
Annual Report
MONNALISA
2019

Index

Our thanks go to:

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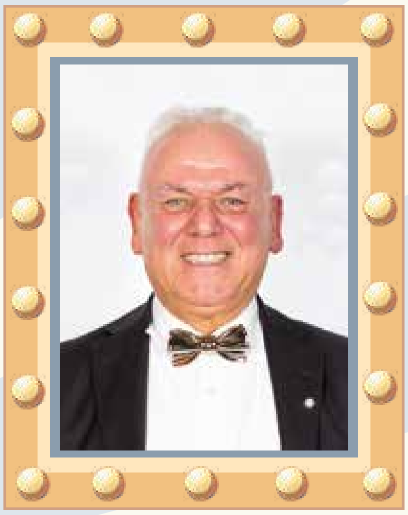
MONNALISA

Annual Report 2019



Piero Iacomoni *Chairman*

We drew up this Annual Report just a few months after the global spread of COVID-19, an unexpected and unprecedented event that has affected us all. Many have lost loved ones, and every one of us has felt a sense of uncertainty and extreme vulnerability. These are feelings that will remain with us for a long time to come.

Never before have I had a clearer and more urgent sense of the social responsibility upon which we all, whatever our role, must base our actions. There is no other choice, there is no other way: being responsible now means facing adversity with tenacity, being prepared to make sacrifices, and making sometimes painful decisions with awareness and balance.

No-one will emerge unchanged from this experience. But we will be stronger than before, since we have learned to put the common good before that of the individual, and the future good before that of today.

Christian Simoni *Chief Executive Officer*

This year, despite the enormous challenges we have faced in recent months, we have once again upheld our commitment to the integrated reporting of the processes that create value for all our stakeholders.

It would have been easy, given these extraordinary times, just to do the minimum reporting necessary for compliance purposes. Just as it would have been easy to present a bare bones Summer 2020 sample book devoid of innovation, to decide against investment in a virtual showroom and wait for the beginning of the sales campaigns, or to postpone deliveries for the Autumn-Winter season, or not to make any effort to find innovative win-win solutions with our suppliers.

Being responsible means rejecting shortcuts, maintaining our commitment to stakeholders no matter what. In fact, it is precisely at times like this that the real differences emerge between those who talk about ESG because it is fashionable and those who, like us, have been implementing this approach for almost thirty years. Between those who adopt good practice and those whose behaviour comes from true responsibility, from the understanding that certain values are not simply preached or communicated, but are rooted in a culture, in a way of being. Everyone that works with us knows this. I hope that by reading this integrated report it will also become clear to those who know us less well. Thank you to all those involved in Monnalisa.

Methodological approach

Year 2019 (01/01/2019 – 31/12/2019)

Through its Annual Report, Monnalisa annually informs its stakeholders, both inside and outside of the company, of the added value it has created and what resources it has used to such value.
The Integrated Report represents not the simple union between annual report and sustainability report but a new reporting model that integrates the "traditional" variables of company evaluation, social, environmental and economic context in which the company operates, with the aim of communicating the real value created by the entire organization and the impact with all stakeholders.
The reporting process increasingly geared to "Integrated Thinking", started in 2018 and continued in 2019, is aimed at strengthening social awareness and responsibility, by means of setting up an Annual Report reporting on the Global Reporting Initiative Standards and the International <IR> Framework guidelines defined by the International Integrated Reporting Council (IIRC).
Adhering to the principles of the Integrated Reporting means illustrating the processes by which an organization creates value over time. Therefore, it was deemed opportune to structure the report according to the different forms of capital the company possesses and leverages to create value:

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

The Integrated Report thus represented confirms the continuous search for innovation that distinguishes the Group and the desire to offer answers, not only to economic and financial aspects, but also to social and environmental issues that guide, in an integrated manner, the company decision-making processes, the definition of strategy, governance and business model.
The first few chapters of the report describe the Business Model through

which the various "capitals" are organized in order to create value over time. Data on the company's financial capital are consistent with its Statutory and Consolidated Financial Statements, and includes explanatory notes, the Cash Flow Statement and the Directors' Report. Data on manufacturing and relational capitals derive from Monnalisa's Management Control Systems. Finally, data on the company's natural capital was provided by its Environmental Team.
The structured process of Materiality Analysis, launched for the last Annual Report, has made it possible to identify and direct the contents to be reported as relevant for both Monnalisa and its stakeholders, and is still considered valid today. The Materiality Analysis saw the involvement, internally, of the company's top management and first lines, and the contribution, externally, of mono-brand stores and an in-depth benchmarking of a representative sample of sector players.

Regarding the breadth and depth of the reporting, for which reporting standards provide two different options, core or comprehensive, Monnalisa undertook the process of continuous improvement, according to a comprehensive version of the GRI Standards.
The reporting scope includes the parent company Monnalisa S.p.A, and its subsidiaries: Monnalisa Hong Kong LTD, ML Retail USA INC, Monnalisa China LTD, Monnalisa Brasil LTDA, Monnalisa Rus LLC, Monnalisa Korea LTD, Monnalisa Bebek Giyim San ve Tic A.S. (Turkey), Monnalisa International LTD (Taiwan), Monnalisa UK LTD and Monnalisa Japan Co. LTD.
The reported social and environmental data refer only to the parent company. Regarding the subsidiaries, only certain social data is shown in dedicated boxes.

Materiality analysis

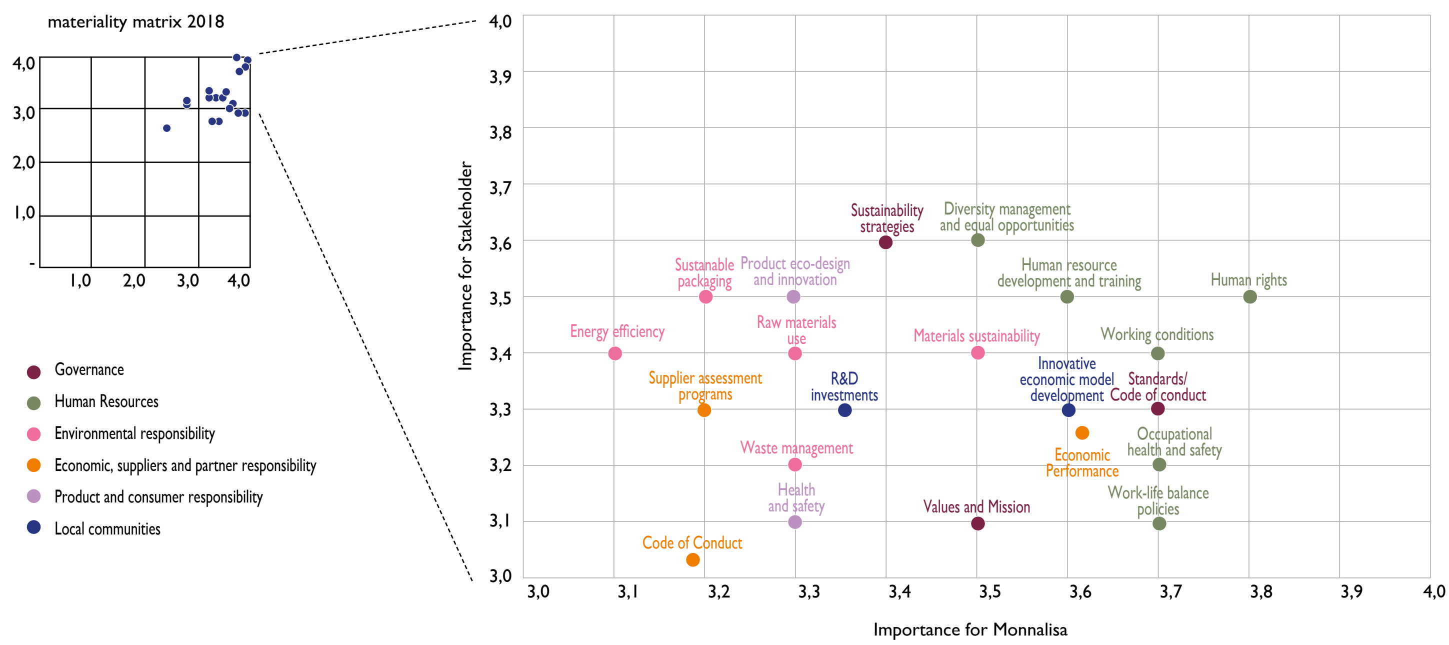
As part of the integrated reporting process, Monnalisa last year carried out a materiality analysis to identify and prioritize topics considered significant for its business and stakeholders. These topics are defined as "material" as they reflect the company's economic, social and environmental impacts and influence on the decisions of internal and external stakeholders. The material themes identified in 2018 continue to be considered valid for 2019.
In particular, the Materiality Determination Process was based on the following steps:

- Internal survey addressed to the company's top management and first lines.
- External questionnaire addressed to mono-brand stores: the subsidiaries existing at 31/12/18 were directly involved in the materiality analysis;
- In-depth benchmarking of a representative sample of sector players.

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

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

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



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

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

MONNALISA
profile and operations

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

1968 – Piero Iacomoni founds Monnalisa in Arezzo

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

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

Chic MONNALISA

1990-92 – Diletta Iacomoni joins Monnalisa. First showroom in Arezzo

2001 – Corporate Responsibility Statement

2003 – Florence Boutique

2005 – Launch of footwear. First Award for Best Annual Report

Group activities

The Monnalisa Group has always strived to constantly improve its proprietary brands, so as to guarantee total strategic autonomy and a considered concentration of investments, operating through innovative and cutting-edge synergies and the in-housing of all collection design and development, prototyping and model creation. These are the Monnalisa Group's winning features and drive its success.

Consistent focus on product originality, quality and innovation, as well as the latest emerging trends, have made the Monnalisa Group a go-to brand in the children's fashion sector. Over the years, the Group has adopted a clear and consistent international expansion strategy which broadens and strengthens its brand identity, its market positioning, its direct control of the distribution channels and the innovation that has always set it apart.

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

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

Milan Boutique
2006

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

hitch-hiker
Launch of male fashion brand
2011

MONNALISA Couture
Christian Simoni appointed as CEO
2013

ELITE
Elite Certification by Borsa Italiana
2015

14 new DOSs
Cosmetic products
Furniture line
2017

Borsa Italiana
12 July Listed on AIM market
2018

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

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

MONNALISA

Main Monnalisa line, 0 to 16 years. The core line is marked by creativity and constant innovation, and is full of character, imaginative content and absolute attention to detail. The offering is varied and complete, with distinct proposals for the differing age segments, from the cute sets of the Layette new-born line, and the gleeful proposals for babies from 3 to 36 months, right up to ironic and trendy looks for pre-teens and teenagers, and refined vintage designs for boys. Each theme includes a range of different accessories, such as shoes, bags, headbands, hats, belts and tights in certain colours, fabrics and patterns. The mother's clothing line has been expanded to include sizes XS, S, M, L and can be paired with the "Maxi You" girl's clothing range.

Chic
MONNALISA

The line dedicated to clothing for special occasions revisits tradition to offer refined garments with a contemporary-romantic style. The Chic line features joyful prints, soft, solid colours, and refined, natural fabrics for exciting, formal outfits that interpret the very latest trends, all accompanied by a wide range of accessories.

MONNALISA
Couture

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

Style, Design and Product Development

- Market Analysis
- Collection planning
- Design
- Prototyping

Collection presentation
Sales campaign

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

Purchase raw naterials and finished products

- Fabric and accessory research
- Suppliers selection
- Production planning
- Purchase raw materials and finished products

Marketing and Communication

Conception and management of events & fashion shows

The business model

The Monnalisa Group has a centralized business structure where almost all activities relating to its organizational model are performed, except for distribution and management of points of sale in the various geographical areas, which are instead handled directly by the Group's various commercial entities in their target markets.
Monnalisa is thus an operational holding company, which in addition to holding interests in the international trading companies, manages all phases of the production process, from product design and creation to marketing, only outsourcing certain phases of production.

Insourcing of the product design and creation process, in addition to representing a distinctive aspect of the Monnalisa Group, is also intended to pursue the key objective of achieving a high degree of industrialization of this process. The Group is therefore capable of handling all strategic processes internally, with the resulting positive consequences in terms of sales and margins.
The Group is organized according to a model in which product strategies and communications activity are intertwined, so as to ensure consistency with Monnalisa's brand image and style. This model features constant, careful monitoring by the Company of its value chain.
The Group organisational model may be broken into the following phases:

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

Style

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

Production

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

Production and logistics

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

Distribution

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

Social network activities → Partecipation at fashion events →

Together with accessories and processing instructions, the cuts then arrive at the tailoring, embroidery, printing and dyeing workshop for subsequent transformation stages. Finally, the finished products return to Monnalisa where they are tracked and stored for customers.
The circular flow of the entire production process is piloted and monitored by internal production units, which guarantee necessary supplies and a successful final outcome.
Though conceptualization and planning phases are directly supervised by Monnalisa, with the same organizational set-up, finished product procurement activities are managed from both Italy and abroad. In the production process, however, the materials purchase phase depends on the finished product supplier, as does the timing of project phases, which are stringently subject to supplier production and delivery deadlines.

Distribution

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

Overall, retail accounts for 32% of turnover through 48 mono-brand stores, as of 31/12/19, in addition to the online store and shop-in-shops in the most prestigious department stores in the world.
A concept store has also been developed in line with corporate identity, providing for the continuous training of sales staff and systems for the collection and analysis of data, allowing the company to more thoroughly and quickly understand the dynamics of demand in order to orient company strategies to a more fitting offering.
The strengths of Monnalisa's distribution are its extensiveness and exclusivity, which distinguish, in particular, the wholesale channel. As of 31/12/19, Monnalisa had approximately 700 retail customers, accounting for 67% of foreign turnover.

Human resources

People represent the most important asset for the Monnalisa of today, and for the development of the Monnalisa of tomorrow. The Human Resources department works with General Management to develop the potential of personnel through training and internal policies focused on people's needs in synergy with the needs of the company.
Personnel are selected through continuous collaborations with universities and specialist educational institutions, with an openness to new figures, outside of traditional search processes, for purpose of creating networks of relations and opportunities for the exchange of ideas.
Monnalisa's strong roots in its local community yet international outlook assure it stable foundations and continued growth as a company that is stimulating for all professional profiles and that offers opportunities for horizontal growth and continuous development of knowledge and skills. Furthermore, when necessary operational changes involve significant organizational changes, including workforce transfers, staff and union representatives are given sufficient notice, as per law.

Communication

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

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

Mission, Vision and Values

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

-To excel in innovation, creativity and practicality in order to conquer new markets

-To develop managerial skills throughout the company in order to successfully face the challenges of this small to medium-sized family business

-To expand worldwide, both productively and commercially, while upholding the company's values and identity, and encouraging a culture of social responsibility.

A COMMUNITY FOUNDED ON CREATIVITY, COMMITMENT AND CARE

Creativity & Innovation

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

Commitment & Transparency

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

Care & Loyalty

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

Governance and organisation

Monnalisa has been listed on AIM Italia since July 12, 2018. To date, 74% of its capital is held by Jafin Due, a financial company belonging to the Iacomoni family.
The purpose of the IPO was to contribute to further accelerating the Group's growth process and international presence, with particular regard to the retail channel and e-commerce

AIM

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

At 31/12/19, the Monnalisa Group comprises the company Monnalisa SPA, the parent company, and the subsidiaries Monnalisa Hong Kong Ltd, Monnalisa Rus Llc, Monnalisa China Ltd, ML Retail Usa, Inc., Monnalisa Corea Ltd, Monnalisa Brazil Participasoes, Ltda, Monnalisa Bebek Giyim San ve Tic A.S., (Turkey), Monnalisa UK Ltd, Monnalisa Japan Co Ltd and Monnalisa International Limited (Taiwan).

In early 2020, a new subsidiary was established in Singapore.

MONNALISA SpA

99,99% Monnalisa RUS 000

100% Monnalisa Bebek Giyim San ve Tic A.S

100% Monnalisa International LTD

100% Monnalisa Korea LTD

100% Monnalisa UK LTD

100% Monnalisa Hong Kong LTD

100% Monnalisa China LTD

100% Monnalisa Japan Co LTD

99% Monnalisa Brazil LTDA

100% ML Retail USA INC.

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

** In office for the years 2018-2020*

Ownership

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

The Board of Directors was appointed by the Shareholders' Meeting according to the expertise, experience and reliability criteria.
The opening of the Board to outside technical professionals, not belonging to the owning family, is in line with the policy to improve the company's management.

The Board of Directors is the ultimate governance body: its main duty is to set the strategies and general operating and development policies at Monnalisa and the means for their implementation. In terms of sustainability, its duties include:

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

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

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

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

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

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

Investor Relator

In accordance with market practice and in order to better manage relations, AIM market listed companies are advised to appoint an Investor Relator (even from outside the company). This role manages relations with investors and intermediaries. The Investor Relator serves the need for the company to ensure complete and transparent outside communication. In particular, the Investor Relator ensures the correct positioning and attractiveness of financial instruments on the market, developing a liquid and stable market for the share and guaranteeing the company the easy subsequent placement of share capital increases and promoting a solid and varied shareholder base.
Sara Tommasiello is the Investor Relator at Monnalisa. Any communications may be sent to the dedicated address investorelations@monnalisa.eu.

The internal control system

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

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

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

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

Ethics Code

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

The values Monnalisa identifies with and pursues include:

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

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

The Statutory Auditors and Internal Bodies of the company are committed to the exact fulfilment of the roles formally entrusted to them.
Furthermore, such figures are obliged to avoid conflicts of interest in their roles, appointments and positions inside and outside of the company, and to give notice, as per law, of any potential conflict of interest that they may have, on their own behalf or on behalf of third parties, in relation to certain company transactions.
All stakeholders may indicate in writing any violation or suspected violation of the Ethics Code to the Supervisory Board by using the dedicated e-mail address: organismodivigilanza@monnalisa.eu or by ordinary mail for the attention of the Supervisory Board, Via Madame Curie 7, Arezzo. In April 2019, the Supervisory Board made an agreement with senior management to set up "sportello 231" with the aim of routinely monitoring and communicating with the company's head office in order to facilitate the flow of information to the SB and to provide clarification on the impact of legislation on business activities and on the rules of conduct.
In 2019, no such reports were received by the Supervisory Board via the dedicated e-mail address, nor by any other means of communication. In Q1 2020, the Supervisory Board received from all interested parties a signed self-certification declaring that, in the performance of the roles attributed to them in the course of 2019, they were not in any way involved in or aware of any conduct or acts contrary to the provisions of the 231 Model or of its Code of Conduct.
During 2019, two training sessions were held on the 231/01 Model, one in the purchasing and production department and the other in the IT department.

Adjustment to the GDPR
European General Data Protection Regulation 2016/679 ("GDPR"), which defines a common regulatory framework for the protection, processing and free movement of personal data in all EU Member States, is in force from May 25, 2018. With the assistance of external consultants, Monnalisa has adequately adapted its internal policies, implementing a personal data organizational and management model capable of protecting data subjects and guaranteeing the proper application of personal data protection legislation.
In 2019, the normative and documentary part of the project was implemented, as part of which the cases in which it is necessary to acquire consent from data subjects were identified, the Single Processing Register was updated, and internal training sessions on privacy issues within the company and at sales points were given, totalling 44 hours and addressed to 16 participants.
Authorisation has been obtained to install CCTV cameras in local offices, and the relevant paperwork has been prepared.
The Supervisory Board has introduced a six-monthly reporting schedule from the company's Data Protection Officer (DPO) in order to stay informed on the activities to protect the rights of individuals regarding the processing of personal data by the company, as per EU Regulation 2016/679. In particular, the reports concern regulatory updates, specific activities performed, any aspects for improvement and any criticalities in complying with the company's privacy obligations.

Quality, Environment and Social Responsibility Policy
Monnalisa has long implemented specific policies across the company aimed at regulating issues of quality, the environment and sustainability.Such implementation is partly carried out via certified management systems, as per internationally recognized voluntary standards such as ISO 14001 for the environment, ISO 9001 for quality, and SA8000 for social responsibility.
Regarding its environmental policy, Monnalisa undertakes to define and implement strategies and action plans for the optimization of business processes that consider the matrix of environmental issues and the safeguarding of natural and energy resources.
Regarding its quality and sustainability policies, Monnalisa is committed to maintaining and improving the quality standards of its manufactured and marketed products, and to guaranteeing that, for stakeholders, the company is a reliable, incisive and dynamic partner.
Therefore, Monnalisa commits to:

- establishing long-term trusting relationships with its consumers;
- Consolidating, over the long term, a strong partnership with both its customers and its suppliers, contractors, service cooperatives and agents;
- Protecting the investment in the company by its shareholders and its relationships with banks and credit institutions, while guaranteeing the maximum transparency of information;
- Motivating its employees, through targeted training programmes and a proactive approach to promote engagement in company performance, as well as guaranteeing workplace safety, the total absence of any discrimination in terms of gender, race or political, sexual or religious orientation, and the prevention of child labour.

Overall, Monnalisa is annually subjected to at least five independent audits. These are carried out by accredited bodies in relation to the standards ISO 9001 and SA8000, to certification of the sustainability section of the Annual Report and since 2015 to environmental management through the ISO 14001 certification, and (since 2016) to the certification of the financial and consolidated statements.
In addition to these voluntary audits, periodic audits are also performed at the company by third parties, such as the suppliers of paid royalty images. Regular control over its processes allows the company to maintain a high level of attention and performance across all areas.

Similarly, Monnalisa performs audits on its suppliers of materials, processing and finished products, either directly through qualified personnel, or by commissioning third parties. Such action greatly limits and facilitates effective management of the risk of any loss of reputation in relation to customers and final consumers.

SA8000 operating system
Certified to SA8000 since 2001, in 2019, Monnalisa was subjected to an audit by the certifying body, a management review and an internal audit.

No. of major RACs* identified by the certifying body	0
No. of minor RACs identified by the certifying body	0
No. of suggestions or improvement opportunities identified by the certifying body	0
No. of RACs and RAPs** issued by Monnalisa	105
Percentage of RACs/RAPs resolved over those issued	96%
No. of goals in the 2019 improvement plan	38
Percentage of goals achieved over total 2019 goals	74% (5 goals are still works in progress)

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

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

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

name	age	role
Piero Iacomoni	76	Chairman
Christian Simoni	49	Chief Executive Officer
Chiara Menicatti	51	SA8000 Manager
Sara Tommasiello	49	CSR&HR Manager, CFO
Eleonora Belliconi	39	Workers' representative
Marco Carleschi	50	Workers' representative

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

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

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

Monnalisa's value creation model

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

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

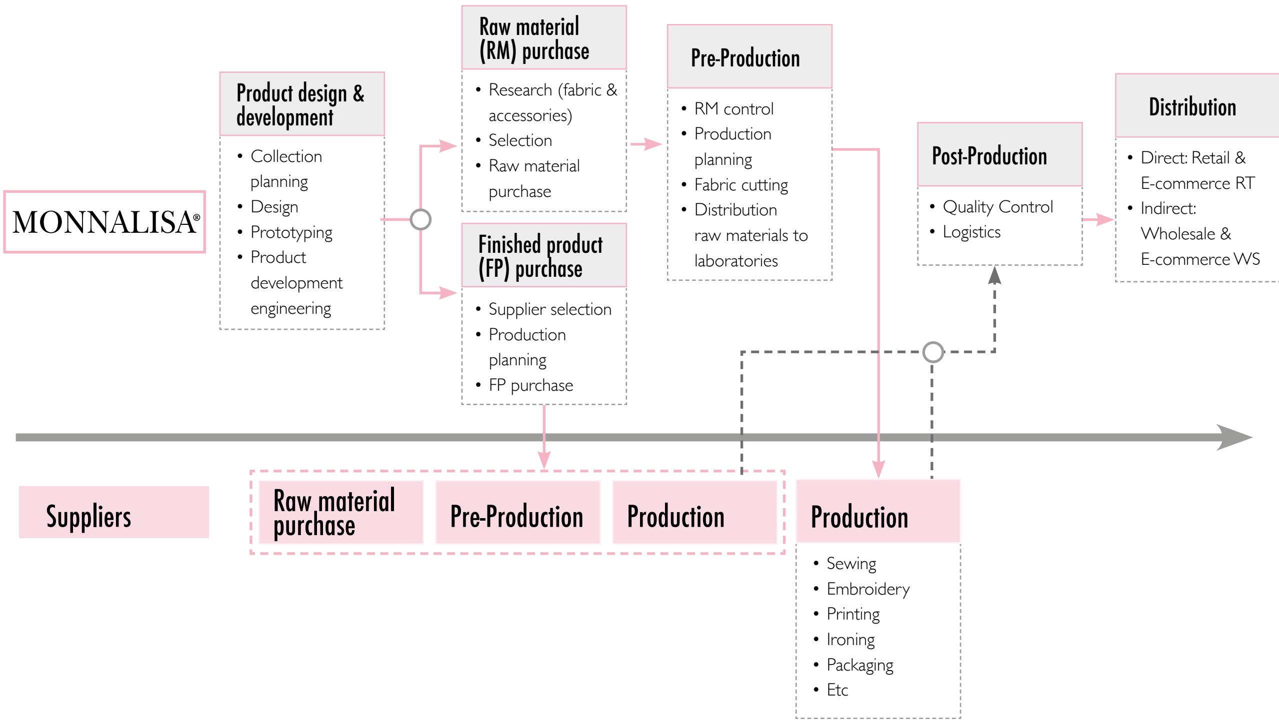
In line with the development of its Business Model, Monnalisa implements an integrated value creation approach, not limiting itself to the disclosure of the most significant financial data or an analysis of its social and environmental impacts, but developing a tight cohesion between the company mission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

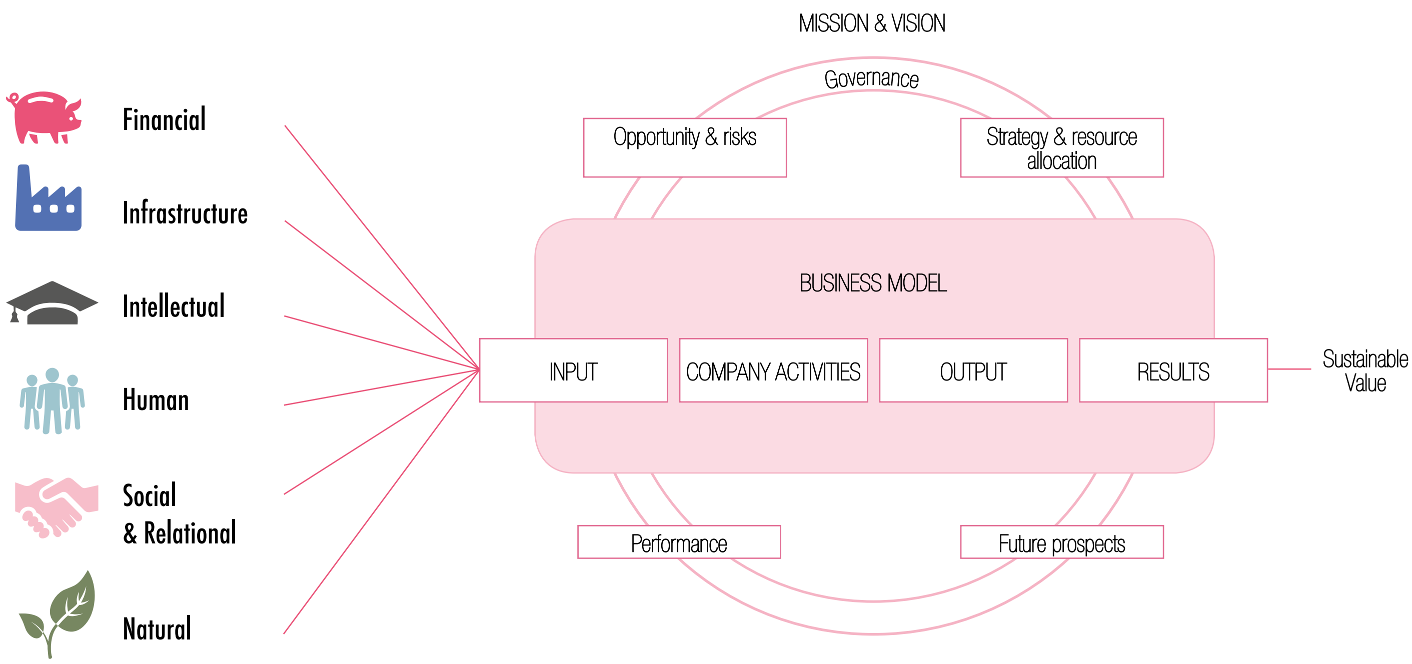
- **Human capital**, to enable people to constantly develop their skills and knowledge in implementing the organization's strategies, and to guarantee external stakeholders interactions with resources of the highest professionalism;
- **Natural capital**, to monitor and minimize the impacts of its activities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

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

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

Specifically, the relevant Sustainable Development Goals for Monnalisa are:





CAPITAL

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

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

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

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

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

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

Main RISKS and OPPORTUNITIES

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

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

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

EXTERNAL

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

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

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

INTERNAL

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

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

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

STRATEGIC & GOVERNANCE

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

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

Growth Management
For several years now, in addition to its standard economic and financial planning tools, Monnalisa has prepared an annually revised three-year development plan, consisting of qualitative and quantitative strategies and actions, with related economic and financial forecasts, which the company will implement to capitalize on both existing and emerging growth opportunities. These include:
- The opening of new branches, representative offices and subsidiaries in various parts of the world, for the opening of further direct sales points, with obvious direct and indirect effects on employment;
- Joining the Elite project, certified in 2016, introducing new economic and financial control and monitoring tools, to the benefit of the company and its communications with the financial community, which, in July 2018, led to the company's listing on the Borsa Italiana's AIM Market.

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

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

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

Covid-19 Emergency

At the beginning of 2020, a health emergency caused by Coronavirus emerged in China and later spread to the rest of the world. Although the pandemic caught everyone off-guard, Monnalisa promptly took action to limit the risk of contagion among its colleagues and customers, while ensuring business continuity.

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. These measures related specifically to:

- the establishment of a Covid-19 Emergency Committee, comprising General Management, HR Managers, the Prevention and Protection Service, an Occupational Physician and Worker Safety Representatives;
- all employees were given adequate information on the precautionary measures to be taken, in line with guidance from the World Health Organisation, the Ministry of Health and the regulatory provisions in force, as well as on the use of special leave, childcare bonuses and permits, through the company portal, to which all employees have access. In addition, special signs were installed on company premises to remind and encourage employees to follow the health and safety regulations in place;
- cleaning services were boosted on company premises, both in terms of intensity and frequency, while disinfectant gels and other personal hygiene products and protective equipment were made available (such as masks and gloves) to those deemed most at risk, such as the production department;
- business trips and meetings with people external to Monnalisa were suspended.

The above measures were implemented while 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.

From the middle of March, Monnalisa ordered the closure of its showrooms and directly managed retail outlets in Italy and thereafter, from March 23, the closure of the company in compliance with the "Italian Healthcare Decree". Consequently, due to Covid-19, it was necessary to resort to the Ordinary Wages Guarantees Fund as a safety net for employees with duties that could not be performed from home. Smart-working employees saw their hours reduced depending on their work loads, with recourse made to the Guarantees Fund for any remaining employees.

E-commerce orders continued to be processed at the Via Madame Curie warehouse and Badia al Pino production site (as sales channels remained active). 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 Italia employees 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.

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 (primarily No. 38 of the Region of Tuscany), following the guidelines provided therein to help companies adopt anti-contagion security protocols.

In particular, the protocol concerns: (i) the flow of information to all employees about governmental and employer provisions with regard to containing the spread of infection, including the personal hygiene rules to be followed, (ii) how to gain access to company sites, such as checking body temperature and staggering entry, (iii) cleaning and sanitisation rules to be followed on the company premises, including in the case of contact with employees who later test positive for Covid-19, (iv) the management of shared spaces, such as the canteen and changing rooms, (v) company organisation, and therefore the encouraged use of smart-working, where possible, and the use of shifts for production department employees, and (vi) the adoption of individual safety devices, such as the spacing of workstations and the use of masks and other personal protection equipment if work tasks don't allow for a distance of more than 180 centimetres to be maintained.

On 26 May 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.

The inspection was successful and no non-compliances were found.

GUARANTEEING REPORTED SUSTAINABILITY IN THE REPORT ON OPERATIONS

Being sustainable requires for a company to create value while pursuing long term development, while ensuring the future possibility of creating value. This requires for a company to pursue objectives of economic efficiency and increase in income. As this is an integrated statement - both at a parent company and consolidated level - there follows here below the Report on operations, the Consolidated Financial Statements, the Note on the Financial Statement, the Board of Auditors' report and the Auditing firm's report.

Report on operations

Corporate Boards

Board of Directors

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

PIERO IACOMONI
Chairman

CHRISTIAN SIMONI
Chief Executive Officer

PIERANGELO ARCANGIOLI
Director

MATTEO TUGLIANI
Director

SIMONE PRATESI
Independent Director

BOARD OF STATUTORY AUDITORS

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

INDEPENDENT AUDITORS EY S.p.A.

NOMAD CFO Sim S.p.A.

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

INTRODUCTION

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

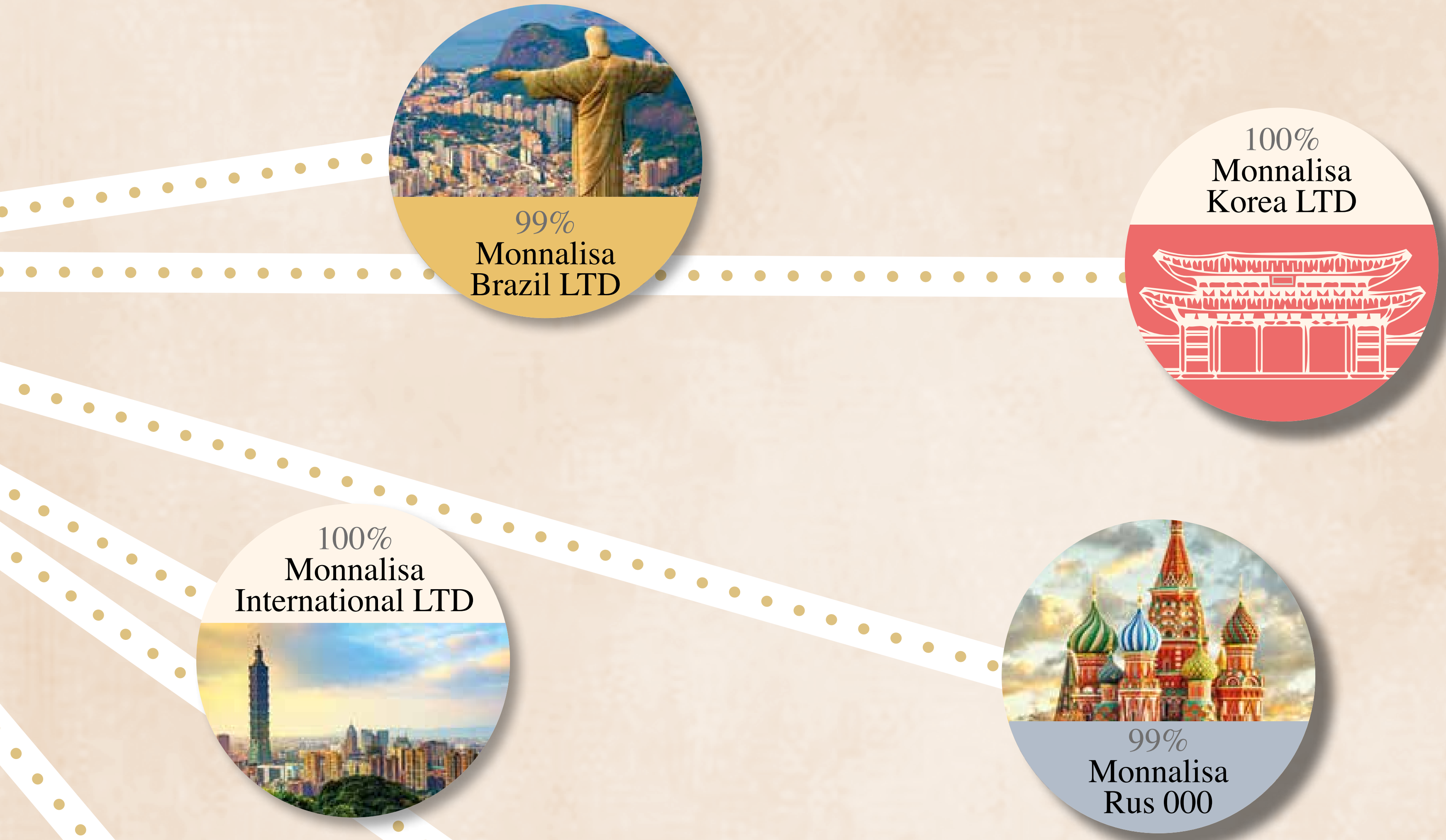
Activities
Founded in Arezzo in 1968 by Piero Iacomoni, currently Chairperson of the Board of Directors, Monnalisa designs, manufactures and distributes high-end childrenswear for ages 0-16 under the brand of the same name through various distribution channels. The company's philosophy has always combined entrepreneurship, innovation, the search for new markets, original styling and a particular focus on the development of company resources and skills. The Monnalisa Group (the "Group" or the "Company") has a centralized business structure where almost all activities relating to its organizational model are performed, except for distribution and management of points of sale in the various geographical areas, which are instead handled directly by the Group's various commercial entities in their target markets.
Monnalisa is thus an operational holding company, which in addition to holding interests in the international trading companies, manages all phases of the production process, from product design and creation to marketing, only outsourcing certain phases of production.
For 50 years, Monnalisa's philosophy has been based on a unique combination of entrepreneurship, innovation, the search for new markets and original styling. Today, the Company distributes in over 60 countries, both through direct flagship stores and at the world's best-known Department Stores and over 750 multibrand sales points.
Insourcing of the product design and creation process, in addition to representing a highly distinctive aspect of the Monnalisa Group, is also intended to pursue the key objective of achieving a high degree of industrialization of this process. The Group is therefore capable of handling all strategic processes internally, with the resulting positive consequences in terms of increased sales and margins.
The Group is organized according to a model in which product strategies and communications activity are intertwined, so as to ensure consistency with Monnalisa's brand image and style. This model features constant, careful monitoring by the Company of its value chain.
The structure of the Monnalisa Group at December 31, 2019, corresponding to the scope of consolidation, is presented in the chart here beside

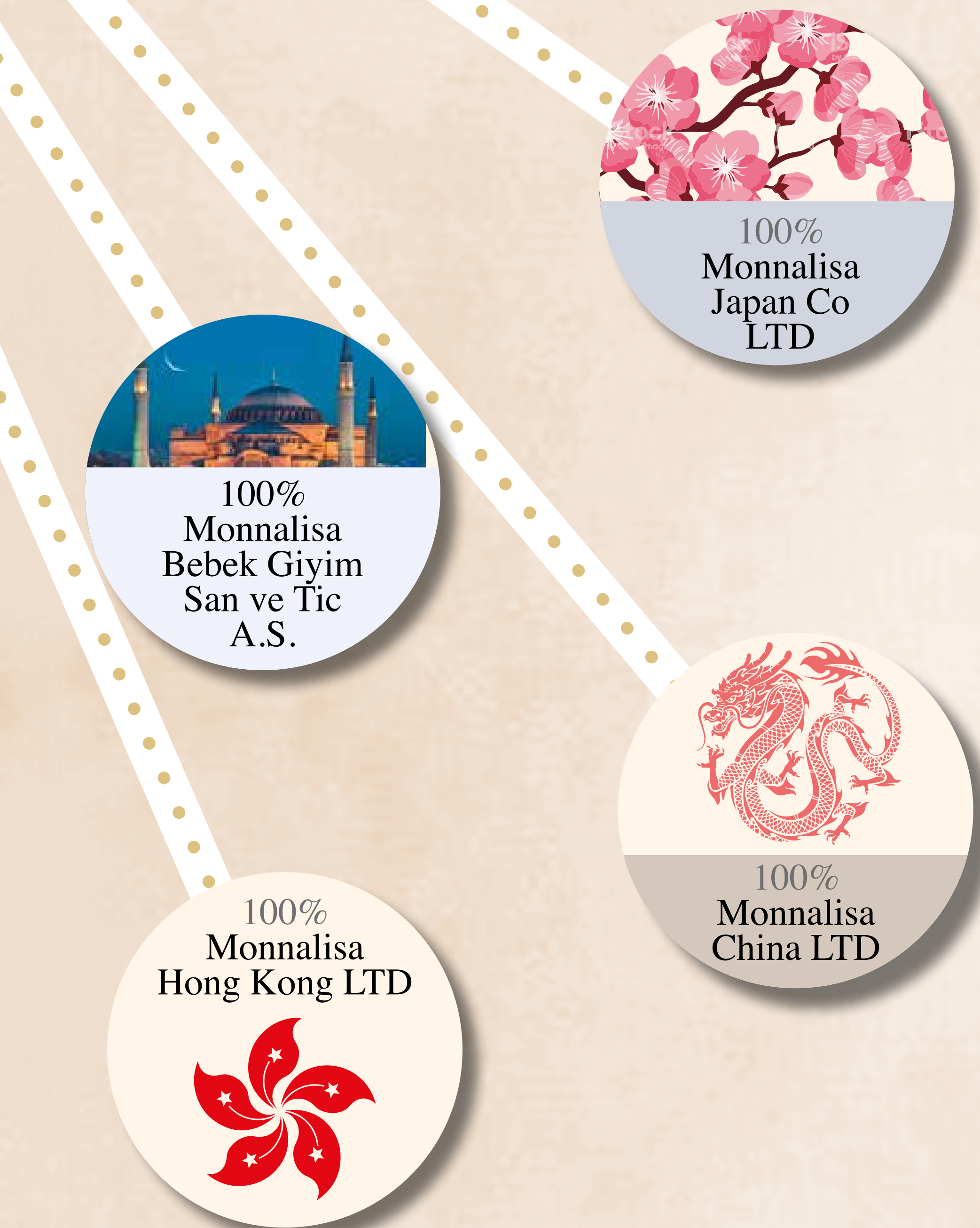
AIM ITALIA / ALTERNATIVE CAPITAL MARKET

On July 10, 2018 the Company's ordinary shares were admitted to trading on the AIM Italia - Alternative Capital Market, a multilateral trading facility organized and managed by Borsa Italiana S.p.A. Trading of the company's ordinary shares began on July 12, 2018.
Admission to trading followed the placement of a total of 1,290,800 ordinary shares, of which 1,236,300 shares associated with the capital increase, undertaken by placement primarily with qualified Italian and international institutional investors, and 54,500 shares sold by the controlling shareholder, Jafin Due S.p.A.
The placement price of the ordinary shares was set at Euro 13.75, resulting in a market capitalization for the Company at the date of commencement of trading of Euro 72 million and a free float of approximately 25% of share capital, assuming the full exercise of the greenshoe option for an additional 54,500 shares. The IPO price was set by the Company, in concert with the global coordinator, CFO SIM S.p.A., in view of the quantity and characteristics of the shows of interest received in the placement process and with the aim of favoring a book composition characterized by the presence of investors of high standing with a medium-to-long-term investment horizon. The global offering, which was concluded on July 6, 2018, met with strong subscription demand from approximately 30 Italian and international institutional investors. Monnalisa's shareholders include nearly all the largest asset management companies in Italy in terms of assets managed.
The purpose of the IPO was to contribute to further accelerating the Group's growth process and international presence, with particular regard to the retail channel and e-commerce.

Key Stock Exchange Indicators

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





OPERATING PERFORMANCE

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

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

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

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

Revenues by distribution channel

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

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

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

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

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

Revenues by region

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

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

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

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

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

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

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

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

** As the composition of EBITDA is not regulated by the applicable accounting standards, the criterion used in the calculation by the Group may not be uniform with that adopted by other groups and, therefore, may not be comparable. "Adjusted EBITDA" means the profit or loss that the company would have reported in the absence of non-recurring items. The Company calculates this indicator by adding non-recurring costs to and subtracting non-recurring income from.*

Ended 31 December (at current exchange rates)

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

Ended 31 December (at constant exchange rates)

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

Ended 31 December (at current exchange rates)

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

**reclassified from the approved 2018 financial statements*

Ended 31 December (at constant exchange rates)

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

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

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

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

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

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

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

Fall-Winter Collection 2021

THE SITUATION OF THE PARENT COMPANY AND THE GROUP

Operating performance

Performance in 2019 – above all from the standpoint of patrimonial position and cash flows – was due to several important investment transactions undertaken by the company during the year, in continuity with events in the previous year. The international subsidiaries were capitalized and financed in order to support extensive investments in the retail sector.
Three new companies were in addition established (in Japan, Great Britain and Taiwan) for direct retail management.

Operating and financial overview

The operating and financial overview is based on the reclassified balance sheet, drawn up as per Articles 2424 and 2424-bis of the Italian Civil Code, and the reclassified income statement, drawn up as per Articles 2425 and 2425-bis of the Italian Civil Code. For completeness of information, the analysis is provided at the level of Monnalisa on a stand-alone basis as well as at the Group level.
The Monnalisa Group in addition utilizes alternative performance indicators, which are not recognized under Italian GAAP, to better assess Group performance. The criterion applied by the Group and the relative results may therefore not be uniform and comparable with those of other groups. These indicators are based solely on the Group's historical data for the reporting period and the comparative periods, without referring to the Group's expected performance, and should not be considered as replacements for the indicators required by the applicable accounting standards (Italian GAAP – OIC).
The alternative performance indicators utilized are the following:
EBITDA ***(Earnings Before Interest, Taxes, Depreciation, Amortization):*** the operating result before amortization, depreciation and provisions, financial management and taxes. The doubtful debt provision was included in this indicator for the reclassification. As the composition of EBITDA is not regulated by the applicable accounting standards, the criterion used in the calculation by the Group may not be uniform with that adopted by other groups and, therefore, may not be comparable.
Net Capital Employed: the difference between total net liabilities and non-interest-bearing payables. Specifically, this comprises the sum of net operating capital employed and non-operational uses (financial fixed assets, current financial assets, non-operating prepayments/accrued income); in which net operating capital employed is the difference between operating capital employed (tangible and intangible assets, inventories, receivables, cash and cash equivalents, prepayments and accrued income) and operating liabilities (provisions for risks and charges, the severance pay provision, payables net of bank payables, accrued liabilities and deferred income).
EBIT ***(Earnings Before Interest and Taxes):*** corresponding to the operating profit. This is the result before taxes and financial charges.

The balance sheet reclassified according to the financial method is useful in understanding the composition of commitments and sources of funds and in calculating short- and long-term financial stability indicators. (tab 1 - 1bis).
On the other hand, the balance sheet reclassified by segment is useful in understanding funding requirements and financial structure dynamics, permitting categories of uses and sources of funds to be correlated with one another, which can then be compared with the corresponding financial margins to calculate specific profitability indicators. (tab 2 - 2bis).
The reclassified income statement is divided into segments by distinguishing between ordinary operations (core and non-core), extraordinary operations and financial operations.
In the interest of a more accurate and prudent presentation of line items, operating grants have not been included among other income, but accounted for as reducing the costs for the year to which they refer. (tab 3 - 3bis).

Table 1 Balance sheet of the parent company

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

Table 1bis Group balance sheet

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

Table 2 Balance sheet of the parent company by segment

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

Table 2bis Consolidated balance sheet by segment

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

Table 3 Reclassified income statement of the parent company

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

Table 3bis Reclassified consolidated income statement

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

INCOME STATEMENT

Profitability represents the company's ability to generate income adequate to the capital invested in it over the long term.

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

BALANCE SHEET

The analysis of the capital structure focuses on stability, which represents the company's ability to face external and internal adverse events.

Tab. 4 Financial stability indicators.

Despite the volume of investments in the year and the loss recorded, the company continues to report a strong balance sheet, ending the year with consolidated equity of Euro 38.9 million and fixed assets of Euro 25.4 million.

Table 4 Financial stability indicators

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

THE FINANCIAL SITUATION

Liquidity represents the company's ability to remain constantly solvent over time. The time horizon for this type of analysis is the short term, and it thus specifically concerns items included in working capital. (tab. 5).

Net Financial Position. Net financial position, which refers to the company's net debt, is a concise representation of the balance of sources and investments of a financial nature. It is calculated as current cash and equivalents, plus financial receivables, less financial payables (i.e., not attributable to the commercial cycle) of both a short-term and a medium-to-long-term nature. (tab. 6 - 6bis). The Net financial position is determined in accordance with C.E.S.R.'s ("Committee of European Securities Regulators") recommendation "Recommendations for the uniform implementation of the European Commission regulations on information prospectus" of February 10, 2005, paragraph 127 "Own funds and debt". A negative "net financial position" indicates that liquidity and financial receivables are greater than payables.

Table 5 liquidity indicators

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

Table 6 Net financial position of the parent company

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

Table 6bis Net financial position of the group

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

CALCULATION AND ALLOCATION OF VALUE ADDED

The statement of value added is designed to highlight the value added in view of its distribution to the company's various stakeholders. Value added fact measures the wealth generated by the company during the year in respect of the stakeholders to which it is distributed. In identifying the items in this reclassification, it was decided not to interpret sister companies, contract manufacturers and agents as sources of costs, but rather to regard them as beneficiaries, due to the downstream business generated by the company, of the distribution of value added.

The statement reclassifies the income statement for the year, considering the income generated by the sale of products, on the one hand, and the costs incurred for the purchase of goods and services, on the other. Accessory activity revenues, together with depreciation and amortization (where net global value added is desired), are then added to the difference between the above items – even though depreciation and amortization constitute a sort of remuneration for the company, which thereby replenishes the capital invested in the factors of production. The resulting value-added measures Monnalisa's ability to create and distribute wealth to its various stakeholders. The distribution of value added instead represents the portion of the wealth produced by the company that is allocated to the stakeholders who contributed in various ways to generating it; it therefore depends directly on the map of company stakeholders and on the degree to which they are involved in its activity.

Subsidies towards operating expenses are related to: the photovoltaic incentive (Euro 20,697.64), internship grants (Euro 2,700), Chamber of Commerce grant (Euro 1,726), the Fondimpresa professional training grant (Euro 13,460), R&D grant (Euro 751,903.82), AIM listing grant (Euro 200,000) and the training 4.0 grant (Euro 22,559.60).

Table 7 Statement of value added of the parent company

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

Table 8 Distribution of value added

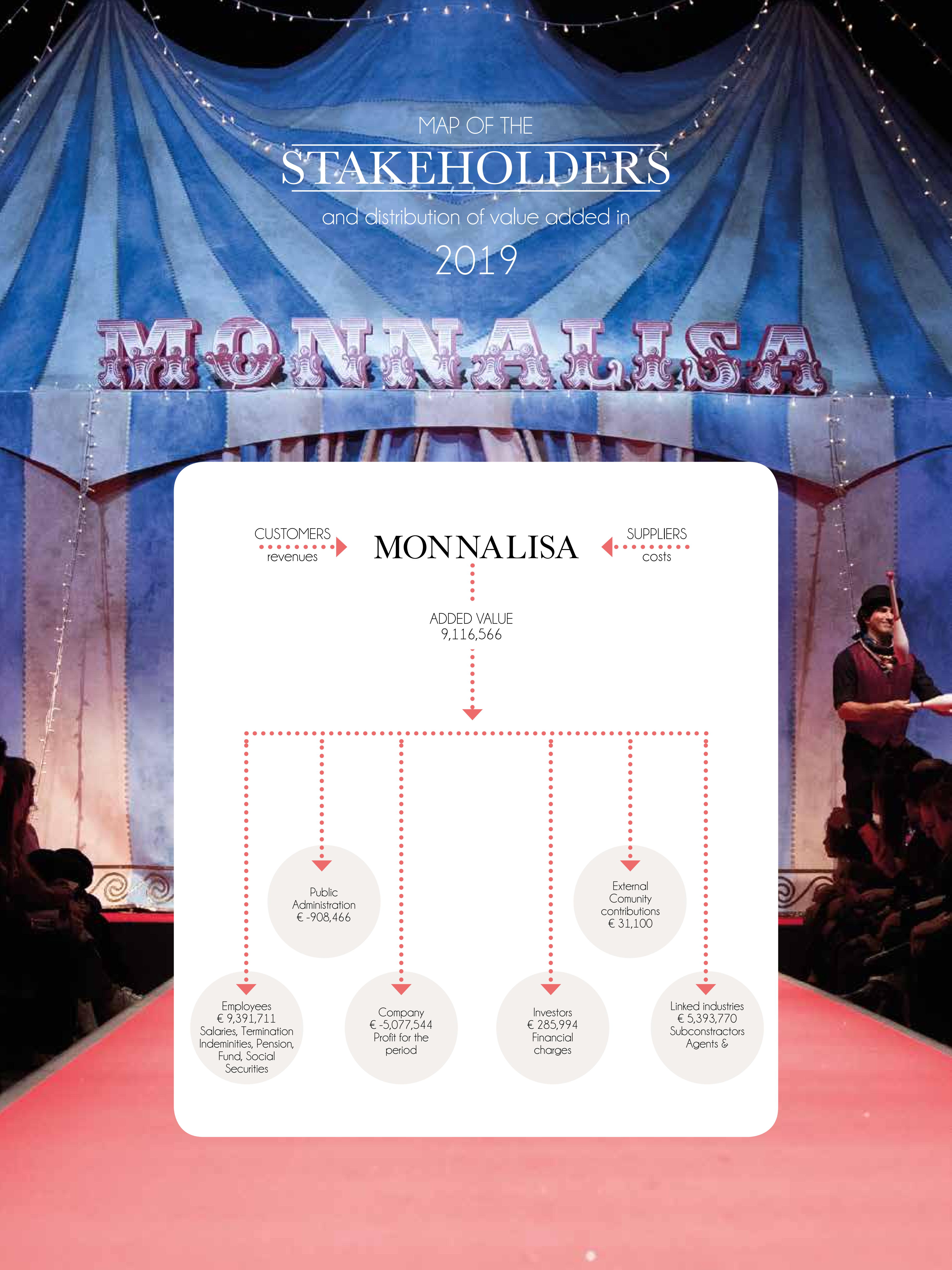
	2017	%	2018	%	2019	%
Personnel Payments	**7,510,138**	**44%**	**8,783,864**	**50%**	**9,391,711**	**103%**
Employees	7,510,138		8,783,864		9,391,711	
a) direct remuneration and bonuses (including the employees at the Galeries Lafayette Corner, the employee at the P.R. office in Russia, at the showroom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

MAP OF THE

STAKEHOLDERS

and distribution of value added in

2019



CUSTOMERS
revenues

MONNALISA

SUPPLIERS
costs

ADDED VALUE
9,116,566

Public Administration
€ -908,466

External Comunity contributions
€ 31,100

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

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

Investors
€ 285,994
Financial charges

Linked industries
€ 5,393,770
Subconstractors Agents &

ANALYSIS OF THE MONNALISA GROUP'S RISKS

In managing its business and implementing its strategy, the Group, like all companies, is naturally exposed to a series of risks that, where not properly managed and mitigated, may affect its operating results, as well as its current and prospective financial position.

Monnalisa S.p.A. has implemented risk management procedures for the most exposed areas with the aim of eliminating or reducing positive negative impacts on the Company's financial situation.

MARKET RISKS

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

RISKS RELATED WITH IMAGE

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

DISTRIBUTION NETWORK RISKS

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

RISKS RELATED TO RELATIONS WITH MANUFACTURERS AND SUPPLIERS

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

RISKS RELATED TO THE LOSS OF KNOW-HOW AND TALENT

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

RISKS RELATED TO THE LOSS OF INFORMATION AND DATA

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

LIQUIDITY RISKS

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

FINANCIAL RISKS

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

EXCHANGE RATE RISK

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

RISKS RELATED TO ACCOUNTING ACTIVITY

The parent company's accounting activity is internal and is conducted by individuals with an average of 20 years of experience in their roles. The professionalism ensured by our personnel is accompanied by ongoing training and support from high-profile external consultants. The auditing firm EY S.p.A. has been named the company's independent auditors, in addition to being commissioned to certify the separate financial statements of the parent company and the consolidated financial statements. At the level of the subsidiaries, accounting is entrusted to local consultancy firms with international experience. The subsidiary companies with the greatest revenues (Russia, China and Hong Kong) are audited by local auditors.
There have never been any cases of fines or other penalties for breaches of laws and regulations.
There were no ongoing disputes with the revenue authorities at the reporting date.
The Group operates in various countries (in Europe and beyond). Within this framework, goods are sold and services are rendered between the various Group entities residing in the various countries. In particular, relationships between the parent company and its international subsidiary companies are subject to transfer-pricing rules.
In the management's opinion, the transactions between the parent company and other group company have been undertaken in the course of ordinary business operations and carried out in full accordance with the arm's-length principle, as incorporated into Italian legislation and defined (at the international level) by the guidelines provided by the OECD.

RISKS RELATED TO CORRUPTION

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

RISKS RELATED TO GOVERNANCE

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

Relations with financial institutions and ratings agencies

The debt mainly concerns the parent company alone. Bank-company relations involve mortgage credit, foreign exchange hedging, factoring, collection and payment services, financing and credit facilities and documentary credits. Debt structure is well balanced between short- and long-term elements.

Table 9 EBITDA to financial charges at the level of the parent company

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

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

Use of financial instruments

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

Investments

Investments were made in the following areas during the year:

Fixed Assets	Acquisitions in the year by the Parent Company	Acquisitions in the year by the Group
Start-up and expansion costs	0	71,319
Industrial patent rights	264,258	289,461
Other intangible assets	276,587	1,377,252
Land and buildings	181,552	181,552
Plant and machinery	409,579	439,820
Industrial and commercial equipment	43,463	297,031
Other assets	807,708	1,036,055
Work in progress & advance payments	5,400	5,400

Environmental information

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

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

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

Disclosures on personnel relations

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

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

The Company adopts all measures appropriate to protecting health and safety in the workplace by applying traditional procedures (risk assessment and health monitoring plan) and obtaining support from competent professionals (executives, officers, company-appointed physician and head of the prevention and protection service pursuant to Leg. Decree 81/2008). Prevention of work-related risks is a fundamental principle that inspires the Company and that represents an opportunity for improving quality of life in the Company's facilities and offices. In view of this goal, initiatives continued with the aim of training and raising awareness amongst employees and all workers generally regarding workplace safety issues. The process involved training and information sessions (in the form of specific courses), the implementation of a health monitoring plan, and the circulation of notices and circulars in accordance with the relevant legislation. In accordance with Law Decree 81 of 2008, additional investments were made to improve the compliance of installations and equipment with the legislation concerned.

Research and development

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

- No research and development costs were capitalized during the year. It should be noted that the Company undertook research and development in the textile and apparel sector with a focus on advanced, innovative product and process technologies, as described in further detail elsewhere in the financial report.
- The costs relating to these activities have been expensed in full to the income statement.
- The total costs incurred for R&D activity in 2019 amounted to Euro 1,951,722.22.
- The total R&D tax credit pursuant to Ministerial Decree 174 of May 27, 2015 – accounted for as a grant towards operating expenses – amounted to Euro 751,903.82.

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

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

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

Intra-group and related-party transactions

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

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

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

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

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

Treasury shares and shares in parent companies

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

The plan was required in order to: (i) utilize treasury shares for the efficient investment of the liquidity generated by ordinary company operations; (ii) acquire treasury shares from the beneficiaries of any incentive plans; (iii) permit the use of treasury shares in corporate transactions where the opportunity arises for share swaps, mainly for mergers with potential strategic partners; in addition to (iv) intervene, in accordance with applicable provisions (and where possible), to contain anomalous share price movements and to regularize trading and prices, against temporary distortions related to excessive volatility or reduced levels of trading.
Purchases could have been made also in a number of tranches and in any case up to a maximum amount, considering the ordinary company shares held, at any given time, by the company and its subsidiaries, overall of not more than 15% of the shares comprising the share capital. Purchases were made within the limits of the distributable profits and available reserves stated in the latest approved financial statements, and within the maximum daily volume limits as per the applicable provisions.
Treasury share purchases could have been executed at a unitary price of not more than 15% below, as a minimum, and not greater than 15% above, as a maximum, the share price recorded during the trading session before each transaction - except where the shares were swapped, conferred, assigned or subject to other non-monetary disposals, whereby the financial terms of the transaction are based on, as per the applicable regulation, the nature and characteristics of the transaction.
Treasury shares may also be disposed of at any moment, in full or in part, on one or more occasions, even before the maximum number of shares have been purchased, through disposals on the market, in blocks or otherwise off-market, accelerated bookbuilding, or through the sale of any secured and/or unsecured rights thereto (including, for example purposes, securities lending), and also as part of industrial projects or corporate finance transactions, through exchanges, conferments or other means requiring the transfer of treasury shares, at a price or value which is appropriate and in line with the transaction, taking account also of the market performance.
The share purchase programme was co-ordinated by an entrusted intermediary, who made the purchases entirely independently and without influence from Monnalisa in terms of the moment at which to execute purchases.
The transactions undertaken were disclosed to the market according to the means and terms established by the applicable regulation.
In order to comply with the provisions of the AIM Italia – Alternative Capital Market Issuers' Regulation, as updated on January 3, 2018, the Company has adopted specific corporate governance procedures such as:

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

Subsequent events and outlook

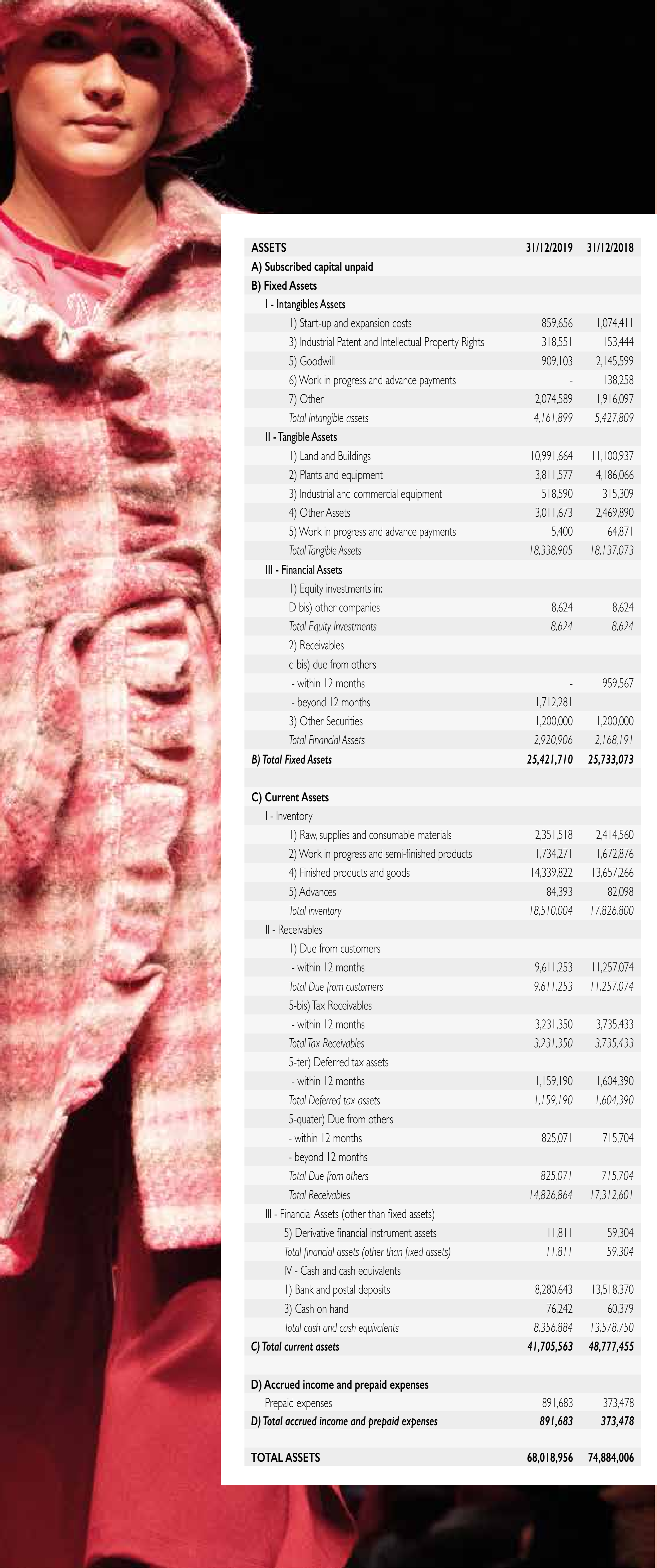
2020 began with the unforeseeable effects of the COVID-19 pandemic, which continues to impact the globe.
The developing situation was tackled immediately, with the activation of exceptional measures to reduce the risks of spreading the virus and ensure the safety of employees and customers in direct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

Local Units

The Company operates at the following locations, in addition to its registered office:
Arezzo, Via Madame Curie n. 7/G
Arezzo, Loc. Ponte alla Nave n. 8
Arezzo, Via Beniamino Franklin n.11-13
Arezzo, Civitella Val di Chiana, Via di Pescaiola n. 78
Arezzo, Civitella Val di Chiana, Via di Basserone n. 12/A
Arezzo, Via Fabroni n.15-27
Arezzo, Via Pasqui 23,25, 49, 43
Arezzo, Via Morse n.1
Arezzo, Via Puccini n.119
Florence, Via del Corso n. 66/R
Florence, Via degli Strozzi 22/R
Milan, Via della Spiga n. 52
Milan, Corso Buenos Aires n.1
Paris, Avenue de Wagram n.58
Naples, Via Toledo n.256
Naples, Piazza dei Martiri n. 52
Serravalle Scrivia (AL), Viale della Moda 1
Madrid, Calle Velasquez 20, 6 DC
Marcianise, Strada Provinciale 363
Moscow, Presnenskaya naberegnaya, 8 str.1, floor 2, office 44
Viernheim, Robert-Kochstrasse 10
Forte dei Marmi, Via Vittorio Veneto 4
Agira (EN), Località Mandre Bianche (Sicilia Outlet Village)
London - Logan Studios - Logan Place
Florence, Via del Termine 11
Rome - Via L.Luciani 1 P2 I5A
Rome, Via del Babuino 136-137
Fidenza, Via Federico Fellini

CONSOLIDATED FINANCIAL STATEMENTS
AT 31/12/2019

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



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

LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2019	31/12/2018
A) Shareholders' Equity		
I Share capital	10,000,000	10,000,000
II Share premium reserve	9,063,125	9,063,125
III Revaluation reserve	2,959,446	2,959,446
IV Legal reserve	1,108,276	943,276
VI Other reserves, indicated separately		
Translation differences	(608,669)	(717,937)
Other reserves	189,187	51,576
Total other reserves	*(419,482)*	*(666,360)*
VII Cash flow hedge reserve	8,364	44,459
VIII Profit (loss) carried forward	24,740,642	23,751,400
IX Profit (loss) for the period	(8,415,516)	1,291,853
X Negative reserve for own portfolio shares	(149,915)	-
Total Group Shareholder's Equity	***38,894,939***	***47,387,198***
Third Party capital and reserves	12,394	8,999
Profit (loss) attributable to minority interests	(6,691)	1,486
Total Minority Shareholder's Equity	*5,703*	*10,485*
Total Shareholder's Equity	***38,900,642***	***47,397,683***
B) Provisions for risks and charges		
1) Provisions for pensions or similar obligations	59,397	54,257
2) Provisions for taxes, including deferred	264,928	256,843
4) Other	489,175	420,855
Total provisions for risks and charges	***813,499***	***731,955***
C) Employee termination indemnities	1,809,749	1,607,423
D) Payables		
4) Payables due to banks		
- within 12 months	8,127,152	5,733,506
- beyond 12 months	6,564,737	7,779,400
Total payables due to banks	*14,691,889*	*13,512,906*
5) Payable due to other financial institutions		
- within 12 months	-	11,865
Total payable due to other financial institutions	-	*11,865*
6) Advances		
- within 12 months	951,813	1,324,853
Total advances	*951,813*	*1,324,853*
7) Trade payables		
- within 12 months	7,942,570	7,758,687
Total trade payables	*7,942,570*	*7,758,687*
12) Tax payables		
- within 12 months	580,504	425,632
Total tax payables	*580,504*	*425,632*
13) Payables to pension funds and social security agencies		
- within 12 months	540,079	492,303
Total payables to pension funds and social security funds	*540,079*	*492,303*
14) Other payables		
- within 12 months	1,252,322	1,400,026
- beyond 12 months	87,804	87,804
Total other payables	*1,340,126*	*1,487,829*
Total payables	***26,046,982***	***25,014,074***
E) Accrued liabilities and deferred income		
Accrued liabilities	148,084	132,871
Deferred Income	300,000	
Total accrued liabilities and deferred income	***448,084***	***132,871***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	68,018,956	74,884,006

CONSOLIDATED CASH FLOW STATEMENT

INDIRECT METHOD AT 31/12/2019

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

NOTES TO THE consolidated financial statements

AT 31/12/2019

Introduction

Monnalisa S.p.A. (hereafter "the Company" or "the Parent Company") is a company incorporated under the laws of the Italian Republic and domiciled in Italy, with its registered office in Arezzo at Via Madame Curie No. 7.
These consolidated financial statements comprising the balance sheet, the income statement, the cash flow statement and the explanatory notes were prepared in accordance with Article 29 of Legislative Decree 127/91, as reported in these Explanatory Notes, prepared in accordance with Article 38 of the same Decree. The principles of Italian GAAP (set by the Italian Accounting Standard-Setter OIC) have been applied.
In addition to the various appendices as required by law, reconciliation schedules are also included of the net result and equity of the parent company and of the consolidated financial statements.
The financial statements are expressed in Euro to the nearest unit. Any rounding differences are indicated in the account "Euro rounding reserve" under Shareholders' Equity.
The explanatory notes outline the balance sheet and income statement accounts on the basis of the order in which they appear in the respective financial statements.
Pursuant to Art. 29, paragraph 4, of Leg. Decree 127/91, it is reported that it was not necessary to apply exceptions to the said Leg. Decree.
The notes and annexes provide additional information that, while not expressly required by applicable legislation, has been deemed useful to providing a complete representation of the Company's situation.
No items of the balance sheet or income statement have been merged, and the financial statements for the reporting year are comparable with those for the previous year. As per Article 2424 there are no asset or liability items that could be classified in more than one account.

Consolidation scope and methods

The consolidated financial statements are based on the financial statements of Monnalisa S.p.A. as parent and the companies in which the parent directly or indirectly holds a controlling interest. The financial statements of companies included in the consolidated financial statements are incorporated on a line-by-line basis. The list of these companies is provided below:

Company	Registered Office	Share capital		Shareholders	Holding	Consolidated
		currency	currency value			
Monnalisa Brazil Ltda	San Paolo (Brazil)	Real	1,680,390	Monnalisa SPA; Jafin SPA	99%	100%
Monnalisa China LLC	Shanghai (Cina)	Yuan	36,505,707	Monnalisa SPA	100%	100%
Monnalisa Hong Kong LTD	Hong Kong	HKD	427,565	Monnalisa SPA	100%	100%
Monnalisa Korea Ltd	Seoul (Korea)	WON	100,000,000	Monnalisa SPA	100%	100%
Monnalisa Rus OOO	Mosca (Russia)	RUR	41,410,00	Monnalisa SPA; Jafin SPA	99,9%	100%
ML Retail Usa Inc	Houston Texas (USA)	USD	644,573	Monnalisa SPA	100%	100%
Monnalisa Bebek Giyim Sanayi ve Ticaret A.Ş.	Istanbul (Turchia)	TRY	7,450,000	Monnalisa SPA	100%	100%
Monnalisa UK LTD	London (UK)	GBP	200,000	Monnalisa SPA	100%	100%
Monnalisa Japan Co Ltd	Tokyo (Giappone)	JPY	1,000,000	Monnalisa SPA	100%	100%
Monnalisa International Ltd	Taipei (Taiwan)	TWD	7,000,000	Monnalisa SPA		100%

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

Monnalisa Hong Kong Ltd

incorporated on August 25, 2015 and based in Hong Kong, it is a fully owned subsidiary of Monnalisa S.p.A. intended to pursue development of the local retail market. The subsidiary currently operates three monobrand stores;

Monnalisa Russia LLC

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

Monnalisa China Ltd

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

ML Retail Usa, Inc.

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

Monnalisa Korea Ltd

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

Monnalisa Brazil Participasoes LTDA

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

Monnalisa BEBEK GİYİM SANAYİVE TİCARET A.Ş.

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

Monnalisa UK Ltd:

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

Monnalisa International Limited:

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

Monnalisa Japan Co Ltd:

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

Basis of Consolidation

At a preliminary level, it should be noted that as the Parent Company directly promoted and participated in the incorporation of the individual consolidated companies, following the subscription of the nominal share capital it was not necessary to eliminate the value of the equity investments and thus to allocate the resulting consolidation difference, with the exception of that verified for the Brazilian subsidiary.
The main consolidation principles are as follows:

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

exchange rates reported on the official Bank of Italy website were utilized, as indicated in the following table. The average is calculated as the average of the individual month average exchange rates:

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

Accounting policies

The accounting policies for the consolidated financial statements at 31/12/2019 are those utilized for the statutory financial statements of the parent company which prepares the consolidated financial statements and do not differ from those normally used.
The financial statement accounts have been measured according to the prudence and accruals concepts and on a going concern basis.
In applying the materiality principle, the obligations in terms of recognition, measurement, presentation and disclosure were not observed where not assisting the presentation of a true and fair view.
Recognition and presentation of the accounts was made taking into account the substance of the operations and of the contract.
The main recognition and measurement policies adopted in the preparation of the financial statements are illustrated below:

Assets

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

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

- Start-up and expansion costs, recognized with the consent of the Board of Statutory Auditors, have been amortized over a period of five years, in consideration of their long-term utility.
- The costs of the use of intellectual property (software) have been amortized over a period of five years, in consideration of their long-term utility.
- The costs of acquiring, registering and protecting trademarks have been amortized on the basis of their future utility, estimated at ten years.
- Goodwill has been recognized with the consent of the Board of Statutory Auditors at the cost incurred to acquire certain retail companies, and however is annually subject to a recoverability test. It was decided to estimate the useful life of goodwill at ten years, on the basis of the sector, the related image factor and the specific operational conditions of the acquirees.
- Other fixed assets mainly comprise of leasehold improvements, which include principally the costs incurred to modernize the direct sales points network and/or all other buildings which are not owned. They are depreciated on the basis of the remaining useful life of the assets. This item includes sample garments, relating to previous seasons, obtained through a merger undertaken by the Parent Company in 2015. Similarly to the approach taken to goodwill, they have been amortized according to their useful lives, estimated at ten years.

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

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

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

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

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

Capital paid-in

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

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

Inventory
Raw, supplies and consumable materials are stated at the lower of purchase cost, plus accessory costs, and measured according to the LIFO method at their presumed realizable value. The value ascribed to the above categories does not differ significantly from the value that would result from using current costs or replacement cost at the reporting date.
Work in progress, semi-finished and finished goods are measured at the lesser of the factory cost attributable to them and their presumed realizable values, represented by the best estimate of the net price of sale that may be obtained, taking account of the effective possibility of sale on the basis of their movements. Factory cost has been determined by including all costs directly attributable to the products, having regard to the phase reached in the production process.
As in previous seasons, this caption is inclusive of sample garments existing as at the reporting date, measured at the lesser of the factory cost incurred and net realizable value.
Internal profits on products sold to group companies in stock at the reporting date have been eliminated as unearned and the resulting deferred tax assets recognized.
The accounting policies adopted are unchanged from the previous year.

Receivables
Receivables are classified to financial fixed assets or a specific caption of working capital by type and are recognized at their nominal value.

In accordance with Italian GAAP standard OIC 15, it should be noted that the amortized cost criterion has not been applied to receivables recognized prior to the year beginning on January 1, 2016, nor has it been applied to receivables arising after that date, since the effects are immaterial to the presentation of a true and fair view.
The accounting policies adopted by the Company are as follows:
- receivables with maturity of less than 12 months are not discounted;
- receivables are not discounted where the effective interest rate does not differ significantly from the market interest rate;
- the amortized cost method is not applied where the transaction costs, commissions and any other difference between the initial value and the value on maturity are insignificant.

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

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

Provisions for risks and charges
The item includes liabilities the nature of which is known and the existence of which is certain or probable, but the date of occurrence and amount of which cannot be determined.
These provisions have been measured in accordance with the prudence and accruals concepts and no provision has been made for matters without any economic justification.
In particular, liabilities the nature of which is known and the existence of which is probable, but the values of which are estimated, are accounted for by recognizing provisions for risks, whereas liabilities the nature of which is known and the existence of which is certain, but the amount and date of occurrence of which are estimated, are accounted for by recognizing provisions for charges. Provisions for risks thus refer to contingent liabilities related to situations existing at the reporting date, although subject to a degree of uncertainty based on the possible occurrence of one or more future events, whereas provisions for charges refer to obligations already entered into at the reporting date, but that will be settled in future periods.
They are recognized on an accrual basis, when the liabilities are deemed probable and the amount of the relevant charge may be reasonably estimated, applying appropriate adjustments in future periods in the light of the new information obtained.
Estimates reflect all information and elements of cost that may be known and determined at the reporting date, even where ascertained thereafter, but before the date of preparation of this document. When estimating provisions for charges, where it is possible to arrive at a reasonably reliable estimate of the outlay and its date of occurrence, and it is so remote in time as to render it significantly different from the present value of the obligation, the time value of money may be taken into account.
This item of the balance sheet also includes provisions for deferred taxes, the measurement of which is described in the specific paragraph below "Income taxes and deferred tax assets and liabilities".

Employment termination indemnities
This provision represents the Company's actual liability at December 31, 2019 towards employees in service at that date, less any advances paid in accordance with applicable law and labor agreements, taking into account all forms of remuneration of an ongoing nature, less advances disbursed, and is equal to the sum that would have been due to the employees had their employment been severed on the date concerned.
The provision does not include indemnities matured from January 1, 2007, allocated to supplementary pensions as per Legislative Decree No. 252 of December 5, 2005 (or transferred to the INPS treasury fund). The provision is the total of the individual indemnities until December 2016 accruing in favor of employees at the balance sheet date, net of advances paid.
Employee termination indemnities with payment due before December 31, 2019 or by the following year were recorded to the account D.14 of the balance sheet under other payables.
The applicable labor agreement provides that workers with at least eight years' seniority of service may apply to their employer for an advance not to exceed 70% of the benefits to which they would be entitled in the event of severance of employment on the requested date. Such requests are contingent on the employee being required to incur significant expenses for healthcare, the purchase of a first home or themselves or their children, expenses relating to maternity leave or education.

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

Revenue and costs
They are recognized net of returns, unconditional discounts, allowances and bonuses and are classified to the items of the income statement pursuant to Article 2425 of the Italian Civil Code by nature.
They are recognized when the production process for the goods has been completed and ownership has been transferred in substantial and not only formal terms, which normally occurs when moveable property is delivered or dispatched or when the contract is executed for immoveable property, using the substantial transfer of the risks and benefits as the criterion for substantial transfer of ownership.
Revenues of a financial nature and revenues from services are recognized on an accruals basis.
The income and charges relating to sales operations with obligation of the return of goods, comprising the difference between the forward price and the spot price, are recorded according to the accruals principle.
In particular, costs are always recognized in accordance with the principle of correlation with revenues for the year.
Where it is likely that contingent assets or profits will arise, they are not recognized, in accordance with the prudence principle. Rather, the necessary information is disclosed in this document.
Product returns are recognized in the year in which the goods are returned by the customer. On a prudential basis, it was decided to set aside Euro 312,320 to the provision for returned goods in connection with sales transacted in 2019.
Raw materials, ancillary, consumables and goods include accessory acquisition costs (transport, insurance, etc.) where the supplier has included such in the purchase price, otherwise they are recorded separately under service costs based on their nature. Costs include not only those of a certain amount, but also those not yet documented for which transfer of ownership has already taken place or the service has already been received.
In accordance with the prudence principle, contingent assets or profits are not recognized. Rather, the necessary information is disclosed in this document.

Income taxes and deferred tax assets and liabilities
Income taxes are recorded in accordance with the accruals principle; therefore, they include:
- the provisions for taxes paid or to be paid for the year, in accordance with the income tax rates and regulations in force;
- the amount of deferred tax income and charges in relation to timing differences arising and reversed in the year.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Deferred tax assets and liabilities arise from timing differences between the carrying amount of assets and liabilities determined in accordance with the financial reporting criteria set out by the Italian civil code and their tax base.

The tax liability is shown under Tax payables net of advances, taxes withheld by third parties and tax credits.
Deferred tax assets are recognized (and continue to be carried) if, and only if, it is reasonably certain that they will be recovered in full on the basis of the Company's future taxable income. Where they are impaired, their values are recovered in future years to the extent it has become reasonably certain that they will be recovered.
Deferred tax liabilities are recognized only to the extent that it cannot be proved that it is unlikely that they will need to be discharged.

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

Derivative financial instruments
Derivative financial instruments are only used for the hedging of financial risks related to exchange rate fluctuations on commercial transactions in foreign currency.
They have been accounted for according to the hedge accounting approach inasmuch as:
- the hedging instrument is formally designated and documented at the start of hedging;
- the hedge is expected to be highly effective;
- such efficacy can be reliably measured;
- the hedge is highly effective during the various accounting periods for which it is designated.

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

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

Guarantees, commitments and contingent liabilities
At the reporting date there are no payables supported by secured guarantees on company assets (Article 2427, first paragraph, No. 6 of the Civil Code), with the exception of the property loan signed at the end of 2018 with Unicredit S.p.A. for an amount of Euro 5,000,000, supported by the mortgage guarantee on the property located at Arezzo in V. Madame Curie 7/G.
Following is the detail of bank guarantees as at 31/12/19.
Bank guarantee in favor of Monnalisa Turkey for € 403,654
Bank guarantee in favor of Ankara Ministry of Commerce for TRY 660,000
Bank guarantee in favor of ML Retail USA for USD 153,240
Bank guarantee in favor of Mr Bruno Gotti and Ms Angela Lesmo for € 22,550
Bank guarantee in favor of Toscana Airports for € 65,000
Bank guarantee in favor of Mr Bardo Barducci for € 131,760
Bank guarantee in favor of Serravalle Outlet for € 75,804
Bank guarantee in favor of Ms Flora Famiglini for € 26,400
Bank guarantee in favor of VR Milan Srl for € 53,985
Bank guarantee in favor of Dominici Cons Socio Unico for € 165,000
Bank guarantee in favor of Ms Gloria Mazzola for € 50,000
Bank guarantee in favor of Capri Due Outlet Srl for € 54,318
Bank guarantee in favor of Sicily Outlet Village Spa for € 28,822
Bank guarantee in favor of Comune di Arezzo for € 5,400
Bank guarantee in favor of Comune di Arezzo for € 13,030.

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

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

Explanatory Notes to the income statement

Revenues by segment
A breakdown follows:

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

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

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

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

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

Grantor	Grant Amount	Purpose
GSE SPA	€ 20,697.64	Photovoltaic Incentive

Costs of production
A breakdown follows:

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

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

Costs for raw materials, ancillaries, consumables and goods
These are strictly correlated to the comments in the Directors' Report and the description of point A (Value of production) of the Income Statement and are recognized according to the revenue matching principle.

This item includes the costs required to produce the goods involved in core business activity.
The costs of purchasing goods are taken to the income statement when the goods are delivered. Revenues and income, and costs and charges are recorded net of returns, discounts, rebates and premiums.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred tax charges/income
Deferred taxes are calculated based on the global allocation criteria, taking into account the cumulative amount of all of the temporary differences, based on the average expected rates in force when these temporary differences reverse. Deferred taxes derive from the accrual in the year to the deferred tax liability provision.
Deferred tax assets are recorded if there is reasonable certainty that the temporary differences will reverse in future years against assessable income not lower than the differences that will be reversed.
The consolidated income statement account is broken down as follows:

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

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

Description	31/12/2019				31/12/2018			
	Amount IRES temporary differences	IRES tax result	Amount IRAP temporary differences	IRAP tax result	Amount IRES temporary differences	IRES tax result	Amount IRAP temporary differences	IRAP tax result
Deferred tax income:								
Amortization of Brands	(2,183)			(74)	(1,275)	(306)	(1,051)	(41)
Amortization of Goodwill	12,818	(524)	(1,905)	499	87,817	21,076	87,821	3,425
Provision for risks	68,320	3,076	12,795	2,664	244,000	58,560	244,000	9,516
Write-downs receivables 2017		16,397	68,307		(62,204)	(14,929)		
Consultancy	(10,658)			(415)	(10,660)	(2,558)	(10,660)	(416)
Provision for risk 2017		(2,558)	(10,641)		(196,000)	(47,040)	(196,000)	(7,644)
-downs receivables 2018					70,354	16,885		
-downs receivables 2019	35,088							
ISC Provision	5,596	8,421		218	6,404	1,537	6,410	250
Settlement ISC 2017		1,343	5,589		(10,200)	(2,448)	(10,205)	(398)
Exchange rate losses	(19,109)				(101,971)	(24,473)		
Director compensation	(8,321)	(4,586)		(324)	8,321	1,997	8,321	324
Total	**81551**	**(1,997)**	**(8,307)**	**2,568**	**34,586**	**8,301**	**128,636**	**5,016**
Deferred tax liabilities:								
Exchange rate losses 2017					(128,521)	(30,845)		
Sales of company branch	(54,110)	(12,987)			(54,110)	(12,987)		
Sales of building	(169,592)	(40,702)	(169,592)	(6,614)	678,371	162,809	678,371	26,458
Exchange rate losses 2018	35,466	8,512			165,608	39,746		
Total	**(188,236)**	**(45,177)**	**(169,592)**	**(6,614)**	**661,348**	**158,723**	**678,371**	**26,458**
DEFERRED TAX ASSETS AND LIABILITIES		**(64,749)**		**(9,182)**		**150,422**		**21,442**

In accordance with Italian GAAP standard OIC 26, the Company determined that the aforementioned deferred tax income was reasonably certain to be recovered on the basis of a projection of future taxable profit according to its business plans and an estimate of the amount of the deferred tax assets reasonably recoverable. On the basis of the forecasts for the subsidiaries Monnalisa China and Monnalisa Brazil, it was also considered necessary to reverse the previously recognized deferred tax asset for Euro 889,745 as the conditions to forecast assessable income to permit its further recognition were not met.

Notes to the Balance Sheet

ASSETS

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

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

B) NON-CURRENT ASSETS

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

Intangible assets

The movements in the account are as follows:

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

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

"Start-up and expansion costs" mainly comprise costs incurred by the Parent Company Monnalisa S.p.A. in connection with the listing on the AIM Italia Market.

The increase in "Industrial patents" mainly relates to the acquisition of software licenses.

The item "Other" primarily includes the costs of leasehold improvements, amortized according to the term of the lease. The increases chiefly related to the new stores opened during the period (mainly Italy, Turkey and Russia) and the improvement works for the relocation of the Hong Kong store at the Ocean Terminal.

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

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

No indicators of impairment were identified for the parent company's goodwill.

With regards however to the goodwill of the US subsidiary ML Retail USA Inc., the Board of Directors drew up and approved a long-term plan, taking account also of the possible impacts from the new Coronavirus (Covid-19), specifically those regarding the 2020 financial year. The residual value of the goodwill in the U.S. subsidiary has been compared with the company's estimated economic value according to the discounted cash flow method. The impairment test was performed using an average cost of capital of 7.52% and a "g" growth rate of 1.57%.

In view of that indicated above, a write-down to recognized goodwill of Euro 1,087 thousand was made.

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

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

Land includes both the land adjacent to the factories and the land on which the factory buildings themselves stand.
The increases primarily relate to improvements on the existing factory facilities and the furnishings for the 2019 new openings and the upgrades to existing stores.

In addition, new machinery and plant for the style and production office were acquired in the year.

Revaluations of tangible fixed assets at year-end
In 2008 the company applied the option under Legislative Decree 185 to revalue the industrial use building located in the Municipality of Arezzo, at Via Madame Curie 7. The revaluation was made by taking the "market value" as a reference criterion - identified on a prudent basis - as per a report upon the estimate of the current value of assets at 31/12/08 drawn up by an independent expert.
From an accounting viewpoint, the revaluation was undertaken according to the historic cost increase accounting technique. The estimate of the residual useful life of the assets subject to revaluation was consequently reviewed.
From 2009 therefore, the depreciation was provisioned on the basis of the new useful life and of the new value of the assets.
From a tax viewpoint, the revaluation was made utilizing the option to apply for tax purposes, in addition, the higher revalued amount, through settlement of the IRES and IRAP substitution tax. In accordance with Article 10 Law No. 72/1983, the following tangible assets upon which monetary revaluations were made were recognized to the company's financial statements at 31/12/2019.

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

The revaluation amount of Euro 3,050,975, net of registration tax, generated an impact on shareholders' equity of Euro 2,959,446 as at 31/12/08, now reduced due to the increased accumulated depreciation on this amount.

Capitalization of financial charges

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

Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

The item "Tax receivables" primarily consists of VAT receivables of approximately Euro 1.3 million and the research and development tax credit of Euro 774 thousand. For information regarding the item "Deferred tax assets", refer to the specific paragraph "Deferred tax assets/liabilities" below.

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

Description	31/12/2019	31/12/2018	Changes
1) Bank & postal deposits	8,280,643	13,518,370	(5,237,727)
3) Cash & cash equivalents on hand	76,242	60,379	15,863
Total	**8,356,885**	**13,578,750**	**(5,221,865)**

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

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

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

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

LIABILITIES

Shareholders' Equity

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

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

Statement of changes in consolidated net equity

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

Provisions for risks and charges

A breakdown follows:

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

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

- Agents indemnity provision of Euro 59,397;
- Environmental restoration/reclamation provision for Euro 176,855, set up in 2014 and considered appropriate as per OIC 16;
- Product return charges provision for Euro 312,320, set up in accordance with the joint application of the prudence and matching principles, given that the goods are returned by the preparation date of the financial statements and result in a contraction in revenues.

Tax provisions also include Deferred tax liabilities of Euro 264,928 concerning temporary assessable differences. For a description of these amounts, reference should be made to the paragraph 'Deferred tax assets/liabilities" of the present notes.

Post-employment benefit provision

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

Description	31/12/2018	Provisions	Utilizations in the year	Other changes	31/12/2019
Post-employment benefits	1,607,423	290,110	(87,784)	0	1,809,749

Payables

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

Description	Within one year	Beyond one year	After 5 years	Total
Bank payables	8,127,152	6,564,737		14,691,889
Other lenders	951,813			951,813
Advances	7,942,570			7,942,570
Trade payables	580,504			580,504
Tax payables	540,079			540,079
Social security institutions	1,252,322	87,804		1,340,126
Total	**19,394,441**	**6,652,541**	**0**	**26,046,982**

The account comprises:

- "Bank payables": including loans and reflecting the effective debt in terms of principal, interest and other accessory charges matured and due at 31.12.2019;
- "Advances": including payments received for the provision of goods not yet supplied;
- "Trade payables": recorded net of commercial discounts; "cash" discounts are recorded on payment;
- "Tax payables": includes only definite tax liabilities, net of the relative advances, as the liabilities for probable income taxes or where the amount or the date of payment is uncertain, in relation to deferred tax liabilities, are recorded in account B.2 under liabilities (Deferred tax liabilities). The account amounted to Euro 580,504 and includes, in particular, sums withheld from employees and self-employed workers and duly paid in 2020;
- "Other payables" mostly concern accrued commissions payable to agents of Euro 298,355, deferred amounts and additional months payable to employees of Euro 886,260, duly settled in 2020, and amounts due in connection with the end of service of the previous board of directors of Euro 67,500.

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

Accrued liabilities and deferred income

Accrued liabilities and deferred income amounted to Euro 448,084 at December 31, 2019 and are broken down as follows:

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

In 2019, the Ministry for Economic Development approved in favor of Monnalisa the AIM listing grant, in the form of a tax credit for Euro 500,000 (maximum permitted aid); this grant was recognized for Euro 200,000 in the present year and for Euro 300,000 under deferred income.
The account relates to costs and revenues recorded in accordance with the accruals principle.
The criteria adopted for the measurement and translation of amounts recorded in foreign currencies are described in the first part of the present notes.
There are no accrued liabilities and deferred income at 31/12/2019 with a duration of more than five years.

Other information

Information relating to the fair value of derivative financial instruments

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

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

Interest Rate Cap (1)	
Contract ID	11175923
Date of the operation	21/10/2017
Counterparty	Unicredit S.p.A.
Maturity Date	29/10/2021
Notional Amount	2,000,000 euro
Premium	15,000 euro
Bank Parameter Rate	Euribor 3 months
Client Parameter Rate	Euribor 3 months
Rate Cap	0%

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

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

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

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

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

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

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

Independent auditor fees
In accordance with law the fees paid for services provided by the auditor to the group are reported below:
- consideration due for the audit of the Parent Company of Euro 56,000, of which Euro 41,000 for the statutory audit of the separate and consolidated financial statements, Euro 15,000 for the limited audit of the interim consolidated financial statements at and for the period ended June 30, 2019, and Euro 9,500 for ancillary activities.

Directors and statutory auditors' fees

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

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

SUBSEQUENT EVENTS

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

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

Building a better working world

Monnalisa S.p.A.

Consolidated financial statements as at December 31, 2019

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

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

To the Shareholders of
Monnalisa S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Monnalisa Group (the Group), which comprise the balance sheet as at December 31, 2019, the income statement and the consolidated cash flow statement for the year then ended, and explanatory notes.
In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Italian regulations governing financial statements.

Basis for Opinion

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

Emphasis of matter

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

Our opinion is not modified in respect of this matter.

Other matters

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

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

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

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

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

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

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

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

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- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on compliance with other legal and regulatory requirements

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

The Directors of Monnalisa S.p.A. are responsible for the preparation of the Report on Operations of Group Monnalisa as at December 31, 2019, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Monnalisa Group as at December 31, 2019 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of Monnalisa Group as at December 31, 2019 and comply with the applicable laws and regulations.

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

Florence, 8 may 2020

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

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

SEPARATE BALANCE SHEET STATEMENT

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

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

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

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

PARENT COMPANY CASH FLOW STATEMENT

INDIRECT METHOD AT 31/12/2019

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

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

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

AT 31/12/2019

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

Assessment of the going concern assumption by the directors

The directors consider, on the basis of the operating performances and the solid equity and financial position, that no significant uncertainties exist which may compromise the capacity of the company to continue to operate as a continuing entity for a period of at least 12 months from the reporting date and has therefore prepared the financial statements at December 31, 2019 on a going concern basis.

Significant events in the year

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

Subsequent events

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

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

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

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

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

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

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

Accounting policies
These financial statements, comprising the balance sheet, the income statement, the cash flow statement and the explanatory notes, provide a true and fair view of the company financial statements and of the result for the year. The financial statements have been prepared in compliance with the provisions of Articles 2423 ter, 2424, 2424 bis, 2425, 2425 bis and 2425 ter of the Civil Code.
The financial statements are expressed in Euro to the nearest unit. Any rounding differences are indicated in the account "Euro rounding reserve" under Shareholders' Equity. In accordance with Article 2423, sixth paragraph of the Civil Code, the Notes were prepared in units of Euro.
The explanatory notes outline the balance sheet and income statement accounts on the basis of the order in which they appear in the respective financial statements.
The notes and annexes provide additional information that, while not expressly required by applicable legislation, has been deemed useful to providing a complete representation of the Company's situation.
It is noted that:
- no items of the balance sheet or income statement have been merged;
- the financial statement items for the present year may be compared with the previous year.

As per Article 2424 there are no asset or liability items that could be classified in more than one account.
The financial statement accounts have been valued in accordance with the general criteria of prudence and accruals and on a going concern basis.
The application of the prudence concept has resulted in the separate measurement of the elements forming each asset and liability account so as to avoid offsetting losses that ought to be recognized in the accounts, and profits that should not be recognized as they have not been realized.
The application of the accruals method of accounting referred to signifies that the effects of Company transactions are recorded in the year to which they in fact relate, as opposed to being recorded simply on a cash basis.
In applying the materiality principle, the obligations in terms of recognition, measurement, presentation and disclosure were not observed where not assisting the presentation of a true and fair view, as is the case for receivables and payables with maturity of less than 12 months.
Consistency in the application of the accounting policies is fundamental to ensure comparable financial statements from year to year.
Recognition and presentation of the accounts was made taking into account the substance of the operations and of the contract.

Fixed assets

Intangible assets
These are recognized at historic acquisition cost and reported net of straight-line amortization according to the residual possibility of use.
- Start-up and expansion costs, recognized with the consent of the Board of Statutory Auditors, comprising costs incurred for the AIM listing, are amortized over a period of five years.
- The costs of the use of intellectual property (software) have been amortized over a period of five years, in consideration of their long-term utility.
- The costs of acquiring, registering and protecting trademarks have been amortized on the basis of their future utility, estimated at ten years.
- Goodwill has been recognized with the consent of the Board of Statutory Auditors at the cost incurred to acquire certain retail companies and following the mergers undertaken in 2015. It was decided to estimate the useful life of goodwill at ten years, on the basis of the sector, the related image factor and the specific operational conditions of the acquirees.
- Other fixed assets mainly comprise of leasehold improvements, which include principally the costs incurred to modernize the direct sales points network and/or all other buildings which are not owned. They are depreciated on the basis of the remaining useful life of the assets. This item includes sample garments, relating to previous seasons, obtained through a merger undertaken by the Parent Company in 2015. Similarly to the approach taken to goodwill, they have been amortized according to their useful lives, estimated at ten years.

Research and development costs are fully expensed to the income statement in the year incurred.

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

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

Class	%
Industrial Building	3%
Machinery,tools,equipment	12,5%
Cutting Machines and Automatic Machines	17,5%
Furniture and office equipment	12%
Electro-mechanical and electronic office machines	20%
Goods transportation vehicles	20%
Vehicles	25%
Cars	25%
Photovoltaic System	9%

Incremental costs are only included in the acquisition cost where there is a real and measurable increase in the productivity or useful life of the assets and are depreciated according to their residual utilization. Any other cost concerning these assets is fully recognized to the Income Statement.

Since the requirements had not been met, no write-downs were applied to either property, plant and equipment or intangible assets as a result of a reduced ability to generate future economic benefits, their expected useful lives or market values.
In 2008 the company applied the option under Legislative Decree 185 to revalue the industrial use building located in the Municipality of Arezzo, at Via Madame Curie 7. The properties, classified to a single category, subject to revaluation consist of an industrial building (with four floors, comprising offices, workshops and warehouses), identified in the New Urban Building Register of the Municipality of Arezzo in Sec. A, Page 103, Parcel 559, Census District 2, Category D/7.
The revaluation was made by taking the "market value" as a reference criterion - identified on a prudent basis - as per a report upon the estimate of the current value of assets at 31/12/08 drawn up by an independent expert.
From an accounting viewpoint, the revaluation was undertaken according to the historic cost increase accounting technique.
The estimate of the residual useful life of the assets subject to revaluation was consequently reviewed.
From 2009 therefore, the depreciation was provisioned on the basis of the new useful life and of the new value of the assets.
From a tax viewpoint, the revaluation was made utilizing the option to apply for tax purposes, in addition, the higher revalued amount, through settlement of the IRES and IRAP substitution tax, deducted directly from the revaluation reserve specifically recognized in equity on a tax-suspension basis, subject to the restrictions on use and distribution established in the aforementioned law.
At each reporting date, the company assesses whether indicators suggest that a fixed asset may have been impaired. Where such indicators exist, the company estimates the recoverable value of the asset (higher between value in use and fair value) and records a write-down where this is lower that the corresponding net book value. In the absence of indicators of potential losses in value it is not necessary to determine the recoverable value. If and to the extent in subsequent years the reasons for the write-down no longer exist, the original value is restored, adjusted solely for the depreciation not recognized in view of the write-down.
In the case in which payment is deferred in comparison to normal market conditions, for similar or equivalent operations, the asset is recognized to the financial statements at the present value of future contractual payments.
No assets were discretionarily or voluntarily revalued and the asset values were determined objectively on the basis of their use.

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

Finance leases
The Company does not have any finance leases.

Equity investments
Investments in subsidiaries and associates are considered as long-term and strategic by the company.
- they are recorded to financial assets;
- they are valued at acquisition or subscription cost, including direct accessory costs, adjusted for impairments, including, where existing, the value of capital payments made, capital grants and the amount of any receivables waived by the granting shareholder.

The carrying amount is tested for impairment on the basis of reasonable expectations of use and recoverability in future years. Specific impairment losses are recognized to adjust the book value of such equity investments. If the impairment of an equity investment exceeds its carrying amount, it is written off and the adjustment is taken to the income statement as an impairment loss. Such impairment losses may be reversed in subsequent years if the rationale for recognizing them ceases to apply.
In the year in which the rationale for the impairment losses recognized ceases to apply, financial fixed assets are reversed through the income statement, up to their original value.
All equity investments were recognized at acquisition cost, except for those where an impairment loss was deemed to exist, such as to justify their write-down. Receivables are classified as financial fixed assets or to a specific caption of working capital by type.
Dividends are recognized when the right to the relative receivable arises following the passing of a distribution motion by the investee company. Following this issue, the recoverability of the value is verified.
No dividend was however received during the year.
It should be noted that for the portion of the permanent loss exceeding the nominal value of the equity investment, an appropriate accrual has been made to the Risks Provision, details of which are provided below.

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

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

Receivables
Receivables are classified to financial fixed assets or a specific caption of working capital by type and are recognized at their nominal value.
In accordance with Italian GAAP standard OIC 15, it should be noted that the amortized cost criterion has not been applied to receivables recognized prior to the year beginning on January 1, 2016, nor has it been applied to receivables arising after that date, since the effects are immaterial to the presentation of a true and fair view.
The accounting policies adopted by the Company are as follows:
- receivables with maturity of less than 12 months are not discounted;
- receivables are not discounted where the effective interest rate does not differ significantly from the market interest rate;
- the amortized cost method is not applied where the transaction costs, commissions and any other difference between the initial value and the value on maturity are insignificant.

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

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

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

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

Recognition of revenues and costs
Revenues from the sale of products are recognized on the transfer of the related risks and benefits, which normally takes place when the goods are shipped or delivered.
Revenues of a financial nature and revenues from services are recognized on an accruals basis.
The revenues and income, costs and charges related to transactions in foreign currencies are recorded at the exchange rate when the transaction took place.

The income and charges relating to sales operations with obligation of the return of goods, comprising the difference between the forward price and the spot price, are recorded according to the accruals principle.
Revenues and income, and costs and charges are recorded net of returns, discounts, rebates and premiums.
Product returns are recognized in the year in which the goods are returned by the customer. On a prudential basis, it was decided to set aside Euro 312,320 to the provision for returned goods in connection with sales transacted in 2019.
Purchase costs are recognized on the accruals principle.
Raw materials, ancillary, consumables and goods include accessory acquisition costs (transport, insurance...) where the supplier has included such in the purchase price, otherwise they are recorded separately under service costs based on their nature.
Costs include not only those of a certain amount, but also those not yet documented for which transfer of ownership has already taken place or the service has already been received.
In accordance with the prudence principle, contingent assets or profits are not recognized. Rather, the necessary information is disclosed in this document.

Taxes on income

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

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

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

Translation of foreign currency balances

Receivables and payables originally in foreign currencies, recorded using the exchange rates in force on the date on which they arose, are aligned to the exchange rates ruling at the balance sheet date.
Exchange gains and losses on the basis of the currency rate at year-end are recognized to account C17bis of the income statement.
The overall amount of net profits as per the income statement includes an unrealized component concerning profits of Euro 201,077 and losses of Euro 8,877.
There were no significant effects in terms of the changes in these exchange rates between the end of the financial year and the drafting of the financial statements (Article 2427, first paragraph, No. 6-bis of the Civil Code).

Derivative financial instruments

Derivative financial instruments are only used for the hedging of financial risks related to exchange rate fluctuations on commercial transactions in foreign currency.
They have been accounted for according to the hedge accounting approach inasmuch as:

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

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

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

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

Derogations

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

Explanatory Notes to the Income Statement

Value of production

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

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

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

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

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

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

Grantor	Grant Amount	Purpose
GSE SPA	€ 20,697.64	Photovoltaic Incentive

Costs of production

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

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

Service costs
Service costs are recognized to the Income Statement on completion.

The breakdown of the account is as follows:

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

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

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

Rent, leasing and similar costs
The account includes costs incurred for cartoon character royalties for Euro 500,573 and property lease charges and condominium expenses for Euro 1,488,687.

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

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

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

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

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

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

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

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

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

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

Current and deferred taxes

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

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

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

Current and deferred IRAP regional tax is determined exclusively with reference to the company.

Deferred tax assets/liabilities
Deferred taxes are calculated based on the global allocation criteria, taking into account the cumulative amount of all of the temporary differences, based on the average expected rates in force when these temporary differences reverse.
Deferred tax assets are recorded if there is reasonable certainty that the temporary differences will reverse in future years against assessable income not lower than the differences that will be reversed.
The temporary differences that resulted in the recording of deferred tax income and charges are shown in the table below together with the relative effect.

Description	31/12/2019 Amount IRES temporary differences	31/12/2019 IRES tax result	31/12/2019 Amount IRAP temporary differences	31/12/2019 IRAP tax result	31/12/2018 Amount IRES temporary differences	31/12/2018 IRES tax result	31/12/2018 Amount IRAP temporary differences	31/12/2018 IRAP tax result
Deferred tax assets:								
Amortization Brands	(2.183)	(524)	(1.905)	(74)	(1.275)	(306)	(1.051)	(41)
Amortization Goodwill	12.818	3.076	12.795	499	87.817	21.076	87.821	3.425
Provision for risk	68.320	16.397	68.307	2.664	244.000	58.560	244.000	9.516
Write-downs receivables 2017					(62.204)	(14.929)		
Consultancy	(10.658)	(2.558)	(10.641)	(415)	(10.660)	(2.558)	(10.660)	(416)
Provision for risk 2017					(196.000)	(47.040)	(196.000)	(7.644)
-downs receivables 2018					70.354	16.885		
-downs receivables 2019	35.088	8.421						
ISC Provision	5.596	1.343	5.589	218	6.404	1.537	6.410	250
Settlement ISC 2017					(10.200)	(2.448)	(10.205)	(398)
Exchange rate losses	(19.109)	(4.586)			(101.971)	(24.473)		
Administrator compensation	(8.321)	(1.997)	(8.307)	(324)	8.321	1.997	8.321	324
Total	**81.551**	**19.572**	**65.838**	**2.568**	**34.586**	**8.301**	**128.636**	**5.016**
Deferred tax liabilities:								
Exchange rate losses 2017					(128.521)	(30.845)		
Sales of company branch	(54.110)	(12.987)			(54.110)	(12.987)		
Sales of building	(169.592)	(40.702)	(169.592)	(6.614)	678.371	162.809	678.371	26.458
Exchange rate losses 2018	35.466	8.512			165.608	39.746		
Total	**(188.236)**	**(45.177)**	**(169.592)**	**(6.614)**	**661.348**	**158.723**	**678.371**	**26.458**
DEFERRED TAX ASSETS AND LIABILITIES		**(64.749)**		**(9.182)**		**150.422**		**21.442**

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

Notes to the Balance Sheet

ASSETS

B) FIXED ASSETS

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

Intangible assets
The movements in the account are as follows:

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

The costs recorded are reasonably correlated to their future use, and are therefore amortized on a straight-line basis in relation to their future residual utility.
"Start-up and expansion costs" mainly comprise costs incurred by the Parent Company Monnalisa S.p.A. in connection with the listing on the AIM Italia Market, capitalized as per OIC 24.
The item "Other" primarily includes the costs of leasehold improvements, amortized according to the term of the lease. The increases during the year related to the new stores opened during the year.
At each reporting date, the Company reviews the carrying value of its intangible and tangible assets to determine if there are indications that these assets have incurred a loss in value. When it is determined that a potential loss exists, the directors make valuations on the recoverable amount of those assets in order to identify the potential amount of the loss. Where it is not possible to make an estimate of the recoverable amount of an asset individually, the Company makes an estimate of the recoverable amount of the cash-generating unit the asset belongs to.
The directors, on the basis of the period performance and of future positive results from company plans, consider that the intangible assets do not present indicators of impairment. The analysis carried out concerns specific business units acquired, including the value of goodwill paid.

Property, plant and equipment

The movements in the account are as follows:

Description	Land & buildings	Plant and machinery	Commercial and industrial equipment	Other assets	Assets in progress and advances	Total
Cost	12,329,059	8,403,319	184,865	6,722,826		27,640,069
Accumulated depreciation	1,228,122	4,460,209	165,356	4,464,761		10,318,448
Value at the beginning of the year	**11,100,937**	**3,943,110**	**19,509**	**2,258,065**	**-**	**17,321,621**
Increases for acquisitions	181,552	409,579	43,463	807,708	5,400	1,447,702
Reclassifications						
Decrease for disposals		1,775		1,155		2,930
Amortization	290,825	736,118	13,010	530,733		1,570,686
Total Changes	**(109,273)**	**(328,314)**	**30,453**	**275,820**	**5,400**	**(125,914)**
Cost	12,510,611	8.807.219	228,328	7.529.141	5,400	29.080.699
Accumulated depreciation	1,518,947	5.192.423	178,366	4.995.256		11.884.993
Value at the end of the year	**10,991,664**	**3,614,796**	**49,961**	**2,533,885**	**5,400**	**17,195,707**

Land includes both the land adjacent to the factories and the land on which the factory buildings themselves stand.
The increases primarily relate to improvements on the existing factory facilities and the furnishings for the 2019 new openings and the upgrades to existing stores.
In addition, new machinery and plant for the style and production office were acquired in the year.

Total revaluations of fixed assets at year-end

In accordance with Article 10 Law No. 72/1983, the following property, plant and equipment upon which revaluations were made was recognized to the company's financial statements at 31/12/2019.
As highlighted in the introduction to these Explanatory Notes, property, plant and equipment were revalued on the basis of special laws (special, general or sector) and no discretionary or voluntary revaluations were made, with the revaluations, within the maximum limit of the value in use of the asset, objectively determined.

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

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

Finance leases

The Company does not have any finance leases.

Financial assets

The movements in the account are as follows:

Description	Equity investments in subsidiary companies	Equity investments in other companies	Long-term receivables from subsidiary companies	Long-term receivables from others	Other securities
Cost	7,237,761	8,624	3,804,851	346,834	1,200,000
Value at the beginning of the year	**7,237,761**	**8,624**	**3,804,851**	**346,834**	**1,200,000**
Increases	1,488,840		1,483,423		
Reclassification			486,137*		
Decreases				(123,145)	
Write off	(3,118,732)				
Value at the end of the year	**5,607,869**	**8,624**	**5,774,411**	**223,689**	**1,200,000**

**reclassification from trade receivables to financial receivables*

Equity investments

The non-current investments remain long-term in nature.
The details of the subsidiary companies are set out below:

Monnalisa Hong Kong Ltd

incorporated on August 25, 2015 and based in Hong Kong, it is a fully owned subsidiary of Monnalisa S.p.A. intended to pursue development of the local retail market. The subsidiary currently operates three monobrand stores;

Monnalisa Rus LLC

incorporated on January 14, 2016 with the aim of increasing the efficiency of management of the local wholesale market and entry into the retail market through the direct opening of monobrand stores. At year-end, the subsidiary manages 6 stores (4 DOS and 2 DOO);

Monnalisa China Ltd

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


Monnalisa
Monnalisa

ML Retail Usa Inc.

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

Monnalisa Korea Ltd

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

Monnalisa Brazil Participasoes LTDA

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

Monnalisa BEBEK GİYİM SANAYİVE TİCARET A.Ş.

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

Monnalisa UK Ltd

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

Monnalisa International Ltd

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

Monnalisa Japan Co Ltd

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

There are no restrictions on availability placed by the holding company on investees, nor options rights or other liens.

No significant transactions, with the exception of the increases in the holdings outlined above, regarding normal supplies and related to their funding, however at market conditions, was undertaken with the investees.

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

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

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

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

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

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

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

Specifically:

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

In view of the results from the impairment analysis, it was decided not to write-down the investment in Monnalisa HK, while however to write-down that in Monnalisa China, for Euro 1,665,964, and that in ML Retail USA, for Euro 670,565, of which Euro 591,156 to the Equity Investments Write-down Provision and Euro 79,409 to the Equity Investments Risks Provision, to reflect the equity losses and to adjust the carrying amount to the recoverable value. As a result of the failure to achieve the objectives set out in the company plans, in view of the impossibility to foresee, over a time period for which reliable forecasts can be made, the resolution of the issues resulting in the losses, it was in addition considered prudent to write-down the value of the investments in Monnalisa Brazil and Monnalisa Turkey, in line with their carrying amount.
This result was obtained for Monnalisa Turkey by booking € 361,576 to a specific equity investments write-down provision and for Monnalisa Brazil by booking € 500,035.79 to a specific equity investments write-down provision and recognizing € 664,243.90 to a specific risks provision.
For the other equity investments in subsidiaries, it is not considered that indicators of impairment exist, as the higher carrying amount of the investees against the corresponding share of net equity from the latest financial statements of the investee is due to the start-up phase in which they are currently engaged, in view of the expected results in the 2019-2023 period.

Breakdown of the value of investments in other companies
The breakdown of investments in other companies is shown below. Other investments are recorded at purchase or subscription cost.
The investments recorded at purchase cost have not been written down for impairments; no "restoration of values" were made.

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

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

Description	31/12/2019	31/12/2018	Changes
31/12/2019	1,200,000	1,200,000	0

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

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

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

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

Breakdown of non-current receivables by region
The regional breakdown of receivables at 31/12/2019 is reported in the table below as follows:

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

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

C) CURRENT ASSETS

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

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

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

Current receivables

Changes and maturity of current receivables

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

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

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

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

Breakdown of current receivables by region
The regional breakdown of receivables at 31/12/2019 is reported in the table below as follows.

Region	Current receivables from customers	Current receivables from subsidiaries	Current tax receivables	Current deferred tax assets	Current other receivables	Total current receivables
Italy	5,282,375		2,196,731	378,723	628,704	**8,486,533**
Europe	1,459,586	133,002	112		15,507	**1,608,207**
Outside Europe	47,572	7,666,478				**7,714,050**
World	3,543,372				71,201	**3,614,573**
Bad debts provision	(846,498)					**(846,498)**
Total	**9,486,407**	**7,799,480**	**2,196,843**	**378,723**	**715,412**	**20,576,865**

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

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

Current financial assets

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

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

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

Cash and cash equivalents

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

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

Prepaid expenses and accrued income
They relate to income and charges accounted for on an accruals basis, irrespective of the date of payment or receipt.
The accounting policies adopted in the measurement and translation of foreign currency amounts are described in the first part of the present notes.

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

A breakdown follows:

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

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

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

LIABILITIES

Shareholders' Equity

Description	Opening balance	Allocation of previous year result		Other changes		Profit/(loss) for the year	Value at year-end
		Dividends allocated	Other allocations	Increases	Decreases		
Share capital	10,000,000						10,000,000
Share premium reserve	9,063,125						9,063,125
Revaluation reserve	2,959,446						2,959,446
Legal reserve	943,276		165,000				1,108,276
Other reserves	51,575		137,611				189,186
Cash flow hedge reserve	44,459				(36,095)		8,364
Negative reserve for own portfolio shares				(149,915)			(149,915)
Retained earnings	25,045,707		2,987,945				28,033,652
Net profit (loss) for the year	3,290,556		(3,290,556)			(5,077,544)	(5,077,544)
Shareholder's Equity	**51,398,144**	**0**	**0**	**(149,915)**	**(36,095)**	**(5,077,544)**	**46,134,591**

Availability and utilization of shareholders' equity

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

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

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

Origin, possibility of use and distribution of miscellaneous other reserves

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

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

Changes in the cash flow hedge reserve

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

Description	Cash flow hedge reserve
Opening balance	**44,459**
Decreases due to fair value changes	(36,095)
Closing balance	**8,364**

Formation and utilization of the equity accounts

Description	Share capital	Legal reserve	Reserve	Net Result	Total
At the beginning of the previous year	2,064,000	943,276	25,125,848	2,907,606	1,040,730
Other changes					
- Increases	7,936,000		12,038,434	3,290,556	3,264,990
- Decreases				(2,907,606)	(2,907,606)
Prior year result				3,290,556	
At the end of the previous year	**10,000,000**	**943,276**	**37,164,312**	**3,290,556**	**51,398,114**
Allocation of net results					
- Other			2		
other changes					
- Increases		165,000	2,984,617	(5,077,544)	(1,927,927)
- Decreases			45,071	3,290,556	3,335,627
Result for the year				(5,077,544)	
At the end of the year	**10,000,000**	**1,108,276**	**37,164,312**	**(5,077,544)**	**46,134,592**

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

The shareholders' equity includes:
- Euro 9,063,125, as share premium reserve recognized on the share capital increase following the listing process.
- reserves or other provisions which in the event of distribution form assessable income of the company comprise the Provision as per Law 28/77 for Euro 51,575 and the currency differences reserve for Euro 137,611;
- reserves or other provisions, which in the event of distribution, do not form assessable income for shareholders, independent of the period of formation, comprising profits as per s.n.c for Euro 128.

Provisions for risks and charges

Description	Pensions and similar obligations	Provision for taxation, including deferred tax liabilities	Derivative financial instruments - liabilities	Other provisions	Total provisions for risks and charges
Opening balance	**54,257**	**256,843**		**600,855**	**911,955**
Provisions	7,850	51,093		1,055,973	1,114,916
Utilization in the year	(2,710)	(114,894)		(244,000)	(361,604)
Closing balance	**59,397**	**193,043**		**1,412,828**	**1,665,266**

Provisions for risks and charges are recorded in respect of certain or probable losses or payables, the amount or due date of which could not be determined at the reporting date.
These provisions have been measured in accordance with the prudence and accruals concepts and no provision has been made for matters without any economic justification.
The contingent liabilities reflected in these provisions are probable and may be estimated with reasonable accuracy.
This item comprises that provisioned:
- to the Agent's indemnity provision of Euro 59,397;
- to the Environmental restoration/reclamation provision for Euro 176,855, set up in 2014 and considered appropriate as per OIC 16;
- product return charges provision for Euro 312,320, set up in accordance with the joint application of the prudence and matching principles, given that the goods are returned by the preparation date of the financial statements and result in a contraction in revenues.
- to the losses coverage reserve provision of investees for Euro 923,653, as stated previously.

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

Post-employment benefit provision

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

This provision represents the Company's actual liability at December 31, 2019 towards employees in service at that date, less any advances paid in accordance with applicable law and labor agreements, taking into account all forms of remuneration of an ongoing nature, less advances disbursed, and is equal to the sum that would have been due to the employees had their employment been severed on the date concerned.
The provision does not include indemnities matured from January 1, 2008, allocated to supplementary pensions as per Legislative Decree No. 252 of December 5, 2005 (or transferred to the INPS treasury fund). The provision is the Total of the individual indemnities until December 31, 2006 accruing in favor of employees at the balance sheet date, net of advances paid.
Employee termination indemnities with payment due before December 31, 2019 or by the following year were recorded to the account D.14 of the balance sheet under other payables.

The applicable labor agreement provides that workers with at least eight years' seniority of service may apply to their employer for an advance not to exceed 70% of the benefits to which they would be entitled in the event of severance of employment on the requested date. Such requests are contingent on the employee being required to incur significant expenses for healthcare, the purchase of a first home or themselves or their children, expenses relating to maternity leave or education. Where possible, Monnalisa provides an advance to all those requesting post-employment benefits, also in higher percentages.

Payables

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

Description	Opening balance	Changes in the year	Closing balance	Due within one year	Due beyond one year	Of which beyond 5 years
Bank payables	13,272,792	1,419,096	14,691,889	8,127,152	6,564,737	
Advances	871,287	(152,227)	719,059	719,059		
Supplier payables	7,670,111	(129,233)	7,540,878	7,540,878		
Payable to subsidiaries	1,300,105	(734,705)	565,401	565,400		
Tax payables	324,963	46,584	371,547	371,547		
Payables to social security institutions	492,303	44,799	537,102	537,102		
Other payables	1,233,212	(37,738)	1,195,474	1,107,670	87,804	
Total	**25,164,773**	**456,577**	**25,621,351**	**18,968,809**	**6,652,541**	

In detail:
- "Payables due to banks" include loan payments and reflecting the effective debt in terms of principal, interest and other accessory charges matured and due at 31.12.2019;
- "Advances" include payments received for the provision of goods not yet supplied;
- "Trade payables" are recorded net of commercial discounts; cash discounts are recorded on payment;
- the account "Tax payables", amounting to Euro 371,547 includes only definite tax liabilities, net of the relative advances, as the liabilities for probable income taxes or where the amount or the date of payment is uncertain, in relation to deferred tax liabilities, are recorded in the account B2 under liabilities (Deferred tax liabilities). In particular, the account includes sums withheld from employees and self-employed workers and duly paid in 2020;
- "Other payables" mostly concern accrued commissions payable to agents, deferred amounts and additional months payable to employees of Euro 794,981, duly settled in 2020, and amounts due in connection with the end of service of the previous board of directors of Euro 67,500;
- "Payables to subsidiaries" are related to the residual share capital already subscribed yet to be paid in Monnalisa Turkey for Euro 366,351 and to the payment due for some services provided by the subsidiaries to the mother company for Euro 198,870;
- "Payables to social security institutions" are related to what matured at the end of the year and regularly paid in 2020.

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

Breakdown of payables by region

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

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

Accrued liabilities and deferred income

A breakdown follows:

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

The account relates to costs and revenues recorded in accordance with the accruals principle.
The criteria adopted for the measurement and translation of amounts recorded in foreign currencies are described in the first part of the present notes.
There are no accrued liabilities and deferred income at 31/12/2019 with a duration of more than five years.

9. Other information

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

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

For the workforce dedicated to retail (sales employees and store managers), the national contract applicable is the commercial contract renewed on April 1, 2015, with maturity on December 31, 2019, and supplemented by the agreement of September 10, 2019 on contractual minimums. For the remaining collaborators, the work contract applied is that of the textile-clothing industry, formally renewed by the trade unions Filctem-Cgil, Femca-Cisl, Uiltec-Uil, together with SMI (Sistema Moda Italia), the Italian association of textile businesses belonging to Confindustria, on July 5, 2017, supplemented by the agreement of August 2, 2019 on the adjustment to the National Salary Minimum and the agreement of April 10, 2020 on supplemental assistance and pensions, with effect from April 1, 2016-March 31, 2020.
In addition to the employees in Italy, those in the branches and representative offices in Europe should be considered. Specifically, one in Great Britain, one in Germany, two in France, five in Belgium, and ten in Spain, all hired under local law labour contracts.

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

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

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

Description	Directors	Statutory Auditors
Remuneration	469,352	40,144

Fees of the auditor or the independent audit firm
In accordance with law the fees paid for services provided by the auditor / or by the audit firm or entities belonging to its Group network are reported below:
- consideration due for the audit of the Parent Company of Euro 56,000, of which Euro 41,000 for the statutory audit of the separate and consolidated financial statements, Euro 15,000 for the limited audit of the interim consolidated financial statements for the period ended June 30, 2019, and Euro 9,500 for ancillary activities.

Classes of shares issued by the company
The share capital is composed as follows:

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

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

Information relating to the fair value of derivative financial instruments
Derivative financial instruments are only used for the hedging of financial risks related to exchange rate fluctuations on commercial transactions in foreign currency. In this regard, reference should be made to the first part of these notes for the accounting policies.
The fair value and information on the entity and nature of each category of derivative financial instruments issued by the company are detailed below. These are sub-divided by class taking into account the characteristics of the instruments and their purpose.
The hedging operations at December 31, 2019 with financial counterparties comprise:

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

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

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

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

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

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

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

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

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

Related party transactions

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

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

Proposal to allocate profits or for the coverage of losses

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

Chairman of the Board of Directors
Piero Iacomoni

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

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

INTRODUCTION
It is firstly stated that your company has assigned the Board of Statutory Auditors only oversight activities, while the legal audit of accounts has been assigned to the independent audit firm EY S.p.A.; on this basis, we report upon our activities for the year ended December 31, 2019.

REPORT ON OVERSIGHT ACTIVITIES AS PER ARTICLE 2429, PARAGRAPH 2, OF THE CIVIL CODE
During the year ended on December 31, 2019, in consideration of the fact that Monnalisa spa shares are currently listed on the AIM Italia market, our activity arises from the legal provisions and the Rules of Conduct of the Board of Statutory Auditors issued by the National Board of Chartered Accountants and Accounting Experts (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), taking account also of the recommended rules for listed companies, as suggested in the introductions thereto and assessing, as applicable, also in relation to the ownership structure and the individual transactions, the opportunity for aligning thereto, even where not expressly applicable to companies listed on the AIM alternative market and in respect of which we carried out a self-assessment, with a positive outcome, for each member of the Board of Statutory Auditors.

B1) Oversight activities as per Article 2403 and subsequent of the Civil Code
We have verified compliance with law and the company By-Laws and with the principles of correct administration.
We attended the Shareholders' Meetings and the Board of Directors Meetings and based on the available information we did not note any violations of law or the Company By-Laws, nor transactions which were imprudent, risk related, in potential conflict of interest or such as to compromise the integrity of the company assets.
We received from the Chief Executive Officer, also during the meetings, information on the general performance and on the outlook, as well as on the most significant operations, in terms of size or nature, carried out by the Company and its subsidiaries and based on the information acquired we do not have any matters to report.
We met the Supervisory Board and no critical issues emerged with regards to the correct implementation of the organisational model to be reported herein.
We acquired knowledge and reviewed the adequacy of the organisational, administrative and accounting structure, in addition to its correct operation, also through the information received from departmental managers. In this regard, there are no matters to report upon.
We received from the Directors' information on the measures adopted by the company regarding the containment and management of the COVID-19 health emergency and we have maintained contact with the Supervisory Board and with the DPO for the monitoring of the controls within their scope with regards to this extraordinary event.
No petitions as per Article 2408 of the Civil Code were received.
During the year, the Board of Statutory Auditors did not issue any legally-required opinions.
During 2019, no situations in which the statutory auditors, on their own behalf or on behalf of third parties, had an interest in the execution of a certain transaction, were verified.
During the verifications as described above, no other significant matters emerged meriting mention in this report.

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

Consolidated Financial Statements
The Board of Statutory Auditors notes that the company prepared the consolidated financial statements, submitting them for the legal audit of the Independent Audit Firm EY S.p.A.
The Board of Statutory Auditors carried out on the consolidated financial statements and the consolidated Directors' Report the same oversight activities as for the statutory financial statements, in particular overseeing, to the extent of its remit, compliance with law and the By-Laws and the correct definition of the consolidation scope and in this regard we do not have particular observations to report.
Also with the regards to the Consolidated Financial Statements, the independent auditor's report as per Article 14 of Legislative No. 39 of January 27, 2010 indicated a "point of disclosure" calling attention to paragraph "10. Significant events after year-end" of the Explanatory Notes to the Group consolidated financial statements, which outlines the effects on the company's operations from the COVID 19 outbreak and the urgent legal measures taken by the Governments of the countries where the Group operates for its containment.

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

Arezzo, 09.05.2020

The Board of Statutory Auditors

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

Building a better working world

Monnalisa S.p.A.

Financial statements as at December 31, 2019

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

Building a better working world

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

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

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

To the Shareholders of
Monnalisa S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Monnalisa S.p.A. (the Company), which comprise the balance sheet as at December 31, 2019, the income statement and the cash flow statement for the year then ended, and explanatory notes.
In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Italian regulations governing financial statements.

Basis for Opinion

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

Emphasis of matter

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

Other matters

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on compliance with other legal and regulatory requirements

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

The Directors of Monnalisa S.p.A. are responsible for the preparation of the Report on Operations of Monnalisa S.p.A. as at December 31, 2019, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

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

In our opinion, the Report on Operations is consistent with the financial statements of Monnalisa S.p.A. as at December 31, 2019 and comply with the applicable laws and regulations.

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

Florence, 8 May 2020

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

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

PRODUCTIVE AND INTELLECTUAL
Capital

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

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

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

Creativity

Monnalisa's products come from innovation, and aesthetic design and applied research are the driving force for the entire company. Monnalisa's research and development activities, which are the fruit of constant exchange between the Style and Marketing Offices, are subdivided into:

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

Table 1 Creativity indices

		2017	2018	2019
Resources dedicated to creative activities	Average age of the creativity team	12	13	14
	Impact of the cost of research, development and realization of samples on turnover	10%	8%	8%
Collection success rate	% of models that have sold at least 50% more than the average sold per model	21%	19%	20%
	% of models placed on the market out of total models presented	91%	94%	95%

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

Product safety

Just as any item of clothing, and even more so when intended for children, Monnalisa's products are designed and tested according to various health and safety aspects. Since regulations may differ from country to country, Monnalisa has chosen for reference those of the countries of China and the United States which, to date, represent the most stringent regulations in terms of health and safety requirements for the marketing of children's clothing products.
Tests have been performed concerning both specific models and types of fabric used for various models. Where necessary, tests were repeated various times until any emerging issues were resolved.
The most performed tests for the Chinese market include analyses for the presence of azo dyes, carcinogenic dyes, dispersed allergenic dyes, formaldehyde and heavy metals, and analyses of pH, and of colour resistance to saliva, transpiration, light and rubbing. All tests were passed - confirming the safety of the products.
All materials with unsatisfactory results (in almost all cases concerning pH values) have been retreated and brought in line with standards. For some years now, pH tests have been carried out internally in order to prevent and correct any anomalies in-house before testing is carried out in China.
Among the most performed tests for the American market were analyses for the presence of lead, cadmium, nickel, formaldehyde and phthalates, and flammability testing. Only garments that had successfully passed the tests were placed on the market.
By explicit agreement with both foreign and Italian suppliers, the cost of testing is borne by Monnalisa only if successful. In all cases of non-compliance, suppliers bear the cost of testing until compliance is reached. This policy is aimed at raising the awareness and responsibility of suppliers on product health and safety issues by incentivizing the creation of compliant products. There were no cases of the sale of products which were non-compliant with the rules of the specific destination countries.
All zips and metal accessories used by Monnalisa are nickel free.
From the FW 2015 season, all fabric suppliers were notified on the need to respect the parameters of standard GB18401 of the Chinese National General Safety Technical Code for Textile Products, and to provide certification as an independent accredited third party. In June 2016, the legislation was updated with the more stringent standard GB31701, adding limits for heavy metals in dyes and flammability testing.
Falling within the topic of product health and safety is the application of the REACH regulation [1], which is expressly provided for in the Monnalisa Supplier Code of Conduct, which represents a specific contractual obligation for suppliers. Suppliers are progressively conforming to such provisions, submitting their consent and indicating their commitment to guaranteeing regulatory compliance. To date, 95% of suppliers have sent Monnalisa their consent to the REACH commitment.

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

From the FW 2019 season, all fabric and finished product suppliers were sent a new Product Restricted Substances List (PRLS), containing specifications to adopt in order to comply with the most stringent export market, and instructions on providing certification as an independent accredited third party. 50% of Italian suppliers, all Chinese suppliers and 50% of Turkish suppliers responded and agreed to comply with the specifications.
In the three-year period from 2017 to 2019, one alert generated by the Rapex system (Rapid Alert System for dangerous non-food products) was handled regarding a potentially dangerous bikini. The market withdrawal and retailer communication procedures were activated. Internal checks were carried out to ensure no future non-compliances occur.

Label

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

The value of the brand

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

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

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

Historical Archive

Project

A brand's value stems from its history.
In 2019, Monnalisa decided to create a historical, physical and digital archive to record and preserve the brand's creative and stylistic growth over time. Materials were logged and collection items from 2006 onwards were selected (an average of 300 per season). A dedicated space was equipped with filing cabinets to store archives. Individual items were then catalogued using catalogue cards containing all information deemed useful for research purposes. Each garment, shoe and accessory can now be linked to photos, catalogues, technical information and relevant news in order to plot a comprehensive history that meets the company's stylistic and communicative needs. Having a company archive is crucial for several reasons:

- A database of images and information on historical products allows employees to study products and find stylistic inspiration
- Archive materials are useful when drafting communications to promote the brand's historical and creative value, and when creating virtual events to promote its history and creativity
- Historical records help the brand legally claim its stylistic rights.

Beauty Line

Monnalisa has expanded its Beauty line with six new high-end skincare products.
Materials were chosen following innovative research into performance and formulation. As such, all MONNALISA skincare manufacturers adhere to very high production standards.
Production chain quality is governed by the following certifications:

ISO 9000	JPN
ISO 22716 GMP – GLP	CEE
ISO 14000	BIO
FDA	VEGAN

Monnalisa decided to engage technicians qualified in paediatrics, dermatology and pharmaceuticals in the design of its skincare products for sensitive skin in order to guarantee the utmost quality. With their beauty-boosting formulas, our Face Creams and Body Creams have been created from an exclusive complex of plant extracts originating from certified organic farms, such as cocoa butter, which also offers added protection against UVA and UVB rays. Completing the Monnalisa Beach line are two sun creams containing SPF 30 and 50+ UVA and UVB, and an after-sun milk. Highly moisturising, soothing and restorative, our sun care range comes in ultra-modern packaging with a trigger sprayer for quick and easy application on children. The Monnalisa skincare range makes use of Monnalisa's scent branding, with the fresh, sweet scent of mint and chamomile and the delicate floral notes of jasmine and frangipane.


MONNALISA
SKIN CARE

The supply chain

The production process is mainly carried using an industrialized methodology, that is using independent third-party contractors exclusively for garment production and processing phases, excluding cutting, which is performed internally. A commercial production method is also used, i.e. the direct procurement of finished products. In both cases, the third-party manufacturers operate under the strict supervision of Monnalisa, which defines the procedures for the assignment of production batches and product realization times, and implements quality control checks.
Monnalisa's collaborations with its main suppliers are based on the principle of creating a long-term partnership through shared objectives and tools for the identification of professional solutions of quality and efficiency, and the achievement of results of mutual satisfaction.
The quality of this process is evidenced by the continuity and stability of the relationships established with main suppliers. Monnalisa tends to favour those suppliers with which it jointly collaborates on research, development and experimentation. With such companies, Monnalisa establishes a strong relationship that tends to be continuous and stable over time.
The suppliers analysed here are exclusively the suppliers of products and services with a direct impact on the company's production activity, including suppliers of fabrics, accessories, finished products, and processing services (e.g. cutting, sewing, ironing and accessory phases).
Evidencing the stability and robustness of the relationships is the fact that, on average, more than half of the consolidated suppliers (with which the company has worked in at least two of the last four seasons) consist of continuous suppliers (from which the company has purchased in all four of its latest collections).
Reasoning in terms of procurement volumes, we can obtain the supplier dependency index, representing the percentage of procurement volumes from the top ten suppliers over the total volumes procured by procurement type.
The index increases for fashion designers and decreases for raw materials, both in terms of fabrics and accessories.
The payment terms established with suppliers vary with the type of product procured. For fabrics, longer payment terms are justified by the risk assumed by Monnalisa in buying the materials "in the dark", that is a long time in advance and before the collections have been sold, which is necessary in order to anticipate production process times so that prompt delivery can be guaranteed to the customer.
Monnalisa, except in cases of dispute over purchased goods or services, regularly observes the contractual terms agreed with the supplier. This, together with the approach to building lasting partnerships with suppliers, protects the company from any non-compliance with supply agreements.

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

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

Supplier type	No. of suppliers listed	Of which Consolidated suppliers (at least 2 out of 4 seasons)	Of which Ongoing suppliers (4 out of 4 seasons)
Textiles	647	40	17
Accessories	288	42	25
Processing	317	25	14
Finished product	457	42	24

Table 3 Supplier relationship stability index

Supplier type	% continuous/consolidated		
	2017	2018	2019
Textiles	48%	48%	43%
Accessories	56%	49%	60%
Processing	71%	86%	56%
Finished product	34%	57%	57%
Overall percentage	**50%**	**56%**	**54%**

Table 4 Supplier dependency index

	2017	2018	2019
Textiles	79%	80%	64%
Accessories	72%	81%	64%
Processing	62%	66%	64%
Finished product	74%	71%	71%

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

Supplier type	30 days	60 day	90 day	120 day
Textiles	120	73	206	248
Accessories	47	79	102	60
Processing	44	262	6	5
Finished product	168	265	10	14

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

The guarantee of production chain quality

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

Product and process quality
At the end of each season, Monnalisa evaluates all its materials, processing and finished product suppliers on the basis of: quality of the product or service provided, value for money, flexibility, creativity and versatility.
The percentage of suppliers with fair, good and excellent quality indices, out of all suppliers evaluated, is high and up on the previous year, evidencing the significant wealth of skills and knowledge capitalized in Monnalisa's management of its supply chain.

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

	Textiles					Processing and finished product					Accessories					Tot
	E	D	C	B	A	E	D	C	B	A	E	D	C	B	A	
2017	0	8	14	13	3	4	11	24	24	4	0	1	5	6	21	138
2018	1	13	10	9	7	6	10	21	27	1	0	7	11	11	23	157
2019	0	7	11	14	1	6	14	10	33	3	1	6	13	9	17	145

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

	Textiles					Processing and finished product					Accessories					Tot
	E	D	C	B	A	E	D	C	B	A	E	D	C	B	A	
2017	1	4	11	14	3	9	11	23	18	5	2	5	9	6	21	142
2018	0	6	13	12	3	0	9	24	31	2	2	6	9	7	20	144
2019	1	4	16	20	2	0	8	17	27	5	0	9	12	3	18	142

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

% of suppliers with fair, good and excellent quality indices out of all suppliers evaluated*	80.47%

** average of the two seasons analysed*

Ethics quality
An analysis of the supply chain from a global point of view evidences the predominance of Italian suppliers. Indeed, in 2019, only 33% of procurement volumes came from suppliers located abroad, of which most were concentrated in China, Bulgaria, Egypt and Turkey.

The application of SA8000 Social Accountability certification in such countries mitigates the risk of human rights violations. Standard SA8000 contains specific requirements on the extension of control processes to the supply chain, allowing the company to monitor (via an evaluation questionnaire on supplier commitments to complying with the standard requirements, and audits at supplier premises) suppliers throughout the entire supply chain, including potential new suppliers. All Monnalisa supply contracts include clauses on work practices and social, environmental and sustainability aspects. All suppliers are required to comply with SA8000 requirements and the provisions of the Monnalisa Code of Conduct.

Additionally, audits are carried out, both by third parties and by Monnalisa directly, and scheduled on a regular basis depending on various factors such as the type of processing, the size and location of the company, and the outcome of previous inspections.

Table 8 Audits at supplier premises

	2017	2018	2019
No. of visits to suppliers made	10	19	17
of which in Italy	6	12	8
of which abroad	4	7	9

Audits carried out in 2019 covered approximately 31.42% of the value of procured material and processing, though, considering the last three years, the coverage rises to 43.07%. Eight suppliers of finished products in China, one supplier of finished products in Turkey, three materials suppliers in Italy and five Italian fashion designers were audited.

In the second half of 2019, further audits were carried out by the Certification Office on new suppliers, and those requiring in-depth audits.

Areas for improvement were identified and shared with the companies, though the audits found no critical non-conformities. In addition to these audits were several audits by Disney at foreign suppliers processing products containing Disney images subject to royalties. Such audits (2 in 2019) aim to verify the compliance of the suppliers with the ethical provisions of the Disney Code of Conduct. The audits were successful, demonstrating substantial compliance with the Disney Codes of Conduct.

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

Environmental quality
Adding to those relating to quality and social responsibility, an environmental evaluation was introduced four years ago.

This activity mainly aims to evaluate the technical and organizational capacities of Monnalisa suppliers in the environmental field. The suppliers are evaluated on the basis of self-assessment questionnaires (which include quality, environmental and social responsibility aspects), which summarise the concepts expressed by the standard UNI EN ISO 14001. The application of the requirements of the standard was evaluated according to technical and organization criteria and the relevance of environmental aspects to the supplier in question.
Considering the high number of suppliers, audits were prioritised for those suppliers with considerable turnovers and on first contact with Monnalisa. The self-assessment questionnaires submitted in 2019 reveal that the response rate among material suppliers was 31%. The responses show that those with significant environmental impacts responded positively to the question relating to the application of control procedures, the management of environmental performance, and the possession of specific authorizations. It's interesting to note that the sector is moving towards real future sustainability, characterised by the increasingly widespread production of materials with a low environmental impact.

Finished products suppliers had an average response rate of 64% of the total. From an analysis of the answers given, it emerges that approx. 30% of them have active procedures for the control and management of environmental performance, as well as an internal figure in the company with the role of Environmental Manager. Analysis of these responses reveals a decent degree of awareness towards reducing one's own impact and protecting the environment by focusing on activities that improve environmental performance.
A particularly positive result was recorded by processing suppliers, with 100% of them returning a completed self-assessment questionnaire. The responses show significant control of the environmental impacts produced and the possession of disposal permits, where required.
In addition to product suppliers are those providing services such as maintenance, transport and waste collection and disposal, both at the head office and operating office.
This group of suppliers is evaluated via the Environmental Management System, with appropriate objective assessment parameters approved by the relevant certification body, giving the supplier a score based on environmental and regulatory criteria.
The analysis performed indicates that of the suppliers around 64% obtained a score of "Excellent" and 36% a score of "Good". It is therefore clear that all service providers are reliable, which allows us to maintain a collaborative relationship without any particular challenges. Active contracts were concluded with suppliers who obtained a low score compared to last year.

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

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

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

The wholesale channel

Wholesale distribution is carried out through multi-brand stores and third-party operated stores (TPOS), which include so-called third-party shop-in-shops (TPSIS), or mono-brand sales points, of limited floor space, located within department stores.
At December 31, 2019, Monnalisa distributed to more than 700 wholesale sales outlets.
Before stipulating supply contracts with its customers, Monnalisa makes a careful selection based on their location, the visibility that they can give to the products, coherence with the Monnalisa brand and their good standing, in order to reduce the risk of insolvency or late payments of orders. Furthermore, the company ensures that the products will be presented to the public in the manner most in keeping with its own standards and tastes, and in the most suitable light compared to the presentation of the products of its main competitors.
To serve the wholesale distribution channel, Monnalisa mainly uses directly managed showrooms with the aim of having the most effective control over customers, and the quantity and assortment of orders. To date, the company has six showrooms located in Arezzo, Naples, Milan, Viernheim, Moscow and London.
Monnalisa also makes use of a network of agents, relying on the skills, sensitivity and entrepreneurial spirit of each. In some countries, such as Portugal, Cyprus and Greece, the company makes use of distributors who purchase Monnalisa products and resell them to selected independent multi-brand stores located in territories exclusively licensed to them.

The direct retail channel

The retail channel consists of single-brand stores managed directly by Monnalisa in Italy and by its subsidiaries worldwide. At December 31, 2019, the Group had 48 direct stores, 12 of which outlets and 36 of which full-price stores. 23% of the stores are located in Italy, while the rest are located in China, the USA, Hong Kong, Russia, Brazil, Taiwan, Turkey, and other European countries. Only 14 of the 48 stores have a seniority of more than 3 years, signifying the large investment made by Monnalisa in this channel in recent years.

Rgion	2019
ITALY	11
CHINA	10
RUSSIA	6
USA	5
SPAIN	5
BRAZIL	4
HONG KONG	3
BELGIUM	1
UK	1
TAIWAN	1
TURKEY	1
Total	48

The location of retail boutiques in the most prestigious shopping streets in the world (Milan, New York and Hong Kong) and the presence of the brand in major luxury department stores and malls are further significant contributions in communicating the Monnalisa brand as a synonym of luxury able to compete with the best players in this market. Monnalisa intends to continue developing its direct retail distribution network through the opening of new stores in exclusive and internationally important locations, in line with the brand's standing and visibility.

The direct management of the points of sale also makes it possible to standardize distribution, marketing and communication activities, to better manage inventories and the integration of online and offline platforms, and to better plan production cycles and the procurement of materials.

Digital innovation

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

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

B2C
The e-commerce platform has continued to grow at a fast pace in recent years. The number of subscribers increased by 11% compared to 2018 (+31% compared to 2017). Meanwhile, the average time spent on the site remains stable, demonstrating decent usability of the site. Although subscribers are growing, the number of visits is decreasing as visitors are better targeted.
In just nine years, the number of subscribers has increased from 300 to over 36,000, representing the most important intangible relational asset of this tool. The channel saw its performance grow thanks to the reputation of the online boutique, the improvement of various business processes connected to the service, the growth in the range and depth of offerings, and the improvement in customer care through a personalized and constant communications policy in relation to final consumers. 81% of visits are from new visitors.

Table 9 B2C e-commerce indicators

	2017	2018	2019
Number of subscribers	27,454	32,400	36,104
Number of visits	1,224,126	1,395,864	1,376,928
Number of pages viewed	10,595,492	11,473,518	10,459,527
Number of pages viewed per visit	8.66	8.22	7.60
Average time spent on the site	5' e 09"	4' e 42"	4' e 11"

On July 31, 2019, Monnalisa announced the opening of its flagship store on the Alibaba Group's Tmall B2C platform (monnalisatz.tmall.com). The partnership with one of the main marketplaces for global mobile and online e-commerce further boosts the Company's Chinese market presence, bringing its refined range to over 650 million Tmall customers. Monnalisa's partnership with Alibaba is part of a broader strategy
that aims to integrate the e-commerce world with physical stores.
Christina Fontana, Alibaba Group's Business development Director stated: "After many meetings with the Monnalisa team, particularly with regard to Pitti Bimbo, we are delighted that they have trusted Alibaba and Tmall as it continues its Chinese market expansion. The brand can now access a market which continues to grow strongly and evolve, with the Chinese customers utilising our platforms now able to get to know the Monnalisa brand and tailor-made Made in Italy childrens' clothing".
The Monnalisa brand also has a presence on the helloITA virtual hub, launched by Alibaba in collaboration with the ICE agency, which supports the exports of businesses and promotes made in Italy in China.
Monnalisa uses secure payment systems managed by certified companies

that employ the best security protocols. Internal controls are applied to ensure that transactions are formally and substantially correct.

Further digital developments

The digital transformation process began in 2019 with the introduction of new technological components and process changes. At the beginning of December, a new B2C e-commerce platform was launched. After some fine-tuning in the first three months of 2020 – which is always required with this sort of project – positive results began to emerge in April with regard to conversion rates (visitors/number of transactions), and the average spend. A whole series of features relating to artificial intelligence and suggestions remain possible on the platform. The new platform is accessible via the monnalisa.com domain, which Monnalisa has finally managed to obtain after some time.
Other technological components were implemented alongside the launch of the e-commerce platform, including:
Inventory Visibility: this allows users to view warehouses located in the various parts of the world in which the company has direct stores. This has an impact on warehouse optimisation, order fulfilment and managing returns, which can be processed in the customer's local geographical area, resulting in a clear reduction in transport costs.
PIM-DAM: a system capable of digitising products, such as photos and editorial content. The process has been brought in-house to make it more reactive in feeding the various digital sales channels and to optimise in-house processes that require immediate product information.
CRM: a CRM system has been introduced to collect customer data and information via both online and offline channels. This will result in an improved relationship with customers and shift the management of customer care onto other Monnalisa offices. Customers will be assisted by members of staff in their local time zone and language.
MARKETING AUTOMATION: an automation system has been put in place to implement marketing actions relating to customer services. The goal is to increase the average spend and improve profitability by better handling promotions, which will be more specifically targeted.

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

Innovation, research and development

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

Comfort and product performance

One of the brand's major competitive strengths is product quality, which is indispensable alongside the "fashion" component. As such, Monnalisa's innovation processes mainly revolve around:

- stylistic aspects
- product quality, with particular attention paid to innovative fabrics and production control.

In 2019, Monnalisa decided to invest in research into product innovations with regard to potential new garment features. Research has primarily focused on convenience (comfort) and practicality with regard to the wear, use and upkeep of clothing.
In compliance with UNI EN 31092:1996, studies and analyses were carried out on garments in the S/S 2019 collection to determine their thermo-physical and breathability properties with regard to various fabric types. Analysis revealed that the thermo-physical comfort offered by Monnalisa's fabrics is in line with fabrics typically used for various product types. Thermal resistance is unable to reach particularly high levels given the nature of the fabrics, their thickness and their weight per square metre. As far as evaporative resistance is concerned, all the fabrics sampled are very breathable, which is an important aspect of the Spring-Summer collection.
The in-house research team further explored the feasibility of adding additional functionality to fabrics and clothing. Continuing on the theme of thermo-physiological comfort, the company has researched potential future fabric features that could improve user comfort. Three options were explored:

- the use of EKS fibres to trigger a heating mechanism in the garment
- use of phase-change materials (PCM) in fibres to help maintain a stable temperature.
- the use of "Peltier cells" in order to warm up or cool down garments.

PLM Project (Product Lifecycles Management)

As the market continues to evolve and pose new challenges, Monnalisa is focusing on diversifying its global collections. The company considers it essential to innovate processes and tools to help design and develop new collections. PLM was introduced for this very purpose.
PLM (Product Lifecycle Management) is a digital structure for designing, merchandising, developing and sourcing products from the design stage through to the retail stage, all while connecting in-house teams with external groups and partners.
This complex process went live in February 2020 and will allow Monnalisa to sell more products with better margins, create less waste and offer faster response times by optimising and improving how it manages collection processes and product information.
By introducing PLM, Monnalisa intends to:

- Encourage different business teams to follow a shared work process and give the management team better visibility and management tools;
- Facilitate collaboration – both between Monnalisa teams and with suppliers – through easy access to information and the use of new communication tools and the option to work while on the go;
- Strengthen support for the collection and brief planning phases, which are essential for the forward planning of the entire subsequent chain: Sourcing, Production, Distribution and Sales;
- Facilitate performance monitoring (times and costs) and decision support activities;
- Remove limitations associated with current solutions, in terms of functionality and accessibility to tools, by introducing solutions based on new digital technologies.

The scope of the project will be developed and expanded in 2020, with the aim of covering the entire supply chain.

WMS extension in available stock

The warehouse was reorganised in 2019 in order to trace stock in its entirety and to optimise mass picking operations, and therefore speed up both the shipping phase and transfer times between different stock areas. The warehouse has historically been used to handle products for B2B and B2C channels. The main metal structure was kept in place but working methods (procedures), stock lay-out and digital tools were completely revised. The semi-automatic warehouse allows for vertical movement via mechanical ascenders/descenders and for horizontal movement via trolleys and tracks. It has been completely reorganised, applying the logic introduced in the new warehouse to store scheduled products in 2018.
Available stock is managed using a single SKU and has been integrated with the Warehouse Management System (WMS) to optimise all movement phrases. The WMS is a system that supports the operational management of a warehouse's physical flows, allowing the optimization of goods handling activities and efficient control of performance through ABC goods location and product rotation logic, the management of expiry dates, lots, shelf lives and particular product states, and iterative interactions with the corporate ERP system. The main advantages of the adoption of this software is summarized in the following points:

- Elimination of errors by operators, during both goods' reception and, above all, picking and preparation for shipment
- Increased usability, accuracy and reliability of data relating to items in stock
- Greater decision-making capability of the management via a database aligned in real time to the physical situation of the warehouse
- Increased operational flexibility, facilitating the management of activity peak times
- Less operational effort (time) is now required thanks to guided research and mass picking, resulting in reduced labour costs.

1. EKS is an acrylic fibre with excellent moisture absorption and heat generation properties. The use of these fibres allows for excellent breathability in finished garments, as well as a pleasantly warm temperature.

2. These materials allow for the accumulation of a considerable amount of heat while maintaining a stable temperature

3. These semiconductors were invented by J.C. Peltier in 1834. These cells can heat one side of a garment while keeping the opposite side cool, and their potential has grown in recent times due to their reversibility

Social and relational capital

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

The stakeholder

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

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

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

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

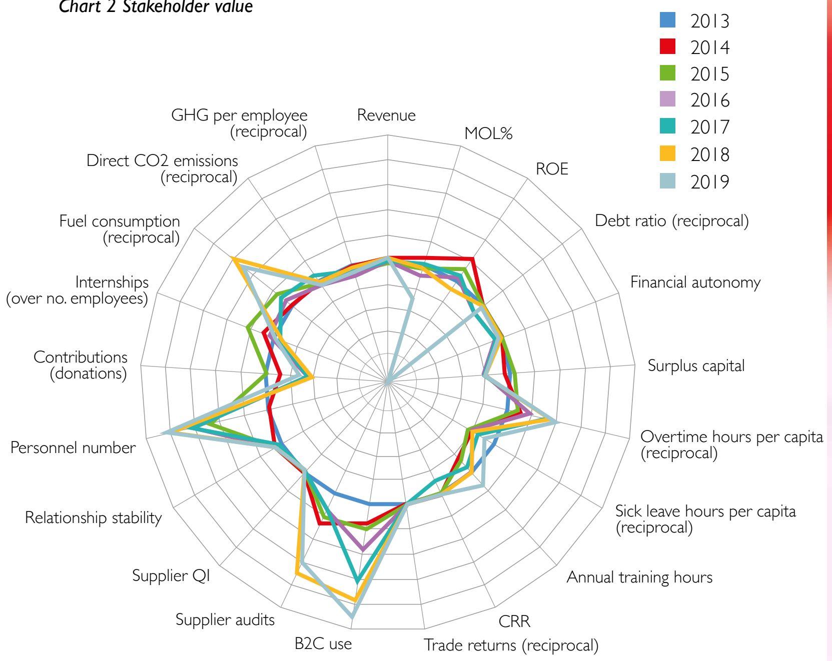
The stakeholders that exert the greatest influence on Monnalisa are employees, consumers, shareholders and top management, while those on which Monnalisa has the greatest influence are employees. (Chart 1)

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

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

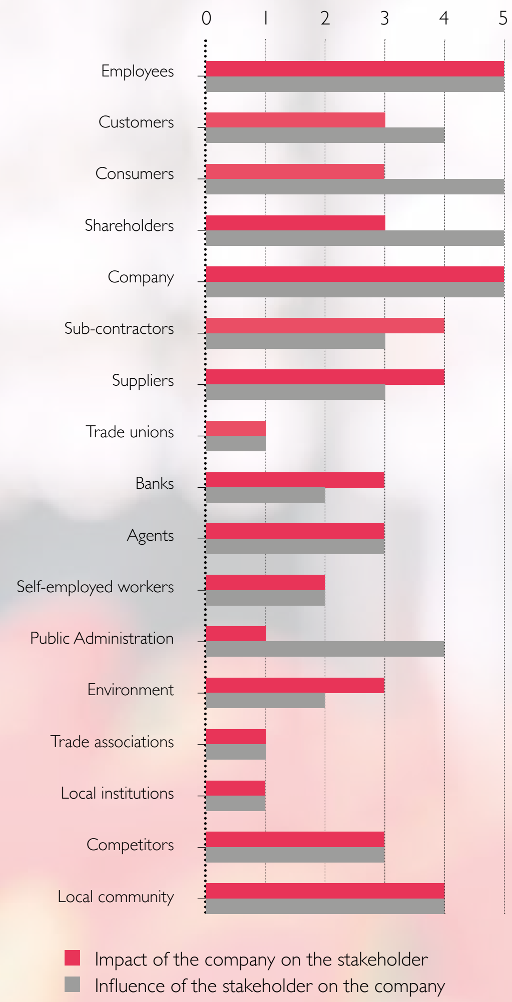
To better understand the value and impacts the company has generated over in relation to its stakeholders, three indicators have been selected to represent the relationship with each.
The following dartboard chart shows the change in the indicators since 2013, giving an indication of the evolution of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

Chart 2 Stakeholder value



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

Chart 1 Stakeholder map



Stakeholder relations

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

The customers

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

Table 2 Loyalty

	2017	2018	2019
Year-on-year change in turnover*	9%	1,87%	-5,26%
Net turnover in terms of garments**	1.87%	-5,81%	-1,32%
% retained customers over total customers	-5.26%	85%	85%
Outgoing turnover rate (customers lost over total)	-3.39%	20,50%	17,79%
CRR - Customer Retention Rate	-5.81%	78,94%	79%

**the change has been calculated by comparing revenues from the statutory reclassified income statement in the Directors' Report.*
***on the two main collections of the year*

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

Table 3 Reliability

	2017	2018	2019
Average no. of shipments per order	4.48	3.87	3.81
% fulfilled orders with fulfilment % between 98% and 100%	78%	83.79%	84.65%
Replenishments/trade returns (in garments)	1.37	1.11	1.02
% marketing and sales personnel over total staff	33%	40%	44%

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

Table 4 Trade returns over total returns

	2017	2018	2019
% trade returns over total returns	88%	81%	88%

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

Investors and financial communication

Following listing on the non-regulated Borsa Italiana AIM market, which took place on July 12, 2018, communications with investors must respond to specific regulations governing minimum and mandatory disclosures, as well as their timings and procedures.
In 2019, 73 press releases were published on the System for the Distribution of Regulated Information (SDIR) platform and on the company website (in the Investor Relations section). Of these, five related to the annual accounts, half-year report and financial calendar, 34 related to the share buyback initiative and 14 related to internal dealing, while the rest related to updates on results achieved and progress in the implementation of the three-year development plan.
Monnalisa participated in a series of meeting and sharing events with the financial community, specifically: The Small Cap Event in Paris (April 2019), the AIM Italia Conference in Milan (May 2019), Osservatorio AIM Italia (July 2019), the Lugano Investor Day (September 2019), the AIM Italia Conference in London (October2019) and the IR TOP Investor Day (November 2019).
The 2019 financial statements were published on the SDIR and the corporate website, together with the draft financial statements approved by the Board of Directors on April 24, 2020.
All the documentation relating to the financial statements, including the minutes of the Shareholders' Meeting to approve the statutory financial statements and to review the 2019 consolidated financial statements, is published on the company website. The financial statements are also available in English.

Corporate communication

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

Internal communications

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

External communications

The primary form of external communication is advertising, which - through products and press releases - conveys the identity of the brand and the company to all external stakeholders. During 2019, Monnalisa did not invest in advertising campaigns but benefited from a strong resonance of the brand and Group activities through numerous free editorials in a range of both sector and financial publications. A total of 81 editorials were published in print media, online and on TV around the world. The value of advertising published in the form of free editorials corresponded to approximately 4% of the turnover of the parent company.

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

Supplementing traditional forms of advertising is that conveyed through the web, including corporate communications via the company website (www.monnalisa.eu) and via social media.

In Store Events

Crafts and creativity are the focus of Monnalisa's in-store events. All you need is a light fabric, such as tulle, in a pastel shade (available in store) to create a multilayer skirt using a simple series of knots. No sewing required. Use a small mannequin to construct your skirt. And last but not least, bring it all together with a satin bow, fastened at the waist.

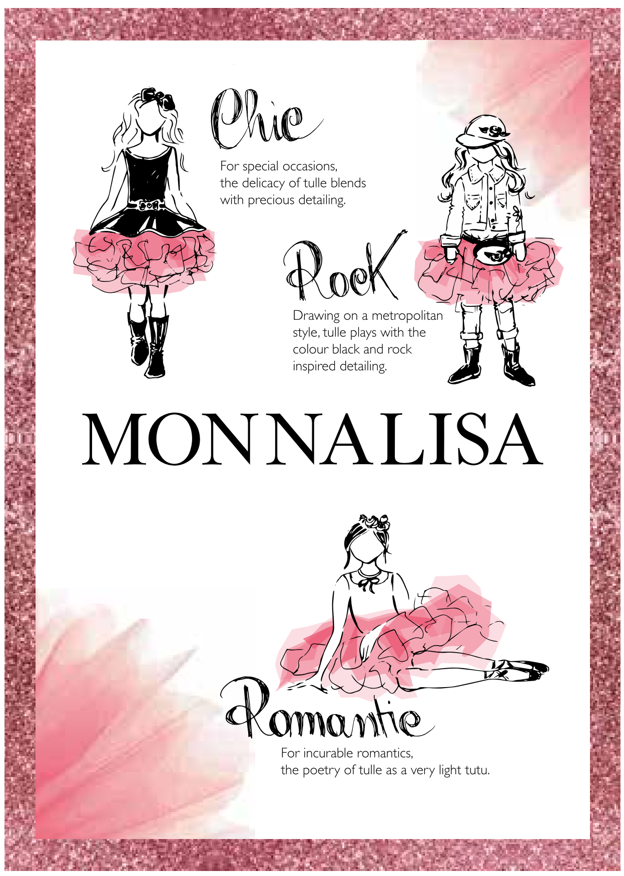
Engagement

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

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

Employee communication and engagement

As part of the SA8000 standard, Monnalisa approved a management policy establishing a Social Performance Team (SPT) as a reformulation of the previous Ethics Committee and consisting of a balanced representation of workers' representatives and management. All members of the SPT have been trained in detail on the new issues introduced in the new edition of the standard. One of the tasks of the SPT is to report all criticalities and reports and any complaints received from stakeholders relating to social and environmental responsibility to the Board of Directors and CEO.
In 2019, 6 reports were received, down from 9 in the previous year. All were analysed by the SPT at its periodic meetings in February, May and October. Reports came via the central offices and operational headquarters, through direct communications with the SA8000 workers' representatives, or through the Suggestions Box, which guarantees anonymity.
Certain reports expressed requests for specific improvement actions by the company. Others gave the management the opportunity to explain and give reasons for the implementation of certain rules and decisions. Further reports came via the Human Resources Office, in the form of suggestions, requests, remarks, complaints and notifications of potential non-conformities, supplementing information emerging from the internal audits of the company's management systems.
Of all reports received in 2019, none concerned any violations of human rights. All reports were responded to, including all cases of anonymous reporting. 100% of the reports were therefore accepted and managed.










GPTW analysis

During 2019, Monnalisa asked GPTW (Great Place to Work) to analyse the company and its working culture, using two tools to compare how employees perceive their working environment with the HR management policies put in place by the company. The two tools (copyright GPTW) are called the Trust Index and Culture Audit.

The ***Trust Index*** is a corporate climate survey that serves to measure how employees perceive their working environment. The survey measures the level of trust in the company in three key areas: employee relationships with senior management, camaraderie with colleagues and a sense of pride in one's work. The results are analysed and expressed in five different areas: equity (fairness of treatment, impartiality, justice), credibility (two-way communication, competence and integrity), respect (professional development, involvement, care), cohesion (confidence, welcome, sense of belonging to a team) and pride (individual work, work groups, corporate image).

The ***Culture Audit*** is a document that describes HR's management policies based on nine specific areas: hiring, celebrating, sharing, inspiring, speaking, listening, thanking, developing and caring.
The results are compared with other leading fashion companies (that have done the same questionnaire), as well as GPTW customers during their first survey experience in 2019, and companies that have obtained GPTW certification but have not entered the Best Workplaces 2019 ranking. This allows the company to compare itself with the best and learn from them in order to improve.
The online questionnaire was sent to 203 people, 157 responded with a response rate of 77%.

Highlights

77% RESPONSE RATE

66% "All things considered, I'd say this is a great working environment."

57% TRUST INDEX©
this is the mathematical average of all responses. It includes the five areas of the model (see right)

- **70%** TRUST
- **57%** RESPECT
- **53%** EQUITY
- **53%** CREDIBILITY
- **54%** COHESION

Is there something unique or special about this company that makes it a great place to work?

- Flexibility in working hours and the freedom to manage my own time.
- The atmosphere, including relationships with colleagues and the openness of managers.
- The company's "kindness" in responding to the needs of its staff.
- The founder and a sense of belonging.

If you could change one thing about this company to make it a better place to work, what would you change?

- Top-down sharing, communication and dialogue, both from the Directors and Managers, as well as the way that some of them manage people and the business.
- Work planning, assignment of tasks and overtime requests.
- Meritocracy and the atmosphere among colleagues (gossip)

Overview: Strengths

85% of Monnalisa staff feel a sense of pride when they see what the group is able to create. This represents a strong sense of pride in shared work and commitment.

- ✓ Sense of belonging
- ✓ Individual and team pride
- ✓ Welfare and work-life balance
- ✓ Diversity & Inclusion

Overview: Areas for improvement

Areas in which respondents were less positive about Monnalisa include some aspects of Equity, (in particular meritocracy) and Credibility, which included references to an open, efficient management model and top-down, rather than bottom-up, communication.

- ✗ Meritocracy
- ✗ Professional motivation
- ✗ Involvement
- ✗ Clear, open, competent management
- ✗ General pleasantness

The chapter on human capital provides more details on the results for each specific macro-topic.

Breathing life into the non-financial report

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

External communications: consumers

In an increasingly social marketplace, in which time spent on the web grows exponentially every year, the rules of sociality are changing with the evolution in consumer behaviour, making the creation of institutional accounts across major networks fundamental.
Monnalisa is present on and connected across Facebook, Pinterest, YouTube and Instagram. The current social media audience consists of a community of approx. 290,000 fans, subscribers and followers that shows continual growth (up +55% on 2018). Growth in 2019 was not entirely organic but was supported by ADV investments in the second half of the year.
Product posts, company news, catalogue images and e-commerce links are accompanied by in-depth information on a range of topics related to the target market. Responses to such social media activities allow the company to listen to the needs of users and consumers, to convert them into ad-hoc products and services, and to monitor chatter and conversations emerging around the brand, in order to improve the relations with consumers, and to develop content that generates added value and creates opportunities for people to feel more connected to the world of Monnalisa (see the section on "Productive and intellectual capital", "Creativity").
These are the main goals the company has set itself, in addition to an intensification in relationship marketing and the identification and engagement of opinion leaders able to transmit trust, generate enthusiasm for the brand and improve the reputation of the company.

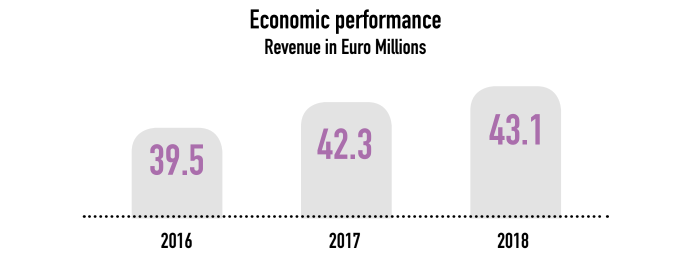
Brand reputation

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

On September 25, 2019, Monnalisa received, for the second time, the "Excellent Enterprises 2019" award at the "Palazzo Mezzanotte" at the headquarters of the Italian Stock Exchange. The event, entitled "Sustainability and value creation: a pair to pursue", was dedicated to the relationship between Italian SME's and ESG (Environmental, Social, Governance) issues. 722 SME's have been identified and honoured with this award by Global Strategy, an Italian strategic consulting and business advisory firm that supports companies in their growth and development phases, with a particular focus on Mid-Cap market and family businesses.
The selected SME's are chosen by analysing a base of 10,800 Italian companies, located across the country and with a value of production of between Euro 20 and 250 million. The SME Observatory selects companies through a database containing details and financial statements for the last five years: an objective and autonomous method that does allow businesses to propose themselves.

MONNALISA®	BRAND PORTFOLIO ECONOMIC VALUE	
	Brand portfolio value (€M)	Brand Equity Score
	20,9	3,9

- Established in 1968, Monnalisa is a leader in high-quality childrenswear and has become an international brand icon
- Since its establishment it has always worked in the heart of Arezzo's industrial area, and has focussed on creating collections for children aged 0 to 16.
- High-quality, made in Italy style is supported by investments in research and development with a strong focus on sustainability.
- To finance its growth from SME to a small multinational, the company was successfully listed on the AIM stock market in July 2018.
- It has a strong international outlook, exporting 60% of its products to over 60 countries - both through flagship direct stores and in the most prestigious department stores din the world, as well as over 750 multibrand sales points - and new openings are planned.
- Investments were recently made in a new production facility, and new distribution channels (both in-store and online) are planned.
- It retains strong links with its local area, which it supports through its Foundation, setting up a number of concrete projects. Among these is the Cittadella dedicated to continuing road safety training courses,



CAGR Revenue 2015-2018	2.9%
EBITDA% average 2015-2018	14.0%
EBIT% average 2015-2018	10.5%

Source: "Save the Brand" research, LC Publishing Group in collaboration with ICM Advisors

The local community

Monnalisa considers the new generations to be important stakeholders. It has therefore established ties with numerous educational institutions, with which it actively organizes initiatives of teaching, project work tutoring, internships and research. For several decades, Monnalisa has collaborated with the Department of Corporate and Legal Studies of the University of Siena in joint training activities. A cycle of entrepreneurship lectures is also ongoing with the University of Oklahoma, and a series of study tours have been organised with the Milan Fashion Institute.
Of the twenty-four internships in 2019 (six more than 2018), 58% were provided with monthly reimbursements for expenses, and all were guaranteed lunch at the company's partner restaurant.
Monnalisa annually prepares an internship plan divided up into areas of professional expertise. Applications can be submitted directly by potential interns or can be proposed by universities, educational institutions, and training and specialization schools. Monnalisa on occasion itself actively searches for young people at such institutions in order to offer them internship projects.
The interns can make use of the internships for different purposes, such as:

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

The internships carried out in 2019 did not lead to hires.

Intern Policy

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

Applications for Thesis Projects and Internships

Open positions for company internships are published on the "portal.monnalisa.eu" corporate portal, in the "Thesis Projects and Internships" section, allowing for direct application on-line via the relevant form. The same section features suggested themes of corporate interest for internship theses that can be used in applications.

Internships for employee children

The welfare policies of Monnalisa have also introduced the opportunity for the children of employees to carry out internships in the company. Every year, five internship positions are reserved for the children of employees in any of the company's local units and professional fields. If the internship is extracurricular, then reimbursement of expenses is guaranteed to a variable amount depending on the region in which the internship takes place. If the internship is under an alternating school-work programme or a curricular internship, no reimbursement of expenses is currently provided. The canteen service is offered for all types of internships. In the three-year period from 2017 to 2019, four internships were run for the children of employees. Depending on their chosen study paths and personal skills and aspirations, the interns were placed in the: Overseas Office, Style Office and Logistics and Purchasing Office.

Table 5 Internships in 2019

Promoting body	No. Interns	Duration	Internship Area
Arezzo Employment Center	3	14 months	Planning Communication Visual
Naples Employment Center	1	3 months	Naples Showroom
Municipality of Naples	1	3 months	Naples Showroom
Confcommercio Arezzo	1	1 month	Digital / E-commerce
E-campus University	1	2 months	Milan Showroom
IULM	1	7 months	Milan Press Office
Officina delle idee	1	2 months	Style Office
Polimoda	2	8 months	Marketing Visual
Polytechnic University of Milan	1	7 months	Milan Press Office
Bocconi University	1	2 months	HR
University of Florence	2	7 months	Italian Sales and Domestic HR
University of Siena	5	15 months	Sales Office Digital - E-commerce Italian and Domestic Sales Overseas Sales Acquisitions
University of Torino	1	6 months	Milan Press Office
University of Bologna	2	10 months	Retail Special Projects
University of Perugia	1	4 months	Overseas Sales

Career Day

In 2019, Monnalisa participated in three career days:

- **Polimoda Business Links**, which allows companies to select candidates for job placements from Polimoda graduates. Two roles were sought, a male clothing line designer and a photographer for e-commerce shoots, backstage, sales campaigns, social media support and the marketing office. Fifteen CVs were collected and nine candidates were interviewed. One of the interviewed candidates was given an internship in the marketing/communications field, first as part of a study placement and then as part of a work placement upon graduating;

- **Istituto Marangoni Career Days**. These comprise cognitive interviews conducted by companies with students at the school in Florence. Eleven interviews were conducted but no internships were arranged;

-**Polimoda Career Day**. 37 interviews were conducted but no internships were arranged.

Diary of an intern...


Bernadette Korodi

My name is Bernadette and I am 27 years old. I was born in Budapest but eight years ago I was given the opportunity to live and study in Italy. During my Master's degree in Labour Sciences and Human Resources Management at the University of Florence I was given the opportunity to do a 4-month internship in the HR office at Monnalisa. I have always been fascinated by Monnalisa due to its unique products and their adaptability to any event/occasion. I consider myself lucky as my internship allowed me to acquire the knowledge and skills I needed to undertake future work experience in the field of HR. Monnalisa has allowed me to grow both personally and professionally and to meet some fantastic people along the way.


Camilla Scalsafarini

My name is Camilla and I am 24 years old. I started my internship at Monnalisa in June 2019, after completing a Master's degree in Marketing, Sales and Digital Communication at the University of Turin. While at Monnalisa, I was lucky enough to meet some very special people, both from a professional and personal point of view, whom I remember fondly. My six-month internship at Monnalisa allowed me to better understand the dynamics of a childrenswear company, through an exciting and stimulating experience. I was able to get to grips with the worlds of marketing and, more specifically, communications, by working in the PR and press offices. I assisted in a wide range of tasks, from building relationships with stylists, to planning and running events, to managing social networks, and analysing and creating monthly reports. I was also able to gain creative experience in the marketing sector by trying my hand at creating and developing content, editorial plans and copywriting. I also gained experience analysing results and social media performance, which brought out my more rational, objective side. Getting to learn all about the Monnalisa brand and its history allowed me to understand just how much professionalism, passion and dedication it takes to work in the children's fashion industry. Having an awareness of certain communicative factors is vital, as the sector requires companies to interact with a highly sensitive context, which needs a lot of care and attention.

Opening up to new resources

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

Table 6 CVs, interviews and hiring

	2017	2018	2019
CV's sent	906	871	731
Interviews	203	127	149
Hires	40	52	45

Table 7 Interviews, internships and hires under 30

	2017	2018	2019
Interviews held	203	127	149
Training internships completed (as a percentage over the number of employees)	10%	9%	12%
Under-30s hired over the total number of people hired	38%	33%	18%

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

Table 8 Openness to new resources

	Index 2017	Index 2018	Index 2019	Weight	Rate 2017	Rate 2018	Rate 2019
Interviews held	5.64	3.08	4.04	20%			
Training internships completed (as a percentage over the number of employees)	2.67	2.4	3.2	30%	3.05	2.50	2.49
Under-30s hired over the total number of people hired	2.24	2.32	1.44	50%			

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

Made in Tuscany Academy

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

SLIN (Senza Lasciare Indietro Nessuno - Leave no-one behind)

Monnalisa has joined the SLIN (Senza Lasciare Indietro Nessuno – "Leave no-one behind") project to develop innovative ways for disabled people and vulnerable people to approach the world of work. A long-term internship was activated as part of the project, to the mutual satisfaction of the company and the intern, and concluded with the intern's recruitment in the first few months of 2019.

Monnalisa and social responsibility

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

Sodalitas Foundation

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

Sviluppo Pratacci Consortium

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

Arezzo Fashion Consortium

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

Zecchino d'Oro

Monnalisa had the honour of contributing to the 62nd edition of Zecchino d'Oro, the famous international children's song festival, which is broadcast on RAI 1 in Italy. Monnalisa dressed the 65 members of the Antoniano "Mariele Ventre" children's choir and the 16 young soloists. Zecchino d'Oro was broadcast on RAI 1 from 4 to 6 December, in the company of Antonella Clerici. The final was broadcast on prime-time TV on 7 December, with the participation of Antonella Clerici and Carlo Conti, the festival's artistic director. For the first time ever, Zecchino d'Oro was hosted in the Unipol Arena, Italy's largest and most modern events venue, with a capacity of around 20,000 spectators.
It was an opportunity for Monnalisa to contribute to a cultural and social initiative in line with its corporate principles. Each year, Zecchino d'Oro – a UNESCO World Heritage event – donates to "Operation Pane," an initiative that serves to support a network of Franciscan canteens providing hot meals to those in need, both in Italy and Aleppo, Syria.

Foundation activities

With the establishment of the Foundation, Monnalisa has concentrated corporate donations in order to implement targeted aid projects consistent with the values of the company and the owner family. Over time, the Foundation has become a real community project to pursue the improvement of the quality of life of the local community and the strengthening of solidarity between those who live and work in the area by supporting and contributing to the financing of causes suggested by the community itself. From a body created by the contributions of the founding members, the Foundation has evolved to become a community in which all social actors, including institutions, for-profit companies, non-profit companies and individual citizens, feel actively engaged in initiatives that benefit the whole community.
In 2019, the Foundation got involved in two large projects. The first project involved young entrepreneurs, with a focus on education and ethics. The project entailed the building of the Arezzo Ethic Academy, a school for young people from the local area who are keen to learn directly from the business world. The initiative gives young people the skills and ethical awareness they need to become the entrepreneurs of tomorrow. The Arezzo Ethic Academy has obtained approval from the Region of Tuscany to provide managerial qualifications under the banner of sustainability and ethics. The second project focused on music education and led the Foundation to support the activities of a local music school, so that children (aged 5-12 years) without the financial resources to take music lessons, could continue their musical education.

Sports & cultural Activities

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

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

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

HUMAN
CAPITAL

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

Breakdown of personnel

Operating across 13 countries, 362 workers, of which 10% blue collar, 87% white collar and 3% managers, contributed to the results and success achieved by the Monnalisa Group.

For reasons of uniformity and clarity, we will first analyse the human capital located in Italy, before dedicating a separate section to the human capital located in other European and non-European countries, in the Group's branches, commercial offices and subsidiaries.

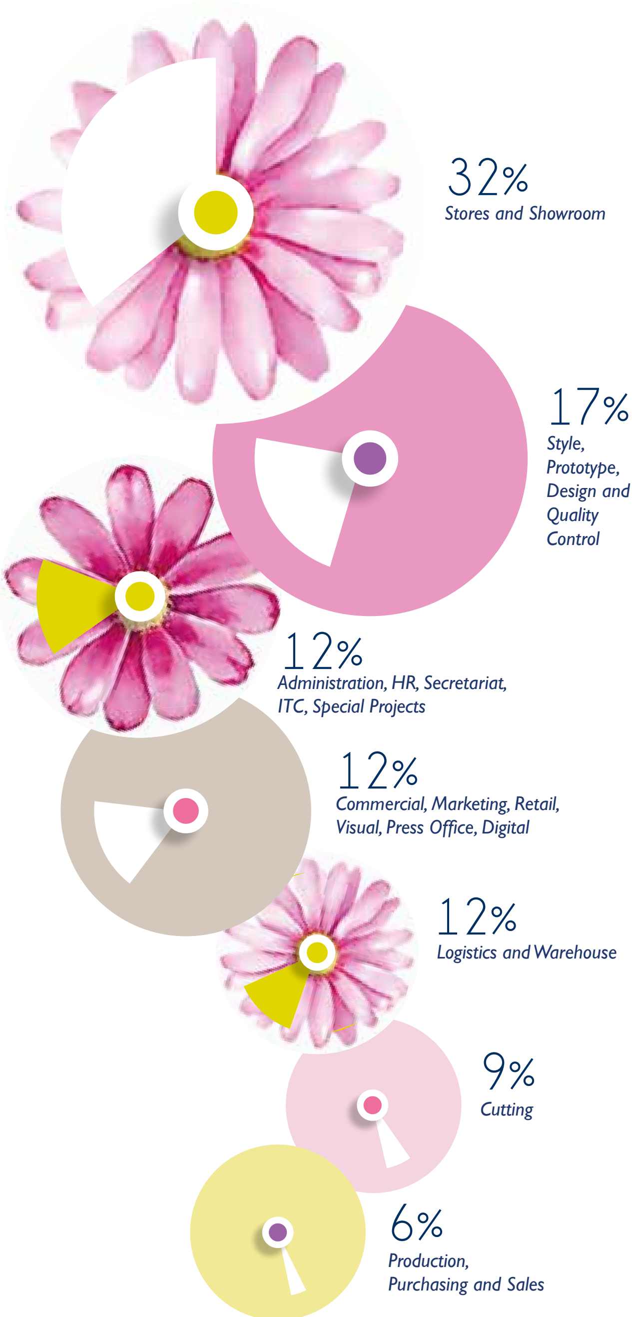
Compared with 2018, the workforce has grown by 10 people, an increase mainly due to the opening of new sales points and the strengthening of specific business areas.

The business area of reference has grown consistently. In 2018, 28% of human capital was distributed between shops and showrooms. In 2019, the employment rate in the same area rose to 32%. (see Chart 1)

Table 1 Personnel by category, years 2017-19, Monnalisa Italy

	2017	2018	2019
Executives	0	0	3
Managers	6	5	4
White-collar	126	131	159
Blue-collar & Interim	39	38	37
Total	175	193	203

Chart 1 Percentage distribution of Monnalisa employees by business area



Diversity and inclusion

Diversity is a very broad concept and does not concern only one specific group of people. Every person has individual characteristics and differences that may relate to age, gender, sexual orientation, physical and mental abilities, culture, ethnicity and religion. Far from being an obstacle, diversity brings value to a company, as long as people are able to work together positively, with mutual respect, within a context that appreciates them.

There are more female employees than male, with a ratio of 2.8 women to every man.

Table 2 Personnel by age and gender MONNALISA

	Female staff					Male staff				
Age	Directors	Managers	White-collar	Blue-collar	Total	Directors	Managers	White-collar	Blue-collar	Total
<18	0	0	0	0	**0**	0	0	0	0	**0**
18-30	0	0	17	1	**18**	0	0	5	2	**7**
31-40	0	0	54	2	**56**	0	0	5	3	**8**
41-50	2	0	41	7	**50**	1	2	9	9	**21**
51-60	0	1	18	5	**24**	0	1	7	8	**16**
Beyond	0	0	1	0	**1**	0	0	2	0	**2**
Total	**2**	**1**	**131**	**15**	**149**	**1**	**3**	**28**	**22**	**54**

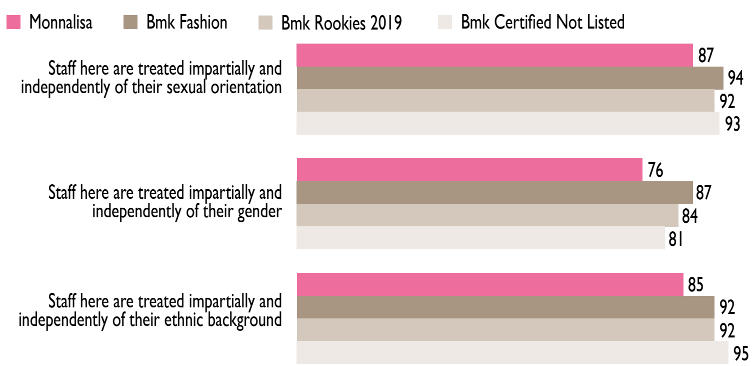
The average age is 42.The following graph shows the distribution of personnel by gender and role/category. Monnalisa has a predominantly flat hierarchical structure, due to its size, origins and history as a family business. This means that many administrative personnel hold positions of responsibility in terms of sales budgets, purchases, type of activity and coordination of teams. Highlighting the presence of such figures allows Monnalisa to contemplate the degree of implicit autonomy and managerial skills present within the business.

Table 3 Distribution of women and men by function

	Female	Male
Executives, managers & white-collar with responsibilities	30	16
White-collar	104	16
Blue-collar	15	22

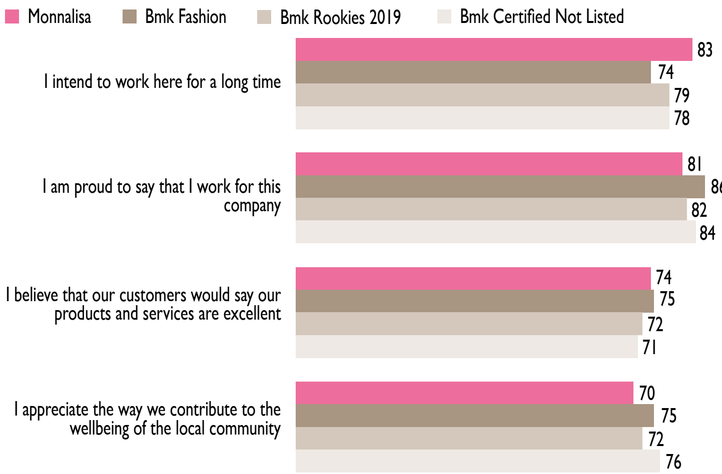
Compared to 2018, the number of managers, middle managers and white-collar employees increased, with a proportionate distribution between genders. Most employees and managers come from provincial and regional areas.

At the end of 2019, twelve people protected under the categories of Italian Law 68/1999, "Regulations on the right to work of disabled people" were working in the company, of which eleven people with disabilities. The company is covered with regard to hiring employees belonging to protected categories. Monnalisa has joined the SLIN (Senza Lasciare Indietro Nessuno – "Leave no-one behind") project to develop innovative ways for disabled people and vulnerable people to approach the world of work. A long-term internship was activated as part of the project, to the mutual satisfaction of the company and the intern, and concluded with the intern's recruitment in the first few months of 2019.
In terms of diversity and inclusion, the GPTW survey revealed that:



40% of employees have been working at Monnalisa for less than five years, which reflects the opening of new sales points during the reference year, as in other recent years. The average age remains stable compared to last year. As indicated in previous reports, all extraordinary operations, such as the acquisition of company branches or the centralization of functions previously delegated to other group companies, have always guaranteed employees' acquired seniority.

In terms of a sense of belonging, the GPTW survey revealed that:



Breakdown by contract

Of the 203 employees, 18 are on temporary contracts (of which 17 are women), and 185 are on permanent contracts (of which 132 are women). During the year, three temporary roles in the logistics sector were converted into permanent contracts.
Of the 18 fixed-term contracts, four relate to maternity cover, ten to hires in direct stores, one to the hiring of a seasonal warehouse employee and the remaining three to new hires brought in to support specific areas.
The average age of workers on temporary contracts is 34 (compared to 28 last year).
Monnalisa has a second-level corporate seasonality agreement in place, which extends the initiatives already defined by the collective seasonal labour agreement for the textile industry, and pertains to warehouse employment for seasonal peaks in the reception and shipping of goods. The agreement specifically promotes the continuity of seasonal employment, and its conversion into permanent employment where possible (100% of employees with permanent contracts have previously worked as seasonal workers). Furthermore, two new initiatives have been introduced:
The creation of a pool of seasonal workers to draw on when permanent situations are created for similar profiles, rigorously ranked in terms of seniority, age and skills.
The engagement of warehouse employees in training activities organized within the company, including outside of contractual periods. The training opportunities are offered to seasonal employees, who may freely accept or refuse to take part, without their personal choices having any effect on the stipulation of future temporary contracts.
Out of the total of 203 employees, 20% have part-time contracts, personalised in terms of both total weekly hours, and their distribution over week days and during the day. 90% of the part-time contracts are held by women. The 40 people with part-time employment contracts make use of part-time work ranging from a minimum of 50% to a maximum of 95% of their full-time contract. Three people make use of cyclical part-time employment over the course of the year. In order to balance the needs of work and one's personal life, it is possible to request part-time work even for specific and temporary needs.
Supplementing the opportunity of part-time work is that of teleworking, which four people made use of in order to reconcile their family and work needs.
In 2019, six people (four women and two men) made use of a remote contract. The average age of remote workers is 40.

Turnover

Net turnover is positive, with 45 hires against 35 terminations (+10).
The 45 hires involved a total of 44 people, who were offered contracts for the following reasons:
- for the opening or strengthening of direct sales points (18 people)
- for office support (4 people)
- maternity cover (4 people)
- seasonality (18 people).
The number of departures does not correspond to the number of people who actually departed the company, as two seasonal workers concluded several contracts within the course of the same year. The 35 terminations during the year involved 33 people, for the following reasons:
- conclusion of contract (23 people)
- failure to pass the probationary period (1 person)
- resignations (7 people)
- dismissal with just cause (2 people).
The terminations involved 21 women and 12 men: 10 people up to 30 years old, 12 between 31 and 40, 7 between 41 and 50, and 4 over 51.

Table 4 Seniority

Seniority in years	Directors	Managers	White-collar	Blue-collar	Total
0-5	1	1	69	11	82
6-10	0	1	29	7	37
11-15	0	1	31	13	45
16-25	2	1	17	5	25
over 25	0	0	13	1	14
Total	3	4	159	37	203

Table 5 Average company seniority

	2017	2018	2019
Average company seniority in years	9	9	9

Chart 2 Personnel breakdown by type of contract

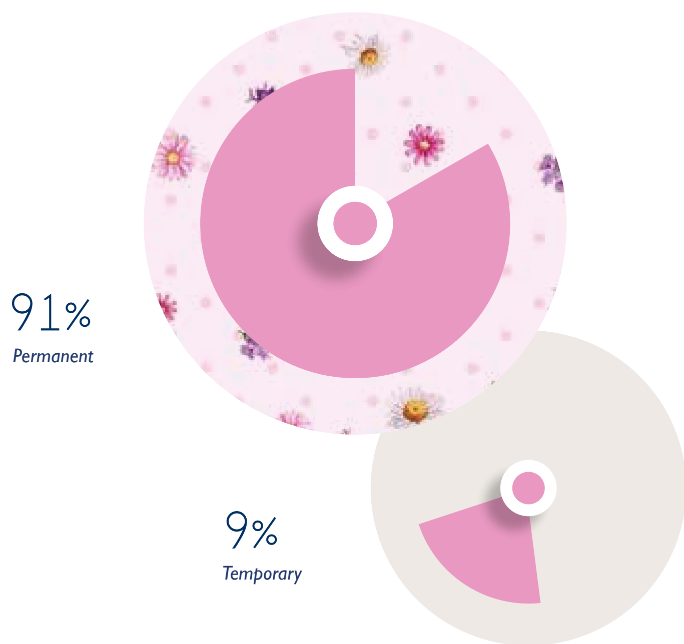


Table 6 Percentage of seasonal workers

	2017	2018	2019*
Percentage of continuing seasonal workers/total seasonal workers	63%	100%	100%

* At the end of 2019, there were four seasonal workers. During the year, three of the four workers saw their contracts converted from fixed to permanent contracts with a cyclical part-time employment clause.

Table 7 Monnalisa Turnover

	2018	Hires	Terminations	Category change	2019
Directors	1	0	0	2	3
Managers	5	1	0	-2	4
White-Collar	148	32	21	0	159
Blue-Collar and Intermediaries	39	12	14	0	37
Total	193	45	35	0	203

The turnover was calculated from the balance of personnel by category (including executives, managers, white-collar and blue-collar) at 31/12/18, adding hires and subtracting departures throughout 2019. The resulting algebraic sum therefore represents the personnel situation at 31/12/19.

Table 8 Turnover in and out during 2017-2019

	2017	2018	2019
Incoming turnover rate (number of hires over total employees at the beginning of the period)	24%	30%	23%
Outgoing turnover rate (number of terminations over total employees at the beginning of the period)	18%	19%	18%

Working hours and flexibility

Monnalisa has three contracts in place: one for managers of industrial companies, one for tertiary workers, and one for textile and clothing industry employees.
The contract working hours for tertiary workers is 40 hours per week scheduled to guarantee coverage of store opening times, without the possibility for flexible hours, due to the need to guarantee service to end consumers.
Standard hours for textile and clothing industry contracts are 40 hours per week, distributed over five working days of eight hours from 8:30am to 12:45pm and 1:45pm to 5:30pm. The internal work time policy provides for both flexibility and elasticity, allowing for workers to make up for absences by working extra hours within the working week. The work time policy has been incorporated into the second-level agreement on welfare, in order to promote greater continuity and value in the balance between work and home life.
The company's production process is divided into two seasons over the year, with consecutive and overlapping activities, including sample creation, sales, production and shipping. Peak work times ordinarily occur in January, February, December and the summer months, characterized by sales activities of the coming collection, and by the shipment of the collection already sold to customers.
Overtime is down 1.4% on the previous year in absolute terms and 8% averaged over the number of employees (Table 9).
Approximately 12% of overtime hours is equivalent to additional work hours, that is to say extra hours worked by part-time workers up to the maximum full-time standard working week. Thus, if considered net of additional work, the reduction in pure overtime hours is 4% compared to the previous year.
In order to better understand the recourse to overtime hours, it is useful to analyse the number of hours per department, in order to identify possible causes. 27% of total annual overtime hours relates to direct stores, where weekly hourly flexibility is not possible, 25% relates to the logistics department to manage the arrival of goods and increasingly intensive periods of shipping and high volumes, 12.5% to the design, style and prototype department, due to the increased workload when designing creating samples and models, and 14% in the sales and marketing departments, due to exhibition commitments and business travel, mostly abroad. The remainder is distributed among various departments.
Monthly overtime hours peaks during the months at the beginning and end of year and during the summer, corresponding with the arrival of goods in the warehouse, and the preparation of samples (Chart 3).
The use of days off is equal to 97% of that contractually envisaged in terms of rest periods (assuming 20 days of average annual leave for all employees, regardless of working hours).
Absences for paid leave include those pursuant to Italian Law 1041, by which 14 employees took a total of 1956 hours of leave during 2019, equal to 56% of the total amount due by law.
During the three-year period, only one employee resigned after maternity leave. The resignations have been validated by the Territorial Labour Directorate.
Upon returning from maternity leave, many employees enjoyed a personalised work schedule, greater work hour flexibility, a part-time working period, and, in some cases, where compatible with specific roles, teleworking arrangements, including on a temporary basis.
Under the second-level supplementary agreement, Monnalisa guarantees all new fathers one day of leave paid by the company, outside of contractual and holiday leave, in addition to the current legal provisions of four days of four days of mandatory leave.

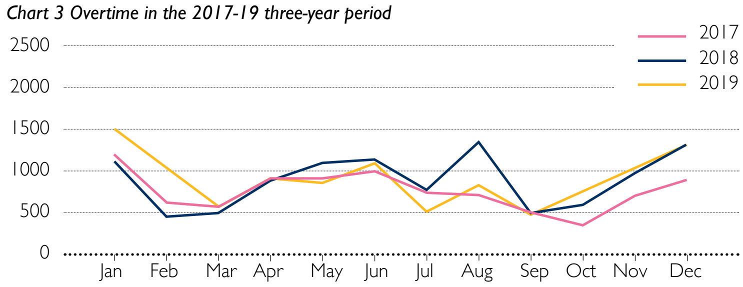
** Italian Law 104/92 provides for leave paid by the National Institute for Social Security (INPS) specifically for: regular employees with severe disabilities (entitled to 2 hours per day or 3 days per month, also divisible in hours); regular employees who are parents to children with severe disabilities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

Table 9 Overtime hours worked

	2017	2018	2019
Total annual hours	9,016.3	10,571.96	10,427.50
Average per employee	56.35	57.15	52.66

**The per employee average was calculated using the average number of employees for the year (198 in 2019), and not the number of employees at December 31 (203 people).*

Chart 3 Overtime in the 2017-19 three-year period



In the fields of welfare and work-life balance, the GPTW survey revealed that:

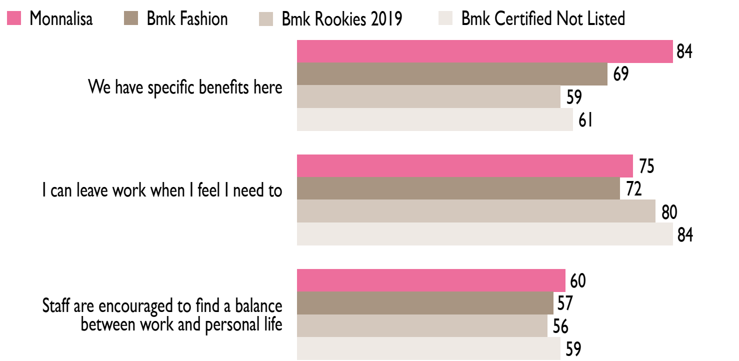


Table 10 Absences and attendance in the last three years

	2017			2018			2019		
	Total hours	Hours per capita	Days per capita	Total hours	Hours per capita*	Days per capita*	Total hours	Hours per capita*	Days per capita*
Illness	6,124,33	38.28	4.78	8,436.68	45.60	5.70	6.,243.38	31.53	3.94
Maternity/Paternity	8,868.00	n.s.	n.s.	8,147.60	n.s.	n.s.	12,767.00	n.s.	n.s.
Breastfeeding	1,171.00	n.s.	n.s.	856.00	n.s.	n.s.	1,213.00	n.s.	n.s.
Injury	280.00	n.s.	n.s.	488.30	n.s.	n.s.	374.50	n.s.	n.s.
Paid leave (reduced working hours/public holidays, 104 leave)**	6,989.63	43.69	n.s.	3,365.64	18.19	n.s.	1,953.36	9.87	n.s.
Holiday leave	25,392.47	158.70	19.84	27,643.91	149.43	18.68	30,671.69	154.91	19.36
Total absences	**48,825.43**	**305.16**	**38.14**	**48,938.13**	**264.53**	**33.07**	**53,222.93**	**268.80**	**33.60**
Ordinary hours	268,258.15	1,676.61	209.58	297,361.15	1,607.36	200.92	319,057.96	1,653.15	206.64
Overtime and additional work	9,016.30	56.35	7.04	10,571.96	57.15	7.14	10,427.50	52.66	6.58
Total attendance	**277,274.45**	**1,732.97**	**216.62**	**801,477.86**	**4,332.31**	**541.54**	**329,485.46**	**1,664.07**	**208.01**

** The per capita figure is calculated using the annual average number of employees (198 people).*
*** 2017 and 2018 figures related to paid leave are included in 104 leave, whereas in 2019 they are considered together with holiday leave.*

Smart working

One of the improvement objectives Monnalisa set itself for 2019 was the introduction of a smart working project. Although it was not possible to launch the initiative in 2019, at the beginning of 2020, the Covid-19 pandemic inevitably brought forward the launch of the smart working project for 58 people, in addition to those already engaged in total or partial forms of remote working. Most employees did not engage in smart working per se, but instead carried out their work remotely. In general, however, despite the difficulties arising from the emergency, Monnalisa was able to trial a new way of working that highlighted just how much time and money was unnecessarily spent commuting and in meetings, when a simple video call often sufficed, without sacrificing anything in terms of efficacy. The resulting benefits have been reaped by employees at a familial and motivational level, as well as by the company, in terms of productivity and the creation of a general climate of trust. The environment has also benefited from the move thanks to a reduction in commuting.
As such, it is necessary to capitalise on this experience by adopting an agile approach, which consists of reorganising operational processes and the way the company is structured, as well as developing a horizontal leadership model and training employees on how to manage their time and assigned objectives effectively.

Disciplinary practices and disputes

Monnalisa, if and when necessary, applies the disciplinary procedures envisaged by collective bargaining. Disputes are extremely rare, and are managed, where feasible, by conciliation, in order to minimize the impacts of any disputes in terms of time and costs. There were no disputes in 2019. The only exception was a claim of unfair dismissal submitted by an employee who was let go by Monnalisa with dismissal for just cause. The judge rejected the appeal brought forward by the employee in its entirety, who was subsequently ordered to cover all legal expenses.

Remuneration policies

Monnalisa has adopted a remuneration policy directly defined and approved by the Board of Directors. This policy has been published on the company's internal portal, and is thus available to internal stakeholders, who are able to request clarifications or make improvement proposals via the appropriate channels (SPT, Suggestions Box and e-mail address risorseumane@monnalisa.eu, Human Resources Department).
The remuneration definition process is completely managed internally, and involves the Human Resources Department, the Chief Executive Officer and the Board of Directors, bound by the By-Laws, internal policies, the decisional limits of each individual and the related party policy, where applicable.
The company has introduced a position weighting system based on objective and homogeneous parameters. The characteristics of each role and homogenous professional groupings are outlined and identified according to the criteria of organizational position (in terms of hierarchy, managed resources and responsibilities), role complexity and strategy (influence on the strategic factors defined in the business plan). In line with real wages, pay bands were created for each grouping. Personal remuneration growth depends on the degree of seniority (experience, skill and effectiveness) of the person and his or her constancy and capacity in achieving goals.
Promotions in terms of revising an individual's category or remuneration are decided during the preparation of the annual budget, as well as in the months of December and May. In any case, such decisions become effective in January and June.

The remuneration decision-making process envisages the following steps:

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

The remuneration of the members of the Board of Directors is fixed, and does not provide for stock options or any form of monetary incentivization. The only exception is the CEO, for whom a long-term incentivization plan was approved in June 2018. This plan aims to incentivize the CEO to increase the value of the company, and, with a view to retention, provides for the free and personal attribution free of an incentive and cash amount on the meeting of certain conditions.
None of the Board members have a post-mandate indemnity.
For the top levels of the company, the applicable national contract is applied, together with an allowance over basic pay established by negotiation. The reward system, both for commercial and industrial sectors, has an annual basis, is formalized via a trade union agreement, and does not provide for any stock options.
The lack of stock options in the Monnalisa remuneration policy provides for greater sustainability by not encouraging managers to focus predominantly on short-term objectives. With the current policy, managers are fully focused on long-term performance, thus ensuring greater corporate sustainability.
Following is a table showing the ratio between the remuneration paid to the top managers and the median of that paid to employees in 2019.

	Ratio of real values
Board of Directors remuneration and the median of employee remuneration	9.94
CEO remuneration and the median of employee remuneration	7.95
Remuneration for the highest paid figure and the median of employee remuneration	6.97

Equity analysis

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

Table 11 Remuneration deviation per grouping

Profile	Deviation between minimum and median GAI of the grouping	Deviation between the maximum and median GAI of the grouping	% of grouping employees with GAI ≥ the median
Manager	-41%	92%	50%
Line manager and professional A	-28%	49%	55%
Line manager and professional B	-16%	57%	50%
Specialist A	-18%	32%	56%
Specialist B	-14%	51%	53%
Specialisa C	-4%	56%	52%
Employee	-9%	17%	53%

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

Table 12 Direct and indirect remuneration in years 2017-19

	2017	2018	2019
Remuneration €	5,142,106	6,050,475	6,462,884
Social security expenses €	1,468,572	1,728,199	1,924,987
Severance €	239,083	275,112	294,919
Total €	6,849,761	8,053,786	8,682,790

*Table 13 Personnel costs and average gross pay years '17-'19**

	2017	2018	2019
Cost work/employee	42,811.01	43,533.97	43,852.47
Gross average remuneration/employee	32,138.16	32,705.27	32,640.83

** The indices were calculated using the average number of employees during the reference year (198)*

The average cost of labour per employee has grown more than proportionally in relation to the average gross salary, which dropped by 0.20%.

In addition to the industrial sector executive contract, Monnalisa applies two other contracts, a commercial and services contract for direct sales outlet staff, and a textile and clothing industry contract for all other workers. In numerical terms, out of the total number of employees at 31/12/19, 59 corresponded to the commercial sector and 144 to the industrial sector.
The last renewal of the National Collective Bargaining Agreement was on March 30, 2015, for the period 2015-2017. In the first few months of 2019, a supplementary agreement was signed between union representatives and the business confederation Confcommercio Imprese to extend the duration of the contract to December 31, 2019. This was followed by the agreement of September 10, 2019 on contractual minimums. The collective bargaining agreement of the textile-clothing industry was renewed by the trade unions Filter-Cgil, Femca-Cisl, Uiltec-Uil, together with SMI (Sistema Moda Italia), the Italian association of textile businesses belonging to Confindustria, on July 5, 2017, and supplemented by the agreement of August 2, 2019 on the adjustment to the National Salary Minimum and the agreement of April 10, 2020 on supplemental assistance and pensions, with effect from April 1, 2016-March 31, 2020.

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

Category (white- and blue-collar)	No. Staff	Male	Female	Col. Bar. basic pay	Average Monnalisa	Average deviation	Average deviation %
8th level	4	3	1	2,214.37	5,218.74	3,004.37	136.%
7th level	11	6	5	2,039.70	3,514.84	1,475.14	72%
6th level	19	4	15	1,915.22	2,644.59	729.37	38%
5th level	70	11	59	1,794.07	1,978.70	184.63	10%
4th level	27	18	9	1,706.67	1,793.67	87.00	5%
3rd level	9	7	2	1,630.18	1,652.40	22.22	1%
2nd level	1	1	0	1,548.65	1,548.65	-	0%

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

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

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

Category (white-collar)	No. Staff	Male	Female	Col. Bar. basic pay	Average Monnalisa	Average deviation	Average deviation %
1st level	9	2	7	2.248,08	2.519,51	271,43	12%
2nd level	4	1	3	2.012,44	2.018,55	6,11	0%
3rd level	6	0	6	1.793,11	1.842,33	49,22	3%
4th level	40	0	40	1.618,75	1.649,32	30,57	2%

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

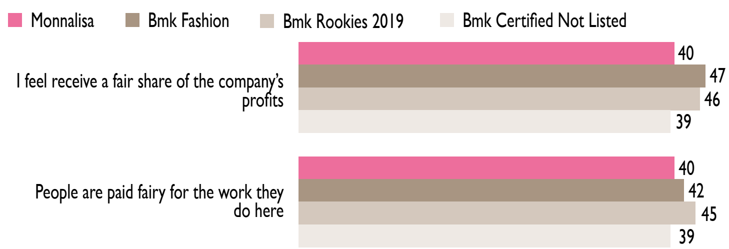
The deviation between male and female remuneration is minimal.

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

Category	Level	Male	Female	M/F remuneration ratio
White-Collar	8th	3	1	93%
White-Collar	7th	6	5	97%
White-Collar	6th	4	15	89%
White-Collar	5th	8	47	99%
White-Collar	4th	7	7	93%
White-Collar	3th	0	1	n.a.
Blue-Collar	5th	3	12	98%
Blue-Collar	4th	11	2	99%
Blue-Collar	3rd	7	1	98%
Blue-Collar	2nd	1	0	n.a.

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

All except three employees with commercial contracts are women. The difference between male and female remuneration therefore appears negligible. In terms of remuneration, the GPTW survey revealed that:



Development of human capital

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

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

The company has invested around Euro 89,000 in personal wage increases and promotions, in addition to periodic contractual increases. 62% of growth initiatives involved women.

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

Table 17 Personnel growth initiatives

Type	2017	2018	2019
Salary increase	18	15	14
Level movement	15	15	9
Transfer from temporary to permanent	6	11	4
Category movement	1	0	2
Contract renewal	5	8	10
Change of roles with new responsibilities	3	1	8
Personal bonus	3	0	0

Table 18 Versatility index

	2017	2018	2019
Versatility index	29%	26%	29%

Industrial incentive system

With the aim of redistributing generated wealth and recognizing the contribution of each resource to the success of the company, a second level trade union agreement has been signed and filed to supplement and improve on the provisions of the applicable national contract for industrial sector employees. In cases of satisfactory company profitability, a cash bonus, of a differing amount according to professional profile, is allocated to all employees under contract on June 1, who have served as employees in the company during the previous year for at least 8 months, whether consecutive or not. The agreement provides for the possibility for the employee to convert all or part of the bonus from money to welfare benefits.
Unfortunately, the satisfactory profitability objectives were not met in 2018, and thus the bonus was not awarded and the award system agreement was not continued into 2019.

Commercial incentive system

As previously noted, Monnalisa applies two national contracts: one for the commercial sector and one for the textile and clothing industrial sector. In recognizing the peculiarities of the two different work contexts, it was decided to establish two distinct incentive systems. This led to the signing of a supplementary second-level company agreement for Monnalisa employees with commercial contracts, in practice all the employees of the company's sales points in Italy.
The incentive system differentiates between the specific type of point of sale (boutique, outlet, shopping centre outlet, shopping centre outlet with a turnover exceeding Euro 800,000 per year), and awards a monthly bonus that varies according to the percentage of achievement of sales goals in the same period. The agreement provides for the possibility for the employee to convert all or part of the bonus from money to flexible welfare benefits. The agreement entered into force in January 2018. The amount spent on sales bonuses converted into flexible benefits was around €11,000, while around €10,000 was spent on unconverted bonuses that were later monetised in paychecks. 61 employees benefited from the scheme.

Supplementary healthcare fund

The latest contract renewal introduced supplementary healthcare for textile and clothing industrial sector employees, able to take advantage of the benefit from April 1, 2018.
Without the need for specific contractual arrangements, for several years Monnalisa has actively and independently invested in this area, which is extremely important to its staff. Since 2015, all employees under the permanent collective national industrial contract have received supplementary healthcare via Plan A of the FasiOpen package. The health coverage can be extended at the request of the employee, and, through a contribution, to family members. FasiOpen's health coverage does not involve risk selection, operates through a widespread network of affiliated branches and professionals, intervenes across all prevention areas, and has become of primary importance in providing complementary assistance. The average annual investment for the company is around Euro 20,000.
Being equivalent in terms of coverage and costs for the company, the healthcare contract with Fasiopen was maintained rather than contracting Sanimoda, which provides coverage to the companies in the textile industry sector.

Out of a total of 221 health services provided, 25% concerned specialist appointments, 60% check-ups and diagnostic tests, and 11% dental services. 1,127 benefits have been provided in the four years since insurance was introduced in 2015.

Business Trip Policy

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

Flexible benefit

The company population consists of 149 women and 54 men, with an average age of 42. 54% of employees have children, with an average of 1.6 children per person. Given the composition of the workforce, Monnalisa has paid particular attention to aspects of remuneration and purchasing power, making it possible, wherever possible, to reduce the tax burden, giving more benefits targeted to make the most of budgeted resources.
A flexible benefit system was thus introduced, through a second-level company agreement with trade unions, seeing its first implementation in June 2016, and its continuing implementation today. Each professional profile is assigned an amount that can be spent by the employee on the cost items provided under Articles 51 and 100 of the Consolidated Income Tax Act (TUIR). Benefits can therefore freely be used to reimburse the costs of the school canteen, nursery school, children's summer camps, gym membership, travel, magazine subscriptions or even cinema tickets.

2019's virtual "flexible benefit" fund benefited 167 people, with an average of €641 spent per person. The amount invested by the company was equal to approx. €107,000. The main use of flexible benefits is to cover healthcare costs, followed by education and travel and holiday expenses, respectively 30%, 23% and 17% of the total benefit expense item.

Supplementary Pension

As part of the welfare project, and with the aim of raising employee awareness of the importance of supplementary pension provisions, Monnalisa has signed a multi-faceted agreement for collective participation in the Azimut Previdenza's open pension fund. The fund represents an additional and alternative opportunity to the contractual one (Previmoda).
The Azimut fund is aimed at those wanting a supplementary pension plan on an individual basis. Participation is free and voluntary, and, for each participating employee, Monnalisa undertakes to pay 1.5% of their gross annual remuneration, excluding any variable remuneration elements. At 31/12/19, there were 41 participating employees, up from 40 in 2018.

Travel Policy

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

Skills development

The division of employees by qualification has seen the portion of graduates increase by two percentage points, and the number of employees with a lower secondary school diploma decrease. The percentage of employees with a middle school diploma remains unchanged.
By attributing an increasing educational score (from primary school diploma through to graduate), a summary employee educational index can be calculated as equal to 3.15 on a scale of 1 to 4 (Table 19).

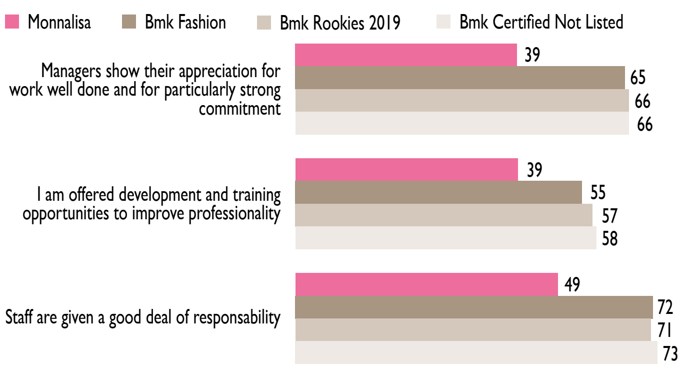
The number of training hours, in absolute terms, has increased significantly from the previous year (+34%), with a sharp increase in internal training hours conducted by external instructors (Table 20).

In 2019, fewer employees were involved in training than in the previous year. The figures for 2018 were impacted by general and specific safety training sessions involving all employees in the Arezzo office, following the opening of the new building and warehouse.
The training projects launched in 2019 covered the following topics: 4.0 training, the use of new graphics software, the selling ceremony, recruiting, fashion sustainability, project management, accounting and financial statements, corporate social responsibility and technical language training. Almost 700 hours, equal to approximately 15% of the total training hours, were given over to health and safety topics.
Though each course is specifically addressed to a subset of employees, the training materials are made available as a common resource to everyone via corporate intranet.

The per capita investment and percentage of turnover invested in training accounts not only of training costs itemized in the income statement, but also of the promotion of external training by internal instructors, financed training (from funds awarded by Fondimpresa or provincial entities), and an estimate of the opportunity cost of employees in training.
The training expenditure also indirectly includes the purchase of books and periodical publications for the professional updating of employees (Table 24).

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

In terms of professional motivation, the GPTW survey revealed that:



4.0 Training

During 2019, Monnalisa launched a series of training initiatives to help employees acquire and consolidate their skills in certain technologies in order to kick start the process of technological and digital transformation, as envisaged by the "National Business Plan 4.0." Training sessions were provided on:

- PLM (Product Lifecycles Management)
- WMS (software warehouse management system)
- Salesforce for e-commerce purposes
- CRM (customer relationship management system)
- The creation and management of digital content using PIM (product information management) and DAM (digital asset management).

Chart 4 Employee education

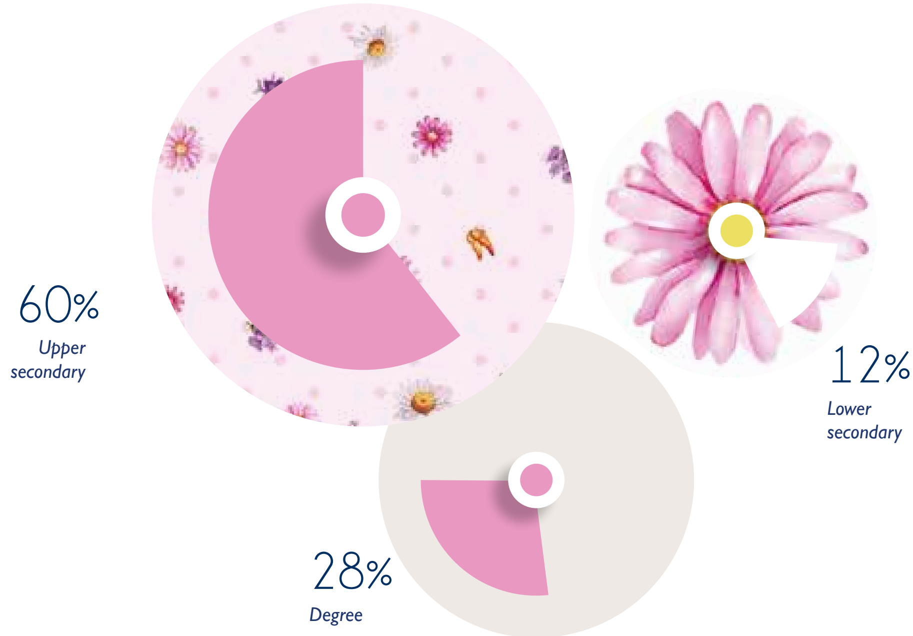


Table 19 Education index

	2017	2018	2019
Summary employee educational index	3.10	3.12	3.15

*Table 20 Training and education**

	2017	2018	2019
No. employees involved in training	117	170	146
No. overall hours of training and education	170	3.423	4.601
No. of education hours for new employees (internal instructors)	146	1.360	1.480
No. of internal training hours with internal instructors	2,866	1.389	1.512
No. of internal training hours with external instructors (including online training)	3,423	1.014	2.615
No. of external training hours	4,601	1.020	474
No. average hours of training and education per employee	1,120	18,50	23,24
No. of average hours of training per employee	1,360	10,99	15,76

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

Table 21 Training by gender

	No. training and/or education hours by gender	Average hours of training and/or education by gender per trainee	Average* hours of training and/or education by gender
Female	3.025	28.27	20.30
Male	1.425.5	36.55	26.40

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

Table 22 Training by category

	No. training and/or education hours by category	Average hours of training and/or education by category per trainee	Average* hours of training and/or education by category
Executives	146	48.67	48.67
White-collar & Managers	3,971.5	32.82	24.37
Blue-collar	333	15.14	9.00

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

Table 23 Role-specific training

	2017	2018	2019
Number of people involved in role specific training*	45	39	26
No. of role specific training activities	29	40	23

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

Table 24 Investment in training

	2017	2018	2019
Per capita investment in training (in €)*	695,33	1.075,07	1.366,18
% of turnover invested in training	0,26%	0,46%	0,66%

** Ratios were calculated using the average number of employees for the year*

Health and safety

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

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

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

In 2019, regular training updates were provided, pursuant to Article 37, to workers, supervisors and fire and first aid officers via an up-to-date document drawn up by the HR office and certifications office.
The annual evacuation drill was carried out in September 2019 as scheduled following changes to the emergency plan, which was distributed to all employees involved in handling emergencies. The plan also contained a procedure on assisting disabled employees in the event of an emergency, with dedicated training undertaken by two employees.
The restructuring of the metal warehouse located in the pre-existing factory was completed in October, with the consequent transfer of employees, materials and goods to the warehouse on Via Madame Curie. Renovations on the pre-existing office building and new showroom area were completed the same month. Some offices were also moved to the new building during this time. Following these changes, an updated risk assessment was prepared in November 2019, which revealed an improvement in health and safety levels in the workplace.
In order to verify, monitor and advise on workplace safety programmes, a formal Health and Safety Committee has been established at the various production and commercial sites, consisting of managerial staff and workers' representatives. The percentage of the labour force represented in such committees is 100%.

Analysing Work-Related Stress

In compliance with Legislative Decree No. 81 and in agreement with the company safety team, an assessment was carried out on work-related stress at the head office in Via Madame Curie with regard to office work and logistics. The aim was to assess the risk of work-related stress and identify any critical issues within the working environment. The last work-related stress assessment was carried out in 2016. The questionnaire aimed to paint a picture of employee perceptions of the quality of their working life within their new working environment.
Compared to the previous assessment, there has been a substantial improvement in how the working environment is experienced by employees in terms of personal ecology. Employees have not reported any problems related to their work in itself.
The critical issues to emerge concern remuneration, benefits and manager-employee communication. The questionnaires allowed Monnalisa to ascertain that its employees have a positive perception of the company and their work within it.
As regards the operating office in Badia al Pino, analysis on the completed questionnaires revealed that communication between colleagues and between managers and their employees represents the most critical issue. The same result emerged from analysis carried out at the company's points of sale.

Accidents

During the year, five accidents occurred, of which one commuting, for a total of 47 lost days. In 2019, an occupational disease claim was received, which is currently under investigation and verification by INPS and the competent bodies.

Table 25 Accidents in the period '17-'19

	No. total accidents	Accidents on commute
2017	1 (1 woman)	1
2018	3 (3 women)	1
2019	5 (3 women)	1

During 2019, four incident reports were filed, relating to two "near" accidents at the Arezzo headquarters, one at the Badia Al Pino office and one at the Fidenza outlet. The "near" incidents were resolved without any consequences through the application of correct company procedures.

Monnalisa's human capital abroad

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

Table 26 Monnalisa personnel at subsidiaries and branches

	Subsidiaries								Branches			
	Brazil	China	HK	Russia	Taiwan	Turkey	UK	Usa	Belgium	France	Spain	Total
No. of people	22	35	12	29	3	9	5	25	5	2	10	157
Female	22	35	12	29	2	8	5	23	5	2	10	153
Male	0	0	0	0	0	1	0	2	0	0	0	3
Hires	19	38	3	7	5	12	16	29	9	3	5	146
Terminations	4	57	2	2	2	3	11	14	4	3	2	104
Full-time	7	35	12	29	2	9	5	16	2	2	9	128
Part-time	15	0	0	0	0	0	0	9	3	0	1	28
Permanent	22	2	12	29	2	9	4	25	0	2	7	114
Temporary	0	33	0	0	0	0	1	0	5	0	3	42
Average age	33	32	31	40	44	29	38	38	26	36	34	35

Two resources are to be added to the representative offices, one in the UK and one in Germany.

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

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

Country	Statutory Minimum Wage (Company currency)	SMW	Living Wage single adult	
		€	min	max
			min	max
Brazil	1,045	236.77 €	220.00 €	292.00 €
China (average in Beijing, Shanghai, Tianjin and Chongqing)	2,133	275.80 €	274.00€	391.00 €
Hong Kong	7,265	828.17 €	nd	nd
Russia	12,130	167.40 €	255.00 €	349.00 €
Taiwan	23,110	667.82 €	nd	nd
Turkey	2,325	365.72 €	236.00 €	305.00 €
USA	1,247	1,113.79 €	1,068.00 €	1,451.00 €

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

Table 28 Comparison between average salaries at the Monnalisa Group and the living wage

	Average salary for non-managerial positions (currency)	Average salary for non-managerial positions	% change compared to max living wage	% employees with a salary exceeding the max living wage
Brazil	1,602.66	363.13	24%	100%
China	4,575	591.55	51%	100%
Hong Kong*	16,364	1,865.40	125%	100%
Russia	65,000	897.06	97%	100%
Taiwan*	32,500	939.17	41%	100%
Turkey	8,755.75	1,380.10	353%	100%
USA	2,562	2,288.32	58%	100%

** For Hong Kong and Taiwan, the percentage deviation is calculated in relation to the statutory minimum. The average exchange rates for the year were used for the purpose of converting currencies into euros.*

For all countries in which Monnalisa is present, the average remuneration for non-managerial roles is higher than the living wage, and higher than the statutory wage where data on the living wage is not available. The positive deviation ranges from a minimum of 24% in Brazil to a maximum of 353% in Turkey. In fact, the deviation is even more positive, since, for the purposes of comparison, only basic pay data was considered, excluding commissions, bonuses and other forms of compensation.

NATURAL capital

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

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

The analysis of the natural capital in this section applies, in terms of reporting scope, to the headquarters[1], the rented warehouse[2] (used for planned handling and storage), the operational site in Badia al Pino[3] (used for raw materials and accessories storage, quality control, and the laying out and cutting of fabrics), and the external office in Montepulciano[4].
Direct stores and company showrooms are also included in the scope concerning electricity consumption.

Environmental performance indicators

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

1 *Via Madame Curie, 7 Arezzo*
2 *Via Giacomo Puccini, 119 Arezzo. The lease was terminated in October 2019.*
3 *Via di Basserone, 12 Civitella in Val di Chiana (AR)*
4 *Via Mencattelli, 38/E Montepulciano (SI)*

Travels and shipments

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

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

The impacts of both types of mobility have been estimated by using online calculators [5] the quantities of shipped goods and the number of passengers per trip.

Mobility of persons

2019 saw a 14% decrease in kilometres travelled compared to 2018.
This is a result of the dissemination of the company's new Travel Policy, prepared by the Management to regulate the planning and booking of services for business trips. The policy's aim is to ensure greater travel safety and lower environmental impact, balanced with greater comfort, efficiency and cost reductions.
Of the approximately 823,000 kilometres travelled, 77% were flown by plane to non-European destinations. In Italy, on the other hand, the most commonly used modes of transport were cars and trains, with a percentage change of 37% and -31% respectively compared to 2018. The increase recorded in the use of cars is in part due to the greater availability of data compared to the previous year.

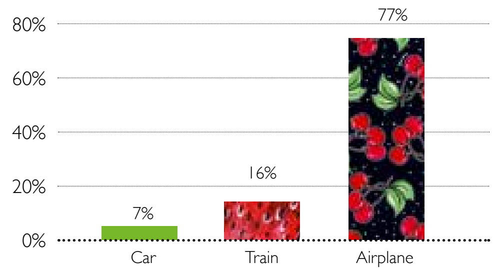
Mobility of goods

Monnalisa ships its collections anywhere in the world.
In Italy, the total number of shipments is slightly higher than in 2018. This reflects the number of kilometres travelled, approx. 1.10% more.
However, both EU and non-EU countries saw around a 6% reduction in the number of shipments. Approximately 9.5% fewer kilometres were travelled than in the previous year.
The majority of kilometres (around 71%) were travelled by lorry.

In addition to outgoing shipments, incoming shipments of mainly finished products to the company from abroad must also be considered. These accounted for approx. 960,000 of the total kilometres travelled. Despite just a 2% variation in the number of routes, 2019 saw an 11% reduction in the number of kilometres travelled. In fact, inbound movements from Asian destinations fell by approx. 13% compared to 2018.
This has also had a positive effect on the environment, with around a 1% reduction in atmospheric emissions generated by transport. This percentage change is due to the decision to compare 2018 with 2019 using the Tank-to-Wheel (TTW) methodology to calculate emissions. Emissions were also calculated using the Well-to-Wheel (WTW) methodology for incoming and outgoing goods shipments in 2019. There was a 22% increase in incoming shipments compared to the previous year.
Of a total of 145 shipments arriving in Italy, the kilometres travelled by different transport means were 67% by plane, 18% by ship and 15% by road.

[5] For the calculation of emissions, the site used is https://www.ecotransit.org/calculation.en.html.

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



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

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

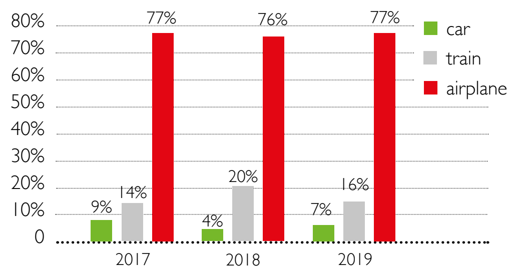
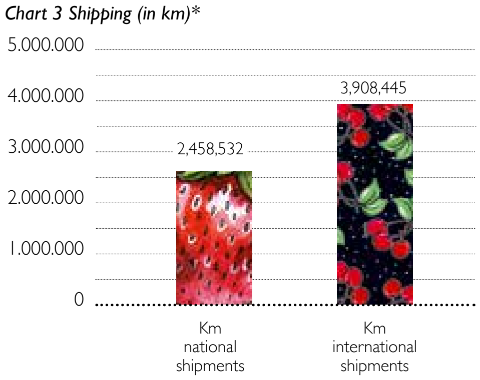


*Chart 3 Shipping (in km)**



*The km travelled are estimated by default, as they are calculated not from actual journeys of goods to their destinations but from the distance between Monnalisa's head office and the provincial capital corresponding to the destination, in the case of shipments within Italy, and the distance between Monnalisa's head office and the capital of the foreign state corresponding to the destination, in the case of shipping abroad. The www.ecotransit.org web distance calculator was used.

Consumption of materials

The following analysis of the consumption of water, electricity, gas for heating and paper applies, in terms of reporting scope, to the corporate buildings in Arezzo, including the head office and the production facility (used for raw materials and accessories storage, quality control, and the laying out and cutting of fabrics), and to the finished product warehouse, external to the company headquarters.
Excluded from the reporting scope is the consumption of water, heating gas and paper in relation to owned stores, showrooms and the external office in Montepulciano, due to the incompleteness of data, as these sites are managed separately from production activities. They have, however, been included in the electricity supply contract since 2016, and as such, recorded consumption has been included in this report.
Where the relationship between electricity consumption and the number of users is significant, the latter figure includes the sum of employees present at the three aforementioned sites and employees working in the Italian direct sales stores.
In order to be more objective, the consumption of electricity, gas and water relate to the average number of hours worked in the reference periods.
The consumption of electricity, gas and water refers only to non-industrial use.

Fuel

Fuel consumption refers solely to company cars. There was a 13% increase in consumption compared to 2018, equal to around +740 litres, as more commercial and business trips were taken. The consumption of unleaded petrol decreased by 44%, while consumption of diesel oil and Diesel+ increased by 18% and 32% respectively.

Table 1 Fuel consumption 2017-2019

	Litres 2017	Litres 2018	Litres 2019	GJ 2019	Change lt	Change %
Unleaded 98	3,409.20	529.66	294.17	9.07	-235	-44%
Diesel	6,410.62	5,095.61	6,002.75	210.76	907	18%
Diesel +	0.00	212.91	281.73	10.09	69	32%
Blu Diesel Tech	600,53	0,00	0.00	0	-	-
Total	**10,420**	**5,838**	**6,579**	**229.91**	**740**	**13%**

*To calculate fuel energy in GJ, the specific weights of the fuels were taken from Eni technical data, and product tonnes were multiplied by Net Calorific Values, as stated in the National Standard Coefficients 2019

Water

Water consumption has increased in absolute terms compared to last year, but is down by 3% as a percentage with respect to the number of people employed. This is due to an increase in staff numbers. Consumption relates to the headquarters, the production site and the finished product warehouse. Italian owned stores were excluded, since the data for the reference year is still incomplete.
The 19% increase concerns the head office, where the new building is now at full capacity compared to the previous year. It is also worth noting that data collected from invoices received has been estimated. Adjustments will be reported in next year's financial statements.
Water is taken exclusively from municipal mains water supply.

Tab. 2 Water consumption years 2017-2019

Years	m^3	m^3/employee	mc/effective hr worked
2017	701	5.23	0.0033
2018	1,023	24.45	0.0141
2019	1,217	23.79	0.0135

Energy

Table 3 Purchases of electricity years 2017-2019

	Kwh	GJ*	Per employee	Per month	Per Employee/Month	Per effective hours worked
2017	619,075	2229	4,619.96	51,589.58	385.00	2.91
2018	673,640	2425	3,508.54	56,136.67	292.38	2.39
2019	745,812	2685	3,673.95	62,151.00	306.16	2.36

** The data expressed in GJ has been calculated using the following equation: 1kWh = 0.0036 GJ*

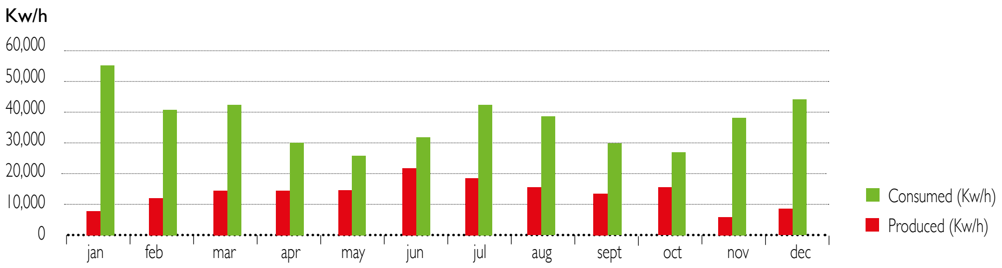
Table 4 Electricity consumption in Italian stores and showrooms and external office in the period 2017-2019

	Kwh	GJ*	Per employee	Per month	Per Employee/Month	Per effective hours worked
2017	212,598	765.35	3,665.48	17,716.50	305.46	2.95
2018	235,973	849.50	4,369.87	19,664.42	364.16	3.16
2019	305,294	1099.06	4,556.63	25,441.17	379.72	3.66

Table 5 Purchases of electricity compared to self-produced years 2017-2019

	Kw/h purchased	Kw/h produced
2017	619,075	68,932
2018	673,640	50,284
2019	745,812	166,368

Chart 4 Energy consumption: consumption and production



Electricity

Electricity consumption increase in absolute terms from 2018.
In percentage terms, there has been a greater increase in consumption at the head office and in store due to the opening of new stores during the year and the expansion of the company headquarters.

The consumptions shown in the following table include those from 11 Italian stores and 3 showrooms located in Italy, as well as the external office in Montepulciano.

Monnalisa has four photovoltaic plants, which produce electricity and contribute, under a net metering scheme, to offsetting the electricity supplied and consumed during the year by approximately 10%. They are installed at the headquarters in Arezzo and at the operating unit in Civitella, Val di Chiana. 13,864kW/h were generated on average per month, with around a 231% increase in self-produced energy compared to last year. The significant change compared to 2018 is due to improvements made after the system malfunctioned in the production and cutting unit. In addition, the building adjacent to the headquarters has been expanded over the last two years, and the KWh generated by its new photovoltaic system are to be included in reporting from 2019 onwards, as well as the KWh generated by the photovoltaic system installed on the building adjacent to the production site following a corporate merger.

Gas for heating

Compared to 2019, gas consumption increased by approximately 12%, with peaks recorded in the coldest months of the year (December and January). As a result, the amount of CO_2 emitted into the atmosphere also increased.

Table 6 Consumption of gas for heating in the period 2017-2019

	m3	GJ*	m3 per m2	m3 per employee	m3 per month	m3 per employee per month	m3 per hours worked
2017	32,083.66	1,122.93	8.38	239.43	2,673.64	19.95	0.15
2018	37,720.00	1,329.74	13.86	1,191.71	3,143.33	99.31	0.68
2019	42,310.70	1,493.69	11.81	1,109.27	3,525.89	92.44	0.19

** The data expressed in GJ has been calculated using the Net Calorific Value for methane, as stated in the National Standard Coefficients 2019 (35,303 GJ/1000 standard m3)*

Raw materials

Paper and cardboard packaging

The amount of packaging has increased. The total weight, however, decreased by 40% compared to the previous year. In order to understand the data, it is important to take into account the changes occurring for each type of box purchased. The change compared to 2018 is due to the unavailability of weight data for some box types, and to the lower quantities of other box types purchased, which constitute some of the heaviest types of packaging with regard to the total weight.
Regarding all materials, Monnalisa has made full payment to the national packaging consortium Conai in support of separate waste collection and packaging waste recycling.
2019 data on packaging destined for paper and cardboard recovery, inferable from the FIR (Formulario di Identificazione dei Rifiuti) register, totalled 58.28 tonnes, and originated from the headquarters and finished product warehouse and production sites.
Furthermore, it should be noted that Monnalisa supplies mono-brand stores and top customers (shop-in-shops, corners, spaces) with shopping bags made from FSC Mix paper, satin ribbons or cotton cords, depending on the reference brand, purchasable by customers on the B2B website.
The pallets on which Monnalisa receives incoming goods are returned to the supplier for reuse.

Table 7 Paper and cardboard packaging purchased in the period 2017-2019

Years	boxes	boxes per garments produced	kg of paper per garments produced	weight (in tonnes) purchased
2017	48,333	0.045	0.00491	120
2018	62,820	0.063	0.00822	132
2019	73,511	0.071	0.00541	78.9

The total weight of the boxes was calculated by multiplying the weight of each type of box by the respective quantity purchased. The data was taken from purchase invoices and the material data sheets.

Table 8 Plastic packaging purchased (items and weight)

Material	2017		2018		2019	
	Qty.	Weight (tonne)	Qty.	Weight (tonne)	Qty.	Weight (tonne)
envelopes	882,590	5.074	815,120	11.411	788,655	9.92
hangers	403,084	21.830	361,876	21.148	310,237	16.86
rods	1,000	0.280	1,900	0.532	800	0.224
pvc boxes	47,334	3.818	37,092	2.556	33,517	2.237
Total	**1,334,008**	**31.002**	**1,215,988**	**35.648**	**1,133,209**	**29.24**

The total weight of each category was derived from the weights indicated in invoices. The data was taken from the material data sheets or from accounting documents.

Plastic packaging

The packaging in plastic consists of: bags for hanging garments, resin or plastic hangers, PVC boxes for transporting garments and hanging rods. Compared to the previous year, there was a 7% reduction in plastic packaging purchased.
The plastic packaging purchased refers to the weight per item communicated by suppliers or stated in invoices for the purposes of Conai. The quantities of hangers include, in addition to those purchased directly during the year, those that come with imported garments.
In 2019, Monnalisa made Conai environmental contributions in relation to plastic totalling Euro 10,067.86.

Table 9 Metres of fabric purchased over the last three years

Fabric	2017	2018	2019
Natural	216,589	248,849	226,462
Technical fibres	210,821	154,300	146,324
synthetic	150,739	97,828	88,675
artificial	60,082	56,472	57,649
Total	**427,410**	**403,149**	**372,786**

Table 10 Fabric purchased by composition

Fabric	metres purchased for summer season	metres purchased for winter season
Natural	147,001	79,461
Technical fibres	63,633	82,691
synthetic	33,952	54,723
artificial	29,681	27,968
Total	**210,634**	**162,152**

Natural fibres exist in nature, while technical fibres are defined as produced by man. Technical fibres are then considered artificial if they are made from organic polymers of natural origin, and synthetic if they are made from synthetic polymers.

Fabric

Compared to 2018, the total amount of fabric purchased was fell by approx. 8%. The decrease concerns both natural fibres and technical fibres, among which the greatest decrease relates to the percentage reduction of synthetic fibres.
Though table 9 makes references to calendar years, the calculation is based on the reference calendar years of the actual production seasons.
In particular, in 2019, there was a prevalence of natural fabrics in both the summer and winter seasons.
In the category of finished products purchased from suppliers, most products contain natural fibres.
Cold (30°) washing, whether by hand or in the washing machine, remains the type of washing indicated for most of the items produced and bought as finished products from suppliers.

Chart 5 Fabric purchased by composition and by collection in 2019

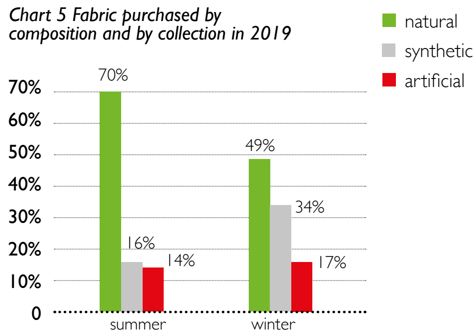
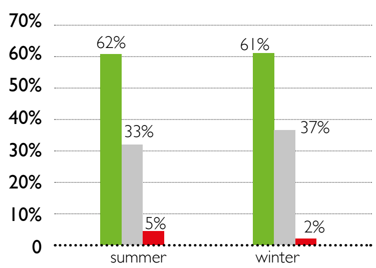


Chart 6 Supplied finished products by type of fabric in 2019



Paper

Paper consumption has fallen by 43% compared to the previous year. Said result has been achieved by raising awareness among employees and using recycled paper where possible. The approx. 87% increase in continuous-form paper purchases is owed to a desire to create stock that can be used in subsequent years.
Additional consumption includes that of thermo-adhesive plotter paper (4.99 t), backing card (6.55 t), and cartene for the laying out of fabric (0.34 t), all materials used in fabric cutting. Paper for internal use is always reused where possible, and, when no longer useful, is disposed of by separate waste collection for subsequent recycling. As for shopping bags, all the paper used for both printers and plotters, equivalent to 31% of the total, is marked FSC Mix.
In 2019, Monnalisa made Conai environmental contributions in relation to paper totalling Euro 5,350.59.

Table 11 Paper consumption years 2017-2019

	Reams	Weight in tonnes	Reams/Employee	Continuous form	Plotter paper (KG)
2017	2,240	5.79	18.51	302,400	566.55
2018	2,157	5.44	17.83	6,758,640	604.1
2019	1,230	3.01	9.04	12,625,200	602.64

Toners, cartridges and ribbons for printers

In 2019, Monnalisa only used toners under a copy contract, where the cost of toners is based on the number of copies or prints made.
In order to keep track of the effective consumption of toners under the copy contract, since 2017, an internal register has been kept indicating the number of toners returned to the supplier. Throughout 2019, 243 toners were recorded as consumed.

Table 12 Toners, cartridges and ribbons purchased in 2017-2019

	Toner			Cartridges			Ribbons		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Total purchases	160	73	0	6	4	3	27	16	4

Waste

Monnalisa is committed to implementing a series of initiatives and procedures for improved management of waste.

Proposals have been advanced on the recycling and recovery of fabric waste generated by cutting. However, due to the great variety of fabrics used by Monnalisa, this is, at the moment, deemed unfeasible. In any case, waste is managed according to all current applicable disposal regulations.
The other waste attributable to the company is generated on a daily basis by intra-logistic activities. For the most part, this waste comes from primary and secondary packaging of garments arriving in warehouse sorting areas. Many of the materials used in the business process are not waste.
Paper and plastic waste is carefully separated and collected via Eco-Boxes situated in all Monnalisa offices.
The company has implemented an Environmental Management Policy compliant with standard UNI EN ISO 14001, which requires products and waste to be handled and collected exclusively by certified and authorised transporters and service suppliers.
The company does not produce or manage any hazardous waste.

CO_2 EMISSIONS

Greenhouse gas emissions are the main cause of climate change. One such emission gas is carbon dioxide (CO2), which builds up in the atmosphere due to human activity in the burning of fossil fuels, deforestation and changes in the use of agricultural land.
The direct and indirect greenhouse gas emissions calculated by the company refer only to CO2, and are associated with the following activities:

- Electricity consumption
- Consumption of gas for heating
- Transportation of products for purchase and sale
- Personal transport for business trips
- Employee commuting.

In relation to transport for business trips, it should be noted that Monnalisa uses:
1.company cars;
2.long-term rental cars;
3.short-term rental cars.
For the purposes of this report, the emissions from the first two are considered direct, while those from short-term rentals are included in the category "other indirect emissions".

Direct emissions

Direct emissions: greenhouse gas emissions from sources that are owned or controlled by the organization. For example, direct emissions deriving from combustion aimed at energy production within the organization's operational scope.

Direct emissions include those relating to:

	CO_2 (ton)
Heating *	83.56
Own and long-term rental cars**	8.89
Total CO_2	92.46

**The national standard parameters table was used for the calculation: Coefficients used for the inventory of CO2 emissions in the UNFCCC national inventory (average values for years 2016-2018). This data can be used for the calculation of emissions from January 1, 2019 to December 31, 2019.*
***The calculation method was based on EPA 430 guidelines.*

The consumption of methane increased by 32% in comparison with 2018, with CO2 emissions increasing proportionally, corresponding to approximately 9 tonnes. For each property, headquarters and production site, consumption increased by approximately 6,800 standard m3 per year. As required by standard UNI ISO 14064-1, incorporating the Greenhouse Gas Protocol, the category of direct emissions must include those relating to owned and long-term rental vehicles, which, in the case of the company, generated approximately 8.89 tonnes of CO2 emissions. In 2019, the electric car purchased by the company was used for company errands in the municipal area of Arezzo totalling approximately 1,822 km, thus saving approximately 0.46 tonnes of CO2 emissions (The estimate of CO2 emissions saved derives from a comparison with emissions relating to a company owned Fiat 500L car.).

*Table 13 Km and emissions relating to owned and/or long-term rental vehicles**

	2017		2018		2019	
	Km	CO_2 (ton)	Km	CO_2 (ton)	Km	CO_2 (ton)
Owned	11,428	2.44	7,435	1.59	18,947.70	4.04
Long-term rental	22,776	4.86	22,776	4.86	22,776.00	4.86
Total	34,204	7.29	30,212	6.44	41,724	8.89

**The figure was estimated on the basis of the use of owned cars for business trips. The website http://www.viamichelin.it/ was used to estimate the km travelled. The calculation includes travel for Pitti events and general company errands. The method used for calculating CO2 emissions was based on the EPA430 guidelines.*

Indirect emissions

Emissions resulting from the activities of the organization, but which have been generated by sources owned or controlled by other organizations. These include, for example, greenhouse gas emissions for the production of electricity, heating and steam supplied to and then consumed by the organization.

Indirect CO2 emissions include all emissions relating to the production of electricity purchased and consumed by the company. The following calculation refers to the head office, operating office, external warehouse, direct stores and showrooms.
Regarding Scope 2 emissions, that is those relating purchased electricity, steam, heat, and cooling, the Greenhouse Gas Protocol requires companies operating in liberalized markets to report two values determined by two different approaches:

- *Location-based method:* greenhouse gas emissions from the production of purchased energy calculated on the basis of the average emission factors of the grid and without considering specific information about the supplier or any supply contracts stipulated by the company.
- *Market-based method:* greenhouse gas emissions calculated on the basis of the origin of energy, reflecting purposeful choices made by the company regarding its supply. To be able to consider the specific characteristics of the purchased energy, however, its origin must be certified by contractual instruments that meet "minimum quality criteria", as defined in the GHG Protocol Scope 2 Guidance. Otherwise the calculation must be made considering the so-called residual mix, that is using the default emission factors representing untracked or unclaimed emissions.

In 2019, 6% of the electricity consumption was not certified by Guarantees of Origin (GO). Therefore, in order to determine the emissions according to the two methods, the following considerations were made:

- *Location-based method:* The "grid mix" emission factor, obtained from the National Inventory Report 2020 Italian Greenhouse Gas Inventory 1990-2018 (equal to 296 g CO2/kWh) was used to obtain indirect emissions equal to:
  - 207.96 tonnes of CO2/kWh for electricity with Guarantees of Origin
  - 12.8 tonnes of CO2/kWh for electricity without Guarantees of Origin
- *Market-based method:* the indirect emissions according to this method are equal to 20.15 tonnes of CO2.

Electricity consumption (kwh)	Kwh	CO_2 Emissions (tCO_2)		
		Location-based method (renewable and fossil mix)	Market based method	
			Tonnes CO_2/kwh (residual mix)	Tones CO_2/kwh (100% renewable sources with GO)
Photovoltaic energy	166,386.00 kwh	0 ton CO_2/kwh	-	0.00 ton CO_2/kwh
Energy GO certified	702,582.00 kwh	207.96 CO_2/kwh	-	0.00 ton CO_2/kwh
Energy not GO certified	43,230.01 kwh	12.80 CO_2/kwh	20.15 ton CO_2/kwh	-

Sources: http://www.sinanet.isprambiente.it/it/sia-ispra/serie-storiche-emissioni/national-inventory-report/view

Other indirect emissions

Emissions, different from the other emissions that may include, by way of non-exhaustive example, journeys to the workplace, or the transport of an organization's products, materials, people or waste.

The other indirect emissions are those resulting from the activities of the organization, but which have been generated by sources owned or controlled by other organizations.
The first step in determining such emissions was the identification of the categories of activities from which they derive. However, sources and categories whose contribution was not significant or whose quantification is not technically or economically feasible have been excluded.
Emissions have thus been calculated relating to:
- The transport of finished products (incoming and outgoing)
- Staff mobility for business trips (with short-term rentals)
- Commuting from home to office and vice versa.

Considering all the shipments of Monnalisa S.p.A. in 2019, in comparison with 2018, there was an increase in shipments and km travelled in Italy, and a decrease in shipments and km travelled in European and non-European countries.
There was around a 12% rise in total CO2 emissions on total shipments compared to the previous year, against a slight reduction in the gross weight of goods. This discrepancy is due to the use of a different methodology in this chapter compared to in previous years. For this year, the emissions calculation has made use of the Well-to-Wheel index [7].
Table 16 shows the detail of emissions by destination area.
Emissions relating to personnel travel refer to mobility for business trips, by plane, train and car.
Air transport was the means having the greatest impact on the total, accounting for 81% of CO2 emissions. There was a 15% drop in CO2 emissions compared to 2018.
Finally, we analyse CO2 emissions from the commuting of employees.
For the purposes of the calculation, the entire corporate population of Arezzo (Monnalisa's headquarters, warehouse and production site) is considered, distinguishing between part-time and full-time employees. Part-time employees are considered to make two daily trips: one to go to work, and one to return home. For full time employees, on the other hand, a further distinction is required as there are those who use the external company canteen and those who return home for lunch, thus making four daily commuting trips.
Once the km for each trip and employee had been determined, the EPA430 method was used to calculate CO2 emissions per km.

[7] *"The WTW index starts with a primary energy source and then considers the processes involved in its potential transformation, the energy cost of transporting it, and finally, the amount of energy used to move a car a certain distance." [Source: G. Grea, "I vantaggi dei veicoli a trazione elettrica rispetto ai sistemi di propulsione tradizionale" 2010]*

*Table 14 CO_2 emissions for the transport of products in the period 2017-2019**

	2017			2018			2019		
	Incoming	Outgoing	Total	Incoming	Outgoing	Total	Incoming	Outgoing	Total
Trucks	4.31	14.27	**18.58**	6.60	14.38	**21.45**	8.68	19.14	**27.82**
Air	182.56	328.24	**510.79**	340.75	310.95	**651.70**	414.58	330.50	**745.08**
Ships	3.30	0	**3.30**	2.70	0	**3.30**	2.18	0.00	**2.18**
Total	**190.166**	**342.51**	**532.68**	**350.05**	**325.80**	**675.85**	**425.44**	**349.64**	**775.08**

**The quantity of emissions produced was calculated using the website http://www.ecotransit.org/, with reference to EN 16258 Guidelines: 2013 "Methodology for calculation and declaration of energy consumption and GHG emissions of transport services (freight and passengers)". For each trip, the quantity of goods shipped (expressed in gross weight) and transport means used were determined from transport and customs documents. The outgoing goods relate to the shipments referred to in Chart 8.7.*
Emissions of CO2 are not directly proportional to the kilometres travelled for incoming and outgoing goods, as they depend on the combination of km travelled, the transport means used, and the weight of the goods transported.

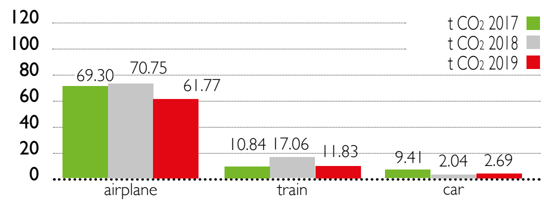
Table 15 Number of shipments and km travelled by destination

	Italy		UE and Non-UE	
	no. shipments	km covered	no. shipments	km covered
2017	5,654	2,435,930	1,763	4,168,693
2018	5,496	2,430,637	1,823	4,316,980
2019	5,609	2,458,532	1,713	3,908,445
Change	**2.06%**	**1.15%**	**-6.03%**	**-9.46%**

Table 16 CO_2 Emissions by weight and destination (Italy, UE and non-UE)

	Italy		UE and Non-UE	
	Gross weight Kg	Tonne CO_2	Gross weight Kg	Tonne CO_2
2017	140,533.85	3.89	207,741.81	338.62
2018	153,552.25	4.06	210,940.05	321.74
2019	152,643.39	4.91	209,351.10	344.66
Change	**-0.59%**	**20.88%**	**-0.75%**	**11.68%**

*Chart 7 CO_2 emissions (in tonnes) relating to business travel by transport means**



**The sources and estimation criteria used differ according to the transport means used.*
For all transport means used for business trips, CO2 emissions have been calculated using a method based on the EPA430 guidelines

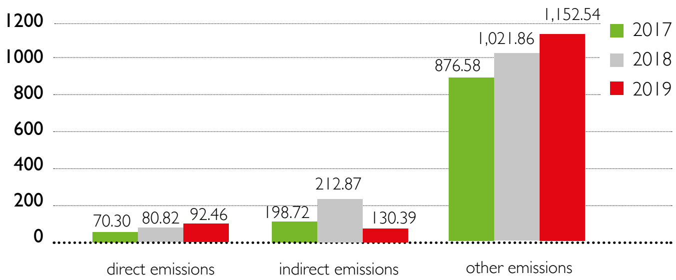
Table 17 CO_2 for employee commute

	2017		2018		2019	
	Km	CO_2 (ton)	Km	CO_2 (ton)	Km	CO_2 (ton)
Monnalisa	1,035,975.65	220.85	1,060,471.07	226.07	1,119,150	238.58
Operational headquarters	165,677.73	35.32	160,069.13	34.12	132,519	28.25
Total	1,201,653.38	256.16	1,220,540.20	260.19	1,251,608	266.81
Total with stores	1,796,791.51	383.03	1,811,873.33	386.25	1,953,084.82	404.48

The figures for 2019 increased compared to the previous year as a result of the increase in staff numbers. To be specific, an increase of approximately 4% was recorded at the Monnalisa* head office and operating office, and an increase of approximately 6% was recorded when taking into account the total, inclusive of company stores and showrooms.

Direct stores and company showrooms have been excluded from calculations for the following graphs so that comparisons could be made on a linear perimeter shared by all recorded data.

Chart 8 Direct, indirect and other indirect CO2 emissions (in tonnes)



Direct emissions: *heating, car trips and long-term car rentals*
Indirect emissions: *electricity consumption - location-based approach*
Other emissions: *import and export of products, employee commuting, short-term car rentals, train and air travel by employees.*

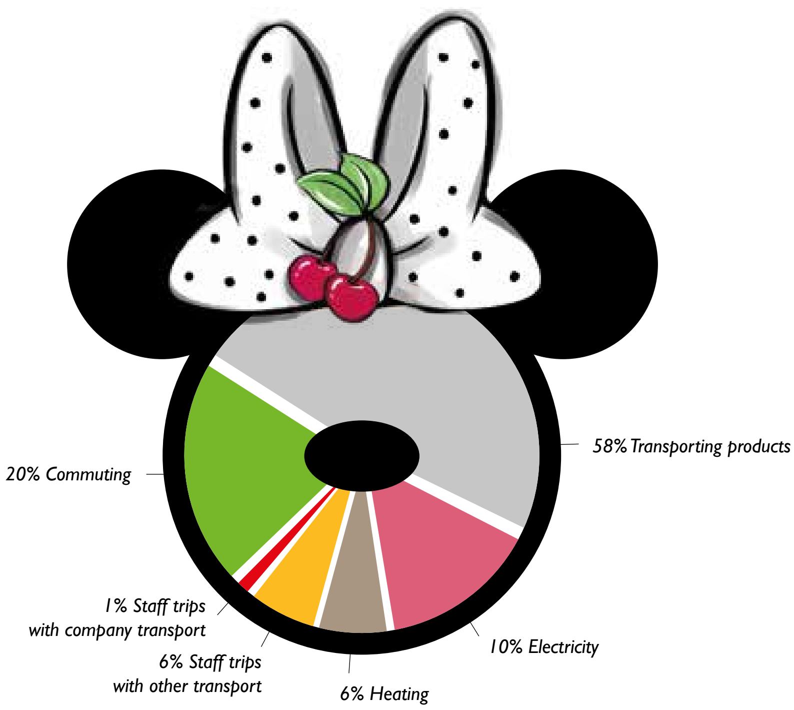
CO2 emissions are slightly higher than in 2018, with a recorded percentage of 3%.

The greatest increase is caused by direct emissions, which include heating, car travel and long-term rentals.

Furthermore, the percentage change for other emissions has also been affected by the use of the WTW index to calculate emissions related to goods handling, unlike in previous years.

Of all the sources of emissions analysed, the most significant is that of transporting products (76%).

Chart 9 Direct, indirect and other indirect CO2 emissions (in tonnes) by source



In accordance with GRI Standards, the company has determined the GRI 305-4 greenhouse gas (GHG) emission intensity index for 2019 by relating the sum of all CO2 emissions (direct, indirect and other) to the number of employees at headquarters, operational offices and external warehouses, and to the number of actual hours worked. Employees of company stores and showrooms have been excluded.

For Scope 1 and Scope 2, the following tables only display the year 2019, as the perimeters for the three-year period from 2017 to 2019 are not comparable. The GHG intensity index from 2017 to 2019 was chosen for Scope 3.

Table 18 Intensity index of greenhouse gas emissions (GHG)- environmental performance index: Number of employees

GHG emission intensity	Unit	2019
GHG emitted per employee (scope 1 – scope 2)	(tonne CO_2 eq.)	1.64

GHG emission intensity	Unit (tonne CO_2 eq.)	2017	2018	2019
GHG emitted per employee (Scope 3)		6.54	7.40	8.33

Table 19 Intensity index of greenhouse gas emissions (GHG)- environmental performance index: Effective hours worked

GHG emission intensity	Unit	2019
GHG issued per hours worked (scope 1 - scope 2)	(tonne CO_2 eq.)	0,0009

GHG emission intensity	Unit (tonne CO_2 eq.)	2017	2018	2019
GHG issued per hours worked (scope 3)		0.0041	0.0044	0.0048

Finally, the emissions of the pollutants SOx and NOx relating to goods import and export activities are reported.

Table 20 NOx e SOx

Other atmospheric emissions	Unit	2017	2018	2019
NOx	(kg or multiples)	2,545.39	2,932.56	2,948.23
SOx	(kg or multiples)	202.77	220.96	475.46

Suppliers

New assessment and monitoring procedures have been introduced for suppliers in order to minimize any non-compliance with the requirements of standards SA8000, ISO 9001 and ISO 14001.
Monnalisa's suppliers can be differentiated on basis of the products or services they supply:

- raw materials (fabrics and accessories);
- processing (embroidery, sewing, ironing, cutting, printing, other processing).
- finished goods (distributed);
- services (cleaning, premises and machinery maintenance services).

Such suppliers are required to complete a self-assessment questionnaire during the signing of their contracts, for a first screening of environmental and other related impacts attributable to their activities. The documentation exchange is followed by an audit by Monnalisa to verify the answers given to the questionnaire. The goal is to make all its external collaborators aware of the principles of social and environmental responsibility that Monnalisa aspires to and to promote, where necessary, the implementation of improvement measures.

In addition to the verification of documentation, the supplier receives a seasonal score based on the quality of their collaboration. This score accounts for requirements such as the possession of ISO 14001 and/or CE1221 certification (EMAS regulation), with a weight of 5% applied to the final quality judgment.

** The head office and rented warehouse have been included*

MONNALISA SAYS GOODBYE TO DISPOSABLE PLASTIC: COMPLIMENTARY WATER BOTTLES FOR ALL EMPLOYEES

The latest Censis survey indicates that Italy is the leading consumer in Europe of bottled mineral water. Monnalisa therefore launched in 2018 a feasibility study for the gradual elimination of plastic bottles by company distributors, which concluded positively in November 2019 with the distribution of a stainless-steel water bottle to 203 Italian workers.

> *"We are proud to have taken this initiative which translates into a saving of approximately 6,000 bottles per year. It is a small gesture of responsibility towards the environment, which allows us to communicate, through our collaborators, our message of environmental protection. Be conscious. Use less plastic."*

stated Christian Simoni, CEO of Monnalisa.

✔ reduce electricity consumption at the operating offices by 5% by the end of 2019
COMPLETE

✔ launch a feasibility study to eliminate plastic bottles from company distributors
COMPLETE

Improvement

OBJECTIVES

Area	2020 Objectives	Lines of action
Governance	Subsidiaries and risk management	Extend the principles of "231 compliance" to other Group companies
Consumer and Product Responsibility	Assess counterfeiting risk	Develop a systematic approach to assessing risks – including the risk of counterfeiting – by introducing a dedicated monitoring scheme
	Promotion of sustainable and responsible consumption initiatives	Promotion of sustainable consumption campaigns at points of sale and/or through dedicated labeling
Local Community	Training and CSR	Support the Arezzo Ethic Academy project
Economic Responsibility, Suppliers and Partners	Incentivise and support the supply chain	Promote and extend the reverse factoring tool to the majority of suppliers
People	Develop internal training and communication on the topics of sustainability	Analyse the existing internal channels and opportunities for distributing information in order to draw up an education and marketing plan for sustainability issues
	Improve work-life balance	evaluate the emergency smart working project in order to improve and extend it
Environment	Supply chain	Increase the number of audits on suppliers by 10%
	Consumables	reduce paper consumption by 10%
	Waste	reduce the consumption of plastic bottles purchased from company distributors by 30%
	Supply chain	carry out improvement analysis to assess its supply chain

Area	Commitments Annual Report 2018	Outcome and Achievement of Objectives
Governance	Assessment of Monnalisa's impact along its value chain	Monnalisa's contribution has been assessed with specific reference to the UN's Sustainable Development Goals (SDGs), with the relevant SDG for the reported indicator or policy included in this year's report
	Consolidation of the reporting scope	Consolidating the reporting scope – including environmental impact – is not yet feasible given the lack of available data
	Development of stakeholder engagement activities	Employees in particular have been engaged through climate analysis conducted by the GPTW team. The results are summarised in the chapter on relational capital and by individual topic in the chapter on human capital
Consumers and Product Responsibility	Assessment of counterfeiting risk	The objective has been carried over to the new year
	Promotion of sustainable and responsible consumption initiatives	The objective has been carried over to the new year
	Development of sustainable innovation programmes	Research has been conducted into the release of microplastics during clothes washing
Local Community	Support and promotion of culture and the arts	Monnalisa contributed to the 62nd edition of the "Zecchino d'oro", dressing all members of the children's choir
Economic Responsibility, Suppliers and Partners	Improve financial communication	A financial communication initiative has been launched with a new partner in order to improve content, frequency and coverage
People	Develop internal training and communication on the topic of sustainability	The objective has been carried over to the new year
	Continued improvement of workplace health and safety	A smart working project was launched during lockdown and is due to be extended
Environmental Responsibility	Energy	Electricity consumption has been reduced by 5% at Monnalisa's operating offices
	Supply chain	The objective has been carried over to the new year
	Waste	Aluminium water bottles have been produced and distributed to all employees, thus contributing to a reduction in plastic bottle use

GRI
Content Index

GRI STANDARDS	DISCLOSURE	PAGE NUMBER(s) AND/OR URL(s)	OMISSION	MATERIAL TOPIC
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General Disclosures				
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	102-2 Activities, brands, products, and services	page 10-14		
	102-3 Location of headquarters	page 35		
	102-4 Location of operations	page 35		
	102-5 Ownership and legal form	page 14-15; page 24		
	102-6 Markets served	page 25-26		
	102-7 Scale of the organization	page 28-29		Value & Mission
	102-8 Information on employees and other workers	page 92-101		
	102-9 Supply chain	page 78-79		
	102-10 Significant changes to the organization and its supply chain		no significant change took place in 2019	
	102-11 Precautionary Principle or approach	page 20-21; page 32-33		
	102-12 External initiatives	page 90		
	102-13 Membership of associations	page 91		
	Strategy			
	102-14 Statement from senior decision-maker	page 3		Sustainability Strategy
	102-15 Key impacts, risks, and opportunities	page 20-21; page 32-33		
	Ethics and integrity			
	102-16 Values, principles, standards, and norms of behavior	page 14; page 16-17		Standard/Code of Conduct
	102-17 Mechanisms for advice and concerns about ethics	page 17		
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	102-19 Delegating authority	page 14-17		
	102-20 Executive-level responsibility for economic, environmental, and social topics	page 14-17		
	102-21 Consulting stakeholders on economic, environmental, and social topics	page 6		
	102-22 Composition of the highest governance body and its committees	page 15		
	102-23 Chair of the highest governance body	page 15		
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	102-25 Conflicts of interest	page 16-17		
	102-26 Role of highest governance body in setting purpose, values, and strategy	page 16		
	102-27 Collective knowledge of highest governance body	page 16		
GRI 102: General Disclosures 2016	102-28 Evaluating the highest governance body's performance	page 16		
	102-29 Identifying and managing economic, environmental, and social impacts	page 16; 17-19; 83-84		Sustainability Strategy
	102-30 Effectiveness of risk management processes	page 16-17; 20-21		
	102-31 Review of economic, environmental and social topics	page 17		
	102-32 Highest governance body's role in sustainability reporting	page 16		
	102-33 Communicating critical concerns	page 17		
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	102-37 Stakeholders involvement in remuneration	page 97		
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	102-40 List of stakeholder groups	page 83-84		
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	Reporting practice			
	102-45 Entities included in the consolidated financial statements	page 4-5		
	102-46 Defining report content and topic Boundaries	page 4-5		
	102-47 List of material topics	page 6		
	102-48 Restatements of information		no significant change took place in 2019. Further KPIs on subsidiaries have been included in the report	
	102-49 Changes in reporting	page 4-5		
	102-50 Reporting period	page 4-5		
	102-51 Date of most recent report		2019	
	102-52 Reporting cycle		annual	
	102-53 Contact point for questions regarding the report		info@monnalisa.eu	
	102-54 Claims of reporting in accordance with the GRI Standards	page 17		
	102-55 GRI content index	page 112-113		
	102-56 External assurance	page 114-115		
GRI 200 Economic Standard Series				
	201-1 Direct economic value generated and distributed	page 30		Economic Performance
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change		Information currently not available	
	201-3 Defined benefit plan obligations and other retirement plans	page 99		
	201-4 Financial assistance received from government	page 30		
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	page 98; 101		
	202-2 Proportion of senior management hired from the local community		100%	
GRI 203: Indirect Economic impact 2016	203-1 Infrastructure investments and services supported	page 91		
	203-2 Significant indirect economic impacts	page 90-91		
GRI 204: Procurement Practices 2016	**GRI 103: Management Approach 2016**	page 78-79		Supply Chain Management
	204-1 Proportion of spending on local suppliers	page 79		
	GRI 103: Management Approach 2016	page 16		
	205-1 Operations assessed for risks related to corruption	page 16-17		
GRI 205: Anti-corruption 2016	205-2 Communication and training about anticorruption policies and procedures	page 17		Standard/Code of Conduct
	205-3 Confirmed incidents of corruption and actions taken		During the reporting period no incident or behaviour in conflict with anti corruption laws was recorded	
GRI 206: Anti-competitive Behavior 2016	**GRI 103: Management Approach 2016**			Standard/Code of Conduct
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		During the reporting period no fines or significant sanctions were registered	

GRI STANDARDS	DISCLOSURE	PAGE NUMBER(s) AND/OR URL(s)	OMISSION	MATERIAL TOPIC
GRI 300 Environmental Standards Series				
GRI 301: Materials 2016	**GRI 103: Management Approach 2016**	page 103		
	301-1 Materials used by weight or volume	page 104-105		Sustainability Row Material
	301-2 Recycled input materials used	page 104-105		Sustainability Packaging
	301-3 Reclaimed products and their packaging materials	page 104-105		
GRI 302: Energy 2016	**GRI 103: Management Approach 2016**	page 104		
	302-1 Energy consumption within the organization	page 103-104		Energy Performances
	302-2 Energy consumption outside of the organization		information currently not available	
	302-3 Energy intensity	page 104		
	302-4 Reduction of energy consumption	page 103		
	302-5 Reductions in energy requirements of products and services	page 104		
GRI 303: Water 2016	**GRI 103: Management Approach 2016**	page 102		
	303-1 Water withdrawal by source	page 103		
	303-2 Water sources significantly affected by withdrawal of water	page 103	there are no significant direct withdrawals from water sources such as lakes, rivers, etc.	
	303-3 Water recycled and reused	page 103	the use of recycled water in the production process is not foreseen	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		not applicable	
	304-2 Significant impacts of activities, products, and services on biodiversity		not applicable	
	304-3 Habitats protected or restored		not applicable	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		not applicable	
GRI 305: Emissions 2016	**GRI 103: Management Approach 2016**	page 106		
	305-1 Direct (Scope 1) GHG emissions	page 106		
	305-2 Energy indirect (Scope 2) GHG emissions	page 106		Energy Performances
	305-3 Other indirect (Scope 3) GHG emissions	page 107		
	305-4 GHG emissions intensity	page 108		
	305-5 Reduction of GHG emissions	page 108		
	305-6 Emissions of ozone-depleting substances (ODS)		information currently not available	
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	page 108		
GRI 306: Effluents and Waste 2016	**GRI 103: Management Approach 2016**	page 104		
	306-1 Water discharge by quality and destination		information currently not available	Waste Management
	306-2 Waste by type and disposal method	page 105		
	306-3 Significant spills		not applicable	
	306-4 Transport of hazardous waste		not applicable	
	306-5 Water bodies affected by water discharges and/or runoff		not applicable	
GRI 307: Environmental Compliance 2016	**GRI 103: Management Approach 2016**			
	307-1 Non-compliance with environmental laws and regulations		During the reporting period no fines or significant sanctions were registered	
GRI 308: Supplier Environmental Assessment 2016	**GRI 103: Management Approach 2016**	page 78		
	308-1 New suppliers that were screened using environmental criteria	page 78-79		Supply Chain Management
	308-2 Negative environmental impacts in the supply chain and actions taken	page 34	During the reporting period no negative environmental impact was registered	
GRI 400 Social Standards Series				
GRI 401: Employment 2016	**GRI 103: Management Approach 2016**	page 94		
	401-1 New employee hires and employee turnover	page 95; 101		Uman Resources Management Work-Life Balance
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	page 99		
	401-3 Parental leave	page 96		
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes		In case a reorganization or a revision in the company structure takes place, employees and their representatives are previously informed in full respect of local law, collective labor contracts and agreements with trade unions.	
GRI 403: Occupational Health and Safety 2016	**GRI 103: Management Approach 2018**	page 94		
	403-1 Occupational health and safety management system	page 101		Health and Safety
	403-2 Hazard identification, risk assessment and incident investigation	page 101	In the company processes no employees with high incidence or with high risk of work related deseases are registered	
	403-3 Occupational health services	page 101		
	403-4 Worker participation, consultation and communication on occupational health and safety	page 101		
	403-5 Worker training on occupational health and safety	page 101		
	403-6 Promotion of worker health	page 101		
	403-9 Work-related injuries	page 101		
	403-10 Work-related ill-health	page 101		
GRI 404: Training and Education 2016	**GRI 103: Management Approach 2016**	page 100		
	404-1 Average hours of training per year per employee	page 100		Uman Resources Management
	404-2 Programs for upgrading employee skills and transition assistance programs	page 100		
	404-3 Percentage of employees receiving regular performance and career development reviews	page 97-98		
GRI 405: Diversity and Equal Opportunity 2016	**GRI 103: Management Approach 2016**	page 94		
	405-1 Diversity of governance bodies and employees	page 94		Diversity Management and Equal Opportunity
	405-2 Ratio of basic salary and remuneration of women to men	page 98		
GRI 406: Non-discrimination 2016	**GRI 103: Management Approach 2016**	page 94		
	406-1 Incidents of discrimination and corrective actions taken	page 17		Diversity Management and Equal Opportunity
GRI 407: Freedom of Association and Collective Bargaining 2016	**GRI 103: Management Approach 2016**	page 78		
	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	page 78-79		Human Resources Mgmt; Supply Chain Management
GRI 408: Child Labor 2016	**GRI 103: Management Approach 2016**	page 78		
	408-1 Operations and suppliers at significant risk for incidents of child labor	page 78-79		Supply Chain Management
GRI 409: Forced or Compulsory Labor 2016	**GRI 103: Management Approach 2016**	page 78		
	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	page 78-79		Supply Chain Management
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	-	In the reporting boundaries there is no security personnel	
GRI 411: Rights of indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	-	Information currently not available	
GRI 412: Human Rights Assessment 2016	**GRI 103: Management Approach 2016**	page 17		
	412-1 Operations that have been subject to human rights reviews or impact assessments		The company is SA8000 Certified	Human Resources Management Human Rights
	412-2 Employee training on human rights policies or procedures	page 17; 100	Information Unavailable: number of hours of training on human rights and % of employees trained	
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	page 78-79		
GRI 413: Local Comunities 2016	**GRI 103: Management Approach 2016**	page 83		
	413-1 Operations with local community engagement, impact assessments, and development programs	page 83-84; 91		Economic Model Development
	413-2 Operations with significant actual and potential negative impacts on local communities		Information currently not available	
GRI 414: Supplier Social Assessment 2016	**GRI 103: Management Approach 2016**	page 78-79		
	414-1 New suppliers that were screened using social criteria	page 78-79		Supply Chain Management
	414-2 Negative social impacts in the supply chain and actions taken	page 17		
GRI 415: Public Policy 2016	415-1 Political contributions	page 91		
GRI 416: Customer Health and Safety 2016	**GRI 103: Management Approach 2016**	page 73		
	416-1 Assessment of the health and safety impacts of product and service categories	page 73		Product Safety
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	page 73		
GRI 417: Marketing and Labelling 2016	**GRI 103: Management Approach 2016**	page 73		
	417-1 Requirements for product and service information and labeling	page 73		Product Safety
	417-2 Incidents of non-compliance concerning product and service information and labeling	page 73		
	417-3 Incidents of non-compliance concerning marketing communications	page 86		
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	page 17; 81		
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	page 16-17		
OTHER MATERIAL TOPICS IDENTIFIED (not covered by the GRI Standards)				
Product Distinctiveness (Eco-Design and product innovation)		page 72-73		
Communication & Brand Identity		page 86; 89; 73		

Assurance Statement

SGS Italia S.p.A. was commissioned by the Management of Monnalisa SpA to undertake an independent assurance of the Company's Annual Report 2019 (the 'Report') in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by the GRI - Global Reporting Initiative (hereinafter the" GRI Standards").

Our responsibility in conducting the work commissioned from us, in accordance with the term of reference agreed on with the Organization, is solely towards the management of Monnalisa.

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

RESPONSIBILITY OF THE DIRECTORS FOR THE REPORT

The Directors are responsible for preparing the Report in compliance with the "GRI Standards" guideline, and for that part of internal control that they consider necessary to prepare Sustainability Report that is free from material misstatement, whether due to fraud or unintentional behaviours or events. The Directors are also responsible for defining the sustainability performance targets of Monnalisa, for reporting the sustainability results, as well as for identifying the stakeholders and the significant aspects to be reported.

INDEPENDENCE OF THE AUDITORS AND QUALITY CONTROL

SGS Italia S.p.A. SGS affirms its independence from Monnalisa SpA, being free from bias and conflict of interests with the Organization, its subsidiaries and stakeholders.

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

AUDITOR'S RESPONSABILITY

The responsibility of SGS Italia S.p.A. is to express an opinion concerning the reliability and accuracy of the information, data and statements contained in the 2019 Sustainability Report and to assess the compliance of Report with the reference requirements, within the below mentioned assurance scope, with the purpose to inform all Interested Parties.

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

- analysis, according to Limited Assurance Engagement, of the business and data on sustainability, for the period January 2019 to December 2019, as contained in the Report
- the evaluation of the Report against the Global Reporting Initiative's **GRI Standards**, "Comprehensive" option

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000), issued by the IAASB (International Auditing and Assurance Standards Board) for limited assurance engagements. The standard requires that we comply with applicable ethical requirements, including professional independence, and that we plan and perform our work to obtain limited assurance that the Report is free from material misstatement.

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SGS

ASSURANCE METHODOLOGY

The procedures we performed consisted in verifying the compliance of the Report with the principles for defining the content and the quality of a sustainability report set out in the GRI Standards and are summarized as follows:

- analysing, through inquiries, the governance system and the process for managing the sustainability issues relating to the Group's strategy and operations;
- analysing the process aimed at defining the significant reporting areas to be disclosed in the Report (materiality analysis), with reference to the methods for their identification, in terms of priority for the various stakeholders, as well as the internal validation of the process findings;
- analysing the internal consistency of the qualitative information described in the Report and analysing the processes underlying the generation, recording and management of quantitative data included in the Report. In detail, we carried out:
  - meetings and interviews with the Monnalisa's management to achieve a general understanding of the information, accounting and reporting systems in use to prepare the Report, as well as of the internal control processes and procedures supporting the collection, aggregation, processing and submission of the information to the function responsible for the Report preparation;
  - a sample-based analysis of the documents supporting the preparation of the Report, in order to obtain evidence of the reliability of processes in place and of the internal control system underlying the treatment of the information relating to the objectives disclosed in the Report;

The audit team was assembled based on their technical know-how, experience and qualification of each member in relation to the various dimensions assessed.

Audit activities were carried out during July 2020 at the Head Quarters in Arezzo.

LIMITATIONS

Economic and financial data contained in the Consolidated Financial Statements at 31 December 2019, included in the Sustainability Report, have not been audited by SGS.

CONCLUSIONS

Based on the work performed, nothing has come to our attention that causes us to believe that the Sustainability Report as of 31 December 2019 of Monnalisa has not been prepared, in all material respects, in compliance with the GRI Standards as disclosed in the paragraph "Methodological Note" of the Annual Report.

Milan, July 17th, 2020

SGS Italia S.p.A.

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

July 2020
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