MONNALISA S.p.A.

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

Financial Statements 2020

Summary

Report on operations

Corporate Boards

Board of Directors

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

PIERO IACOMONI
Chairman

CHRISTIAN SIMONI
Chief Executive Officer

MATTEO TUGLIANI
Director

PIERANGELO ARCANGIOLI
Director

SIMONE PRATESI
Independent director

BOARD OF STATUTORY AUDITORS

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

INDEPENDENT AUDITORS ***EY S.p.A.***
NOMAD ***CFO Sim S.p.A.***

Dear Shareholders,

The consolidated loss for the year ended December 31, 2020 amounted to Euro 7,812,699, including a minority interest share of Euro 6,717. At the level of the separate financial statements of the parent company, Monnalisa S.p.A. ("Monnalisa") reported a loss of Euro 4,544,205.

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.

Group operations and structure
Founded in Arezzo in 1968 by Piero Iacomoni, currently Chairperson of the Board of Directors, Monnalisa designs, manufactures and distributes high-end childrenswear for ages 0-16 under the brand of the same name through various distribution channels. The company's philosophy has always combined entrepreneurship, innovation, the search for new markets, 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 Group distributes in over 60 countries, both through direct flagship stores and at the world's best known Department Stores and over 500 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, 2020, corresponding to the scope of consolidation, is presented in the chart here beside.
Two new companies were incorporated in the year for direct retail operations,, in Singapore and in San Marino. The San Marino company, incorporated at the end of December, was still inactive at the reporting date.

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 share performance is reported below.

Key Stock Exchange Indicators

Official price at December 30, 2020	3.94
Minimum price 13/11/20	2.18
Maximum price 10/01/20	6.15
Market capitalization at December 31, 2020	20,631,022
No. of shares outstanding at December 31, 2020	5,236,300

The current market capitalisation of the Group is lower than the value of the Group's shareholders' equity. The Directors consider that this valuation is not representative of the Group's actual value. The book shareholders' equity does not include the value of the "Monnalisa" brand, quantified at Euro 20,000,000 by an expert opinion commissioned by an industrial property consultancy firm.


100%
Monnalisa
San Marino
LIBERTAS
100%
Monnalisa
Japan Co
LTD
100%
Monnalisa
International LTD
100%
Monnalisa
Singapore
100%
Monnalisa
Korea LTD
99%
Monnalisa
Rus 000
100%
Monnalisa
China LTD
100%
Monnalisa
Bebek Giyim
San ve Tic
A.S.
100%
Monnalisa
UK LTD
99%
Monnalisa
Brazil LTD

GROUP OPERATING PERFORMANCE

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 applicable rules. 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 Group's stores were therefore closed for several months during the year, peaking in April and May. During the second half of the year, as a second wave of the virus spread, new lockdowns were imposed in Europe and later in other countries around the world. In the periods when the stores were open, the low propensity to consume of customers and the absence of tourist flows further affected the sales performance of Monnalisa, like all enterprises with a major retail focus. The e-commerce channel continued to operate regularly, being among the few activities permitted during the lockdown.

Revenues by distribution channel
The Group reports revenues of Euro 33.6 million for 2020, compared to Euro 47.9 million in 2019 (-30% at like-for-like exchange rates, -29% at current exchange rates).
The drop in revenues was caused by the extraordinary COVID-19 pandemic event which led to the shutdown of commercial activity across the globe, in addition to international traffic bans and restrictions, and consequently the closure of the direct and indirect distribution network for a significant portion of the first half of the year. In the remaining months, after the reopening, traffic continued to be dampened and particularly in tourist hotspots. Finally, the last few months of the year witnessed a spike in the pandemic (the "second wave"), which led to fresh lockdowns and closures and mainly in Europe, major reductions of in-person consumption in other countries and the almost total absence of tourists internationally.
Distribution by revenue channel saw YoY growth of 21% for the e-commerce channel, thanks to a highly-focused strategy with investment targeting major technological development to support the digital platform. The Q3 and Q4 2020 performances more than offset that of Q1, impacted by the change of digital platform which prompted a 17% YoY contraction in the first half of the year.
The wholesale channel, considering the ongoing pandemic, was down 28% - while however seeing a major recovery on H1 2020 (-38% YoY). The retail channel declined 38%, recovering three percentage points of the YoY half-year contraction.

Revenues by region
Revenues by region indicate a reduction in sales on the Italian market of 32% on 2019, due to the pandemic, with Europe similarly seeing a contraction of 33%. The drop in Rest of the World revenues was 26% (-23% at like-for-like exchange rates), indicating the quicker recovery of these markets in the second half of the year.
The Group however continued to roll out its development plan, completing the openings already contracted and with new outlet sub-channel openings undertaken to support the clearing of unsold stock.

The details of the new store locations opened in 2020 are provided in the chart here beside.
In the same period, five low-traffic sales points were closed, in China (MIXC Shenzhen), Russia (European Center), Taiwan (Taiwan Mitzukoshi), Hong Kong (Lee Garden) and Turkey (Istanbul Airport). Two temporary stores were also opened in Japan for a period of approximately one month; the Chinese store located at Shanghai Florentia Village was closed in March 2020 and reopened in a new location in September 2020. A number of closures ahead of that stipulated contractually impacted the income statement, in support of "way out" costs and for losses incurred. Also in 2020, four stores owned by the subsidiary Monnalisa Brazil were closed, thus making the subsidiary substantially inactive.
Therefore at the end of the year the Monnalisa Group owns a total of forty-seven direct sales points, between both DOS's and DOO's, compared to forty-eight at December 31, 2019 and forty-seven at June 30, 2020.

31 December at current exchange rates

in thousands of €	2020	Inc. %	2019	Inc. %	Var	Var %
Retail	9,625	29%	15,531	32%	(5,906)	-38%
Wholesale	22,232	66%	30,95	65%	(8,718)	-28%
B2C	1,755	5%	1,453	3%	303	21%
Total	33,612	100%	47,934	100%	(14,321)	-30%

31 December at constant exchange rates

In thousands of €	2020	Inc. %	2019	Inc. %	Var	Var %
Retail	9,943	29%	15,531	33%	(5,587)	-36%
Wholesale	22,507	66%	30,95	27%	(8,443)	-27%
B2C	1,758	5%	1,453	40%	305	21%
Total	34,209	100%	47,934	100%	(13,725)	-29%

31 December at current exchange rates

In thousands of €	2020	Inc. %	2019	Inc. %	Var	Var %
Italy	10,752	32%	15,745	33%	(4,993)	-32%
Europe	8,700	26%	13,011	27%	(4,311)	-33%
Rest of the world	14,159	42%	19,178	40%	(5,019)	-26%
Total	33,612	100%	47,934	100%	(14,322)	-30%

31 December at constant exchange rates

In thousands of €	2020	Inc. %	2019	Inc. %	Var	Var %
Italy	10,752	31%	15,745	33%	(4,993)	-32%
Europe	8,706	25%	13,011	27%	(4,305)	-33%
Rest of the world	14,751	43%	19,178	40%	(4,427)	-23%
Total	34,209	100%	47,934	100%	(13,725)	-29%

Type	Country	City	Location
DOS	France	Paris	Department Store
DOS	France	Nice	Department Store
DOS	France	Nice	Department Store
DOS	Singapore	Singapore	Department Store
DOS	Taiwan	Taipei	Department Store
DOS	Italy	Milan	Department Store
DOO	Italy	Barberino di Mugello	Department Store
DOO	Italy	Noventa di Piave	Department Store

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

SAFETY AND WORK

In response to the pandemic, the Group incurred direct costs to protect the health of employees and customers at both the offices and sales points. Where possible it has availed of supports and grants from the various governments, such as for example employment supports.

Each of the subsidiaries, against the various lockdowns imposed during the year, 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 each State of part or all of the cost of personnel, or putting employees on unpaid leave so as to allow them to receive unemployment benefits. Not all governments introduced extraordinary measures to contain personnel costs in view of the pandemic, leaving the entire cost of the emergency to be borne by businesses.

Spring Summer Collection 2021

In terms of the Italian parent company's personnel, a process has been launched to completely restructure working methods 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 not belonging to the previous categories were encouraged to take leave or make use of paid holidays, while thereafter utilising the temporary lay-off scheme on the basis of the COVID-19 outbreak, which was partially and for certain periods utilised also by staff working remotely. The lay-off scheme was paid in advance by the company and then reconciled with the INPS Uniemens system. 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 and set up a tele-medicine service.

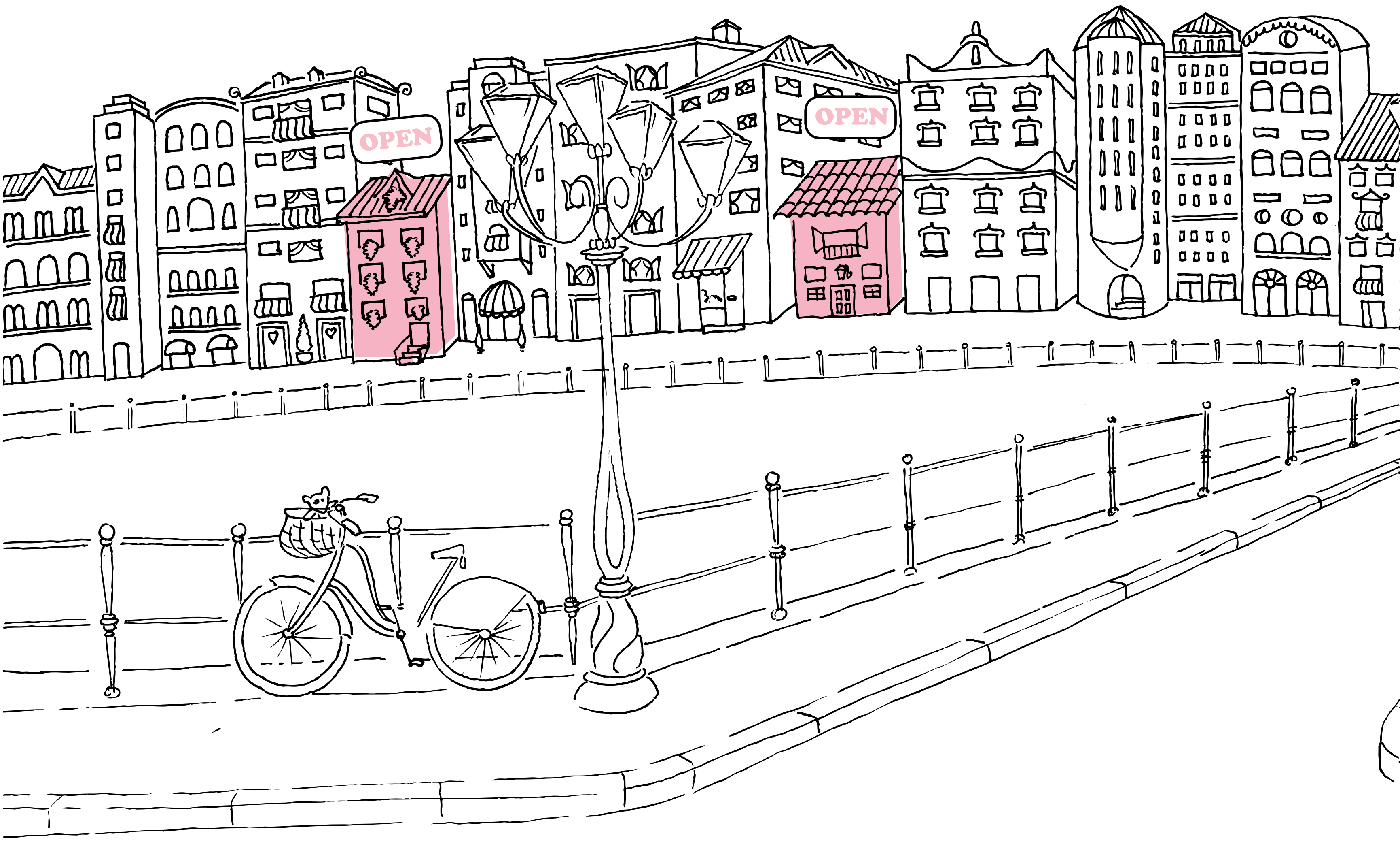
Personnel costs decreased by 24% during the year compared with the previous year, partly due to the benefits and concessions obtained from government authorities, as forms of employment support, and partly due to the effects of the launch of an organisational simplification plan. In addition, the Group's management has voluntarily decided to waive part of its remuneration for the current year.

Similarly, in light of the pandemic and its impact on business, the Chief Executive Officer, the Chairman of the Board of Directors and the Creative Director partially waived their remuneration for 2020.

RETAIL AND WHOLESALE

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 minimised, both at the direct store level and at corporate level, in addition to those dedicated to sales support. Cost containment actions combined with the negotiation of service and rental costs were the main levers used to compensate as much as possible for the loss of profitability resulting from the substantial drop in turnover caused by the pandemic. In particular, rent, lease and similar costs fell by 21% compared with the previous year, marketing costs by 41% and service costs by 21%.

On the wholesale channel, summer merchandise had already been almost fully supplied before the pandemic began, but the closure of multi-brand customer outlets inevitably lengthened 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 were considered to be at greater risk, both to lessen procurement and the consequent risk of an increase in inventories linked to possible requests for order reductions or customer closures. However, management has worked to focus such cancellations or quantity reductions on lower margin models.



SURGICAL MASKS

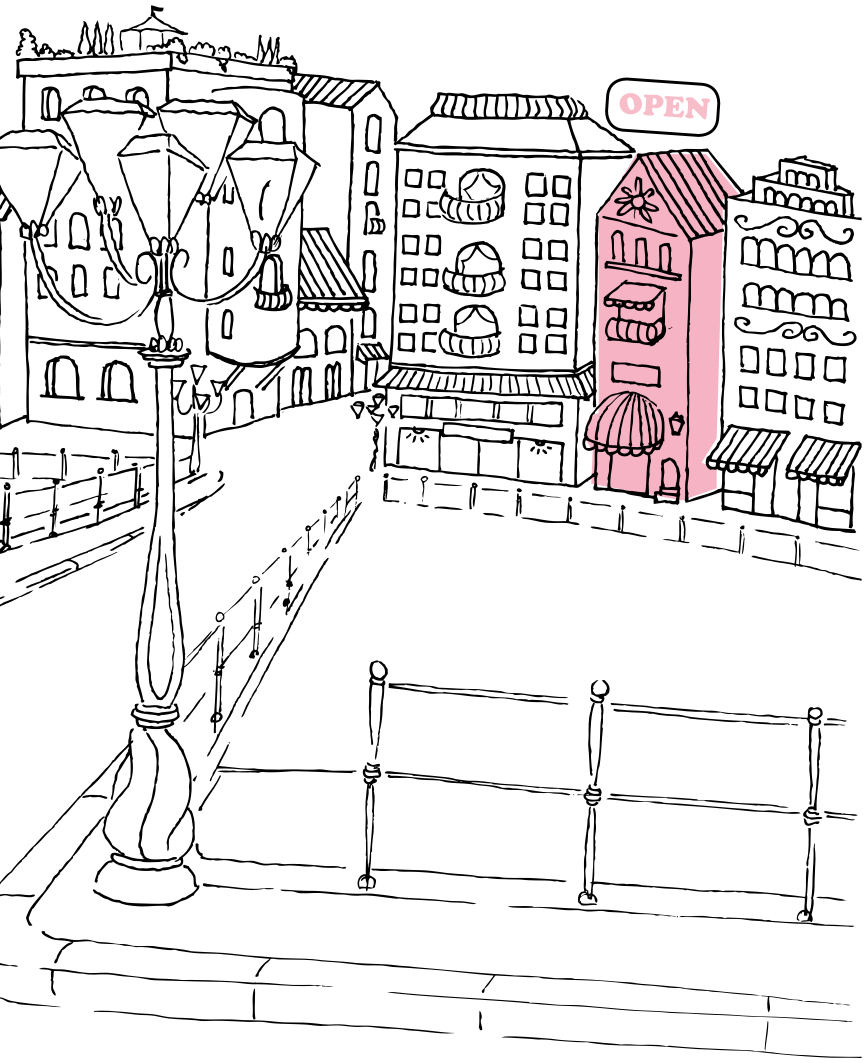
The production of surgical masks using non-woven fabric began, which were subsequently donated to the local government, police forces and to Arezzo Hospital in order to strengthen the company's social responsibility projects.

VIRTUAL SHOWROOM

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 was completed for the creation of virtual showrooms, as well as the redefinition of the relationship with boutique customers through a "fashion atelier" type service, and with whom we share content and product presentations through social media casting. Through the virtual showroom it was possible to conduct sales campaigns for order collection normally and safety.

CHIARA FERRAGNI

At the end of November 2020, a multi-year license agreement was signed with Fenice S.r.l. (company owning the "Chiara Ferragni" brand). The agreement targets the growth worldwide in the children's fashion 0-10 years segment of the brand founded by Chiara Ferragni, through the structure and experience of Monnalisa, which through this partnership can further expand its customer base, in line with the digital transformation undertaken. The first collection under the brand licensing strategy was dedicated to Fall/Winter 2021/2022. The sales campaign now concluded performed well, exceeding the set sales targets.



Reported consolidated EBITDA saw a loss of Euro 6.5 million (loss of Euro 6.9 million at like-for-like exchange rates), compared to a loss of Euro 2.9 million in 2019.
Adjusted consolidated EBITDA was approx. Euro -2.2 million (Adjusted EBITDA in 2019 of Euro 0.26 million). The adjustments to EBITDA concern the DOS openings and closures in the year and a number of one-off costs incurred. In particular, the closure of all sales points in Brazil resulted in the recording of losses, as did the closure of the store at Istanbul airport, which also resulted in an additional way-out cost for the early resolution of the contract.

Two stores in Brazil became TPOS (third party operated store) managed by the company owning, among others, the well-known Cidade Jardim shopping centre in San Paolo, where one of the stores is located, thereby maintaining a presence in a key market. In Turkey, on the other hand, a store was opened in January 2021 at Istinye Park, the luxury mall located in the Istanbul district of the same name.
In view of the challenging economic environment arising from the pandemic, the assumptions and estimates to prepare the consolidated financial statements was reviewed, carrying out an extraordinary adjustment to the expected realisable value of inventories - both raw materials and finished products - for a total of Euro 1.8 million and allocating a larger accrual to the Doubtful debt provision in view of possible wholesale customer insolvencies, in light of the pandemic events. Both these adjustments were included in the EBITDA adjustment.
The consolidated financial statements reflect the effects of the exemption, introduced by Article 60 of Law No. 126 of October 13, 2020, with regards to the suspension of depreciation. The exemption has been applied to the amortisation and depreciation of the Parent Company only, in keeping with the rule, which provides for the application of the exemption at consolidated level only for consolidated companies that make use of it when drawing up their financial statements.
The need to incorporate in the result estimates the impact of the current global health emergency led the Group to prudently amend the valuation of certain items. In particular, the Company carried out the discounted cash-flow analysis to identify the presence of any impairment loss relating to investments in subsidiaries, using as a starting point the group consolidated business plans for the years 2021-2025 drawn up and approved by the Board of Directors taking into account the likely negative effects of Covid-19. This led to the write-down of the investment in the American subsidiary by a further Euro 0.4 million compared with the provisions already made during the previous year, and in the Brazilian subsidiary by a further Euro 0.7 million compared with the amount already provided for, in light of the closure of the related stores already discussed above. For the Chinese subsidiary, the provisions made in the financial statements were entirely sufficient, while for the other subsidiaries, the impairment tests indicated that the present value of expected cash flows was higher than the book value of the related equity investments, and it was therefore not necessary to revise the corresponding book values.
Although an impairment test was not performed for the Brazilian subsidiary, following first the closure of the four stores owned by the subsidiary and then the closure of the subsidiary itself, which will take place in 2021, it was deemed appropriate to proceed with the recognition of a provision for euro € 0.6 million as bad debts on equity investments and € 0.1 million as provision for risks on equity investments, to reflect the decrease in equity and in order to adjust the book value to its recoverable value. Following the failure to achieve the targets in the business plans, it was also considered appropriate to prudently write down the value of the investments in Korean subsidiary, aligning it with the respective share of shareholders' equity held, and Turkish subsidiary, limited to the loss with a sustained impairment loss. This result was achieved for Monnalisa Turkey by allocating Euro 0.3 million to the provision for the write-down of equity investments and, in the case of Monnalisa Korea, currently inactive, recording Euro 0.1 million as a write-down on the equity investment.
Consolidated Reported EBIT was a loss of Euro 7.4 million (loss of Euro 7.5 million in 2019), while adjusted consolidated EBIT was a loss of Euro 2.8 million (loss of Euro 2.9 million in 2019). The EBIT adjustment concerns a number of adjustments on amortisation and depreciation for the stores opened and closed in the year and the adjustment of currency conversion differences, which during the year had a particularly significant impact in view of the currency market volatility.
The consolidated Net Result was a loss of Euro 7.8 million (loss of Euro 8.4 million in 2019).
The consolidated adjusted Net Result was a loss of Euro 2.5 million (loss of Euro 2.5 million in 2019), also due to the multiple non-recurring factors as indicated above.
The Group Net Financial Position was debt of Euro 8 million, compared to Euro 3.4 million at December 31, 2019.
The Group availed of the moratorium on loans within the limits permitted by current regulations with a view to strengthening its structure and capital solidity, the Group deemed it appropriate to increase its credit lines with diversified banking counterparties by taking out short and medium/long-term credit lines, taking advantage of the national measures to support credit and liquidity in favour of companies within the context of the "Liquidity Decree". In particular, the company has concluded with the main banks a total transaction of Euro 5.8 million, of which Euro 3.3 million new funding, with the residual through the consolidation of existing debts and a consequent extension of the original repayment period. Guarantees have been released for all transactions by the Central Guarantee Fund for SME's up to the maximum permitted amount of Euro 5 million.
In addition to the above, the company obtained an additional loan of over Euro 0.8 million from Simest S.p.A. to support the launch of Italian enterprises on non-EU markets and particularly for the opening of the new sales point in Singapore at the luxury "Marina Bay Sands" in August. Thanks to the Relaunch Decree, this loan was disbursed without guarantees. The first tranche, accounting for 50% of the total, has already been disbursed, with the remainder to be released within 29 months from the contract conclusion date.
The consolidated financial situation at December 31, 2020 was solid, with total commitments of Euro 58.2 million, covered by equity of Euro 30.5 million and net debt of Euro 14.5 million.
In addition to covering all fixed assets, amounting to Euro 24.7 million, equity thus also finances approximately 17% of working capital, amounting to Euro 33.5 million, with borrowings of Euro 14.5 million and total provisions (risks and post-employment benefits) of Euro 3.3 million.
Consolidated Net working capital – typically higher at the end of December due to the seasonal effect – declined and amounted to Euro 16.4 million (Euro 22.5 million at December 31, 2019), as a consequence, in terms of commitments, of lower inventories (against the write-downs recorded) and lower receivables (Euro 7.2 million from Euro 9.6 million at December 31, 2019), mostly due - in addition to the contraction in sales - to a postponement of summer deliveries to January 2021, following the new lockdowns imposed on stores, especially in Europe.
From the standpoint of cash flows, during the reporting period the Group absorbed cash of approximately Euro 2.6 million in its core business, compared with cash of Euro 2.5 million absorbed in 2019.

**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 proft 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*

THE SITUATION OF THE PARENT COMPANY AND THE GROUP

Operating and financial overview

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

EBITDA *(Earnings Before Interest, Taxes, Depreciation, Amortization)*: The operating result before amortisation, depreciation and provisions, financial management, exchange differences and taxes. The doubtful debt provision was included in this indicator for the reclassification. As the composition of EBITDA is not regulated by the applicable accounting standards, the criterion used in the calculation by the Group may not be uniform with that adopted by other groups and, therefore, may not be comparable.

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

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

The balance sheet reclassified according to the financial method is useful in understanding the composition of commitments and sources of funds and in calculating short- and long-term financial stability indicators (tab 3.1 - 3.1bis).

On the other hand, the balance sheet reclassified by segment is useful in understanding funding requirements and financial structure dynamics, permitting categories of commitments and sources of funds to be correlated with one another, which can then be compared with the corresponding financial margins to calculate specific profitability indicators (tab 3.2 - 3.2bis).

Tab. 3.1 Balance sheet of the parent company

	2018	%	2019	%	2020	%
Assets						
FIXED ASSETS	32,567,689	41%	32,527,447	43%	34,966,797	51%
Intangible assets	2,647,997		2,517,147		2,962,401	
Tangible assets	17,321,621		17,195,707		17,476,252	
Financial Assets	12,598,071		12,814,594		14,528,145	
CURRENT ASSETS	46,550,904	59%	43,005,477	57%	33,883,723	49%
Inventory	15,194,460		15,171,715		13,465,606	
Deferred Cash	20,364,627		21,354,368		17,805,325	
Cash on hand	10,991,817		6,479,394		2,612,791	
INVESTED CAPITAL	79,118,595	100%	75,532,925	100%	68,850,520	100%
Liabilities						
EQUITY	51,398,145	65%	46,134,591	61%	41,560,780	60%
Share Capital	10,000,000		10,000,000		10,000,000	
Reserves	38,107,589		41,212,135		36,104,985	
Profit/(loss) for the period	3,290,556		(5,077,544)		(4,544,205)	
CONSOLIDATED LIABILITIES	9,977,477	13%	12,599,781	17%	13,654,980	20%
Financial	7,370,295		9,036,962		10,140,004	
Non financial	2,607,182		3,562,819		3,514,976	
CURRENT LIABILITIES	17,742,972	22%	16,798,552	22%	13,634,760	20%
Financial	7,202,603		6,220,328		4,604,475	
Non financial	10,540,368		10,578,224		9,030,285	
FINANCING CAPITAL	79,118,595	100%	75,532,925	100%	68,850,520	100%

Tab. 3.1bis Group balance sheet

	2018	%	2019	%	2020	%
Assets						
SUBSCRIBED CAPITAL UNPAID						
FIXED ASSETS	25,733,073	34%	25,468,487	37%	24,672,784	42%
Intangible assets	5,427,809		4,161,899		3,983,926	
Tangible assets	18,137,073		18,338,905		18,275,120	
Financial Assets	2,168,191		2,967,683		2,413,738	
CURRENT ASSETS	49,150,933	66%	42,597,245	63%	33,555,936	58%
Inventory	17,826,800		18,510,004		16,434,588	
Deferred Cash	17,745,383		15,730,357		13,042,460	
Cash on hand	13,578,750		8,356,884		4,078,887	
INVESTED CAPITAL	74,884,006	100%	68,056,733	100%	58,228,720	100%
Liabilities						
EQUITY	47,397,682	63%	38,900,640	57%	30,507,216	52%
Share Capital	10,000,000		10,000,000		10,000,000	
Reserves	36,104,344		37,322,847		28,319,915	
Profit/(loss) for the period	1,291,853		(8,415,516)		(7,805,982)	
Profit/(loss) attributable to minority interest	1,486		(6,691)		(6,717)	
CONSOLIDATED LIABILITIES	9,797,477	13%	9,322,567	13%	13,598,795	23%
Financial	7,370,295		6,564,737		10,140,004	
Non financial	2,427,182		2,757,830		3,458,790	
CURRENT LIABILITIES	17,688,846	24%	19,842,525	29%	14,122,710	24%
Financial	6,154,475		8,127,152		4,370,432	
Non financial	11,534,371		11,715,373		9,752,277	
FINANCING CAPITAL	74,884,006	100%	68,065,733	100%	58,228,720	100%

Tab. 3.2 Balance sheet of the parent company by segment

	2018	%	2019	%	2020	%
USE						
OPERATING INVESTED CAPITAL/EQUITY	66,461,218		62,706,520		54,318,542	
Operating Liabilities	14,483,952		14,706,444		12,945,388	
NET OPERATING INVESTED CAPITAL/EQUITY	52,013,562	80%	48,000,076	79%	41,373,154	74%
NON-OPERATING INVESTMENTS	12,657,375	20%	12,826,405	21%	14,531,977	26%
NET INVESTED CAPITAL/EQUITY	64,670,938	100%	60,826,481	100%	55,905,131	100%
SOURCES						
EQUITY	51,398,145	79%	46,134,591	76%	41,560,780	95%
FINANCIAL LIABILITIES	13,272,793	21%	14,691,889	24%	14,344,351	5%
FINANCING CAPITAL	64,670,938	100%	60,826,481	100%	55,905,131	100%

Tab. 3.2bis Consolidated balance sheet by segment

	2018	%	2019	%	2020	%
USE						
OPERATING INVESTED CAPITAL/EQUITY	72,656,510		65,086,239		55,811,149	
Operating Liabilities	13,973,418		14,473,203		13,377,153	
NET OPERATING INVESTED CAPITAL/EQUITY	58,683,092	96%	50,613,036	95%	42,433,996	95%
NON-OPERATING INVESTMENTS	2,227,496	4%	2,979,494	5%	2,417,571	5%
NET INVESTED CAPITAL/EQUITY	60,910,588	100%	53,592,530	100%	44,851,567	100%
SOURCES						
EQUITY	47,397,682	78%	38,900,640	73%	30,507,216	68%
FINANCIAL LIABILITIES	13,512,906	22%	14,691,889	27%	14,344,351	32%
FINANCING CAPITAL	60,910,588	100%	53,592,530	100%	44,851,568	100%

The reclassified income statement is divided into segments by distinguishing between ordinary operations (core and non-core), extraordinary operations and financial operations.

Tab. 3.3 Reclassified income statement of the parent company

Description	2018	%	2019	%	2020	%
Revenues from sales	43,064,801		40,800,301		28,504,349	
Profit/(loss) non-core income	1,818,537		919,707		694,319	
Total Revenues	**44,883,338**	**100%**	**41,720,008**	**100%**	**29,198,668**	**100%**
Product Manufacturing Costs	(20,009,913)		(19,524,122)		(15,429,280)	
Costs for raw materials and finished products	(13,941,080)		(13,634,496)		(11,539,843)	
Costs for production services	(6,068,834)		(5,889,626)		(3,889,437)	
Costs for use of third-party assets	(1,891,619)		(2,183,497)		(2,076,922)	
Marketing Costs	(1,851,572)		(2,585,573)		(1,615,527)	
Costs for other services	(5,757,633)		(6,885,107)		(5,358,809)	
ADDED VALUE	**15,372,600**	**34%**	**10,541,710**	**25%**	**4,718,130**	**16%**
Personnel Costs	(8,411,272)		(8,997,602)		(7,073,829)	
Miscellaneous operating costs	(417,360)		(379,590)		(309,858)	
Provisions for bad and doubtful accounts	(121,897)		(130,314)		(502,274)	
EBITDA	**6,422,072**	**14%**	**1,034,204**	**2%**	**(3,167,831)**	**-11%**
Amortization tangibles	(1,152,505)		(1,570,687)		0	
Amortization intangibles	(776,011)		(671,695)		0	
EBIT	**4,493,556**	**10%**	**(1,208,177)**	**-3%**	**(3,167,831)**	**-11%**
Financial Management	(321,053)		(303,119)		(310,939)	
Financial Management (Currency)	(48,274)		222,207		(543,562)	
Value adjustments and provisions for risks on financial activities	-		(3,862,385)		(1,451,299)	
Profit/(Loss) before taxes	**4,124,228**	**9%**	**(5,151,475)**	**-12%**	**(5,473,631)**	**-19%**
Taxes	(833,673)		73,931		929,427	
Net Profit	**3,290,555**	**7%**	**(5,077,544)**	**-12%**	**(4,544,205)**	**-16%**

** Some numbers of 2019 and 2018 accounts were reclassified for comparability with the present year*

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 Reclassified consolidated income statement

Description	2018	%	2019	%	2020	%
Revenues from sales	49,129,438		47,942,231		33,612,162	
Profit/(loss) non-core income	1,963,560		772,163		513,000	
Total Revenues	**51,092,998**	**100%**	**48,714,394**	**100%**	**34,125,162**	**100%**
Product Manufacturing Costs	(20,409,377)		(19,982,296)		(15,989,691)	
Costs for raw materials and finished products	*(13,396,440)*		*(13,237,993)*		*(11,868,220)*	
Costs for production services	*(7,012,937)*		*(6,744,302)*		*(4,121,471)*	
Costs for use of third-party assets	(4,877,477)		(6,718,720)		(5,299,861)	
Marketing Costs	(2,140,082)		(2,611,753)		(1,497,388)	
Costs for other services	(7,097,514)		(8,883,391)		(7,044,313)	
ADDED VALUE	**16,568,547**	**32%**	**10,518,235**	**22%**	**4,293,908**	**13%**
Personnel Costs	(10,614,232)		(12,439,131)		(9,473,561)	
Miscellaneous operating costs	(573,148)		(958,472)		(856,461)	
Provisions for bad and doubtful accounts	(121,897)		(146,630)		(504,397)	
EBITDA	**5,259,270**	**10%**	**(3,025,998)**	**-6%**	**(6,540,510)**	**-19%**
Amortization tangibles	(1,281,960)		(1,798,122)		(213,432)	
Amortization intangibles	(1,799,370)		(2,755,178)		(667,754)	
EBIT	**2,177,940**	**4%**	**(7,579,298)**	**-15%**	**(7,421,697)**	**-22%**
Financial Management	(390,809)		(404,426)		(381,368)	
Financial Management (Currency)	(75,051)		87,101		(943,236)	
Profit/(Loss) before taxes	**1,712,080**	**3%**	**(7,896,623)**	**-16%**	**(8,746,301)**	**-26%**
Taxes	(418,741)		(525,584)		933,602	
Net Profit	**1,293,339**	**3%**	**(8,422,207)**	**-17%**	**(7,812,699)**	**-23%**

** Some numbers of 2019 and 2018 accounts were reclassified for comparability with the present year*

INCOME STATEMENT

Profitability represents the company's ability to generate income adequate to the capital invested in it over the long term.
Consolidated earnings declined significantly, as a result of the considerable impact of the pandemic. The drop in revenues was caused by the extraordinary COVID-19 pandemic event which led to the shutdown of commercial activity across the globe, in addition to international traffic bans and restrictions, and consequently the closure of the direct and indirect distribution network for a significant portion of the first half of the year. In the remaining months, after the reopening, traffic continued to be dampened and particularly in tourist hotspots. Finally, the last few months of the year witnessed a spike in the pandemic (the "second wave"), which led to fresh lockdowns and closures and mainly in Europe, major reductions of in-person consumption in other countries and the almost total absence of tourists internationally.
Reference should be made to the preceding paragraphs for the company's initiatives to streamline costs.

BALANCE SHEET

The analysis of the financial situation focuses on stability, which represents the company's ability to face external and internal adverse events.
Despite the loss recorded, the company continues to report a strong balance sheet, ending the year with consolidated equity of Euro 30.5 million and fixed assets of Euro 24.7 million.

Tab. 3.4 Financial stability indicators

Contents	Formula	2018	2019	2020	consolidated 2018	consolidated 2019	consolidated 2020
Debt ratio	Consolidated and current liabilities/debt capital	35.04%	38.88%	39.64%	36.79%	38.37%	47.61%
Equity ratio	Equity/debt capital	64.96%	61.12%	60.36%	63.21%	61.63%	52.39%
Primary ratio	Own funds/fixed assets	1.58	1.42	1.19	1.84	1.77	1.24

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. 3.5).

Tab. 3.5 liquidity indicators

Contents	Formula	2018	2019	2020	consolidato 2018	consolidato 2019	consolidato 2020
Current ratio	Working capital/current liabilities	2.62	2.56	2.49	2.783	2.66	2.66
Treasury ratio (acid test)	Current and deferred liquidity/current liabilities	1.77	1.66	1.5	1.77	1.6	1.21
Treasury margin (€)	Current and deferred liquidity - current liabilities	13,613,472	11,035,210	6,783,356	13,635,287	11,228,091	2,998,638

Net Financial Position. Net financial position, which refers to the company's net debt, is a concise representation of the balance of sources and investments of a financial nature. It is calculated as current cash and equivalents, plus financial receivables, less financial payables (i.e., not attributable to the commercial cycle) of both a short-term and a medium-to-long-term nature. (tab. 3.6 - 3.6bis).
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 financial receivables and liquidity are greater than financial payables.

Tab. 3.6 Net financial position of the parent company

	in thousands of €	31/12/18	31/12/19	31/12/20
A	Cash on hand	53	50	20
B	Bank and postal deposits	10,939	6,430	2,593
D	**Cash and cash equivalents (A+B)**	**10,992**	**6,479**	**2,613**
E	**Other current financial assets**	**5,352**	**7,199**	**2,082**
F	Current bank payables	3,665	5,655	1,771
G	Current part of non-current debt	2,237	2,472	2,433
H	Other current financial liabilities	1,300	367	137
I	**Current Financial Debt (F+G+H)**	**7,203**	**8,494**	**4,342**
J	**Net Current Financial Debt (I-E-D)**	**(9,141)**	**(5,184)**	**(353)**
K	Non-current bank payables	7,370	6,565	10,140
L	Bonds issued	-	-	-
M	Other non-current financial liabilities	-	-	-
N	**Non-current financial debt (K+L+M)**	**7,370**	**6,565**	**10,140**
O	**Net Financial Debt or NPF (J+K)**	**(1,771)**	**1,380**	**9,787**

Tab. 3.6bis Net financial position of the group

	in thousands of €	31/12/18	31/12/19	31/12/20
A	Cash on hand	62	76	35
B	Bank and postal deposits	13,519	8,281	4,044
D	Cash and cash equivalents (A+B)	13,581	8,357	4,079
E	**Other current financial assets**	**2,435**	**2,913**	**2,405**
F	**Current bank payables**	**3,905**	**5,655**	**1,771**
G	Current part of non-current debt	2,237	2,472	2,433
H	Other current financial liabilities	-	-	166
I	Current Financial Debt (F+G+H)	6,143	8,127	4,370
J	**Net Current Financial Debt (I-E-D)**	**(9,873)**	**(3,143)**	**(2,114)**
K	**Non-current bank payables**	**7,370**	**6,565**	**10,140**
L	Bonds issued	-	-	-
M	Other non-current financial liabilities	-	-	-
N	**Non-current financial debt (K+L+M)**	**7,370**	**6,565**	**10,140**
O	**Net Financial Debt or NPF (J+K)**	**(2,503)**	**3,422**	**8,026**

CALCULATION AND ALLOCATION OF VALUE ADDED

The statement determining the economic value generated and distributed provides an indication of Monnalisa's wealth creation for stakeholders.

Tab. 7 Statement of economic value generated and distributed (consolidated)

Description	2018	2019	2020
Revenues	49,129,438	47,933,614	33,612,162
Other revenues	2,970,367	1,434,559	797,208
Financial income	157,396	57,538	58,415
Total Economic Value generated	**52,257,200**	**49,425,710**	**34,467,785**
Operative costs (suppliers)	35,901,487	39,439,920	30,727,450
of which subcontractors	4,568,174	4,576,245	3,084,831
Remuneration of Personnel	10,614,232	12,439,131	9,473,561
Remuneration of Lenders	423,767	430,289	407,890
Remuneration of Investors			
Remuneration of Public Administration	713,831	877,524	676,980
External Charity Donations	10,500	31,100	
Total Economic Value distribuited	**47,663,817**	**53,217,964**	**39,931,921**
Write-downs of receivables	121,897	146,630	504,397
Unrealized currency exchange	75,051	(87,101)	943,236
Value adjustments of tangible and intangible assets			-
Value adjustments of financial activities	21,767	17,125	19,744
Amortization	3,081,329	4,553,300	881,187
Accruals			-
Reserves (cover losses)	1,293,338	(8,422,207)	(7,812,699)
Economic value retained (=difference between valued generated and distrbuited)	**4,593,382**	**(3,792,254)**	**(5,464,136)**

The statement reclassifies the income statement for the year, considering on the one hand revenues, other income and financial income, which represent the economic value generated. On the other hand, operating costs (whose counterpart is suppliers) and items in the income statement relating to employees, lenders, investors, public authorities and external donations are considered, representing the remuneration of these stakeholders (distributed economic value) by the company. The difference between the economic value generated and the economic value distributed represents the economic value retained for the benefit of the company system, which specifically went to the items bad debts, exchange rate differences of a translational nature, value adjustments of financial assets, depreciation and reserves. The loss recorded will be covered through the use of undistributed profits from previous years; therefore, the company system was not remunerated, but shareholders' equity was reduced, which - despite this - continues to be substantial (30 million euros), demonstrating the solidity of the company.

With the reduction in revenue volumes, following the pandemic, the remuneration of the various stakeholders, especially façonists and employees, decreased in absolute value, although it remained substantially in line in terms of percentage incidence on the total economic value distributed. The remuneration of the Public Administration is with opposite sign, following the recognition of prepaid taxes. Deferred tax assets were recognised because there is the reasonable certainty of the existence of a taxable income not lower than the amount of the differences that will be cancelled, in the years in which the deductible temporary differences, against which the deferred tax assets were recorded, will be reversed. The significant decrease in depreciation and amortisation is attributable to the effects of the waiver, introduced by Article 60 of Law No. 126 of 13 October 2020, concerning the suspension of depreciation and amortisation, implemented in the consolidated financial statements. The waiver was applied to the depreciation and amortisation of the parent company only, in accordance with the rule that provides for the waiver to be implemented at consolidated level only for consolidated companies that make use of it when preparing their financial statements. The increase in the provision for doubtful debts was defined to cope with possible higher insolvencies of wholesale customers, following the pandemic events. The increase in exchange rate differences of a translational nature is due to the strong volatility of currencies during 2020.

The item other income includes various contributions received by the company, specifically related to: photovoltaic incentive (€ 37,724), internship contributions (€ 7,800), Fondimpresa and Fondirigenti professional training contribution (€ 13,443), R&D contribution (€ 176,822), sanitation contribution (€ 10,273), rent contribution (€ 95,395) and Covid Belgium contribution (€ 9,600). Social security contributions are already included with an opposite sign in the item staff remuneration.

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 is responsible for the creation, development, industrialisation, production, marketing, advertising, promotion and distribution of the Products globally. Its business is consequently subject to the typical risks of a manufacturer and distributor in the fashion industry. General market risks include competition, Product positioning, challenging demand conditions and fluctuating commodity costs. In particular, the fashion industry is subject to highly sensitive consumer trends, which are in constant flux, in addition to spending power.
Therefore, the company is inevitably subject to the risk that, for whatever reason, collections may not be well received by the market. In addition, the general economic environment shapes consumer's disposable income for luxury spending. In both circumstances, the company's sales may be lower than forecast and is therefore subject to the risk that revenues are insufficient to cover operating expenses. 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 international malls, through specific product certifications.

Distribution network risks

The risks associated with the 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.
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.
In the retail sector, it is essential to be able to obtain and to maintain the most desirable locations in the world's most important cities and prestigious department stores. The main risk associated with this type of channel relates to the term of the lease agreements, their possible renewable and the revision, if any, of the conditions applied.

Risks related to relations with manufacturers and suppliers

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

Risks related to the loss of know-how and talent

The Group's success depends strongly on the people who work with it, their expertise and their professionalism. Accordingly, it is sought to prevent the loss of talent by ensuring a stimulating, challenging working environment offering a wealth of opportunities for learning and growth. The sharing of individual knowledge is 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.

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, demonstrated by the importance of equity with respect to capital employed.

Exchange rate risk

The geographic spread of production and commercial activities gives rise to currency risk for the Group, both of a transactional and translational nature. Transaction exchange rate risk is generated by commercial and financial transactions carried out by individual Group companies in currencies other than the functional currency, as a result of fluctuations in exchange rates between the time when the commercial/financial relationship is established and the time when the transaction is completed (collection/payment). 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.
Monnalisa holds controlling interests in companies which prepare financial statements in currencies other than the Euro, used for the preparation of the consolidated financial statements. This exposes the Group to currency conversion risk, as a result of the conversion into Euro of the assets and liabilities of subsidiaries operating in currencies other than the Euro.

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.

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.
In the initial months of 2021, the Tax Agency served an assessment notice on Monnalisa SpA concerning the research and development tax credit, utilised as an offset in the years 2016-2017-2018-2019. While restating our belief in the correctness of our actions, it is considered that, although this assessment may constitute a potential liability, it is neither probable nor quantifiable.
Finally, we report that 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.

Risk of unsold inventory

Unsold inventory risk arises from changes in consumer trends or in other factors that reduce the value of products in inventory. This risk is limited as Monnalisa operates mainly on the basis of specific production orders (with the exception of blind-orders made on some raw materials), which establish in advance the quantities to be produced. With the development of the retail channel, the risk may potentially increase, while however managed through the outlet sub-channel (both physical and online). In managing the industrialisation, production and marketing of products, Monnalisa requires the retail stores owned by the Group to display a representative mix of the entire collection, so as to promote sales of all products globally. It consequently guarantees the Group distribution companies the option to return the products at their original purchase price where they remain unsold on their own outlet channel.
In particular, at the end of each season, excess stock is managed according to whether each local market has an outlet channel: (i) in countries without an outlet, end-of-season returns are mainly reallocated to Monnalisa, while (ii) in countries with an outlet, end-of-season returns are sold through the local outlet. In the former case, the Company is subject to the risk of unsold inventory.

Relations with lending institutions

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.

With a view to strengthening its structure and capital solidity, the Group deemed it appropriate to increase its credit lines with diversified banking counterparties by taking out short and medium/long-term credit lines, taking advantage of the national measures to support credit and liquidity in favour of companies within the context of the "Liquidity Decree". In particular, the company has concluded with the main banks a total transaction of Euro 5.8 million, of which Euro 3.3 million new funding, with the residual through the consolidation of existing debts and a consequent extension of the original repayment period. Guarantees have been released for all transactions by the Central Guarantee Fund for SME's up to the maximum permitted amount of Euro 5 million.

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

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		4,257
Industrial patent rights	336,914	336,914
Work in progress & advance payments		122,693
Other intangible assets	108,339	460,897
Land and buildings	7,210	7,210
Plant and machinery	53,612	59,947
Industrial and commercial equipment	500	94,489
Other assets	224,849	237,759
Work in progress & advance payments		23,742

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.
The company has an ISO 14001 certified environmental management system. Environmental improvement objectives are set annually and their achievement is then presented in the integrated report, together with the GRI (Global Reporting Initiative) environmental indicators.

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.
In view of the COVID-19 pandemic, an internal Committee was set up, comprising company representatives, the worker's safety representative, the Head of Health & Safety Protection and Prevention (RSPP) and the competent doctor, in order to monitor and verify on an ongoing basis the operating measures introduced to deal with the health emergency and its impacts on the workplace. A Monnalisa protocol was adopted to combat the COVID-19 virus, taking 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 sector associations on March 14, 2020.

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 2020 amounted to Euro 1,461,017.45; the total cost attributable to R&D was Euro 1,473,517.45,
- 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 176,822.09.

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 the company adopted 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), also in light of the massive recourse to smart working and teleworking.

Intra-group and related-party transactions

Transactions between the various companies take place at current market conditions. Significant related party transactions for 2020 are broken down below by company:
- Jafin SpA: finance company with which Monnalisa has signed a bond loan
- Monnalisa Foundation: non-profit entity undertaking philanthropic activities in Aretino
- Hermes&Athena Srl: commercial area consultancy firm
- Arcangioli Consulting Srl: management consultancy firm
- Barbara Bertocci: Monnalisa's creative director
- Pierangelo Arcangioli: administration/tax consultant
- Monnalisa Hong Kong Ltd: retail development in HK
- Monnalisa China Ltd: retail development in China
- Monnalisa Korea Ltd: retail development in South Korea
- Monnalisa Rus Llc: retail and wholesale development in Russia
- Monnalisa Brasil Ltda: retail development in Brazil
- ML Retail USA Inc: retail development in the USA
- Monnalisa Bebek Gygim Sanayi Ve Ticaret A.S.: retail development in Turkey
- Monnalisa Japan: retail development in Japan
- Monnalisa International: retail development in Taiwan
- Monnalisa UK Ltd: retail development in Great Britain
- Monnalisa Singapore: retail store development in the local market
- Monnalisa San Marino srl: company set up to develop the local market retail channel, incorporated at the end of December 2020 and still inactive at 31.12.20

The following table presents the impact of the transactions undertaken during the year ended December 31, 2020, including the provision of intercompany sales and services:

Company	Investments	Trade Receivables	Financial Receivables	Other receivables	Trade payables	Other payables	Sales	Purchases
Jafin SpA		6,100	1,200,000	30,000	289,226	1,113	10,000	450,710
Fondazione Monnalisa		158,933					1,787	
Hermes & Athena Consulting Srl					225,000			200,000
Arcangioli Consulting Srl					1,220			32,000
Arcangioli Pierangelo								120,785
Barbara Bertocci								149,108
Monnalisa Hong Kong LTD	600,000	1,911,238		100,000	106,888		157,386	33,622
Monnalisa Brazil Ltda	0	356,775			20,794		80,086	11,878
Monnalisa China LLC	3,134,036	2,162,810		1,803,264	220,139		683,305	142,860
Monnalisa Rus OOO	592,678	316,651					1,571,788	13,841
ML Retail Usa Inc	3,982,292	877,241		1,260,375	136,150		648,642	73,121
Monnalisa Bebek Giyim Sanayi ve Ticarted A.Ş.	571,322	152,003			8,805	112,475	19,944	2,322
Monnalisa UK LTD	235,377	128,844					159,655	2,673
Monnalisa Korea Ltd	0						645	
Monnalisa Taiwan	202,731	71,746		50,000			55,360	
Monnalisa Japan	8,189	28,615		80,000			38,398	9,783
Monnalisa Singapore Ltd.	413,376	214,721					90,092	
Monnalisa San Marino srl	25,500					25,500		
TOTAL	**9,765,502**	**6,385,676**	**1,200,000**	**3,323,639**	**1,008,222**	**139,088**	**3,517,087**	**1,242,703**

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.
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.

Corporate Governance Procedure

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

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

Subsequent events and outlook

In Q1 2021, two subsidised loans were signed with Simest S.p.A.. The first of Euro 0.8 million to improve and safeguard the capital base of the exporting businesses presents a rate of 0.55% and a subsidised rate of Euro 0.055%, in addition to a 40% grant (Euro 0.32 million) and no guarantee from the company. The second loan of Euro 0.9 million is to execute a plan to launch on overseas markets (Turkey) and presents a rate of 0.55% and a subsidised rate of Euro 0.055%, in addition to a grant of Euro 0.35 million and no guarantee from the company.
This year has been - and shall continue to be - significantly shaped by the COVID-19 pandemic. The vaccination campaigns have begun, although the pace of the roll-out among individual countries varies, while general visibility and upon when a real return to "normality" can take place is limited. This climate of uncertainty affects consumption levels and consumer behaviour and movement, with an inevitable impact on forecast revenues.
Despite the general environment, Monnalisa continues to pursue the consolidation of its competitive position, working to limit the impact of the pandemic with a careful management of costs, continuing to strengthen its financial position and capital base, while making further efforts on the sustainability front.

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
Barberino, Via Meucci
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
Milan, at Rinascente, Piazza Duomo
Paris, Avenue de Wagram n.58
Naples, Via Toledo n.256
Naples, Piazza dei Martiri n. 52
Nice, Avenue Jean Médecin, 6
Nice, Avenue Eugéne Donade
Noventa di Piave, Via Marco Polo, 1 Unit 19
Serravalle Scrivia (AL), Viale della Moda 1
Madrid, Calle Velasquez 20, 6 DC
Marcianise, Strada Provinciale 363
Maasmechelen, Zetellaan 100, Unit 3A
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 31/12/2020

INCOME STATEMENT	31/12/2020	31/12/2019
A) Value of Production		
1) Revenues from sales	33,612,162	47,933,614
2) Changes in inventories of work in progress, semi-finished goods and finished products	(1,401,669)	605,945
4) Capitalization of internal work	16,975	115,404
5) Other revenues and income	809,358	1,449,109
Total value of production	***33,036,826***	***50,104,072***
B) Costs of Production		
6) Raw materials, consumables and goods for resale	10,808,571	14,560,070
7) Services	12,080,916	17,749,429
8) Use of third-party assets	5,712,395	7,219,293
9) Personnel Costs		
a) Wages and salaries	7,205,519	9,488,898
b) Social security charges	1,698,983	2,173,685
c) Termination indemnities	280,814	304,053
d) Pensions and similar obligations	215,904	233,571
e) Other costs	72,340	238,925
Total personnel Costs	*9,473,561*	*12,439,131*
10) Amortization, depreciation and write-downs		
a) Amortization of intangible fixed assets	667,754	1,667,622
b) Depreciation of tangible fixed assets	213,432	1,798,122
c) Write-downs of other assets	0	1,087,556
d) Write-downs of receivables in current assets and cash and cash equivalents	504,397	146,630
Total amortization, depreciation and write-downs	*1,385,583*	*4,699,930*
11) Change in inventory of raw, ancillary, consumable materials and goods	139,227	63,332
14) Other operating costs	858,270	952,186
Total production costs	***40,458,523***	***57,683,370***
Difference between value and production costs (A-B)	**(7,421,697)**	**(7,579,298)**
C) Financial income and expenses		
16) Other financial income:		
a) from receivables classified as fixed assets	8,800	0
b) from securities classified as fixed assets	30,000	30,000
d) others	7,465	12,988
Total financial income	*46,265*	*42,988*
17) Interests and other financial expenses		
-other	407,890	430,289
Total financial expenses	*407,890*	*430,289*
17-bis) Losses and gains on currency exchange	(943,236)	87,101
Total financial income and expenses	***(1,304,860)***	***(300,200)***
D) Value adjustments to financial assets		
19) Write-downs:		
d) financial derivative instruments	19,744	17,125
Total write-downs	*19,744*	*17,125*
Total value adjustments to financial assets (D)	***19,744***	***(17,125)***

Profit/(Loss) before taxes (A-B±C±D)	(8,746,301)	(7,896,623)
a) Current taxes	0	22,999
b) Deferred taxes	(933,602)	502,585
Total Income, current, deferred taxes	*(933,602)*	*525,584*
21) Profit (loss) for the period	(7,812,699)	(8,422,207)
Profit (loss) attributable to the Group	(7,805,982)	(8,415,516)
Profit (loss) attributable to minority interests	(6,717)	(6,691)

ASSETS	31/12/2020	31/12/2019
A) Subscribed capital unpaid		
B) Fixed Assets		
I - Intangibles Assets		
1) Start-up and expansion costs	805,583	859,656
3) Industrial Patent and Intellectual Property Rights	642,008	318,551
5) Goodwill	816,599	909,103
6) Work in progress and advance payments	108,294	-
7) Other	1,611,442	2,074,589
Total Intangible assets	*3,983,926*	*4,161,899*
II - Tangible Assets		
1) Land and Buildings	10,998,874	10,991,664
2) Plants and equipment	3,823,074	3,811,577
3) Industrial and commercial equipment	379,359	518,590
4) Other Assets	3,050,073	3,011,673
5) Work in progress and advance payments	23,742	5,400
Total Tangible Assets	*18,275,120*	*18,338,905*
III - Financial Assets		
1) Equity investments in:		
d bis) other companies	8,624	8,624
Total Equity Investments	*8,624*	*8,624*
2) Receivables		
d bis) due from others	1,205,114	1,712,281
3) Other Securities	1,200,000	1,200,000
Total Financial Assets	*2,413,738*	*2,920,906*
B) Total Fixed Assets	***24,672,784***	***25,421,710***
C) Current Assets		
I - Inventory		
1) Raw, supplies and consumable materials	2,203,903	2,351,518
2) Work in progress and semi-finished products	805,726	1,734,271
4) Finished products and goods	13,397,466	14,339,822
5) Advances	27,493	84,393
Total inventory	*16,434,588*	*18,510,004*
II - Receivables		
1) Due from customers		
- within 12 months	7,202,591	9,611,253
Total Due from customers	*7,202,591*	*9,611,253*
5-bis) Tax Receivables		
- within 12 months	1,956,740	3,231,350
Total Tax Receivables	*1,956,740*	*3,231,350*
5-ter) Deferred tax assets		
- within 12 months	273,233	105,077
- beyond 12 months	2,339,613	1,054,113
Total Deferred tax assets	*2,612,846*	*1,159,190*
5-quater) Due from others		
- within 12 months	160,597	825,071
Total Due from others	*160,597*	*825,071*
Total Receivables	*11,932,774*	*14,826,864*
III - Financial Assets (other than fixed assets)		
5) Derivative financial instrument assets	3,833	11,811
Total financial assets (other than fixed assets)	*3,833*	*11,811*
IV - Cash and cash equivalents		
1) Bank and postal deposits	4,044,177	8,280,643
3) Cash on hand	34,711	76,242
Total cash and cash equivalents	*4,078,887*	*8,356,884*
C) Total current assets	***32,450,082***	***41,705,563***

D) Accrued income and prepaid expenses		
Prepaid expenses	1,105,853	891,683
D) Total accrued income and prepaid expenses	***1,105,853***	***891,683***
TOTAL ASSETS	**58,228,720**	**68,018,956**

LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2020	31/12/2019
A) Shareholders' Equity		
I Share capital	10,000,000	10,000,000
II Share premium reserve	9,063,125	9,063,125
III Revaluation reserve	2,959,446	2,959,446
IV Legal reserve	1,108,276	1,108,276
VI Other reserves, indicated separately		
Translation differences	(1,159,058)	(608,669)
Other reserves	1,751,853	189,187
Total other reserves	*592,795*	*(419,482)*
VII Cash flow hedge reserve	(21,243)	8,364
VIII Profit (loss) carried forward	14,762,460	24,740,642
IX Profit (loss) for the period	(7,805,982)	(8,415,516)
X Negative reserve for own portfolio shares	(149,915)	(149,915)
Total Group Shareholder's Equity	***30,508,962***	***38,894,939***
Minority Shareholder's Equity		
Third Party capital and reserves	4,971	12,394
Profit (loss) attributable to minority interests	(6,717)	(6,691)
Total Minority Shareholder's Equity	*(1,746)*	*5,703*
Total Shareholder's Equity	***30,507,216***	***38,900,642***
B) Provisions for risks and charges		
1) Provisions for pensions or similar obligations	62,165	59,397
2) Provisions for taxes, including deferred	795,148	264,928
3) Provisions for derivative financial instruments	30,978	0
4) Other	461,855	489,175
Total provisions for risks and charges	***1,350,145***	***813,499***
C) Employee termination indemnities	**2,020,841**	**1,809,749**
D) Payables		
4) Payables due to banks		
- within 12 months	4,204,347	8,127,152
- beyond 12 months	10,140,004	6,564,737
Total payables due to banks	*14,344,351*	*14,691,889*
5) Payable due to other financial institutions		
- within 12 months	166,085	0
Total payable due to other financial institutions	*166,085*	*0*
6) Advances		
- within 12 months	407,195	951,813
Total advances	*407,195*	*951,813*
7) Trade payables		
- within 12 months	6,788,986	7,942,570
Total trade payables	*6,788,986*	*7,942,570*
12) Tax payables		
- within 12 months	506,745	580,504
Total tax payables	*506,745*	*580,504*
13) Payables to pension funds and social security agencies		
- within 12 months	634,852	540,079
Total payables to pension funds and social security funds	*634,852*	*540,079*
14) Other payables		
- within 12 months	1,114,499	1,252,322
- beyond 12 months	87,804	87,804
Total other payables	*1,202,303*	*1,340,126*
Total payables	***24,050,518***	***26,046,982***
E) Accrued liabilities and deferred income		
Accrued liabilities	0	148,084
Deferred Income	300,000	300,000
Total accrued liabilities and deferred income	***300,000***	***448,084***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**58,228,720**	**68,018,956**

CONSOLIDATED CASH FLOW STATEMENT

INDIRECT METHOD AT 31/12/2020

CASH FLOW STATEMENT CASH AND CASH EQUIVALENTS	31/12/2020	31/12/2019
A) Cash flow from operating activities (indirect method)		
Profit for the period	(7,812,699)	(8,422,207)
Income tax	933,602	525,584
Interest expenses/(income)	361,624	387,301
(Dividends)	-	-
(Gains)/losses on asset disposals	0	(525)
1) Profit for the period before taxes, interest, dividends and capital gains/ losses on disposals	**(6,517,473)**	**(7,509,847)**
Non-cash adjustments not impacting working capital		
Provisions	581,423	661,373
Amortisation & depreciation	881,184	3,465,744
Impairments	324,379	1,087,556
Adjustments to non-cash financial instrument assets and liabilities	(24,542)	19,547
Other non-cash increases/(decreases)	(197,650)	3,543
Non-cash adjustments not impacting working capital	**1,564,794**	**5,237,764**
2) Cash flow before working capital changes	**(4,952,679)**	**(2,272,084)**
Change in net working capital		
Decrease/(Increase) in inventories	2,075,416	(683,204)
Decrease/(Increase) in trade receivables	2,408,662	1,229,127
Increase/(Decrease) in trade payables	(1,153,583)	183,883
Decrease/(Increase) in accrued income and prepaid expenses	(214,170)	(535,330)
Increase/(Decrease) in accrued liabilities and deferred income	(148,084)	315,213
Other Decreases/(Other Increases) in net working capital	(406,747)	408,480
Total changes in net working capital	**2,561,494**	**918,169**
3) Cash flow after net working capital changes	**(2,391,186)**	**(1,353,914)**
Other adjustments		
Interest received/(paid)	(361,624)	(387,301)
(Income taxes paid)	(169,723)	(406,548)
Dividends received	-	-
(Utilisation of provisions)	(363,905)	(385,587)
Other receipts/(payments)	727,295	-
Total other adjustments	**(167,957)**	**(1,179,436)**
CASH FLOW FROM OPERATING ACTIVITIES (A)	**(2,559,143)**	**(2,533,350)**

Tangible fixed assets	(398,083)	(1,643,032)
(Investments)	(423,147)	(1,959,859)
Divestments	25,064	316,827
Intangible fixed assets	(919,190)	(1,738,032)
(Investments)	(924,762)	(1,738,032)
Divestments	5,572	-
Financial fixed assets	(54,042)	(336,519)
(Investments)	(54,042)	(479,664)
Divestments	-	143,145
Current financial assets	-	-
(Investments)	-	-
Divestments	-	-
CASH FLOW FROM INVESTING ACTIVITIES (B)	**(1,371,316)**	**(3,717,583)**
Third party funds		
Increase/(Decrease) in short-term bank payables	(3,884,029)	1,749,498
New loans	7,170,295	2,000,000
(Repayment of loans)	(3,633,804)	(2,570,514)
Own funds		
Paid-in share capital increase	-	-
(Repayment of share capital)	-	-
Disposal/(Acquisition) of treasury shares	-	(149,915)
(Dividends and advances on dividends paid)	-	-
CASH FLOW FROM FINANCING ACTIVITIES (C)	**(347,538)**	**1,029,069**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C)	**(4,277,996)**	**(5,221,864)**
Opening cash and cash equivalents	**8,356,885**	**13,578,750**
Bank and postal deposits	8,280,643	13,518,370
Cheques		
Cash on hand	76,242	60,379
Closing cash and cash equivalents	**4,078,887**	**8,356,885**
Bank and postal deposits	4,044,177	8,280,643
Checks		
Cash on hand	34,711	76,242

NOTES TO THE consolidated financial statements

AT 31/12/2020

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	Amount			
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	5,106,185	Monnalisa SPA	100%	100%
Monnalisa Korea LTD	Seoul (Korea)	WON	100,000,000	Monnalisa SPA	100%	100%
Monnalisa Russia OOO	Mosca (Russia)	RUR	41,410,000	Monnalisa SPA; Jafin SPA	99,99%	100%
ML Retail Usa Inc	Houston Texas (USA)	USD	644,573	Monnalisa SPA	100%	100%
Monnalisa Bebek Giyim Sanayi ve Ticaret	Istanbul (Turchia)	TRY	8,475,000	Monnalisa SPA	100%	100%
Monnalisa UK LTD	London (UK)	GBP	199,993	Monnalisa SPA	100%	100%
Monnalisa Japan Co Ltd	Tokyo (Giappone)	JPY	1,000,000	Monnalisa SPA	100%	100%
Monnalisa International Limited	Taipei (Taiwan)	TWD	7,000,000	Monnalisa SPA	100%	100%
Monnalisa Singapore LTD	Singapore	SGD	600,000	Monnalisa SPA	100%	100%
Monnalisa San Marino Srl	Repubblica di S.Marino	EUR	25,500	Monnalisa SPA	100%	100%

No companies are consolidated proportionally and none of the companies are held for an amount under the 20% threshold.
For the consolidation, the financial statements at December 31, 2020 of the individual companies were used, reclassified and adjusted in line with the accounting standards and policies adopted by the Group.
In accordance with Article 31, paragraph 1 of Legislative Decree No. 127 of April 9, 1991, the reporting dates of these consolidated financial statements coincides with December 31, 2020.
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 owns two mono-brand stores, following the closure of a sales point during the year;
Monnalisa Russia Llc: incorporated on January 14, 2016 with the aim of increasing the efficiency of management of the local wholesale market and entry into the retail market through the direct opening of monobrand stores. At year-end, the subsidiary manages 5 stores (3 DOS and 2 DOO); The subsidiary is held 99.99%;
Monnalisa China Ltd: incorporated on February 17, 2016, with registered office in Shanghai and wholly-owned by Monnalisa S.p.A. The company was established to develop the local retail market through the opening of monobrand stores in the best-known malls in Shanghai, Beijing and other major cities. Two low-traffic stores (Shenzen MIXC and Shanghai Florentia Village) were closed in 2020. In addition to the retail channel, which at the end of the year managed nine sales points, the company since 2018 has operated also through the B2C distribution channel;
ML Retail Usa, Inc.: incorporated on September 22, 2016, wholly-owned by Monnalisa S.p.A., managing local retail operations. The company manages 5 direct stores;
Monnalisa Korea Ltd: incorporated in December 2016, wholly-owned by Monnalisa S.p.A. The company is temporarily inactive;
Monnalisa Brazil Participasoes Ltda: incorporated on December 22, 2016 to manage retail market operations in Brazil. All company sales points were closed down in the year: one sales point (Recife) in January 2020 and the other three in September 2020;
Monnalisa Bebek Giyim Sanayi ve Ticaret A.Ş.: incorporated on December 11, 2018, based in Turkey and fully owned by Monnalisa S.p.A., set up to develop the local retail market. At the end of year, the company closed the sales point at Istanbul airport, ahead of the opening of the new sales point at Istinye Park (opened in January 2021);
Monnalisa UK Ltd: incorporated in January 2019, with registered office in London, to manage a concession at Harrods. The company is a 100% subsidiary of Monnalisa Spa;
Monnalisa International Limited: incorporated in May 2019, based in Taiwan and wholly-owned by Monnalisa S.p.A., to develop the local retail market, with a store in the city of Taipei opened in September 2020;
Monnalisa Japan Co Ltd: wholly-owned by Monnalisa Spa. The company incorporated in 2019 was set up to develop the local retail market from 2020. During the year, the company managed two temporary stores;
Monnalisa Singapore Ltd: wholly-owned by Monnalisa Spa. The company in the second half of 2020 opened a new sales point at Marina Bay Sands;
Monnalisa San Marino Srl: wholly-owned by Monnalisa S.p.A., set up to develop the local retail market.

Basis of Consolidation

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

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

Currency	at 31/12/202	Average 2020
Real	6.3735	5.89
Renminbi (Yuan)	8.0225	7.8708
Won Sud	1336	1345.11
Japanese Yen	126.49	121.7755
Hong Kong Dollar	9.5142	8.8517
Pound	0.89903	0.88921
Ruble	91.4671	82.6454
US Dollar	1.2271	1.1413
Taiwan Dollar	34.4807	33.6072
Singapore Dollar	1.6218	1.5736
Tirkish Lira	9.1131	8.0436

Accounting policies

The accounting policies for the consolidated financial statements at 31/12/2020 are those utilised for the statutory financial statements of the parent company which prepares the consolidated financial statements and do not differ from those normally used.
The financial statement accounts have been measured according to the prudence and accruals concepts and on a going concern basis.
In applying the materiality principle, the obligations in terms of recognition, measurement, presentation and disclosure were not observed where not assisting the presentation of a true and fair view.
Recognition and presentation of the accounts was made taking into account the substance of the operations and of the contract.
The main recognition and measurement policies adopted in the preparation of the financial statements are illustrated below.

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

Intangible assets
Intangible assets consist of expenditures with a useful life of multiple years, associated with future benefits ensuring that they are recoverable. They are recognized at purchase price, inclusive of the 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, recognised 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 modernise the direct sales points network and/or all other buildings which are not owned. Leasehold improvement costs are amortised based on the lesser of the period concerning the future utility of expenses incurred and the residual rental period, taking into account any renewal periods if dependent on the lessee.
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 Group assesses whether indicators suggest that a fixed asset may have been impaired. Where such indicators exist, the Group estimates the recoverable value of the asset (higher between value in use and fair value) and records a write-down where this is lower that the corresponding net book value. In the absence of indicators of potential losses in value it is not necessary to determine the recoverable value.Their original value is recovered, except for goodwill and capitalized expenses, when it is believed that the rationale for the previous impairment loss has ceased to apply, adjusted for the amortization charges not recognized due to impairment. The amortisation, depreciation and write-down methods adopted are described in the present notes.

Property, plant & equipment
Property, plant and equipment, which are tangible assets with useful lives of multiple years from which future benefits are expected to flow, ensuring that they may be recovered, are recognized at purchase cost, inclusive of directly attributable 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

Category	%
Industrial Buildings	3%
Machines,tools,equipments	12,50%
Cutting Machines and Automatic Machines	17,50%
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 recognised to the Income Statement.
At each reporting date, the Group assesses whether indicators suggest that a fixed asset may have been impaired. Where such indicators exist, the Group 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 impairment, 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.
Only the parent company, also in view of that outlined in the OIC 9 interpretative document, point 12, utilised the option to suspend 100% of amortisation and depreciation for FY 2020, as per Article 60, paragraphs 7-bis to 7-quinquies of Legislative Decree No. 104/2020 (converted by Law No. 126/2020), in order to ensure an operating and equity representation of the company more in line with its true value and therefore mitigating the negative impact in the net result due to COVID-19.
In the following Notes, by individual fixed asset, the amount of suspended depreciation, the influence on the presentation of the equity and financial position and the operating result for the year, the amounts recognised and of the corresponding unavailable reserves are indicated.
It should also be noted that the parent company did not avail of the option to revalue intangible assets, as provided for by Article 110 of Legislative Decree No. 104/2020 (converted by Law No. 126/2020).

Financial assets
Equity investments, no investments in associates and/or joint venture, classified as financial fixed assets are carried at purchase cost less any impairment losses, where present.
The carrying amount of equity investments is tested for impairment on the basis of reasonable expectations of use and recoverability in future years. Specific impairment losses are recognized to adjust the book value of such equity investments. If the impairment of an equity investment exceeds its carrying amount, it is written off and the adjustment is taken to the income statement as an impairment loss. Such impairment losses may be reversed in subsequent years if the rationale for recognizing them ceases to apply. In the year in which the rationale for the impairment losses recognized ceases to apply, financial fixed assets are reversed through the income statement, up to their original value.
Receivables are classified as financial fixed assets or to a specific caption of working capital by type. Receivables classified under financial assets are recognised according to their realisable value, therefore the method adopted is the same as that utilised for current receivables. This account also includes receivables for deposits.

In accordance with Italian GAAP standard OIC 20, it was decided to elect not to apply the amortized cost method to securities recognized before the financial year beginning January 1, 2016, nor was this applied to those arising subsequently as the effects are immaterial in order to provide a true and fair view. 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 Group regards such securities as long-term investments.

Treasury shares
The purchase of treasury shares results in a reduction in shareholders' equity of a similar amount, through the entry of a specific liability in the consolidated financial statements.

Capital paid-in
No grants towards operating expenses were disbursed to the Company and the other subsidiaries in 2020.

Finance leases
The Group did not have any finance lease transactions in place at December 31, 2020.

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.

Prepayments and accrued 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, 2020 towards employees in service at that date, less any advances paid in accordance with applicable law and labour agreements, taking into account all forms of remuneration of an ongoing nature, less advances disbursed, and is equal to the sum that would have been due to the employees had their employment been severed on the date concerned.
The provision does not include indemnities matured from January 1, 2007, allocated to supplementary pensions as per Legislative Decree No. 252 of December 5, 2005 (or transferred to the INPS treasury fund). The provision is the total of the individual indemnities until December 31, 2006 accruing in favour of employees at the balance sheet date, net of advances paid.
Employee termination indemnities with payment due before December 31, 2020 or by the following year were recorded to the account D.14 of the balance sheet under other payables.
The applicable labour agreement provides that workers with at least eight years' seniority of service may apply to their employer for an advance not to exceed 70% of the benefits to which they would be entitled in the event of severance of employment on the requested date. Such requests are contingent on the employee being required to incur significant expenses for healthcare, the purchase of a first home or themselves or their children, expenses relating to maternity leave or education.
Payables
The amortised cost criterion was not applied as the effects are irrelevant for the presentation of a true and fair view.
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 recognised on an accruals basis.
The income and charges relating to sales operations with obligation of the return of goods, comprising the difference between the forward price and the spot price, are recorded according to the accruals principle.
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 285,000 to the provision for returned goods in connection with sales transacted in 2020.
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.
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Income taxes and deferred tax assets and liabilities
Income taxes are recorded in accordance with the accruals principle; therefore, they include:

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

Deferred tax assets and liabilities arise from timing differences between the carrying amount of assets and liabilities determined in accordance with the financial reporting criteria set out by the Italian civil code and their tax base.
The tax liability is shown under Tax payables net of advances, taxes withheld by third parties and tax credits.
Deferred tax assets are recognized (and continue to be carried) if, and only if, it is reasonably certain that they will be recovered in full 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 unfavourably after the reporting date but before the date of preparation of the financial statements, they are disclosed in the notes where they entail material effects on the accounts.
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 recognised under net equity; the cumulative profits or losses are reversed from net equity and recognised to the income statement in the same period in which the operation subject to hedging influences the income statement; the profit or loss related to a hedge or the part of the hedge becoming ineffective is recognised to the income statement when such inefficacy is recognised.
If hedge accounting cannot be applied, gains or losses deriving from the fair value of the financial derivative instrument are recognised directly in the income statement.
Derivative financial instruments, even if embedded in other financial instruments, are initially recognised when the associated rights and obligations are acquired; they are measured at fair value both at the initial recognition date and at each reporting date. The changes in the fair value compared to the previous year are recorded in the income statement, or if the instrument hedges the risk of changes in expected future cash flows of another financial instrument or scheduled operation, directly to a positive or negative equity reserve.

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

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

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

Guarantees, commitments and contingent liabilities
At the 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.

The breakdown of sureties at 31.12.2020 was as follows:

- Surety guarantee in favour of ML Retail for USD 153,240,
- Surety guarantee in favour of BMG Barberino S.r.l. for Euro 38,670,
- Surety guarantee in favour of Gotti Bruno and Lesmo Angela for Euro 22,500,
- Surety guarantee in favour of Toscana Aeroporti spa for Euro 65,000
- Surety guarantee in favour of Barducci Bardo for Euro 131,760,
- Surety guarantee in favour of Serravalle Outlet for Euro 75,804,
- Surety guarantee in favour of VR Milan srl for Euro 53,985,
- Surety guarantee in favour of Dominici Cons socio unico for Euro 165,000,
- Commercial surety in favour of Mazzola Gloria for Euro 50,000,
- Commercial surety in favour of Capri Due Outlet srl for Euro 54,318,
- Commercial surety in favour of Sicily Outlet Village Spa for Euro 28,822,
- Sureties in favour of the Municipality of Arezzo for Euro 5,400,
- Sureties in favour of the Municipality of Arezzo for Euro 13,030,
- Surety guarantee in favour of MGE Noventa for euro 61,722,
- Surety guarantee in favour of ORJIN GAYRIMENKUL MONNALISA BEBEK for euro 40,500,
- Surety guarantee by Bank BPER S.p.A. in the face of letters of credit for foreign suppliers for Euro 1,166,966.

Derogations
There were no exceptional cases requiring exemptions as per Article 2423, paragraph 5 of the Civil Code, with the exception of the matters mentioned above regarding the Parent Company's amortisation and depreciation for the period.

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

Workforce	31/12/2020	31/12/2019	Changes
Executives	3	3	0
Managers	7	8	(1)
White-collar	272	314	(42)
Blue-collar	34	37	(3)
Total	**316**	**362**	**(46)**

Explanatory Notes to the income statement
For a correct interpretation of the financial statements at December 31, 2020 and consideration of their comparability with the prior year financial statements, it is noted that the emergency arising from the COVID-19 outbreak has made it necessary to adopt specific measures to support operations and workers, with a consequent impact on the documents comprising the financial statements and, in particular, the Income Statement.

In detail, the Group deemed it appropriate:

- to not apply amortisation and depreciation to the fixed assets only of the Parent Company;
- to avail of the COVID-19 social security supports to offset the drop in demand;
- to apply for specific grants, where possible.

Revenues by segment
A breakdown follows:

Description	31/12/2020	31/12/2019	Changes
Sales of goods	105,585	106,916	(1,331)
Sales of products	33,506,576	47,826,698	(14,320,122)
Total	**33,612,162**	**47,933,614**	**(14,321,452)**

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 (amount in €/000):

Area	31/12/2020
ITALY	10,752
EU	8,700
REST OF THE WORLD	14,159
Total	**33,612**

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	€ 37,724	Photovoltaic Incentive
Regione Toscana	€ 7,800	Training Incentive
Ministero Sviluppo Economico	€ 176,822	Research and development tax credit
Ministero Sviluppo Economico	€ 95,394	Rents tax credit
Ministero Sviluppo Economico	€ 10,273	Sanitation tax credit

Other revenues
Other revenues, presented in account A 5), comprised for Euro 176,822 the operating grant for the Research and Development Tax Credit introduced by Article 3 of Legislative Decree No. 145 of 23.12.2013, as replaced by Article I, paragraph 35, Law No. 190/2014 of the 2015 Stability Law. The tax break relates to the new product research and development costs.
Grants of Euro 115,268 were recognised in terms of the tax breaks introduced in 2020 as a result of the COVID-19 emergency; in particular, the Lease Fees LD 34/2020 Tax Credit of Euro 95,395 and the Sanitation and PPE LD 34/2020 Tax Credit for Euro 10,273.
In April 2019, the Ministry for Economic Development also approved in favour of Monnalisa S.p.A. the AIM listing contribution, in the form of a tax credit for Euro 500,000 (maximum permitted aid). The grant follows a period of amortisation of 5 years of the assets to which it refers. Given that the company opted during the year to suspend amortisation and depreciation (as previously mentioned), the relative portion of the grant was also deferred.

Costs of production
A breakdown follows:

Description	31/12/2020	31/12/2019	Changes
Raw materials, consumables and goods	10,808,571	14,560,070	(3,751,499)
Services	12,080,916	17,749,429	(5,668,513)
Use of third-party assets	5,712,395	7,219,293	(1,506,898)
Personnel costs	9,473,561	12,439,131	(2,965,570)
Amortisation	667,754	1,667,622	(999,868)
Depreciation	213,432	1,798,122	(1,584,690)
Write-downs of other assets	-	1,087,556	(1,087,556)
Write-downs of current receivables	504,397	146,630	357,767
Change in inventories of raw materials	139,227	63,332	75,895
Other operating costs	858,270	952,186	(93,916)
Total	**40,458,523**	**57,683,371**	**(17,224,848)**

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

Service costs

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

Description	31/12/2020	31/12/2019	Changes
Insurance	300,590	259,834	40,756
POA Commissions	189,635	425,712	(236,077)
Independent auditors', Board of Statutory Auditors' and Board of Directors' emoluments	500,128	632,715	(132,587)
Technical, administrative, indus. and commercial consultancy	2,186,943	3,427,973	(1,241,030)
Agent costs	346,327	867,077	(520,750)
Production services costs	3,094,485	4,625,462	(1,530,977)
Maintenance	550,519	748,021	(197,502)
Exhibits, fairs and fashion shows	299,787	590,700	(290,913)
Cleaning and security	205,381	246,279	(40,898)
Utilities and postal expenses	490,578	581,126	(90,548)
Training courses	11,090	24,742	(13,652)
Entertainment expenes	51,461	130,940	(79,479)
Sanification costs	63,771	-	63,771
Marketing and advertising	763,544	588,514	175,030
Canteen	35,430	149,826	(114,396)
Transport	1,982,608	3,214,763	(1,232,155)
Travel and transfer	83,375	373,934	(290,559)
Factoring fee	129,709	92,650	37,059
Others	795,557	769,161	26,396
Total	**12,080,916**	**17,749,429**	**(5,668,513)**

In further detail, service costs primarily include:
- Façon costs (sewing, ironing, embroidery, printing & other services) for Euro 3,094,485
- Agents' costs for Euro 346,327
- national and local advertising, for Euro 763,544
- national and local fashion shows and events for Euro 299,787
- costs of non-financial banking services for Euro 189,635
- technical, industrial, administrative and commercial consultancy for Euro 2,186,943

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	31/12/2020	31/12/2019	Changes
Rental costs	4,957,397	6,327,328	(1,369,931)
Hire costs	342,464	391,392	(48,928)
Royalties costs	412,534	500,573	(88,039)
Total	**5,712,395**	**7,219,293**	**(1,506,898)**

The decrease in the period principally concerns the reduction in lease charges by a number of lessors, following the temporary closure of stores related to the COVID-19 emergency and the definitive closure of some sales points as outlined previously.
This was partly offset by new openings during the year, which are detailed below:
- 3 new stores in France (3 DOS),
- 1 new stores in Singapore (1 DOS),
- 1 new DOS in Taiwan (Taipei),
- 3 new stores in Italy (2 DOO and 1 DOS)

Personnel costs
The personnel costs incurred during the year amounted to Euro 9,473,561, a decrease of Euro 2,965,570 on the comparative year.
The change was primarily due to the factors already mentioned in the Directors' Report, namely: a reduction in working hours, facilitated use of paid leave and vacations, as well as recourse to the use of the Extraordinary Temporary Lay-off Scheme due to COVID-19, introduced in the Italian legislation following the national health emergency. The lay-off scheme was paid in advance by the company and then reconciled with the INPS Uniemens system and is still in place. 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.

Where possible, recourse was made to social security and personnel cost supports allocated by the governments of the countries in which the Group operates.

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

Amortisation and depreciation/write-downs

Depreciation was calculated according to the useful life of the assets and their utilisation in production, while the account B10 d) includes write-downs of trade receivables recorded under current assets.
As previously indicated, only the parent company Monnalisa S.p.A, also as an exception to Article 2426, first paragraph, No. 2) of the Civil Code, utilised the option in these financial statements to not apply amortisation and depreciation of the annual cost of tangible and intangible assets, maintaining their carrying amount, only increased for the acquisitions of the year 2020; as per the last duly approved financial statements, permitted in view of the economic situation emerging as a result of the SARS-COV-2 outbreak.
The amortisation and depreciation for 2020 not recognised to the individual tangible and intangible categories were the following:

- Euro 754,296 concerning intangible assets;
- Euro 1,592,136 concerning tangible assets.

Such was not recognised following an assessment of the recoverability of the portions on conclusion of the original amortisation and depreciation schedule.
The impact on the net result was Euro 2,346,433, before deferred tax liabilities of Euro 646,156, for a net positive impact of Euro 1,700,277.

Other operating charges

This account amounting to Euro 858,270 includes all operating costs not recognised to the other accounts of section b) of the income statement and accessory management costs which are not of an extraordinary nature, in addition to all tax charges, other than direct income taxes. This account is principally composed of:

- Losses from disposal of assets for Euro 388,025 mainly due to the closures related to the subsidiaries Monnalisa Turkey, Monnalisa Korea and Monnalisa Brazil,
- Taxes and levies (property and waste disposal taxes) for Euro 256,622,
- Miscellaneous administrative expenses for Euro 31,907.

Financial income and charges

The figure for the year includes financial income of Euro 46,265, interest expense and other financial charges of Euro 407,890 and foreign exchange losses of Euro 943,236, with the following changes compared to the previous year:

Description	31/12/2020	31/12/2019	Changes
Interest income on bonds	30,000	30,000	0
Bank interest income	7,465	5,250	2,215
Other interest income	8,800	7,738	1,062
Total Interest income	**46,265**	**42,988**	**3,277**
Bank financial interests	(225,778)	(240,052)	14,274
Other financial interests	(182,111)	(190,237)	8,126
Total Financial interests	**(407,890)**	**(430,289)**	**22,399**
Exchange gains	371,201	760,600	(389,399)
Exchange losses	(1,314,437)	(673,498)	(640,939)
Total Exchange gains/losses	**(943,236)**	**87,101**	**(1,030,337)**

Of the total amount of the net loss recorded in the income statement the unrealised amount is Euro 692,692.

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	31/12/2020	31/12/2019	Changes
Current taxes	0	22,999	(22,999)
Deferred tax charges/(income)	(933,602)	502,585	(1,436,187)
Total	**(933,602)**	**525,584**	**(1,459,186)**

Deferred tax income/charges

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

Deferred tax income and charges recognised to the income statement	31.12.2020	31.12.2019
Amortisation of brands	506	598
Amortisation of goodwill	(3,575)	(3,575)
Risks provision	7,621	(19,061)
Other	(89,407)	(102)
Bad debts provision	(84,331)	0
Intercompany margin on inventory	73,133	(165,561)
Subsidiary tax losses carried forward	(1,388,130)	(222,619)
Write off of deferred tax assets	0	899,839
Deferred tax income	**(1,484,184)**	**489,520**
Business unit disposal	0	(12,987)
Disposal of fixed assets	(47,316)	(47,316)
Suspended depreciation	646,156	0
Other	(48,258)	73,368
Deferred tax charges	**550,582**	**13,065**
Deferred tax charges/(income)	**(933,602)**	**502,585**

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

Description	31/12/2020				31/12/2019			
	Amount IRES temporary differences	IRES tax result	Amount IRAP temporary differences	IRAP tax result	Amount IRES temporary differences	IRES tax result	Amount IRAP temporary differences	IRAP tax result
Deferred tax assets:								
Amortization Brands	(1,848)	(443)	(1,613)	(63)	(2,183)	(524)	(1,905)	(74)
Amortization Goodwill	12,818	3,076	12,795	499	12,818	3,076	12,795	499
Provision for risk	(27,320)	(6,556)	(27,320)	(1,065)	68,320	16,397	68,307	2,664
Consultancy					(10,658)	(2,558)	(10,641)	(415)
Downs receivables 2019	(114,338)	(27,441)	0	0	35,088	8,421		
Downs receivables 2020	465,717	111,772	0	0				
ISC Provision					5,596	1,343	5,589	218
Exchange rate losses	232,820	55,877	0	0	(19,109)	(4,586)		
Administrator compensation	15,600	3,744	15,600	608	(8,321)	(1,997)	(8,307)	(324)
Loss for the period	5,583,333	1,340,000	0	0				
Total	**6,166,782**	**1,480,029**	**(538)**	**(21)**	**81,551**	**19,572**	**65,838**	**2,568**
Deferred tax liabilities:								
Business unit disposal					(54,110)	(12,987)		
Disposal of fixed assets	(169,592)	(40,702)	(169,592)	(6,614)	(169,592)	(40,702)	(169,592)	(6,614)
Suspended depreciation	2,315,971	555,833	2,315,971	90,323				
Exchange rate gains	(201,075)	(48,258)	0	0	35,466	8,512		
Total	**1,945,304**	**466,873**	**2,146,379**	**83,709**	**(188,236)**	**(45,177)**	**(169,592)**	**(6,614)**
DEFERRED TAX ASSETS AND LIABILITIES		**(1,013,156)**		**83,730**		**(64,749)**		**(9,182)**

In accordance with Italian GAAP standard OIC 25, the Group determined that the aforementioned deferred tax income was reasonably certain to be recovered on the basis of a projection of future taxable profit according to its business plans and an estimate of the amount of the deferred tax assets reasonably recoverable.

Notes to the Balance Sheet

ASSETS

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

Description	31/12/2020	31/12/2019	Changes
Fixed assets	24,672,784	25,421,710	(748,926)
Current assets	32,450,082	41,705,563	(9,255,481)
Prepaid expenses and accrued income	1,105,853	891,683	214,170
Total	**58,228,720**	**68,018,956**	**(9,790,236)**

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	31/12/2019	Increases	Decreases	Exc. diffs.	Other changes	Amortisation	31/12/2020
Set-up and expansion costs	859,657	4,257		(8,889)	(37,139)	(12,303)	805,583
Industrial patents	318,551	336,914		(4,355)		(9,103)	642,008
Goodwill	909,102			(21,357)	(58,170)	(12,977)	816,599
Assets in progress and advances		122,693		(14,399)	0	0	108,294
Other	2,074,589	460,897	(5,572)	(148,503)	(136,601)	(633,370)	1,611,442
Total	**4,161,899**	**924,762**	**(5,572)**	**(197,502)**	**(231,910)**	**(667,754)**	**3,983,926**

The costs recorded are reasonably correlated to their future use, and are amortised on a straight-line basis in relation to their future residual utility.
The increase in "Industrial patent rights" is due to the investments made by the parent company Monnalisa S.p.a. to develop the e-commerce site.
The item "Other" primarily includes the costs of leasehold improvements, amortized according to the term of the lease. The increases during the year are mainly related to the new stores opened during the year (principally Italy and Singapore).
The increase in "Assets in progress and advances" exclusively concerns the advances paid in the final months of 2020 for works on the new Istinye Park store of the Turkish subsidiary; the sales point was opened at the beginning of 2021.

At each reporting date, the Company reviews the carrying value of its intangible and tangible assets to determine if there are indications that these assets have incurred a loss in value.
When it is determined that a potential loss exists, the directors make valuations on the recoverable amount of those assets in order to identify the potential amount of the loss. Where it is not possible to make an estimate of the recoverable amount of an asset individually, the Company makes an estimate of the recoverable amount of the cash-generating unit the asset belongs to. In particular, the recoverable value of the residual "Goodwill" was measured to ensure that the carrying amount in the financial statements does not exceed the recoverable value. The recoverable value is the higher between fair value less costs to sell and value in use. In determining the value in use, the estimated future cash flows are discounted on a pre-tax basis which reflects the market assessment of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or a CGU) is lower than its carrying amount, it is impaired to that recoverable amount. An impairment is recognised to the income statement immediately. If there is an indication that an impairment loss recognised on an asset other than goodwill may no longer exist or may have decreased, the carrying amount of the asset shall be increased to its recoverable amount, but shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset. The restated values are immediately recognised in the income statement.
Taking into account the extraordinary nature of the impacts caused by the consequences of Covid-19, the directors believe that there are no impairments in the value of intangible assets.
Under the provisions introduced by Article 60, paragraphs 7-bis to 7-quinquies of Legislative Decree No. 104/2020 (converted by Law No. 126/2020), the Group decided not to recognise to the income statement the portions of amortisation and depreciation of only the parent company for 2020 concerning the following categories of assets, for the following amounts:

Intangible assets	Amount
1) Set-up and expansion costs	267,239
3) Industrial patents	161,736
5) Goodwill	134,569
6) Assets in progress and advances	190,753
Total	**754,297**

Such was not recognised following a close assessment of the recoverability of the portions on conclusion of the original amortisation and depreciation schedule.
The impact on the net result, net of deferred taxes, was Euro 550,711.

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

Description	31/12/2019	Increases	Decreases	Exc. diffs.	Other changes	Amortisa-tion	31/12/2020
Land and buildings	10,991,664	7,210					10,998,874
Plant and machinery	3,811,577	59,947	(5,625)	(4,347)		(38,479)	3,823,074
Industrial and commercial equipment	518,591	94,489	(19,437)	(92,389)	(11,397)	(110,498)	379,359
Other assets	3,011,672	237,759		(59,230)	(75,672)	(64,457)	3,050,073
Assets in progress and advances	5,400	23,742			(5,400)		23,742
Total	**18,338,905**	**423,147**	**(25,062)**	**(155,966)**	**(92,469)**	**(213,432)**	**18,275,120**

The increases in the year primarily relate to improvements on the existing factory facilities, upgrading existing stores and furnishings for new openings in 2020. These latter include Euro 81 thousand for the new Singapore store, Euro 54 thousand for the new DOO opened in Italy and Euro 40 thousand for the new store at Rinascente in Milan.
Taking into account the extraordinary nature of the impacts caused by the consequences of Covid-19, the directors believe that there are no impairments in the value of tangible assets.
Under the provisions introduced by Article 60, paragraphs 7-bis to 7-quinquies of Legislative Decree No. 104/2020 (converted by Law No. 126/2020), the company decided not to recognise to the income statement the portions of amortisation and depreciation of only the parent company for 2020 concerning the following categories of assets, for the following amounts:

Tangible assets	Amount
Land and buildings	293,657
Plant and machinery	726,269
Industrial and commercial equipment	16,863
Other assets	555,348
Total	**1,592,136**

Such was not recognised following a close assessment of the recoverability of the portions on conclusion of the original amortisation and depreciation schedule.
The impact on the net result, net of deferred taxes, was Euro 1,149,566.

Write-downs and revaluations in 2020
No write-downs or revaluations were made in the period. Management considers that at December 31, 2020 no indicators of impairment from internal or external sources exist with regards to the value of tangible assets.

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

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

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

Capitalisation 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 31.12.2019:

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

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

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

Description	31/12/2019	Increases	Decreases	31/12/2020
Other receivables	1,712,281	42,758	(549,925)	1,205,114

These receivables are primarily made up of amounts due for security deposits and the decreases in the year refer to the repayment by lessors of sums provided as guarantees, following the closures made (in particular Brazil and Hong Kong).
The item in addition includes the Director Leaving Indemnity policy for Euro 57,500.
"Other securities" comprise the residual of the bond loan issued by Jafin S.p.A. of Euro 1,200,000. No changes in this item are reported in the period.

Inventories
Inventories amounted to Euro 16,434,588 at December 31, 2020. The following table shows the breakdown and changes with respect to the comparative year:

Description	31/12/2020	31/12/2019	Changes
Raw materials, supplies and consumables	2,203,903	2,351,518	(147,615)
Work in progress and semi-finished products	805,726	1,734,271	(928,545)
Finished products and goods	13,397,466	14,339,822	(942,356)
Advances	27,493	84,393	(56,900)
Total	**16,434,588**	**18,510,004**	**(2,075,416)**

The decrease in finished product inventories and raw materials reflects the expected value estimates, based on the sales capacity through the usual distribution channels. This resulted in a prudent extraordinary adjustment for a total of Euro 1.8 million, so as to align the total with the market realisable value, impacted by the ongoing health emergency.

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

Description	31/12/2020	31/12/2019	Changes
Trade receivables	7,202,591	9,611,253	(2,408,662)
Tax receivables	1,956,740	3,231,350	(1,274,610)
Deferred tax assets	2,612,846	1,159,190	1,453,656
Others	160,597	824,571	(663,974)
Total	**11,932,774**	**14,826,363**	**(2,893,589)**

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

Description	Total
Balance at 31/12/2019	**846,499**
Utilisation in the period	(116,462)
Provision in the period	504,397
Balance at 31/12/2020	**1,234,434**

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

- VAT receivables for approx. Euro 931,565,
- IRES and IRAP advances for Euro 667,569,
- Research and Development credit for Euro 176,822,
- INPS receivables for the COVID-19 Temporary Lay-off Scheme advance for Euro 119,941.

For information regarding the item "Deferred tax assets", refer to the previous 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	31/12/2020	31/12/2019	Changes
Bank & postal deposits	4,044,177	8,280,643	(4,236,466)
Cash & cash equivalents on hand	34,711	76,242	(41,531)
Total	4,078,888	8,356,885	(4,277,997)

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

Description	31/12/2020	31/12/2019	Changes
Maintenance fees	104,457	92,204	12,253
Rental	672,619	533,824	138,795
Hire	31,865	36,867	(5,002)
Insurance	6,809	40,431	(33,622)
Derivatives	83,375	100,500	(17,125)
Consulting	4,929	11,785	(6,856)
Others	201,800	76,062	125,738
Total	1,105,854	891,673	214,181

At 31.12.2020, there are no accrued income and prepayments over five years. A breakdown is provided below:

Description	Beyond 5 years
Derivatives	13,375
Flat-rate tax	12,000
Rental	335,790
Total	361,165

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	41,560,780	(4,544,205)
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	(8,577,426)	(4,737,278)
c) elimination of write off consolidated companies	5,313,684	1,451,299
d) translation difference	(1,159,058)	
e) debts waiver by shareholder to cover controlled losses	(5,984,012)	
Elimination of the effects of transactions between consolidated companies	(645,005)	24,202
Net equity and net result pertaining to Group	30,508,963	(7,805,982)
Net equity and net result pertaining to minority interests	(1,746)	(6,717)
Consolidated net equity and net result	30,507,217	(7,812,699)

Statement of changes in consolidated net equity

Description	Share capital	Reserves	Negative reserve for own portfolio shares	Translation differences	Profit/loss Carried forward	Profit/Loss for the year	Total pertaining to Group
Opening balance at 01/01/2020	10,000,000	13,328,398	(149,915)	(608,669)	24,740,642	(8,415,516)	38,894,939
Changes in the year		(137,611)			(8,277,905)	8,415,516	
Increases/(Decreases)		(29,607)					(29,607)
Net Profit						(7,805,982)	(7,805,982)
Translation differences from conversion of financial statements expressed in foreign currencies				(550,389)			(550,389)
Other changes		1,700,277			(1,700,277)		
Closing balance at 31/12/2020	10,000,000	14,861,457	(149,915)	(1,159,058)	14,762,460	(7,805,982)	30,508,963

The item "other movements" is composed by profit/(loss) carried forward accrued as mandatory unavailable reserve pursuant to art. 60, paragraph 7-ter of Law Decree 104/2020 converted into Law 126/2020.

Provisions for risks and charges
A breakdown follows:

Description	31/12/2020	31/12/2019	Changes
Provisions for pension and similar	(62,165)	59,397	(121,562)
Provision for taxation, including deferred taxes	(795,148)	264,928	(1,060,076)
Provisions for derivative financial instruments	(30,978)	-	(30,978)
Other	(461,855)	489,175	(951,030)
Total	(1,350,145)	813,500	(2,163,645)

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 mainly comprises:
- Agents indemnity provision of Euro 62,165;
- 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 285,000, set up in accordance with the joint application of the prudence and matching principles, given that the goods are returned by the preparation date of the financial statements and result in a contraction in revenues.

Tax provisions also include Deferred tax liabilities of Euro 795,148 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	31/12/2019	Provisions	Utilisations in the year	31/12/2020
Post-employment benefits	1,809,749	258,672	(47,580)	2,020,841

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	4,204,347	10,140,004		14,344,351
Other lenders	166,085			166,085
Advances	407,195			407,195
Trade payables	6,788,986			6,788,986
Tax payables	506,745			506,745
Social security institutions	634,852			634,852
Other payables	1,114,499	87,804		1,202,303
Total	13,822,710	10,227,808	0	24,050,518

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 31.12.2020. As a result of the COVID-19 emergency, the legislature introduced financial support measures during the year benefitting the company (including the moratorium on loans and the drawdown of a number of M/L loans with MCC guarantees); new loans were drawn down for Euro 7,170,000, with Euro 2,500,000 used to settle outstanding loans, thereby extending the repayment plans;
- "Payables to other lenders" exclusively concern the Paycheck Protection Program loan disbursed to the US subsidiary ML Retail during the pandemic in partial coverage of certain fixed and variable costs;
- "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 506,745 and includes, in particular, sums withheld from employees and self-employed workers and duly paid in 2021;
- "Other payables" mostly concern accrued commissions payable to agents of Euro 202 thousand, deferred amounts and additional months payable to employees of Euro 842,868, duly settled in 2021.

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

Accrued liabilities and deferred income

Accrued liabilities and deferred income amount to Euro 300,000 at December 31, 2020, mainly comprising the deferred income on the AIM contribution recognised in 2019 by the Ministry for Economic Development approved in favour of Monnalisa S.p.A. for the AIM listing, in the form of a tax credit for Euro 500,000 (maximum permitted aid). In this regard, reference should be made to the Other revenues account.
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 31/12/2020 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.
The hedging operations at December 31, 2020 with financial counterparties comprise:

Interest Rate Cap (1)	
Contract ID	111365300
Date of the operation	27/10/2017
Counterparty	Unicredit S.p.A.
Maturity Date	29/10/2021
Notional Amount	507,139 euro
Premium	15,000 euro
Bank Parameter Rate	Euribor 3 months
Client Parameter Rate	Euribor 3 months
Rate Cap	0%

At 31/12/20, the mark to market of the transaction was Euro +0.89.

Interest Rate Cap (2)	
Contract ID	23950927
Date of the operation	27/12/2018
Counterparty	Unicredit S.p.A.
Maturity Date	31/12/2026
Notional Amount	3,947,368 euro
Premium	107,000 euro
Bank Parameter Rate	Euribor 6 months
Client Parameter Rate	Euribor 6 months
Rate Cap	1%

At 31/12/20, the mark to market of the transaction was Euro +3,832.03.

Interest Rate Swap	
Contract ID	26966309
Date of the operation	22/09/2020
Counterparty	Unicredit S.p.A.
Maturity Date	30/09/2025
Notional Amount	3,575,000 euro
Premium	0
Bank Parameter Rate	Euribor 3 months
Client Parameter Rate	Euribor 3 months
Rate Cap	-0,20%

At 31/12/20, the mark to market of the transaction was Euro -30,978.43.

Information on loans for specific business purposes

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

Related party transactions

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

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

Company	Trade Receivables	Financial receivables	Other receivables	Trade Payables	Other Payables	Revenues	Costs
Jafin SpA	6.100	1.200.000	30.000	289.226	1.113	10.000	450.710
Fondazione Monnalisa	158,933					1,787	
DiDj srl							
Hermes & Athena Consulting Srl				225,000			200,000
Arcangioli Consulting Srl				1,220			32,000
Arcangioli Pierangelo							120,785
Barbara Bertocci							149,108
Total	**165,033**	**1.200.000**	**30,000**	**515,446**	**1,113**	**11,787**	**952,603**

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, 2020. Euro 9,500 for other attestation activities was also paid.

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 2020
Directors	321,199
Board of Statutory Auditors	43,680
Total	**364,879**

The Chairman and Chief Executive Officer announced the partial waiver of their remuneration for the current year, with a total reduction of Euro 175,000.

Subsequent events and outlook

In Q1 2021, two subsidised loans were signed with Simest S.p.A. The first of Euro 0.8 million to improve and safeguard the capital base of the exporting businesses presents a rate of 0.55% and a subsidised rate of Euro 0.055%, in addition to a 40% grant (Euro 0.32 million) and no guarantee from the company. The second loan of Euro 0.9 million is to execute a plan to launch on overseas markets (Turkey) and presents a rate of 0.55% and a subsidised rate of Euro 0.055%, in addition to a grant of Euro 0.35 million and no guarantee from the company.
This year has been - and shall continue to be - significantly shaped by the COVID-19 pandemic. The vaccination campaigns have begun, although the pace of the roll-out among individual countries varies, while general visibility and upon when a real return to "normality" can take place is limited. This climate of uncertainty affects consumption levels and consumer behaviour and movement, with an inevitable impact on forecast revenues.
Despite the general environment, Monnalisa continues to pursue the consolidation of its competitive position, working to limit the impact of the pandemic with a careful management of costs, continuing to strengthen its financial position and capital base, while making further efforts on the sustainability front.

Monnalisa S.p.A.

Consolidated financial statements as at December 31, 2020

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, 2020, 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 positi of the Group as at December 31, 2020, 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 w have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to note "4. Accounting policies" and "9.1 Assets" of the explanatory notes to the financial statements, in which the Directors describe the manner in which they exercised the option suspend the depreciation and amortization pursuant to Law 13 October 2020, n. 126 converting, with amendments, the Legislative Decree 14 August 2020, n. 104 and the economic and financial impacts thereof on the consolidated financial statements of the Group as at December 31, 2020.

Our opinion is not modified in respect of this matter.

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 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 d 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, 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, 2020, 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, 2020 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, 2020 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, 14 May 2021

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 FINANCIAL STATEMENTS

AS AT 31/12/2020

INCOME STATEMENT	31.12.2020	31.12.2019
A) Value of Production		
1) Revenues from sales	28,504,349	40,791,683
2) Changes in inventories of work in progress, semi-finished goods and finished products	(1,511,025)	45,200
5) Other revenues and income	1,007,653	1,712,057
Total value of production	*1.007.653*	*1.712.057*
B) Costs of Production		
6) Raw materials, consumables and goods for resale	10,371,881	14,393,905
7) Services	10,281,516	14,865,300
8) Use of third-party assets	2,489,456	2,684,070
9) Personnel Costs		
a) Wages and salaries	5,088,519	6,462,884
b) Social security charges	1,499,737	1,924,987
c) Termination indemnities	263,234	294,919
d) Pensions and similar obligations	189,921	175,307
e) Other costs	32,419	139,504
Total personnel Costs	*7,073,830*	*8,997,602*
10) Amortization, depreciation and write-downs		
a) Amortization of intangible fixed assets	0	671,695
b) Depreciation of tangible fixed assets	0	1,570,687
d) Write-downs of receivables in current assets and cash and cash equivalents	502,274	130,314
Total amortization, depreciation and write-downs	*502,274*	*2,372,696*
11) Change in inventory of raw, ancillary, consumable materials and goods	138,184	70,240
14) Other operating costs	311,667	373,304
Total production costs	***31,168,808***	***43,757,117***
Difference between value and production costs (A-B)	***(3,167,831)***	***(1,208,177)***
C) Financial income and expenses		
16) Other financial income:		
a) from receivables classified as fixed assets	8,800	0
b) from securities classified as fixed assets	30,000	30,000
d) others	34,259	57,559
Total financial income	*73,059*	*87,559*
17) Interests and other financial expenses		
-other	364,255	373,553
Total financial expenses	*364,255*	*373,553*
17-bis) Losses and gains on currency exchange	(543,562)	222,207
Total financial income and expenses	***(834,758)***	***(63,788)***
D) Value adjustments to financial assets		
19) Write-downs:		
a) equity investments in subsidiary companies	1,451,299	3,862,385
d) financial derivative instruments	19,744	17,125
Total write-downs	*1,471,043*	*3,879,510*
Total value adjustments to financial assets (D)	***(1,471,043)***	***(3,879,510)***
Profit/(Loss) before taxes (A-B±C±D)	**(5,473,632)**	**(5,151,475)**
a) Current taxes		
b) Deferred taxes	(929,427)	(73,931)
Total Income, current, deferred taxes	*(929,427)*	*(73,931)*
21) Profit (loss) for the period	**(4,544,205)**	**(5,077,544)**

ASSETS	31.12.2020	31.12.2019
A) Subscribed capital unpaid		
B) Fixed Assets		
I - Intangibles Assets		
1) Start-up and expansion costs	801,718	801,718
3) Industrial Patent and Intellectual Property Rights	629,266	292,352
5) Goodwill	816,599	816,599
7) Other	714,818	606,479
Total Intangible assets	*2,962,401*	*2,517,147*
II - Tangible Assets		
1) Land and Buildings	10,998,874	10,991,664
2) Plants and equipment	3,662,783	3,614,796
3) Industrial and commercial equipment	50,461	49,961
4) Other Assets	2,764,134	2,533,885
5) Work in progress and advance payments	0	5,400
Total Tangible Assets	*17,476,252*	*17,195,707*
III - Financial Assets		
1) Equity investments in:		
a) Subsidiary companies	9,765,502	5,607,869
d bis) other companies	8,624	8,624
Total Equity Investments	*9,774,126*	*5,616,493*
2) Receivables		
a) due from subsidiary companies		
- within 12 months	621,701	5,288,274
- beyond 12 months	2,671,939	486,137
Total due from subsidiary companies	3,293,640	5,774,411
d bis) due from others		
- within 12 months	260,380	223,689
Total Due from others	260,380	223,689
3) Other Securities	1,200,000	1,200,000
Total Financial Assets	*14,528,146*	*12,814,594*
B) Total Fixed Assets	***34,966,799***	***32,527,447***
C) Current Assets		
I - Inventory		
1) Raw, supplies and consumable materials	2,198,822	2,343,643
2) Work in progress and semi-finished products	805,726	1,734,271
4) Finished products and goods	10,433,565	11,009,408
5) Advances	27,493	84,393
Total inventory	*13,465,606*	*15,171,715*
II - Receivables		
1) Due from customers		
- within 12 months	7,157,968	9,486,407
Total Due from customers	*7,157,968*	*9,486,407*
2) due from subsidiary companies		
- within 12 months	6,180,777	7,799,480
Total Due from subsidiary companies	*6,180,777*	*7,799,480*
5-bis) Tax Receivables		
- within 12 months	1,519,121	2,196,843
Total Tax Receivables	*1,519,121*	*2,196,843*
5-ter) Deferred tax assets		
- within 12 months	273,233	105,077
- beyond 12 months	1,592,933	273,646
Total Deferred tax assets	*1,866,166*	*378,723*
5-quater) Due from others		
- within 12 months	113,233	715,412
Total Due from others	*113,233*	*715,412*
Total Receivables	***16,837,265***	***20,576,864***
III - Financial Assets (other than fixed assets)		
5) Derivative financial instrument assets	*3,833*	*11,811*
Total financial assets (other than fixed assets)	***3,833***	***11,811***
IV - Cash and cash equivalents		
1) Bank and postal deposits	2,593,078	6,429,861
3) Cash on hand	19,713	49,533
Total cash and cash equivalents	*2,612,791*	*6,479,394*

C) Totale current assets	**32,919,495**	**42,239,784**
D) Accrued income and prepaid expenses		
Prepaid expenses	964,229	765,693
D) Total accrued income and prepaid expenses	***964,229***	***765,693***
TOTAL ASSETS	**68,850,523**	**75,532,924**
LIABILITIES AND SHAREHOLDERS' EQUITY	**31.12.2020**	**31.12.2019**
A) Shareholders' equity		
I Share capital	10,000,000	10,000,000
II Share premium reserve	9,063,125	9,063,125
III Revaluation reserve	2,959,446	2,959,446
IV Legal reserve	1,108,276	1,108,276
VI Other reserves, indicated separately		
Other reserves	1,751,858	189,187
Total other reserves	*1,751,858*	*189,187*
VII - Cash flow hedge reserve	(21,243)	8,364
VIII Profit (loss) carried forward	21,393,442	28,033,652
IX Profit (loss) for the period	(4,544,205)	(5,077,544)
X Negative reserve for own portfolio shares	(149,915)	(149,915)
Total Equity	***41,560,784***	***46,134,591***
B) Provisions for risks and charges		
1) Provisions for pensions or similar obligations	*62,165*	*59,397*
2) Provisions for taxes, including deferred	741,709	193,042
3) Provisions for derivative financial instrument liabilities	*30,978*	-
4) Other	571,479	1,412,828
Total provisions for risks and charges	***1,406,331***	***1,665,267***
C) Employee termination indemnities	**2,020,841**	**1,809,749**
D) Payables		
4) Payables due to banks		
- within 12 months	4,204,347	8,127,152
- beyond 12 months	10,140,004	6,564,737
Total payables due to banks	*14,344,351*	*14,691,889*
6) Advances		
- within 12 months	302,758	719,059
Total advances	*302,758*	*719,059*
7) Trade payables		
- within 12 months	6,213,397	7,540,878
Total trade payables	*6,213,397*	*7,540,878*
9) Payables to subsidiary companies		
- within 12 months	590,885	565,401
Total payables to subsidiary companies	*590,885*	*565,401*
12) Tax payables		
- within 12 months	417,411	371,547
Total tax payables	*417,411*	*371,547*
13) Payables to pension funds and social security agencies		
- within 12 months	634,852	537,102
Total payables to pension funds and social security funds	*634,852*	*537,102*
14) Other payables		
- within 12 months	971,109	1,107,670
- beyond 12 months	87,804	87,804
Total other payables	*1,058,913*	*1,195,474*
Total payables	***23,562,567***	***25,621,351***
E) Accrued liabilities and deferred income		
Accrued liabilities	0	1,967
Deferred income	300,000	300,000
Total accrued liabilities and deferred income	***300,000***	***301,967***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	***68,850,523***	***75,532,924***

PARENT COMPANY CASH FLOW STATEMENT

INDIRECT METHOD AT 31/12/2020

CASH FLOW STATEMENT CASH AND CASH EQUIVALENTS	31/12/2020	31/12/2019
A) Cash flow from operating activities (indirect method)		
Profit for the period	(4,544,205)	(5,077,544)
Income tax	929,427	(73,931)
Interest expenses/(income)	291,196	285,944
(Dividends)		
(Gains)/losses on asset disposals		(525)
1) Profit for the period before taxes, interest, dividends and capital gains/losses on disposals	**(3,323,582)**	**(4,866,006)**
Non-cash adjustments not impacting working capital		
Provisions	691,047	1,405,025
Amortisation & depreciation	-	2,242,382
Impairments	2,265,328	3,118,732
Adjustments to non-cash financial instrument assets and liabilities	(24,542)	19,547
Other non-cash increases/(decreases)	(1,978,793)	-
Non-cash adjustments not impacting working capital	*953,040*	*6,785,686*
2) Cash flow before working capital changes	**(2,370,542)**	**1,919,680**
Change in net working capital		
Decrease/(Increase) in inventories	1,706,108	22,745
Decrease/(Increase) in trade receivables	2,328,439	1,027,325
Increase/(Decrease) in trade payables	(1,327,481)	(863,938)
Decrease/(Increase) in accrued income and prepaid expenses	(198,536)	(469,570)
Increase/(Decrease) in accrued liabilities and deferred income	(1,967)	265,670
Other Decreases/(Other Increases) in net working capital	(1,536,252)	(1,926,616)
Total changes in net working capital	*970,313*	*(1,944,384)*
3) Cash flow after net working capital changes	**(1,400,230)**	**(24,704)**
Other adjustments		
Interest received/(paid)	(291,196)	(285,994)
(Income taxes paid)		(250,586)
Dividends received		
(Utilisation of provisions)	(590,683)	(385,587)
Other receipts/(payments)		
Total other adjustments	*(881,879)*	*(922,167)*
CASH FLOW FROM OPERATING ACTIVITIES (A)	**(2,282,109)**	**(946,871)**
Tangible fixed assets	(280,545)	(1,444,772)
(Investments)	(286,170)	(1,447,702)
Divestments	5,625	3,455
Intangible fixed assets	(445,253)	(540,845)
(Investments)	(445,253)	(540,845)
Divestments		
Financial fixed assets	(511,159)	(2,849,117)
(Investments)	(511,159)	(2,992,262)
Divestments		143,145
Current financial assets		
(Investments)		
Divestments		
CASH FLOW FROM INVESTING ACTIVITIES (B)	**(1,236,957)**	**(4,834,734)**
Third party funds		
Increase/(Decrease) in short-term bank payables	(3,884,029)	1,989,611
New loans	7,170,295	2,000,000
(Repayment of loans)	(3,633,804)	(2,570,514)
Own funds		
Paid-in share capital increase		
(Repayment of share capital)		
Disposal/(Acquisition) of treasury shares		(149,915)
(Dividends and advances on dividends paid)		
CASH FLOW FROM FINANCING ACTIVITIES (C)	**(347,538)**	**1,269,182**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C)	**(3,866,603)**	**(4,512,423)**
Opening cash and cash equivalents	**6,479,394**	**10,991,817**
Bank and postal deposits	6,429,861	10,938,834
Cheques		
Cash on hand	49,533	52,983
Closing cash and cash equivalents	**2,612,791**	**6,479,394**
Bank and postal deposits	2,593,078	6,429,861
Checks		
Cash on hand	19,713	49,533

EXPLANATORY NOTES

to the Financial Statements

AT 31/12/2020

Introduction

Dear Shareholders,

These financial statements, presented for your examination and approval, report a net loss of Euro 4,544,205.

In accordance with Article 106, paragraph 3 of Legislative Decree No. 18/2020 and subsequent amendments, the extended deadline to approve the financial statements was utilised.

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, 2020 on a going concern basis.

Significant events in the year

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

Subsequent events

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

Accounting policies

These financial statements, comprising the balance sheet, the income statement, the cash flow statement and the explanatory notes, provide a true and fair view of the company financial statements and of the result for the year. The financial statements have been prepared in compliance with the provisions of Articles 2423 ter, 2424, 2424 bis, 2425, 2425 bis and 2425 ter of the Civil Code.

The financial statements are expressed in Euro to the nearest unit. Any rounding differences are indicated in the account "Euro rounding reserve" under Shareholders' Equity. In accordance with Article 2423, sixth paragraph of the Civil Code, the Notes were prepared in units of Euro.

The explanatory notes outline the balance sheet and income statement accounts on the basis of the order in which they appear in the respective financial statements.

The notes and annexes provide additional information that, while not expressly required by applicable legislation, has been deemed useful to providing a complete representation of the Company's situation.

It is noted that:

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

As per Article 2424 there are no asset or liability items that could be classified in more than one account.

The financial statement accounts have been valued in accordance with the general criteria of prudence and accruals and on a going concern basis.

The application of the prudence concept has resulted in the separate measurement of the elements forming each asset and liability account so as to avoid offsetting losses that ought to be recognized in the accounts, and profits that should not be recognized as they have not been realized.

The application of the accruals method of accounting referred to signifies that the effects of Company transactions are recorded in the year to which they in fact relate, as opposed to being recorded simply on a cash basis.

In applying the materiality principle, the obligations in terms of recognition, measurement, presentation and disclosure were not observed where not assisting the presentation of a true and fair view, as is the case for receivables and payables with maturity of less than 12 months.

Consistency in the application of the accounting policies is fundamental to ensure comparable financial statements from year to year.

Recognition and presentation of the accounts was made taking into account the substance of the operations and of the contract.

Fixed assets

Intangible assets
Intangible assets consist of expenditures with a useful life of multiple years, associated with future benefits ensuring that they are recoverable. They are recognized at purchase price, inclusive of the incidental costs directly attributable to the asset. Financial charges and other costs not specifically attributable to the intangible assets are not included.
These refer to:

- Start-up and expansion costs, recognised with the consent of the Board of Statutory Auditors, comprising costs incurred for the AIM listing, are amortised over a period of five years, except for the current year;
- 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, except for the current year;
- The costs of acquiring, registering and protecting trademarks have been amortized on the basis of their future utility, estimated at ten years, except for the current year;
- 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 modernise 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, except for the current year.
Research and development costs are fully expensed to the income statement in the year incurred.
At each reporting date, the company assesses whether indicators suggest that a fixed asset may have been impaired.
Where such indicators exist, the company estimates the recoverable value of the asset (higher between value in use and fair value) and records a write-down where this is lower that the corresponding net book value. In the absence of indicators of potential losses in value it is not necessary to determine the recoverable value. Their original value is recovered, except for goodwill and capitalized expenses, when it is believed that the rationale for the previous impairment loss has ceased to apply, adjusted for the amortization charges not recognized due to impairment. The amortisation, depreciation and write-down methods adopted are described in the present notes.

Property, plant & equipment
Property, plant and equipment, which are tangible assets with useful lives of multiple years from which future benefits are expected to flow, ensuring that they may be recovered, are recognized at purchase cost, inclusive of directly attributable accessory costs, net of presumed residual value.
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.
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.
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 impairment, it is not necessary to determine the recoverable value. If and to the extent in subsequent years the reasons for the write-down no longer exist, the original value is restored, adjusted solely for the depreciation not recognized in view of the write-down.
In the case in which payment is deferred in comparison to normal market conditions, for similar or equivalent operations, the asset is recognised to the financial statements at the present value of future contractual payments.
No assets were discretionarily or voluntarily revalued and the asset values were determined objectively on the basis of their use.
The company, also in view of that outlined in the OIC 9 interpretative document, point 12, utilised the option to suspend amortisation and depreciation for FY 2020, as per Article 60, paragraphs 7-bis to 7-quinquies of Legislative Decree No. 104/2020 (converted by Law No. 126/2020), maintaining their carrying amount, as per the last duly approved annual financial statements, only increased for the acquisitions of the period, in order to ensure an operating and equity representation of the company more in line with its true value and therefore mitigating the negative impact in the net result due to COVID-19 pandemic.
In the following Notes, by individual fixed asset, the amount of suspended depreciation, the influence on the presentation of the equity and financial position and the operating result for the year, the amounts recognised and of the corresponding unavailable reserves are indicated.
It should also be noted that the parent company did not avail of the option to revalue intangible assets, as provided for by Article 110 of Legislative Decree No. 104/2020 (converted by Law No. 126/2020).

Financial assets
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.

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.
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.
Dividends are recognised when the right to the relative receivable arises following the passing of a distribution motion by the investee company. Following this issue, the recoverability of the value is verified.
No dividend was however received during the year.
Receivables are classified as financial fixed assets or to a specific caption of working capital by type. Receivables classified under financial assets are recognised according to their realisable value, therefore the method adopted is the same as that utilised for current receivables. This account also includes receivables for deposits.
In accordance with Italian GAAP standard OIC 20, it was decided to elect not to apply the amortized cost method to securities recognized before the financial year beginning January 1, 2016, nor was this applied to those arising subsequently as the effects are immaterial in order to provide a true and fair view. 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.

Treasury shares
The purchase of treasury shares results in a reduction in shareholders' equity of a similar amount, through the entry of a specific liability in the financial statements.

Capital paid-in
No grants towards operating expenses were disbursed to the Company in 2020.

Finance leases
The Company does not have any finance leases.

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

Inventory
The accounting policies adopted are unchanged from the previous year.
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. 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".

Post-employment benefit provision
This provision represents the Company's actual liability at December 31, 2020 towards employees in service at that date, less any advances paid in accordance with applicable law and labour agreements, taking into account all forms of remuneration of an ongoing nature, less advances disbursed, and is equal to the sum that would have been due to the employees had their employment been severed on the date concerned.
The provision does not include indemnities matured from January 1, 2007, allocated to supplementary pensions as per Legislative Decree No. 252 of December 5, 2005 (or transferred to the INPS treasury fund). The provision is the total of the individual indemnities until December 2016 accruing in favour of employees at the balance sheet date, net of advances paid.
Employee termination indemnities with payment due before December 31, 2020 or by the following year were recorded to the account D.14 of the balance sheet under other payables.
The applicable labour agreement provides that workers with at least eight years' seniority of service may apply to their employer for an advance not to exceed 70% of the benefits to which they would be entitled in the event of severance of employment on the requested date. Such requests are contingent on the employee being required to incur significant expenses for healthcare, the purchase of a first home or themselves or their children, expenses relating to maternity leave or education.

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

Recognition of revenues and costs
Revenues from the sale of products are recognised on the transfer of the related risks and benefits, which normally takes place when the goods are shipped or delivered.
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 recognised on an accruals basis.
The income and charges relating to sales operations with obligation of the return of goods, comprising the difference between the forward price and the spot price, are recorded according to the accruals principle.
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 285,000 to the provision for returned goods in connection with sales transacted in 2020.
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 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 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.

Translation of foreign currency balances
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 unfavourably after the reporting date but before the date of preparation of the financial statements, they are disclosed in the notes where they entail material effects on the accounts.
Exchange gains and losses on the basis of the currency rate at year-end are recognised to account C17bis of the income statement.
The overall amount of net profits as per the income statement includes an unrealised component concerning losses of Euro 241,710.
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 recognised under net equity; the cumulative profits or losses are reversed from net equity and recognised to the income statement in the same period in which the operation subject to hedging influences the income statement; the profit or loss related to a hedge or the part of the hedge becoming ineffective is recognised to the income statement when such inefficacy is recognised.
If hedge accounting cannot be applied, gains or losses deriving from the fair value of the financial derivative instrument are recognised directly in the income statement.
Derivative financial instruments, even if embedded in other financial instruments, are initially recognised when the associated rights and obligations are acquired; they are measured at fair value both at the initial recognition date and at each reporting date. The changes in the fair value compared to the previous year are recorded in the income statement, or if the instrument hedges the risk of changes in expected future cash flows of another financial instrument or scheduled operation, directly to a positive or negative equity reserve.
Derivative financial instruments with a positive fair value were recorded in the balance sheet assets. Their classification in fixed or current assets depends on the nature of the instrument itself:
- a derivative financial instrument designated as a hedge for cash flows or the fair value of an asset follows the classification of the hedged asset under current or fixed assets;
- a derivative financial instrument designated as a hedge for cash flows and the fair value of a liability, a firm commitment or a highly probable scheduled transaction, is classified under current assets;
- a non-hedging derivative financial instrument is classified under current assets.

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

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.
The breakdown of sureties at 31.12.2020 was as follows:
- Surety guarantee in favour of ML Retail for USD 153,240,
- Surety guarantee in favour of BMG Barberino S.r.l. for Euro 38,670,
- Surety guarantee in favour of Gotti Bruno and Lesmo Angela for Euro 22,500,
- Surety guarantee in favour of Toscana Aeroporti spa for Euro 65,000
- Surety guarantee in favour of Barducci Bardo for Euro 131,760,
- Surety guarantee in favour of Serravalle Outlet for Euro 75,804,
- Surety guarantee in favour of VR Milan srl for Euro 53,985,
- Surety guarantee in favour of Dominici Cons socio unico for Euro 165,000,
- Commercial surety in favour of Mazzola Gloria for Euro 50,000,
- Commercial surety in favour of Capri Due Outlet srl for Euro 54,318,
- Commercial surety in favour of Sicily Outlet Village Spa for Euro 28,822,
- Sureties in favour of the Municipality of Arezzo for Euro 5,400,
- Sureties in favour of the Municipality of Arezzo for Euro 13,030,
- Surety guarantee in favour of MGE Noventa for euro 61,722,
- Surety guarantee in favour of ORJIN GAYRIMENKUL MONNALISA BEBEK for euro 40,500,
- Surety guarantee by Bank BPER S.p.A. in the face of letters of credit for foreign suppliers for Euro 1,166,966.

Derogations
There were no exceptional cases requiring exemptions as per Article 2423, paragraph 5 of the Civil Code, with the exception of the matters mentioned above regarding the amortisation and depreciation for the period for the tangible fixed assets.

Explanatory Notes to the Income Statement
For a correct interpretation of the financial statements at December 31, 2020 and consideration of their comparability with the prior year financial statements, it is noted that the emergency arising from the COVID-19 outbreak has made it necessary to adopt specific measures to support operations and workers, with a consequent impact on the documents comprising the financial statements and, in particular, the Income Statement.
In detail, the Company deemed it appropriate:
- to not apply amortisation and depreciation to the fixed assets;
- to avail of the COVID-19 social security supports to offset the drop in demand;
- to apply for specific grants.

Value of production

Description	31/12/2020	31/12/2019	Changes
Revenues from sales	28,504,349	40,791,683	(12,287,334)
Changes in inventories of work in progress, semi-finished goods and finished products	(1,511,025)	45,200	(1,556,225)
Other revenues and income	1,007,653	1,712,057	(704,404)
Total	**28,000,977**	**42,548,939**	**(14,547,962)**

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:

Description	31/12/2020
Sales of goods	100,509
Sales of products	28,403,840
Total	**28,504,349**

Region	31/12/2020
Italy	10,745,129
EU	8,431,133
REST OF THE WORLD	9,328,087
Total	**28,504,349**

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	€ 37,724	Photovoltaic Incentive
Regione Toscana	€ 7,800	Training Incentive
Ministero Sviluppo Economico	€ 176,822	Research and development tax credit
Ministero Sviluppo Economico	€ 95,394	Rents tax credit
Ministero Sviluppo Economico	€ 10,273	Sanitation tax credit

Other revenues

Other revenues, presented in account A 5), mainly comprised for Euro 176,822 the operating grant for the Research and Development Tax Credit introduced by Article 3 of Legislative Decree No. 145 of 23.12.2013, as replaced by Article I, paragraph 35, Law No. 190/2014 of the 2015 Stability Law. The tax break relates to the expenses incurred for research and development.

Grants of Euro 115,268 were recognised in terms of the tax breaks introduced in 2020 as a result of the COVID-19 emergency; mainly related to the Lease Fees LD 34/2020 Tax Credit of Euro 95,395 and the Sanitation and PPE LD 34/2020 Tax Credit for Euro 10,273.

In April 2019, the Ministry for Economic Development also approved in favour of Monnalisa S.p.A. the AIM listing contribution, in the form of a tax credit for Euro 500,000 (maximum permitted aid).The grant follows a period of amortisation of 5 years of the assets to which it refers. Given that the company opted during the year to suspend amortisation and depreciation (as previously mentioned), the relative portion of the grant was also deferred.

Costs of Production

Description	31/12/2020	31/12/2019	Changes
Raw materials, consumables and goods	10,371,881	14,393,905	(4,022,024)
Services	10,281,516	14,865,300	(4,583,784)
Use of third-party assets	2,489,456	2,684,070	(194,614)
Personnel costs	7,073,830	8,997,602	(1,923,772)
Amortisation	-	671,695	(671,695)
Depreciation	-	1,570,687	(1,570,687)
Write-downs of current receivables	502,274	130,314	371,960
Change in inventories of raw materials	138,184	70,240	67,944
Other operating costs	311,667	373,304	(61,637)
Total	**31,168,808**	**43,757,117**	**(12,588,309)**

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 recognised according to the revenue matching principle.

This item includes the costs required to produce the goods involved in core business activity.

The costs of purchasing goods are taken to the income statement when the goods are delivered.

Revenues and income, and costs and charges are recorded net of returns, discounts, rebates and premiums.

Service costs

Service costs are recognised to the Income Statement on completion.

The breakdown of the account is as follows:

Description	31/12/2020	31/12/2019	Changes
Production services costs	3.094.485	4.625.462	(1.530.977)
Independent auditors', Board of Statutory Auditors' and Board of Directors' emoluments	452.956	595.344	(142.388)
Cleaning and security	169.603	198.965	(29.362)
Maintenance	445.430	610.686	(165.256)
Transport	1.750.574	2.360.086	(609.512)
Utilities and postal expenses	274.782	307.670	(32.888)
Travel and transfer	55.522	243.308	(187.786)
Marketing and advertising	869.403	726.825	142.578
Canteen	35.430	149.826	(114.396)
Exhibits, fairs and fashion shows	285.746	563.721	(277.975)
Technical, administrative, indus. and commercial consultancy	1.547.178	2.584.050	(1.036.872)
Training courses	8.853	24.669	(15.816)
Agent costs	384.081	855.162	(471.081)
POA Commissions	107.361	299.838	(192.478)
Factoring fee	129.709	92.650	37.059
Sanification costs	63.771	0	63.771
Insurance	164.476	175.274	(10.798)
Others	442.158	451.763	(9.605)
Total	**10.281.516**	**14.865.300**	**(4.583.783)**

Service costs include:

- Façon costs (sewing, ironing, embroidery, printing & other services) for Euro 3,094,485
- costs of Agents and Representatives for Euro 384,081
- national and local advertising for Euro 869,403
- national and local fashion shows and events for Euro 285,746
- technical, industrial, administrative and commercial consultancy for Euro 1,547,178

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 412,534 and lease charges and condominium expenses for Euro 1,734,457, decreasing approx. Euro 57,647 on 2019. The increased costs related to the new openings in the year were offset by decreases in rental charges agreed with the lessors, due to the temporary closures imposed by the decrees to handle the health emergency.

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 movement on the previous year is due to the company policies outlined previously in the Directors' Report and essentially concerning the utilisation of the Temporary Lay-off Scheme in order to handle the closures required by the decrees issued.

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

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

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

Amortisation and depreciation/write-downs

As previously indicated, the Company, also as an exception to Article 2426, first paragraph, No. 2) of the Civil Code, utilised the option in these financial statements to not apply amortisation and depreciation of the annual cost of tangible and intangible assets, maintaining their carrying amount, as per the last duly approved financial statements, only increased for the acquisitions of the period; permitted in view of the economic situation emerging as a result of the COVID-19 outbreak.

The amortisation and depreciation for 2020 not recognised to the individual tangible and intangible categories were the following:

- Euro 754,297 concerning intangible assets;
- Euro 1,592,136 concerning tangible assets.

Such was not recognised following an assessment of the recoverability of the portions on conclusion of the original amortisation and depreciation schedule.

The impact on the net result was Euro 2,346,433, before deferred tax liabilities of Euro 646,156, for a net positive impact of Euro 1,700,277.

Other operating charges

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

- Taxes and levies (property and waste disposal taxes) for Euro 161,544
- Miscellaneous administrative expenses for Euro 11,756

Financial income and charges

The figure for the year includes financial income of Euro 73,059, interest expense and other financial charges of Euro 364,255 and foreign exchange losses of Euro 543.562, with the following changes compared to the previous year:

Description	31/12/2020	31/12/2019	Changes
Interest income on bonds	30,000	30,000	-
Bank interest income	34,259	8,695	25,564
Other interest income	8,800	48,864	(40,064)
Total Interest income	**73,059**	**87,559**	**(14,500)**
Bank financial interests	(199,112)	(139,831)	(59,281)
Other financial interests	(165,143)	(233,722)	68,579
Total financial interests	**(364,255)**	**(373,553)**	**9,298**
Exchange gains	179,222	391,089	(211,867)
Exchange losses	(722,784)	(168,882)	(553,902)
Total Exchange gains/Losses	**(543,562)**	**222,207**	**(765,769)**

Of the total amount of the net loss recorded in the income statement the unrealised amount is Euro 241,710.

Write-downs

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

Description	31/12/2020	31/12/2019	Changes
Write-downs of financial derivative instruments	19,744	17,125	2,619
Write-downs of equity investments	1,451,299	3,862,385	(2,411,086)
Total	**1,471,043**	**3,879,510**	**(2,408,467)**

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

Description	31/12/2020	31/12/2019	Changes
Current income taxes:	**0**	**0**	**0**
IRES	0	0	0
IRAP	0	0	0
Deferred tax charges/(income):	**(929,426)**	**(73,931)**	**(855,495)**
IRES	(1,013,156)	(64,749)	(948,407)
IRAP	83,730	(9,182)	92,912
Total	**(929,426)**	**(73,931)**	**(855,495)**

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 tax liabilities 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 over a time period compatible with the period implied in management's estimates.
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	31/12/2020 Amount IRES temporary differences	31/12/2020 IRES tax result	31/12/2020 Amount IRAP temporary differences	31/12/2020 IRAP tax result	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
Deferred tax assets:								
Amortization Brands	(1,848)	(443)	(1,613)	(63)	(2,183)	(524)	(1,905)	(74)
Amortization Goodwill	12,818	3,076	12,795	499	12,818	3,076	12,795	499
Provision for risk	(27,320)	(6,556)	(27,320)	(1,065)	68,320	16,397	68,307	2,664
Consultancy					(10,658)	(2,558)	(10,641)	(415)
Downs receivables 2019	(114,338)	(27,441)	0	0	35,088	8,421		
Downs receivables 2020	465,717	111,772	0	0				
ISC Provision					5,596	1,343	5,589	218
Exchange rate losses	232,820	55,877	0	0	(19,109)	(4,586)		
Administrator compensation	15,600	3,744	15,600	608	(8,321)	(1,997)	(8,307)	(324)
Loss for the period	5,583,333	1,340,000	0	0				
Total	**6,166,782**	**1,480,029**	**(538)**	**(21)**	**81,551**	**19,572**	**65,838**	**2,568**
Deferred tax liabilities:								
Business unit disposal					(54,110)	(12,987)		
Disposal of fixed assets	(169,592)	(40,702)	(169,592)	(6,614)	(169,592)	(40,702)	(169,592)	(6,614)
Suspended depreciation	2,315,971	555,833	2,315,971	90,323				
Exchange rate gains	(201,075)	(48,258)	0	0	35,466	8,512		
Total	**1,945,304**	**466,873**	**2,146,379**	**83,709**	**(188,236)**	**(45,177)**	**(169,592)**	**(6,614)**
DEFERRED TAX ASSETS AND LIABILITIES		(1,013,156)		83,730		(64,749)		(9,182)

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.
In accordance with Italian GAAP standard OIC 25, the Group 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.
Refer to the table here below for the detail of the account:

Deferred tax income and charges recognised to the income statement	31/12/2020	31/12/2019
Amortisation of brands	506	598
Amortisation of goodwill	(3,575)	(3,575)
Risks provision	7,621	(19,061)
Bad debts provision	(84,331)	(8,421)
Subsidiary tax losses carried forward	(1,340,000)	-
Other	(60,229)	8,319
Deferred tax income	**(1,480,008)**	**(22,140)**
Business unit disposal	0	(12,987)
Disposal of fixed assets	(47,316)	(47,316)
Suspended depreciation	646,156	0
Other	(48,258)	8,512
Deferred tax charges	**550,582**	**(51,791)**
Deferred tax charges/(income)	**(929,426)**	**(73,931)**

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	31/12/2019	Increases	Decreases	Other changes	Amortisation	31/12/2020
Set-up and expansion costs	801,718					801,718
Industrial patents	292,352	336,914				629,266
Goodwill	816,599					816,599
Assets in progress and advances						
Other	606,479	108,339				714,818
Total	**2,517,147**	**445,253**	**(5.572)**			**2,962,400**

The costs recorded are reasonably correlated to their future use, and are amortised on a straight-line basis in relation to their future residual utility.
The increase in "Industrial patent rights" is due to the investments made by the company to develop the e-commerce site.
The item "Other" primarily includes the costs of leasehold improvements, amortized according to the term of the lease. The increases during the year are mainly 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.
Taking into account the extraordinary nature of the impacts caused by the consequences of Covid-19, the directors believe that there are no impairments in the value of intangible assets.
Under the provisions introduced by Article 60, paragraphs 7-bis to 7-quinquies of Legislative Decree No. 104/2020 (converted by Law No. 126/2020), the Company decided not to recognise to the income statement the portions of amortisation and depreciation for 2020 concerning the following categories of assets, for the following amounts:

Intangible assets	Amount
1) Set-up and expansion costs	267,239
3) Industrial patents	161,736
5) Goodwill	134,569
6) Assets in progress and advances	190,753
Total	**754,297**

Such was not recognised following a close assessment of the recoverability of the portions on conclusion of the original amortisation and depreciation schedule.
The impact on the net result, net of deferred taxes, was Euro 550,711.

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

Description	31/12/2019	Increases	Decreases	Other changes	Amortisa-tion	31/12/2020
Land and buildings	10,991,664	7,210				10,998,874
Plant and machinery	3,614,796	53,612	(5,625)			3,662,783
Industrial and commercial equipment	49,961	500				50,461
Other assets	2,533,885	224,849		5,400		2,764,134
Assets in progress and advances	5,400			(5,400)		
Total	**17,195,707**	**286,171**	**(5,625)**	**0**		**17,476,253**

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 2020 new openings and the upgrades to existing stores.
Taking into account the extraordinary nature of the impacts caused by the consequences of Covid-19, the directors believe that there are no impairments in the value of intangible assets.
Under the provisions introduced by Article 60, paragraphs 7-bis to 7-quinquies of Legislative Decree No. 104/2020 (converted by Law No. 126/2020), the company decided not to recognise to the income statement the portions of amortisation and depreciation for 2020 concerning the following categories of assets, for the following amounts:

Tangible assets	Amount
Land and buildings	293,656
Plant and machinery	726,269
Industrial and commercial equipment	16,863
Other assets	555,348
Total	**1,592,136**

Such was not recognised following a close assessment of the recoverability of the portions on conclusion of the original amortisation and depreciation schedule.
The impact on the net result, net of deferred taxes, was Euro 1,149,566.

Write-downs and revaluations in 2020
No write-downs or revaluations were made in the period. Management considers that at December 31, 2020 no indicators of impairment from internal or external sources exist with regards to the value of tangible assets.

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 utilising the option to apply for tax purposes, in addition, the higher revalued amount, through settlement of the IRES and IRAP substitution tax.
In accordance with Article 10 Law No. 72/1983, the following tangible assets upon which monetary revaluations were made were recognised to the company's financial statements at 31/12/2020.
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.

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

Finance leases
The Company does not have any finance leases.

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

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	5,607,869	8,624	5,774,411	223,689	1,200,000
Value at the beginning of the year	**5,607,869**	**8,624**	**5,774,411**	**223,689**	**1,200,000**
Increases	438,876		638,452	42,758	
Reclassification	5,984,084		(3,119,224)		
Decreases				(6,067)	
Other movements	(923,653)				
Write off	(1,341,675)				
Value at the end of the year	**9,765,502**	**8,624**	**3,293,639**	**260,380**	**1,200,000**

The changes in the year were as follows:

- "Increases" for euro 438,876 are related to the establishment of (euro 413,376) and Monnalisa San Marino (euro 25,500);
- Reclassification of the period for euro 5,984,084 are related to the debts waiver made by the shareholder Monnalisa S.p.A. in 2020 in favour of the subsidiaries ML RETAIL, Monnalisa Brazil and Monnalisa Hong Kong; the debts waiver concerned both financial and trade receivables.This operation has determined a consequent increase in the shareholders' equity of the three subsidiaries;
- "Other movements" amounted to euro 923,653 are related to the utilization of risk provisions accrued in the previous year 2019 for the subsidiaries Monnalisa Korea (euro 180,000), ML Retail (79,409) and Monnalisa Brazil (euro 664,244);
- "Write off" for the period for euro 1,341,675 recognized in view of the results from the impairment analysis as specified above in the document.

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 owns two mono-brand stores, following the closure of a sales point during the year;

Monnalisa Russia Llc: incorporated on January 14, 2016 with the aim of increasing the efficiency of management of the local wholesale market and entry into the retail market through the direct opening of monobrand stores. At year-end, the subsidiary manages 5 stores (3 DOS and 2 DOO); The subsidiary is held 99.99%;

Monnalisa China Ltd: incorporated on February 17, 2016, with registered office in Shanghai and wholly-owned by Monnalisa S.p.A. The company was established to develop the local retail market through the opening of monobrand stores in the best-known malls in Shanghai, Beijing and other major cities. Two low-traffic stores (Shenzen MIXC and Shanghai Florentia Village) were closed in 2020. In addition to the retail channel, which at the end of the year managed nine sales points, the company since 2018 has operated also through the B2C distribution channel;

ML Retail Usa, Inc.: incorporated on September 22, 2016, wholly-owned by Monnalisa S.p.A., managing local retail operations. The company manages 5 direct stores;

Monnalisa Korea Ltd: incorporated in December 2016, wholly-owned by Monnalisa S.p.A. The company is temporarily inactive;

Monnalisa Brazil Participasoes Ltda: incorporated on December 22, 2016 to manage retail market operations in Brazil. All company sales points were closed down in the year: one sales point (Recife) in January 2020 and the other three in September 2020;

Monnalisa Bebek Giyim Sanayi ve Ticaret A.Ş.: incorporated on December 12, 2018, based in Turkey and fully owned by Monnalisa S.p.A., set up to develop the local retail market. At the end of year, the company closed the sales point at Istanbul airport, ahead of the opening of the new sales point at Istinye Park (opened in January 2021);

Monnalisa UK Ltd: incorporated in January 2019, with registered office in London, to manage a concession at Harrods. The company is a 100% subsidiary of Monnalisa Spa;

Monnalisa International Limited: incorporated in May 2019, based in Taiwan and wholly-owned by Monnalisa S.p.A., to develop the local retail market, with a store in the city of Taipei opened in September 2020;

Monnalisa Japan Co Ltd: wholly-owned by Monnalisa Spa. The company incorporated in 2019 was set up to develop the local retail market from 2020. During the year, the company managed two temporary stores;

Monnalisa Singapore Ltd: wholly-owned by Monnalisa Spa. The company in the second half of 2020 opened a new sales point at Marina Bay Sands;

Monnalisa San Marino S.r.l.: held 100% to develop the local retail market; the company, incorporated in December 2020, was still inactive at the reporting date.

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.

Company	Share capital in EURO	Profit (loss) for the period in EURO	Equity in EURO	Shared owned in EURO	Shared owned in %	Book value	Differnce between shared owned and book value
Monnalisa Hk Limited	500,000	(844,866)	(1,012,276)	(1,012,276)	100%	600,000	(1,612,276)
Monnalisa Cina	4,800,000	(628,101)	(237,122)	(237,122)	100%	3,134,036	(3,371,158)
Monnalisarusllc	592,679	(193,767)	1,161,526	1,161,410	99.99%	592,678	568,732
Ml Retail Usa Inc	591,156	(1,399,394)	(470,662)	(470,662)	100%	3,982,293	(4,452,955)
Monnalisa Korea Ltd	81,000	(66,494)	12,887	12,887	100%	-	-
Monnalisa Brasil	505,087	(671,626)	(238,039)	(235,658)	99%	-	(235,658)
Monnalisa Turchia	1,215,434	(423,808)	191,684	191,684	100%	571,322	(379,638)
Monnalisa Giappone	8,189	(70,519)	(59,985)	(59,985)	100%	8,189	(68,174)
Monnalisa Taiwan	202,731	(136,822)	8,928	8,928	100%	202,731	(193,803)
Monnalisa Uk Limited	235,377	(196,825)	73,180	73,180	100%	235,377	(162,197)
Monnalisa Singapore	413,376	(111,772)	261,509	261,509	100%	413,376	(151,867)
Monnalisa San Marino	25.500	-	25,500	25,500	100%	25,500	-

With regards to the investment in Monnalisa Bebek GİYİM SANAYİ VE TİCARET A.Ş, the share capital has not been fully paid-in, recognising therefore a payable to the subsidiary of Euro 112,475 at 31.12.2020.
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 testing 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 normalised 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 2021, prepared and approved by the Board of Directors, and for the following four years (2022 and 2025), 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 effects of the new coronavirus known as COVID-19, in particular those on financial year 2021.
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 "g"	WACC
Monnalisa China LLC	5.50%	8.40%
ML Retail USA Inc.	1.80%	6.00%
Monnalisa Hong Kong	2.90%	6.50%

In view of the results from the impairment analysis, it was decided not to write-down in the current year 2020 the investments of Monnalisa Hong Kong and Monnalisa China and however to write-down the investment in the US subsidiary ML Retail USA for Euro 371,246.
For the subsidiary Monnalisa Brazil, Euro 666,576 was recognised to the Equity Investments Write-down Provision. Following this accrual, the book value of the equity investment in the Brazilian subsidiary is totally write-off. In addition, Euro 109,624 was recognised as Equity Investments Risks Provision in order to cover any losses that could be handled by the shareholder Monnalisa S.p.A. with reference to the subsidiary.
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 Korea and Monnalisa Turkey in line with the relative shares of net equity held. This result was obtained for Monnalisa Turkey, accruing Euro 282,536 to the equity investments write-down provision and, in the case of Monnalisa Korea, currently inactive, recognising Euro 130,941 as a write-down on the investment.

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 2021-2025 period. Any negative changes to the underlying assumptions may result in further impairments.

Non-current investments in other companies
The breakdown of investments in other companies is shown below.The other investments are recorded at purchase or subscription cost and 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 PRATACC	500	500
CONSORZIO TOSCANA LOFT	1,300	1,300
FONDAZIONE MADE IN RUSSEL	5,000	5,000
Total	8,624	8,624

Changes and maturity of non-current receivables
No long-term receivables of an amount greater than their fair value are recognised to the financial statements.
In accordance with Italian GAAP standard OIC 20, in view of the fact that the loans are mainly short-term and/or with zero or insignificant settlement costs, it was decided to elect not to apply the amortized cost method to receivables recognized before the financial year beginning January 1, 2016, while application of this criterion was considered irrelevant for those arising subsequently.
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	5,774,411	223,689	5,998,100
Changes in the year	(2,480,772)	36,691	(2,444,081)
Closing balance	3,293,639	260,380	3,554,019

The account comprises:
- Interest-bearing Monnalisa Hong Kong loan: Euro 100,000
- Interest-bearing Monnalisa ML Retail loan: Euro 391.700
- Interest-bearing Monnalisa Japan loan: Euro 80,000
- Interest-bearing Monnalisa Taiwan loan: Euro 50,000
- Trade receivables ML Retail: Euro 868,675
- Trade receivables Monnalisa China: Euro 1,803,264
- Director leaving indemnity policy: Euro 57,500
- Guarantee deposits: Euro 202,880

This item includes for Euro 2,671,939 trade receivables collectible in the short-term and subsequently converted into long-term receivables on the basis of the extended payment terms permitted.

Breakdown of non-current receivables by region
The regional breakdown of receivables at 31/12/2020 is reported in the table below as follows:

Description	Non-current receivables from subsidiaries	Non-current receivables from others	Total non-current receivables
Italy		144,763	144,763
EU		115,313	115,313
REST OF THE WORLD	3,293,639	304	3,293,943

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 recognised to the financial statements.

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

Description	31/12/2020	31/12/2019	Changes
Other securities	1,200,000	1,200,000	0

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
Inventories amounted to Euro 13,465,606 at December 31, 2020.The following table shows the breakdown and changes with respect to the comparative year:

Description	31/12/2020	31/12/2019	Changes
Raw material, ancillaries and consumables	2,198,822	2,343,643	(144,821)
Work-in-progress and semi-finished products	805,726	1,734,271	(928,545)
Finished products and goods	10,433,565	11,009,408	(575,843)
Advances	27,493	84,393	(56,900)
Total	13,465,606	15,171,715	(1,706,109)

The movement in inventories reflects the expected value estimates, based on the sales capacity through the usual distribution channels. This resulted in a prudent extraordinary adjustment of the amounts for a total of Euro 1.8 million, so as to align the total with the market realisable value, impacted by the ongoing health emergency.

Current receivables

Changes and maturity of current receivables

Description	31/12/2019	Changes	31/12/2020	Due within one year
Current trade receivables	9,486,407	(2,328,439)	7,157,968	7,157,968
Current receivables from subsidiaries	7,799,840	(1,619,063)	6,180,777	6,180,777
Current tax receivables	2,196,843	(677,722)	1,519,121	1,519,121
Current deferred tax assets	378,723	1,487,443	1,866,166	273,233
Current other receivables	715,412	(602,179)	113,233	113,233
Total	20,577,225	(3,739,960)	16,837,265	15,244,332

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

Description	Total
Balance at 31/12/2019	846,499
Utilisation in the period	(114,339)
Provisions	502,274
Balance at 31/12/2020	1,234,434

In view of the economic emergency resulting from the health emergency, the Directors prudently made an extraordinary accrual to the Doubtful Debt Provision in order to cover the expected receivable impairments.
Receivables from subsidiaries are related to the supply relationships between Monnalisa S.p.A. and the other companies falling within the scope of consolidation.
The item "Tax receivables" primarily consists of VAT receivables of approximately Euro 494 thousand, the research and development tax credit of Euro 177 thousand, tax receivables of Euro 120 thousand related to local lay-off scheme for COVID-19 and Euro 668 thousand related to tax down payment.
For a breakdown on the movements in the "Deferred tax assets" item, reference should be made to the "Deferred tax assets/liabilities" paragraph. Here below a detail of the account:

Deferred tax income and charges recognised to balance sheet	2020			2019		
	IRES	IRAP	Total	IRES	IRAP	Total
Amortisation of brands	127,397	20,455	147,852	124,762	20,020	144,782
Bad debts provision	223,940		223,940	139,616		139,616
Agents indemnity provision	4,348	706	5,054	4,348	705	5,053
Subsidiary tax losses carried forward	1,340,000		1,340,000			
Risks provision	68,400	11,115	79,515	74,957	12,180	87,137
Loss exchanges provision	58,010		58,010	2,133		2,133
Board of Directors's fees	3,744	608	4,352			
Derivative	7,435		7,435			
Deferred tax assets	1,833,274	32,884	1,866,158	345,816	32,905	378,721
Business unit disposal	81,404	13,228	94,632	122,107	19,842	141,949
Derivative	919		919	2,834		2,834
Ammortisation	555,833	90,323	646,156	48,258		48,258
Deferred tax liabilities	638,156	103,551	741,707	173,199	19,842	193,042

Breakdown of current receivables by region

The regional breakdown of receivables at 31/12/2020 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	4,951,808		1,511,345	1,866,166	111,580	**8,440,899**
EU	1,305,864	128,844	7,776	-	1,133	**1,443,617**
REST OF THE WORLD	2,134,730	6,051,933			520	**8,187,183**
Bad debts provision	(1,234,434)					**(1,234,434)**
Total	**7,157,968**	**6,180,777**	**1,519,121**	**1,866,166**	**113,233**	**16,837,265**

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	31/12/2019	Changes	31/12/2020
Current derivative financial instruments - Assets	11,811	7,978	3,833
Total	**11,811**	**7,978**	**3,833**

For further details, reference should be made to the "Information relating to the fair value of derivative financial instruments" section

Cash and cash equivalents

Description	31/12/2019	Changes	31/12/2020
Bank and postal deposits	6,429,861	(3,836,783)	2,593,078
Cash on hand	49,533	(29,820)	19,713
Total	**6,479,394**	**(3,866,603)**	**2,612,791**

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

Prepaid expenses and accrued income

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

Description	31/12/2020	31/12/2019	Changes
Maintenance fees	104,457	92,204	12,253
Rental	672,619	448,133	224,486
Derivatives	83,375	100,500	(17,125)
Hire	31,865	36,867	(5,002)
Insurance	6,809	14,895	(8,086)
Consulting	4,929	11,785	(6,856)
Others	60,175	61,308	(1,133)
Total	**964,229**	**765,693**	**198,536**

At 31.12.2020, there are no accrued income and prepayments over five years. A breakdown is provided below:

Description	Beyond 5 years
Derivatives	13,375
Flat-rate tax	12,000
Rental	335,790
Total	**361,165**

LIABILITIES

Shareholders' Equity

Description	Opening balance	Allocation of previous year result Altre Changes		Other changes		Profit/(loss) for the year	Value at year-end
		Dividends allocated	Others allocation	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	1,108,276						1,108,276
Other reserves	189,187		1,562,666	5			1,751,858
Cash flow hedge reserve	8,364				(29,607)		(21,243)
Negative reserve for own portfolio shares	(149,915)						(149,915)
Retained earnings	28,033,652		(6,640,210)				21,393,442
Net profit (loss) for the year	(5,077,544)		5,077,544			(4,544,205)	(4,544,205)
Total	**46,134,591**	**0**	**0**	**5**	**(29,607)**	**(4,544,205)**	**41,560,784**

Availability and utilisation of shareholders' equity

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

Description	Amount	Possibility of utilisation	Quota available
Share capital	10,000,000	B	-
Share premium reserve	9,063,125	A,B,C,D	-
Revaluation reserve	2,959,446	A,B,C,D	2,959,446
Legal reserve	1,108,276	A,B	-
Other reserves			
Non-distributable amount for sospended depreciation as per article 2426*	1,700,277	A,B,C,D	1,700,277
Provision as per Law 28/1977	51,576	A,B,C,D	51,576
Rounding	5	A,B,C,D	-
Total Other reserve	1,751,858		-
Cash flow hedge reserve	(21,243)	A,B,C,D	-
Retained earnings	21,393,442	A,B,C,D	21,393,442
Total	**46,254,904**		**26,104,746**
Non-distributable amount			6,467,216
Residual distributable amount			19,637,530

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

*This reserve is composed by profit/(loss) carried forward accrued as mandatory unavailable reserve pursuant to art. 60, paragraph 7-ter of Law Decree 104/2020 converted into Law 126/2020.

Changes in cash flow hedge reserve

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

Description	Cash flow hedge reserve
Opening balance	**8,364**
Increases due to fair value changes	(29,607)
Closing balance	**(21,243)**

Formation and utilisation of the equity accounts

Description	Share capital	Legal reserve	Reserve	Net Result	Total
At the beginning of the previous year	10,000,000	943,276	37,164,312	3,290,556	51,398,114
Other changes		165,000	3,125,556	(3,290,556)	
- Increases					
- Decreases			(185,979)		(185,979)
Prior year result				(5,077,544)	(5,077,544)
At the end of the previous year	**10,000,000**	**1,108,276**	**40,103,859**	**(5,077,544)**	**46,134,591**
- Increases			(5,077,544)	5,077,544	
- Decreases			(29,602)		(29,602)
Prior year result				(4,544,205)	(4,544,205)
At the end of the year	**10,000,000**	**1,108,276**	**34,996,713**	**(4,544,205)**	**41,560,784**

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

- Euro 9,063,125, as share premium reserve recognised on the share capital increase following the listing process,
- reserves or other provisions which in the event of distribution form assessable income of the company comprise the Provision as per Law 28/77 for Euro 51,575;
- Non-distributable reserves for Euro 1,700,277, Article 60, paragraph 7-bis, LD 101/2020,
- Negative Cash flow hedge reserve for Euro 21,243 and negative reserve for treasury shares in portfolio for Euro 149,915.

Provisions for risks and charges

Description	31/12/2019	Provisions	Utilisation in the year	31/12/2020
Pensions and similar obligations	59,397	6,773	(4,005)	62,165
Provision for taxation, including deferred tax liabilities	193,042	647,076	(98,409)	741,709
Derivative financial instruments - liabilities	-	30,978	-	30,978
Other provisions	1,412,828	394,624	(1,235,973)	571,479
Total	**1,665,267**	**1,079,451**	**(1,338,387)**	**1,406,331**

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 62,165;
- 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 285,000, set up in accordance with the joint application of the prudence and matching principles, given that the goods are returned by the preparation date of the financial statements and result in a contraction in revenues:
- to the losses coverage reserve provision of investees for Euro 109,624 related to the Brazilian subsidiary, as stated previously.

Tax provisions also include Deferred tax liabilities of Euro 741,709 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	31/12/2019	Provisions	Utilisation in the year	31/12/2020
Post-employment benefit provision	1,809,749	258,672	(47,580)	2,020,841

This provision represents the Company's actual liability at December 31, 2020 towards employees in service at that date, less any advances paid in accordance with applicable law and labour agreements, taking into account all forms of remuneration of an ongoing nature, less advances disbursed, and is equal to the sum that would have been due to the employees had their employment been severed on the date concerned. The provision does not include indemnities matured from January 1, 2008, allocated to supplementary pensions as per Legislative Decree No. 252 of December 5, 2005 (or transferred to the INPS treasury fund). The provision is the total of the individual indemnities until December 31, 2006 accruing in favour of employees at the balance sheet date, net of advances paid.
Employee termination indemnities with payment due before December 31, 2020 or by the following year were recorded to the account D.14 of the balance sheet under other payables.
The applicable labour agreement provides that workers with at least eight years' seniority of service may apply to their employer for an advance not to exceed 70% of the benefits to which they would be entitled in the event of severance of employment on the requested date. Such requests are contingent on the employee being required to incur significant expenses for healthcare, the purchase of a first home or themselves or their children, expenses relating to maternity leave or education. Where possible, Monnalisa provides an advance to all those requesting post-employment benefits, also in higher percentages.

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

Description	Opening balance	Changes in the year	Closing balance	Due within one year	Due beyond one year
Bank payables	14,691,889	(347,538)	14,344,351	4,204,347	10,140,004
Advances	719,059	(416,301)	302,758	302,758	
Supplier payables	7,540,878	(1,327,481)	6,213,397	6,213,397	
Payable to subsidiaries	565,401	25,484	590,885	590,885	
Tax payables	371,547	45,864	417,411	417,411	
Payables to social security institutions	537,102	97,750	634,852	634,852	
Other payables	1,195,474	(136,561)	1,058,913	971,109	87,804
Total	**25,621,351**	**(2,123,857)**	**23,562,567**	**13,334,759**	**10,227,808**

In detail:
- "Bank payables": including loans and reflecting the effective debt in terms of principal, interest and other accessory charges matured and due at 31.12.2020. As a result of the COVID-19 emergency, the legislature introduced financial support measures during the year benefitting the company (including the moratorium on loans and the drawdown of a number of M/L loans with MCC guarantees); new loans were drawn down for Euro 7,170,000, with Euro 2,500,000 used to settle outstanding loans, thereby extending the repayment plans;
- "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 417,411 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 2021;
- "payables to subsidiaries" comprise the share capital subscribed and not yet paid-in at year-end of Monnalisa Turkey for a residual Euro 112,475 and Monnalisa San Marino srl for Euro 25,500, in addition to fees due for services provided to the parent company for Euro 452,910;
- "payables to social security institutions" concern those matured on closure of the month of December and duly settled in 2021;
- "other payables" mostly concern accrued commissions payable to agents, deferred amounts and additional months payable to employees of Euro 768,956, duly settled in 2021, 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.

Breakdown of payables by region
The regional breakdown of payables at 31/12/2020 is as follows:

Payables	Bank payables	Advances	Supplier payables	Payable to subsidiaries	Tax payables	Payables to social security institutions	Other payables	Total
Italy	14,344,351	8,720	4,941,214		372,775	617,456	1,018,841	**21,303,357**
Europe	-	188,336	281,984	25,500	44,636	17,396	400,72	**597,924**
Rest of the word	-	105,702	990,199	565,385	-	-	-	**1,661,286**
Total	**14,344,351**	**302,758**	**6,213,397**	**590,885**	**417,411**	**634,852**	**1,058,913**	**23,562,567**

Accrued liabilities and 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.
A breakdown follows:

Description	31/12/2020
"AIM" Contribution	300,000
Total	**300,000**

The account includes for Euro 300,000 the deferred income on the AIM contribution recognised in 2019 by the Ministry for Economic Development approved in favour of Monnalisa S.p.A. for the AIM listing, in the form of a tax credit for Euro 500,000 (maximum permitted aid). In this regard, reference should be made to that stated previously.
There are no accrued liabilities and deferred income at 31/12/2020 with a duration of more than five years.

Other information

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

Workforce	31/12/2020	31/12/2019	Changes
Executives	3	3	0
Managers	4	4	0
White-collar workers	156	159	(3)
Blue-collar workers	34	37	(3)
Total	**197**	**203**	**(6)**

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, four in France, four in Belgium, and nine in Spain, all hired under local law labour contracts.

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.

Category	Fees 2020
Directors	321,199
Board of Statutory Auditors	43,680
Total	**364,879**

The Chairman and Chief Executive Officer announced the partial waiver of their remuneration for the current year, with a total reduction of Euro 175,000.

Independent auditors' fees
Reference should be made to the notes to the statutory financial statements.

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, 2020 with financial counterparties comprise:

Interest Rate Cap (1)	
Contract ID	**111365300**
Date of the operation	27/10/2017
Counterparty	Unicredit S.p.A.
Maturity Date	29/10/2021
Notional Amount	507,139 euro
Premium	15,000 euro
Bank Parameter Rate	Euribor 3 months
Client Parameter Rate	Euribor 3 months
Rate Cap	0%

At 31/12/20, the mark to market of the transaction was Euro +0.89.

Interest Rate Cap (2)	
Contract ID	**23950927**
Date of the operation	27/12/2018
Counterparty	Unicredit S.p.A.
Maturity Date	31/12/2026
Notional Amount	3,947,368 euro
Premium	107,000 euro
Bank Parameter Rate	Euribor 6 months
Client Parameter Rate	Euribor 6 months
Rate Cap	1%

At 31/12/20, the mark to market of the transaction was Euro +3,832.03.

Interest Rate Swap	
Contract ID	**26966309**
Date of the operation	22/09/2020
Counterparty	Unicredit S.p.A.
Maturity Date	30/09/2025
Notional Amount	3,575,000 euro
Premium	0
Bank Parameter Rate	Euribor 3 months
Client Parameter Rate	Euribor 3 months
Rate Cap	-0,20%

At 31/12/20, the mark to market of the transaction was Euro -30,978.43.

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.

	31/12/19
A) Subscribed capital unpaid	
B) Fixed Assets	6,950,211
C) Current Assets	608,093
D) Accrued income and prepaid expenses	
TOTAL ASSETS	**7,558,304**
Share capital	800,000
Reserve	6,798,053
Profit (loss) for the period	(68,087)
A) Total Shareholders' equity	7,529,966
B) Provisions for risks and charges	
C) Employee termination indemnities	
D) Payables	28,338
E) Accrued liabilities and deferred income	
TOTAL LIABILITIES	**7,558,304**

	31/12/19
A) Value of Production	
B) Costs of Production	(82,580)
C) Financial income and expenses	14,493
D) Total value adjustments to financial assets	
Total Income, current, deferred taxes	
Profit (loss) for the period	**(68,087)**

Off balance sheet commitments, guarantees and contingent liabilities
Reference should be made to the paragraph "Guarantees, commitments and contingent liabilities".

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

Information on related party transactions
With regards to transactions carried out with related parties, reference should be made to the 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 utilisation of prior year profits carried forward,
- to recognize an unavailable reserve pursuant to art. 60, paragraph 7-ter of Law Decree 104/2020 converted into Law 126/2020 through the utilisation 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

This Report has been prepared by the Board of Statutory Auditors, appointed by the Shareholders' Meeting of Monnalisa S.p.A. with motion of April 17, 2018 for the 2018-2020 three-year period.

It is firstly stated that your company has assigned the Board of Statutory Auditors only oversight activities, as per Article 2403 of the Civil Code and subsequent, while the legal audit of accounts has been assigned to the independent audit firm EY S.p.A..

With regards to the duties of the Independent Audit Firm, with the approval of the separate financial statements at December 31, 2020, the mandate granted to EY S.p.A., appointed by Shareholders' Meeting motion of April 17, 2018 for the 2018-2020 three-year period, is reaching a conclusion.

For the renewal of the Independent Audit Firm, on the basis of the offers received by the Board of Directors, the Board of Statutory Auditors issued on May 11, 2021 its reasoned opinion, as per Article 13, paragraph 1 of Legislative Decree No. 39 of January 27, 2010, for the awarding of the legally-required audit.

Therefore, the Shareholders' Meeting called on May 31, 2021 shall be required to appoint the Independent Audit Firm for the financial years 2021-2023.

On this basis, we report upon our activities for the year ended December 31, 2020.

REPORT ON OVERSIGHT ACTIVITIES AS PER ARTICLE 2429, PARAGRAPH 2, OF THE CIVIL CODE

During the year ended on December 31, 2020, 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.

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.

The Board of Statutory Auditors met 12 times in 2020 and an additional 12 times during 2021 (to the current date). All Statutory Auditors attended meetings of the body in person where permitted by the COVID-19 pandemic-related ministerial decrees and by video-conference where physical presence at the company's office was not permitted as per the decrees and/or company provisions, or where prevented by personal commitments.

The Board of Statutory Auditors attended all Board of Directors' meetings (12 in 2020 and 3 in 2021) 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.

In addition, we attended the Shareholders' Meeting of May 25, 2020.

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.

With regards to the appropriateness and compliance with the company's interest of the inter-company transactions and those with related parties, the Board of Statutory Auditors notes that the company has in place a Related Parties Transactions Policy, approved by the Board of Directors on July 5, 2018. The Board of Statutory Auditors oversaw compliance of the Related Parties Policy with the applicable regulation and verified compliance by the Board of Directors of the company with the adopted Policy. The Board of Statutory Auditors verified that the Board of Directors in the Directors' Report and the Explanatory Notes provided adequate disclosure on related parties transactions, taking account of that established by the applicable regulation, to which reference should be made.

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 2020, 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.

OBSERVATIONS ON THE STATUTORY 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, except for the suspension of depreciation, under Article 60, paragraphs 7-bis to 7-quinquies of Legislative Decree No. 104/2020 (converted by Law No. 126/2020). The Explanatory Notes contain the information necessary to quantify the effects of the suspension of depreciation on the representation of the equity and financial position and on the net result for the year.

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 "5. Accounting policies" and "9.1 Assets" of the Explanatory Notes, in which the Directors outlined the method to exercise the option to suspend depreciation in accordance with Law No. 126 of October 13, 2020, converted with amendments by Legislative Decree No. 104 of August 14, 2020 and the operating and equity impacts on the separate financial statements of the company at December 31, 2020.

In consideration of the exception as per Article 106, third paragraph of Legislative Decree No. 18/2020 and subsequent amendments, the Ordinary Shareholders' Meeting for the approval of the financial statements was called within the extended deadline of 180 days from year-end.

CONSOLIDATED FINANCIAL STATEMENTS

The Board of Statutory Auditors notes that the company prepared the consolidated financial statements and that they were submitted 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 regards to the Consolidated Financial Statements, the Independent Audit Firm in its report as per Article 14 of Legislative Decree No. 39 of January 27, 2010 indicated a "point of disclosure" calling attention to paragraph "4. Accounting policies" and "9.1 Assets" of the Explanatory Notes, in which the Directors outlined the method to exercise the option to suspend depreciation in accordance with Law No. 126 of October 13, 2020, converted with amendments by Legislative Decree No. 104 of August 14, 2020 and the operating and equity impacts on the Group consolidated financial statements of the company at December 31, 2020.

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 paragraphs 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, 2020, 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, 14.05.2021

For the Board of Statutory Auditors
Micaela Badiali (Chairpers)

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Monnalisa S.p.A.

Financial statements as at December 31, 2020

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 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, 2020, 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, 2020, 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 note "5. Accounting policies" and "9.1 Assets" of the explanatory notes to the financial statements, in which the Directors describe the manner in which they exercised the option to suspend the depreciation and amortization pursuant to Law 13 October 2020, n. 126 converting, with amendments, the Legislative Decree 14 August 2020, n. 104 and the economic and financial impacts thereof on the financial statements of the Company as at December 31, 2020.

Our opinion is not modified in respect of this matter.

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.

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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, 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.

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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, 2020, 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, 2020 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, 2020 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, 14 May 2021

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.

MONNALISA®

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