MONNALISA

Annual Report 2020

Index

Our thanks go to:

The Administrative, Finance and Control and Human Resources Departments, namely to Marta Bartolucci, Francesca Degradi,Anna Dominici, Silvia Fagioli, Gabriele Graverini, Ileana Lombardi, Letizia Lumia, Daniela Mastrullo, Katia Mafucci, Pamela Martini, Alfredo Milighetti, Daniele Pasqui, Cinzia Sacchetti, Celeste Sandroni, Sara Sisti, Sara Tommasiello.

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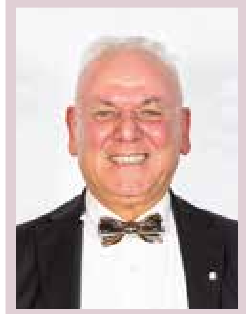
We also wish to thank Stefano Baldi, for his creative contribution and support in image and last but not least, our appreciation goes to Mafalda Maffettone, Guido Cappelli and Chiara Menicatti for their work in the environmental aspect.

These financial statements have been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

Letter to the stakeholder



Piero Iacomoni *Chairman*

Presenting an annual report, and thus providing an accurate and transparent snapshot of 2020, was particularly difficult and challenging. But we are proud to publish this report and reflect on our dogged tenacity, our way of doing business, and our need to present ourselves to the world as we truly are – including our strengths and weaknesses – in a year that will go down in history as a watershed moment weighed down by the heavy burden of health crises and emergencies. 2020 has changed our world view and future prospects and it is clear to all of us that sustainability must form the bedrock of what we do. I am proud to be the founder of Monnalisa, but of all the choices that have allowed this company to grow over the past fifty years, it is sustainability that makes me most proud, not least because it was a decision made so long ago and one that feels particularly pioneering and visionary upon reflection. More than twenty years ago, Monnalisa devised a development model capable of ensuring the current generation's needs are met, without compromising the ability of future generations to meet their own needs. Becoming sustainable can no longer be delayed. Our future lies in the hands of the economic, social and environmental sustainability inherent in Monnalisa's DNA.

Christian Simoni *Chief Executive Officer*

Dear reader,
It is my pleasure to take the opportunity presented by this integrated report to share Monnalisa's updated sustainability strategy and governance.
In recent years, commitment to sustainability has become a macro-trend, partly as a result of changes in consumer preferences as purchasing decisions are increasingly influenced by sustainability considerations. This is especially true in the fashion industry, a sector which has always been among the first to embrace change, and above all to communicate its success in doing so.
This is good news for Monnalisa, a company that has incorporated sustainability into its strategy not simply because it is "fashionable in fashion", but as a result of a process that began more than twenty years ago. Testament to this is the SA8000 certification obtained as early as 2001, and the publication of the company's first social responsibility report in the same year.
Amid an ever-increasing tendency to adopt sustainable approaches, sustainability often seems to influence company strategy, decision-making and communication only inasmuch as it affects the environment.
For Monnalisa, on the other hand, the key word is "materiality", which forms the basis in defining not only its sustainability reporting, but above all its sustainable development goals. These are designed to guide and support the setting of key company strategies, on which the policies, objectives and actions to create sustainable value over time are focused.
In 2019, we began a structured Materiality Analysis process, which we have continued and updated in the years since. The process allows us to identify the most important topics for Monnalisa and its stakeholders, including through the direct involvement of the latter. These topics include aspects relating to personnel (safety, working conditions, work-life balance, respect for human rights), to the environment and governance (strategies for environmental sustainability, eco-design and product innovation) and also take into account the priorities set out for the achievement of the Sustainable Development Goals (SDGs) defined by the United Nations in its "2030 Agenda for Sustainable Development".
This has led us to devise a Sustainability Plan, which summarises our strategic vision for sustainability, based on the results of the above analysis.
Our three-year plan defines a system of objectives and actions in relation to eleven material topics that are aligned with seven SDGs, which include: the promotion of equal opportunities with a view to inclusivity and enhancing the uniqueness of individuals, improving people's well-being, sustainable supply chain management, sustainable material consumption, reducing the environmental impact of our products and the company's carbon footprint, and promoting a culture of sustainability.
This process has also had a major impact on corporate governance and organisation, allowing us to foster a culture of social responsibility and sustainable development, firstly within the company, but also among our numerous stakeholders.
In the first instance, the Board of Directors ensures that sustainability aspects are included within the business plan, that monitoring is carried out through periodic examinations and third-party audits as part of the certification process for environmental and social responsibility and management systems, and that every material topic is adequately covered in the formally approved sustainability report.
The "Sustainability Team", a multifunctional group coordinated by the CSR manager, works specifically on the definition and roll-out of a sustainability plan and reports on its work to the Chief Executive Officer, who oversees sustainability management across the company.
A Social Performance Team has also been created, comprising the Chairperson, the CEO, the SA8000 manager, the CSR&HR Manager, the CFO, and two employee representatives. The Team oversees corrective or preventative action in order to ensure that the social responsibility system is continuously improved.
In addition to the specific roles carried out by the CSR manager, the special and environmental projects manager and the SA8000 manager, every department head oversees sustainability aspects, each responding to the collective commitment to responsibly managing the company's affairs in order to achieve the objectives of shared value creation.
These aspects also have a profound effect on external relations, for example in the commitment of suppliers to respect the company's Code of Conduct.
The publication of the Integrated Report highlights Monnalisa's pledge to include in this beneficial process every one of its stakeholders, who are both recipients and drivers of the company's sustainability, quality and environmental policies.
I would like to thank all of those who have contributed to the content of this report, hoping that it adds another small piece to the vast mosaic that is a more sustainable world. I hope, too, that with hard work and dedication we can continue to assist in this project which, just like the great public artwork the Mosaico di Andreina here in Arezzo, continues to evolve in the pursuit of an idea that will only be successful with the contribution and the dedication of the many people who believe in it.

Methodological approach

Year 2020 (01/01/2020 – 31/12/2020)
Through its Annual Report, Monnalisa annually informs its stakeholders, both inside and outside of the company, of the added value it has created and what resources it has used to such value.
The Integrated Report represents not the simple union between annual report and sustainability report but a new reporting model that integrates the "traditional" variables of company evaluation, social, environmental and economic context in which the company operates, with the aim of communicating the real value created by the entire organization and the impact with all stakeholders.
The reporting process increasingly geared to "Integrated Thinking", started in 2018 and continued in 2019, is aimed at strengthening social awareness and responsibility, by means of setting up an Annual Report reporting on the Global Reporting Initiative Standards and the International <IR> Framework guidelines defined by the International Integrated Reporting Council (IIRC).
Adhering to the principles of the Integrated Reporting means illustrating the processes by which an organization creates value over time. Therefore, it was deemed opportune to structure the report according to the different forms of capital the company possesses and leverages to create value:

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

The Integrated Report thus represented confirms the continuous search for innovation that distinguishes the Group and the desire to offer answers, not only to economic and financial aspects, but also to social and environmental issues that guide, in an integrated manner, the company decision-making processes, the definition of strategy, governance and business model.
The first few chapters of the report describe the Business Model through which the various "capitals" are organized in order to create value over time. Data on the company's financial capital are consistent with its Statutory and Consolidated Financial Statements, and includes explanatory notes, the Cash Flow Statement and the Directors' Report. Data on manufacturing and relational capitals derive from Monnalisa's Management Control Systems. Finally, data on the company's natural capital was provided by its Environmental Team.
Compared to the previous editions of the financial statements, the reporting perimeter has been extended to a consolidated level, so as to include - in addition to the parent company Monnalisa S.p.A. - the subsidiaries: Monnalisa Hong Kong LTD, ML Retail USA INC, Monnalisa China LTD, Monnalisa Brazil LTDA, Monnalisa Rus OOO, Monnalisa Korea LTD, Monnalisa Bebek Giyim San ve Tic A.S. (Turkey), Monnalisa International LTD (Taiwan), Monnalisa UK LTD, Monnalisa Japan Co LTD, Monnalisa Singapore Ltd and Monnalisa San Marino Srl incorporated in December 2020. The parent company also includes the branches in Spain, France and Belgium, as well as the representative offices in Germany and Great Britain.

Therefore, not all indicators are comparable with those of last year. If it is not possible to extend the scope of specific indicators, any exclusion is specified in the body of the text, with an explanation of the reasons, in view of the "comply or explain" principle.

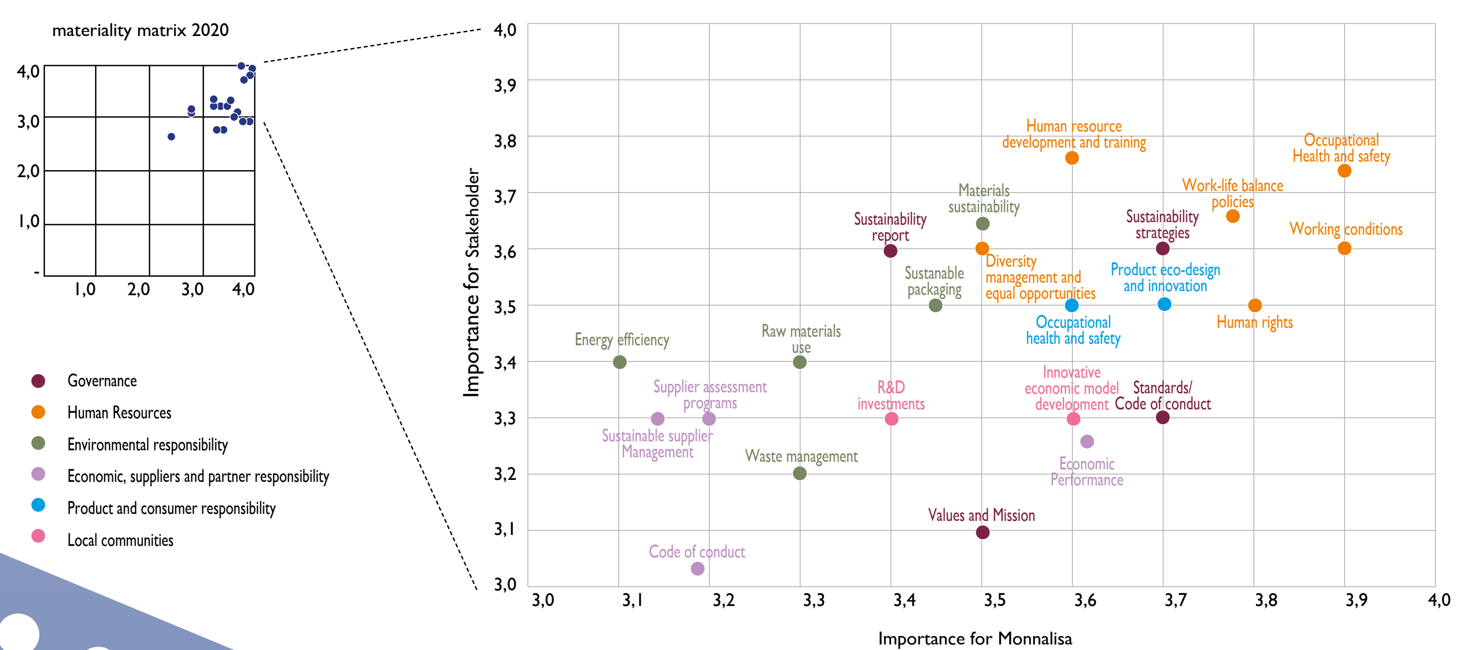
Regarding the breadth and depth of the reporting, for which reporting standards provide two different options, core or comprehensive, Monnalisa undertook the process of continuous improvement, according to a core version of the GRI Standards.

Materiality analysis

Materiality' is the key principle in defining the content of sustainability reporting, so as to ensure that the topics included in the report are those that can reasonably be considered important, as they reflect the impacts that the company's activities generate from an economic, environmental and social point of view, or can significantly influence the assessments and decisions of stakeholders. The structured process of Materiality Analysis, launched in 2019, has made it possible to identify and direct the contents to be reported as relevant for both Monnalisa and its stakeholders. In the light of the pandemic events, with the involvement of Top Management, it was deemed appropriate to revise some aspects of the analysis in order to highlight some issues that had become more relevant. In particular, all those relating to the People area (safety, working conditions, work life balance, respect for human rights) and those relating to the environment and governance (sustainability strategies, eco-design and product innovation).

Material topics

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



Results

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

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

In the various chapters of the Integrated Report the logo of the SDGs applicable on the basis of the policies and indicators reported is shown.

MONNALISA
Profile and operations

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

Piero Iacomoni
founds Monnalisa
in Arezzo
1968

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

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

Diletta Iacomoni
joins Monnalisa
First showroom
in Arezzo
1990-92

First
Corporate
Responsibility
Statement
2001

Florence
Boutique
2003

First Award for
Best Annual Report
2005

Milan Boutique
2006

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

Launch of male
fashion brand
2011

Christian Simoni
appointed as CEO
2013

ELITE
Elite Certification
by Borsa Italiana
Certificazione
ambientale
2015

Cosmetic products
Furniture line
2017

Borsa Italiana
12 July Listed on
AIM market
2018

CHIARA FERRAGNI
license
2020

Group activities

The activities of the Monnalisa Group have always been aimed primarily at enhancing the value of its proprietary brands, with total strategic autonomy and a considered concentration of investments. It has recently begun to integrate its business model with the implementation of a selective production and distribution licensing strategy. The Group operates through a synergistic blend of innovation and avant-garde, through the internalisation of the entire phase of designing and defining collections, prototyping and creating models. These circumstances are to be counted among the main distinguishing features of the Monnalisa Group and drivers of its success.
Consistent focus on product originality, quality and innovation, as well as the latest emerging trends, have made the Monnalisa Group a go-to brand in the children's fashion sector. Over the years, the Group has adopted a clear and consistent international expansion strategy which broadens and strengthens its brand identity, its market positioning, its direct control of the distribution channels and the innovation that has always set it apart.
The success of the Group has its roots in the history and heritage of great craftsmanship and the contemporary nature of its design: a high-value strategy founded on the combination of innovation and craftsmanship.
Monnalisa's winning product features are:

HIGH QUALITY as the fruit of skills and knowledge refined over time and a constant pursuit of the highest levels of excellence through the careful selection of materials;

THE TAILORING of creations so to ensure their wearability;

THE CONTEMPORARY feel of collections as the perfect balance between innovation, identity and taste.

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

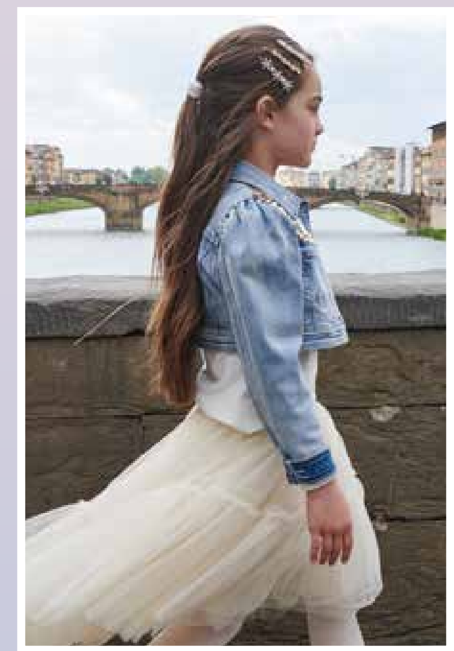
The originality of Monnalisa's offering lies predominantly in its strong product identity.

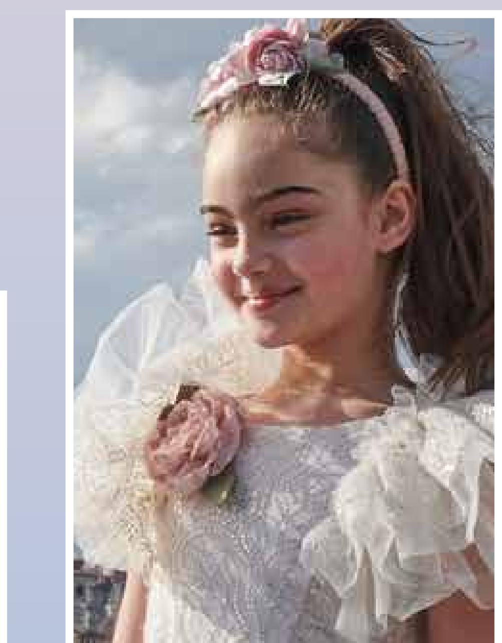
MONNALISA

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

Chic MONNALISA

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





MONNALISA Couture

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

CHIARA FERRAGNI

At the end of November 2020, a multi-year licence agreement was signed with Fenice S.r.l. (company owner of the "Chiara Ferragni" brand). The agreement aims to grow the brand founded by Chiara Ferragni worldwide in the children's fashion segment 0-10 years, through the structure and experience of Monnalisa, which, with this partnership, will be able to further expand its target customers, in line with the path of digital transformation undertaken. The first collection resulting from the brand's new licensing course was the one dedicated to Fall/Winter 2021/2022.

Style, Design and Product Development

- Market Analysis
- Collection planning
- Design
- Prototyping

Collection presentation
Sales campaign

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

Purchase raw materials and finished products

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

Production and logistics

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

Distribution

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

Marketing and Communication

Conception and management of events & fashion shows

Social network activities

Partecipation at fashion events

The business model

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

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

The Group organisational model may be broken into the following phases:
- Style, design and product development;
- Presentation of the collection and sales campaign;
- production planning, raw material and finished product purchasing strategies;
- production and logistics;
- marketing and communication;
- distribution.

Style

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

Production

Monnalisa works on seasonal schedule, with production divided into two collections and two pre-collections per year. Based on sales campaign forecasts, the company anticipates purchases, and then proceeds with production scheduling according to effective sales. In order to always satisfy customer demand, Monnalisa has adopted an extremely flexible production strategy that allows it to maintain control over the most critical points in the organization. All production phases involving the conversion of raw materials into finished products are outsourced to small independent workshops, mainly located in central Italy.
The quality control of fabrics, storage of materials and cutting of fabrics are handled by the production unit located in Badia al Pino, which uses cutting-edge technology to guarantee the superior quality of key processing in subsequent phases.
Together with accessories and processing instructions, the cuts then arrive at the tailoring, embroidery, printing and dyeing workshop for subsequent transformation stages. Finally, the finished products return to Monnalisa where they are tracked and stored for customers.
The circular flow of the entire production process is piloted and monitored by internal production units, which guarantee necessary supplies and a successful final outcome.
Though conceptualization and planning phases are directly supervised by Monnalisa, with the same organizational set-up, finished product procurement activities are managed from both Italy and abroad. In the production process, however, the materials purchase phase depends on the finished product supplier, as does the timing of project phases, which are stringently subject to supplier production and delivery deadlines.

Distribution

Monnalisa products are distributed through five channels:
- *wholesale*: independent multi-brand stores;
- *wholesale retail*: single-brand partnerships;
- *corporate retail*: direct mono-brand stores;
- *e-business retail*: direct end-consumer on line sales channel;
- *e-business wholesale*: multi-brand online platforms aimed at the final consumer.

Overall, retail accounts for 29% of turnover through 47 mono-brand stores, as of 31/12/20, in addition to the online store and shop-in-shops in the most prestigious department stores in the world.
A concept store has also been developed in line with corporate identity, providing for the continuous training of sales staff and systems for the collection and analysis of data, allowing the company to more thoroughly and quickly understand the dynamics of demand in order to orient company strategies to a more fitting offering.
The weight of the online channel has grown from 3% to 5%, considering only the proprietary e-commerce platform; if the indirect online channel is also included, the percentage incidence on turnover increases from 10% to 14%.
The strengths of Monnalisa's distribution are its extensiveness and exclusivity, which distinguish, in particular, the wholesale channel. As of 31/12/20, Monnalisa had approximately 500 retail customers, accounting for 68% of foreign turnover.

Human resources

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

Communication

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

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

A COMMUNITY FOUNDED ON CREATIVITY, COMMITMENT AND CARE

Creativity & Innovation

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

Commitment & Transparency

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

Care & Loyalty

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

MONNALISA SpA

99,99% Monnalisa RUS 000	100% Monnalisa Bebek Giyim San ve Tic A.S
100% Monnalisa International LTD	100% Monnalisa Korea LTD
100% Monnalisa UK LTD	100% Monnalisa Hong Kong LTD
100% Monnalisa China LTD	100% Monnalisa Japan Co LTD
99% Monnalisa Brazil LTDA	100% ML Retail USA INC.
100% Monnalisa Singapore Private LTD	100% Monnalisa San Marino SRL

BOARD OF DIRECTORS
(In office for the years 2018-20)

Piero Iacomoni – *Chairman*

Christian Simoni – *Chief Executive Officer (CEO)*

Pierangelo Arcangioli – *Director*

Matteo Tugliani – *Director*

Simone Pratesi – *Independent Director*

BOARD OF STATUTORY AUDITORS
(In office for the years 2018-20)

Micaela Badiali – *Chairperson*

Gabriele Nardi – *Statutory Auditors*

Susanna Sgrevi – *Statutory Auditors*

S.B.	Fabrizio Rossi
INDEPENDENT AUDIT FIRM*	E.Y. S.p.A.

** In office for the years 2018-20*

Mission, Vision and Values

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

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

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

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

Governance and organisation

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

AIM

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

At 31/12/20, the Monnalisa Group comprises the company Monnalisa SPA, the parent company, and the subsidiaries Monnalisa Hong Kong Ltd, Monnalisa Rus Llc, Monnalisa China Ltd, ML Retail Usa, Inc., Monnalisa Corea Ltd, Monnalisa Brazil Participasoes, Ltda, Monnalisa Bebek Giyim San ve Tic A.S., (Turkey), Monnalisa UK Ltd, Monnalisa Japan Co Ltd and Monnalisa International Limited (Taiwan), Monnalisa Singapore Ltd and Monnalisa San Marino Srl, established in December 2020.

Ownership

The Company is organised under the traditional administration and control model with the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors. The Company's current Articles of Association were approved by the Shareholders' Meeting in extraordinary session on 15 June 2018 and were revised at the Shareholders' Meeting to approve the 2020 financial statements, held on 31 May 2021 in ordinary and extraordinary form. The revision of the Articles of Association covered specific articles in compliance with the new AIM Rules dated 16 September 2020.
The Articles of Association are the act that defines the essential characteristics of the Company and dictates the main rules of its organisation and operation, also providing for the composition of the corporate bodies, their powers and mutual relations. The Articles of Association also contain a description of shareholders' rights and how they can be exercised.
The main corporate governance body is the Board of Directors, which is primarily responsible for determining and pursuing the strategic objectives of the Company and the Group to which it belongs. The Board that approved these financial statements was elected by the Shareholders' Meeting of 15 June 2018. Its members are: Piero Iacomoni (Chairman), Christian Simoni (Chief Executive Officer), Matteo Tugliani and Pierangelo Arcangioli, who do not have executive powers, and Simone Pratesi, independent director.
During 2020, 12 meetings of the Board of Directors were held.
The Board of Directors is the ultimate governance body: its main duty is to set the strategies and general operating and development policies at Monnalisa and the means for their implementation. In terms of sustainability, its duties include:

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

Within the governance system, the Board of Statutory Auditors has the duty to oversee correct administration, particularly concerning the adequacy of the organisational, administrative and accounting structure adopted by the directors and their correct functioning.
At the shareholders' meeting held to approve the 2020 financial statements, a new Board of Directors and a new Board of Statutory Auditors were appointed, as the previous ones had expired. The new corporate bodies will remain in office until the approval of the 2023 financial statements.

The legal audit is awarded to the company EY Spa, with operating control undertaken by the Board of Statutory Auditors. At the shareholders' meeting held to approve the 2020 financial statements, the appointment was renewed for the 2021-2023 three-year period both for the statutory and consolidated financial statements.

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

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

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

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

Investor Relator

Pursuant to Article 6-bis of the AIM Issuers' Regulations (edition of 16 September 2020), a professionally qualified person (investor relations manager) must be identified and maintained within the organisational structure, with the specific (not necessarily exclusive) task of managing relations with investors. The figure of the Investor Relator responds to a need for complete and transparent communication of the Company with the outside world.

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

The website http://monnalisa.com contains economic and financial data, institutional presentations and periodic publications and official press releases, also disseminated through the SDIR platform (System for the dissemination of significant information).

The Parent Company Monnalisa S.p.A. and the Group have not carried out any atypical and/or unusual transactions, i.e. those transactions which, due to their significance/relevance, the nature of the counterparties, the subject-matter of the transaction, the way in which the transfer price was determined and the timing of the event, might give rise to doubts as to the correctness/completeness of the information in the financial statements, conflict of interest, the safeguarding of the company's assets and the protection of minority shareholders.

During 2020, 20 press releases were issued on the SDIR platform, Monnalisa also participated in two events with investors: Smart Investor Day Green organised by IR Top Consulting on 10 June 2020 and Next Gems coordinated on 3-4 November 2020 by Banca Akros, Banca Profilo, Intermonte and Event Capital Markets. In January 2020, Monnalisa held an Investor Day in Milan at the showroom to present the company's strategies, especially digital, and the new collections.

The internal control system

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

The table at the bottom of the page summarises the control measures adopted by the company with reference to the mandatory regulations, also indicating the corporate figure in charge.

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

The model seeks to prevent the arising of administrative liability for the company with regards particularly to offenses which may be committed by top management or persons under the direction or supervision of top managers, in exercising their functions and in the interest or to the benefit of the company. On 5 August 2020, the Company approved the first revision of Model 231, which was first adopted in December 2017, thus incorporating not only regulatory updates but also the organisational changes that took place during the period. The process of updating the Special Part of Model 231 was carried out by a team of internal specialists, supported by external consultants, with the involvement of the heads of company departments through interviews and discussions at the "231 desk", an organisational unit at the company's headquarters, with which to interface to facilitate information flows to the Supervisory Body and provide the appropriate clarifications regarding the impact of the regulations on the Company's activities and behavioural standards. The Supervisory Board is as a single member body in the person of Fabrizio Rossi, whose professional profile meets the characteristics required by the 231 Model for the role's fulfilment.

The body has the duty to oversee on an ongoing basis compliance with the 231 organisational model and the ethics code by all addressees. It also reports on the need to update the 231 model, in the event of changes in the reference regulatory framework, management processes and the company's organisational structure.

The SB prepares and brings to the attention of the governance bodies the following documents: annual supervisory programme, half-yearly reports on activities carried out, as well as any reports on contingency issues brought to the attention of the SB by top management.

During 2020, the SB also:

- supervised the prevention and protection measures against the pathogenic agent Corona Virus, "COVID-19", for employees and collaborators, as well as for any other third party having contact with Company staff or entering Company premises. In this regard, the Company has also provided the Supervisory Board with a real-time update of the cases of positivity found and of the protocols activated;
- maintained constant coordination with the company's Board of Statutory Auditors, with which it shared the supervision programme and conducted joint audits and periodic meetings.

With the 2021 expiry of the current term of office of the Supervisory Board, coinciding with the expiry of the term of office of the governance bodies, having regard to

- the level of integration of the internal control structures achieved;
- the close coordination of the activities carried out by the SB with the Board of Statutory Auditors, also for the management of internal information flows on compliance issues;
- the opportunity described in art. 6 paragraph 4 bis of Legislative Decree no. 231/2001 and art. 6 point 33 letter e) of the new self-regulatory code issued by Borsa Italiana;

the company is also evaluating the opportunity to entrust the new board of statutory auditors with the supervisory functions pursuant to Article 6, paragraph 1, letter b) of Legislative Decree no. 231/2001.

Ethics Code

In addition to functioning as a preventive control system, the Code of Conduct was approved, in compliance with Italian Legislative Decree No. 231 of 2001, in order to set out the set of rights, duties and responsibilities that Monnalisa has assumed in relation to its stakeholders, including all employees, suppliers, customers, the Public Sector, shareholders and the financial markets etc.

The Code recommends, promotes and prohibits certain conduct, outside and independently of that covered regulatorily, and may stipulate penalties proportionate to the gravity of any infractions committed. The Code is integrated with the policies already adopted by the company in relation to social responsibility, the environment and quality.The values Monnalisa identifies with and pursues include:

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

With such values in mind, the Code gathers together the ethical rules governing the company and all of its employees, directors, auditors and collaborators, who, through their roles, operate within or represent the company, specifically in relation with its stakeholders.

The Directors and General Management of the company are committed to the responsible management of the company in pursuit of goals to create value.The Statutory Auditors and Internal Bodies of the company are committed to the exact fulfilment of the roles formally entrusted to them.

Furthermore, such figures are obliged to avoid conflicts of interest in their roles, appointments and positions inside and outside of the company, and to give notice, as per law, of any potential conflict of interest that they may have, on their own behalf or on behalf of third parties, in relation to certain company transactions.All stakeholders may indicate in writing any violation or suspected violation of the Ethics Code to the Supervisory Board by using the dedicated e-mail address: HYPERLINK "mailto:organismodivigilanza@monnalisa.eu" organismodivigilanza@monnalisa.eu or by ordinary mail for the attention of the Supervisory Board, Via Madame Curie 7, Arezzo. For employees, this communication channel is additional to the already mentioned 'Sportello 231'.

In 2020, no such reports were received by the Supervisory Board via the dedicated e-mail address, nor by any other means of communication. In Q1

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

2021, the Supervisory Board received from all interested parties a signed self-certification declaring that, in the performance of the roles attributed to them in the course of 2020, they were not in any way involved in or aware of any conduct or acts contrary to the provisions of the 231 Model or of its Code of Conduct.

During the year, a number of meetings were held with senior management and first reports, in order to share the regulatory updates that took place with the first revision of the Special Part of Model 231 of 5 August 2020 and to define the information flows to the Supervisory Board. The 9 meetings lasting about two hours each enabled 15 people to be trained for a total of 30 hours.

Adjustment to the GDPR

European General Data Protection Regulation 2016/679 ("GDPR"), which defines a common regulatory framework for the protection, processing and free movement of personal data in all EU Member States, is in force from May 25, 2018. With the assistance of external consultants, Monnalisa has adequately adapted its internal policies, implementing a personal data organizational and management model capable of protecting data subjects and guaranteeing the proper application of personal data protection legislation. In 2020, the regulation on the use of company assets was approved by the Board of Directors, which is also functional to the important use of remote working, in light of the continuing health situation. Authorisation has been obtained to install CCTV cameras in local offices, and the relevant paperwork has been prepared.The Supervisory Board has introduced a six-monthly reporting schedule from the company's Data Protection Officer (DPO) in order to stay informed on the activities to protect the rights of individuals regarding the processing of personal data by the company, as per EU Regulation 2016/679. In particular, the reports concern regulatory updates, specific activities performed, any aspects for improvement and any criticalities in complying with the company's privacy obligations.

Fiscal transparency

The Monnalisa Group has not defined a specific tax strategy. The approach to taxation complies with legal provisions and the principles contained in the Code of Ethics adopted by the Group. The behaviour of management is based on honesty and legitimacy in compliance with the laws and regulations - on accounting and taxation - in force in the countries in which the Group operates. Given the size and complexity of the Group's activities, risks may arise from the interpretation of tax regulations. These risks are mitigated with the support of qualified tax advisors present in each country of activity. The parent company is subject to the supervision of the Board of Statutory Auditors, while the legal audit mandate has been entrusted to the auditing company EY SpA, which has been entrusted with the certification of the parent company and consolidated financial statements. As far as subsidiaries are concerned, accounting activities are entrusted to local consulting companies with international experience. Subsidiaries with higher turnover volumes, and/or required to do so by local regulations, are audited by local auditors. There have been no cases of monetary or non-monetary sanctions for non-compliance with laws and regulations. The Group is also committed to monitoring in order to implement the necessary corrective actions with respect to any shortcomings and/or criticalities detected. The process of determining taxes derives, in fact, from a fair and true representation of the financial statements, according to the reference accounting standards.

In addition, activities are foreseen to monitor regulatory updates on tax matters, and the compilation and transmission of tax returns in compliance with the times and methods provided for by law.

With regard to governance, clear roles and responsibilities have been defined for the different sectors of the organisation in relation to tax risks. Finally, the Group's Supervisory Board verifies the correct application of the procedures prepared and the correct and consistent preservation of the documentation of transactions, through periodic meetings with the Managers.

At the end of the year, there were no disputes with the tax authorities. In the early months of 2021, the Inland Revenue started an assessment against Monnalisa SpA in relation to the tax credit deriving from research and development activities, used as compensation in the years 2016-2017-2018-2019. While we reiterate that we consider the assessment to be correct, we believe that, although it may constitute a possible contingent liability, it is neither probable nor quantifiable.

Since the Group's business is characterised by operations in various countries (European and non-European), the various Group entities sell goods and provide services between companies resident in different countries and territories. In particular, the transactions entered into by the parent company with its foreign subsidiaries fall within the scope of transfer pricing regulations. In the management's opinion, the transactions between the parent company and the other non-resident companies of the group were carried out in the ordinary course of business and were carried out in full compliance with the principle of "arm's length pricing", provided for by Italian law and defined (at international level) by the guidelines provided by the OECD.

Quality, Environment and Social Responsibility Policy

Monnalisa has long implemented specific policies across the company aimed at regulating issues of quality, the environment and sustainability. Such implementation is partly carried out via certified management systems, as per internationally recognized voluntary standards such as ISO 14001 for the environment, ISO 9001 for quality, and SA8000 for social responsibility.

Regarding its environmental policy, Monnalisa undertakes to define and implement strategies and action plans for the optimization of business processes that consider the matrix of environmental issues and the safeguarding of natural and energy resources.

Regarding its quality and sustainability policies, Monnalisa is committed to maintaining and improving the quality standards of its manufactured and marketed products, and to guaranteeing that, for stakeholders, the company is a reliable, incisive and dynamic partner.

Therefore, Monnalisa commits to:

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

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

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

SA8000 operating system

Certified to SA8000 since 2001, in 2020, Monnalisa was subjected to an audit by the certifying body, a management review and an internal audit.

No. of major RACs* identified by the certifying body	0
No. of minor RACs identified by the certifying body	0
No. of suggestions or improvement opportunities identified by the certifying body	8
No. of RACs and RAPs** issued by Monnalisa	17
Percentage of RACs/RAPs resolved over those issued	82%
No. of goals in the 2018 improvement plan	16
Percentage of goals achieved over total 2018 goals	50%

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

Monnalisa annually draws up an improvement plan containing a series of initiatives aimed at continuously reviewing and implementing its social responsibility policy.

The initiatives, shared via the Social Performance Team (SPT), are built on reports and proposals from stakeholders, in particular personnel, and from the company's response to requests for corrective or preventive actions under its commitment to continuously improving the sustainability system.

Social Performance Team

The Social Performance Team (SPT) consists of a balanced representation of workers' representatives and management. One of the tasks of the SPT is to report all criticalities and reports and complaints received from stakeholders relating to social and environmental responsibility to the Board of Directors and CEO.

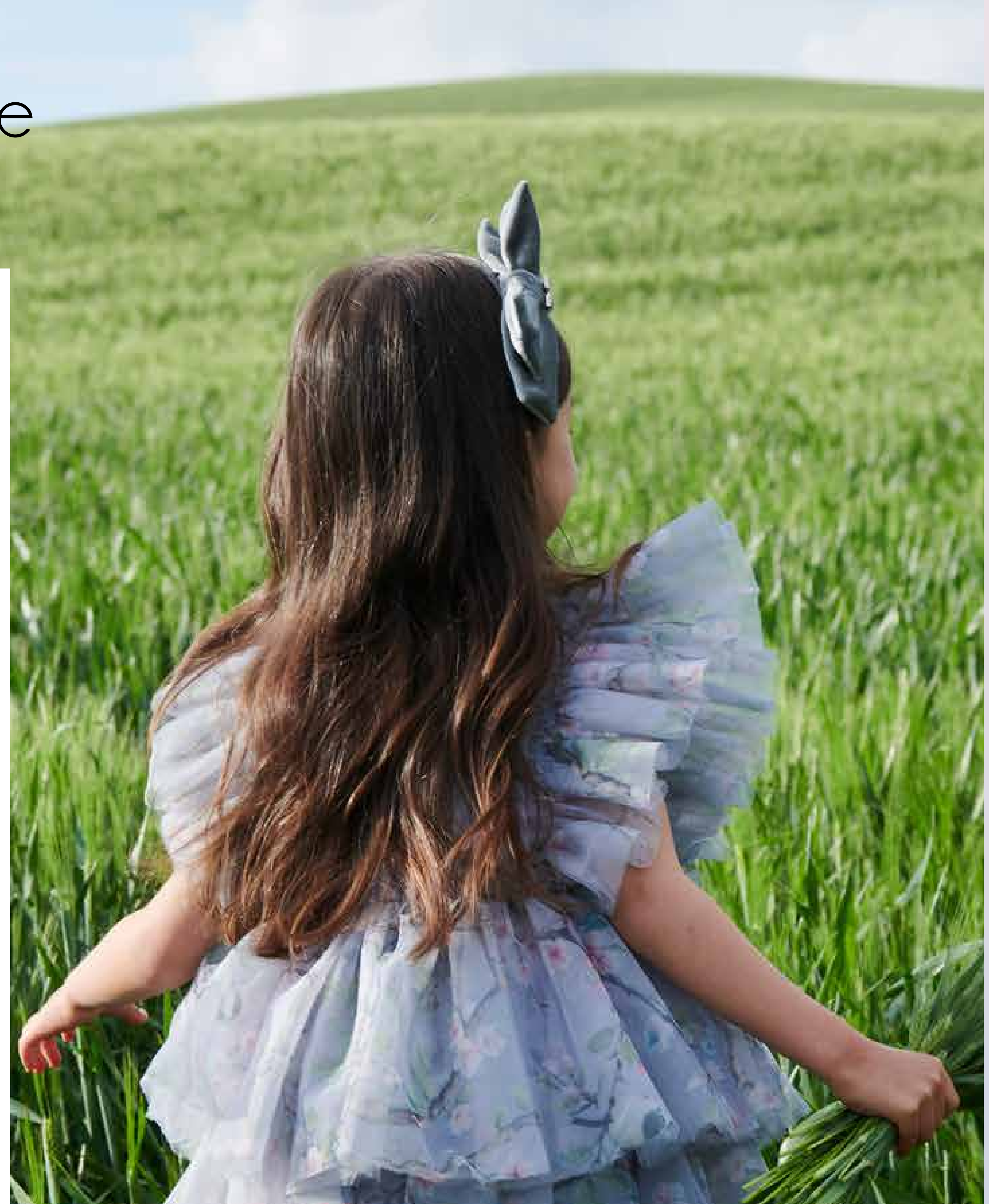
Name	age	Role
Piero Iacomoni	77	Chairman
Christian Simoni	50	Chief Executive Officer
Chiara Menicatti	52	SA8000 Manager
Sara Tommasiello	50	CSR&HR Manager, CFO
Eleonora Belliconi	40	Workers' representative
Marco Carleschi	51	Workers' representative

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

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

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

Monnalisa's value creation model



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

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

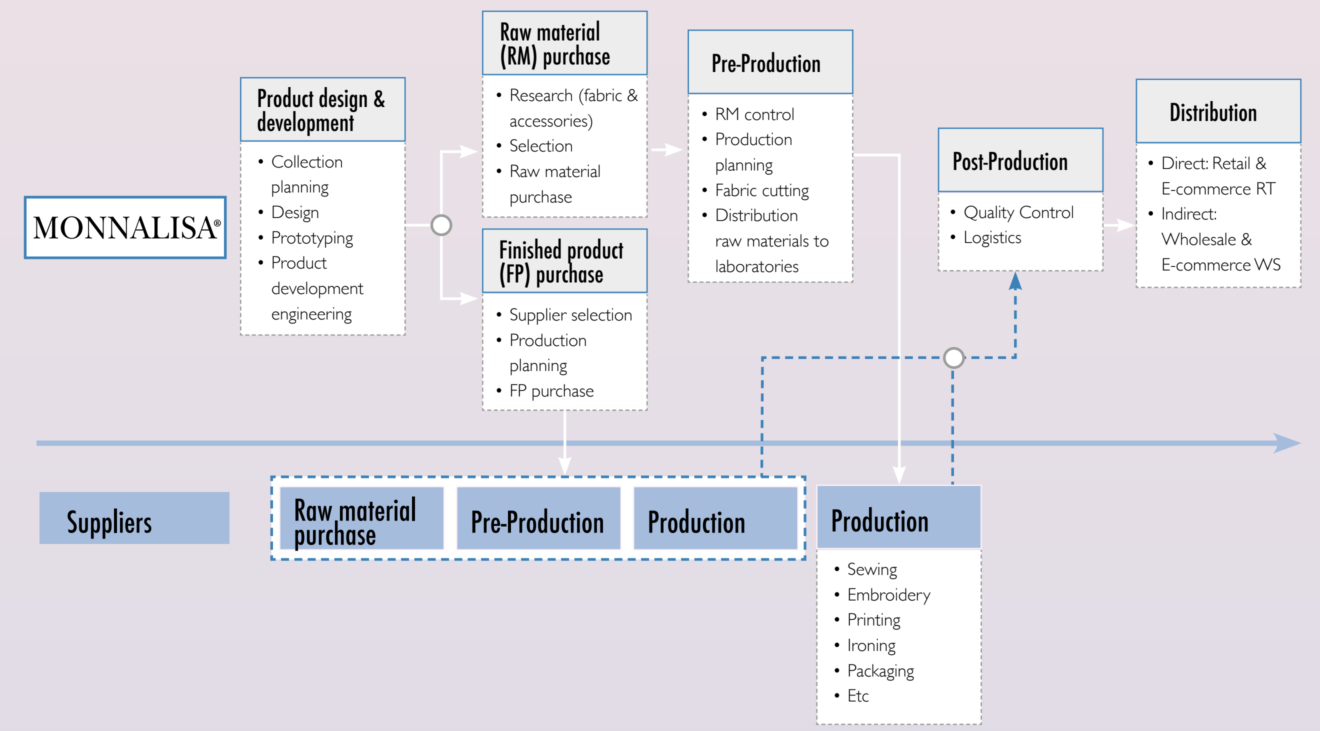
In line with the development of its Business Model, Monnalisa implements an integrated value creation approach, not limiting itself to the disclosure of the most significant financial data or an analysis of its social and environmental impacts, but developing a tight cohesion between the company mission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

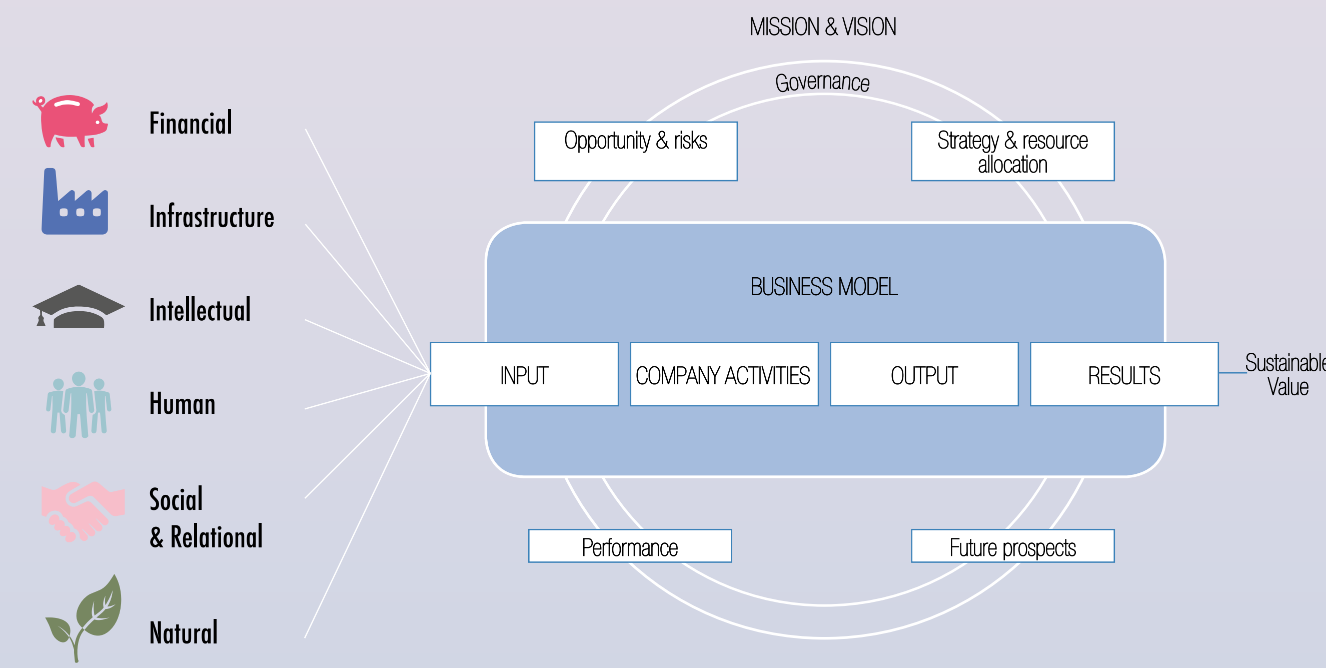
- **Human capital**, to enable people to constantly develop their skills and knowledge in implementing the organization's strategies, and to guarantee external stakeholders interactions with resources of the highest professionalism;
- **Natural capital**, to monitor and minimize the impacts of its activities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

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

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

Specifically, the relevant Sustainable Development Goals for Monnalisa are:





CAPITAL

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

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

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

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

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

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

Main
RISKS and OPPORTUNITIES

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

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

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

Though some highlights of the main risk management topics are indicated below, for a more detailed discussion of the main risk factors, please refer to Section 2 on the Directors' Report.

EXTERNAL

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

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

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

INTERNAL

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

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

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

STRATEGIC & GOVERNANCE

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

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

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

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

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

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

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

COVID-19 emergency

Faced with the health emergency caused by the Coronavirus, people's wellbeing and health were at the centre of the initiatives and policies promoted by the Group in 2020 As the pandemic spread worldwide, it became necessary to rethink people's work spaces and times to guarantee them the best safety conditions in carrying out their duties, preserving operational continuity and also safeguarding the health of those who interacted with the Group for various reasons during the same period: in particular, customers, consumers and suppliers.
By February 2020, Monnalisa's management team had put in place initial measures to combat the spread of Covid-19. These measures were subsequently updated and supplemented as the situation developed. A "shared protocol to regulate the measures put in place to combat the spread of Covid-19 in the workplace" was adopted and signed by trade unions and trade associations. A Covid-19 Emergency Committee, comprising General Management, HR Managers, the Prevention and Protection Service, an Occupational Physician and Worker Safety Representatives, was established. All employees were given adequate information on the precautionary measures to be taken, in line with guidance from the World Health Organisation, the Ministry of Health and the regulatory provisions in force, as well as on the use of special leave, childcare bonuses and permits, through the company portal, to which all employees have access. In addition, special signs were installed on company premises to remind and encourage employees to follow the health and safety regulations in place. Cleaning services were boosted on company premises, both in terms of intensity and frequency, while disinfectant gels and other personal hygiene products and protective equipment were made available (such as masks and gloves) to those deemed most at risk, such as the production department. Business trips and meetings with people external to Monnalisa were suspended.
The reorganisation of working methods, which has affected the company's staff according to the tasks carried out within the company organisation chart, has contributed to the health and safety of people. 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. For employees in the production function, the reduction in working hours and a rostering mechanism facilitated a reduction in the number of people in the department at the same time, so as to promote social distancing and avoid socialising. For personnel not falling into the above categories, the use of paid leave and holidays was encouraged.
Due to Covid-19, it was necessary to resort to the Ordinary Wages Guarantees Fund as a safety net for employees with duties that could not be performed from home. Smart-working employees saw their hours reduced depending on their work loads, with recourse made to the Guarantees Fund for any remaining employees.
The production of surgical masks with non-woven fabric was started, delivered as a solidarity measure to the local administration and police forces and to Arezzo Hospital, to strengthen the social responsibility projects implemented by the Company.
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, together with a telemedicine service for all Monnalisa Italia employees.
In terms of foreign subsidiaries, the retail stores managed directly by companies belonging to the Monnalisa Group were gradually closed as the pandemic spread around the world. In mid-March, stores in France, the USA, Spain, Belgium, Brazil, the UK, Russia and Turkey were closed according to local laws and following the example of eastern countries, where the emergency originated at the end of January.
Each of the subsidiaries has made use, within its remit, of the national legislation in force regarding social security benefits for its sales staff, and therefore using leave and holidays accrued in the first instance as well as applying the local lay-off schemes, or opting for the payment by each State of part or all of the cost of personnel, or putting employees on unpaid leave so as to allow them to receive unemployment benefits.

GUARANTEEING REPORTED SUSTAINABILITY IN THE REPORT ON OPERATIONS

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

Report on operations

Corporate Boards

Board of Directors

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

PIERO IACOMONI
Chairman

CHRISTIAN SIMONI
Chief Executive Officer

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.

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.

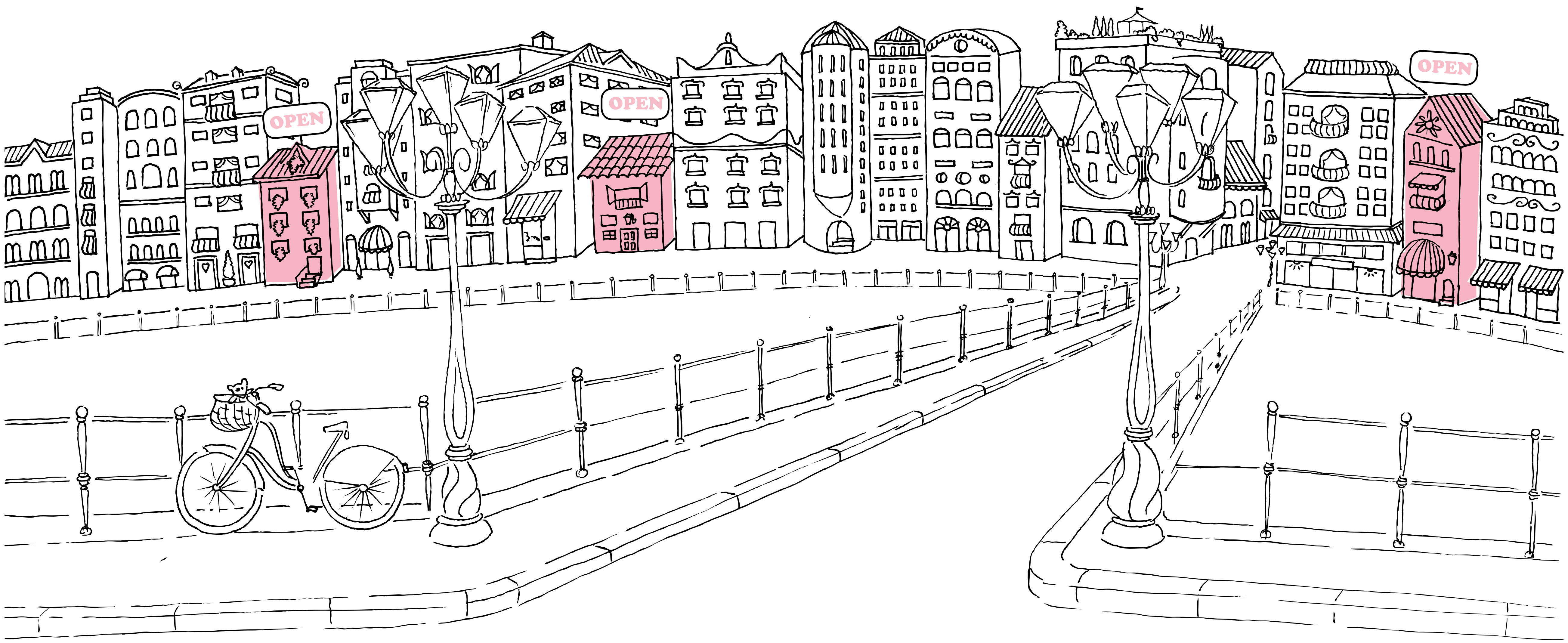
RETAIL AND WHOLESALE

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.

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.



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.

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:

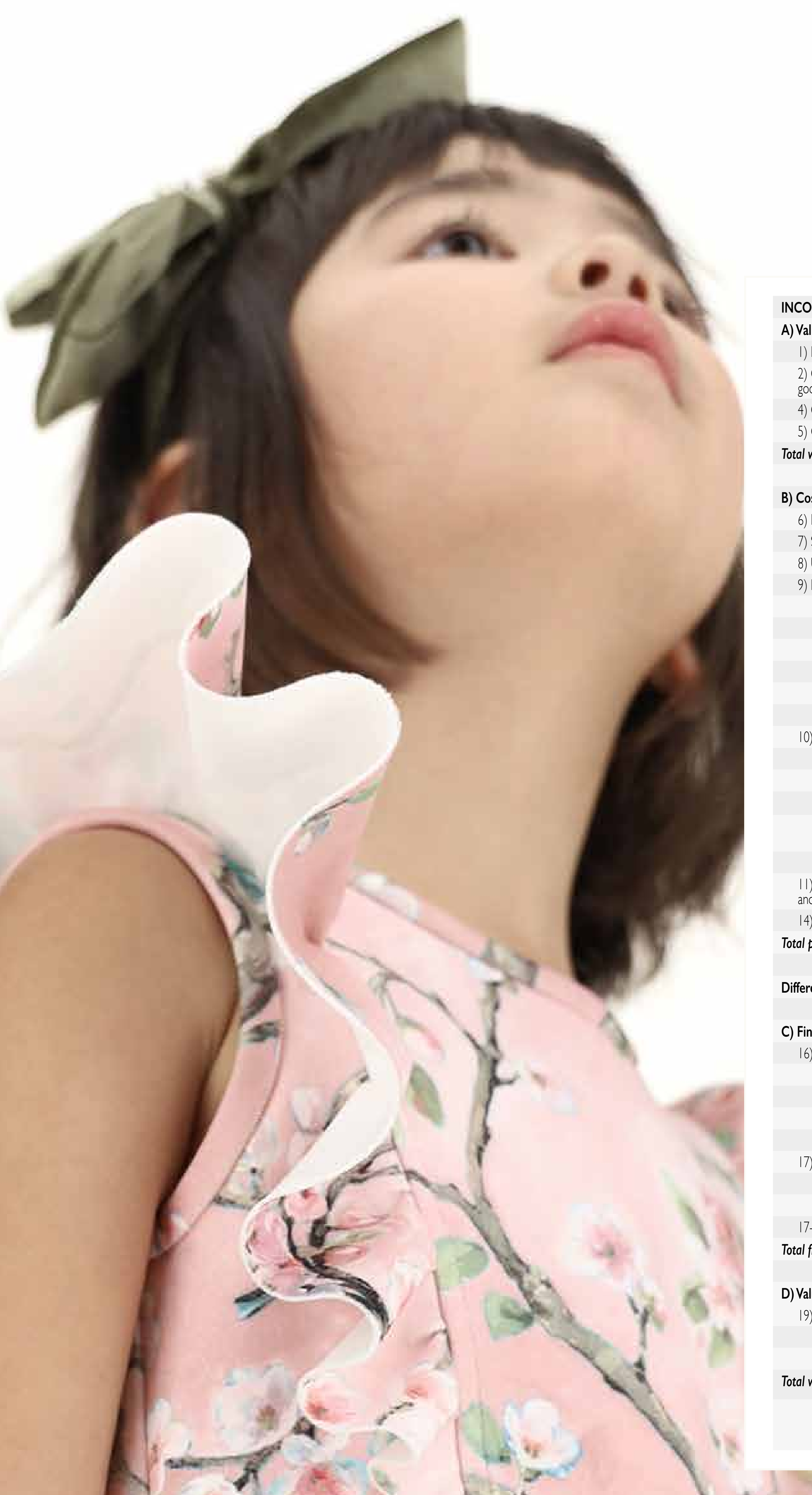
- internal dealing procedures governing reporting obligations applicable to certain transactions undertaken by the Company's directors;
- a regulation on the management and processing of company information and external disclosure of inside information;
- related-party transactions procedure governing 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 31/12/2020	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.

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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Piazza della Libertà, 9
50129 Firenze

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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.

2

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) Total 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 services 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	Amortisa-tion	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.




PRODUCTIVE AND INTELLECTUAL CAPITAL



By productive and intellectual capital, we respectively mean the set of tangible (manufactured physical objects as opposed to natural physical objects) and intangible knowledge-based assets (legal rights to property, technology, patents, copyright, strategies, culture, structures, systems, organizational practices and procedures) that an organization can use to produce goods or offer services.
With specific reference to Monnalisa, productive and intellectual capital is not only manual skill contained within a corporate infrastructure equipped with the most advanced systems in terms of product quality and safety, but also experience, extreme care and attention to detail, and constant research and development into new materials and technologies as levers for improving efficiency, quality and competitiveness.
Another critical success factor for Monnalisa is innovation throughout the entire supply chain, substantiated by supplier collaboration aimed not only at sharing objectives and tools, but also at jointly identifying professional solutions able to satisfy the highest standards of quality, sustainability and efficiency.

Creativity

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

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

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

The reported creativity indices measure, on the one hand, research drivers, understood as business investments in creative activities, and, on the other, their results.
The average seniority of the creativity team is growing, thanks also to a low staff turnover.
The research and development activities of the two collections, entirely accounted for in the financial statements, include the cost items relating to the dedicated personnel, external consultants and other internal and external resources.

Table I Creativity indices

		2018	2019	2020
Resources dedicated to creative activities	Average age of the creativity team	13	14	15
	Impact of the cost of research, development and realization of samples on turnover	8%	8%	8%
Collection success rate	% of models that have sold at least 50% more than the average sold per model	19%	20%	21%
	% of models placed on the market out of total models presented	94%	95%	85%

Product safety

Just as any item of clothing, and even more so when intended for children, Monnalisa's products are designed and tested according to various health and safety aspects. Since regulations may differ from country to country, Monnalisa has chosen for reference those of the countries of China and the United States which, to date, represent the most stringent regulations in terms of health and safety requirements for the marketing of children's clothing products.
Tests have been performed concerning both specific models and types of fabric used for various models. Where necessary, tests were repeated various times until any emerging issues were resolved.
The most performed tests for the Chinese market include analyses for the presence of azo dyes, carcinogenic dyes, dispersed allergenic dyes, formaldehyde and heavy metals, and analyses of pH, and of colour resistance to saliva, transpiration, light and rubbing. There have never been any cases of fabrics containing formaldehyde or other hazardous chemicals. If the colour fastness performance is lower than the local standards, the order for the relevant country is revised, taking into account that - for very intense colours - a minimum discharge certifies the non-use of chemical fixing agents, which are hazardous to health.

All materials with unsatisfactory results (in almost all cases concerning pH values) have been retreated and brought in line with standards. For some years now, pH tests have been carried out internally in order to prevent and correct any anomalies in-house before testing is carried out in the country of delivery. The internalisation of the process made it possible to minimise the detection of unsatisfactory tests.
Among the most performed tests for the American market were analyses for the presence of lead, cadmium, nickel, formaldehyde and phthalates, and flammability testing. Only garments that had successfully passed the tests were placed on the market.
In a collaborative effort, the responsibility and burden of testing is shared equally between the suppliers and Monnalisa. With the first orders of the season, suppliers are provided with a list of fabrics and accessories that will be tested for Chinese and American standards. The policy is designed to make the supplier aware of health and safety issues in the product, encouraging the production of compliant products. There were no cases of the sale of products which were non-compliant with the rules of the specific destination countries.
All zips and metal accessories used by Monnalisa are nickel free.
For years now, a notice has been sent to all suppliers of fabrics and accessories, as well as marketed articles, about the need to comply with the parameters imposed by standard GB18401 (Chinese National General Safety Technical Code for Textile Products), later updated with the even more restrictive GB31701, which included further constraints for the presence of heavy metals in dyes and also included the test for flammability.
Falling within the topic of product health and safety is the application of the REACH regulation [1], which is expressly provided for in the Monnalisa Supplier Code of Conduct, which represents a specific contractual obligation for suppliers. Suppliers are progressively conforming to such provisions, submitting their consent and indicating their commitment to guaranteeing regulatory compliance. To date, 95% of suppliers have sent Monnalisa their consent to the REACH commitment.
For two years, all fabric and finished product suppliers were sent a new Product Restricted Substances List (PRLS), containing specifications to adopt in order to comply with the most stringent export market, and instructions on providing certification as an independent accredited third party. 50% of Italian suppliers, all Chinese suppliers and 50% of Turkish suppliers responded and agreed to comply with the specifications.

Label

In compliance with national and international regulations, all Monnalisa products carry information on the label regarding composition and maintenance. In detail, the following are shown: model, article, size, washing symbols, additional maintenance, Made in, royalty mark (if any) and indications on the origin of the leather (if used). This global label is translated into ten languages. In order to guarantee its customers the maximum clarity and transparency of the information on the labels, Monnalisa obtains details of the materials from its suppliers by means of data sheets. This information is integrated into the central system and entered into special management software. Their accuracy is then tested in the raw material quality control area at the Italian headquarters. At the end of the year 2020, in order to adapt its labels to the new export markets, an activity was started to update and integrate the information in accordance with international regulations.

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

The value of the brand

Monnalisa's market competition includes several well-known luxury brands, which also operate in the adult clothing segment, and specialist players operating mainly through licensed brands.
Monnalisa's strategy, which has always been aimed at constantly enhancing the value of its proprietary brands, as of this year - with the introduction of the "Chiara Ferragni" licence - has opened up to integrating its business model with the implementation of a selective production and distribution licensing strategy. The Group operates through a synergistic blend of innovation and avant-garde, through the internalisation of the entire phase of designing and defining collections, prototyping and creating models.
Brand value of therefore represents a critical corporate asset both from a strategic and a financial point of view. The brand is the fundamental element communicating an orientation to customers and positioning the company and its offerings within the competitive context.

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

Actions to protect brand reputation

The trademark, a sign which can be qualified both as an intangible asset affecting the company's performance and as a fixed asset, which can be entered in the accounts, gives its owner an exclusive right of exploitation for certain products or services.
That right takes the form of the possibility of preventing competitors from using a sign that is identical, similar or, in any event, likely to cause confusion with the protected trade mark, which, as a distinctive sign, must enable the consumer to distinguish the goods and services of one undertaking from those of another undertaking.

Monnalisa is the owner of trademark registrations (Monnalisa, Monnalisa Bimba, Monnalisa Junior, Monnalisa Fun, Monnalisa with flowers, Hitch Hiker) protected in the verbal version together with the figurative element, with a worldwide presence in about 100 countries.
In order to strengthen brand protection actions, Monnalisa has activated a brand monitoring and surveillance service aimed at preventing the registration of similar or identical brands, checking for any publications of similar brands being registered in the same product classes. This service makes it possible to prevent possible situations of conflict on the market by activating warning actions. During 2020, there was no need to send warning letters, nor were any administrative proceedings initiated for the same purpose.

The different Monnalisa brands are always clearly visible on the products, in the direct shops and in any event related to the promotion of the products. This makes the brands always easily recognisable and reinforces their image and visibility to the public. The use of the brand over the decades has undoubtedly allowed it to be associated with a message of style, quality, identity and innovation of an Italian product that is a benchmark in the childrenswear sector, reinforcing the positive perception and building its value.

To date, the Monnalisa brand is not valued in the financial statements. For internal purposes, in the early months of the year a firm of industrial property protection was engaged to evaluate the Monnalisa brand. This activity in itself requires the presence of an entity distinguishable from the overall assets and presupposes the presence of interconnected and essential characteristics such as identifiability, separability from other corporate assets and the duration in time in which the brand will make a positive contribution to corporate profitability. The valuation showed a brand value of approximately €20,000,000.

MONNALISA

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

The supply chain

The production process is mainly carried using an industrialized methodology, that is using independent third-party contractors exclusively for garment production and processing phases, excluding cutting, which is performed internally. A commercial production method is also used, i.e. the direct procurement of finished products. In both cases, the third-party manufacturers operate under the strict supervision of Monnalisa, which defines the procedures for the assignment of production batches and product realization times, and implements quality control checks.
Monnalisa's collaborations with its main suppliers are based on the principle of creating a long-term partnership through shared objectives and tools for the identification of professional solutions of quality and efficiency, and the achievement of results of mutual satisfaction.
The quality of this process is evidenced by the continuity and stability of the relationships established with main suppliers. Monnalisa tends to favour those suppliers with which it jointly collaborates on research, development and experimentation. With such companies, Monnalisa establishes a strong relationship that tends to be continuous and stable over time.
The suppliers analysed here are exclusively the suppliers of products and services with a direct impact on the company's production activity, including suppliers of fabrics, accessories, finished products, and processing services (e.g. cutting, sewing, ironing and accessory phases).
Evidencing the stability and robustness of the relationships is the fact that, on average, more than half of the consolidated suppliers (with which the company has worked in at least two of the last four seasons) consist of continuous suppliers (from which the company has purchased in all four of its latest collections). Reasoning in terms of procurement volumes, we can obtain the supplier dependency index, representing the percentage of procurement volumes from the top ten suppliers over the total volumes procured by procurement type. The index increases for fashion designers and decreases for raw materials, both in terms of fabrics and accessories.
The payment terms established with suppliers vary with the type of product procured. For fabrics, longer payment terms are justified by the risk assumed by Monnalisa in buying the materials "in the dark", that is a long time in advance and before the collections have been sold, which is necessary in order to anticipate production process times so that prompt delivery can be guaranteed to the customer.
Monnalisa, except in cases of dispute over purchased goods or services, regularly observes the contractual terms agreed with the supplier. This, together with the approach to building lasting partnerships with suppliers, protects the company from any non-compliance with supply agreements.
Monnalisa has a reverse factoring agreement in place with a major banking institution. Monnalisa informs the bank of its most stable suppliers, who are offered the possibility of assigning credit to Monnalisa, managing and anticipating, under particularly favourable conditions, receivables due from the purchaser. Monnalisa, as partner company, thus collaborates in the development of the project with the aim of meeting the financial needs of the largest number of suppliers. The advantage is, for suppliers, the anticipation of receivable cash flows, and, for both parties, the strengthening of relations.
With the pandemic, a similar solution was implemented for foreign suppliers, by opening letters of credit import with deferred payment and a discount clause in favour of the beneficiary, to be paid by the customer. Monnalisa benefited from the deferred payment, taking advantage of the favourable conditions granted by the banking circuit, while the suppliers - at a particularly challenging time from a financial point of view - were able to collect on demand or in any case in a very short time.

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

Supplier type	No. of suppliers listed	Of which Consolidated suppliers (at least 2 out of 4 seasons)	Of which Ongoing suppliers (4 out of 4 seasons)
Textiles	654	40	15
Accessories	294	48	23
Processing	321	20	14
Finished product	465	38	24

Table 3 Supplier relationship stability index

Supplier type	% continuous/consolidated		
	2018	2019	2020
Textiles	48%	43%	38%
Accessories	49%	60%	48%
Processing	86%	56%	70%
Finished product	57%	57%	63%
Global %	**56%**	**54%**	**52%**

Table 4 Supplier dependency index

Supplier type	2018	2019	2020
Textiles	80%	64%	75%
Accessories	81%	64%	78%
Processing	66%	64%	69%
Finished product	71%	71%	75%

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

Supplier type	30 days	60 days	90 days	120 days
Textiles	120	74	208	252
Accessories	47	84	103	60
Processing	44	266	6	5
Finished product	171	270	10	14

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

The guarantee of production chain quality

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

Product and process quality

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

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

	Textiles					Processing and finished product					Accessories					Tot
	E	D	C	B	A	E	D	C	B	A	E	D	C	B	A	
2018	1	13	10	9	7	6	10	21	27	1	0	7	11	11	23	157
2019	0	7	11	14	1	6	14	10	33	3	1	6	13	9	17	145
2020	0	7	7	14	3	2	4	9	22	14	1	3	10	10	17	123

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

	Textiles					Processing and finished product					Accessories					Tot
	E	D	C	B	A	E	D	C	B	A	E	D	C	B	A	
2018	0	6	13	12	3	0	9	24	31	2	2	6	9	7	20	144
2019	1	4	16	20	2	0	8	17	27	5	0	9	12	3	18	142
2020	0	4	8	16	7	2	8	22	22	4	0	4	17	5	14	133

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

% of suppliers with fair, good and excellent quality indices out of all suppliers evaluated*	86%

** average of the two seasons analysed*

Ethics quality

An analysis of the supply chain from a global point of view evidences the predominance of Italian suppliers. Indeed, in 2020, only 33% of procurement volumes came from suppliers located abroad, of which most were concentrated in China, Bulgaria, Egypt and Turkey.

The application of SA8000 Social Accountability certification in such countries mitigates the risk of human rights violations. Standard SA8000 contains specific requirements on the extension of control processes to the supply chain, allowing the company to monitor (via an evaluation questionnaire on supplier commitments to complying with the standard requirements, and audits at supplier premises) suppliers throughout the entire supply chain, including potential new suppliers. The supplier code of conduct itself, in addition to the requirements of SA8000, includes clauses relating to the environment, model 231/01, product safety and the protection of company know-how. All Monnalisa supply contracts include clauses on work practices and social, environmental and sustainability aspects. All suppliers are required to comply with SA8000 requirements and the provisions of the Monnalisa Code of Conduct. In signing the supply contract, of which the code is a specific clause, the supplier undertakes to take positive action to implement the code and to accept any inspection visits by the client to verify its correct application.

The Supplier Code of Conduct can be consulted on the corporate website at the address: http://portal.monnalisa.eu/comunicazione_istituzionale/responsabilita_sociale_it-IT/codice_di_condotta_per_i_fornitori.aspx

Additionally, audits are carried out, both by third parties and by Monnalisa directly, and scheduled on a regular basis depending on various factors such as the type of processing, the size and location of the company, and the outcome of previous inspections. The pandemic prevented or severely limited travel, so the 2020 audit activity was limited to inspections in China by local staff.

Table 8 Audits at supplier premises

	2018	2019	2020
No. of visits to suppliers made	19	17	3
of which in Italy	12	8	0
of which abroad	7	9	3

Audits carried out in 2020 covered approximately 3% of the value of procured material and processing, though, considering the last three years, the coverage rises to 43%. Three suppliers of finished products in China were audited. Areas for improvement were identified and shared with the companies, though the audits found no critical non-conformities.

With regard to all the relationships established with suppliers, Monnalisa recognises the importance of their role in the process of value generation, promoting a relationship based on transparency and fairness and ensuring the conditions for the production of products that can compete profitably in the market.

Environmental quality

Adding to those relating to quality and social responsibility, an environmental evaluation was introduced five years ago. This activity mainly aims to evaluate the technical and organizational capacities of Monnalisa suppliers in the environmental field. The suppliers are evaluated on the basis of self-assessment questionnaires (which include quality, environmental and social responsibility aspects), which summarise the concepts expressed by the standard UNI EN ISO 14001. The application of the requirements of the standard was evaluated according to technical and organization criteria and the relevance of environmental aspects to the supplier in question.

Considering the high number of suppliers, audits were prioritised for those suppliers with considerable turnovers and on first contact with Monnalisa. The analysis carried out in 2020 shows that the response rate for Italian suppliers and manufacturers is 41%, while for foreign suppliers and manufacturers it is 80%. Those with environmental performance management certification (e.g. ISO 14001 certification) responded fully to the questionnaire, providing, with greater awareness, details of the environmental aspects of their activities.

It also emerged that around 25% of the suppliers, among those who do not have environmental certification, responded positively to the question on the use of procedures to control and manage their environmental performance, especially in terms of waste management and water discharges, for which they have specific authorisation.

Among the improvement actions, those most frequently mentioned are the implementation of photovoltaic systems, the replacement of current lighting systems with LEDs and activities aimed at reducing the consumption of electricity and water.

In 2020, these questionnaires were updated with the aim, on the one hand, of further investigating the level of maturity of its suppliers on environmental matters, and on the other, of improving the analysis in line with recent technological innovations, especially in the textile sector. They will be sent with the conclusion of new contracts in 2021. Therefore, the analysis of the results obtained is postponed to the next social report.

The monitoring of its supply chain also includes auditing activities, with the aim of verifying ethical, social and environmental performance in compliance with applicable laws and the principles contained in the Code of Ethics and the Code of Conduct for Suppliers. The audit team is made up of staff from the Certification and Compliance department, who are adequately trained to carry out second-party audits.

Due to the high number of suppliers, it was decided to audit only suppliers with a considerable turnover and those with first Monnalisa experience.

However, due to the Covid-19 pandemic and to ensure maximum staff safety, it was decided to postpone the audits planned for 2020.

In addition to product-related suppliers, there are also suppliers of maintenance, transport, collection, disposal, etc. services. This group of suppliers is assessed by the Environmental Management System with appropriate objective evaluation parameters approved by the certification body, giving the supplier a score based on environmental and legislative criteria. As of 2018, the service providers at the operational headquarters are also included in the assessment.

The analysis shows that around 91% of the suppliers assessed scored very good and the remaining 9% good. It can be seen that most of the service providers are reliable, thanks also to partnerships that Monnalisa has consolidated over the years.

Supplier assessment process

The criticality of the supplier in relation to the requirements of the standards SA8000, ISO 9001 and ISO 14001 is established on the occurrence of one or more of the following conditions:

- Small-scale or craft supplier
- Supplier location in areas at risk
- Service providers in sectors where workers' rights are more easily abused

Not all service providers are subjected to assessment, only those that provide services that form part of the main production cycle, thus excluding secondary suppliers.

The supply relationship is governed by supply orders, order confirmations, contracts and written agreements. All suppliers receive a document of presentation of the company, illustrating the values and mission of Monnalisa, its quality, social responsibility and environmental, the standards SA8000, ISO 9001 and ISO 14001 to which it complies, as well as the Code of Conduct, which includes clauses relating to the environment, product safety and the protection of company know-how. The document must be returned to the company countersigned by the supplier for acceptance.

At the beginning of the collaborative relationship, for the purposes of evaluation, all suppliers receive a self-assessment questionnaire containing a variety of questions on the supplier, including aspects relating to human resources, health and safety, data processing and compliance with the standards SA 8000, ISO 9001 and ISO 14001. The supplier must return the digitally completed questionnaire, undertaking to comply with the requirements of the standards and accepting both scheduled and unscheduled inspection visits from Monnalisa.

The submission of the required documentation may be followed by a Monnalisa audit aimed at assessing the supplier's effective compliance with the answers given in the self-assessment questionnaire.

Any non-conformities detected during the audit are recorded in the evaluation system, and reported to the supplier in writing, indicating, where possible, any corrective actions to be taken within certain deadlines.

Following any negative outcome of the visit, the supplier must provide an improvement plan to the non-conformities encountered.

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

MONNALISA

The wholesale channel

Wholesale distribution is carried out through multi-brand stores and third-party operated stores (TPOS), which include so-called third-party shop-in-shops (TPSIS), or mono-brand sales points, of limited floor space, located within department stores.
At December 31, 2020, Monnalisa distributed to more than 500 wholesale sales outlets.
Before stipulating supply contracts with its customers, Monnalisa makes a careful selection based on their location, the visibility that they can give to the products, coherence with the Monnalisa brand and their good standing, in order to reduce the risk of insolvency or late payments of orders. Furthermore, the company ensures that the products will be presented to the public in the manner most in keeping with its own standards and tastes, and in the most suitable light compared to the presentation of the products of its main competitors.

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

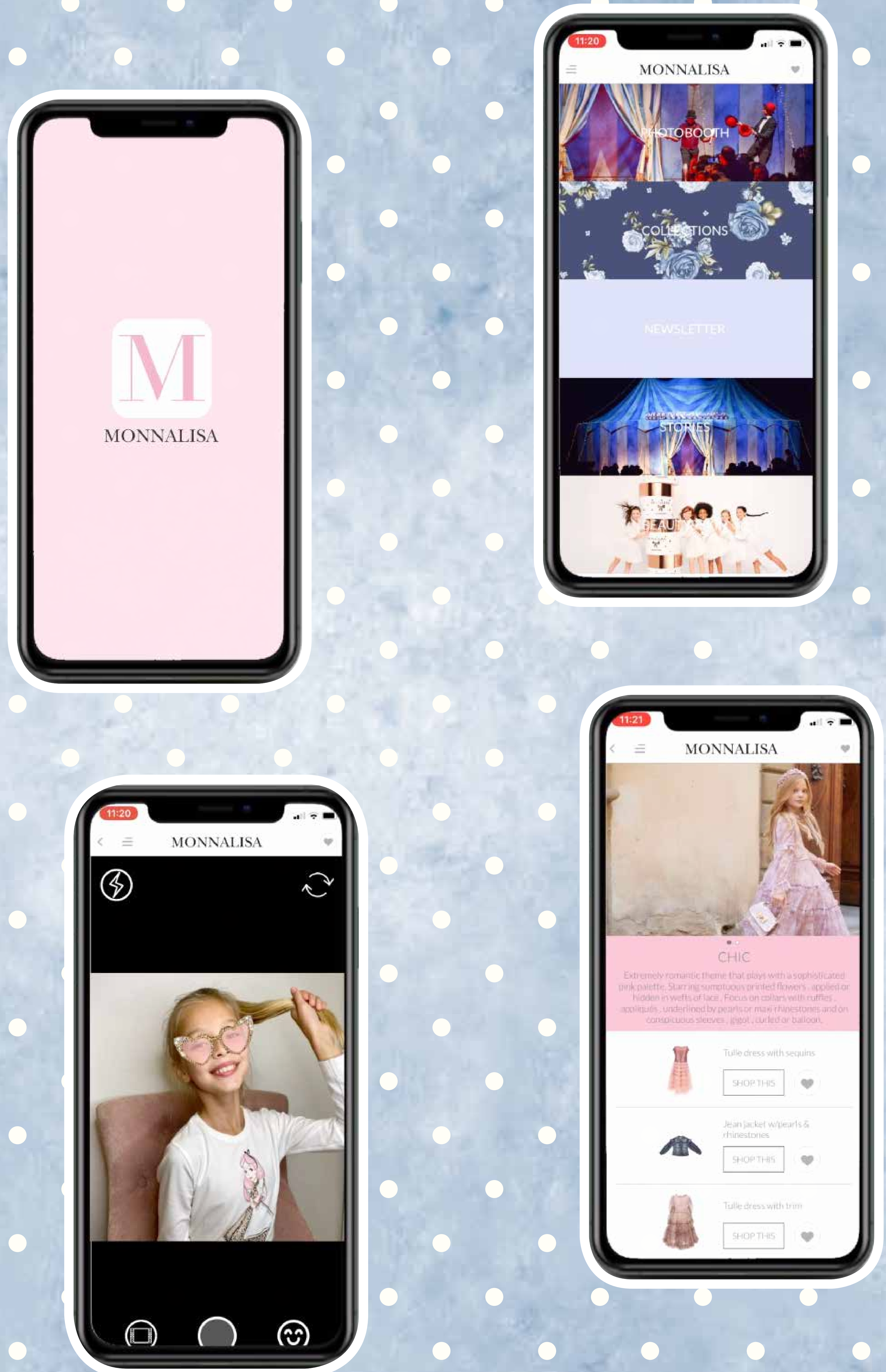
The pandemic also directly affected the downstream supply chain, represented by wholesael customers. Deliveries of summer goods had already been completed before the start of the pandemic, but the lockdown had an impact on trade credit collection times, which were evidently longer. In order to meet customers' needs in a spirit of partnership, it was agreed to postpone the April deadlines to September.
The order portfolio for the winter collection, which had also been collected before the emergency, was subject to some cancellations by customers.
The samples were presented to the sales network by means of virtual showrooming systems to protect the safety of all operators.

The direct retail channel

The retail channel consists of single-brand stores managed directly by Monnalisa in Italy and by its subsidiaries worldwide. At December 31, 2020, the Group had 47 direct stores, 13 of which outlets and 34 of which full-price stores. 30% of the stores are located in Italy, while the rest are located in China, the USA, Hong Kong, Russia, Brazil, Taiwan, Singapore and other European countries. 49% of the shops existing at 31/12/20 were opened in the last three years, 94% of the entire retail network was opened in the last six years.

Country	No. of Stores
ITALY	14
CHINA	9
RUSSIA	5
USA	5
SPAIN	5
SINGAPORE	1
HONG KONG	2
BELGIUM	1
UK	1
TAIWAN	1
FRANCE	3
Total	47

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



Digital innovation

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

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

B2C
Building relationships aimed at increasing customer loyalty is achieved starting with the offer of quality products and services that respond reliably, customised and appropriate to different needs, including through the technological development of new communication channels.
With the launch of the new B2C e-commerce platform in December 2019, the first months of 2020 were dedicated to fine-tuning, which is necessary in this type of project. Since April, positive results have been recorded especially in terms of conversion rates (visitors/number of transactions) and on the average receipt. The new platform went under the domain monnalisa.com, which Monnalisa was finally able to obtain.
With the launch of the e- commerce platform, other technological components were implemented, such as Inventory Visibility that allows to give online visibility of the various warehouses located geographically in various parts of the world where the company is present with its direct stores. This has an impact on stock optimisation, order processing and returns management.
A CRM system has been introduced that is able to collect customer data and information from both the online and offline channels. This is not only to improve the relationship with customers, but also to move the management of customer care to other Monnalisa sites, so as to follow the customer while respecting the time zone and local language.
The performance indicators for the full year 2020 are affected by the first few months of settling into the new platform. Looking at the fourth quarter of 2020 alone, transactions grew by 72% with a conversion rate that more than doubled, up around 105%.

Table 9 B2C e-commerce indicators

	2018	2019	2020
Number of subscribers	32.400	36.104	35.572
Number of visits	1.395.864	1.376.928	1.028.531
Number of pages viewed	11.473.518	10.459.527	5.789.737
Number of pages viewed per visit	8.22	7.60	5.63
Average time spent on the site	4' e 42"	4' e 11"	4' e 16"

In just nine years, the number of subscribers has risen from 300 to over 38,000, which is the most important intangible relational asset of this tool. The channel has seen its performance grow thanks to the notoriety of the online boutique, the improvement of the various business processes linked to the service, the increase in the range and depth of the proposal, and the improvement in customer care through a policy of personalised and constant communication towards end consumers. 98% of visits are represented by new visitors.

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

At the end of 2020, the Monnalisa APP was also launched, linked to the brand's B2C e-commerce platform with a series of functions, such as displaying collections, photo boots, stickers with patterns from the Monnalisa collections, which is being further extended to include gaming.

Download on the App Store

GET IT ON Google Play

SOCIAL AND RELATIONAL CAPITAL

2020

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

The stakeholders

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

Table 1 The stakeholders

Stakeholder	Dialogue channels	Stakeholder expectations
Employees	Dialogue with the human resources function	Responsible business management
	Education and training	Equal opportunities, diversity, inclusion
	Social Performance Team	Promotion of well-being
	Idea Box	Involvement
	Internal surveys	Training and professional development
	Corporate intranet	Information on Group strategies and achievements
	Induction programmes for new recruits	Clarity, transparency and accountability of management
	231 Desk	Attractive, stimulating and positive working environment
	Awareness meetings on health and safety, environment and social responsability issues	
Financial Community (Investors, Shareholders, Banks)	Shareholders' meeting	
	Investor Day, roadshows, industry conferences	Readiness for dialogue
	Conference calls or meetings with shareholders and analysts	Timeliness and completeness of information
	Price-sensitive communications	Careful risk management, including ESG risks
	Investor Relations section of corporate website	
	Dedicated IR email address	
Suppliers	Daily reports	
	Supplier visits	Compliance with the contract
	Sharing of quality and ESG standards	Stability of the supply relationship
	Portal	Involvement
	Supplier Code of Conduct	
	231 Desk	
Wholesaler Clients	Daily telephone and e-mail reports	Timeliness and completeness of deliveries
	Portal	Product innovation and quality
	Fashion Shows and events	Brand reputation and visibility
	Meetings in the showroom and virtual showroom	Product safety
	Training	
	CRM	
Customers	Interaction via telephone, mail, social media	Product innovation, quality and durability
	Direct relationship with customer care at head office and sales staff in shop	Brand reputation and visibility also on ESG issues
	Product labelling	Product safety
	Customer Experience	Plesant and personalised shopping experience
	Newsletter	Competent and professional sales staff
		High level of service during and after the sale
Local community, schools, institutions, public administration	Meetings	Support for initiatives and projects
	Internet site	Collaboration with universities to set up apprenticeships and to illustrate the Monnalisa case study
	Participation in working groups	Opening up to new resources
	Participation in career days	Sponsorships
	Cooperation with professional associations	Support and financing of initiatives
		Availability for dialogue
		Timeliness and completeness of information

With a view to further scrutinizing the list, the stakeholders were assigned a score from 1 (low) to 5 (high) indicating the degree of relative influence that each party has on the company or the company has on the party. These scores were then used to create a stakeholder map. Crucial in objectively determining the relevance of stakeholders was a questionnaire administered by mono-brand stores and an in-depth benchmarking exercise performed on a representative sample of sector players.
The stakeholders that exert the greatest influence on Monnalisa are employees, consumers, shareholders and top management, while those on which Monnalisa has the greatest influence are employees. (Chart 1)
The company, as an autonomous body, is also a stakeholder, since it is a direct beneficiary of the value generated by its business activities. Added value capitalized by the company will allow it to last over time, and therefore honour its commitment to social responsibility.
In order to better understand its relationships and create structured dialogue with its stakeholders, Monnalisa has always engaged in a variety of initiatives, such as workshops, focus groups, surveys, questionnaires, and interviews. Over the years, ten specific categories have been engaged in such initiatives, thus creating the basis for relationships in which critical and positive issues and ideas can come to the fore. Thus, increasingly constructive improvement commitments have been formulated over time between the company and its stakeholders.
To better understand the value and impacts the company has generated over in relation to its stakeholders, three indicators have been selected to represent the relationship with each. For example, for employees: overtime hours, sickness hours, training hours; for customers: B2C usage, the number of items returned for commercial reasons and the retention rate.
The following dartboard chart shows the change in the indicators since 2013, giving an indication of the evolution of the company's relationships with its stakeholders and the effectiveness of its initiatives to improve such relationships. The farther the chart point moves away from the centre, the greater the improvement in the indicator compared with 2013. The chart not only shows the creation of value for stakeholders, but also the inevitable trade-offs in relating to all stakeholders. The evolution in points towards or away from the centre is less significant in absolute values than it is in revealing differences in the evolution of the relationships with different stakeholders in response to the company's strategies and policies over time.

Stakeholder relations

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

Chart 1 Stakeholder Map

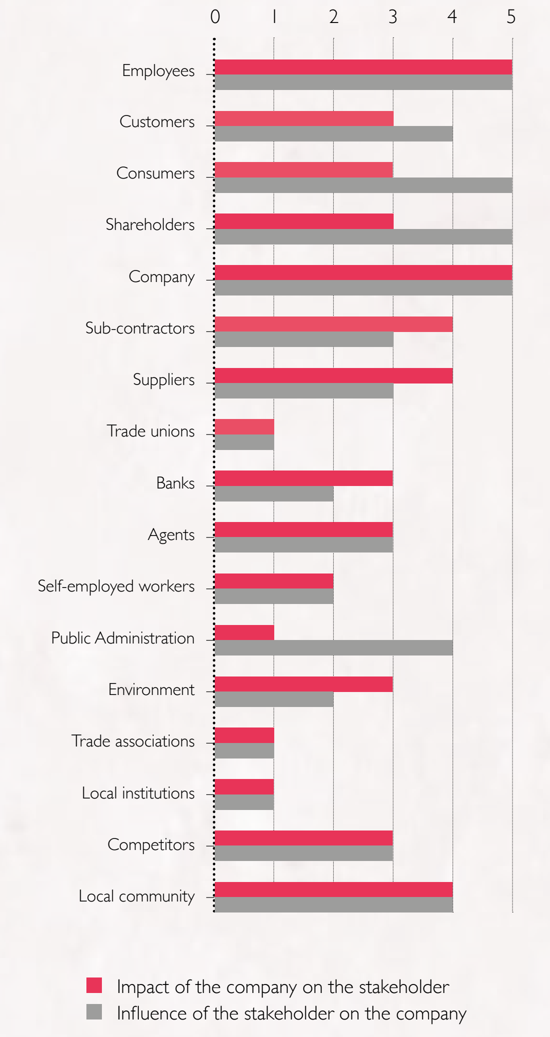
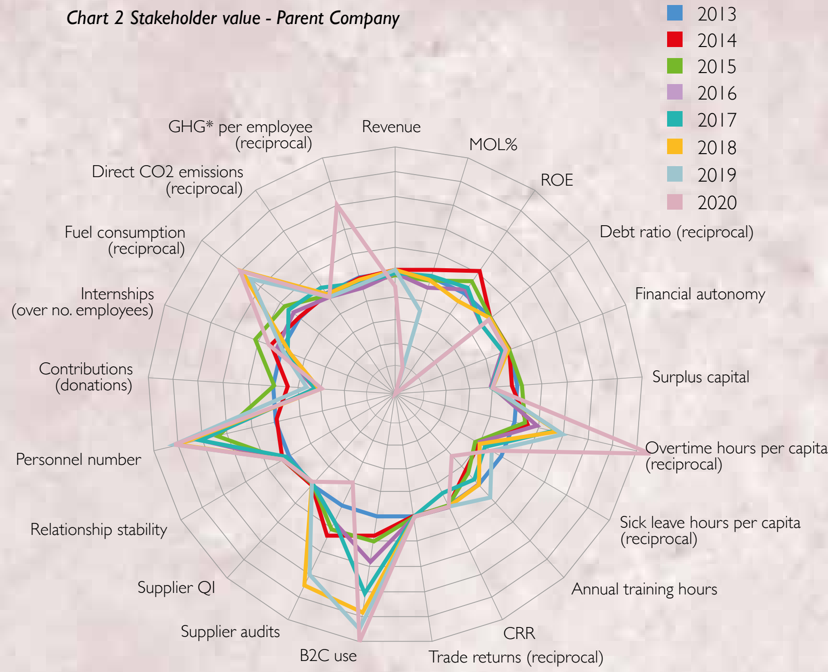


Chart 2 Stakeholder value - Parent Company



** GHG per employee is calculated on a consolidated level*
Source: Bonacchi, M. and Rinaldi, L., 2007. Dartboards and clovers as new tools in sustainability planning and control. Business Strategy and the Environment 16 (7): 461-473. http://dx.doi.org/10.1002/bse.596

The customers

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

Table 2 Loyalty – Parent Company

	2018	2019	2020
Year-on-year change in turnover*	1.87%	-5.26	-30%
% retained customers over total customers	85%	85%	81%
Outgoing turnover rate (customers lost over total)	20.50%	17.79%	36%
CRR - Customer Retention Rate	78.94%	79%	69%

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

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

Table 3 Reliability – Parent Company

	2018	2019	2020
Average no. of shipments per order	3.87	3.81	3.93
% fulfilled orders with fulfilment % between 98% and 100%	83.79%	84.65%	78.68%
Replenishments/trade returns (in garments)	1.11	1.02	1.01
% marketing and sales personnel over total staff	40%	44%	42%

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

Table 4 Trade returns over total returns – Parent Company

	2018	2019	2020
% trade returns over total returns	81%	88%	91%

For every garment returned for trade reasons, therefore not for production or design defects, at least one is restocked. The pandemic and the decline in shop traffic have led to a sharp increase in the rate of commercial returns.

Investors and financial communication

Following listing on the non-regulated Borsa Italiana AIM market, which took place on July 12, 2018, communications with investors must respond to specific regulations governing minimum and mandatory disclosures, as well as their timings and procedures.
In 2020, 19 press releases were published on the System for the Distribution of Regulated Information (SDIR) platform and on the company website (in the Investor Relations section).
Monnalisa also participated in two events with investors: Smart Investor Day Green organised by IR Top Consulting on 10 June 2020 and Next Gems coordinated on 3-4 November 2020 by Banca Akros, Banca Profilo, Intermonte and Event Capital Markets. In January 2020, Monnalisa held an Investor Day in Milan at the showroom to present the company's strategies, especially digital, and the new collections.
The 2020 financial statements were published on the SDIR and the corporate website, together with the draft financial statements approved by the Board of Directors on April 30, 2021.
All the documentation relating to the financial statements, including the minutes of the Shareholders' Meeting to approve the statutory financial statements and to review the 202 consolidated financial statements, is published on the company website. The financial statements are also available in English.
As of 2020, alongside the broker coverage provided for by the AIM Rules (entrusted to CFO SIM), additional analyst coverage was added through the broker Akros. Analysts are available on the institutional website.

Corporate communication

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

Internal communications

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

During 2020, at the height of the pandemic and with staff on lay-off and/or smart working, the portal was the most important system for communicating and disseminating information. 151 posts were published on the portal's noticeboard, the peak of messages was reached in March with a total of 27 communications. The company used this channel to disseminate information on the pandemic, lockdowns and virus containment measures adopted through the protocol; to share at an organisational level the use of the Covid redundancy fund and smart working, to facilitate the use of Covid parental leave or 104 leave for those who were entitled to it. All the information provided was fed into a specific section of the "Covid Management" portal, which is still being continuously updated. Finally, the portal has also served to encourage and make people feel the closeness and guidance of the company management, which has published a series of posts and videos aimed precisely at this.

External communications

The primary form of external communication is advertising, which - through products and press releases - conveys the identity of the brand and the company to all external stakeholders. During 2020, Monnalisa did not invest in advertising campaigns but benefited from a strong resonance of the brand and Group activities through numerous free editorials in a range of both sector and financial publications. A total of 30 editorials were published in print media.
Currently, Monnalisa does not adhere to specific voluntary codes or standards relating to marketing and advertising practices. In any case, in addressing a market specifically dedicated to children, Monnalisa opposes, in all possible forms of advertising, attitudes and images that might, in any way, be disrespectful of the dignity of children. Cases of non-compliance with voluntary regulations or codes regarding marketing activities including advertising, promotion and sponsorship.
Supplementing traditional forms of advertising is that conveyed through the web, including corporate communications via the company website (www.monnalisa.eu) and via social media.

Engagement

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

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

Employee communication and engagement

As part of the SA8000 standard, Monnalisa approved a management policy establishing a Social Performance Team (SPT) as a reformulation of the previous Ethics Committee and consisting of a balanced representation of workers' representatives and management. All members of the SPT have been trained in detail on the new issues introduced in the new edition of the standard. One of the tasks of the SPT is to report all criticalities and reports and any complaints received from stakeholders relating to social and environmental responsibility to the Board of Directors and CEO.
In 2020, 9 reports were received, down from 9 in the previous year. All were analysed by the SPT at its periodic meetings in January, May and September. Reports came via the central offices and operational headquarters, through direct communications with the SA8000 workers' representatives, or through the Suggestions Box, which guarantees anonymity.
Certain reports expressed requests for specific improvement actions by the company. Others gave the management the opportunity to explain and give reasons for the implementation of certain rules and decisions. Further reports came via the Human Resources Office, in the form of suggestions, requests, remarks, complaints and notifications of potential non-conformities, supplementing information emerging from the internal audits of the company's management systems.
Of all reports received in 2020, none concerned any violations of human rights. All reports were responded to, including all cases of anonymous reporting. 100% of the reports were therefore accepted and managed.

Breathing life into the non-financial report

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

External communications: consumers

In an increasingly social marketplace, in which time spent on the web grows exponentially every year, the rules of sociality are changing with the evolution in consumer behaviour, making the creation of institutional accounts across major networks fundamental.
Monnalisa is present on and connected across Facebook, Pinterest, YouTube and Instagram. The current social media audience consists of a community of approx. 340,000 fans, subscribers and followers that shows continual growth (up +17% on 2019). In addition to the audience, there are about 10,000 followers of the Tik Tok profile, which was only activated in the last four months with an advertising campaign. Product posts, company news, catalogue images and e-commerce links are accompanied by in-depth information on a range of topics related to the target market. Responses to such social media activities allow the company to listen to the needs of users and consumers, to convert them into ad-hoc products and services, and to monitor chatter and conversations emerging around the brand, in order to improve the relations with consumers, and to develop content that generates added value and creates opportunities for people to feel more connected to the world of Monnalisa (see the section on "Productive and intellectual capital", "Creativity").
These are the main goals the company has set itself, in addition to an intensification in relationship marketing and the identification and engagement of opinion leaders able to transmit trust, generate enthusiasm for the brand and improve the reputation of the company.

The local community

Monnalisa considers the new generations to be important stakeholders. It has therefore established ties with numerous educational institutions, with which it actively organizes initiatives of teaching, project work tutoring, internships and research. For several decades, Monnalisa has collaborated with the Department of Corporate and Legal Studies of the University of Siena in joint training activities.
All internships in 2020 were provided with monthly reimbursements for expenses.
Monnalisa annually prepares an internship plan divided up into areas of professional expertise. Applications can be submitted directly by potential interns or can be proposed by universities, educational institutions, and training and specialization schools. Monnalisa on occasion itself actively searches for young people at such institutions in order to offer them internship projects.
The interns can make use of the internships for different purposes, such as:

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

The internships carried out in 2020 lead to a hiring in 2021.

Table 5 Internships in 2020

Promoting Body	No. interns	Duration	Internship Area
Centro per l'impiego Arezzo	1	3 months	Design
Centro per l'impiego Arezzo	1	3 months	Domestic Wholesale
Centro per l'impiego Napoli	1	2 months	Naples Showroom
Università degli Studi di Siena	1	3 months	Digital

Intern Policy

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

Applications for Thesis Projects and Internships

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

Internships for employee children

The welfare policies of Monnalisa have also introduced the opportunity for the children of employees to carry out internships in the company. Every year, five internship positions are reserved for the children of employees in any of the company's local units and professional fields. If the internship is extracurricular, then reimbursement of expenses is guaranteed to a variable amount depending on the region in which the internship takes place. If the internship is under an alternating school-work programme or a curricular internship, no reimbursement of expenses is currently provided.
Monnalisa uses a web-based tool for archiving and managing CVs, linked to the "Work with us" page of the company portal. All the CVs that arrive in the company in any way are channelled into the same management software, so that the company has an updated database that allows for filtered searches of suitable profiles. The same tool keeps track of the interviews given and their outcomes. External users who send their CVs to Monnalisa may make changes to their own data at any time.

Table 6 CVs, interviews and hiring

	2018	2019	2020
CVs received	871	731	517
Interviews	127	149	42
Hires	52	45	10

Table 7 Interviews, internships and hires under 30

	2018	2019	2020
Interviews held	127	149	42
Training internships completed (as a percentage over the number of employees)	9%	12%	2%
Under-30s hired over the total number of people hired	33%	18%	50%

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

Table 8 Openness to new resources

	Index 2018	Index 2019	Index 2020	Weight	Rate 2018	Rate 2019	Rate 2019
Interviews held	3.08	4.04	0.84	20%			
Training internships completed (as a percentage over the number of employees)	2.4	3.2	0.4	30%	2.50	2.49	1.79
Under-30s hired over the total number of people hired	2.32	1.44	3	50%			

The index suffers from the effects of the pandemic, which forced a severe restriction on the activation of new traineeships and halted recruitment, which only affected new shops opened during the year.

Relations with organisations, institutions and associations

Monnalisa is a member of a number of organisations and associations with the aim of contributing to dialogue and development in various areas: from training to business and social responsibility. The main memberships are listed below:

Made in Tuscany Academy

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

Sodalitas Foundation

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

Sviluppo Pratacci Consortium

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

Confindustria Toscana Sud

Association of Entrepreneur of Arezzo, Grosseto and Siena, was created from the merger of the Territorial Associations of the three provinces. Divided into three Delegations, it is the second most representative body in the Tuscan industrial system, with over 1,500 associated companies, both national and international, small, medium and large, producing goods and services in all sectors, for a total of over 40,000 employees in the area, which contribute to the growth and welfare of an area equal to more than half of Tuscany. The aim of CONFINDUSTRIA TOSCANA SUD is the development of industry and entrepreneurship in the territory. To this end, the Association promotes cooperation between member companies and protects and represents the interests of companies in dealings with institutions, public administration, the political and trade union world and society in general.

Arezzo Fashion Consortium

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

Polo Universitario Aretino

a consortium aimed at developing degree courses and other academic activities of the University of Siena in the Province of Arezzo. In February 2019, the organisation is restructured to respond with greater flexibility and efficiency to the new needs of the territory. The Polo is transformed from a consortium into a participation foundation with legal personality recognised by the Region of Tuscany.

SMI (Sistema Moda Italia)

one of the world's largest organisations representing textile and fashion industrialists in the western world. In particular, SMI's operations contribute to making textiles and fashion one of the most economically important sectors of Italian industry.

Foundation activities

With the establishment of the Foundation, Monnalisa has concentrated corporate donations in order to implement targeted aid projects consistent with the values of the company and the owner family. Over time, the Foundation has become a real community project to pursue the improvement of the quality of life of the local community and the strengthening of solidarity between those who live and work in the area by supporting and contributing to the financing of causes suggested by the community itself. From a body created by the contributions of the founding members, the Foundation has evolved to become a community in which all social actors, including institutions, for-profit companies, non-profit companies and individual citizens, feel actively engaged in initiatives that benefit the whole community.
In 2020, the Foundation continued to implement projects from an EDUCATION perspective, reinforcing the construction of important partnerships that carry forward the mission of true "educating communities" in the area and beyond, in fact the "Arezzo Ethic Academy" project aimed at supporting the creation of a nursery of ethical youth entrepreneurship in Arezzo, Now in its second year, it has received important recognition from the European Community, winning the "Make Sense" Make Social Entrepreneurship for School Education call, allowing the Foundation to operate locally and exchange good practices with other European countries. In addition, the Foundation continued to support the development of the musical skills of children in economically/socially vulnerable situations by allowing them to attend music education courses and rent musical instruments free of charge, as well as providing children with customised uniforms for music recitals. Finally, the Monnalisa Foundation contributed to the women's empowerment programme to educate local immigrant women to acquire new professional skills in the art of tailoring and sewing, organising free training courses for them and donating fabrics and tools to make the products themselves.

Monnalisa, by its own internal policies, does not contribute to any political party or politician.
Monnalisa has a defibrillator available for use by the Pratacci industrial area community and also one at its Badia al Pino site. At least eighteen people in the company are trained in the use of the equipment and in resuscitation techniques.




HUMAN CAPITAL



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

It should be noted that as of this year, the reporting boundary has been extended to include the various group companies, so not all tables are comparable with those of last year. If it is not possible to expand the scope of the report for specific indicators, we specify the exclusion in the body of the text, explaining the reasons, in accordance with the "comply or explain" principle.

Breakdown of personnel

316 people, working in 14 countries[1], have contributed to the results achieved by the Monnalisa Group.
Compared to 2019, the workforce decreased by 46 employees: for the foreign subsidiaries, this was due to the closure of some points of sale (Brazil, Turkey, Russia, China), and, for the parent company, the non-renewal of some fixed-term contracts.

1 - *The 14 countries are: Italy, Spain, France, Great Britain, Germany, Belgium, USA, China, Singapore, Taiwan, Hong Kong, Russia, Turkey and Brazil. They do not coincide with the group's organisation chart because some companies do not currently have any employees as they are inactive.*

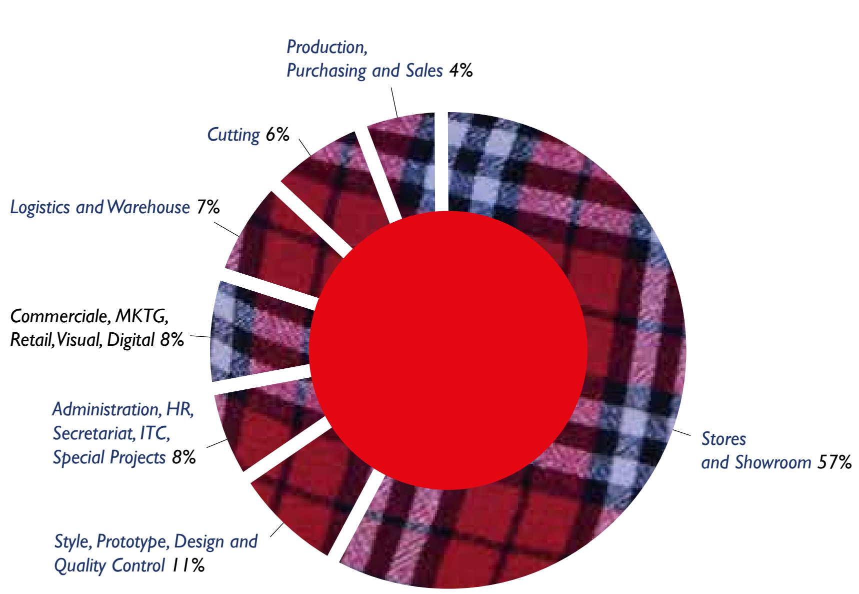
Table 1 Personnel by category, years 2018-20

	2018	2019	2020
Manager	10	11	10
Store Manager	31	38	36
White-collar	242	275	234
Blue-collar	37	38	36
Total	320	362	316

Table 2 Staffing levels years '18-'20 by geographical area

	2018	2019	2020
Italy (parent company)	193	202	197
Europe	13	33	23
Asia	69	53	52
America	21	47	24
Russia	24	27	20

Chart 1 Percentage distribution of Monnalisa employees by business area



As far as subsidiaries and foreign branches are concerned, all personnel, including managerial staff, are recruited from the local community in which they are located. In the parent company, most employees and management come from the provincial and regional territory.

At the end of 2020, twelve people protected under the categories of Italian Law 68/1999, "Regulations on the right to work of disabled people" were working in the company, of which eleven people with disabilities. The composition is unchanged compared to the previous three years. The company is one unit short of hiring workers from the protected categories, but at the moment the obligation to hire is suspended as long as the social shock absorbers are used.
Each country has a different approach to the employment of people with disabilities. In some countries, such as France, Spain and Germany, there are regulations similar to the Italian Law 68/99, which imposes an obligation to employ a certain quota of disabled people based on the number of workers employed in a company. Other countries, including the United Kingdom, do not have any mandatory quota. In all countries where Monnalisa is present, the number of employees is quite low. The only exceptions are China, the United States and Russia, which together account for more than 70% of the average workforce of subsidiaries. In the United States, there is no specific legislation on compulsory employment, but there is a general policy of inclusion and non-discrimination to which companies are called, which is also explicitly provided for in the employee handbook of the American subsidiary. In China, there is legislation on job placement, but to date the conditions have not resulted in any obligation for the Chinese subsidiary. In Russia, there is specific legislation but it does not apply to the subsidiary as it does not fall within the size parameters established by the legislator.

59% of employees have been working at Monnalisa for less than five years, which reflects the establishment of new subsidiaries worldwide, starting in 2015, and the opening of new shops in recent years. 27% of employees have been working within Monnalisa for more than 10 years.

Diversity and Inclusion

5 GENDER EQUALITY

Diversity is a very broad concept and does not concern only one specific group of people. Every person has individual characteristics and differences that may relate to age, gender, sexual orientation, physical and mental abilities, culture, ethnicity and religion. Far from being an obstacle, diversity brings value to a company, as long as people are able to work together positively, with mutual respect, within a context that appreciates them.
82% of the staff are women, the ratio of women to men is 4.5.

Table 3 Personnel by age and gender MONNALISA

	Male staff				Female staff			
	<30	30-50	>50	Tot	M	%	W	Tot
Manager	0%	75%	25%	**4**	0%	83%	17%	**6**
Store Manager	33%	67%	0%	**3**	6%	79%	15%	**33**
White-Collar	7%	37%	56%	**27**	15%	71%	14%	**207**
Blue-Collar	9%	57%	35%	**23**	8%	46%	46%	**13**

The average age is 41. The largest percentage of managerial positions is held by people between 30 and 50 years of age. Table 4 shows the distribution of staff by gender and function/grade. Monnalisa is characterised by a flat hierarchical structure, the result of its size and family origin and history. This means that in many cases, although they have a clerical position, they have roles of responsibility, in terms of the budget managed - for sales or purchases -, the type of activity carried out or the number of people coordinated. In 2020, 19 office workers (11 women and 8 men) fell into this category. Valuing these figures makes it possible to express the degree of autonomy and implicit managerial skills present within the company. Similarly, the number of store managers in the three-year period was extrapolated, regardless of contractual classification, in order to highlight a further portion of people with the professional profile of middle manager.
The manager category includes executives and middle managers. The blue collar category includes intermediates.

Table 4 Distribution of women and men by function'18-'20

	2018					2019					2020				
	M	%	W	%	Tot	M	%	W	%	Tot	M	%	W	%	Tot
Manager	3	30%	7	70%	**10**	4	36%	7	64%	**11**	4	40%	6	60%	**10**
Store Manager	0	0%	31	100%	**31**	3	8%	35	92%	**38**	3	8%	33	92%	**36**
White-Collar	30	13%	20	88%	**240**	27	10%	248	90%	**275**	27	12%	207	88%	**234**
Blue-Collar	25	64%	14	36%	**39**	23	61%	15	39%	**38**	23	64%	13	36%	**36**

Table 5 Seniority

Seniority (years)	Manager	Store Manager	White-collar	Blue-collar
0-5	5	34	138	11
6-10	1	1	31	9
11-15	1	0	33	10
16-25	3	1	19	5
over 25	0	0	13	1
Total	10	36	159	36

The average seniority in the company is 7 years. It should be noted that in all extraordinary operations, acquisitions of business units or internalisation of functions previously delegated to other group companies, all employees have always been guaranteed their seniority.

Table 6 Average company seniority

	2018	2019	2020
Average company seniority in years	6	6	7

Breakdown by contract

Of the 316 employees, 85% is on permanent contracts (212 women and 56 men), the remaining 15% is on temporary contracts (1 man and 45 women). During the year, in the parent company, 6 fixed-term contracts were converted to permanent contracts: 4 resources were confirmed within the direct sales outlets and 2 resources were confirmed in the offices of the parent company.
Of the 50 fixed-term contracts, 1 relates to maternity cover, 49 to hires in direct stores and showrooms. The average age of workers on temporary contracts is 33.
Out of the total of 316 employees, 18% have part-time contracts (20% if the only parent company is considered), personalised in terms of both total weekly hours, and their distribution over week days and during the day. 90% of the part-time contracts are held by women. The 58 people with part-time employment contracts make use of part-time work ranging from a minimum of 14% to a maximum of 95% of their full-time contract. Three people make use of cyclical part-time employment over the course of the year. In order to balance the needs of work and one's personal life, it is possible to request part-time work even for specific and temporary needs.
Supplementing the opportunity of part-time work is that of teleworking, which six people made use of in order to reconcile their family and work needs. The average age of remote workers is 41.

The first few months of 2020, with the advent of the Covid-19 pandemic, made it possible to introduce smart working in the parent company on an emergency basis, which is still in place. It was therefore possible to activate 58 new smart working contracts, initially favouring employees with immunodeficiency or school-age children, and then extending this opportunity to all those with tasks compatible with agile working. In general, however, despite the difficulties created by the emergency, it was possible to test a new way of working that highlighted how much time and resources were spent unnecessarily in the past on transfers, meetings, and gatherings that could be replaced by a video call without losing any of their effectiveness. The resulting benefits are not only for the employee, on a family and motivational level, but also for the company, in terms of productivity and the spread of a general climate of trust, and for the environment, as commuting is reduced.

In order to get people's views on this new working method, a questionnaire was administered to all employees who had tried it out during the year. The sample that responded to the survey consisted of 67 people, 13 men and 53 women, 67% of whom were in the 26-45 age bracket, 53% were university graduates, 14 employees with a managerial profile and 53 with a specialist or professional profile, 60% of the people in the sample had children and 36% lived at least 15km from their place of work. The survey showed that, in order of importance, the positive aspects of smart working are: reconciliation of work and private life, savings on transport costs from/to home/office, greater concentration in work, general increase in work well-being. Some negative aspects also emerge: lack of contact with colleagues, difficulty in maintaining good coordination with managers, difficulty in managing work time and priorities, negative prejudice from managers, lack of awareness of one's own contribution. In general, most people would like to make this way of working permanent, even if only for a few days during the week.

Taking note of the positive results achieved in the use of agile working (Smart Working) introduced on an emergency basis, and of the findings of the internal survey, a project was launched to make this working method feasible once the emergency is over. Thus, a specific agreement on smart working was signed with the trade unions, which will allow - even after the emergency has ended - those who request it and whose duties are compatible with working remotely, to agree on an individual agreement to work in agile mode. Depending on the organisational environment, it will be possible to work in agile mode 2 or 3 days a week or on alternate days or half-days, if the activities are hetero-organised.
This way of working has significant advantages in terms of work/life balance and therefore in terms of workers' satisfaction, with particular attention to family care needs. In addition, there are also benefits in terms of environmental sustainability by reducing home-work journeys. However, it will also be necessary to rethink operational processes and the organisation of work in an 'agile' key, developing a horizontal leadership model and training people to manage their time and objectives more effectively.

Table 7 Staff numbers by area, gender and contract type

	Temporary			Permanent		
	M	W	Total	M	W	Total
Italy (parent company)	0	4	**6**	52	141	**193**
Europe	0	7	**7**	0	16	**16**
Asia	1	34	**37**	0	15	**15**
America	0	0	**0**	4	20	**24**
Russia	0	0	**0**	0	20	**20**

Turnover

Net turnover is negative, with 53 hires against 99 terminations (-46).

Table 8 2020 Incoming employees by gender, age group and country

	<30		30-50		>50		Total		Turnover %	
	M	W	M	W	M	W	M	W	M	W
Italy	0	5	**0**	5	0	0	0	10	0%	**4%**
Europe	0	5	**0**	2	0	1	0	8	0%	**5%**
Asia	0	6	**1**	6	0	1	1	13	0%	**9%**
America	3	0	**0**	2	0	0	3	2	150%	**1%**
Russia	0	0	**0**	1	0	0	0	1	0%	**1%**
Total	**3**	**16**	**1**	**16**	**0**	**2**	**4**	**34**	**7%**	**20%**

Le 34 assunzioni hanno riguardato l'apertura di nuovi negozi o la sostituzione di risorse presenti nei punti vendita.

Table 9 2020 Employees leaving by gender age group and country

	<30		30-50		>50		Total		Turnover %	
	M	W	M	W	M	W	M	W	M	W
Italy	1	5	1	8	0	0	2	11	4%	7%
Europe	2	12	0	12	0	1	2	25	0%	81%
Asia	1	2	0	15	0	0	1	17	0%	32%
America	1	16	0	11	0	2	1	29	50%	64%
Russia	0	0	0	7	0	1	0	8	0%	29%
Total	**5**	**35**	**1**	**53**	**0**	**4**	**6**	**92**	**11%**	**30%**

The 99 terminations during the year were due to:
- conclusion of contract (31 people)
- conclusion of replacement of maternity leave (2 people)
- resignations (21 people)
- dismissal with just cause (8 people)
- dismissal for store closure (37 people).

Table 10 Incoming and outgoing turnover years 2018 - '20

	2018	2019	2020
Incoming turnover (number of hirings out of total employees at the beginning of the period)	42%	40%	14%
Outgoing turnover (number of resignations out of total employees at the beginning of the period)	16%	27%	27%

Working hours and flexibility

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

The company's production process is divided into two seasons over the year, with consecutive and overlapping activities, including sample creation, sales, production and shipping. Peak work times ordinarily occur in January, February, December and the summer months, characterized by sales activities of the coming collection, and by the shipment of the collection already sold to customers. The pandemic, the numerous lockdown periods and the reduction in work activity led to a significant decrease in the volume of overtime worked, which fell by 81% compared to the previous year in absolute terms and as an average per employee.

Despite the pandemic and the reduced volume of overtime in absolute terms, the monthly trend in overtime is consistent with previous years, with higher levels in the early/late months of the year and in the summer months, when goods arrive in the warehouse and samples are prepared.

Table11 Overtime hours worked – Parent Company

	2018	2019	2020
Total annual hours	10571.96	10427.50	1983.78
Average per employee	57.15	52.66	10.02

The use of days off is equal to 82% of that contractually envisaged in terms of rest periods (assuming 20 days of average annual leave for all employees, regardless of working hours).

Absences for paid leave include those pursuant to Italian Law 104, by which 14 employees took a total of 1394 hours of leave during 2020, equal to 39% of the total amount due by law.

Upon returning from maternity leave, many employees enjoyed a personalised work schedule, greater work hour flexibility, a part-time working period, and, in some cases, where compatible with specific roles, teleworking arrangements, including on a temporary basis.
100% of employees actually returned to work after taking parental leave.

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

Absence and lockdown management during the Covid-19 pandemic

The health emergency, which characterised most of last year, led to generalised lockdowns in many countries around the world and, even after the lockdown had ended, to as many periods of reduced work activity, due to objective lack of work or - in the case of direct shops - due to the compulsory reduction in the co-presence of staff on sales shifts. The resulting absences were managed through the use of accrued holidays and leave, social shock absorbers - where provided for by local legislation -, unpaid leave or partially reimbursed by the State.
In Italy, use was made of the Cassa Integrazione con causale Covid-19, which involved 200 people, for a total of 77,305 hours and an average of 387 hours per person. The peak of suspension/reduction of activities occurred in April-May, which recorded 41% of the total redundancy fund used in the year. The redundancy fund was advanced to employees by the company and then recovered in the monthly Uniemens adjustment. In Spain and France, social shock absorbers similar to the redundancy fund were activated (ERTE and Activité Partielle respectively). In the United Kingdom, a leave of absence paid in full by the company with partial reimbursement by the State was used. In Belgium leave is still taken but paid directly by the state as a temporary unemployment benefit. In the United States a leave of absence was initially unpaid and then paid by the company and reimbursed by the State. In Turkey, a leave of absence paid by the state. In the other countries, governments have not activated any form of social shock absorber, leaving companies to bear the burden of the pandemic (Russia, China, Taiwan) or only recognising some support contribution to companies on condition that the workforce remains unchanged (Singapore, Hong Kong, Brazil).

Disciplinary practices and disputes

Monnalisa, if and when necessary, applies the disciplinary procedures envisaged by collective bargaining. Disputes are extremely rare, and are managed, where feasible, by conciliation, in order to minimize the impacts of any disputes in terms of time and costs. There were no disputes in 2020.

Remuneration policies

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

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

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

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

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

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

None of the Board members have a post-mandate indemnity.
For the top levels of the company, the applicable national contract is applied, together with an allowance over basic pay established by negotiation.

Following is a table showing the ratio between the remuneration paid to the top managers and the median of that paid to employees in 2020.

	Ratio of real values
Board of Directors remuneration and the median of employee remuneration	7.90
CEO remuneration and the median of employee remuneration	5.92
Remuneration for the highest paid figure and the median of employee remuneration	5.75

Equity analysis

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

Table 12 Remuneration deviation per grouping – Parent company

Profile	Deviation between minimum and median GAI of the grouping	Deviation between the maximum and median GAI of the grouping	% of grouping employees with GAI ≥ the median
Manager	-41%	95%	50%
Line manager and professional A	-28%	74%	55%
Line manager and professional B	-15%	60%	39%
Specialist A	-18%	32%	44%
Specialist B	-14%	50%	15%
Specialist C	-9%	54%	49%
Employee	-9%	10%	50%

Includes commerce and industry

The analysis shows a general prevalence, within each grouping, of remunerations higher than the median. Furthermore, where there is a significant negative deviation from the median of the grouping, this is attributable to the lesser seniority of the role.
The analysis was extended to the other geographical areas where Monnalisa is present with its own staff. In some countries (such as Russia), the analysis is not significant because within the same company, for the same job - regardless of seniority and market negotiation - the same remuneration must be guaranteed.

	Deviation between minimum and median GAI of the grouping	Deviation between the maximum and median GAI of the grouping	% of grouping employees with GAI ≥ the median
Europe (UK, Belgium, Spain, France, Turkey)			
Line manager and professional A	-28%	34%	43%
Professional B	-6%	6%	50%
Specialist C	-20%	28%	43%
Asia			
Specialist C	-22%	256%	41%
Line manager and professional A	-36%	100%	50%

the deviations are analyzed only for professional profiles composed of at least two people, otherwise the analysis is not significant

Not in all countries where Monnalisa is present, there is a national collective bargaining agreement to refer to, although there is legislation on the employment relationship. In these cases, pay levels are the result of bargaining between the parties and the sector and market context. Monnalisa is committed to guaranteeing the people of the Group, in addition to the provisions of local legislation, a series of improved conditions, for example, in terms of work discipline, safety protection, work-life balance or other benefits.

In order to have a parameter for comparison with the remuneration practised by Monnalisa, the living and statutory wage of each of the countries in which Monnalisa operates, with the exception of European countries, was taken into account.

Table 13 Living wage e statutory wage per country

Country	Statutory Minimum Wage (local currency)	source SMV	Living Wage single adult min	max	max €
BRAZIL	1,045	https://countryeconomy.com/national-minimum-wage/brazil	1,020	1,450	246,18
CHINA (average of Beijing, Shanghai, Tianjin, Chongqing)	2,200	https://countryeconomy.com/national-minimum-wage/china	2,510	4,010	509,48
HONG KONG	7,625	https://www.labour.gov.hk/eng/news/mwo.htm	10,585		1,195.82
RUSSIA	12,130	https://countryeconomy.com/national-minimum-wage/russia	10,400	14,500	175,45
TAIWAN	23,800	https://news.bloombergtax.com/payroll/taiwan-to-raise-minimum-wage-for-2020	nd		nd
TURKEY	2,943	https://countryeconomy.com/national-minimum-wage/turkey	1,560	2,130	264,81
USA	1,256.70	https://countryeconomy.com/national-minimum-wage/usa	2,167,20		1,898.89
SINGAPORE	1,300	https://towardsdatascience.com/if-singapore-had-a-minimum-wage-what-could-it-be-afdcd3819cf2	nd		nd

In labour law, the statutory minimum wage is the lowest hourly, daily or monthly wage or remuneration that employers in some states are legally required to pay to their employees, i.e. clerks and workers.
The living wage is the minimum wage necessary for a worker to meet his or her basic needs (food, housing, and other essential needs such as clothing).

Table 14 Comparison of average Monnalisa group salaries and living wages

Country	Average salary for non-managerial positions (local currency)	Average salary for non-managerial positions (Euro)	Delta % compared to max living wage	% employees with a salary exceeding the max living wage
BRAZIL	1.800,00	305,60	24%	100%
CHINA	4.330,00	550,13	8%	100%
HONG KONG	16.714,00	1.888,22	58%	100%
RUSSIA	38.077,00	460,73	163%	100%
TAIWAN	33.667,00	1.001,78	nd	nd
TURCHIA	20.000,00	2.486,45	839%	100%
USA	2.433,80	2.132,48	12%	100%
SINGAPORE	2.185,00	1.388,54	nd	nd

For Hong Kong and Taiwan the delta is calculated with respect to the statutory minimum. For all currencies, the average exchange rates for the year were used to convert the values into euros.

For all countries in which Monnalisa is present, the average remuneration of non-managerial positions is higher than the living wage. The positive difference ranges from a minimum of 8% in Brazil to a maximum of 839% in Turkey, where, however, the only resource on the payroll at 31/12/20 was managerial. In fact, the difference is even more positive, as only the basic pay figure was considered for comparison purposes without including commissions, bonuses or other allowances.

In the parent company, in addition to the industry management contract, there are two other contracts: the trade contract and the textile and clothing industry contract. For the part of the workforce dedicated to retail (sales staff and store managers), the applicable national contract is that of the tertiary sector: distribution and services renewed on 1 April 2015, defined by the minutes of agreement of 30 July 2019 and supplemented by the minutes of agreement of 10 September 2019 on contractual minimums, the minutes of agreement of 30 April 2020 on conciliation procedures, the agreements of 26 March 2020 and 18 May 2020 on Covid 19 anti-contagious measures and the agreement of 26 May on bilaterality, which expires on 31 December 2019. For the remaining part of employees, the employment contract applied is that of the textile-clothing industry sector formally renewed by the trade unions Filctem-Cgil, Femca-Cisl, Uiltec-Uil, together with SMI (Sistema Moda Italia), an association of textile entrepreneurs belonging to Confindustria, on 5 July 2017, supplemented by the agreement of 2 August 2019 on the adjustment of the National Wage Element and the agreement of 10 April 2020 on supplementary assistance and pensions and by the Protocols of 15 April 2020 and 2 May 2020 on Covid 19 anti-contamination measures, with effect from 1 April 2016 to 31 March 2020. In numerical terms on the employee balance at 31/12/20, 55 belong to trade and 139 to industry.

Table 15 Remuneration deviation between Monnalisa and the collective industrial contract (CCNL) – parent company*

Category (white- and blue-collar)	No. staff	M	F	Col. Bar. basic pay	Average Monnalisa*	Average deviation	Average deviation %
8th level	4	3	1	2.224,89	5.193,75	2.968,86	133%
7th level	11	6	5	2.049,70	3.606,66	1.556,96	76%
6th level	19	4	15	1.924,49	2.650,89	726,40	38%
5th level	68	10	58	1.802,76	1.992,86	190,10	11%
4th level	27	18	9	1.714,95	1.797,23	82,28	5%
3rd level	8	6	2	1.638,13	1.663,13	25,00	2%
2nd level	1	1	0	1.556,18	1.556,18	-	0%

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

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

Table 16 Remuneration deviation between Monnalisa and the collective commercial contract (CCNL)- Parent Company*

Category (white- and blue-collar)	No. staff	M	F	Col. Bar. basic pay	Average Monnalisa*	Average deviation	Average deviation %
1st level	10	2	8	2.248,08	2.248,08	235,21	10%
2nd level	4	1	3	2.012,44	2.018,54	6,10	0%
3rd level	7	0	7	1.793,11	1.834,15	41,04	2%
4th level	35	0	35	1.618,75	1.656,22	37,47	2%

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

The deviation between male and female remuneration is minimal.

Table 17 Deviation between average male and female remunerations (industrial sector)- Parent Company*

Category	Level	Male	Female	M/F remuneration ratio
White-Collar	8th	3	1	93%
White-Collar	7th	6	5	93%
White-Collar	6th	4	15	89%
White-Collar	5th	7	52	99%
White-Collar	4th	7	7	93%
White-Collar	3th	0	1	n.a.
Blue-Collar	5th	3	6	95%
Blue-Collar	4th	11	2	99%
Blue-Collar	3th	6	1	98%
Blue-Collar	2nd	1	0	n.a.

** The average numeration here is calculated to include seniority allowances*

All except three employees with commercial contracts are women, similarly, there are only five men in the subsidiaries. The difference between male and female remuneration therefore appears negligible.

Development of human capital

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

All new hires (graduates or not) are categorized according to the levels envisaged by the contracts for their assigned roles, and subsequently participate in the appraisal and career development mechanisms that apply to all personnel and are defined in the company remuneration policy approved by the Board of Directors.

On a periodic basis, an internal and external equity analysis is elaborated, aimed at a comparative assessment of the category levels and remunerations of resources. For higher qualifications, a similar analysis is performed in comparison with the market offer (i.e. an external equity analysis).
Such analyses, associated with an appraisal of employee performance, are used to elaborate periodic personal development initiatives.
The pandemic in 2020 led to a general suspension of unplanned growth initiatives.

Table 18 Personnel growth initiatives

Type	2018	2019	2020
Salary increase	15	14	2
Level movement	15	9	0
Transfer from temporary to permanent	11	4	6
Category movement	0	2	1
Contract renewal	8	10	5
Change of roles with new responsibilities	1	8	2
Personal bonus	3	0	0

88% of growth initiatives involved women. The two job changes with new responsibilities involved two orders that were transferred from the point of sale to the head office.
It is common to have the opportunity for development by changing or broadening one's role. This leads to a high number of resources capable of performing various roles with professionalism and competence, as expressed by the versatility index representing the percentage of resources that have covered other positions in the company than their current one. This aspect undoubtedly reflects the intellectual vivacity and propensity for change of both the company and its people.

*Table 19 Versatility index**

	2018	2019	2020
Versatility index	26%	29%	29%

** The index concerns the parent company only*

Supplementary healthcare fund

All employees under the permanent collective national industrial contract have received supplementary healthcare via Plan A of the FasiOpen package. The health coverage can be extended at the request of the employee, and, through a contribution, to family members. FasiOpen's health coverage does not involve risk selection, operates through a widespread network of affiliated branches and professionals, intervenes across all prevention areas, and has become of primary importance in providing complementary assistance. The average annual investment for the company is around Euro 20,000.

With effect from 2021, all employees were granted a plan upgrade to A+ coverage.
As a result of the emergency context generated by the Covid-19 pandemic, all employees in force have been granted an AON Covid-19 insurance solution for 2020 and 2021, which provides guarantees for compensation for hospitalisation and convalescence from Covid-19 and post-hospitalisation assistance.

In addition, a digital health service has been recognised, which through a mobile application for smartphones and tablets allows employees (for themselves and/or their legally recognised family unit) to receive medical advice 24/24 hours, 7/7 days via call/webconference.
Health insurance, although not mandatory, is an aspect of the salary package in some countries around the world, such as Singapore, the US and Hong Kong.

Supplementary Pension

As part of the welfare project, and with the aim of raising employee awareness of the importance of supplementary pension provisions, Monnalisa has signed a multi-faceted agreement for collective participation in the Azimut Previdenza's open pension fund. The fund represents an additional and alternative opportunity to the contractual one (Previmoda).
The Azimut fund is aimed at those wanting a supplementary pension plan on an individual basis. Participation is free and voluntary, and, for each participating employee, Monnalisa undertakes to pay 1.5% of their gross annual remuneration, excluding any variable remuneration elements. At 31/12/20, there were 41 participating employees.

Business Trip Policy

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

Travel Policy

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

Skills development

The contents of this paragraph refer only to the parent company.
The division of employees by qualification has seen the portion of graduates increase by two percentage points, and the number of employees with a lower secondary school diploma decrease. The percentage of employees with a middle school diploma remains unchanged.

Chart 2 Employee education

13% lower secondary | 26% degree | 61% upper secondary

By attributing an increasing educational score (from primary school diploma through to graduate), a summary employee educational index can be calculated as equal to 3.14 on a scale of 1 to 4.

Table 20 Education index

	2018	2019	2020
Summary employee educational index	3.12	3.15	3.14

The significant reduction in training hours is due to pandemic events and the use of social shock absorbers. All training initiatives that were neither urgent nor compulsory were postponed to the new financial year.
Almost 600 hours, equal to approximately 67% of the total training hours, were given over to health and safety topics. Though each course is specifically addressed to a subset of employees, the training materials are made available as a common resource to everyone via corporate intranet.

*Table 21 Training and education**

	2018	2019	2020
No. employees involved in training	170	146	51
No. overall hours of training and education	3.423	4.601	982
No. of education hours for new employees (internal instructors)	1.360	1.480	320
No. of internal training hours with internal instructors	1.389	1.512	8
No. of internal training hours with external instructors (including online training)	1.014	2.615	287
No. of external training hours	1.020	474	47
No. average hours of training and education per employee	18,50	23,24	4,96
No. of average hours of training per employee	10,99	15,76	3,34

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

Table 22 Training by gender

	No. training and/or education hours by gender	Average hours of training and/or education by gender per trainee	Average* hours of training and/or education by gender
Female	552	14.92	3.81
Male	110	7.86	2.12

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

Table 23 Training by category

	No. training and/or education hours by category	Average hours of training and/or education by category per trainee	Average* hours of training and/or education by category
Executives	18	18	6,00
White-collar & Managers	624	13	3,90
Blue-collar	20	10	0,59

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

Table 24 Role-specific training

	2018	2019	2020
Number of people involved in role specific training	39	26	11
No. of role specific training activities	40	23	7

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

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

Table 25 Investment in training

	2018	2019	2020
Per capita investment in training (in €)*	1,075.07	1,366.18	189.53
% of turnover invested in training	0.46%	0.66%	0.13%

** Ratios were calculated using the average number of employees for the year*

Health and safety

The National Labour Contracts applied, and more generally the labour legislation in force in all the countries in which the Group operates, prioritize workplace health and safety initiatives to consolidate and disseminate informed and participatory behaviours in compliance with obligations of applicable law. The objective is to eliminate or progressively reduce risks at their source, improving workplace conditions, ergonomics, organization, and the quality of health and environmental protection.

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

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

Covid19

In February 2020, Italy was affected by the COVID19 pandemic emergency, which entailed a corporate reorganisation according to the regulations issued at national and regional level, as well as the application of anti-COVID19 Protocols, both for production sites/warehouses - offices and retail outlets.
Monnalisa mainly used IT tools to ensure the information and dissemination of the Protocols adopted, both by e-mail and through the portal, to which all staff have access, where regulations, protocols, forms, information and training material were published.
Two remote training events were also organised, to ensure the training of head office staff and shop staff in Italy in relation to the pandemic risk and prevention and protection measures, the protocols adopted, as well as in relation to the chemical risk for the sanitisation of individual workstations.
Monnalisa has resorted to redundancy funds, shifts, reduced working hours and smartworking, which is still active for office staff, and has suspended all business trips abroad.
Through the establishment of the Control Committee for the application of the protocol, the maintenance of prevention and protection measures is ensured; to date, seven checks have been carried out in the company offices in the province of Arezzo and monitoring is always active for the detection and proper management of positive COVID cases, followed by timely communication to the Competent Doctor.

On 26/05/2020, the Competent Authorities carried out an inspection at the Via Madame Curie site to ensure that the Protocol for the containment of Covid-19 was correctly applied, in accordance with the provisions issued at national and regional level. The check was positive as no non-compliance was found.

Training and safety

For all Italian points of sale, the preventive examinations envisaged for the salesperson position were regularly carried out in 2020. The training aspects and related updates are constantly monitored: art. 37 - workers and supervisors, fire-fighting and first aid; periodic monitoring carried out through an updated schedule between the personnel office and the certification/aspp office. In line with the provisions of the Protocols, training is mainly carried out in e-learning mode, in presence only for courses where it is not possible to do otherwise, compatibly with the provisions of national and regional anti-vice regulations.

Accidents

During the year, 2 accidents occurred, both commuting, for a total of 24 lost days.

Table 26 Accidents in the period '18-'20

	No. total accidents	Accidents on commute
2018	3 (3 women)	1
2019	5 (3 women)	1
2020	2 (1 women)	2

During 2020 there were 5 Incident Reports, relating to reports of "near misses", three from the Badia Al Pino headquarters and two from the points of sale. The "near" incidents were resolved without any consequences through the application of correct company procedures. In other countries around the world, there were no accidents except for one in the United States involving a saleswoman, which was resolved quickly.






NATURAL CAPITAL




In recent years, the gap between the exploitation of the Earth's natural resources and their availability has been widening rapidly.
In this scenario, companies play a crucial role in safeguarding the environmental conditions in which they operate.
Therefore, while, on the one hand, they must create value for their stakeholders and maintain their competitive advantage over time, on the other, they must work towards the implementation of environmental policies that protect the well-being of both current and future generations.
Furthermore, consumers are increasingly concerned about sustainability issues, so much so that they are actively choosing lower environmental impact products. Monnalisa is particularly sensitive to such issues, and so has adopted a proactive approach to environmental protection. A sign of this commitment is the company's certification, from March 2015, to the environmental standard UNI EN ISO 14001 for the Arezzo headquarters and from 2019 for the operational offices in Badia al Pino (AR), which promotes environmental management system control and analysis and measurable improvement plans.

Environmental performance indicators

Given Monnalisa's business model - which sees production commissioned from fashion designers and the supply of fabrics, accessories and final products through suppliers across the world - the most significant environmental impacts are those by the Parent Company.and in particular those relating to:
- fabric quality control and cutting;
- logistics, i.e. receipt and storage of raw materials (fabrics and accessories) and finished products, and item packaging before international shipping;
- business travel, using company-owned and/or rented vehicles, in addition to national (trains) and international (air) transportation.
- employee commuting;
- office activities to manage the entire garment production cycle, from the creation of models to the distribution of finished products;
- sales activities at direct stores.

Branches and subsidiary companies, on the other hand, perform a commercial function. Their environmental impacts are therefore generated by customer sales activities.
These activities, for the purposes of this chapter and as regards limitations regarding reporting scope and estimates, are better described in the following paragraphs.
Conscious of its direct and indirect environmental impacts, the company has developed a monitoring system based on indicators to measure its environmental performance, and designed to allow the company to intervene immediately if values exceed set thresholds.
Monnnalisa has never received any fine or non-monetary sanction for failure to comply with environmental regulations or laws.

[1] The following regard the Parent Company:
- *the headquarters, in via Madame Curie, 7 Arezzo (AR);*
- *the operational officier, in via di Basserone, 12 Civitella in Val di Chiana (AR);*
- *the external office, in via Mencattelli, 38/E Montepulciano (SI);*
- *direct stores in: Via del Babuino, 136/137 Roma, Lazio 00187; Via Della Spiga, 52 Milano, Lombardia 20121; Piazza Dei Martiri, 52 Napoli, Campania 81121; Strada Sannitica, 336 Marcianise, Campania 81025; Via Pasqui 9 Arezzo, Toscana 52100; Via degli Strozzi, 22r Firenze, Toscana 50123; Via Meucci s.n.c. Unit 78 Barberino Del Mugello, Toscana 50031; Via Vittorio Veneto, 4/E Forte Dei Marmi, Toscana 55042; Via Federico Fellini, 1 Fidenza, Emilia Romagna 43046; Via Della Moda, 1 Serravalle, Piemonte 15069; Via Marco Polo, 1 Unit 197 Noventa di Piave, Veneto 30020; Contrada Mandre Bianche Agira, Sicilia 94011.*
- *the showrooms in: Corso Buenos Aires, 1 Milano, Lombardia 20124; Via Toledo, 235 Napoli, Campania 80132; Via Luigi Luciani, 1 Roma, Lazio 00197*

Travels and shipments

The international aspect of Monnalisa's business involves the movement of sizeable volumes of goods, for both purchase and sale, to and from abroad, and the management of a dense network of relations with a range of parties, be they customers, agents, importers or suppliers, located everywhere in the world.
The environmental impacts generated by such activities derive mainly from:
- The mobility of people: trips by Parent Company personnel to manage their own network of business relations
- The mobility of goods: incoming, for the purchase (and often import) of raw materials and finished and packaged products which are checked and warehoused at the Parent Company headquarters and operational offices, and outgoing, for the shipment of finished products to end customers in Italy and the rest of the world.

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

Employee mobility

In 2020, the COVID-19 health crisis turned life and working habits on their head, imposing strict limitations on movement across the world. At a company level, this meant the suspension of all business trips in order to protect employee health and safety.
These restrictions led to an 85% reduction in KM travelled in 2019, and a significant fall in the use of air travel.

Goods mobility

Monnalisa ships its collections to every corner of the world.
Against the peculiar backdrop of 2020, when production levels dropped, compared to 2019 there was a reduction of around 20% in the number of shipments made to Italy, the EU and beyond.

The majority of kilometres (around 64%) were travelled by lorry.

In addition to outgoing shipments, incoming shipments of mainly finished products to the company from abroad must also be considered.
In this area, too, there was a drop of around 36% in total distance travelled, thanks in part to the decision to reduce supply in Asia, which also led to a 77% reduction in atmospheric CO_2 emissions compared to 2019.
Of a total of 93 shipments arriving in Italy, the kilometres travelled by different transport means were 46% by ship, 39% by air and 15% by road.

Table 1 - Year-on-year comparison of KM travelled by means of transport*

Means of transport	Km 2018	Km 2019	Km 2020
Car	39,772	54,350	30,726
Train	193,226	132,857	44,175
Air	722,568	635,383	47,587
Total	**955,566**	**822,590**	**122,488**

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

Chart1 - Year-on-year comparison of the percentage of KM travelled by means of transport.*

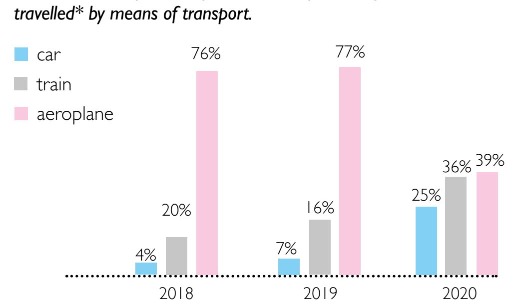
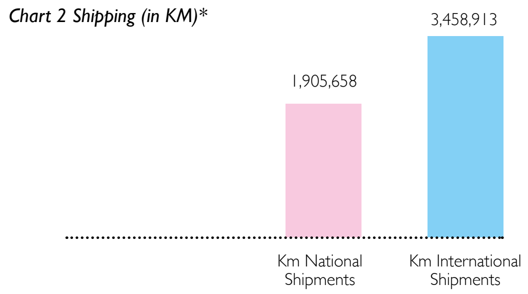


*Chart 2 Shipping (in KM)**



**The KM travelled are estimated by default, as they are calculated not from actual journeys of goods to their destinations but from the distance between Monnalisa's head office and the provincial capital corresponding to the destination, in the case of shipments within Italy, and the distance between Monnalisa's head office and the capital of the foreign state corresponding to the destination, in the case of shipping abroad. The www.ecotransit.org web distance calculator was used.*

Consumption of materials

The following analyses report the consumption[2] of fuel, water, electricity and gas for heating.
Where the relationship between electricity consumption and the number of users is significant, this figure is calculated using the total number of workers at each site.
In addition, the consumption of electricity, gas and water relate to the average number of hours worked in the reference periods. In 2020, following Ministerial Decrees to contain and manage the COVID-19 pandemic, Monnalisa implemented agile working methods for those activities that the Parent Company could carry out remotely. Between January and March, therefore, the average actual number of hours worked have been considered, while from April to December an estimate was made assuming that all hours worked by those employees with access to remote working were performed from home.
As regards branches and subsidiary companies, hours worked were calculated on the basis of an average number of workable hours per year, excluding total days lost to national COVID-19 lockdowns[3].
The consumption of electricity, gas and water refers only to non-industrial use.

Fuel

Fuel consumption refers solely to company cars used by the employees and Directors of the Parent Company Monnalisa S.p.A.
There was a 5% reduction on consumption in 2019, a decrease of approx. 307 litres.

Table 2 Fuel consumption 2018-2020

	Litres 2018	Litres 2019	Litres 2020	GJ 2020	Change %
Unleaded 98	529,66	294.17	3,297.13	105.88	1021%
Diesel	5,095.61	6,002.75	2,780.18	99.24	-54%
Diesel +	212.91	281.73	194.16	6.93	-31%
Total	**5,838**	**6,579**	**6,271**	**212.05**	**-5%**

**To calculate fuel energy in GJ, the specific weights of the fuels were taken from Eni technical data, and product tons were multiplied by Net Calorific Values, as stated in the National Standard Coefficients 2020*

Water

Given the Group's activities and the fact that the supply of raw materials and the packing of garments is carried out by external suppliers, water consumption[4] refers entirely to employee use of hygiene facilities.
Compared to the previous year, consumption increased both in absolute terms and per employee. It should be noted that the difference reported is the result of a malfunctioning air conditioning unit in a showroom.
Water is drawn exclusively from municipal mains water supply.

Table 3 Water consumption years 2018-2020

Years	m^3	m^3/employee	m^3/effective hr worked
2018	2,338	48,80	0,0317
2019	3,664	65,27	0,0487
2020	10,486	169,96	0,2077

[2] To the extend of their availability, in the reporting period and within the reporting scope, various consumption data were as follows:
- *Water consumption fot the three-year period 2018-2020 refers to the Parent Company alone /headquarters, operational offices, external office, direct stores and italian showrooms);*
- *Effective electricity consumption as per invoices refers to Monnalisa S.p.A. (headquarters, operational offices, external offices and italian direct stores, three-year period 2018-2020), five stores owned by Monnalisa China Ltd (2020), two stores owned by Monnalisa RUS 000 (2020) and two stores owned by the Spanish Branch (2020). For stores for which a precise figure was not available, consumption was estimated by relating a building's energy performance to its square footage;*
- *Consumption of gas for heating refers to Monnalisa S.p.A. only. Data is given for the headquarters and the operating offices, while data from the external office and direct stores are excluded since they are heated by electrical air conditioning systems. Hot water is produced using electric boilers.*

[3] Lockdown days across the world were based on the data available at https://it.wikipedia.org/wiki/Misure_di_confinamento_nel_mondo_dovute_alla_pandemia_di_COVID-19 For those countries in which national lockdowns wewrw not imposed, the total workable hours in a year werw considered..

[4] Excluding consumption managed by department stores and fixed-rate consumption included in rental costs.

Energy

Electricity

Monnalisa's electricity consumption is related to lighting, cooling/heating, IT equipment at the Group's corporate sites and stores, and the use of fabric cutting and inspection machines at its Italian operational offices.

70% of the electricity acquired by the Group comes from renewable sources.

2020 saw a 16% increase in consumption compared to the previous year. This was due to a widening of the reporting scope. Data for 2019 and 2018, on the other hand, refer to the Parent Company.

Monnalisa has four photovoltaic plant installed at its headquarters in Arezzo and at the operating unit in Civitella, Val di Chiana. 14,344.00kW/h were generated on average per month, with around a 3% increase in self-produced energy compared to last year.

Table 4 Purchases of electricity years 2018-2020

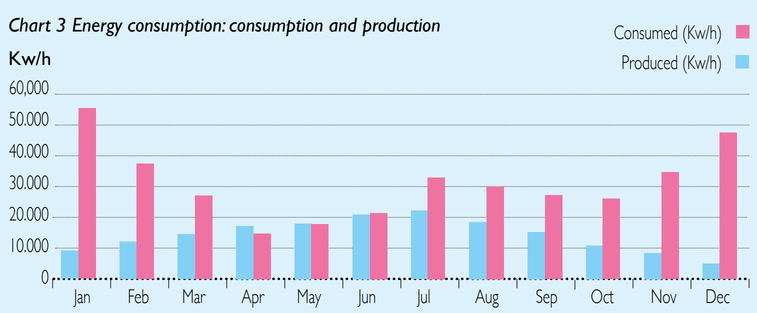
	Kw/h	GJ*	per employee	per month	per employee/month	per effective hours worked
2018	673,640	2,425	3,508.54	56,136.67	292.38	2.92
2019	745,812	2,685	3,673.95	62,151.00	306.16	2.36
2020	865,725	3,117	2,445.55	72,143.76	203.80	2.43

**The data expressed in GJ has been calculated using the following equation: 1kWh = 0.0036 GJ*

Table. 5 Purchases of electricity compared to self-produced years 2018-2020

	Kw/h purchased	Kw/h produced
2018	673,640	50,284
2019	745,812	166,368
2020	865,725	172,125

Chart 3 Energy consumption: consumption and production



[5] *17% of total consumption was estimated on the basis of the relationship between building energy efficiency and square footage.*

Gas for heating

Methane consumption relates to the use of three boilers at the headquarters and Italian operational offices.
Compared to 2020, gas consumption decreased by approximately 9%. As a result, the amount of CO_2 emitted into the atmosphere also decreased.

Table 6 Consumption of gas for heating in the period 2018-2020

	m3	GJ*	m3 per m2	m3 per employee	m3 per month	m3 per employee per month	m3 per hours worked
2018	37,720	1,329.74	13.86	1,191.71	3,143.33	99.31	0.68
2019	42,310	1,493.69	11.81	1,109.27	3,525.89	92.44	0.19
2020	38,546	1,359.95	8.96	972.64	3,212.18	81.05	0.74

**The data expressed in GJ has been calculated using the Net Calorific Value for methane, as stated in the National Standard Coefficients 2020 (35,281 GJ/1000 standard m3). In order to ensure data consistency with the previous year, the finished product storage unit (not equipped with a heating system) was included in the calculation of m3 per employee, and excluded from the calculation of m3 per average hours worked, thus ensuring more objective hourly consumption data.*

Raw materials

Paper and cardboard packaging

Monnalisa packages garments destined for clients across the world at its central headquarters warehouse in Arezzo, guaranteeing that products are protected during shipment.
Total paper and cardboard packaging[6] decreased 31% in 2020.
In terms of packaging per garment produced, however, there was an increase of 29% on the previous year. This was the result of a lower volume of garments produced during the year.
Regarding all materials, Monnalisa has made full payment to the national packaging consortium Conai in support of separate waste collection and packaging waste recycling.
In 2020, Monnalisa made Conai environmental contributions in relation to paper totalling Euro 7,953.07.
2020 data on packaging destined for paper and cardboard recovery, inferable from the FIR (Formulario di Identificazione dei Rifiuti) register, totalled 17.80 [7] tonnes, and originated from the headquarters and production sites.
Furthermore, it should be noted that Monnalisa supplies mono-brand stores and top customers (shop-in-shops, corners, spaces) with shopping bags and boxes made from FSC Mix paper, purchasable by customers on the B2B website.
The pallets on which Monnalisa receives incoming goods are returned to the supplier for the reuse of packaging.

Table 7 Paper and cardboard packaging purchased in the period 2018-20

Years	boxes	boxes per garments produced	kg of paper per garment produced	weight (in tonnes) purchased
2018	62,820	0.063	0.00822	132.0
2019	73,511	0.071	0.00541	78.9
2020	50,640	0.078	0.00699	58.6

The total weight of the boxes was calculated by multiplying the weight of each type of box by the respective quantity purchased. The data was taken from purchase invoice and the material data sheets.

Table 8 Purchases of shopping bags and boxes

Years	Quantity	Weight (in tonnes) purchased
2018	5,000	0.2
2019	232,760	36.6
2020	110,790	16.9

The total weight of the boxes was calculated by multiplying the weight of each type of box by the respective quantity purchased. The data was taken from purchase invoice and the material data sheets.

[6] *This figure includes both packaging destined for sales channel distribution and packaging for other product categories.*

[7] *This figure refers to paper and cardboard packaging materials arriving from suppliers of raw materials and finished products.*

Office paper

Purchases of paper increased by 2% on the previous year. This stems from the decision to increase stocks available to employees.
Additional consumption includes that of thermo-adhesive plotter paper (4.41 t) and backing card (2.59 t) for the laying out of fabric, all materials used in fabric cutting.
Paper for internal use is always reused where possible, and, when no longer useful, is disposed of by separate waste collection for subsequent recycling.
As for packaging, all the paper used for both printers and plotters, equivalent to 33% of the total, is marked FSC Mix.

Table 9 Paper consumption years 2018-2020

	Reams	Weight in tonnes	Reams/ Employee	Continuous form	Plotter paper (kg)
2018	2,157	5.44	17.83	6,758,640	604.1
2019	1,230	3.01	9.04	12,625,200	602.64
2020	1,250	1.87	6.35	804,000	514.4

Plastic packaging

The packaging in plastic consists of: bags for hanging garments, resin or plastic hangers, PVC boxes for transporting garments and hanging rods. Compared to the previous year, there was a 28% reduction in plastic packaging purchased. The plastic packaging purchased refers to the weight per item communicated by suppliers or stated in invoices for the purposes of Conai.
The quantities of hangers include, in addition to those purchased directly during the year, those that come with imported garments.

In 2020, Monnalisa made Conai environmental contributions in relation to plastic totalling Euro 13,545.22.

Table 10 Plastic packaging purchased (items and weight)

Material	2018		2019		2020	
	Qty.	Weight tonnes)	Qty.	Weight (tonnes)	Qty.	Weight (tonnes)
envelopes	815,120	11,411	788,655	9,919	625,700	7.92
hangers	361,876	21,148	310,237	16,857	219,928	12.77
rods	1,900	0,532	800	0,224	0	0.000
pvc boxes	37,092	2,556	33,517	2,237	28,021	1.924
Total	**1,215,988**	**35,648**	**1,133,209**	**29,236**	**873,649**	**22.62**

The total weight of each category was derived from the weights indicated in invoices. The data was taken from the material data sheets or from accounting documents.

Fabric

Compared to 2019, the total amount of fabric purchased fell by approx. 11%. The decrease concerns both natural fibres and technical fibres.
Though the table below makes references to calendar years, the calculation is based on the reference calendar years of the actual production seasons. 2020 saw a higher percentage of natural fibres purchased during the summer season, and a higher percentage of technical fibres, especially synthetic ones, purchased during the winter.
In the category of finished products purchased from suppliers, most fabrics contain natural fibres, for both the summer and winter seasons.
Cold (30°) washing, whether by hand or in the washing machine, remains the type of washing indicated for most of the items produced and bought as finished products from suppliers.

Table 11 Metres of fabric purchased over the last three years

Textile fibres	2018	2019	2020
Natural	248,849	226,462	210,258
Technical fibres	154,300	146,324	122,559
synthetic	97,828	88,675	86,823
artificial	56,472	57,649	35,735
Total	**403,149**	**372,786**	**332,817**

Table 12 Fabric purchased by composition

Textile fibres	metres purchased for summer season	metres purchased for winter season
Natural	142,567	67,692
Technical fibres	32,629	89,929
synthetic	23,623	63,201
artificial	9,007	26,729
Total	**175,196**	**157,621**

Natural fibres exist in nature, while technical fibres are defined as produced by man. Technical fibres are then considered artificial if they are made from organic polymers of natural origin, and synthetic if they are made from synthetic polymers.

Chart 4 Fabric purchased by composition and by collection in 2020

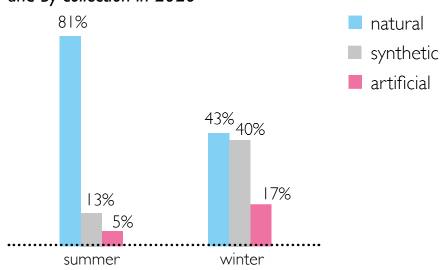
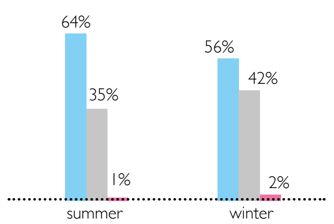


Chart 5 Supplied finished products by type of fabric in 2020



Toners, cartridges and ribbons for printers

In 2020, Monnalisa only used toners under a copy contract, where the cost of toners is based on the number of copies or prints made.
In order to keep track of the effective consumption of toners under the copy contract, an internal register was kept indicating the number of toners returned to the supplier. Throughout 2020, 121 toners were recorded as consumed.

Table 13 Toners, cartridges and ribbons purchased in 2018-2020

	Toner			Cartridges			Ribbons		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Total purchases	73	0	0	4	3	3	16	4	9

Waste

Monnalisa is committed to implementing a series of initiatives and procedures for improved management of waste.

Monnalisa is committed to minimising textile offcuts produced during the cutting phase, paying particular attention to the preceding phases of production. To do this, the company makes use of specific software to support model design, cutting and placing. The use of latest-generation machines also leads to more accurate cuts, reducing the chance of error and therefore minimising offcuts.
The other waste attributable to the company is generated on a daily basis by intra-logistic activities. For the most part, this waste comes from primary and secondary packaging of garments arriving in warehouse sorting areas.
Paper and plastic waste is carefully separated and collected via Eco-Boxes situated in all Monnalisa offices.
The company has implemented an Environmental Management Policy compliant with standard UNI EN ISO 14001, which requires products and waste to be handled and collected exclusively by certified and authorized transporters and service suppliers. The company does not produce or manage any hazardous waste.

CO_2 EMISSIONS

Greenhouse gas emissions are the main cause of climate change. One such emission gas is carbon dioxide (CO2), which builds up in the atmosphere due to human activity in the burning of fossil fuels, deforestation and changes in the use of agricultural land.
The direct and indirect greenhouse gas emissions calculated by the company refer only to CO2, and are associated with the following activities:

- Electricity consumption
- Consumption of gas for heating
- Transportation of products for purchase and sale
- Personal transport for business trips
- Employee commuting.

In relation to transport for business trips, it should be noted that Monnalisa uses:

1. company cars;
2. long-term rental cars;
3. short-term rental cars.

For the purposes of this report, the emissions from the first two are considered direct, while those from short-term rentals are included in the category "other indirect emissions".

Direct emissions - Scope 1

Direct emissions: greenhouse gas emissions from sources that are owned or controlled by the organisation. For example, direct emissions deriving from combustion aimed at energy production within the organization's operational scope.

Direct emissions include those relating to:

	CO_2 (ton)
Heating*	76.48
Own and long-term rental cars**	4.21
Total CO2	80.69

**The national standard parameters table was used for the calculation: Coefficients used for the inventory of CO2 emissions in the UNFCCC national inventory (average values for years 2016-2018). This data can be used for the calculation of emissions from January 1, 2020 to December 31, 2020*
***For the purposes of calculation, the database of the United Kingdom's environmental agency was used.*

Methane gas consumption decreased 9% on 2019. CO2 emissions also fell by approx. 7 tonnes as a consequence. For each property, headquarters and production site, consumption decreased by approx. 4,000 standard m3 per year.
As required by standard UNI ISO 14064-1, incorporating the Greenhouse Gas Protocol, the category of direct emissions must include those relating to owned and long-term rental vehicles, which, in the case of the company, generated approximately 4.21 tonnes of CO2 emissions.

Table 14 KM and emissions relating to owned and/or long-term rental vehicles*

Vehicles	2018		2019		2020	
	Km	CO_2 (ton)	Km	CO_2 (ton)	Km	CO_2 (ton)
Owned	7,435.80	1.59	18,947.70	4.04	6,659.00	0.91
Long-term rental	22,776	4.86	22,776.00	4.86	22,776.00	3.30
Total	30,212	6.44	41,724	8.89	29,435	4.21

**The figure was estimated on the basis of the use of owned cars for business trips. The website http://www.viamichelin.it/ was used to estimate the KM travelled. The calculation includes travel for Pitti events and general company errands. For CO2 emissions, the database of the United Kingdom's environmental agency was used.*

Indirect emissions - Scope 2

Indirect emissions: emissions resulting from the activities of the organisation, but which have been generated by sources owned or controlled by other organisations. These include, for example, greenhouse gas emissions for the production of electricity, heating and steam supplied to and then consumed by the organization.

Indirect CO2 emissions include all emissions relating to the production of electricity purchased and consumed by the company. Regarding Scope 2 emissions, the Greenhouse Gas Protocol Scope 2 Guidance requires companies operating in liberalised markets to report two values determined by two different approaches:

- *location-based method*: greenhouse gas emissions from the production of purchased energy calculated on the basis of the average emission factors of the grid and without considering specific information about the supplier or any supply contracts stipulated by the company
- *market-based method*: greenhouse gas emissions calculated on the basis of the origin of energy, reflecting purposeful choices made by the company regarding its supply. To be able to consider the specific characteristics of the purchased energy, however, its origin must be certified by contractual instruments that meet "minimum quality criteria", as defined in the GHG Protocal Scope 2 Guidance. Otherwise the calculation must be made considering the so-called residual mix, that is using the default emission factors representing untracked or unclaimed emissions.

In 2020, 30% of electricity consumption was not certified by Guarantees of Origin (GO).
In order to determine the emissions according to the following approaches, the following considerations were made:

- ***location-based method:***
  - o for the Parent Company, the "grid mix" emission factor, obtained from the National Inventory Report 2020 - Italian Greenhouse Gas Inventory 1990-2019 (equal to 278 g CO2/kWh) was used to obtain indirect emissions equal to:168,21 ton CO2/KWh per l'energia elettrica con Garanzia d'Origine
    - 168.21 tonnes of CO2/kWh for electricity with Guarantees of Origin
    - 3.07 tonnes of CO2/kWh for electricity without Guarantees of Origin;o
  - o For the Spanish, Belgian and French branches the "grid mix" emission factor, obtained from the National Inventory Report 2020 - Italian Greenhouse Gas Inventory 1990-2019 (equal to 255g CO2/kWh, 212g CO2/kWh and 56g CO2/kWh respectively) was used to obtain total indirect emissions of:
    - 7.45 tonnes of CO2/kWh.
  - o For the subsidiary companies, the conversion factor refers to the total gross production of each country published by Terna on its website (source: Terna, International Comparisons 2018), obtaining total indirect emissions of:
    - 92.46 tonnes of CO2/kWh
- ***Market-based method:*** the indirect emissions according to this method were:
  - o For Parent Company consumption in Italy, 5.07 tonnes of CO2;
  - o For the Spanish, Belgian and French branches, 12.27 tonnes of CO2;
  - o For the company's UK subsidiaries, 1.35 tonnes of CO2.Sono stati applicati i fattori di emissione specifici per ogni Stato europeo, ricavati dall' European Residual Mixes 2020, di AIB.

The specific conversion factors for each European country were applied, as per AIB's European Residual Mixes 2020.

Electricity consumption (kwh)	Kwh	CO_2 Emissions (t CO_2)		
		Location-based method (renewable and fossil mix)	Market based method	
		Tonnes CO_2/kwh	Tonnes CO_2/kwh (residual mix)	Tonnes CO_2/kwh (100% renewable sources with GO)
Photovoltaic energy	172,125.00	0.00	-	0.00
Energy GO certified	605,085.16	168.21	-	0.00
Energy not GO certified Parent Company	11,036.00	3.07	5.07	-
Energy not GO certified Branch	52,878.00	7.45	12.27	-
Energy not GO certified Subsidiaries	196,725.99	92.46	1.35	-

Other indirect emissions - Scope 3

Other indirect emissions: emissions, different from the other emissions that may include, by way of non-exhaustive example, journeys to the workplace, or the transport of an organization's products, materials, people or waste.

The other indirect emissions are those resulting from the activities of the organisation, but which have been generated by sources owned or controlled by other organisations.
The first step in determining such emissions was the identification of the categories of activities from which they derive. However, sources and categories whose contribution was not significant or whose quantification is not technically or economically feasible have been excluded.
Emissions have thus been calculated relating to:
- The transport of finished products (incoming and outgoing);
- Staff mobility for business trips (with short-term rentals);
- Commuting from home to office and vice versa.

The COVID-19 emergency and reduced production impacted the number of shipments and KM travelled in 2020. This resulted in environmental benefits in terms of CO2 emissions, which declined approximately 55% on the previous year as a portion of total shipments.

Table 15 CO_2 emissions for the transport of products in the period 2018-2020 2018-2020**

	2018			2019			2020		
	Incoming	Outgoing	Total	Incoming	Outgoing	Total	Incoming	Outgoing	Total
Trucks	6.60	14.38	**21.45**	8.68	19.14	**27.82**	6.34	14.42	**20.76**
Air	340.75	310.95	**651.70**	414.58	330.50	**745.08**	88.63	239.03	**327.66**
Ships	2.70	0	**3.30**	2.18	0.00	**2.18**	4.00	0	**4**
Total	**350.05**	**325.80**	**675.85**	**425.44**	**349.64**	**775.08**	**98.97**	**253.45**	**352.42**

**The quantity of emissions produced was calculated using the website http://www.ecotransit.org/, with reference to EN 16258 Guidelines: 2013 "Methodology for calculation and declaration of energy consumption and GHG emissions of transport services (freight and passengers)". For each trip, the quantity of goods shipped (expressed in gross weight) and transport means used were determined from transport and customs documents. The outgoing goods relate to the shipments referred to in Graph 2.*
Emissions of CO2 are not directly proportional to the kilometres travelled for incoming and outgoing goods, as they depend on the combination of KM travelled, the transport means used, and the weight of the goods transported.

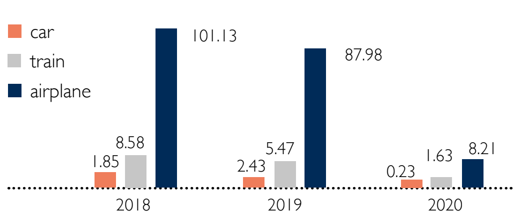
Table 16 Number of shipments and KM travelled by destination

	Italy		EU and Non-EU	
	no. shipments	KM covered	no. shipments	KM covered
2018	5,496	2,430,637	1,823	4,316,980
2019	5,609	2,458,532	1,713	3,908,445
2020	4,427	1,905,658	1,396	3,458,913
Change	**-21.07%**	**-22.49%**	**-18.51%**	**-11.50%**

Table 17 CO_2 emissions by weight and destination (Italy, EU and non-EU)

	Italy		UE and non-UE	
	Gross weight Kg	Ton CO_2	Gross weight Kg	Ton CO_2
2018	153,552.25	4.06	210,940.05	321.74
2019	152,643.39	4.91	209,351.10	344.66
2020	112,598.74	3.60	153,460.56	249.85
Change	**-26.23%**	**-26.63%**	**-26.70%**	**-27.51%**

*Chart 6 CO2 emissions (in tonnes) relating to business travel by transport means**



**The sources and estimation criteria used differ according to the transport means used.*
For all means of transport used for business trips in 2020, CO2 emissions were calculated using the database of the United Kingdom's environmental agency.

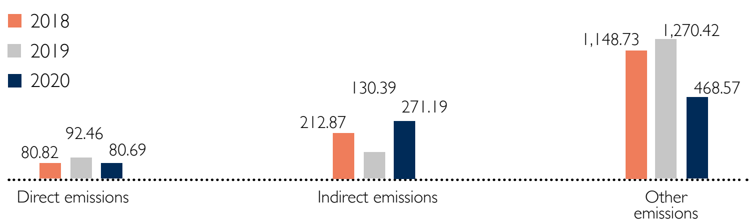
Emissions relating to personnel travel refer to mobility for business trips, by plane, train and car.
There was an 8.4% drop in CO2 emissions compared to 2019.
Finally, we analyse CO2 emissions from employee commuting.
For the purposes of calculation, a distinction was made between the periods before and after the national lockdown following the COVID-19 emergency. For the months January-March 2020, the entire working population of the Parent Company was therefore considered, distinguishing between part-time and full-time employees. Part-time employees are assumed to make two daily trips: one to go to work, and one to return home. For full-time employees, on the other hand, a further distinction was made as there are those who use the external company canteen and those who return home for lunch, thus making four daily commuting trips. For the months April-December 2020, by contrast, employees working remotely are assumed to have spent all their working hours at home.

Table 18 CO_2 for employee commute

	2018		2019		2020	
	Km	CO_2 (ton)	Km	CO_2 (ton)	Km	CO_2 (ton)
Monnalisa	1,060,471.07	226.07	1,199,024.20	225.60	304,572.67	45.19
Operational offices	160,069.13	34.12	143,994.65	30.70	38,920.72	5.77
Stores and Showrooms	128,469.18	55.13	701,415.21	137.65	595,138.13	126.87
Total	1,220,540.20	260.19	1,010,515.97	192.29	343,493.39	50.96
total with stores	1,811,873.33	386.25	1,343,018.86	286.30	471,962.57	106.09

2020 figures are down on the previous year as a result of reduced employee presence at the company's sites due to remote working. The overall reduction on 2019 was 74%.

Chart 7 Direct, indirect and other indirect CO2 emissions (in tonnes)

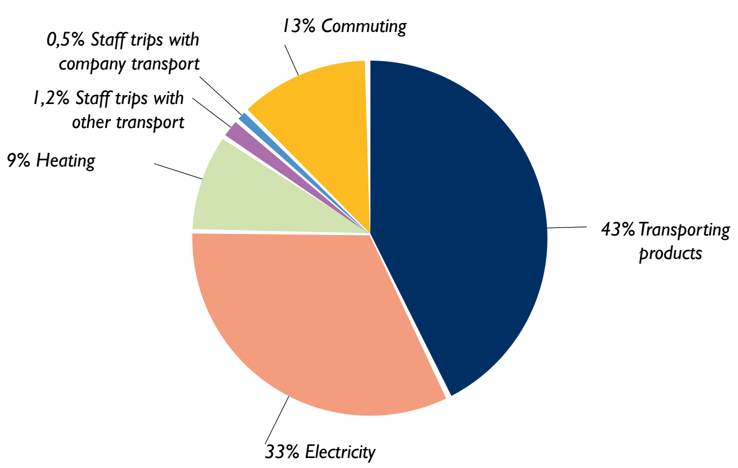


Direct emissions: *heating, car trips and long-term car rentals*
Indirect emissions: *electricity consumption - location-based approach*
Other emissions: *import and export of products, employee commuting, short-term car rentals, train and air travel by employees.*

Total CO2 emissions were down 45% on 2019.

Of all the sources of emissions analysed, the most significant is that of transporting products (43%).

Chart 8 Direct, indirect and other indirect CO2 emissions (in tonnes) by source



In accordance with GRI Standards, the company has determined the GRI 305-4 greenhouse gas (GHG) emission intensity index for 2020 by relating the sum of CO2 emissions (direct, indirect and other) to the number of Group employees.

Table 19 Intensity index of greenhouse gas emissions (GHG)- environmental performance index: Number of employees

	Udm	2018	2019	2020
GHG emitted per employee (scope 1 and 2)	(ton CO_2 eq.)	2.13	1.64	1.09
GHG emitted per employee (scope 3)	(ton CO_2 eq.)	8.32	9.34	2.38

Table 20 Intensity index of greenhouse gas emissions (GHG) - environmental performance index: effective hours worked

	Udm	2018	2019	2020
GHG emitted per employee (scope 1 and 2)	(ton CO_2 eq.)	0.0013	0.0009	0.0012
GHG emitted per employee (scope 3)	(ton CO_2 eq.)	0.0050	0.0054	0.0025

Finally, the emissions of the pollutants SOx and NOx relating to goods import and export activities are reported.

Table 21 NOx e SOx

Other atmospheric emissions	Unit	2018	2019	2020
NOx	(kg or multiples)	2,932.56	2,559.93	1,381.63
SOx	(kg or multiples)	220.96	196.16	258.61

Suppliers

Assessment and monitoring procedures have been introduced for suppliers in order to minimize any non-compliance with the requirements of standards SA8000, ISO 9001 and ISO 14001.
Monnalisa's suppliers can be differentiated on basis of the products or services they supply:
a) raw materials (fabrics and accessories);
b) processing (embroidery, sewing, ironing, cutting, printing, other processing).
c) finished goods (distributed);
d) services (cleaning, premises and machinery maintenance services).
Such suppliers are required to complete a self-assessment questionnaire during the signing of their contracts, for a first screening of environmental and other related impacts attributable to their activities. The documentation exchange is followed by an audit by Monnalisa to verify the answers given to the questionnaire. The goal is to make all its external collaborators aware of the principles of social and environmental responsibility that Monnalisa aspires to and to promote, where necessary, the implementation of improvement measures.
In addition to the verification of documentation, the supplier receives a seasonal score based on the quality of their collaboration. This score accounts for requirements such as the possession of ISO 14001 and/or CE1221 certification (EMAS regulation), with a weight of 5% applied to the final quality judgment.

Future objectives and improvement plans

The progress of Monnalisa's 2019 objectives to improve its environmental performance is reported below:

2019 objective for 2020	Result
reduce reams consumption by 10%	Not reached
launch a feasibility study to eliminate plastic bottles from company distributors	Reached
increase the number of audits on suppliers by 10%	Postponed
carry out improvement analysis to assess its supply chain	Reached

As regards reams of paper, a decision was taken in 2020 to increase the stocks available in office areas.
In late 2019, steel water bottles were distributed to employees at headquarters, operational offices and stores. The consumption of bottled water from the company's vending machines was monitored, and a 43% reduction was recorded at December 31, 2020.
To ensure improved monitoring of the supply chain, action was taken to improve audits and initial checks on current and potential suppliers.
Alongside last year's objectives, which are still under completion, in the new financial year, Monnalisa intends to:

- Increase the number of audits on suppliers by 10%
- Reduce emissions from employee movement by 30%.
- Analyse the impact of current packaging and assess more sustainable solutions.
- Evaluate the creation of guidelines to guarantee transparency in the sourcing of raw materials.
- Improve data gathering on subsidiary companies.

The results reported regarding natural capital respond to Monnalisa's desire to provide greater transparency to readers upon its commitment to environmental issues. This commitment translates into the promotion and evaluation of its own performance, in line with sustainable growth from an economic, social and environmental point of view. The global market is complex and in constant evolution. As such, adopting sustainable practices not only allows the company to protect the environment and its natural resources, but also to reap economic benefits in terms of cost reductions and an improved ranking on the market compared to its competitors.
Monnalisa is aware of this and is committed to adopting a "proactive" approach to the environment through the planning, implementation, measurement and monitoring of its environmental impact and performance, with the aim of triggering a virtuous cycle that will lead to continuous improvement.

GRI Content Index

GRI STANDARDS	DISCLOSURE	PAGE NUMBER(s) AND/OR URL(s)	OMISSION	MATERIAL TOPIC
GRI 101: Foundation 2016				
General Disclosures				
GRI 102: General Disclosure 2016	**Organizational profile**			
	102-1 Name of the organization	Monnalisa SpA		Value & Mission
	102-2 Activities, brands, products and services	pages 8-13		
	102-3 Location of headquarters	Via Madame Curie 7 Arezzo - Italy		
	102-04 Location of operations	pages 37 e 41		
	102-05 Ownership and Legal form	pages 14-15		
	102-06 Markets served	pages 13, 26, 82		
	102-07 Scale of the organization	pages 24, 32, 96		
	102-8 Information on employees and other workers	pages 96-105		
	102-9 Supply Chain	pages 78-80		
	102-10 Significant changes to the organization and its supply chain		there were no significant changes in 2020	
	102-11 Precautionary principle of approach	pages 20, 34-35		
	102-12 External initiatives		Monnalisa does not formally adhere to charters, principles or other external initiatives on an economic, environmental and social level	
	102-13 Membership of associations	page 93		
	Strategy			
	102-14 Statement from senior decision-maker	page 3		Sustainability Strategy
	102-15 Key impacts, risks, and opportunities	pages 20, 34-35		
	Ethics and integrity			
	102-16 Values, principles, standards, and norms of behavior	page 14, pages 16-17		Standard/Code of Conduct
	102-17 Mechanisms for advice and concerns about ethics	page 17		
	Governance			
	102-18 Governance Structure	pages 14-17		Sustainability Strategy
	102-19 Delegating authority	pages 14-17		
	102-20 Executive-level responsibility for economic, environmental, and social topics	pages 6-7		
	102-21 Consulting stakeholders on economic, environmental, and social topics	page 15 and 87		
	102-22 Composition of the highest governance body and its committees	page 15		
	102-23 Chair of the highest governance body	page 15		
	102-24 Nominating and selecting the highest governance body	pages 15-16		
	102-25 Conflicts of interest	page 16		
	102-26 Role of highest governance body in setting purpose, values, and strategy	pages 15,17		
	102-28 Evaluating the highest governance body's performance	page 17		
	102-29 Identifying and managing economic, environmental, and social impacts	pages 15-20, 90		
	102-30 Effectiveness of risk management processes	pages 15-20		
	102-31 Review of economic, environmental and social topics	page 17		
	102-32 Highest governance body's role in sustainability reporting	page 15		
	102-33 Communicating critical concerns	page 17		
	102-34 Nature and total number of critical concerns	page 17		
	102-35 Remuneration policies	pages 100-101		
	102-36 Process for determining remuneration	page 100		
	102-37 Stakeholders involvement in remuneration	page 100	the indicator is partially covered by the information in the "remuneration policies" paragraph	
	102-38 Annual total compensation ratio	pages 100-101		
	Stakeholder engagement			
	102-40 List of stakeholder groups	pages 87-88		Sustainability Strategy
	102-41 Collective bargaining agreements		68% of employees is covered by collective bargaining	
	102-42 Identifying and selecting stakeholders	pages 87-88		
	102-43 Approach to stakeholder engagement	pages 87-88		
	102-44 Key topics and concerns raised	pages 6-7		
	Reporting practice			
	102-45 Entities included in the consolidated financial statements	pages 4-5		
	102-46 Defining report content and topic Boundaries	pages 4-5		
	102-47 List of material topics	pages 6-7		
	102-48 Restatements of information	pags 6-7		
	102-49 Changes in reporting	pages 6-7		
	102-50 Reporting period	pages 6-7		
	102-51 Date of most recent report		2019	
	102-52 Reporting cycle		annual	
	102-53 Contact point for questions regarding the report		investorelations@monnalisa.eu	
	102-54 Claims of reporting in accordance with the GRI Standards	page 5		
	102-55 GRI content index	pages 120-121		
	102-56 External assurance	pages 122-123		
GRI 200 Economic Standard Series				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	page 33		Performance
	201-3 Defined benefit plan obligations and other retirement plans	page 103		
	201-4 Financial assistance received from government	page 33		
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	pages 100-101		
	202-2 Proportion of senior management hired from the local community	page 97		
GRI 203: Indirect Economic impact 2016	203-1 Infrastructure investments and services supported	page 93		
	203-2 Significant indirect economic impacts	page 93		
GRI 204: Procurement Practices 2016	**GRI 103: Management Approach 2016**			Supply Chain Management
	204-1 Proportion of spending on local suppliers	page 80		
GRI 205: Anti-corruption 2016	**GRI 103: Management Approach 2016**			
	205-1 Operations assessed for risks related to corruption	page 16		Standard/Code of Conduct
	205-2 Communication and training about anticorruption policies and procedures	page 16		
	205-3 Confirmed incidents of corruption and actions taken		During the reporting period no incident or behaviour in conflict with anti corruption laws was recorded	
GRI 206: Anti-competitive Beahaviour 2016	**GRI 103: Management Approach 2016**			Standard/Code of Conduct
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		During the reporting period no fines or significant sanctions were registered	

GRI STANDARDS	DISCLOSURE	PAGE NUMBER(s) AND/OR URL(s)	OMISSION	MATERIAL TOPIC
GRI 207 TAX				
GRI 207 - Tax 2019	207-1 Approach to tax	pag. 17		
	207-2 Tax Governance, control, and risk management	pag. 15-17		
	207-3 Stakeholder engagement and management of concerns related to tax	pag. 15		
GRI 300 Environmental Standards Series				
GRI 301: Materials 2016	**GRI 103: Management Approach 2016**			
	301-1 Materials used by weight or volume	pages 111-112		Sustainability Row Material
	301-3 Reclaimed products and their packaging materials	pages 111-112		
GRI 302: Energy 2016	**GRI 103: Management Approach 2016**			
	302-1 Energy consumption within the organization	page 110		Energy Performances
	302-3 Energy intensity	page 110		
	302-4 Reduction of energy consumption	page 110		
GRI 303: Water 2018	**GRI 103: Management Approach 2016**			
	303-1 Interactions with water as a shared resource	page 109		
	303-2 Management of water discharge-related impacts	page 109		
	303-4 Water withdrawal		there are no significant direct withdrawals from water sources such as lakes, rivers, etc.	
	303-5 Water discharge	page 109		
GRI 305: Emissions 2016	**GRI 103: Management Approach 2016**			
	305-1 Direct (Scope 1) GHG emissions	page 114		
	305-2 Energy indirect (Scope 2) GHG emissions	page 115		Energy Performances
	305-3 Other indirect (Scope 3) GHG emissions	page 116		
	305-4 GHG emissions intensity	page 118		
	305-5 Reduction of GHG emissions	page 118		
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	page 118		
GRI 306: Effluents and waste 2016	**GRI 103: Management Approach 2016**			
	306-2 Waste by type and disposal method	page 113		
	306-3 Significant spills		not applicable	
	306-4 Transport of hazardous waste		not applicable	
	306-5 Water bodies affected by water discharges and/or runoff		not applicable	
GRI 307: Environmental Compliance 2016	**GRI 103: Management Approach 2016**			
	307-1 Non-compliance with environmental laws and regulations		During the reporting period no fines or significant sanctions were registered	
GRI 308: Supplier Environmental Assessment 2016	**GRI 103: Management Approach 2016**			
	308-1 New suppliers that were screened using environmental criteria	page 80		Supply Chain Management
	308-2 Negative environmental impacts in the supply chain and actions taken		During the reporting period no negative environmental impact was registered	
GRI 400 Social Standards Series				
GRI 401: Employment 2016	**GRI 103: Management Approach 2016**			
	401-1 New employee hires and employee turnover	page 99		Uman Resources Management Work-Life Balance
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	page 103		
	401-3 Parental leave	page 100		
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes		In case a reorganization or a revision in the company structure takes place, employees and their representatives are previously informed in full respect of local law, collective labor contracts and agreements with trade unions.	
GRI 403: Occupational Health and Safety 2018	**GRI 103: Management Approach 2018**			
	403-1 Occupational health and safety management system	page 105		Health and Safety
	403-2 Hazard identification, risk assessment and incident investigation		In the company processes no employees with high incidence or with high risk of work related deseases are registered	
	403-3 Occupational health services	page 105		
	403-4 Worker participation, consultation and communication on occupational health and safety	page 105		
	403-5 Worker training on occupational health and safety	page 105		
	403-6 Promotion of worker health	page 103		
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	page 75		
	403-9 Work-related injuries	page 105		
	403-10 Work-related ill-health		No cases of occupational disease have been reported	
GRI 404: Training and education 2016	**GRI 103: Management Approach 2016**			
	404-1 Average hours of training per year per employee	page 104		Uman Resources Management
	404-2 Programs for upgrading employee skills and transition assistance programs	page 104		
GRI 405: Diversity and equal opportunity 2016	**GRI 103: Management Approach 2016**			
	405-1 Diversity of governance bodies and employees	pages 15, 97		Diversity Management and Equal Opportunity
	405-2 Ratio of basic salary and remuneration of women to men	page 101		
GRI 406: Non discrimination 2016	**GRI 103: Management Approach 2016**			
	406-1 Incidents of discrimination and corrective actions taken		No cases of discrimination were reported	Diversity Management and Equal Opportunity
GRI 407: Freedom of Association and Collective Bargaining 2016	**GRI 103: Management Approach 2016**			
	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	pages 17, 80		Human Resources Mgmt; Supply Chain Management
GRI 408: Child Labor 2016	**GRI 103: Management Approach 2016**			
	408-1 Operations and suppliers at significant risk for incidents of child labor	pages 17, 80		Supply Chain Management
GRI 409: Forced or Compulsory Labor 2016	**GRI 103: Management Approach 2016**			
	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	pages 17, 80		Supply Chain Management
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures		In the reporting boundaries there is no security personnel	
GRI 412: Human rights assessment 2016	**GRI 103: Management Approach 2016**			
	412-1 Operations that have been subject to human rights reviews or impact assessments		The company is SA8000 Certified	Human Resources Management Human Rights
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	pages 17, 80		
GRI 413: Local comunities 2016	**GRI 103: Management Approach 2016**			
	413-1 Operations with local community engagement, impact assessments, and development programs	pages 92, 93		Economic Model Development
GRI 414: Supplier Social Assessment 2016	**GRI 103: Management Approach 2016**			
	414-1 New suppliers that were screened using social criteria	page 80		Supply Chain Management
	414-2 Negative social impacts in the supply chain and actions taken	pages 17, 80		
GRI 415: Public policy 2016	415-1 Political contributions	page 93		
GRI 416: Customer Health and safety 2016	**GRI 103: Management Approach 2016**			
	416-1 Assessment of the health and safety impacts of product and service categories	page 75		Product Safety
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	page 75		
GRI 417: Marketing and labelling 2016	**GRI 103: Management Approach 2016**			
	417-1 Requirements for product and service information and labeling	page 75		Product Safety
	417-2 Incidents of non-compliance concerning product and service information and labeling	page 75		
	417-3 Incidents of non-compliance concerning marketing communications	page 75		
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	pages 17, 83		
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area		During the reporting period no non compliance with laws and regulations in the social and economic area was registered	
OTHER MATERIAL TOPICS IDENTIFIED (not covered by the GRI Standards)				
Product Distinctiveness		page 74		
Communication and Brand Identity		page 76		

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Independent auditor's report
on non-financial information included in the Annual Report at 31 December 2020

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

We have been engaged to conduct a limited assurance engagement on non-financial information included in the Annual Report of Monnalisa S.p.A. (the "Company") for the year ended 31 December 2020.

Responsibilities of the directors for the Annual Report

The Directors of Monnalisa S.p.A. are responsible for the preparation of non-financial information included in the Annual Report in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" issued in 2016 by GRI - Global Reporting Initiative ("GRI Standards"), as described in the "Methodological Approach" section of the Annual Report.

The directors are responsible for such internal control as they determine is necessary to enable the preparation of non-financial information included in the Annual Report that is free from material misstatement, whether due to fraud or unintentional behaviors or events.

The Directors are also responsible for defining the objectives of Monnalisa S.p.A. regarding sustainability performances, as well as for identification of stakeholder and significant matters to report.

Auditor's independence and quality control

We are independent in accordance with ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior.

Our audit firm applies International Standards on Quality Control 1 (ISQC Italia 1) and, consequently, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditor's responsibility

Our responsibility is to express, on the basis of the procedures performed, a conclusion about compliance of non-financial information contained in the Annual Report with the requirements of GRI Standards. We conducted our work in accordance with principles included in the International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This standard requires planning and execution of procedures in order to obtain limited assurance that non-financial information included in the Annual Report is free from material misstatement.

Therefore, the scope of work of our exam was less than the work required for a full examination in accordance with ISAE 3000 Revised ("reasonable assurance engagement") and, accordingly, it does not provide assurance that we have become aware of all significant matters and events that would have been identified during a reasonable assurance engagement.

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The procedures performed on non-financial information included in the Annual Report were based on our professional judgement and included making inquiries, primarily of company's personnel responsible for non-financial information included in the Annual Report, analysis of documents, recalculations and other procedures designed to obtain evidence considered appropriate.

In particular, we performed the following procedures:

1. analysis of the process relating to the definition of material aspects reported in non-financial information included in the Annual Report, with respect to the criteria used to identify priorities for different stakeholder categories and for internal validation of process outcomes;
2. comparison of economic and financial data presented in non-financial information included in the Annual Report with those included in the Company's financial statements at 31 December 2020;
3. analysis of processes that support generating, collecting and managing material qualitative and quantitative information presented in non-financial information included in the Annual Report.

   In particular, we conducted interviews and discussions with management of Monnalisa S.p.A. and we carried out limited document checks in order to obtain information about the processes and procedures that support collecting, aggregating, processing and transmitting data and information of non-financial nature to the function responsible for preparing the non-financial information included in the Annual Report.

Furthermore, for significant information, taking into account the activity and peculiarity of the Company:

a) with respect to qualitative information contained in the non-financial information included in the Annual Report, we carried out interviews and acquired supporting documentation to verify consistency with existing evidence;

b) with respect to quantitative information, we carried out both analytical procedures and limited checks to verify, on a sample basis, proper aggregation of data.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that non-financial information included in the Annual Report of Monnalisa S.p.A for the period ended on 31 December 2020 is not prepared, in all material respects, in accordance with GRI Standards, as described in the "Methodological Approach" section of the Annual Report.

Firenze (Italy), 27 July 2021

BDO Italia S.p.A.

Signed by
Luigi Riccetti
Partner

This report has been translated into English from the original, that was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

Luglio 2021
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