MONNALISA

Monnalisa Spa

Arezzo, via Madame Curie n. 7

Half-Year Report at June 30, 2020

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Interim Directors’ report on operations at June 30, 2020

1.Corporate boards

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

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

Board of Statutory Auditors

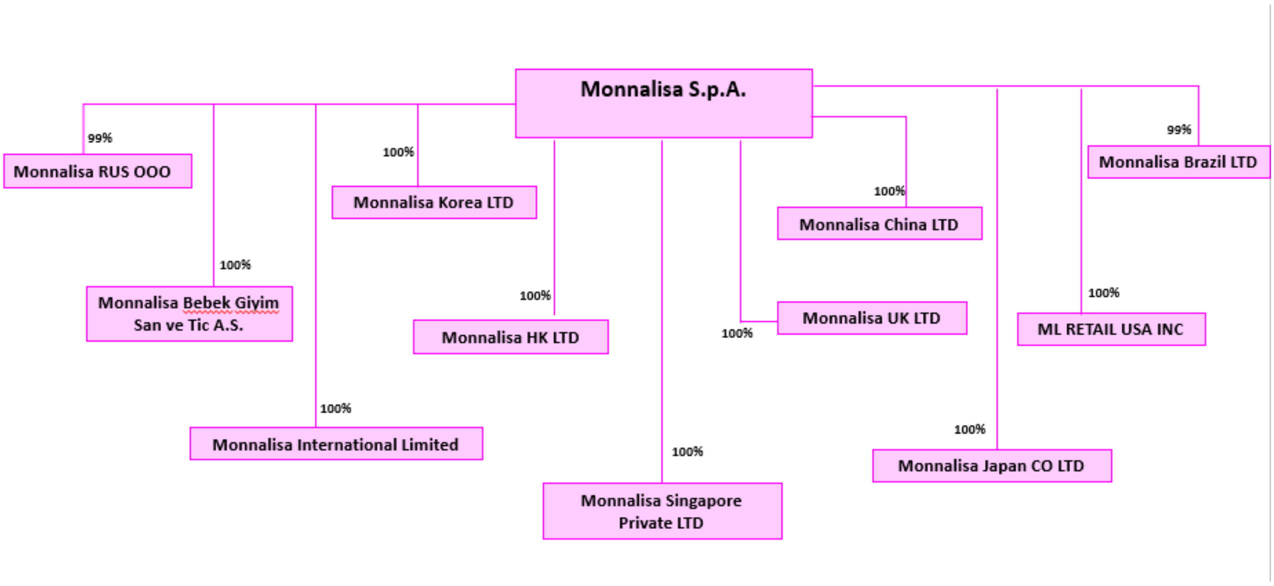
Chairperson	**Micaela Badiali**
Statutory Auditors	**Gabriele Nardi** **Susanna Sgrevi**

Independent Audit Firm	EY S.p.A.
Nomad	CFO Sim S.p.A.

Dear Shareholders,
Consolidated profit for the period ended June 30, 2020 amounted to Euro 6,796,630, including a minority interest share of Euro 5,575.

2. Group operations and structure

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 and original styling with 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 the world's best-known Department Stores and over 750 multi-brand 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 a constant and careful monitoring by the Company of its value chain.
The structure of the Monnalisa Group at June 30, 2020, corresponding to the scope of consolidation, is presented below. Compared to the structure at 31/12/19, a new subsidiary headquartered in Singapore was incorporated:



<u>Admission to AIM Italia – Alternative Capital Market</u>

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.

In accordance with Article 18 of the AIM Italia Issuers' Regulation, updated on September 16, 2020, the company is required to publish the half-year report within three months from period-end.
Therefore, the Board of Directors of Monnalisa S.p.A. approved on September 30, 2020 the half-year report at June 30, 2020 and published it on the Investor Relations section of the Monnalisa S.p.A. website and on the channels required by Borsa Italiana.

Finally, it should be noted that Monnalisa S.p.A.'s average market capitalisation in the first half of 2020 was approximately Euro 15.185 million. The current market capitalisation of the Group is lower than the value of the Group's shareholders' equity. The Directors consider that this valuation is not representative of the Group's actual value.

3. Operating performance and significant events of the period

In 2020, in accordance with its development plan, the company continued with its retail expansion project.

The details of the new store locations opened in H1 2020 are provided below:

Type	Country	City	Location
DOS	France	Paris	Department Store
DOS	France	Nice	Department Store
DOS	France	Nice	Department Store

DOS = Directly Operated Store

In the same period, five low-traffic sales points were closed, in China (MIXC Shenzhen and Shanghai Florentia Village), Russia (European Center), Brazil (Recife) and Turkey (Istanbul Airport).
Two temporary stores were also opened in Japan for a period of approximately one month.
At the end of H1 2020, the Monnalisa Group therefore owns a total of forty-seven direct sales points, between both DOS's and DOO's, compared to forty-eight at December 31, 2019 and forty-seven at June 30, 2019.

Revenues by distribution channel

Sales revenues totalled Euro 15.1 million, compared to Euro 24.6 million in the first half of the previous year, with a drop of 38% at current and like-for-like exchange rates. The drop in revenues was caused by the COVID-19 pandemic which led to the shutdown of commercial activity across the globe, in addition to international traffic bans and restrictions. This resulted in the closure of the direct and indirect distribution network for a large part of the period. In the remaining months, after the reopening, traffic dropped, with a particular impact on operations in tourist hotspots.

The retail channel reported a 41% sales volume contraction on the same period of the preceding year, with revenues of Euro 4.2 million (compared to Euro 7.1 million). From mid-March, Monnalisa ordered the closure of its showrooms and directly managed stores in Italy. In terms of foreign subsidiaries, the retail stores managed directly by companies belonging to the Monnalisa Group were gradually closed as the pandemic spread around the world. In mid-March, stores in France, the USA, Spain, Belgium, Brazil, the UK, Russia and Turkey were closed according to local laws and according to the example of eastern countries, where the emergency originated at the end of January. The retail channel accounted for an almost unchanged proportion of revenues (28%, compared to 29% in H1 2019). Pre-lockdown sales saw double-digit growth across all comparable stores, highlighting both the success of the spring-summer 2020 collection and the strength of the retail plan introduced over the preceding months.

Wholesale channel revenues were Euro 10.3 million at current and like-for-like exchange rates, compared to Euro 16.7 million in H1 2019. In particular, the summer collection, delivered before the lockdown, saw a significant drop in reorders and a delay in deliveries in Russia, due to its lockdown shortly after Italy's. Finally, over half of the drop in wholesale revenues was from the winter collection, whose shipments - differing from usual and due to the lockdown - were delayed until after June. The winter shipments in July, August and September fully recovered the lack of shipments in June.

E-commerce channel revenues fell 17%, both at current and like-for-like exchange rates. In the second quarter of the year, sales were up 20% over Q2 2019, owing to the considerably improved website performance, particularly in terms of the higher conversion rate.

The result - apparently bucking the trend of other sector enterprises - in reality was heavily shaped by the significant drop in channel revenues over the first three months of the year, due mainly to the technical problems posed by the start-up of a totally re-purposed e-commerce ecosystem (e-commerce platform, PIM-DAM, CRM, marketing automation and multi-channel system), in addition to the domain switch from monnalisa.eu to monnalisa.com, which required a review of the SEO and indexing strategy.

We also indicate, although not included in this figure, the doubling of online sales in China through the TMall platform. The figures are so far negligible, although confirming the development of Monnalisa's online sales, both directly and through third party e-commerce platforms.

Six months ended 30 June at current exchange rates						
In thousands of €	**2020**	**Inc. %**	**2019**	**Inc. %**	**Var**	**Var %**
Retail	4,184	28%	7,122	29%	(2,939)	-41%
Wholesale	10,314	69%	16,671	68%	(6,357)	-38%
B2C	639	4%	767	3%	(128)	-17%
Total	**15,137**	**100%**	**24,561**	**100%**	**(9,423)**	**-38%**

Six months ended 30 June at constant exchange rates						
In thousands of €	**2020**	**Inc. %**	**2019**	**Inc. %**	**Var**	**Var %**
Retail	4,214	28%	7,122	29%	(2,908)	-41%
Wholesale	10,346	68%	16,671	68%	(6,326)	-38%
B2C	640	4%	767	3%	(127)	-17%
Total	**15,200**	**100%**	**24,561**	**100%**	**(9,361)**	**-38%**

Revenue by region

Revenues by region indicate a similar drop in Europe and the Rest of the World (-40%) and a more contained contraction in Italy (-35%). The revenue breakdown by region remained substantially unaltered compared to the comparative period.

Six months ended 30 June at current exchange rates						
In thousands of €	**2020**	**Inc. %**	**2019**	**Inc. %**	**Var**	**Var %**
Italy	5,072	34%	7,749	32%	(2,678)	-35%
Europe	3,992	26%	6,705	27%	(2,713)	-40%
Rest of the world	6,073	40%	10,106	41%	(4,033)	-40%
Total	**15,137**	**100%**	**24,561**	**100%**	**(9,423)**	**-38%**

Six months ended 30 June at constant exchange rates						
In thousands of €	**2020**	**Inc. %**	**2019**	**Inc. %**	**Var**	**Var %**
Italy	5,072	33%	7,749	32%	(2,678)	-35%
Europe	3,992	26%	6,705	27%	(2,713)	-40%
Rest of the world	6,136	40%	10,106	41%	(3,971)	-39%
Total	**15,200**	**100%**	**24,561**	**100%**	**(9,361)**	**-38%**

Adjusted EBITDA presents a loss of approx. Euro 2.4 million (Adjusted EBITDA in 2019 of Euro 2.8 million). The adjustments to EBITDA concerned the sales point openings and closings in the period, one-off costs incurred and the extraordinary items indicated above, regarding the write-down of inventory, the doubtful debt accrual and the losses of the subsidiaries.
In view of the challenging economic environment arising from the pandemic, the company also reviewed its assumptions and estimates used to prepare the consolidated financial statements, carrying out an extraordinary adjustment to the expected realisable value of inventories - both raw materials and finished products - for a total of Euro 2.1 million and allocating a larger accrual to the Doubtful debt provision in view of possible wholesale customer insolvencies.

EBITDA presents a loss of Euro 6.2 million, compared to a profit of Euro 1.9 million in H1 2019. The loss of margin on the wholesale channel for winter shipments was entirely recovered in the third quarter of 2020, to which the winter collection shipments were postponed.
The margin was also impacted by a number of losses at the subsidiaries following the closure of their stores during the period and in July and August. Specifically, during the period two stores closed in China, one in Russia and one in Turkey at Istanbul airport. The Korean company was also closed in the period. In the subsequent months, a store of the Brazilian subsidiary was closed, while the two remaining stores became TPOS (third party operated store) managed by the company owning, among others, the well-known Cidade Jardim shopping centre in San Paolo, where one of the stores is located, thereby maintaining a presence in a key market. The economic impact of this operation, in terms of losses, has already been reflected in the H1 2020 financial statements.

The Group introduced during the period a cost review policy to contain non-strategic and deferable costs, without impacting product quality and the medium-term operating outlook. Operating cost control included: the closure of under-performing sales points, the cutting and postponement of marketing spend, the renegotiation of rents, the use of government subsidies and business supports where existing, the voluntary reduction of remuneration by the Chairman and Chief Executive Officer and the voluntary reduction of remuneration by the creative director and two executives, all related parties.

After amortisation and depreciation of Euro 1.7 million (increasing Euro 0.1 million over June 30, 2019), EBIT presents a loss of Euro 7.9 million (profit of Euro 0.3 million in H1 2019).

A Net Loss of Euro 6.8 million was reported (profit of Euro 0.1 million in H1 2019).

The Net Financial Position is Euro 9.5 million, compared to Euro 3.4 million at December 31, 2019. The movement in the NFP mainly concerned: the reduction in bank and postal deposits and the increased non-current bank payables. In particular, it was agreed with clients to defer April due dates to July, with the others remaining unchanged. The Net Financial Position is influenced by the temporary investment released in January 2020 and disinvested only in July. In terms of bank debt, an unsecured Euro 1 million loan was agreed in April, which was then included within the consolidation transactions under the Liquidity Decree, completed after the closing of semester.

The company adopted a highly selective investment policy, limiting itself exclusively to those agreed before the outbreak of the pandemic. Investing activity used cash of approximately Euro 740 thousand, of which Euro 470 thousand was invested in intangible assets, specifically expenses incurred on third-party assets for the opening of direct stores and the costs incurred to develop the e-commerce site and the digital transformation.

The Group has a total equity of Euro 31.8 million.

4. Outlook

The economic-social impacts of COVID-19 continue to be severe across the globe and the major uncertainty with regards to the duration and extent of the consequences of the pandemic makes forecasts on the FY 2020 results difficult. The fashion industry in fact has been particularly hit by the difficult general economic environment, with spending power and consumption propensity dropping. The impact has been sharpened by international travel restrictions and the consequent significant fall in tourist numbers.

The company promptly acted to introduce all necessary measures to contain the impacts of the pandemic, through reviewing costs, closely managing commercial relations and the supply chain, while strengthening the financial situation.

After the end of the period, medium/long-term unsecured loans for over Euro 5 million were sought and obtained, of which Euro 3.3 million new funding, with the residual through the consolidation of existing debts and a consequent extension of the original repayment period. Guarantees have been issued for the transactions, all under the Liquidity Decree, by the Central Guarantee Fund for SME's up to the maximum permitted amount of Euro 5 million.

In addition to the above, the company obtained an additional loan of over Euro 0.8 million from Simest S.p.A. to support the launch of Italian enterprises on non-EU markets and particularly for the opening of the new sales point in Singapore at the luxury "Marina Bay Sands" in August. Thanks to the Relaunch Decree, this loan was disbursed without guarantees. The first tranche, accounting for 50% of the total, has already been disbursed, with the remaining part to be released within 29 months from the contract conclusion date.

At the same time, Monnalisa confirms its commitment to improve the strategic positioning of its collections and to ongoing brand development. The company therefore has invested in its e-commerce B2C platform and launched new digital-oriented components to expand the commercial network's capacity and boost customer interaction. The significant technological acceleration in this period involved everyone. Monnalisa has stepped up its digital focus, adopting a visual showroom platform which hosted the SS21 sales campaign just after the lockdown ended, strongly promoting the collections and sharing technical, style and inspirational details with customers - particularly those overseas who cannot travel internationally and make their seasonal showroom visit.

5. Subsequent events

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

6. Operating and financial overview

The operating and financial overview is based on the reclassified balance sheet, drawn up as per Articles 2424 and 2424-bis of the Italian Civil Code, and the reclassified income statement, drawn up as per Articles 2425 and 2425-*bis* of the Italian Civil Code. 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 utilises alternative performance indicators, which are not recognised under Italian GAAP, to better assess Group performance. The criterion applied by the Group and the relative results may therefore not be uniform and comparable with those of other groups. These indicators are based solely on the Group's historical data for the reporting period and the comparative periods, without referring to the Group's expected performance, and should not be considered as replacements for the indicators required by the applicable accounting standards (Italian GAAP – OIC).

The alternative performance indicators utilised are the following:

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

EBITDA ADJUSTED (Ebitda adjusted): Indicates the result before financial income and charges, income taxes, amortisation and depreciation and non-recurring costs (non-recurring accruals to the doubtful debt provision and non-recurring exchange gains/losses) adjusted for the sales point openings and closings in the period, one-off costs incurred and the extraordinary items indicated above, regarding the write-down of inventory, the doubtful debt accrual and the losses of the subsidiaries.

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

Net Capital Employed: The net capital employed is the sum of net working capital, fixed assets, other liabilities including pension and similar obligations provisions, deferred tax liabilities, other provisions and the doubtful debt provision. Net capital employed is not identified as an accounting measure under Italian

GAAP. The criteria applied by Monnalisa may not be uniform with those adopted by other entities and these values may not be comparable with that determined by such entities.

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

7. Reclassified income statement

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

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

Description	30/06/2020	Inc. %	30/06/2019	Inc. %
Revenues from sales	15,137,096		24,560,083	
Profit/(loss) non-core income	250,836		419,559	
Total Revenues	**15,387,932**	**100%**	**24,979,641**	**100%**
Product Manufacturing Costs	(8,426,848)		(8,338,263)	
Costs for raw materials and finished products	*(6,409,898)*		*(4,515,402)*	
Costs for production services	*(2,016,950)*		*(3,822,861)*	
Costs for use of third-party assets	(2,682,707)		(3,064,739)	
Marketing Costs	(1,025,468)		(1,326,186)	
Costs for other services	(3,329,463)		(4,246,371)	
ADDED VALUE	**(76,554)**	**0%**	**8,004,083**	**32%**
Personnel Costs	(4,752,567)		(5,823,847)	
Miscellaneous operating costs	(902,574)		(194,466)	
Provisions for bad and doubtful accounts	(464,328)		(49,147)	
EBITDA	**(6,196,023)**	**-40%**	**1,936,623**	**8%**
Depreciation tangibles	(901,246)		(841,838)	
Amortization intangibles	(782,095)		(775,990)	
EBIT	**(7,879,364)**	**-51%**	**318,795**	**1%**
Financial Management (ex. Currency)	(158,470)		(203,436)	
Profit/(Loss) before taxes	**(8,037,834)**	**-52%**	**115,359**	**0%**
Taxes	1,241,205		(239,170)	
Consolidated Net Profit	**(6,796,630)**	**-44%**	**(123,811)**	**0%**

The costs for raw materials and finished products include the extraordinary adjustment to the estimated realizable value of the inventories of raw materials and finished products for a total of Euro 2.1 million.
Other operating expenses include capital losses of €0.4 million relating to subsidiaries following the closure of their stores in the first half of the year and in July and August.
The allocation to the Allowance for doubtful accounts includes the largest allocation made to cover possible insolvencies of wholesale customers, for € 0.4 million.
Taxes with a positive sign refer to provisions for deferred tax assets.

8. Reclassified balance sheet

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

Funding balance sheet

Assets	30/06/2020	%	31/12/2019	%	30/06/2019	%
FIXED ASSETS	**24,690,713**	**41%**	**25,468,487**	**37%**	**26,639,877**	**35%**
Intangible assets	3,535,232		4,161,899		5,557,952	
Tangible assets	17,513,066		18,338,905		18,179,530	
Financial Assets	3,642,415		2,967,683		2,902,395	
CURRENT ASSETS	**35,548,624**	**59%**	**42,597,245**	**63%**	**49,987,338**	**65%**
Inventory	16,545,884		18,510,004		19,992,702	
Deferred Cash	16,870,423		15,730,357		18,488,393	
Cash on hand	2,132,317		8,356,884		11,506,243	
INVESTED CAPITAL	**60,239,337**	**100%**	**68,065,732**	**100%**	**76,627,215**	**100%**

Liabilities						
EQUITY	**31,805,210**	**53%**	**38,900,640**	**57%**	**47,227,170**	**62%**
Share Capital	10,000,000		10,000,000		10,000,000	
Reserves	28,601,839		37,322,847		37,350,981	
Profit/(loss) for the period	(6,791,054)		(8,415,516)		(122,438)	
Profit/(loss) to minority interest	(5,575)		(6,691)		(1,373)	
CONSOLIDATED LIABILITIES	**9,761,755**	**16%**	**9,322,567**	**14%**	**10,633,499**	**14%**
Financial	7,205,472		6,564,737		8,302,349	
Non financial	2,556,283		2,757,830		2,331,150	
CURRENT LIABILITIES	**18,672,372**	**31%**	**19,842,525**	**29%**	**18,766,545**	**24%**
Financial	8,064,002		8,127,152		6,212,264	
Non financial	10,608,370		11,715,373		12,554,281	
FINANCING CAPITAL	**60,239,337**	**100%**	**68,065,732**	**100%**	**76,627,215**	**100%**

Operational balance sheet

	30/06/2020		31/12/2019		30/06/2019	
OPERATING INVESTED CAPITAL/EQUITY	**58,967,610**	**Inc. %**	**65,086,239**	**Inc. %**	**73,684,230**	**Inc. %**
- Operating Liabilities	13,927,834		14,473,203		14,885,432	
NET OPERATING INVESTED CAPITAL/EQUITY	**45,039,776**	**97%**	**50,613,036**	**94%**	**58,798,798**	**95%**
NON-OPERATING INVESTMENTS	**1,468,586**	**3%**	**2,979,494**	**6%**	**2,942,985**	**5%**
NET INVESTED CAPITAL/EQUITY	**46,508,363**	**100%**	**53,592,530**	**100%**	**61,741,783**	**100%**
Sources						

EQUITY	29,793,504	64%	38,900,640	73%	47,227,170	76%
FINANCIAL LIABILITIES	16,714,859	36%	14,691,889	27%	14,514,613	24%
FINANCING CAPITAL	46,508,363	100%	53,592,530	100%	61,741,783	100%

Net Financial Position

The net financial position, stated according to Consob Communication No. DEM/6064293 of July 28 2006, at June 30, 2020 and December 31, 2019 is reported below:

in thousands of €		30/06/2020	31/12/2019
A	Cash on hand	44	76
B	Bank and postal deposits	2,089	8,281
D	**Cash and cash equivalents (A+B)**	**2,132**	**8,357**
E	**Other current financial assets**	**3,634**	**2,913**
F	Current bank payables	5,493	5,655
G	Current part of non-current debt	2,389	2,472
H	Other current financial liabilities		
I	**Current Financial Debt (F+G+H)**	**7,882**	**8,127**
J	**Net Current Financial Debt (I-E-D)**	**2,116**	**(3,143)**
K	Non-current bank payables	7,205	6,565
L	Bonds issued		
M	Other non-current financial liabilities	182	
N	**Non-current financial debt (K+L+M)**	**7,387**	**6,565**
O	**Net Financial Debt or NPF (J+K)**	**9,503**	**3,422**

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

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

Market risks

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

Risks related with image

The market in which the Monnalisa Group operates is influenced by the retailer and end customer's perception not only of the style proposed by the company, but also of the intrinsic quality of the product and the brand's reputation. In order to mitigate these risks, the image of the product and the brand is carefully managed (brand, product, company and group communication). The public relations function is internal, in order to ensure a more effective monitoring 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 malls, through specific product certifications.

Distribution network risks
The risks associated with the retail and wholesale channel relate to the solvency and solidity of clients, which are regularly monitored by prudently assessing the credit limits to be granted, in addition to relying on a credit insurance and management service. An additional service that provides online access to commercial information in real time is also used to monitor whether the credit limits granted remain sound over time.
In a market of this nature, it is also essential to be able to obtain and to maintain the most desirable locations in the world's most important cities and prestigious department stores. The main risk associated with this type of channel relates to the term of the lease agreements, their possible renewable and the revision, if any, of the conditions applied.
The group invests constantly in the distribution channel, according to a win-win approach for both the client and supplier, by providing personalized support for store layout and set-up, assistance in preparing the initial order, monitoring of the mix of products stocked, training for sales personnel, visual merchandising initiatives, management and co-management of in-store events, product exchange service and modular support with the management of unsold articles.

Risks related to relations with manufacturers and suppliers
Production is outsourced to small local workshops (contract manufacturers) and manufacturers that also produce their own product lines based on Italy and internationally (China, Turkey and Egypt). Collaboration with our main suppliers is based on an approach oriented towards long-term partnership, founded on common goals and methods to identify quality professional solutions and achieve mutually satisfactory results, with a focus on relationship stability, while also limiting the risk of dependency on key suppliers, in terms of workload or the type of product/service offered. Although the group is not materially dependent on any single supplier, there is still a potential risk that existing supply arrangements may be interrupted. Accordingly, the workloads assigned to each supplier are regularly monitored and intense worldwide scouting of new suppliers is conducted.

Risks related to the loss of know-how and talent
The group's success depends strongly on the people who work with it, their expertise and their professionalism. Accordingly, it is sought to prevent the loss of talent by ensuring a stimulating, challenging working environment offering a wealth of opportunities for learning and growth. The sharing of individual knowledge is in addition promoted, in the form of the transversal growth and spread of skills through direct training of colleagues and publication on the server of everything that can be codified into procedures and instructions.
When new international branches are opened in countries with cultures profoundly different from those of the parent company, it also becomes crucial to understand how individuals of another nationality approach their work and what motivates them, by developing ad hoc policies and taking account of a different attitude to company loyalty over time.

Risks related to the loss of information and data
The Monnalisa Group has added data management and back-up procedures to the instructions contained in the Parent Company's ISO 9001 manual, even though the obligation to prepare and update the security planning document has ceased to apply. No complaints regarding privacy breaches or data losses have ever

been received. One of the three individuals in the IT office is tasked with constantly updating IT systems to avoid the risk of obsolescence, and there is also a management committee that focuses on technological development at the level of software. Secure payment systems managed by certified companies that employ the best security protocols are used in online product marketing systems. Internal controls are applied to ensure that transactions are formally and substantially correct.
Company privacy roles (data controller, data supervisor and DPO) pursuant to Regulation (EU) No. 2016/679 were formalised.

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. The group assesses the value of its inventory at its various facilities, ensuring that it is consistent with the expected realisable value, and identifies the methods and channels to be used to dispose of the remaining articles.

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

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

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

Risks related to governance
The parent company is a first-generation family business in which the founders are still actively involved in terms of contributions and guidance. Accordingly, there are clearly potential continuity and succession

risks. In order to mitigate this type of risk, a Board of Directors was formed in 2010, and reappointed in 2018, with members currently including, in addition to Chairman Piero Iacomoni, three external members, including Chief Executive Officer Christian Simoni, and an independent director. Whether to expand the Board of Directors to include new members remains an open question.

Risks related to accounting activity

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

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.

Covid-19 risk update

By February 2020, Monnalisa's management team had put in place initial measures to combat the spread of Covid-19. These measures were subsequently updated and supplemented as the situation developed. A "shared protocol to regulate the measures put in place to combat the spread of Covid-19 in the workplace" was adopted and signed by trade unions and trade associations.

Working methods were being restructured according to the tasks performed by employees. Individuals working in the administrative-financial, sales, style, design and production planning departments were encouraged to adopt an agile/smart-working approach, with 58 contracts drawn up, in addition to the remote contracts that were already in place. Before the site was closed, production department employees saw their working hours reduced to six continuous hours. An alternate-day shift system was also put in place to reduce the number of employees on site at the same time, so that social distancing could be properly enforced. Employees who did not belong to the previous categories were encouraged to take leave or make use of paid holidays, while thereafter utilising the temporary lay-off scheme on the basis of the COVID-19 outbreak, which was partially and for certain periods utilised also by staff working remotely.

The lay-off scheme was paid in advance by the company and then reconciled with the INPS Uniemens system and is still in place month-by-month.

Said sites began producing surgical masks using non-woven fabric, which were subsequently donated to the local government, police forces and to Arezzo Hospital in order to strengthen the company's social responsibility projects.

As a corporate welfare measure, the company management team took out an insurance policy for all Monnalisa employees in Italy in the event of contagion from Covid-19.

In terms of foreign subsidiaries, the retail stores managed directly by companies belonging to the Monnalisa Group were gradually closed as the pandemic spread around the world. In mid-March, stores in France, the USA, Spain, Belgium, Brazil, the UK, Russia and Turkey were closed according to local laws and following the example of eastern countries, where the emergency originated at the end of January.

Each of the subsidiaries has made use, within its remit, 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 each State of part or all of the cost of personnel, or putting employees on unpaid leave so as to allow them to receive unemployment benefits. Not all governments introduced extraordinary measures to contain personnel costs in view of the pandemic, leaving the entire cost of the emergency to be borne by businesses.

Sales and industrial activities restarted with the launch of Phase 2, and a company protocol was drawn up to govern the measures put in place to combat Covid-19. The protocol was largely in line with the national protocol adopted on April 24, 2020 between social partners in the presence of the Government, and also took into account the "shared protocol governing measures to combat and contain the spread of Covid-19 in the workplace", which was signed by trade unions and trade associations on March 14, 2020. The company also complied with the regulations established by local regions, following the guidelines provided therein to help companies adopt anti-contagion security protocols.
On May 26, 2020, the Competent Authorities carried out an assessment at Monnalisa's head office on Via Madame Curie, according to the national and regional provisions, with the aim of correctly applying the protocol put in place to contain the spread of Covid-19. Full compliance was encountered during the audit.

The prompt organization of the work has made it possible to release the pre and main collections of the spring-summer 2021 season with a delay of only three and four weeks compared to the operative calendar, and to continue, with negligible delay, the production progress of the autumn-winter 2020 season. The entire production-logistic process has been kept constant, which has made it possible to guarantee a high level of service to customers, to be ready to propose the new collection and to send the goods of the autumn-winter 2020 season to the customers, who have already started to re-supply them in July, thanks to positive sell-outs. An extremely effective virtual showrooming system was implemented in just a few weeks. This was possible thanks to the investments made in recent years for the development of the digital identity of products and more generally for the digitization of processes. The choices made, as well as the readiness to face the extraordinary emergency situation will significantly contribute to increase the reputation of the company, with benefits in the medium-long term.

10. Research and development

In accordance with point 1) of paragraph three of Article 2428 of the Civil Code, research and development on projects considered particularly innovative, both through in-house personnel and consultancy, are expected to continue in the first half of 2020. The costs incurred for research and development of processes and products are not capitalised but included in operating costs and as such are therefore entirely recharged to the income statement. During the period, total R&D costs of Euro 162,997 were incurred, with design costs of Euro 542,225.

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

Transactions between the various companies take place at current market conditions. Significant related party transactions for the first half of 2020 are broken down below by company:

- Jafin SpA: finance company with which Monnalisa signed a bond loan and has in place a lease contract for a number of properties utilised for company operations
- Monnalisa Foundation: non-profit entity undertaking philanthropic activities in Aretino
- Hermes&Athena Srl: commercial area consultancy firm
- Arcangioli Consulting Srl: management consultancy firm
- Barbara Bertocci: Monnalisa's creative director

- Pierangelo Arcangioli: administration/tax 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.
- Monnalisa Singapore Ltd: retail development company in the country.

The following table presents the transactions at 30/06/2020 in economic and financial terms:

Company	Equity investments	Trade Receivables	Other receivables	Trade Payables	Other Payables	Revenues	Costs
Jafin SpA		55,344	1,200,000	456,153			444,829
Fondazione Monnalisa		156,754					
DiDj srl				29,000			
Hermes & Athena Consulting Srl				325,000			100,000
Arcangioli Consulting Srl			31,000				
Arcangioli Pierangelo				609			50,661
Barbara Bertocci							62,500
Monnalisa Hong Kong LTD	600,000	1,682,028	100,000	53,045		31,958	19,621
Monnalisa Brazil Ltda	81,444	332,775		16,011		56,086	7,095
Monnalisa China LLC	3,134,036	3,599,578		141,548		316,071	62,630
Monnalisa Rus OOO	592,678	1,009,559				650,177	
ML Retail Usa Inc	4,432,947	1,567,182	92,315	103,614		248,185	34,265
Monnalisa Bebek Giyim Sanayi ve Ticarted	571,322	167,878		9,239	267,063	44,564	2,756
Monnalisa UK LTD	235,377	65,997				102,345	
Monnalisa Korea Ltd						645	
Monnalisa Taiwan	202,731	28,497				12,111	
Monnalisa Japan	8,189	28,214	80,000			28,215	
Monnalisa Singapore LTD	260,010	235,769				66,052	
TOTAL	**10,118,735**	**8,929,575**	**1,503,315**	**1,134,219**	**267,063**	**1,556,409**	**784,357**

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

12. Other information

On January 16, 2019, the Board of Directors of Monnalisa S.p.A., inter alia, approved the share buy-back and sale program in accordance with the shareholders' meeting resolution dated June 15, 2018. The Board of Directors established the programme duration as between January 28, 2019 and December 15, 2019. In view of this programme, Monnalisa holds 18,075 treasury shares at 30/06/20 for a carrying amount of the negative reserve for treasury share purchases of Euro 149,915.

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The company has not adopted particular environmental impact policies because they are not required in respect of its activity. The company has been ISO 14001 certified since 2015.

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

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

In order to comply with the provisions of the AIM Italia – Alternative Capital Market Issuers' Regulation, as updated on September 16, 2020, the Company has adopted specific corporate governance procedures such as:

- internal dealing procedures governing reporting obligations applicable to certain transactions undertaken by the Company's directors;
- a regulation on the management and processing of company information and external disclosure of inside information;
- related-party transactions procedure governing the identification, approval and execution of transactions undertaken by the Company with related parties in order to ensure that such transactions are transparent and correct both in substance and from a procedural viewpoint;
- procedure for complying with reporting obligations vis-a-vis the Nomad.

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

The Chief Executive Officer Christian Simoni

Consolidated Half-year Financial Statements June 30, 2020

INCOME STATEMENT	30.06.2020	30.06.2019
A) Value of Production		
1) Revenues from sales	15,137,096	24,560,083
2) Changes in inventories of work in progress, semi-finished goods and finished products	(1,950,907)	1,824,502
4) Capitalization of internal work	12,147	100,843
5) Other revenues and income	419,459	726,047
Total value of production	**13,617,795**	**27,211,475**
B) Costs of Production		
6) Raw materials, consumables and goods for resale	5,034,853	6,885,226
7) Services	5,973,402	9,268,928
8) Use of third-party assets	2,900,913	3,323,758
9) Personnel Costs		
a) Wages and salaries	3,616,567	4,482,541
b) Social security charges	865,992	1,027,912
c) Termination indemnities	120,554	147,327
d) Pensions and similar obligations	124,793	76,688
e) Other costs	24,661	89,380
Total personnel Costs	*4,752,567*	*5,823,847*
10) Amortization, depreciation and write-downs		
a) Amortization of intangible fixed assets	782,095	775,990
b) Depreciation of tangible fixed assets	901,246	841,838
c) Write-downs of other assets	-	-
d) Write-downs of receivables in current assets and cash and cash equivalents	464,328	49,147
Totale amortization, depreciation and write-downs	*2,147,669*	1,666,975
11) Change in inventory of raw, ancillary, consumable materials and goods	(215,591)	*(271,068)*
14) Other operating costs	618,699	242,533
Total production costs	**21,212,512**	**26,940,198**
Difference between value and production costs (A-B)	**(7,594,717)**	**271,277**
C) Financial income and expenses		
16) Other financial income:		-
a) from receivbales classified as fixed assets	8,800	
b) from securities classified as fixed assets	15,000	15,000
d) others	4,698	4,197
Totale financial income	*28,498*	*19,197*
17) Interests and other financial expenses		
-other	186,968	222,633
Total financial expenses	186,968	*222,633*
17-bis) (Losses) and gains on currency exchange	276,084	56,080
Total financial income and expenses	**(434,554)**	**(147,356)**
18) Write-backs:		
d) financial derivative instruments		
Totale write-backs		
19) Write-downs:		
d) financial derivative instruments	8,563	8,563
Total write-downs	8,563	8,563
Total value adjustments to financial assets (D)	**(8,563)**	**(8,563)**
Profit/(Loss) before taxes (A-B±C±D)	**(8,037,834)**	**115,359**
a) Current taxes	-	500,497
b) Deferred taxes	(1,241,205)	(261,327)
Total Income, current, deferred taxes	(1,241,205)	239,170
21) Profit (loss) for the period	**(6,796,630)**	**(123,811)**
Profit (loss) attributable to the Group	(6,791,054)	(122,438)
Profit (loss) attributable to minority interests	(5,575)	(1,373)

ASSETS	30.06.2020	31.12.2019
A) Subscribed capital unpaid		
B) Fixed Assets		
I - Intangibles Assets		
1) Start-up and expansion costs	674,355	859,656
3) Industrial Patent and Intellectual Property Rights	472,244	318,551
5) Goodwill	749,682	909,103
6) Work in progress and advance payments	151,190	0
7) Others	1,487,761	2,074,589
Total Intangible assets	**3,535,232**	**4,161,899**
II - Tangible Assets		
1) Land and Buildings	10,852,848	10,991,664
2) Plants and equipment	3,461,695	3,811,577
3) Industrial and commercial equipment	385,166	518,590
4) Other Assets	2,719,673	3,011,673
5) Work in progress and advance payments	93,684	5,400
Total Tangible Assets	**17,513,066**	**18,338,905**
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		
- beyond 12 months	1,433,791	1,712,281
3) Other Securities	2,200,000	1,200,000
Total Financial Assets	**3,642,415**	**2,920,906**
B) Total Fixed Assets	**24,690,713**	**25,421,710**
C) Current Assets		
I - Inventories		
1) Raw, supplies and consumable materials	2,569,150	2,351,518
2) Work in progress and semi-finished products	1,318,523	1,734,271
4) Finished products and goods	12,608,010	14,339,822
5) Advances	50,202	84,393
Total inventories	**16,545,884**	**18,510,004**
II - Receivables		
1) Due from customers		
- within 12 months	9,314,874	9,611,253
Total Due from customers	**9,314,874**	**9,611,253**
5-bis) Tax Receivables		
- within 12 months	3,484,498	3,231,350
Total Tax Receivables	**3,484,498**	**3,231,350**
5-ter) Deferred tax assets		
- within 12 months	617,891	589,618
- beyond 12 months	1,705,176	569,572
Total Deferred tax assets	**2,323,067**	**1,159,190**
5-quater) Due from others		
- within 12 months	222,770	825,071
Total Due from others	**222,770**	**825,071**
Total Receivables	**15,345,210**	**14,826,864**
III - Financial Assets (other than fixed assets)		
5) Derivative financial instrument assets	6,928	11,811
Total financial assets (other than fixed assets)	**6,928**	**11,811**
IV - Cash and cash equivalents		
1) Bank and postal deposits	2,088,501	8,280,643

3) Cash on hand	43,816	76,242
Total cash and cash equivalents	**2,132,317**	**8,356,884**
C) Totale current assets	**34,030,339**	**41,705,563**
D) Accrued income and prepaid expenses		
Prepaid expenses	1,518,285	891,683
D) Total accrued income and prepaid expenses	**1,518,285**	**891,683**
TOTAL ASSETS	**60,239,337**	**68,018,956**

LIABILITIES AND SHAREHOLDERS' EQUITY	**30.06.2020**	**31.12.2019**
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	1,108,276
VI Other reserves, indicated separately		
Translation differences	(903,319)	(608,669)
Other reserves	51,576	189,187
Total other reserves	(851,742)	(419,482)
VII Cash flow hedge reserve	4,653	8,364
VIII Profit (loss) carried forward	16,462,737	24,740,642
IX Profit (loss) for the period	(6,791,054)	(8,415,516)
X Negative reserve for own portfolio shares	(149,915)	(149,915)
Total Group Shareholder's Equity	**31,805,526**	**38,894,939**
Third Party capital and reserves	5,259	12,394
Profit (loss) attributable to minority interests	(5,575)	(6,691)
Total Minority Shareholder's Equity	**(316)**	**5,703**
Total Shareholder's Equity	**31,805,210**	**38,900,642**
B) Provisions for risks and charges		
1) Provisions for pensions or similar obligations	60,115	59,397
2) Provisions for taxes, including deferred	186,303	264,928
4) Other	326,855	489,175
Total provisions for risks and charges	**573,273**	**813,499**
C) Employee termination indemnities	**1,895,207**	**1,809,749**
D) Payables		
4) Payables due to banks		
- within 12 months	7,882,002	8,127,152
- beyond 12 months	7,205,472	6,564,737
Total payables due to banks	**15,087,474**	**14,691,889**
5) Payable due to other financial institutions		
- beyond 12 months	181,999	-
Total payable due to other financial institutions	**181,999**	**-**
6) Advances		
- within 12 months	388,640	951,813
Total advances	**388,640**	**951,813**
7) Trade payables		
- within 12 months	7,889,925	7,942,570
Totale trade payables	**7,889,925**	**7,942,570**
12) Tax payables		
- within 12 months	482,403	580,504

Total tax payables	**482,403**	**580,504**
13) Payables to pension funds and social security agencies		
- within 12 months	346,068	540,079
Total payables to pension funds and social security funds	**346,068**	**540,079**
14) Other payables		
- within 12 months	1,251,334	1,252,322
- beyond 12 months	87,804	87,804
Total other payables	**1,339,138**	**1,340,126**
Total payables	**25,715,648**	**26,046,982**
E) Accrued liabilities and deferred income		
Accrued liabilities	-	148,084
Deferred Income	250,000	300,000
Total accrued liabilities and deferred income	**250,000**	**448,084**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**60,239,337**	**68,018,956**

Consolidated Cash Flow Statement at 30/06/2020 (indirect method)

CASH FLOW STATEMENT CASH AND CASH EQUIVALENTS	30.06.2020	30.06.2019
A) Cash flow from operating activities (indirect method)		
Profit for the period	(6,796,630)	(123,811)
Income tax	(1,241,205)	239,170
Interest expenses/(income)	158,470	203,436
(Dividends)		
(Gains)/losses on asset disposals		
1) Profit for the period before taxes, interest, dividends and capital gains/losses on disposals	**(7,879,364)**	**318,795**
Non-cash adjustments not impacting working capital		
Provisions	265,393	261,582
Amortisation & depreciation	1,683,341	1,617,828
Impairments		
Adjustments to non-cash financial instrument assets and liabilities	(5,756)	42
Other non-cash increases/(decreases)	286,625	-
Non-cash adjustments not impacting working capital	**2,229,602**	**1,879,452**
2) Cash flow before working capital changes	**(5,649,762)**	**2,198,247**
Change in net working capital		
Decrease/(Increase) in inventories	1,964,120	(2,165,902)
Decrease/(Increase) in trade receivables	296,379	(231,045)
Increase/(Decrease) in trade payables	(52,644)	898,379
Decrease/(Increase) in accrued income and prepaid expenses	(626,602)	(232,109)
Increase/(Decrease) in accrued liabilities and deferred income	(198,084)	314,784
Other Decreases/(Other Increases) in net working capital	(492,641)	(643,270)
Total changes in net working capital	**890,527**	**(2,059,163)**
3) Cash flow after net working capital changes	**(4,759,235)**	**139,084**
Other adjustments		
Interest received/(paid)	(158,470)	(203,436)
(Income taxes paid)	(98,697)	(80,459)
Dividends received		
(Utilisation of provisions)	(341,536)	(308,859)
Other receipts/(payments)	360,489	-
Total other adjustments	**(238,214)**	**(592,754)**
Cash flow from operating activities (A)	**(4,997,448)**	**(453,670)**
Tangible fixed assets	(248,536)	(852,866)
(Investments)	(269,722)	(892,969)
Divestments	21,186	40,103
Intangible fixed assets	(474,167)	(937,563)
(Investments)	(474,167)	(937,563)
Divestments		
Financial fixed assets	(900,000)	(734,204)
(Investments)	(1,000,000)	(834,204)
Divestments	100,000	100,000
Current financial assets		
(Investments)		
Divestments		
Cash flow from investing activities (B)	**(1,622,703)**	**(2,524,633)**
Third party funds		
Increase/(Decrease) in short-term bank payables	(245,150)	69,654
New loans	1,000,000	2,000,000
(Repayment of loans)	(359,265)	(1,067,946)
Own funds		

Paid-in share capital increase		
(Repayment of share capital)		
Disposal/(Acquisition) of treasury shares	-	(95,913)
(Dividends and advances on dividends paid)		
Cash flow from financing activities (C)	**395,585**	**905,795**
Increase/(decrease) in cash and cash equivalents (A ± B ± C)	**(6,224,566)**	**(2,072,507)**

Opening cash and cash equivalents	**8,356,884**	**13,578,749**
Bank and postal deposits	8,280,642	13,518,370
Checks		
Cash on hand	76,242	60,379

Closing cash and cash equivalents	**2,132,317**	**11,506,243**
Bank and postal deposits	2,088,501	11,431,290
Checks		
Cash on hand	43,816	74,953

Explanatory notes to the consolidated financial statements at June 30, 2020

1.Introduction

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

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

As per Article 2424 there are no asset or liability items that could be classified in more than one account.
On July 10, 2018 the Company's ordinary shares were admitted to trading on the AIM Italia - Alternative Capital Market, a multilateral trading facility organized and managed by Borsa Italiana S.p.A.. Trading of the company's ordinary shares began on July 12, 2018.
In accordance with Article 18 of the AIM Italia Issuers' Regulation, updated on September 16, 2020, the company is required to publish the half-year report within three months from period-end.
Therefore, the Board of Directors of Monnalisa S.p.A. approved on September 30, 2020 the half-year report at June 30, 2020 and published it on the Investor Relations section of the Monnalisa S.p.A. website and on the channels required by Borsa Italiana.

The consolidated interim financial statements at June 30, 2020, of which these Explanatory Notes are an integral part, were prepared in accordance with OIC 30.

2.Consolidation scope and methods

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

Company	Registered Office	Share capital		Shareholders	Holding	Consolidated
		currency	currency value			
Monnalisa Brazil Ltda	San Paolo (Brazil)	Real	1,680,390	Monnalisa SPA; Jafin SPA	99%	100%
Monnalisa China LLC	Shanghai (China)	Yuan	36,505,707	Monnalisa SPA	100%	100%
Monnalisa Hong Kong LTD	Hong Kong	HKD	4,269,125	Monnalisa SPA	100%	100%
Monnalisa Korea Ltd	Seoul (Korea)	WON	100,000,000	Monnalisa SPA	100%	100%
Monnalisa Rus OOO	Mosca (Russia)	RUR	41,410,000	Monnalisa SPA; Jafin SPA	99%	100%
ML Retail Usa Inc	Houston Texas (USA)	USD	644,573	Monnalisa SPA	100%	100%
Monnalisa Bebek Giyim Sanayi ve Ticaret A.Ş.	Istanbul (Turkey)	TRY	7,450,000	Monnalisa SPA	100%	100%
Monnalisa UK LTD	London (UK)	GBP	199,993	Monnalisa SPA	100%	100%
Monnalisa Japan Co Ltd	Tokyo (Japan)	JPY	1,000,000	Monnalisa SPA	100%	100%
Monnalisa International Limited	Taipei (Taiwan)	TWD	7,000,000	Monnalisa SPA	100%	100%
Monnalisa Singapore Ltd	Singapore	SGD	400,000	Monnalisa SPA	100%	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 June 30, 2020 of the individual companies were used, reclassified and adjusted in line with the accounting standards and policies adopted by the Group.
In accordance with Article 30, paragraph 1 of Legislative Decree No. 127 of April 9, 1991, the reporting dates of these consolidated financial statements coincides with June 30, 2020.

The subsidiaries are broken down as follows:

- **Monnalisa Hong Kong Ltd**: incorporated on August 25, 2015 and based in Hong Kong, it is a fully owned subsidiary of Monnalisa S.p.A. intended to pursue development of the local retail market. At the reporting date, the subsidiary operates three mono-brand 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 5 stores (3 DOS and 2 DOO) following the closure in the period of the European Center store;
- **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. Two low-traffic stores (Shenzen MIXC and Shanghai Florentia Village) were closed in 2020. 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. The company has five stores in the US (4 DOS and 1 DOO);
- **Monnalisa Korea Ltd**: incorporated in December 2016, wholly-owned by Monnalisa S.p.A. The company is temporarily inactive;
- **Monnalisa Brazil Participasoes Ltda**: incorporated on December 22, 2016 to manage retail market operations in Brazil. In the first half of 2020, the temporary store opened in 2019 in Recife was closed. There are therefore 3 sales points in the country. The subsidiary is held 99%;
- **Monnalisa Bebek Giyim Sanayi ve Ticaret A.Ş.:** incorporated on December 11, 2018, based in Turkey and fully owned by Monnalisa Spa;
- **Monnalisa UK Ltd:** incorporated in January 2019, with registered office in London, the company currently manages a concession at Harrods. 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 2019. It was set up to develop the local retail market;
- **Monnalisa Singapore Ltd:** wholly-owned by Monnalisa Spa. The company in the second half of 2020

opened a new store at the Marina Bay Sands.

3. Basis of Consolidation

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

The main consolidation principles are as follows:

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

Currency	As at 30/06/2020	Average 1° half 2020
Real	6.1118	5.4169
Yuan	7.9219	7.7480
Won	1345.83	1329.30
Japanese Yen	120.6600	119.2072
Dollar Hong Kong	8.6788	8.5484
Pound Sterling	0.91243	0.87432
Rublo	79.6300	76.6825
Dollar	1.1198	1.1015
New Taiwan dollar	33.0076	33.0550
Singapore dollar	1.5648	1.5409
Turkish Lira	7.6761	7.1521

4.Recognition and valuation criteria

The accounting policies for the consolidated financial statements at 30/06/2020 are those utilised for the statutory financial statements of the parent company which prepares the consolidated financial statements and do not differ from those normally used. The financial statement accounts have been measured according to the prudence and accruals concepts and on a going concern basis. In this regard, it should be noted that although the pandemic had a negative impact on the company's business, there were no significant uncertainties related to the company going concern.

In applying the materiality principle, the obligations in terms of recognition, measurement, presentation and disclosure were not observed where not assisting the presentation of a true and fair view.

Recognition and presentation of the accounts was made taking into account the substance of the operations and of the contract.
The accounting policies applied to the consolidated financial statements at June 30, 2020 are in line with those utilised to prepare the consolidated financial statements at June 30, 2019 and December 31, 2019.

5.Guarantees, commitments and contingent liabilities

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

The breakdown of sureties at 30.06.2020 was as follows:

- Surety in favour of Monnalisa Turchia for Euro 403,654,
- Surety in favour of Ministry of Commerce Ankara for TRY 1,320,000,
- Surety in favour of ML Retail for USD 153,240,
- Surety in favour of Gotti Bruno and Lesmo Angela for Euro 22,550,
- Surety in favour of Toscana Aeroporti spa for Euro 65,000
- Surety in favour of Barducci Bardo for Euro 131,760,
- Surety in favour of Serravalle Outlet for Euro 75,804,
- Surety in favour of Famiglini Flora for Euro 26,400
- Surety in favour of VR Milan srl for Euro 53,985,
- Surety in favour of Dominici Cons socio unico for Euro 165,000,
- Commercial surety in favour of Mazzola Gloria for Euro 50,000,
- Commercial surety in favour of Capri Due Outlet srl for Euro 54,318,
- Commercial surety in favour of Sicily Outlet Village Spa for Euro 28,822,
- Financial Surety in favour of the Municipality of Arezzo for Euro 5,400,
- Financial Surety in favour of the Municipality of Arezzo for Euro 13,030.

6. Exceptions

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

7. Explanatory Notes to the income statement

Revenues by segment

H1 2020 revenues amount to Euro 15,137,096, compared to Euro 24,560,083 in H1 2019. They are broken down in the following table:

Description	30/06/2020	30/06/2019	Changes
Sales of goods	25,858	20,400	5,458
Sales of products	15,111,238	24,539,683	(9,428,445)
Total	**15,137,096**	**24,560,083**	**(9,422,987)**

For a more detailed breakdown of the item and the change during the period, reference should be made to the Directors' Report.

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	Amount	Purpose
GSE SPA	€ 15,967	Photovoltaic Incentive
Fiscal tax autority	€ 84,048	Rental incentive related to Coronavirus
Sviluppo Toscana S.p.A.	€ 17,374	Innovation Incentive

Costs of production

H1 2020 costs of production amount to Euro 21,212,512 (Euro 26,940,198 for H1 2019). They are broken down in the following table:

Description	30/06/2020	30/06/2019	Changes
Raw materials, consumables and goods	5,034,853	6,885,226	(1,850,373)
Services	5,973,402	9,268,928	(3,295,526)
Use of third-party assets	2,900,913	3,323,758	(422,844)
Personnel costs	4,752,567	5,823,847	(1,071,280)
Amortization	782,095	775,990	6,105
Depreciation	901,246	841,838	59,409
Write-downs of current receivables	464,328	49,147	415,181
Change in inventories of raw materials	(215,591)	(271,068)	55,477
Other operating costs	618,699	242,533	376,166
Total	**21,212,512**	**26,940,198**	**(5,727,686)**

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

Raw materials, consumables and goods and Service costs

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

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. In this account is recorded the extraordinary adjustment to the expected realisable value of inventories - both raw materials and finished products - for a total of Euro 2.1 million.
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	30/06/2020	30/06/2019	Changes
Insurance	143,259	121,308	21,951
POA Commissions	86,903	115,778	(28,875)
Independent auditors', Board of Statutory Auditors' and Board of Directors' emoluments	239,428	336,787	(97,358)
Technical, administrative, indus. and commercial consultancy	968,985	1,197,943	(228,958)

Agent costs	187,476	538,006	(350,530)
Production services costs	1,524,432	2,657,247	(1,132,815)
Maintenance	286,073	354,256	(68,183)
Exhibits, fairs and fashion shows	295,544	452,489	(156,945)
Cleaning and security	82,914	101,893	(18,979)
Other General services	430,694	433,431	(2,737)
Training courses	1,973	13,742	(11,769)
Marketing and advertising	388,295	614,092	(225,796)
Marketing	35,149	71,273	(36,124)
Trasports	912,047	1,727,023	(814,977)
Marketing	61,675	186,994	(125,319)
Vigilance	7,805	8,009	(204)
Entertainment expenes	31,300	62,105	(30,805)
Utilities	234,565	276,552	(41,988)
Sanitation costs	54,885	-	54,885
Total	**5,973,402**	**9,268,928**	**(3,295,526)**

In further detail, service costs primarily include:
•Façon costs (sewing, ironing, embroidery, printing & other services) for Euro 1,524,432,
•technical, industrial, administrative and commercial consultancy for Euro 968,985,
•national and local advertising, for Euro 388,295,
•national and local fashion shows and events for Euro 295,544,
•costs for Agents for Euro 187,476,
•costs of non-financial banking services, for Euro 86,903.

Rent, leasing and similar costs

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

Description	30/06/2020	30/06/2019	Changes
Rental costs	2,527,658	2,897,550	(369,892)
Hire costs	155,049	167,189	(12,139)
Royalty costs	218,206	259,019	(40,813)
Total	**2,900,913**	**3,323,758**	**(422,844)**

The account includes costs incurred for cartoon character royalties for Euro 218 thousand and property lease charges and other condominium expenses for Euro 2.5 million.

The decrease in the period principally concerns the reduction in lease charges by a number of lessors, following the temporary closure of stores related to the COVID-19 emergency and the closure of some sales points.

Personnel costs

The personnel costs incurred during the year amounted to Euro 4,752,567, a decrease of Euro 1 million on the comparative period.
The movement on the comparative period is principally due to the use of the Extraordinary Temporary Lay-off Scheme due to COVID-19, introduced in the Italian legislation following the national health emergency.

This account includes all costs for personnel including raises, promotions, vacation days not taken and provisions in accordance with law and national collective contractual agreements.

Employee termination indemnities, in addition to the portion accrued during the year, include the amount accrued and paid to personnel engaged and dismissed during the same period and the amount contributed to external pension funds.
The other costs associated with personnel have been allocated, in view of their strictly economic nature, to items B6 and B7.

Amortisation and depreciation/write-downs

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

Other operating costs

This account amounting to Euro 618,699 includes all operating costs not recognised to the other accounts of section b) of the income statement and accessory management costs which are not of an extraordinary nature, in addition to all tax charges, other than direct income taxes. This account is principally composed of:

- Taxes and levies (property and waste disposal taxes) for Euro 129,286,
- Miscellaneous administrative expenses for Euro 16,491,
- Losses from disposal of assets for Euro 390,793 due to the closures related to the subsidiaries Monnalisa Turkey, Monnalisa Korea and Monnalisa Brazil.

Financial interest and financial income

Interest and other financial charges for H1 2020 were Euro 434,554 (Euro 147,356 in the first six months of the previous year).
A breakdown follows:

Description	30/06/2020	30/06/2019	Changes
Interest income	19,698	19,197	501
Financial charges	(84,624)	(95,706)	11,082
Financial income	8,800	0	8,800
Interest charges	(102,344)	(126,927)	24,583
Exchange gains	105,362	412,829	(307,466)
Exchange losses	(381,446)	(356,748)	(24,698)
Total	**(434,554)**	**(147,356)**	**(287,198)**

The figure for the period therefore includes financial income of Euro 28,498, interest expense and other financial charges of Euro 186,968 and net exchange losses of Euro 276,084.

Income taxes for the period

The account comprises:

Description	30/06/2020	30/06/2019	Changes
Current taxes	-	500,497	(500,497)
Deferred tax charges/(income)	(1,241,205)	(261,327)	(979,878)
Total	**(1,241,205)**	**239,170**	**(1,480,375)**

Deferred tax income/charges

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

Deferred tax assets are recorded if there is reasonable certainty that the temporary differences will reverse in future periods against assessable income not lower than the differences that will be reversed, particularly with regard to tax losses that may be carried forward indefinitely.
The consolidated income statement account is broken down as follows:

Deferred tax income and charges recognised to the income statement	30/06/2020	30/06/2019
Amortization of brands	252	200
Amortization of goodwill	(1,786)	(1,786)
Consulting		1,487
Risks provision	45,287	40,176
Other	(81,887)	3,246
Bad debts provision	(111,380)	-
Tax losses	(1,080,606)	-
Intercompany margin on inventory	46,888	(87,996)
Subsidiary tax losses carried forward	-	(168,956)
Deferred tax income	**(1,183,232)**	**(213,629)**
Business unit disposal	-	(6,493)
Exchange gains 2018	-	25,633
Sales of company branch	(23,658)	(23,658)
Exchange gains	(34,314)	(39,746)
Others	-	(3,433)
Deferred tax charges	**(57,972)**	**(47,697)**
Deferred tax charges/(income)	**(1,241,204)**	**(261,327)**

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

Description	30/06/2020 Amount IRES temporary differences	30/06/2020 IRES tax results	30/06/2020 Amount IRAP temporary differences	30/06/2020 IRAP tax results	30/06/2019 Amount IRES temporary differences	30/06/2019 IRES tax results	30/06/2019 Amount IRAP temporary differences	30/06/2019 IRAP tax results
Deferred tax assets:								
Amortization brands	(925)	(222)	(795)	(31)	(729)	(175)	(729)	(25)
Amortization Goodwill	3,021	1,537	6,409	250	6,409	1,537	6,409	249
Consultancy 2015					(5,330)	(1,279)	(5,330)	(208)
Provision for risk 2018					(244,000)	(58,560)	(244,000)	(9,516)
ISC Provision	1,829	439	1,829	71	2,956	709	2,956	115
Write-downs receivables 2018	44,621	(10,709)			(3,972)	(953)		
Provision for risk 2019	(312,321)	(74,957)	(312,321)	(12,180)	100,000	24,000	100,000	3,900
Provision for risk 2020	150,000	36,000	150,000	5,850				
Exchange rate losses	71,967	17,272			(3,319)	(796)		
Bad debts provision	464,083	111,380						
Fisscal Losses	4,502,524	1,080,606						
Administrator compensation					(8,320)	(1,997)	(8,320)	(324)
Total	**4,924,799**	**1,161,346**	**(154,878)**	**(6,040)**	**(156,305)**	**(37,514)**	**(149,014)**	**(5,809)**
Deferred tax liabilities:								
Sales of company branch					27,055	6,493		
Exchange rate losses 2018					(106,806)	(25,633)		
Sales of building	(84,796)	(20,351)	(84,796)	(3,307)	84,796	20,351	84,796	3,307
Exchange rate losses 2019	(201,075)	(48,258)			165,607	39,746		
Exchange rate losses 2020	58,100	13,944						
Total	**(227,771)**	**(54,665)**	**(84,796)**	**(3,307)**	**170,652**	**40,957**	**84,796**	**3,307**
Net deferred tax liability (asset)	**5,152,570**	**1,216,011**	**(70,082)**	**(2,733)**	**(326,957)**	**(78,471)**	**(233,810)**	**(9,116)**

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

8. Explanatory Notes to the balance sheet

8.1 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	30/06/2020	31/12/2019	Changes
B) Fixed Assets	24,690,713	25,421,710	(730,997)
C) Current Assets	34,030,339	41,705,563	(7,675,224)
D) Accrued income and prepaid expenses	1,518,285	891,683	626,602
Total	**60,239,337**	**68,018,956**	**(7,779,619)**

B) FIXED ASSETS

Intangible assets
The following table outlines the composition and movement in account for the period ending June 30, 2020:

Description	31/12/2019	Increases	Decreases	Exc. Diffs.	Other changes	Depreciation	30/06/2020
Set-up and expansion costs	859,657	4,296	-	(3,203)	(41,768)	(144,626)	674,355
Industrial patents	318,551	232,230	-	(2,232)	-	(76,304)	472,244
Goodwill	909,103	-	-	(15,389)	(63,252)	(80,780)	749,682
Assets in progress and advances	-	151,190	-	-	-	-	151,190
Other	2,074,589	86,451	-	(43,579)	(149,317)	(480,384)	1,487,761
Total	**4,161,899**	**474,167**	**-**	**(64,403)**	**(254,337)**	**(782,095)**	**3,535,232**

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

The increase in "Industrial patent rights" is due to the investments made by the parent company Monnalisa S.p.a. to develop the e-commerce site.

The item "Other" primarily includes the costs of leasehold improvements, amortized according to the term of the lease.
The increase in "Assets in progress and advances" exclusively concerns the advances paid in the first half of 2020 for works on the new Singapore store opened in the second half of 2020.

The directors, considering the exceptional impacts due to COVID-19, consider that the intangible assets do not present indicators of impairment.

Property, plant & equipment
The following table outlines the movement in account for the period ending June 30, 2020:

Description	31/12/2019	Increases	Decreases	Exc. Diffs.	Other changes	Depreciation	30/06/2020
Land and buildings	10,991,664	7,210	-	-	-	(146,026)	10,852,848
Plant and machinery	3,811,577	26,435	-	(2,093)	-	(374,223)	3,461,695
Industrial and commercial equipment	518,590	15,054	(15,786)	(46,539)	(10,925)	(75,227)	385,166
Other assets	3,011,673	127,339	-	(33,483)	(80,088)	(305,768)	2,719,674
Assets in progress and advances	5,400	93,684	(5,400)	-	-	-	93,684
Total	**18,338,904**	**269,722**	**(21,186)**	**(82,115)**	**(91,013)**	**(901,246)**	**17,513,066**

The increases in the initial six months of Euro 269,722 are mainly due to the new openings in the period, of which Euro 93 thousand concerning the new Singapore store, not yet opened at June 30, 2020.

Write-downs and revaluations in the first half of 2020

No write-downs or revaluations were made in the period. Management considers that at June 30, 2020 no indicators of impairment from internal or external sources exist with regards to the value of tangible assets.

Total revaluations of tangible assets at period end

In 2008 the company applied the option under Legislative Decree 185 to revalue the industrial use building located in the Municipality of Arezzo, at Via Madame Curie 7. The revaluation was made by taking the "market value" as a reference criterion - identified on a prudent basis - as per a report upon the estimate of the current value of assets at 31/12/08 drawn up by an independent expert.
From an accounting viewpoint, the revaluation was undertaken according to the historic cost increase accounting technique.
The estimate of the residual useful life of the assets subject to revaluation was consequently reviewed.
From 2009 therefore, the depreciation was provisioned on the basis of the new useful life and of the new value of the assets.
From a tax viewpoint, the revaluation was made utilising the option to apply for tax purposes, in addition, the higher revalued amount, through settlement of the IRES and IRAP substitution tax.
In accordance with Article 10 Law No. 72/1983, the following tangible assets upon which monetary revaluations were made were recognised to the company's financial statements at 30/06/2020.

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.

The directors, considering the exceptional impacts due to COVID-19, consider that the tangible assets do not present indicators of impairment.

Capitalisation of financial charges

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

Financial assets

Investments in other companies

Investments in other companies amount to Euro 8,624, with no changes reported on 31.12.2019. The account is broken down as follows:

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

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

Receivables

"Financial receivables" may be broken down as follows:

Description	31/12/2019	Increases	Decreases	30/06/2020
Other receivables	1,712,281		(278,490)	1,433,791

The receivables in question may be broken down as follows:

- Director leaving indemnity policy: Euro 57,500;
- Financial receivables for guarantee deposits: Euro 1,376,291.

Other securities

"Other securities" comprise the residual of the bond loan issued by Jafin S.p.A. of Euro 1,200,000. The movement in the year of Euro 1 million is related to the investment in the AZIMUT INVESTMENT FUND.
During the month of July 2020, the company disinvested this amount.

Inventories

At June 30, 2020, inventory amounted to Euro 16,545,884. They are broken down as follows:

Description	30/06/2020	31/12/2019	Changes
Raw materials, supplies and consumables	2,569,150	2,351,518	217,632
Work in progress and semi-finished products	1,318,523	1,734,271	(415,749)
Finished products and goods	12,608,010	14,339,822	(1,731,812)
Advances	50,202	84,393	(34,191)
Total	**16,545,884**	**18,510,004**	**(1,964,120)**

The decrease in finished product inventories and raw materials reflects the expected value estimates, based on the sales capacity through the usual distribution channels. This resulted in a prudent extraordinary adjustment of the amounts for a total of Euro 2.1 million, so as to align the total with the market realisable value, impacted by the ongoing health emergency.

Receivables

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

Description	30/06/2020	31/12/2019	Changes
Trade receivables	9,314,874	9,611,253	(296,379)
Tax receivables	3,484,498	3,231,350	253,148
Deferred tax assets	2,323,067	1,159,190	1,163,877
Others	222,770	824,571	(601,801)
Total	**15,345,210**	**14,826,364**	**518,846**

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

Description	Total
Balance at 31/12/2019	**846,499**
Utilisation in the period	(44,620)
Provision in the period	464,328
Balance at 30/06/2020	**1,266,207**

In view of the economic emergency resulting from the health emergency, the Directors prudently made an extraordinary accrual to the Doubtful Debt Provision in order to cover the expected receivable impairments.

"Tax receivables" mainly include:

- VAT receivables for approx. Euro 1.4 million,
- IRES and IRAP advances for Euro 657,833,
- Research and Development credit for Euro 843,932
- INPS receivables due to Ordinary Wages Guarantees Fund related to COVID-19 for euro 119,776.

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

Cash and cash equivalents

The balance concerns cash and cash equivalents and cash on hand and stamps at June 30, 2020:

Description	30/06/2020	31/12/2019	Changes
Bank & postal deposits	2,088,501	8,280,643	(6,192,142)
Cash & cash equivalents on hand	43,816	76,242	(32,426)
Total	**2,132,317**	**8,356,885**	**(6,224,568)**

Accrued income and prepaid expenses

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

Description	30/06/2020	31/12/2019	Changes
Maintenance fees	90,115	92,204	(2,089)
Rental costs	1,065,953	533,824	532,129
Hire costs	57,674	36,867	20,807
Insurance	64,607	40,431	24,176
Derivatives	83,375	100,500	(17,125)
Consulting	46,044	11,785	34,259
Other	110,517	76,072	34,445
Total	**1,518,285**	**891,683**	**626,602**

The increase in the account is due to the store located in Rome open in September 2019.

At 30.06.2020, there are no accrued income and prepayments over five years. A breakdown is provided below:

Description	Other 5 years
Derivatives	46,812
Rental costs	349,985
Taxes	18,000
Total	**414,797**

8.2 Liabilities

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

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

	Shareholders' Equity	Net Result
Net equity and net result for the period as reported in the parent company financial statements	41,446,529	(4,684,352)
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	(6,973,370)	(3,133,222)
c) gains/losses attributed at the acquisition date of the investees	4,751,370	888,985
d) translation difference	(903,319)	
e) debts waiver by shareholder to cover controlled losses	(5,984,012)	
Elimination of the effects of transactions between consolidated companies	(531,672)	137,535
Net equity and net result pertaining to Group	31,805,526	(6,791,054)
Net equity and net result pertaining to minority interests	(316)	(5,575)
Consolidated net equity and net result	**31,805,210**	**(6,796,629)**

Statement of changes in consolidated shareholders' equity

Description	Share capital	Reserves	Negative reserves for own portfolio shares	Translation differences	Profit/loss Carried forward	Profit/Loss for the period	Total
Opening balance at 01/01/2020	**10,000,000**	**13,328,398**	**(149,915)**	**(608,669)**	**24,740,642**	**(8,415,516)**	**38,894,939**
Changes in the period		(137,611)			(8,277,905)	8,415,516	-
Profit/Loss for the period						(6,791,054)	(6,791,054)
Translation differences from conversion of financial statements expressed in foreign currencies				(294,650)			(294,650)
Other changes		(3,711)					(3,711)
Closing balance at 30/06/2020	**10,000,000**	**13,187,076**	**(149,915)**	**(903,319)**	**16,462,737**	**(6,791,054)**	**31,805,525**

Provisions for risks and other charges

They are broken down in the following table:

Description	30/06/2020	31/12/2019	Changes
Provisions for pensions or similar obligations	60,115	59,397	718
Provisions for taxes, including deferred	186,303	264,928	(78,625)
Others	326,855	489,175	(162,320)
Total	**573,273**	**813,500**	**(240,227)**

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 57,921,
- 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 150,000, set up in accordance with the joint application of the prudence and matching principles, given that the goods are returned by the preparation date of the financial statements and result in a contraction in revenues.

Tax provisions also include Deferred tax liabilities of Euro 186,303 concerning temporary assessable differences. For the movements in the account, reference should be made to the "*Deferred tax assets/liabilities*" paragraph above.

Post-employment benefit provisions
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	31/12/2019	Provisions	Utilisations in the year	30/06/2020
TFR	1,809,749	120,553	(35,096)	1,895,207

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

Description	Within one year	Beyond one year	After 5 years	Total
Bank payables	7,882,002	7,205,472		15,087,474
Payables due to other financial institutions		181,999		181,999
Advances	388,640			388,640
Trade payables	7,889,925			7,889,925
Tax payables	482,403			482,403
Social security institutions	346,068			346,068
Other payables	1,251,334	87804		1,339,138
Total	**18,240,372**	**7,475,275**	**0**	**25,715,648**

The account comprises:

- "Bank payables": including loans and reflecting the effective debt in terms of principal, interest and other accessory charges matured and due at 30.06.2020. In the first half of 2020, the drawdown of a new long-term loan for Euro 1 million;
- "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 482,403 and includes, in particular, sums withheld from employees and self-employed workers and duly paid in the second half of 2019;

- "Other payables" mostly concern accrued commissions payable to agents of Euro 232,556, deferred amounts and additional months payable to employees of Euro 829,532, duly settled in the second half of 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 amount to Euro 250,000 at June 30, 2020, mainly comprising the deferred income on the AIM contribution recognised in 2019 by the Ministry for Economic Development approved in favour of Monnalisa S.p.A. for the AIM listing, in the form of a tax credit for Euro 500,000 (maximum permitted aid).

There are no accrued liabilities and deferred income at 30/06/2020 with a duration of more than five years.

9. Other information

Information relating to the fair value of derivative financial instruments

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

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

The hedging operations at June 30, 2020 with financial counterparties comprise:

- Interest Rate Cap (1)

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

At 30/06/2020, the mark to market of the transaction was Euro + 11.19.

•Interest Rate Cap (2)

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 30/06/2020, the mark to market of the transaction was Euro + 6,917.1.

Information on loans for specific business purposes

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

Related party transactions

The amounts, nature of the amount and any additional information considered necessary with regards to these transactions, where considered significant and not at market conditions, is provided below.

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

Company	Trade Receivables	Other receivables	Trade Payables	Other Payables	Revenues	Costs
Jafin SpA	55,344	1,200,000	456,153		-	444,829
Fondazione Monnalisa	156,754		-		-	-
DiDj srl	-		29,000		-	-
Hermes & Athena Consulting Srl	-		325,000		-	100,000
Arcangioli Consulting Srl	-	31,000	-		-	-
Arcangioli Pierangelo	-		609		-	50,661
Barbara Bertocci	-		-		-	62,500
TOTAL	**212,098**	**1,231,000**	**810,762**	**0**	**0**	**657,990**

Off-balance sheet agreements

There are no off-balance sheet agreements.

Independent auditor fees

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

•for the limited audit of the interim consolidated financial statements at June 30, 2020 of the parent company, Euro 15,000.

Directors and statutory auditors' fees

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

Category	Amount
Board of directors	160,600
Board of Statutory auditors	20,072
Total	**180,672**

The Chairman and Chief Executive Officer announced the waiver of a portion of their remuneration for the current year. The amount accrued takes account of this waiver.

Subsequent events

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

The Chief Executive Officer
Christian Simoni

Monnalisa S.p.A.

Consolidated half-year financial statements at June 30, 2020

Review report on the half-year consolidated financial statements

(Translation from the original Italian text)

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

To the Shareholders of
Monnalisa S.p.A.

Introduction

We have reviewed the half-year consolidated financial statements, comprising the balance sheet as of 30 June 2020, the income statement and the cash flows statement for the six-month then ended and the related explanatory notes of Monnalisa S.p.A. and its subsidiaries (the "Monnalisa Group"). The Directors of Monnalisa S.p.A. are responsible for the preparation of the half-year consolidated financial statements in conformity with the Italian accounting standard OIC 30. Our responsibility is to express a conclusion on these half-year consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the half-year consolidated financial statements of Monnalisa Group as of June 30, 2020 are not prepared, in all material respects, in conformity with the Italian accounting standards OIC 30.

Florence, September 30, 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