MONNALISA

Monnalisa Spa

Arezzo, via Madame Curie n. 7

Half-Year Report
at June 30, 2021

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1.Corporate Boards

Board of Directors

The Board of Directors, appointed on May 31, 2021, will remain in office for three years, until the approval of the financial statements at December 31, 2023. For the Board of Directors:

Chairman	**Piero Iacomoni**
Chief Executive Officer	**Christian Simoni**
Directors	Matteo Tugliani Fabrizio Dosi (**independent director**) Leonardo Luca Etro (**independent director**)

Board of Statutory Auditors

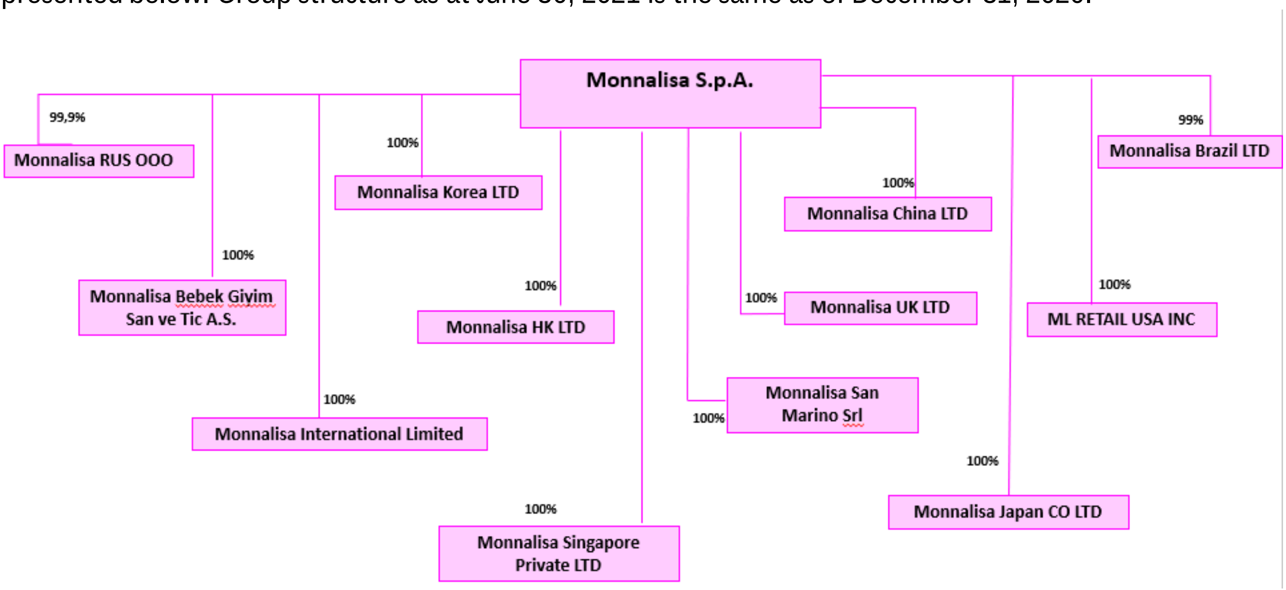
Chairperson	Marco Mainardi
Statutory Auditors	Fabrizio Rossi Alessandra Pederzoli

Independent Auditors	EY S.p.A.
Nominated Advisor	CFO Sim S.p.A.

Dear Shareholders,
The consolidated loss for the half-year ended June 30, 2021 amounted to Euro 1,439,685, including a minority interest share of Euro 214.

2. Group operations and structure

Founded in Arezzo in 1968 by Piero Iacomoni, currently Chairperson of the Board of Directors, Monnalisa designs, manufactures and distributes high-end childrenswear for ages 0-16 under the brand of the same name through various distribution channels. The company's philosophy has always combined entrepreneurship, innovation, the search for new markets, 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 June 30, 2021, corresponding to the scope of consolidation, is presented below. Group structure as at June 30, 2021 is the same as of December 31, 2020.



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.

Official price at June 30, 2021	3.79
Minimum price 26/01/21	3.20
Maximum price 10/05/21	4.29
Market capitalization at June 30, 2021	19,845,577
No. of shares outstanding at June 30, 2021	5,236,300

The current market capitalization 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.
Pursuant to Article 18 of the AIM Italia Issuers' Regulations, updated to 16 September 2020, the Company is obliged to publish the half-yearly report within the deadline of three months from the end of the period.
Therefore, on 30 September 2021, the Board of Directors of Monnalisa S.p.A. approved the half-yearly report for the six months ended 30 June 2021 and ordered its publication on the Investor Relations section of the Monnalisa S.p.A. website and on the channels provided by Borsa Italiana.

3. Group operating performance

During the first half of 2021, in line with the development plan, the Company continued its retail expansion project, although limiting - in light of the pandemic events - investments to openings already contracted.

The details of the new store locations opened in the first half-year 2021 are provided below:

Type	Country	City	Location
DOO	San Marino Republic	San Marino	Department Store
DOS	Turchia	Istanbul	Department Store

DOS = Directly Operated Store
DOO = Directly Outlet Store

In addition, two temporary stores in China (Shanghai) were opened and closed during the same period and work began on a new shop in Shanghai, which had not yet been opened at the date of this report.

At the end of H1 2021, the Monnalisa Group therefore owns a total of 49 direct stores, between both DOS's and DOO's, compared to 47 at December 31, 2020 and June 30, 2020 both.

Revenues by distribution channel

Sales revenues totalled Euro 20.3 million, compared to Euro 15.1 million in the first half of the previous year, with growth of 34% at current exchange rates and of 37% at like-for-like exchange rates. Q2 2021 revenues were up 184% at current exchange rates on the same period of 2020. Although the comparison with H1 2020 is heavily influenced by the pandemic, we highlight that the revenue increase was achieved despite the continued pandemic impacts in the initial six months of this year, with alternating stoppages or limitations - not only in Europe - to commercial operations and international traffic.

It should also be noted that this very strong performance was delivered almost entirely by the Monnalisa brand, which accounts for over 98% of net sales revenues. The Chiara Ferragni brand contribution shall in fact emerge from the second half of this year.

The retail channel reported a 41% sales volume increase on the same period of 2020, with revenues of Euro 5.9 million (compared to Euro 4.2 million). The retail channel accounted for an almost unchanged proportion of revenues (29%, compared to 28% in H1 2020).

Wholesale channel revenues were Euro 12.8 million at current exchange rates and Euro 13 million at like-for-like exchange rates, compared to Euro 10.3 million in H1 2020. Unlike the corresponding period of the previous year, it was possible to begin the shipping of the winter collection early, benefitting therefore both revenues and margins.

E-commerce channel revenues, continuing to grow strongly, were up 139% in the period vs H1 2020, thanks to a "full funnel" marketing strategy to boost our presence on high-profile digital markets, in addition to the major push towards the use of automated marketing tools to provide users with a customised experience and increase conversion rates.

The online channel (both direct and indirect) continued to account for an increasing share of total revenues at 20% (vs 13% in the same period of the previous year).

Six months ended 30 June at current exchange rates						
In thousands of €	2021	Inc. %	2020	Inc. %	Change	% Change
Retail	5,910	29%	4,184	28%	1,726	41%
Wholesale	12,845	63%	10,314	68%	2,531	25%
B2C	1,528	8%	639	4%	889	>100%
Total	20,283	100%	15,137	100%	5,146	34%

Six months ended 30 June at constant exchange rates						
In thousands of €	2021	Inc. %	2020	Inc. %	Change	% Change
Retail	6,176	30%	4,184	28%	1,992	48%
Wholesale	12,998	63%	10,314	68%	2,684	26%
B2C	1,529	7%	639	4%	890	>100%
Total	20,703	100%	15,137	100%	5,566	37%

Revenues by region

Revenues by region showed a uniform increase in all areas (+34% total increase) with particular emphasis on the Rest of the World area, which recorded a 38% increase compared to the same period last year, equal to €2.3 million at constant exchange rates and €2.7 million at current exchange rates. The percentage distribution of revenues by area remained virtually unchanged from the previous half-year.

Six months ended 30 June at current exchange rates						
In thousands of €	2021	Inc. %	2020	Inc. %	Change	% Change
Italy	6,613	33%	5,072	34%	1,541	30%
Europe	5,312	26%	3,992	26%	1,320	33%
Rest of the world	8,358	41%	6,073	40%	2,285	38%
Total	20,283	100%	15,137	100%	5,146	34%

Six months ended 30 June at constant exchange rates						
In thousands of €	2021	Inc. %	2020	Inc. %	Change	% Change
Italy	6,613	32%	5,072	34%	1,541	30%
Europe	5,342	26%	3,992	26%	1,350	34%
Rest of the world	8,748	42%	6,073	40%	2,675	44%
Total	20,703	100%	15,137	100%	5,566	37%

Adjusted EBITDA was approx. Euro 0.4 million (2020 Adjusted EBITDA was negative for Euro 2.4 million). The adjustments concern the openings and closures of sales points in the period and a number of one-off costs incurred.

Reported EBITDA was Euro 0.2 million, compared to a loss of Euro 5.9 million in H1 2020. The margin therefore recovered significantly on H1 2020, thanks to a considerable reduction in the cost of sales and a review of overheads in order to contain non-strategic costs, although without affecting product quality and the medium-term outlook and among which we highlight: the cutting and postponement of marketing spend, the renegotiation of rents, the use of government subsidies and business supports where existing, the voluntary reduction of remuneration by the Chairman and Chief Executive Officer and the voluntary reduction of remuneration by the creative director and two executives, one of which a related party.

After amortisation and depreciation of Euro 1.7 million (in line with H1 2020), EBIT reported a loss of Euro 1.5 million (loss of Euro 7.6 million in H1 2020).

A Net Loss of Euro 1.4 million was reported (loss of Euro 6.8 million in H1 2020).

The Net Financial Position was Euro 9.3 million, compared to Euro 8 million at December 31, 2020. During the half-year, the bond loan issued by Jafin S.p.A. and subscribed to by Monnalisa, maturing on 31 December 2021, was repaid in advance. More specifically, the loan was repaid through: the payment by Jafin to Monnalisa of a total of Euro 660 thousand and the partial offsetting for a total of Euro 540 thousand of Monnalisa's debts to Jafin in relation to some of the future lease payments for the use of buildings located in Milan, also providing for a reduction in the lease payment in favour of Monnalisa. This transaction, being a transaction between related parties, was submitted to the Company's committee for related-party transactions, which issued its favourable opinion on the completion of the transaction on 26 May 2021.

During the first quarter of 2021, two subsidised loans were signed with Simest S.p.A.. The first of € 0.8 million, aimed at improving and safeguarding the financial soundness of exporting companies, has a reference rate of 0.55% and a subsidised rate of 0.055% in addition to a 40% portion (€ 0.32 million) non-repayable and no guarantee from the Company. The second loan of € 0.9 million is for the implementation of a programme of integration in foreign markets (Turkey) and provides for a reference rate of 0.55% and a subsidised rate of 0.055% in addition to a non-repayable portion of € 0.35 million and no guarantee from the Company. This second loan was disbursed for approximately 40% of the total approved, while the balance will be disbursed upon conclusion of the related internationalisation project. In the same period, the US subsidiary benefited from the transformation into a non-repayable grant of a loan of € 170 thousand granted in 2020 by Bank of America (Pay Protection Program).

Investing activities, limited exclusively to that already contracted, used cash of approximately Euro 326 thousand, which was mostly invested in intangible assets, specifically expenses incurred on third-party assets for the opening of direct stores and the costs incurred to develop the e-commerce site and the digital transformation.

The Group reports Shareholders' Equity of Euro 29.1 million.
Monnalisa confirms its commitment and strategy to improve the strategic positioning of its collections and the continuous strengthening of the brand, particularly through online channels.

4. 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.
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.

Adjusted EBITDA: Indicates the result before financial income and expenses, income taxes for the year, depreciation and amortisation of fixed assets and foreign exchange gains/losses, adjusted for one-off costs incurred, the negative margin of shops opened and closed during the year, capital losses and any items of an exceptional nature (i.e. extraordinary inventory write-downs).
EBIT (Earnings Before Interest and Taxes): EBIT indicates the result before financial income and expenses, foreign exchange gains/losses and income taxes for the year. EBIT thus defined represents the indicator used by the directors of Monnalisa to monitor and evaluate the operating performance of the company's business. As EBIT is not identified as an accounting measure under Italian GAAP, it should not be considered as an alternative measure for assessing the performance of Monnalisa's operating results. Since the composition of EBIT is not regulated by the accounting standards of reference, the criterion of determination applied by the Company may not be homogeneous with that adopted by other entities and therefore may not be comparable with them.

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). Net Capital Employed is not identified as an accounting measure under Italian GAAP, 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 Financial Position: In accordance with CONSOB communication no. DEM/6064293 of 28 July 2006, it should be noted that net financial position is obtained as the algebraic sum of cash and cash equivalents, current financial assets and short and long-term financial liabilities (current and non-current financial liabilities).

4.1 Reclassified income statement

The management areas of the reclassified income statement are divided into ordinary production management (operating and non-operating) and financial management (financial expenses and exchange rate management).
For the purposes of reclassification, financial management includes financial interest income and expense, bank charges and exchange rate management, while the R&D contribution was included as a deduction in the item "costs for other services".

Description	30/06/2021	Inc. %	30/06/2020	Inc. %
Revenues from sales	20,283,067		15,137,096	
Profit/(loss) non-core income	910,484		250,836	
Total Revenues	21,252,428	100%	15,387,932	100%
Product Manufacturing Costs	(8,392,912)		(8,426,848)	
Costs for raw materials and finished products	*(5,954,249)*		*(6,409,898)*	
Costs for production services	*(2,438,662)*		*(2,016,950)*	
Costs for use of third-party assets	(2,914,655)		(2,682,707)	
Marketing Costs	(510,405)		(1,025,468)	
Costs for other services	(3,898,489)		(3,329,463)	
ADDED VALUE	5,477,091	26%	(76,554)	0%
Personnel Costs	(4,940,830)		(4,752,567)	
Miscellaneous operating costs	(247,747)		(617,927)	
Provisions for bad and doubtful accounts	(92,111)		(464,328)	
EBITDA	196,403	1%	(5,911,377)	-38%
Amortization tangibles	(897,992)		(901,246)	
Amortization intangibles	(755,147)		(782,095)	
EBIT	(1,456,736)	-7%	(7,594,717)	-49%
Financial Management – financial charges	(208,424)		(167,033)	
Financial Management - exchange	265,987		(276,084)	
EBT	(1,399,173)	-7%	(8,037,834)	-52%
Taxes	(40,512)		1,241,205	
NET RESULT	(1,439,685)	-7%	(6,796,630)	-44%

** certain items of the 2020 financial year have been reclassified in order to ensure comparability with the current period*

4.2 Reclassified balance sheet

The balance sheet reclassified according to the financial criterion is instrumental in understanding the composition of uses and sources and in constructing indicators of financial balance, both short and long term.
The balance sheet reclassified by management areas is instead instrumental in understanding the financing requirements and the dynamics of the financial structure, allowing the correlation of the categories of uses

and sources, which compared with the corresponding economic margins allows the construction of specific profitability indicators.

Financial ìbalance sheet

Assets	30/06/2021	%	31/12/2020	%	30/06/2020	%
FIXED ASSETS	22,263,129	39%	24,672,784	42%	24,690,713	41%
Intangible assets	3,434,240		3,983,926		3,535,232	
Tangible assets	17,532,006		18,275,120		17,513,066	
Financial Assets	1,296,883		2,413,738		3,642,415	
CURRENT ASSETS	34,701,958	61%	33,555,935	58%	35,548,624	59%
Inventory	16,152,324		16,434,588		16,545,884	
Deferred Cash	14,131,844		13,042,460		16,870,423	
Cash on hand	4,417,790		4,078,887		2,132,317	
INVESTED CAPITAL	56.965.088	100%	58,228,719	100%	60,239,337	100%

Liabilities						
EQUITY	29,125,031	51%	30,507,216	52%	31,805,210	53%
Share Capital	10,000,000		10,000,000		10,000,000	
Reserves	20,564,716		28,319,915		28,601,839	
Profit/(loss) for the period	(1,439,471)		(7,805,982)		(6,791,054)	
Profit/(loss) attributable to minority interest	(214)		(6,717)		(5,575)	
CONSOLIDATED LIABILITIES	12,855,513	23%	13,598,794	23%	9,761,755	16%
Financial	9,367,379		10,140,004		7,205,472	
Non financial	3,488,134		3,458,790		2,556,283	
CURRENT LIABILITIES	14,984,544	26%	14,122,709	24%	18,672,372	31%
Financial	5,686,012		4.370.432		8.064.002	
Non financial	9,298,532		9.752.277		10.608.370	
FINANCING CAPITAL	56,965,088	100%	58.228.719	100%	60.239.337	100%

Consolidated balance sheet by segment

Uses	30/06/2021		31/12/2020		30/06/2020	
OPERATING INVESTED CAPITAL/EQUITY	55,660,894	Inc. %	55,811,149	Inc. %	56,589,994	Inc. %
- Operating Liabilities	12,786,667		13,377,153		13,346,653	
NET OPERATING INVESTED CAPITAL/EQUITY	42,874,227	97%	42,433,996	95%	43,243,341	92%
NON-OPERATING INVESTMENTS	1,304,196	3%	2,417,571	5%	3,649,344	8%
NET INVESTED CAPITAL/EQUITY	44,178,422	100%	44,851,567	100%	46,892,685	100%
Sources						
EQUITY	29,125,032	66%	30,507,216	68%	31,805,210	68%
FINANCIAL LIABILITIES	15,053,391	34%	14,344,351	32%	15,087,474	32%
FINANCING CAPITAL	44,178,422	100%	44,851,568	100%	46,892,685	100%

4.3 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.

The Group's net financial position, presented in accordance with the format of Consob Communication No. DEM/6064293 of 28 July 2006, at 30 June 2021 and at 31 December 2020 is shown in the table below:

Description (in thousands of €)		30/06/2021	31/12/2020
A	Cash on hand	73	35
B	Bank and postal deposits	4,344	4,044
C	Securities held for trading		
D	Cash and cash equivalents (A+B+C)	4,417	4,079
E	Other current financial assets	1,288	2,405
F	Current bank payables	2,504	1,771
G	Current part of non-current debt	3,182	2,433
H	Other current financial liabilities		166
I	Current Financial Debt (F+G+H)	5,686	4,370
J	Net Current Financial Debt (I-E-D)	(19)	(2,114)
K	Non-current bank payables	9,367	10,140
L	Bonds issued		
M	Other non-current financial liabilities		
N	Non-current financial debt (K+L+M)	9,367	10,140
O	Net Financial Debt or NPF (J+N)	9,348	8,026

5. Description of the main risks and uncertainties to which the Group is exposed

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

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.
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. As the pandemic spread throughout the world, it became necessary to rethink people's work spaces and times in order 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 in various ways during the same period: in particular, customers, consumers and suppliers.

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.

6. 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.

As already mentioned, during the first quarter of 2021, two subsidised loans were signed with Simest S.p.A.. The first of € 0.8 million, aimed at improving and safeguarding the financial soundness of exporting companies, has a reference rate of 0.55% and a subsidised rate of 0.055% in addition to a 40% portion (€ 0.32 million) non-repayable and no guarantee from the Company. The second loan of € 0.9 million is for the implementation of a programme of integration in foreign markets (Turkey) and has a reference rate of 0.55% and a subsidised rate of 0.055% in addition to a non-repayable portion of € 0.35 million and no guarantee from the Company. . This second loan was disbursed for approximately 40% of the total approved, while the balance will be disbursed upon conclusion of the related internationalisation project. In the same period, the US subsidiary benefited from the transformation into a non-repayable grant of a loan of € 170 thousand granted in 2020 by Bank of America (Paycheck Protection Program).

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.

7. Investments

Investments were made in the following areas during the half-year:

Fixed Assets	Acquisitions in the year by the Group
Start-up and expansion costs	5,764
Industrial patent and intellectual property rights	39,693
Work in progress & advance payments	60,380
Other intangible assets	112,268
Lands and buildings	
Plants and machinery	20,861
Industrial and commercial equipment	703
Other assets	86,626
Work in progress & advance payments	

8. 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 period;
- 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.

9. Disclosures on personnel relations

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

- no employee deaths took place during the half-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 half-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.
The protocol is regularly updated in the light of new legislation.

10. Research and Development Activities

Pursuant to and for the purposes of point 1) of the third paragraph of Article 2428 of the Italian Civil Code, it is hereby certified that during the first half of 2021, research and development activities continued on projects considered particularly innovative, both through the company's own personnel and through consultancy activities. The costs incurred for research and development activities on processes and products are not capitalised, but are included by nature in the operating costs, and as such are entirely charged to the income statement. During the first half of the year, the total costs incurred for R&D activities related to the Design and Aesthetic Innovation project amounted to € 588,771.

11. 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) monitoring the health situation related to the fight against the spread of Covid-19
2) conducting a training session for Store Managers on privacy issues and the main innovations;
3) dissemination of the regulations governing the use of company assets;
4) conducting IT security "tests".

12. Intra-group and related-party transactions

Transactions between the various companies take place at current market conditions. Significant related party transactions for the half-year 2021 are broken down below by company:

- Jafin SpA: financial company with which Monnalisa has lease contracts for certain buildings used for the company's activities
- 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

The following table presents the impact of the transactions undertaken during the half-year ended June 30, 2021, including the provision of intercompany sales and services:

Company	Investments	Trade Receivables	Other receivables	Trade payables	Other payables	Sales	Costs
Jafin SpA			540,000	149,022			220,764
Fondazione Monnalisa		168,413				29,235	
DiDj srl							540
Hermes & Athena Consulting Srl				125,000			100,000
Arcangioli Pierangelo				6,500			69,162
Barbara Bertocci							52,002
Monnalisa Hong Kong LTD	600,000	2,068,352	410,000	535,237		251,432	18,859
Monnalisa Brazil Ltda	-	356,775		21,256			
Monnalisa China LLC	4,800,000	2,632,215	1,803,264	322,820		469,766	89,712
Monnalisa Rus OOO	592,678	539,854				824,924	3,985
ML Retail Usa Inc	3,982,292	1,203,415	1,425,658	194,522		284,494	58,273
Monnalisa Bebek Giyim Sanayi ve Ticarted A.Ş.	571,322	226,679		13,790		75,547	6,195
Monnalisa UK LTD	235,377	178,839	172,626			43,804	17
Monnalisa Korea Ltd							
Monnalisa Taiwan	202,731	129,492	80,000			58,081	409
Monnalisa Singapore	413,376	245,493				30,772	
Monnalisa Japan	8,189	29,015	80,000			400	
Monnalisa San Marino Srl	25,500	127,949	124,408			121,813	828
TOTAL	11,431,466	7,906,490	4,635,955	1,368,147	0	2,190,267	620,745

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

13. 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.

14. Other information

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.

15. Subsequent events and outlook

Pursuant to point 5) third paragraph of Article 2428 of the Italian Civil Code, no significant events occurred after the end of the half-year period that could have a significant impact on the Group's performance.
Despite the fact that the economic and social effects of the spread of Covid-19 have not yet been fully overcome and travel restrictions continue to apply in some countries, July, August and September saw a continuation of the upward trend in sales, with the end of deliveries for the winter season and good results from both the retail and online channels. The summer sales campaign ended positively with a good response from the wholesale channel, which is slowly regaining confidence.
The Company is continuing to pursue the initiatives already undertaken following the pandemic, through a review of costs, a careful management of commercial relations with customers, a strong control of the supply chain and a strengthening of the financial situation. Monnalisa confirms its commitment and strategy aimed at improving the strategic positioning of its collections and the continuous strengthening of the brand, in particular through the online channels.

For the Board of Directors

Chairman Piero Iacomoni

Consolidated Half-year Financial Statements
at June 30, 2021

INCOME STATEMENT	30.06.2021	30.06.2020
A) Value of Production		
1) Revenues from sales	20,283,067	15,137,096
2) Changes in inventories of work in progress, semi-finished goods and finished products	(186,163)	(1,950,907)

4) Capitalization of internal work	6,815	12,147
5) Other revenues and income	962,546	419,459
Total value of production	21,066,265	13,617,795
B) Costs of Production		
6) Raw materials, consumables and goods for resale	5,688,163	5,034,853
7) Services	6,395,675	5,973,402
8) Use of third-party assets	3,260,432	2,900,913
9) Personnel Costs		
a) Wages and salaries	3,757,722	3,616,567
b) Social security charges	910,278	865,992
c) Termination indemnities	154,672	120,554
d) Pensions and similar obligations	83,700	124,793
e) Other costs	34,458	24,661
Total personnel Costs	*4,940,830*	*4,752,567*
10) Amortization, depreciation and write-downs		
a) Amortization of intangible fixed assets	755,147	782,095
b) Depreciation of tangible fixed assets	897,992	901,246
d) Write-downs of receivables in current assets and cash and cash equivalents	92,111	464,328
Total amortization, depreciation and write-downs	*1,745,250*	*2,147,669*
11) Change in inventory of raw, ancillary, consumable materials and goods	243,223	(215,591)
14) Other operating costs	249,428	618,699
Total production costs	22,523,001	21,212,512
Difference between value and production costs (A-B)	(1,456,737)	(7,594,717)
C) Financial income and expenses		
16) Other financial income:		
a) from receivables classified as fixed assets	0	8,800
b) from securities classified as fixed assets	0	15,000
d) others	1,394	4,698
Total financial income	*1,394*	*28,498*
17) Interests and other financial expenses		
-other	201,256	186,968
Total financial expenses	201,256	186,968
17-bis) (Losses) and gains on currency exchange	265,987	(276,084)
Total financial income and expenses	66,125	(434,554)
D) Value adjustments of financial assets and liabilities		
19) Write-downs:		
d) financial derivative instruments	8,562	8,563
Total write-downs	8,562	8,563
Total value adjustments to financial assets and liabilities (D)	(8,562)	(8,563)
Profit/(Loss) before taxes (A-B±C±D)	(1,399,173)	(8,037,834)
a) Current taxes	1,211	0
b) Deferred taxes	39,301	(1,241,205)
Total Income, current, deferred taxes	40,512	(1,241,205)
21) Profit (loss) for the period	(1,439,685)	(6,796,630)
Profit (loss) attributable to the Group	(1,439,471)	(6,791,054)
Profit (loss) attributable to minority interests	(214)	(5,575)

ASSETS	30.06.2021	31.12.2020
A) Subscribed capital unpaid		
B) Fixed Assets		

I - Intangibles Assets		
1) Start-up and expansion costs	611,492	805,583
3) Industrial Patent and Intellectual Property Rights	592,597	642,008
5) Goodwill	730,583	816,599
6) Work in progress and advance payments	60,380	108,294
7) Others	1,439,189	1,611,442
Total Intangible assets	3,434,241	3,983,926
II - Tangible Assets		
1) Lands and Buildings	10,853,199	10,998,874
2) Plants and machinery	3,469,230	3,823,074
3) Industrial and commercial equipment	336,776	379,359
4) Other Assets	2,872,801	3,050,073
5) Work in progress and advance payments	-	23,742
Total Tangible Assets	17,532,006	18,275,120
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	1,288,259	1,205,114
3) Other Securities	0	1,200,000
Total Financial Assets	1,296,883	2,413,738
B) Total Fixed Assets	22,263,130	24,672,784
C) Current Assets		
I - Inventories		
1) Raw, supplies and consumable materials	1,961,025	2,203,903
2) Work in progress and semi-finished products	882,801	805,726
4) Finished products and goods	13,306,613	13,397,466
5) Advances	1,885	27,493
Total inventories	16,152,324	16,434,588
II - Receivables		
1) Due from customers		
- within 12 months	7,620,652	7,202,591
Total Due from customers	7,620,652	7,202,591
5-bis) Tax Receivables		
- within 12 months	1,902,901	1,956,740
Total Tax Receivables	1,902,901	1,956,740
5-ter) Deferred tax assets		
- within 12 months	1,081,725	273,233
- beyond 12 months	1,489,412	2,339,613
Total Deferred tax assets	2,571,137	2,612,846
5-quater) Due from others		
- within 12 months	211,374	160,597
- beyond 12 months	540,000	-
Total Due from others	751,374	160,597
Total Receivables	12,846,064	11,932,774
III - Financial Assets (other than fixed assets)		
5) Derivative financial instrument assets	7,313	3,833
Total financial assets (other than fixed assets)	7,313	3,833
IV - Cash and cash equivalents		
1) Bank and postal deposits	4,344,357	4,044,177
3) Cash on hand	73,433	34,711
Total cash and cash equivalents	4,417,790	4,078,887
C) Total current assets	33,423,493	32,450,082
D) Accrued income and prepaid expenses		
Prepaid expenses	1,278,467	1,105,853
D) Total accrued income and prepaid expenses	1,278,467	1,105,853
TOTAL ASSETS	56,965,088	58,228,720

LIABILITIES AND SHAREHOLDERS' EQUITY	30.06.2021	31.12.2020
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
Translation differences	(1,113,218)	(1,159,058)
Other reserves	1,751,853	1,751,853
Total other reserves	638,635	592,795
VII Cash flow hedge reserve	(9,373)	(21,243)
VIII Profit (loss) carried forward	6,956,478	14,762,460
IX Profit (loss) for the period	(1,439,471)	(7,805,982)
X Negative reserve for own portfolio shares	(149,915)	(149,915)
Total Group Shareholder's Equity	29,127,201	30,508,962
Third Party capital and reserves	(1,956)	4,971
Profit (loss) attributable to minority interests	(214)	(6,717)
Total Minority Shareholder's Equity	(2,170)	(1,746)
Total Shareholder's Equity	29,125,031	30,507,216
B) Provisions for risks and charges		
1) Provisions for pensions or similar obligations	63,103	62,165
2) Provisions for taxes, including deferred taxes	786,342	795,148
3) Provisions for derivative financial instruments	18,839	30,978
4) Other	417,906	461,855
Total provisions for risks and charges	1,286,190	1,350,145
C) Employee termination indemnities	2,108,640	2,020,841
D) Payables		
4) Payables due to banks		
- within 12 months	5,686,012	4,204,347
- beyond 12 months	9,367,379	10,140,004
Total payables due to banks	15,053,391	14,344,351
5) Payable due to other financial institutions		
- within 12 months	0	166,085
Total payable due to other financial institutions	0	166,085
6) Advances		
- within 12 months	470,518	407,195
Total advances	470,518	407,195
7) Trade payables		
- within 12 months	6,321,214	6,788,986
Total trade payables	6,321,214	6,788,986
12) Tax payables		
- within 12 months	435,439	506,745
Total tax payables	435,439	506,745
13) Payables to pension funds and social security agencies		
- within 12 months	475,184	634,852
Total payables to pension funds and social security funds	475,184	634,852
14) Other payables		
- within 12 months	1,285,547	1,114,499
- beyond 12 months	93,304	87,804
Total other payables	1,378,851	1,202,303
Total payables	24,134,597	24,050,518
E) Accrued liabilities and deferred income		
Accrued liabilities	229	0
Deferred Income	310,401	300,000
Total accrued liabilities and deferred income	310,630	300,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	56,965,088	58,228,720

Consolidated Cash Flow Statement at June 30, 2021 (indirect method)

CASH FLOW STATEMENT	30.06.2021	30.06.2020

A) Cash flow from operating activities (indirect method)		
Profit for the period	(1,439,685)	(6,796,630)
Income tax	40,512	(1,241,205)
Interest expenses/(income)	201,256	158,470
(Dividends)		
(Gains)/losses on asset disposals		
1) Profit for the period before taxes, interest, dividends and capital gains/losses on disposals	(1,197,917)	(7,879,364)
Non-cash adjustments not impacting working capital		
Provisions	509,602	265,393
Amortisation & depreciation	1,653,139	1,683,341
Impairments		
Adjustments to non-cash financial instrument assets and liabilities	8,562	(5,756)
Other non-cash increases/(decreases)	(276,491)	286,625
Non-cash adjustments not impacting working capital	1,894,812	2,229,602
2) Cash flow before working capital changes	696,895	(5,649,762)
Change in net working capital		
Decrease/(Increase) in inventories	282,264	1,964,120
Decrease/(Increase) in trade receivables	(510,172)	296,379
Increase/(Decrease) in trade payables	(467,772)	(52,644)
Decrease/(Increase) in accrued income and prepaid expenses	(172,614)	(626,602)
Increase/(Decrease) in accrued liabilities and deferred income	10,630	(198,084)
Other Decreases/(Increases) in net working capital	(185,427)	(492,641)
Total changes in net working capital	(1,043,091)	890,527
3) Cash flow after net working capital changes	(346,196)	(4,759,235)
Other adjustments		
Interest received/(paid)	(201,256)	(158,470)
(Income taxes paid)	(89,575)	(98,697)
Dividends received		
(Utilisation of provisions)	(66,816)	(341,536)
Other receipts/(payments)	0	360,489
Total other adjustments	(357,647)	(238,214)
Cash flow from operating activities (A)	(703,843)	(4,997,448)
Tangible fixed assets	(108,190)	(248,536)
(Investments)	(108,190)	(269,722)
Divestments	-	21,186
Intangible fixed assets	(218,105)	(474,167)
(Investments)	(218,105)	(474,167)
Divestments		
Financial fixed assets	660,000	(900,000)
(Investments)		(1,000,000)
Divestments	660,000	100,000
Current financial assets		
(Investments)		
Divestments		
Cash flow from investing activities (B)	333,705	(1,622,703)
Third party funds		
Increase/(Decrease) in short-term bank payables	733,274	(245,150)
New loans	697,426	1,000,000
(Repayment of loans)	(721,660)	(359,265)
Own funds		
Paid-in share capital increase		
(Repayment of share capital)		
Disposal/(Acquisition) of treasury shares		
(Dividends and advances on dividends paid)		
Cash flow from financing activities (C)	709,040	395,585
Increase/(decrease) in cash and cash equivalents (A ± B ± C)	338,902	(6,224,566)

Opening cash and cash equivalents	4,078,888	8,356,884
Bank and postal deposits	4,044,177	8,280,642
Checks		
Cash on hand	34,711	76,242

Closing cash and cash equivalents	4,417,790	2,132,317
Bank and postal deposits	4,344,357	2,088,501
Checks		
Cash on hand	73,433	43,816

Explanatory notes to the consolidated financial statements at June 30, 2021

1. Introduction

Monnalisa S.p.A. (hereafter “the Company” or “the Parent Company”) is a company incorporated under the

laws of the Italian Republic and domiciled in Italy, with its registered office in Arezzo at Via Madame Curie No. 7. These consolidated financial statements comprising the balance sheet, the income statement, the cash flow statement and the explanatory notes were prepared in accordance with Article 29 of Legislative Decree 127/91, as reported in these Explanatory Notes, prepared in accordance with Article 38 of the same Decree.
In addition to the various appendices as required by law, reconciliation schedules 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.
The consolidated interim financial statements at June 30, 2021, of which these Explanatory Notes are an integral part, were prepared in accordance with OIC 30.
It is noted that no items of the balance sheet or income statement have been merged and that the financial statement items for the present period may be compared with the previous year.
As per Article 2424 there are no asset or liability items that could be classified in more than one account.

2. Consolidation scope and methods

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

Company	Registered Office	Share capital		Shareholders	Holding	Consolidated
		Currency	Currency value			
Monnalisa Brazil Ltda	San Paolo (Brazil)	Real	1,680,390	Monnalisa SPA; Jafin SPA	99%	100%
Monnalisa China LLC	Shanghai (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 Rus OOO	Mosca (Russia)	RUR	41,410,000	Monnalisa SPA; Jafin SPA	99,9%	100%
ML Retail Usa Inc	Houston Texas (USA)	USD	644,573	Monnalisa SPA	100%	100%
Monnalisa Bebek Giyim Sanayi ve Ticaret A.Ş.	Istanbul (Turchia)	TRY	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 S.r.l.	Repubblica di San 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 June 30, 2020 of the individual companies were used, reclassified and adjusted in line with the accounting standards and policies adopted by the Group.

In accordance with Article 30, paragraph 1 of Legislative Decree No. 127 of April 9, 1991, the reporting dates of these consolidated financial statements coincides with June 30, 2020.

The subsidiaries are broken down as follows:

- Monnalisa Hong Kong Ltd: incorporated on August 25, 2015 and based in Hong Kong, it is a fully owned subsidiary of Monnalisa S.p.A. intended to pursue development of the local retail market. At the reporting date, the subsidiary operates two mono-brand stores;
- Monnalisa Russia Llc: incorporated on January 14, 2016 with the aim of increasing the efficiency of management of the local wholesale market and entry into the retail market through the direct opening of monobrand stores. At year-end, the subsidiary manages 5 stores (3 DOS and 2 DOO). 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, 9 at the end of June, 2021. In addition to the retail channel, the company since 2018 has operated also through the B2C distribution channel;
- ML Retail Usa Inc.: incorporated on September 22, 2016, wholly-owned by Monnalisa S.p.A., managing local retail operations. The company has five stores in America (4 DOS and 1 DOO);
- Monnalisa Korea Ltd: incorporated in December 2016, wholly-owned by Monnalisa S.p.A. The company is temporarily inactive;
- Monnalisa Brazil Participasoes Ltda: incorporated on December 22, 2016 to manage retail market operations in Brazil. In the first half of 2020 all the stores owned by the subsidiary were closed; at this date the company is inactive;
- Monnalisa Bebek Giyim Sanayi ve Ticaret A.Ş.: incorporated on December 11, 2018, based in Turkey and fully owned by Monnalisa Spa. The company has one store in Istinye Park opened on January 2021;
- Monnalisa UK Ltd: incorporated in January 2019, with registered office in London, the company currently manages a concession at Harrods. The company is a 100% subsidiary of Monnalisa Spa;
- Monnalisa International Limited: incorporated in May 2019, based in Taiwan and wholly-owned by Monnalisa S.p.A., to develop the local retail market, with a store in the city of Taipei opened in September 2020;
- Monnalisa Japan Co Ltd: wholly-owned by Monnalisa Spa. The company is temporarily inactive;
- Monnalisa Singapore Ltd: wholly-owned by Monnalisa Spa. The company in the second half of 2020 opened a new store at the Marina Bay Sands;
- Monnalisa San Marino Srl: incorporated in the end of the year 2020. The company, a 100% subsidiary of Monnalisa Spa, was established to develop the local retail market. In June 2021 has been opened the new store of The Market Outlet in San Marino.

3. Basis of Consolidation

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

The main consolidation principles are as follows:

- All subsidiaries are consolidated line-by-line. The minority interests' share in equity is shown separately in the balance sheet. Their portion of the result for the period is likewise shown separately in the income statement;

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

Currency	As at 30/06/2021	Average 1° half 2021
Real	5,905	6,492
Yuan	7,674	7,798
Euro	1,000	1,000
Pound Sterling	0,858	0,868
Dollar Hong Kong	9,229	9,357
Japanese Yen	131,430	129,812
Won	1.341,410	1.347,360
Rublo	86,773	89,605
Turkish Lira	10,321	9,513
New Taiwan dollar	33,158	33,784
Dollar	1,188	1,206
Lira Turca (nuova)	10,321	9,513

4.Accounting policies

The accounting policies for the consolidated financial statements at 30/06/2021 are those utilised for the statutory financial statements of the parent company which prepares the consolidated financial statements and do not differ from those normally used. The financial statement accounts have been measured according to the prudence and accruals concepts and on a going concern basis. In this regard, it should be noted that although the pandemic had a negative impact on the company's business, there were no significant uncertainties related to the company going concern.

In applying the materiality principle, the obligations in terms of recognition, measurement, presentation and disclosure were not observed where not assisting the presentation of a true and fair view.
Recognition and presentation of the accounts was made taking into account the substance of the operations and of the contract.

The accounting policies applied to the consolidated financial statements at June 30, 2021 are in line with those utilised to prepare the consolidated financial statements at June 30, 2020 and December 31, 2020, except for the option utilised by the parent company to suspend 100% of amortisation and depreciation for FY 2020.

5. Guarantees, commitments and contingent liabilities

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

The breakdown of sureties at 30.06.2021 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 133,999,
- Surety guarantee by Bank ISP face of letters of credit for foreign suppliers for Euro 1,589,606,
- Surety guarantee by Bank Unicredit face of letters of credit for foreign suppliers for Euro 1,417,311.

6.Exceptions

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

7. Explanatory Notes to the income statement

For a correct interpretation of the financial statements at June 30, 2021 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 avail of the COVID-19 social security supports to offset the drop in demand;
- to apply for specific grants, where possible.

Revenues by segment

H1 2021 revenues amount to Euro 20,283,067, compared to Euro 15,137,096 in H1 2020 (+34%).
They are broken down in the following table:

Description	30/06/2021	30/06/2020	Changes
Sales of goods	8,508	25,858	(17,350)
Sales of products	20,274,559	15,111,238	5,163,321
Total	20,283,067	15,137,096	5,145,971

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):

Region	Sales
Italy	6,613
EU	5,312
REST OF THE WORD	8,358
Total	20,283

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	€ 30,432	Photovoltaic Incentive
Simest	€ 320,000	Capitalization
Simest	€ 88,208	Law No. 394 internationalization (Turkey)
Sviluppo Toscana S.p.A.	€ 46,941	Innovation Grant
Regione Toscana	€ 1,800	Training Incentive

The US subsidiary ML Retail obtained the Paycheck Protection Program 2020 loan disbursed during the pandemic in partial coverage of certain fixed and variable costs for an amount of € 169,033.

Other revenues

Other revenues, presented in account A 5), comprised for Euro 58,877 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.
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 previous year to suspend amortisation and depreciation (as previously mentioned), the relative portion of the grant was also deferred; in the actual financial statement euro 75,000 are related to this contribution.

Costs of production

H1 2021 costs of production amount to Euro 22,523,001 (Euro 21,212,512 for H1 2020). They are broken

Description	30/06/2021	30/06/2020	Changes
Raw materials, consumables and goods	5,688,163	5,034,853	653,310
Services	6,395,675	5,973,402	422,273
Use of third-party assets	3,260,432	2,900,913	359,519
Personnel costs	4,940,830	4,752,567	188,263
Amortization	755,147	782,095	(26,948)
Depreciation	897,992	901,246	(3,254)
Write-downs of current receivables	92,111	464,328	(372,217)
Change in inventories of raw materials	243,223	(215,591)	458,814
Other operating costs	249,428	618,699	(369,271)
Total	22,523,001	21,212,512	1,310,489

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

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

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

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

Description	30/06/2021	30/06/2020	Changes
Insurance	117,440	143,259	(25,819)
POA Commissions	112,573	86,903	25,670
Independent auditors', Board of Statutory Auditors' and Board of Directors' emoluments	227,086	239,428	(12,342)
Technical, administrative, indus. and commercial consultancy	955,645	968,985	(13,340)
Agent costs	157,265	187,476	(30,211)
Production services costs	1,900,469	1,524,432	376,037
Maintenance	321,216	286,073	35,143
Exhibits, fairs and fashion shows	7,668	295,544	(287,876)
Cleaning and security	108,179	82,914	25,265
Other General services	564,230	430,694	133,536
Training courses	3,360	1,973	1,387
Marketing and advertising	388,833	388,295	538
Canteen	697	35,149	(34,452)
Transport	1,236,621	912,047	324,574
Travel and transfer	23,820	61,675	(37,855)
Vigilance	8,195	7,805	390
Entertainment expenes	22,302	31,300	(8,998)

Utilities	233,922	234,565	(643)
Sanitation costs	6,154	54,885	(48,731)
Total	6,395,675	5,973,402	422,273

In further detail, service costs primarily include:

- Façon costs (sewing, ironing, embroidery, printing & other services) for Euro 1,900,469,
- technical, industrial, administrative and commercial consultancy for Euro euro 955,645,
- national and local advertising, for euro 388,833,
- costs for Agents for euro 157,265,
- costs for transports (on sales and/or on purchases) for euro 1,236,621,
- costs of non-financial banking services, for euro 112,573.

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.

Description	30/06/2021	30/06/2020	Changes
Rental costs	2,731,865	2,527,658	204,207
Hire costs	182,790	155,049	27,741
Royalties costs	345,777	218,206	127,571
Total	3,260,432	2,900,913	359,519

The account includes costs incurred for cartoon character royalties for Euro 346 thousand and property lease charges and other condominium expenses for Euro 2.7 million.
The change in the period principally concerns the new opening in the second half of 2020 and therefore not operating in the first half of the year as Monnalisa Singapore, Monnalisa Taiwan and the 3 new store (Barberino, Milano Rinascente e Noventa di Piave) opened in Italy in the last quarter of 2020.
In addition, the increase in the account is due to the new turkish store opened at the beginning of 2021.
The higher costs due to the new opening was only partially offset by the reduction in lease charges by a number of lessors, following the COVID-19 emergency and the closure of some sales points.

The change in royalties costs is mainly related to the multi-year license agreement signed with Fenice S.r.l. (company owning the "Chiara Ferragni" brand) at the end of 2020.

Personnel costs

The personnel costs incurred during the period amounted to Euro 4,940,830, an increase of 4% on the comparative period principally due to the use of the Extraordinary Temporary Lay-off Scheme due to COVID-19, introduced in the Italian legislation following the national health emergency.
This account includes all costs for personnel including raises, promotions, vacation days not taken and provisions in accordance with law and national collective contractual agreements.
Employee termination indemnities, in addition to the portion accrued during the year, include the amount accrued and paid to personnel engaged and dismissed during the same period and the amount contributed to external pension funds.
The other costs associated with personnel have been allocated, in view of their strictly economic nature, to items B6 and B7.

Amortisation and depreciation/write-downs

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

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.

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

For both intangible fixed assets and tangible fixed assets, the residual useful life has been extended by one year (expect for those assets for which the extension was not possible due to contractual obligation) recorded in the half year income statement 2021 the portion of amortization not charged in the previous year.

For the assets for which the extension of the useful life was not possible due to contract obligations, the depreciation amount for 2021 reflects the change in the depreciation process.

In these cases, the depreciation amount not accounted during the 2020 was spread over the residual useful life of the asset, increasing the amount of depreciation for the first half of 2021.

Other operating costs

This account amounting to Euro 294,428 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:

- Contingent liabilities for Euro 116,654,
- Taxes and levies (property and waste disposal taxes) for Euro 103,371,
- Miscellaneous administrative expenses for Euro 12,320,

Financial interest and financial income

The account for H1 2021 was Euro 66,125 (Euro 434,554 in the first six months of the previous year).

A breakdown follows:

Description	30/06/2021	30/06/2020	Changes
Interest Income	1,394	19,698	(18,304)
Financial expenses	(102,914)	(84,624)	(18,290)
Other interest income	-	8,800	(8,800)
Bank financial interests	(98,342)	(102,344)	4,002
Exchange gains	472,986	105,362	367,624
Exchange losses	(206,999)	(381,446)	174,447
Total	66,125	(434,554)	500,679

The figure for the period therefore includes financial expenses and other financial charges for Euro 201,256.

The unrealised balance records an exchange gain of euro 265,987 (an exchange loss of 276,084 in the previous period).

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

Taxes	30/06/2021	30/06/2020	Changes
Current taxes	1,211	0	1,211
Deferred tax charges/(income)	39,301	(1,241,205)	1,280,506
Total	40,512	(1,241,205)	1,281,717

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

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

Deferred tax income and charges recognised to the income statement	30/06/2021	30/06/2020
Amortization of brands	147	252
Amortization of goodwill	(6,828)	(1,786)
Risks provision	12,262	45,287
Other	59,976	(81,887)
Bad debts provision	14,172	(111,380)
Tax losses	-	(1,080,606)
Intercompany margin on inventory	(28,104)	46,888
Deferred tax income	51,625	(1,183,232)
Business unit disposal	(23,658)	(23,658)
Gains on unrealized exchange	17,671	(34,314)
Others	(6,337)	-
Deferred tax charges	(12,324)	(57,972)
Deferred tax charges/(income)	39,301	(1,241,205)

8. Explanatory Notes to the balance sheet

8.1 Assets

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

Description	30/06/2021	31/12/2020	Changes
B) Fixed Assets	22,263,130	24,672,784	(2,409,654)
C) Current Assets	33,423,491	32,450,082	973,409
D) Accrued income and prepaid expenses	1,278,467	1,105,853	172,614
Total	56,965,088	58,228,720	(1,263,63)

B) FIXED ASSETS

Intangible assets

The following table outlines the composition and movement in account for the period ending June 30, 2021:

Description	31/12/2020	Increases	Decreases	Exc. Diffs.	Other changes	Depreciation	30/06/2021
Set-up and expansion costs	805,583	5,764		130		(199,985)	611,492
Industrial patents	642,008	39,693		(722)		(88,382)	592,597
Goodwill	816,599					(86,016)	730,583
Assets in progress and advances	108,294	60,380		(3,589)	(104,705)		60,380
Other	1,611,442	112,268		21,208	75,035	(380,764)	1,439,189
Total	3,983,926	218,105		17,027	(29,670)	(755,147)	3,434,241

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

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

The item “Other” primarily includes the costs of leasehold improvements, amortized according to the term of the lease.

The increase in “Assets in progress and advances” mainly concerns the advances paid in the first half of 2021 for works on the new Showay Outlet in Shanghai not yet opened as at June 30, 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. 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.

Property, plant & equipment
The following table outlines the movement in account for the period ending June 30, 2021:

Description	31/12/2020	Increases	Decreases	Exc. Diffs.	Other changes	Depreciation	30/06/2021
Land and buildings	10,998,874					(145,675)	10,853,199
Plant and machinery	3,823,074	20,861		7,050		(381,755)	3,469,230
Industrial and commercial equipment	379,359	703		13,496		(56,782)	336,776
Other assets	3,050,073	86,626		(3,762)	53,644	(313,780)	2,872,801
Assets in progress and advances	23,742			232	(23,974)		0
Total	18,275,120	108,190		17,016	29,670	(897,992)	17,532,006

The increases in the initial six months of Euro 108,190 are due for euro 60 thousand to the new store opened at the end of June in San Marino and for euro 48 thousand concerning both the purchase of new equipment for the field office of Monnalisa Spa and the purchase of furniture for the showroom located in Milan.

Write-downs and revaluations in the first half of 2021
No write-downs or revaluations were made in the period. Management considers that at June 30, 2021 no indicators of impairment from internal or external sources exist with regards to the value of tangible assets.

Total revaluations of tangible assets at period end
In 2008 the company applied the option under Legislative Decree 185 to revalue the industrial use building located in the Municipality of Arezzo, at Via Madame Curie 7. The revaluation was made by taking the “market value” as a reference criterion - identified on a prudent basis - as per a report upon the estimate of the current value of assets at 31/12/08 drawn up by an independent expert.
From an accounting viewpoint, the revaluation was undertaken according to the historic cost increase accounting technique.
The estimate of the residual useful life of the assets subject to revaluation was consequently reviewed.
From 2009 therefore, the depreciation was provisioned on the basis of the new useful life and of the new value of the assets.
From a tax viewpoint, the revaluation was made utilising the option to apply for tax purposes, in addition, the higher revalued amount, through settlement of the IRES and IRAP substitution tax.
In accordance with Article 10 Law No. 72/1983, the following tangible assets upon which monetary revaluations were made were recognised to the company’s financial statements at 30/06/2021.

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

The revaluation amount of Euro 3,050,975, net of registration tax, generated an impact on shareholders’ equity of Euro 2,959,446, now reduced due to the increased accumulated depreciation on this amount.
The directors, considering the exceptional impacts due to COVID-19, consider that the tangible assets do not present indicators of impairment

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

Financial assets

Investments in other companies

Investments in other companies amount to Euro 8,624, with no changes reported on 31.12.2020. The account is broken down as follows:

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

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

Receivables and other securities

"Financial receivables" may be broken down as follows:

Description	31/12/2020	Increases	Decreases	Other	30/06/2021
Other receivables	1,205,114	145,936	(48,383)	(14,408)	1,288,259

The receivables in question may be broken down as follows:

- Director leaving indemnity policy: Euro 57,500;
- Financial receivables for guarantee deposits: Euro 989,903.

"Other securities" comprised in 2020 the residual balance of the bond loan issued by Jafin S.p.A. of Euro 1,200,000 that has been totally refunded in the first half of 2021 as previously reported in the Dicrector's report.

Inventories

At June 30, 2021, inventory amounted to Euro 16,152,434. They are broken down as follows:

Description	30/06/2021	31/12/2020	Changes
Raw materials, supplies and consumables	1,961,025	2,203,903	(242,878)
Work in progress and semi-finished products	882,801	805,726	77,075
Finished products and goods	13,306,613	13,397,466	(90,853)
Advances	1,885	27,493	(25,608)
Total	16,152,324	16,434,588	(282,264)

The decrease in finished product inventories and raw materials reflects the expected value estimates, based on the sales capacity through the usual distribution channels.

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

Description	30/06/2021	31/12/2020	Changes
Trade receivables	7,620,652	7,202,591	418,061
Tax receivables	1,902,901	1,956,740	(53,839)
Deferred tax assets	2,571,137	2,612,846	(41,709)
Others	751,375	160,597	590,778
Total	12,846,066	11,932,774	913,292

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

Description	Total
Balance at 31/12/2020	1,234,434
Utilisation in the period	(47,272)
Provision in the period	92,111
Balance at 30/06/2021	1,279,273

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 956,953,
- IRES and IRAP advances for Euro 667,052,
- Research and Development credit for Euro 161,860
- INPS receivables due to Ordinary Wages Guarantees Fund related to COVID-19 for euro 67,609.

Deferred tax income and charges and the consequent effects for the Group are in addition outlined below:

Description	30/06/2021	31/12/2020	Changes
Deferred tax assets:			
Amortization of Trademarks and Goodwill	154,529	147,852	6,677
Product returns charges provision	67,253	79,515	(12,262)
ISC Provision	209,768	223,940	(14,172)
Unrealized exchange losses	-	58,010	(58,010)
Fiscal Losses	1,340,000	1,340,000	-
Administrator’s compensation	4,325	4,352	(27)
Derivative financial instruments	4,521	7,435	(2,914)
Elimination of Intercompany margin	439,513	411,409	28,104
Others	351,228	340,333	10,895
Deferred tax income	2,571,137	2,612,846	(41,709)
Deferred tax charges:			
Capital gain on property sale	70,974	94,632	(23,658)
Unrealized exchange gains	17,671	-	17,671
Suspended depreciation	646,156	646,156	-
Derivative financial instruments	1,755	920	835
Others	49,786	53,440	(3,654)

Deferred tax charges	786,342	795,148	(8,806)
Deferred tax charges/(income)	1,784,795	1,817,698	(32,903)

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

Other receivables

At June 30, 2021, the item "other receivables" amounted to euro 751,374. The change compared to the previous year 2020 is mainly due to the receivables towards Jafin S.p.A. refunded during the first half of 2021 as previously reported in the Dicrector's report.

Financial Assets (other than fixed assets)

A breakdown follows:

Description	31/12/2020	Changes	30/06/2021
Non-fixed asset derivative financial instrument	3,833	3,480	7,313
Total	3,833	3,480	7,313

For additional information refer to the paragraph "Information relating to the fair value of derivative financial instruments" below.

Cash and cash equivalents

The balance concerns cash and cash equivalents and cash on hand and stamps at June 30, 2021:

Description	30/06/2021	31/12/2020	Changes
Bank & postal deposits	4,344,357	4,044,177	300,180
Cash & cash equivalents on hand	73,433	34,711	38,722
Total	4,417,790	4,078,887	338,903

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	30/06/2021	31/12/2020	Changes
Maintenance fees	90,356	104,457	(14,101)
Rental	889,129	672,619	216,510
Hire	37,973	31,865	6,108
Insurance	70,847	6,809	64,038
Derivatives	74,813	83,375	(8,562)
Consulting	9,323	4,929	4,394

Others	106,026	201,799	(95,773)
Total	1,278,467	1,105,853	172,614

The increase is mainly due to the annual rental fees due to the related party Jafin S.p.A. charged for the whole amount ad the beginning of 2021.
At 30.06.2021, there are accrued income and prepayments over five years. A breakdown is provided below:

Description	Beyond 5 years
Derivatives	20,063
Rental	10,500
Flat-rate tax	274,524
Total	305,087

8.2 LIABILITIES

Shareholders' Equity

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

	Net equity	Result
Net equity and net result for the year as reported in the parent company financial statements	40,983,698	(588,952)
Adjustments in compliance with accounting standards		
Elimination of book values of consolidated holdings:		
a) difference between book value and pro-quota net equity		
b) pro-quota results of investees	(9,342,721)	(765,295)
c) elimination of write off consolidated companies	5,313,684	-
d) translation difference	(1,113,218)	
e) debts waiver by shareholder to cover controlled losses	(5,984,012)	
Elimination of the effects of transactions between consolidated companies	(730,230)	(85,224)
Net equity and net result pertaining to Group	29,127,201	(1,439,471)
Net equity and net result pertaining to minority interests	(2,170)	(214)
Consolidated net equity and net result	29,125,031	(1,439,685)

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 01/01/2021	10,000,000	14,861,457	(149,915)	(1,159,058)	14,762,460	(7,805,982)	30,508,963
Changes in the period					(7,805,982)	7,805,982	-
Net Profit						(1,439,471)	(1,439,471)
Translation differences from conversion of financial statements expressed in foreign currencies				45,840			45,840
Other changes		11,870					11,870
Closing balance at 30/06/2021	10,000,000	14,873,327	(149,915)	(1,113,218)	6,956,478	(1,439,471)	29,127,201

Provisions for risks and charges

A breakdown follows:

Description	30/06/2021	31/12/2020	Changes
Provisions for pension and similar	63,103	62,165	938
Provision for taxation, including deferred taxes	786,342	795,148	(8,806)
Provisions for derivative financial instruments	18,839	30,978	(12,139)
Other	417,906	461,855	(43,949)
Total	1,286,190	1,350,145	(63,955)

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 57,921;
- Environmental restoration/reclamation provision for Euro 176,855, set up in 2014 and considered appropriate as per OIC 16;
- Product return charges provision for Euro 241,052, 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 786,342 concerning temporary assessable differences. For a description of these amounts, reference should be made to the previous paragraph 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	31/12/2020	Provisions	Utilisations in the year	30/06/2021
Post-employment benefits	2,020,841	154,672	(6,873)	2,108,640

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	5,686,012	9,367,379		15,053,391
Advances	470,518			470,518
Trade payables	6,321,214			6,321,214
Tax payables	435,439			435,439
Social security institutions	475,184			475,184
Other payables	1,285,547	93,304		1,378,851
Total	14,673,914	9,460,683	0	24,134,597

The account comprises:

- “Bank payables”: including loans and reflecting the effective debt in terms of principal, interest and other accessory charges matured and due at 30.06.2021. During the first quarter of 2021, two subsidised loans were signed with Simest S.p.A. The first of € 0.8 million, aimed at improving and safeguarding the financial soundness of exporting companies, has a reference rate of 0.55% and a subsidised rate of 0.055% in addition to a 40% portion (€ 0.32 million) non-repayable and no guarantee from the Company. The second loan of € 0.9 million is for the implementation of a programme of integration in foreign markets (Turkey) and provides for a reference rate of 0.55% and a subsidised rate of 0.055% in addition to a non-repayable portion of € 0.35 million and no guarantee from the Company;
- “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 435,439 and includes, in particular, sums withheld from employees and self-employed workers and duly paid in the second half of 2021;
- “Other payables” mostly concern accrued commissions payable to agents of Euro 198,211, deferred amounts and additional months payable to employees of Euro 1,075,086, duly settled in the second half of 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.

Accrued liabilities and deferred income

Accrued liabilities and deferred income amount to Euro 310,401 at June 30, 2021, 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 (for euro 225,000) and the deferred income on Simest non-repaybale co-financing for investing in Turkey, accounted based on the progress of project (euro 56,742).
There are no accrued liabilities and deferred income at 30/06/2021 with a duration of more than five years.

9. Other information

Information relating to the fair value of derivative financial instruments

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

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

The hedging operations at June 30, 2021 with financial counterparties comprise:

- Interest Rate Cap (1)

Contract ID	23950927
Date of the operation	27/12/2018
Counterparty	Unicredit S.p.A.
Maturity Date	31/12/2026
Notional Amount	3,684,211 euro
Premium	107,000 euro
Bank Parameter Rate	Euribor 6 months
Client Parameter Rate	Euribor 6 months
Rate Cap	1%

At 30/06/21, the mark to market of the transaction was Euro + 7.312,67.

- Interest Rate Cap (2)

Contract ID	111365300
Date of the operation	27/10/2017
Counterparty	Unicredit S.p.A.
Maturity Date	29/10/2021
Notional Amount	254,170 euro
Premium	15,000 euro
Bank Parameter Rate	Euribor 3 months
Client Parameter Rate	Euribor 3 months
Rate Cap	0%

At 30/06/21, the mark to market of the transaction was Euro 0.

- 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	-0,2%

At 30/06/21, the mark to market of the transaction was Euro -18.839,47.

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:

Company	Trade Receivables	Other receivables	Trade Payables	Other Payables	Revenues	Costs
Jafin SpA		540,000	149,022			220,764
Fondazione Monnalisa	168,413				29,235	
DiDj srl						540
Hermes & Athena Consulting Srl			125,000			100,000
Arcangioli Pierangelo			6,500			69,162
Barbara Bertocci						52,002

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

Independent auditor fees
In accordance with law the fees paid for services provided by the auditor / or by the audit firm or entities belonging to its Group network are reported below:
- for the limited audit of the interim consolidated financial statements at June 30, 2021 of the parent company, Euro 12,000.

Directors and statutory auditors' fees

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

Category	Amount
Board of directors	160,500
Board of Statutory auditors	22,370
Total	182,870

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

Subsequent events

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

The Chairman

Piero Iacomoni

Monnalisa S.p.A.

Consolidated half-year financial statements at June 30, 2021

Review report on the half-year consolidated financial statements

(Translation from the original Italian text)

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

To the Shareholders of
Monnalisa S.p.A.

Introduction

We have reviewed the half-year consolidated financial statements, comprising the balance sheet as of 30 June 2021, the income statement and the cash flows statement for the six-month then ended and the related explanatory notes of Monnalisa S.p.A. and its subsidiaries (the "Monnalisa Group"). The Directors of Monnalisa S.p.A. are responsible for the preparation of the half-year consolidated financial statements in conformity with the Italian accounting standard OIC 30. Our responsibility is to express a conclusion on these half-year consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the half-year consolidated financial statements of Monnalisa Group as of June 30, 2021 are not prepared, in all material respects, in conformity with the Italian accounting standards OIC 30.

Florence, September 30, 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