate financial statements
To our knowledge, the Directors did not make recourse to any exceptions as permitted by Article 2423, paragraph 5 of the Civil Code.
In consideration of the exception as per Article 106, first paragraph of Legislative Decree No. 18 of March 17, 2020, the Ordinary Shareholders' Meeting for the approval of the financial statements was called within the extended deadline of 180 days from year-end.
The report as per Article 14 of Legislative Decree No. 39 of January 27, 2010 of the independent audit Firm EY contains a "point of disclosure" calling attention to paragraph "4. Significant events after year-end" of the Explanatory Notes to the separate financial statements, which outlines the effects on the company's operations from the COVID 19 outbreak and the urgent legal measures taken by the Italian Government for its containment.

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.
Also with the regards to the Consolidated Financial Statements, the independent auditor's report as per Article 14 of Legislative No. 39 of January 27, 2010 indicated a "point of disclosure" calling attention to paragraph "10. Significant events after year-end" of the Explanatory Notes to the Group consolidated financial statements, which outlines the effects on the company's operations from the COVID 19 outbreak and the urgent legal measures taken by the Governments of the countries where the Group operates for its containment.

B3) 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 on the legal audit contained in the report as per Article 14 of Legislative Decree No. 39 of January 27, 2010, which does not highlight issues regarding significant deviations, or negative opinions or an impossibility to express an opinion, which contains the point of disclosure indicated at the previous paragraph and therefore issues a positive opinion, the Board of Statutory Auditors proposes to the Shareholders' Meeting approval of the separate financial statements at December 31, 2019, as prepared by the directors.
The Board of Statutory Auditors agrees with the proposal to cover the loss of the directors stated in the Explanatory Notes.

Arezzo, 09.05.2020

The Board of Statutory Auditors

Micaela Badiali (Chairperson)
Susanna Sgrevi (Statutory Auditor)
Gabriele Nardi (Statutory Auditor)

EY
Building a better working world

Monnalisa S.p.A.

Financial statements as at December 31, 2019

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, 2019, the income statement and the cash flow statement for the year then ended, and explanatory notes.
In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, 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.

Emphasis of matter

We draw attention to paragraph "4. Subsequent events" of the explanatory notes to the financial statements, which describes the effects of the spreading of COVID 19 and of all related measures imposed by the Italian government to protect the public health on the Company's business operations. Our opinion is not modified in respect of this matter.

Other matters

The audit activity has been partially affected by the spreading of COVID 19 and all related measures imposed by the Italian government to protect the public health, including restrictions to all travel initiatives. Consequently, due to an objective situation of force majeure, certain audit procedures performed in accordance with the applicable auditing standards have been carried out considering (i) a revised organization of our employees and audit teams, based on a wide use of smart working models, and (ii) different means to connect with client management personnel and gather audit evidence, that primarily involved the use of electronic support provided through remote communication networks.

EY
Building a better working world

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.

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,

2

EY
Building a better working world

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, 2019, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the financial statements of Monnalisa S.p.A. as at December 31, 2019 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, 2019 and comply with the applicable laws and regulations.

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

Florence, 8 May 2020

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

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

3

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