MONNALISA

Monnalisa Group
Annual Financial Report at December 31, 2022

Monnalisa S.p.A.

Company Information
Registered office Via Madame Curie, 7, 52100, Arezzo (AR)
Legal information Approved, subscribed and paid-in share capital Euro 10,000,000
Arezzo Tax No. and Companies Registration Office No.: 01163300518
Arezzo-Siena Chamber of Commerce No. AR-87271
Website https://group.monnalisa.eu

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2022 Financial Statements

Directors' Report at December 31, 2022

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. The Board of Directors

Chairperson	**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**

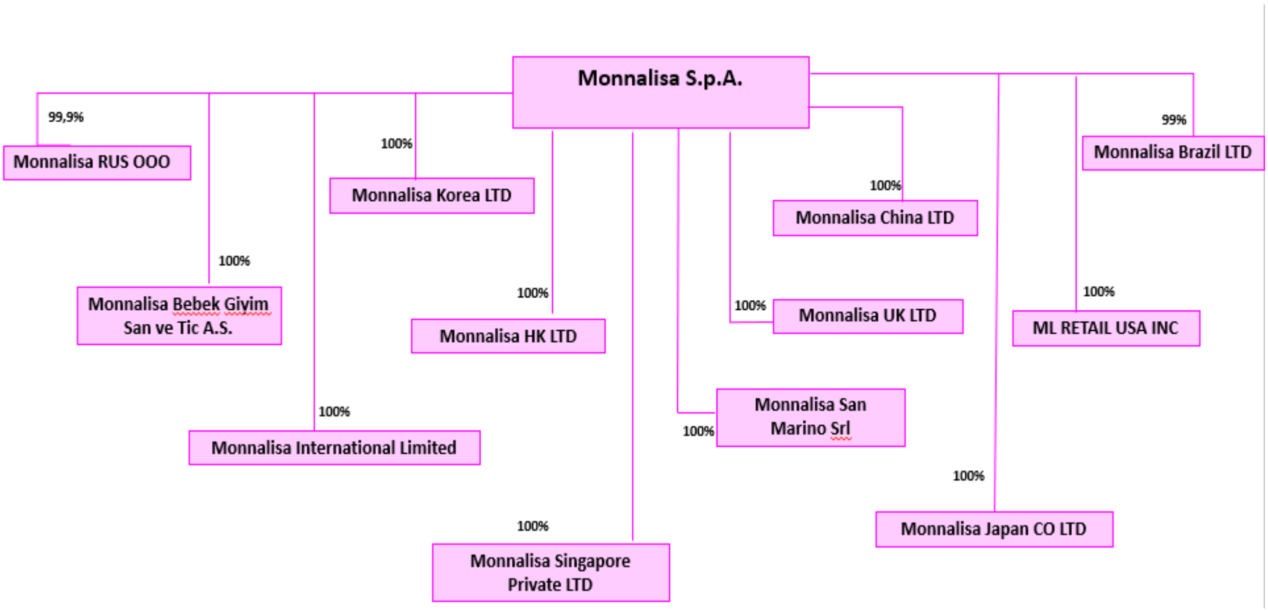
Independent Auditors EY S.p.A.

Euronext Growth Advisor CFO Sim S.p.A.

Dear Shareholders,
The consolidated net profit for 2022 amounted to Euro 3,248,961, including a minority interest share of Euro 563. The parent company Monnalisa S.p.A. however reports substantial breakeven, with a net loss of Euro 195,016.

2. GROUP OPERATIONS AND STRUCTURE

Monnalisa S.p.A. (hereinafter "Monnalisa" or the "Company") 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 (hereinafter the "Group") has a centralised business structure where almost all activities relating to its organisational 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 50 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 benefits in terms of managing sales and margins.
The Group is organized according to a model in which product strategies and communications activity are intertwined, so as to ensure consistency with Monnalisa's brand image and style. This model features constant, careful monitoring by the Company of its value chain.
The structure of the Monnalisa Group at December 31, 2022, corresponding to the scope of consolidation, is presented below: No changes are reported compared to the structure at December 31, 2021:



The Monnalisa Group at December 31, 2022 includes Monnalisa S.p.A. and the fully consolidated subsidiaries (listed below), in which the parent company holds, directly or indirectly, the majority of voting rights and exercises control:

- **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 one mono-brand store;
- **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 (5 at year-end, 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 (12 at December 31, 2022). 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. The company was permanently closed during the year;
- **Monnalisa Bebek Giyim Sanayi ve Ticaret A.Ş.:** incorporated on December 11, 2018, based in Turkey and fully owned by Monnalisa S.p.A. The company owns a single store at Istinye Park, which opened in January 2021;
- **Monnalisa UK Ltd:** incorporated in January 2019, with registered office in London, the company currently manages a concession outlet at Harrods. The Company is a wholly-owned subsidiary of Monnalisa S.p.A.;
- **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:** a wholly-owned subsidiary of Monnalisa S.p.A.; The company incorporated in 2019 was set up to develop the local retail market. Following the management of a number of temporary stores in 2020, at the reporting date the company is inactive;
- **Monnalisa Singapore Ltd.:** a wholly-owned subsidiary of Monnalisa S.p.A.; The company operates a single outlet at Marina Bay Sands;
- **Monnalisa San Marino S.r.l.:** wholly-owned subsidiary of Monnalisa S.p.A. set up to develop the local retail market. The company has been operating since June 2021 the store opened at The Market outlet in San Marino.

3. STOCK MARKET HIGHLIGHTS

On July 10, 2018 the ordinary shares of the parent company Monnalisa S.p.A. were admitted to trading on the Euronext Growth Milan market (previously 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.r.l. (previously Jafin Due S.p.A.).
The share performance is reported below.

Official price at December 30, 2022	2.7
Minimum price 19/12/22	2.93
Maximum price 01/04/22	3.67
Market capitalization at December 31, 2022	15,342,359
No. of shares outstanding at December 31, 2022	5,236,300

The Group's current Stock market capitalisation reflects the general financial market conditions and the challenging overall economic environment in 2022, and is lower than the Group's shareholders' equity. The Directors consider that this valuation is not representative of the Group's actual value.
In accordance with Article 18 of the Euronext Growth Milan Issuers' Regulation, updated on October 25, 2021, the company is required to publish its annual financial report within three months of financial year-end.
Therefore, the Board of Directors of Monnalisa S.p.A. on March 31, 2023 approved the annual financial report for the year ended December 31, 2022, publishing it on the Investor Relations section of the Monnalisa S.p.A. website and on the Borsa Italiana required channels.

4. OPERATING OVERVIEW

From 2022, the Group adopts International Financial Reporting Standards (IFRS). The figures commented upon below are therefore IFRS figures. Reference should be therefore made to the specific "*Transition to International Financial Reporting Standards IAS/IFRS*" sections of the Explanatory Notes to the consolidated financial statements and to the statutory financial statements at December 31, 2022.

Revenues by distribution channel

Revenues from contracts with customers totalled Euro 46.4 million, compared to Euro 43.6 million in the previous year, up 6% at current exchange rates and up 5% at constant exchange rates. Revenues increased despite the outbreak of the conflict in Ukraine and the continued effects of the COVID-19 pandemic in the initial part of the year, with stoppages or limitations - particularly in China and the surrounding regions - to commercial activity and international traffic.

The retail channel reported a 20% increase in sales volumes over 2021, with revenues of Euro 16.8 million (Euro 14 million in the previous year). The channel's share of revenues increased from 32% in 2021 to 36% in 2022.
Wholesale channel revenues, considering the impacts from the Russia-Ukraine crisis, were in line with the previous year at Euro 26.7 million (Euro 26.6 million in 2021).
Direct e-commerce channel revenues were in line with the previous year at Euro 2.93 million (Euro 2.97 million in 2021). E-commerce sales concern the proprietary platform and T-Mall China sales. Online channel sales (direct and indirect) accounted for 18% of total revenues (18% in 2021).

31 December at current exchange rates						
In thousands of €	**2022**	**Inc. %**	**2021**	**Inc. %**	**Var**	**Var %**
Retail	16,763	36%	13,996	32%	2,767	20%
Wholesale	26,680	58%	26,667	61%	14	0%
B2C	2,932	6%	2,968	7%	-37	-1%
Total	**46,375**	**100%**	**43,631**	**100%**	**2,744**	**6%**

31 December at constant exchange rates						
In thousands of €	**2022**	**Inc. %**	**2021**	**Inc. %**	**Var**	**Var %**
Retail	16,510	36%	13,996	32%	2,514	18%
Wholesale	26,389	58%	26,667	61%	-277	-1%
B2C	2,922	6%	2,968	7%	-46	-2%
Total	**45,822**	**100%**	**43,631**	**100%**	**2,191**	**5%**

Revenues by geographic area

Revenues by geographic area highlight growth in Italy and Europe (respectively of 8% and 15%), partially offset by a 3% decrease in the Rest of the World, mainly due to the continued impacts of the pandemic until the initial months of the year, with stoppages or limitations - particularly in China and the surrounding regions - to commercial activity and international traffic. The percentage distribution of revenues by zone therefore altered on the previous year.

31 December at current exchange rates						
In thousands of €	**2022**	**Inc. %**	**2021**	**Inc. %**	**Var**	**Var %**
Italy	17,230	37%	15,982	37%	1,248	8%
Europe	13,916	30%	11,943	27%	1,973	17%
Rest of the world	15,230	33%	15,707	36%	-477	-3%
Total	**46,375**	**100%**	**43,631**	**100%**	**2,744**	**6%**

31 December at constant exchange rates						
In thousands of €	**2022**	**Inc. %**	**2021**	**Inc. %**	**Var**	**Var %**
Italy	17,230	38%	15,982	37%	1,248	8%
Europe	14,356	31%	11,943	27%	2,413	20%
Rest of the world	14,236	31%	15,707	36%	-1,471	-9%
Total	**45,822**	**100%**	**43,631**	**100%**	**2,191**	**5%**

The Group continued in 2022 to execute its development plan, with the opening of previously contracted sales points.
In this regard, during the year the new Chengdu SKP sales point in China was opened, with three low-traffic sales points located at Florence airport (Italy), Madrid ECI (Spain) and Nanjing Deji Plaza (China) closed.
A temporary store in France (La Vallèe) was also opened in 2022.

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Adjusted EBITDA was Euro 5.86 million. The adjustments concern the extraordinary costs related to the non-recurring events in 2022 and the result of a number of stores opened over the last 12 months and therefore not yet at breakeven. Reported EBITDA was Euro 5.79 million, compared to Euro 5.12 million in 2021.

Despite the numerous difficulties related to the political-economic backdrop, in 2022 revenues increased and the focus on recovering margins compared to the previous year continued, while however held back by the rising costs and logistical difficulties emerging in the year. Both years were impacted by the continued effects of the pandemic in a number of regions in which the Group operates. In particular, in addition to the impacts of the general economic situation, the Russia-Ukraine conflict significantly impacted the market in general and tourist numbers. The latter was also affected by continued pandemic and the post-pandemic impacts in China and parts of Asia. This particularly affected the Group's operational-financial performance in key areas such as China, Hong Kong, Taiwan and the United States.

The cost review policy to contain non-strategic and deferrable costs continued in the year, without affecting the quality of products and the medium-term outlook and in relation to which we highlight the reduction and deferment of recurring overheads and the renegotiation of leases.

After amortisation and depreciation of Euro 7.8 million (Euro 7.9 million in 2021), EBIT reported a loss of Euro 2 million (loss of Euro 2.7 million in 2021). A Net Loss of Euro 3.3 million is reported (loss of Euro 2.1 million in 2021).

The net financial debt (Net Financial Position), including the effects from applying IFRS 16, was Euro 28.9 million (Euro 29.4 million at December 31, 2021). The adjusted net financial debt, defined at paragraph 5 below under "Alternative performance measures" and calculated excluding current and non-current liabilities relating to leasing contracts, was Euro 8.6 million (Euro 8.6 million at December 31, 2021).

Investment activities absorbed resources of approx. Euro 747 thousand, specifically concerning expenses incurred on third party assets for the upgrade/restyling of existing outlets (in particular the Via della Spiga store in Milan), expenses for the opening of the new outlet in China, software investments and the purchase of equipment for Monnalisa S.p.A.'s headquarters.

The Group reports Shareholders' Equity of Euro 24 million. The Shareholders' Equity of the parent company Monnalisa S.p.A. amounts to Euro 40.9 million.

The Monnalisa Group confirms its commitment to improve the strategic positioning of its collections and to ongoing brand development, in particular through the online channels.

5. OPERATING AND FINANCIAL OVERVIEW

The operating and financial overview is based on the reclassified Balance Sheet and Income Statement drawn up as per IFRS, issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. Reference should be made to the "*Transition to International Financial Reporting Standards IAS/IFRS*" section of the Explanatory Notes to the consolidated financial statements and to the separate financial statements at December 31, 2022.
The Monnalisa Group in addition utilises alternative performance indicators, which are not recognised under Italian GAAP, to better assess Group and parent company 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 and parent company's historical data for the reporting period and the comparative periods, without referring to the Group's and Monnalisa S.P.A.'s expected performance, and should not be considered as replacements for the indicators required by the applicable accounting standards (IFRS).
The alternative performance indicators utilised are the following:

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

Adjusted EBITDA The result before financial income and charges, income taxes, amortisation and depreciation and exchange gains/losses, adjusted for one-off costs, the negative margin of stores opened and closed during the year, losses and any exceptional items (i.e. extraordinary inventory obsolescence).

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

Net Financial Debt: In accordance with CONSOB communication No. DEM/6064293 of July 28, 2006, integrated by the call to attention No. 5/21, the net financial debt is the sum of cash and cash equivalents, current financial assets and short and long-term financial liabilities (current and non-current financial liabilities).

Adjusted Net Financial Debt: this concerns the Net Financial Debt excluding Current and non-current lease liabilities.

5.1 Reclassified income statement

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

Consolidated earnings reported a strong recovery over 2021, which was significantly impacted by the pandemic. Revenues in fact returned to higher levels, although not yet fully recovering 2019 levels, also due to the continued impacts of the pandemic, although divergent and uneven across the various region in which the Group operates.
Reference should be made to the preceding paragraphs with regards to all the initiatives undertaken in 2021 and maintained to the extent possible and necessary in 2022 by the Group in order to contain costs.

5.1.1 Reclassified income statement of the parent company

(Eur)	31.12.2022	Inc %	31.12.2021	Inc %
Revenues from contracts with customers	39,689,167		36,919,266	
Gross Margin	**22,104,002**	**56%**	**20,639,880**	**56%**
Costs for services and rental expenses	(9,134,390)		(8,099,555)	
Personnel costs	(9,258,148)		(8,223,943)	
Other operating costs	(278,937)		(539,391)	
Other income and revenues	1,297,480		1,413,938	
EBITDA	**4,730,008**	**12%**	**5,190,930**	**14%**
Amortization and depreciation	(4,498,977)		(4,740,415)	
Financial charges	(1,221,036)		(1,259,220)	
Financial income	787,617		491,926	
EBT	**(202,390)**	**-1%**	**(316,780)**	**-1%**
Income Taxes	7,373		1,099,528	
Net profit/(loss) for the period	**(195,017)**	**0%**	**782,748**	**2%**

5.1.2 Reclassified consolidated income statement

(Eur)	31.12.2022	Inc %	31.12.2021	Inc %
Revenues from contracts with customers	46,375,300		43,631,186	
Gross Margin	**28,244,667**	**61%**	**25,983,048**	**60%**
Costs for services and rental expenses	(10,936,243)		(10,562,033)	
Personnel costs	(11,952,838)		(10,645,647)	
Other operating costs	(660,534)		(1,067,489)	
Other income and revenues	1,093,180		1,417,928	
EBITDA	**5,788,232**	**12%**	**5,125,807**	**12%**
Amortization and depreciation	(7,840,717)		(7,872,701)	
Financial charges	(2,216,800)		(1,826,144)	
Financial income	874,330		1,237,346	
EBT	**(3,394,955)**	**-7%**	**(3,335,692)**	**-8%**
Income Taxes	145,995		1,224,216	
Net profit/(loss) for the period	**(3,248,960)**	**-7%**	**(2,111,475)**	**-5%**

5.2 Net Financial Position

The net financial position, which refers to the Group's and parent company's net financial 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.

5.2.1 Parent company net financial position

In thousands of €	31.12.2022	31.12.2021
A. Cash	1,904	2,443
B. Cash equivalents	-	355
C. Other current financial assets	2,436	2,275
D. Cash and cash equivalents A+B+C	**4,340**	**5,073**
E. Current financial payables	5,676	4,783
F. Current portion of non-current financial payables	2,305	3,153
G. Current financial debt (E+F)	**7,981**	**7,936**
H. Current financial debt, net (G-D)	**3,640**	**2,863**
I. Non-current financial payables	15,370	18,787
J. Debt instruments	-	-
K. Trade and other current payables	-	-
L. Non current financial debt (I+J+K)	**15,370**	**18,787**
M. Net financial debt (H+L)	**19,010**	**21,650**
Current lease liabilities	1,897	2,431
Non current lease liabilities	9,234	10,780
Adjusted Net financial debt	**7,878**	**8,439**

5.2.2 Group net financial position

In thousands of €	31.12.2022	31.12.2021
A. Cash	3,408	4,205
B. Cash equivalents	-	355
C. Other current financial assets	220	380
D. Cash and cash equivalents A+B+C	**3,628**	**4,940**
E. Current financial payables	8,317	6,897
F. Current portion of non-current financial payables	2,305	3,153
G. Current financial debt (E+F)	**10,622**	**10,050**
H. Current financial debt, net (G-D)	**6,994**	**5,110**
I. Non-current financial payables	21,859	24,288
J. Debt instruments	-	-
K. Trade and other current payables	-	-
L. Non current financial debt (I+J+K)	**21,859**	**24,288**
M. Net financial debt (H+L)	**28,853**	**29,398**
Current lease liabilities	4,538	4,545
Non current lease liabilities	15,724	16,280
Adjusted Net financial debt	**8,591**	**8,573**

The net financial position was presented according to the format set out by Consob Communication No. DEM/6064293 of July 28, 2006, supplemented by Consob's call to attention No. 5/21, which updates the

references to the ESMA disclosure guidelines under EU Regulation No. 2017/1129. The comparative figures were restated, although no differences emerged from the adoption of the new presentation format of the net financial position.
A negative "net financial position" indicates that financial receivables and liquidity are greater than financial payables.

The adjusted financial debt is calculated by excluding from the net financial debt current and non-current financial liabilities from lease contracts.

6. GROUP'S MAIN RISKS AND UNCERTAINTIES

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

Business interruption risks caused by natural, economic, geopolitical events, including pandemic events
The risk is related to the possibility that natural, economic, geopolitical events, including pandemic events, could cause a significant disruption or blockage to business continuity, resulting in economic/financial and/or reputational repercussions due to the inadequacy of company-defined recovery strategies.

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 Group 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 Group'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 significantly 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 Monnalisa'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.

Environmental and sustainability risks
With respect to strategic risks, climate change and public attention on the issue could have impacts on customer preferences, leading to possible changes in the purchase of some particular product categories, marginal with respect to the Group's business, and in the possible procurement of certain raw materials, without at the moment a reduction in the quality of raw materials used in the production cycle being conceivable. Therefore, the Group monitors climate change risks in order to reduce the impact on its operations. The Group currently reports no significant impacts of climate change on operational risks.
With regard to financial risks, the Group may be exposed to possible increased costs and investments in the future in connection with the adjustment of its production and distribution structure to mitigate the climate change impacts of the business. To date, no estimates of significant costs and investments in this regard emerge.
Finally, with regard to compliance risks, the sustainability impacts are related to non-compliance with environmental rules and regulations to which the Group may be subject. The Group follows the continuous evolution of the regulatory framework, both national and international, and the possible introduction of additional regulations related to reducing the environmental impacts of business.

Liquidity risks
The Monnalisa group undertakes financial planning 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. Contributing to keeping the risk level low are the Company's governance system and processes, which provide for the separation of functions, and the Company's Board of Statutory Auditors in its supervisory role, which has also assumed the role of Supervisory Board since June 18, 2021. 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 established in 2010, and reappointed in 2021, with members currently including, in addition to Chairperson Piero Iacomoni and the director Matteo

Tugliani, three external members, including Chief Executive Officer Christian Simoni, and two independent directors.

Risks related to accounting activities and tax activities
The parent company Monnalisa'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 and China) 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 S.p.A. concerning the research and development tax credit, utilised as an offset in the years 2015-2016-2017-2018-2019. 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 first case, the Group is subject to the risk of unsold goods.

Risks related to consolidation of sustainability in business processes

Monnalisa adheres to the main social responsibility 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 is a key management tool for improving the effectiveness of reporting and the engagement of stakeholders.

Risks related to growth management

As one of its standard economic and financial planning tools, Monnalisa draws up a three-year development plan, which is revised annually and consists of qualitative and quantitative strategies and actions, with related economic and financial forecasts, which the Company will implement to capitalise on both existing and emerging growth opportunities.

Risks related to product distinctiveness

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. Monnalisa approaches the licensing business with the same care and attention, efficiently interpreting, producing, and distributing third-party brands.

Risks related to 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; it is therefore necessary to pay close attention to legislative changes and to comply with even the strictest regulations. 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.

Risks related to 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 per se, 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. People's well-being and health have been a key focus of the Group's initiatives and policies throughout the pandemic. As the pandemic spread across the globe, Monnalisa was forced to rethink its working environments and hours to provide the safest possible working conditions for employees while guaranteeing operational continuity and protecting the health of people who interact with the Group, such as customers, consumers, and suppliers.

Risks related to 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. The Company tends to favour those suppliers with which it jointly collaborates on research, development and experimentation.

7. 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.

Use of financial instruments

Derivative financial instruments can be 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. The Group currently has only hedges in place for risks arising from changes in interest rates. For further details, please see the notes to the condensed consolidated half-year financial statements.

8. INVESTMENTS

During the period, the Group made investments in the following areas:

Fixed Assets	Acquisitions in the year
Industrial patent rights	152,276
Work in progress & advance payments	33,360
Other intangible assets	226,060
Plant and machinery	105,095
Industrial and commercial equipment	4,501
Other assets	225,656
Total	**746,949**

9. DISCLOSURES ON ENVIRONMENTAL AND PERSONNEL RELATIONS

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

- no complaints regarding damages to the environment were filed during the year;

no definitive fines or penalties for criminal offences or environmental damages were imposed;

- no violations of environmental protection legislation were alleged.

The Group has not adopted particular environmental impact policies because they are not required in respect of its activity.
The parent 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. Supplementing the information reported in the Notes to the consolidated financial statements at December 31, the following is noted:

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

The Parent 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 Legs. 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 periodically updated in light of new regulatory provisions introduced by the legislature in this area.

10. RESEARCH AND DEVELOPMENT

In accordance with point 1) of paragraph three of Article 2428 of the Civil Code, research and development on projects considered particularly innovative, both through in-house personnel and consultancy, are expected to continue in 2022. The costs incurred for research and development of processes and products are not capitalised but included in operating costs and as such are therefore entirely recharged to the income statement.

11. RELATED PARTY TRANSACTIONS

Transactions between the various companies take place at current market conditions. Significant related party transactions for 2022 are broken down below by company:

- Jafin S.r.l.: finance company with which Monnalisa has in place a lease contract for a number of properties utilised for company operations
- Monnalisa Foundation: non-profit entity undertaking philanthropic activities in Aretino
- Hermes&Athena S.r.l.: commercial area consultancy firm
- Barbara Bertocci: Monnalisa's creative director
- Diletta Iacomoni: fashion coordinator of Monnalisa
- 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: retail store development in the local market

The following table presents the transactions at December 31, 2022 in economic and financial terms:

Description	Trade Receivables	Financial Receivables	Other receivables	Trade payables	Sales	Purchases
Jafin S.r.l.	12,200		360,000		10,000	410,208
Fondazione Monnalisa	194,193				52,913	
Hermes & Athena Consulting S.r.l.				120,000		200,000
Barbara Bertocci						127,500
Diletta Iacomoni						227,272
Monnalisa Hong Kong Ltd	1,641,250	970,000		127,489	58,441	12,902
Monnalisa Brazil Ltda						
Monnalisa China LLC	3,492,714	1,803,264		445,290	811,125	108,057
Monnalisa Rus OOO	595,986				1,545,469	
ML Retail Usa Inc	2,004,246	1,768,273		345,012	635,044	111,106
Monnalisa Bebek Giyim Sanayi ve Ticarted	400,981			137,677	259,791	34,889
Monnalisa UK Ltd	511,561	338,245			383,870	
Monnalisa Korea Ltd						
Monnalisa Taiwan	225,227	80,000			45,061	
Monnalisa Japan	30,215	80,000			800	
Monnalisa Singapore Ltd	460,231				139,118	
Monnalisa San Marino S.r.l.	299,778	199,408			163,509	88
Total	**9,868,583**	**5,239,191**	**360,000**	**1,175,468**	**4,105,141**	**1,232,022**

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

12. TREASURY SHARES AND SHARES IN PARENT COMPANIES

At year-end, the company Monnalisa S.p.A. 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 be disposed of at any moment, in full or in part, on one or more occasions, 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.

13. OTHER INFORMATION

In order to comply with the provisions of the Euronext Growth Milan Issuers' Regulation (formerly AIM Italia – Alternative Capital Market Issuers' Regulation), as updated on October 25, 2021, 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 fulfilling reporting requirements to the Euronext Growth Advisor.

14. SUBSEQUENT EVENTS AND OUTLOOK

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

The climate of uncertainty which was a feature of 2022 due to the impacts of the COVID-19 pandemic and the geopolitical tensions related to the Russia and Ukraine conflict, which brought another challenge to the general economy and specifically in terms of the growth and consolidation of revenues and international business opportunities, may continue to affect consumption and the habits and movement of individuals, with a potential impact on forecast revenues.
In particular, the post-pandemic situation in China, Hong Kong and Taiwan has seriously challenged an economic recovery, with the expected signs of recovery therefore not yet apparent in the Group's operating and financial performance.
The monetary policy adopted by the European central bank and the inflationary pressures that have not yet abated have disrupted the sector production chain.
Against this backdrop, the Group seeks to maintain and consolidate strategic relations with its industrial and financial partners in order to weather the current phase of economic transition by tapping into the strategic opportunities expected to emerge in the Group's sectors.
On March 24, 2023, the company Monnalisa S.p.A. acquired a store-use building in the centre of Florence. The property is currently leased to third parties, and the purchase was financed through medium to long-term financing.

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

Chairperson Piero Iacomoni

Consolidated Financial Statements at December 31, 2022

Financial Statements

Consolidated Income Statement

(Euro)	Notes	31/12/2022	of which with related parties	31.12.2021	of which with related parties
Revenues from contracts with customers	*5*	46,375,300	62,913	43,631,186	41,977
Other income and revenues	*6*	1,093,180		1,417,928	10,000
Revenues		**47,468,480**	**62,913**	**45,049,114**	**51,977**
Changes in inventories of work in progress, semi-finished goods and finished products	*7*	(1,742,488)		(1,123,839)	
Raw materials, finished products and consumables used	*7*	(12,057,107)		(11,710,292)	
Costs for services	*8*	(15,267,281)	(737,708)	(15,376,041)	(898,630)
Personnel costs	*9*	(11,952,838)	(227,272)	(10,645,647)	
Amortization, depreciation and write-downs	*10*	(8,114,926)		(8,069,720)	
Other operating costs		(386,325)		(870,470)	
Operating profit/(loss)		**(2,052,485)**		**(2,746,894)**	
Financial charges	*11*	(1,306,040)		(1,261,218)	
Financial income	*11*	11,855		4,288	
Gains/(losses) on exchange rate differences	*11*	(48,285)		668,132	
Profit before taxes		**(3,394,955)**		**(3,335,692)**	
Income Taxes	*12*	145,995		1,224,216	
Net profit/(loss) for the period		**(3,248,960)**		**(2,111,475)**	
Net profit/(loss) for the period		(3,248,397)		(2,110,890)	
Net profit/(loss) – minority interests		(563)		(585)	

(Euro)	31.12.2022	31.12.2021
Net profit/(loss) – Group	(3,248,397)	(2,110,890)
# shares	5,236,300	5,236,300
Basic earnings/(loss) per share	(0,62)	(0,40)
Diluted earnings/(loss) per share	(0,62)	(0,40)

Consolidated Comprehensive Income Statement

(Euro)	Notes	31.12.2022	31.12.2021
Net profit/(loss) for the period		**(3,248,960)**	**(2,111,475)**
Net gain/(Loss) from hedging derivatives	24	208,105	32,971
Currency translation differences of foreign operations	24	86,276	(114,721)
Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes		**294,381**	**(81,750)**
Net gain/(loss) from recognition of defined-benefit plans for employees	24	298,358	(99,113)
Total other gains / (losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes		**298,358**	**(99,113)**
Total other gains / (losses) net of taxes		**592,739**	**(180,863)**
Total comprehensive income for the period, net of taxes		**(2,656,222)**	**(2,292,338)**

Consolidated Balance Sheet

(Euro)	Notes	31-dec-22	of which with related parties	31-dec-21	of which with related parties	31-dec-20	of which with related parties
NON CURRENT ASSETS							
Property, plant and equipment	13	16,094,084		17,549,199		19,361,466	
Right of use assets	14	20,222,813		20,964,119		23,530,348	
Intangible assets with a finite useful life	15	809,347		946,590		1,248,909	
Other non current financial assets	16	837,046		753,427		2,413,738	1,230,000
Deferred tax assets	12-17	4,005,806		4,825,213		3,670,778	
TOTAL NON CURRENT ASSETS		**41,969,096**	**0**	**45,038,547**	**0**	**50,225,238**	**1,230,000**
CURRENT ASSETS							
Inventories	18	14,538,012		15,309,704		16,434,588	
Trade Receivables	19	7,858,954	206,393	7,636,463	196,919	6,800,202	165,033
Tax Receivables	20	1,778,826		1,497,248		1,956,740	
Other current assets	21	1,245,169	360,000	1,266,056	540,000	594,872	
Other current financial assets	22	510,009		399,838		3,833	
Cash and cash equivalents	23	3,408,163		4,560,070		4,078,887	
TOTAL CURRENT ASSETS		**29,339,133**	**566,393**	**30,669,379**	**736,919**	**29,869,123**	**165,033**
TOTAL ASSETS		**71,308,229**	**566,393**	**75,707,926**	**736,919**	**80,094,361**	**1,395,033**
SHAREHOLDERS' EQUITY							
GROUP SHAREHOLDERS' EQUITY							
Share capital	24	10,000,000		10,000,000		10,000,000	
Reserves	24	17,265,461		18,722,623		26,709,471	
Net profit/(loss) - Group	24	(3,248,398)		(2,110,890)		(7,805,982)	
TOTAL GROUP SHAREHOLDERS' EQUITY	24	**24,017,063**		**26,611,732**		**28,903,488**	
Share capital and reserves - minority interests	24	558		(2,362)		(1,746)	
TOTAL SHAREHOLDERS' EQUITY		**24,017,621**	**0**	**26,609,371**	**0**	**28,901,742**	
NON CURRENT LIABILITIES							
Non current financial liabilities		6,135,390		8,007,615		10,140,004	
Provisions for risk and charges	25	728,984		710,425		899,019	
Employee benefit liabilities	26	2,309,858		2,563,553		2,254,651	
Other non current liabilities	27	142,977		218,926		293,256	
Non current lease liabilities	28	15,723,594		16,280,240		18,765,579	
Deferred tax liabilities	12	304,493		1,117,930		1,268,232	
TOTAL NON CURRENT LIABILITIES		**25,345,296**	**0**	**28,898,690**	**0**	**33,620,741**	
CURRENT LIABILITIES							
Trade payables	29	8,291,096	120,000	7,289,430	135,400	6,788,986	515,446
Current financial liabilities	30	6,083,387		5,504,377		4,204,347	
Tax payables	29	490,021		429,106		506,745	
Other current liabilities	29	2,542,405		2,428,685	16,640	2,156,546	1,113
Current lease liabilities	28	4,538,402		4,545,068		3,718,190	
Other current financial liabilities		0		3,199		197,063	
TOTAL CURRENT LIABILITIES		**21,945,313**	**120,000**	**20,199,865**	**152,040**	**17,571,878**	**516,559**
TOTAL LIABILITIES		**47,290,609**	**120,000**	**49,098,555**	**152,040**	**51,192,620**	**516,559**
TOTAL LIABILITIES & SHARE. EQUITY		**71,308,229**	**120,000**	**75,707,926**	**152,040**	**80,094,361**	**516,559**

Statement of changes in consolidated shareholders' equity

(Eur) Note 24	Share capital	Legal reserve	Revaluation reserve	Cash flow hedge reserve	Other reserves	Effect IAS 19 Equity	Retained earnings	Net profit/(loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
As at 01.01.2021	**10,000,000**	**1,108,276**	**3,969,584**	**(21,243)**	**6,890,393**	**-**	**14,762,460**	**(7,805,982)**	**28,903,488**	**(1,746)**	**28,901,742**
Allocation of result							(7,805,982)	7,805,982			
Other movements											
Net profit/(loss) for the period								(2,110,890)	**(2,110,890)**	(585)	**(2,111,475)**
Other comprehensive income/(loss)				32,971	(114,721)	(99,113)			**(180,863)**	(31)	**(180,894)**
As at 31.12.2021	**10,000,000**	**1,108,276**	**3,969,584**	**11,728**	**6,775,672**	**(99,113)**	**6,956,478**	**(2,110,890)**	**26,611,734**	**(2,362)**	**26,609,371**

(Eur) Note 24	Share capital	Legal reserve	Revaluation reserve	Cash flow hedge reserve	Other reserves	Effect IAS 19 Equity	Retained earnings	Net profit/(loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
As at 01.01.2022	**10,000,000**	**1,108,276**	**3,969,584**	**11,728**	**6,775,672**	**(99,113)**	**6,956,478**	**(2,110,890)**	**26,611,732**	**(2,362)**	**26,609,371**
Allocation of result		34,930			352,053		(2,497,873)	2,110,890	**-**		**-**
Other movements			60,989						**60,989**		**60,989**
Net profit/(loss) for the period								3,248,398	**(3,248,398)**	(563)	**(3,248,961)**
Other comprehensive income/(loss)				208,104	86,276	298,358			**592,739**	3,483	**596,222**
As at 31.12.2022	**10,000,000**	**1,143,206**	**4,030,573**	**219,832**	**7,214,001**	**199,245**	**4,458,605**	**3,248,397**	**24,017,062**	**558**	**24,017,621**

Consolidated Cash Flow Statement

(Eur)	31.12.2022	*of which with related parties*	31.12.2021	*of which with related parties*
Net Profit/(loss) for the period	**(3,248,960)**		**(2,111,475)**	
Adjustments to reconcile net profit (loss) to net cash from (used in) operating activities:				
Amortization, depreciation and write-downs of tangible and intangible assets, investment property and right-of-use assets	7,840,716		7,872,703	
Income taxes	145,995		(1,224,216)	
Provision for employee benefit plans	328,658		298,632	
Allocation to/(use of) the provision for obsolete inventory	0		0	
Losses and provision for bad debt	264,391		197,000	
Losses/(gains) on disposal of tangible/intangible assets	0		0	
Interest expense and interest expense on lease liabilities	1,306,040		1,261,219	
Interest income	(11,855)		(4,288)	
Other non-monetary items	(23,997)		275,251	
Changes in operating assets and liabilities				
Inventories	771,691		1,159,268	
Trade receivables	(222,491)	(9,474)	(858,328)	(31,886)
Trade payables	1,001,666	(5,000)	500,444	(390,046)
Other receivables and tax payables	116,624		79,472	
Other assets and liabilities	820,261		700,519	
Employee benefits payments	(133,026)		(117,137)	
Income taxes paid	(1,003,927)		(271,020)	
Interest expense and interest expense on lease liabilities paid	(1,225,395)		(1,261,219)	
Interest income received	11,851			
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**6,734,244**	**(14,474)**	**6,496,825**	**(421,932)**
Cash flow from investing activities				
Purchase of tangible assets	(561,313)		(482,011)	
Purchase of intangible assets	(174,476)		(479,942)	
Proceeds from the sale of tangible and intangible assets	0		0	
NET CAS FROM (USED IN) INVESTING ACTIVITIES	**(735,789)**	**0**	**(961,953)**	**0**
Cash flow from financing activities				
Net change in financial receivables	0		739,909	
Net change in financial payables	(1,293,256)		(832,359)	
Repayment of lease liabilities	(5,857,104)		(4,961,239)	
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**(7,150,360)**	**0**	**(5,053,689)**	**0**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,151,907)**	**(14,474)**	**481,183**	**(421,932)**

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**4,560,070**	**4,078,887**
Increase /(decrease) in cash and cash equivalents	(1,151,907)	481,183
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**3,408,163**	**4,560,070**

Notes to the Consolidated Financial Statements at December 31, 2022

1.GENERAL INFORMATION

1.1 Company information

Monnalisa S.p.A. (hereafter also the “Company” or the “Parent Company”) is a company incorporated and domiciled in Italy, with registered office at Via Madame Curie No. 7, as a joint-stock company governed by Italian law and organised according to the legal system of the Italian Republic. The company is organised according to the traditional administration and control model, which includes the Shareholders’ Meeting, the Board of Directors and the Board of Statutory Auditors. The company’s shares are traded on the Euronext Milan managed by Borsa Italiana S.p.A..
The Monnalisa Group is engaged in a single operating segment, identified as the design, production, and distribution of childrenswear for the high-end 0-16 age bracket, under a brand of the same name and through multiple distribution channels.

The consolidated financial statements at December 31, 2022 were approved by the Board of Directors on March 31, 2023 and are based on the financial statements for the year of the parent company and of the companies in which it directly or indirectly holds a controlling interest or exercises control.

1.2 Management and control

The Company Monnalisa S.p.A is subject to the management and coordination, in accordance with Article 2497 and subsequent of the Civil Code, of the company Jafin Due S.r.l., with registered office at Via Madame Curie, Arezzo. In accordance with Article 2497-*bis*, paragraph 4 of the Civil Code, the key financial highlights for 2021 and 2020 of the company Jafin Due S.r.l. are presented below:

(Euro)	**31/12/2021**	**31/12/2020**
A) Subscribed capital unpaid		
B) Fixed Assets	6,922,365	6,934,068
C) Current Assets	480,928	521,584
D) Accrued income and prepaid expenses	237	237
TOTAL ASSETS	**7,403,530**	**7,455,889**
Share capital	800,000	800,000
Reserve	6,627,427	6,729,967
Profit (loss) for the period	(57,963)	(102,540)
A) Total Shareholders' equity	**7,369,464**	**7,427,427**
B) Provisions for risks and charges		
C) Employee termination indemnities		
D) Payables	34,066	28,462
E) Accrued liabilities and deferred income		
TOTAL LIABILITIES	**7,403,530**	**7,455,889**

2. MAIN ACCOUNTING POLICIES

2.1 Content and form of the consolidated financial statements

The consolidated financial statements of the Company were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union and in force at the reporting date.

The Group during the year undertook the transition to International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") endorsed by the European Union and in force at the reporting date. The consolidated financial statements at December 31, 2021 were the last consolidated financial statements prepared in accordance with Italian GAAP.

The Group consolidated financial statements comprise the consolidated balance sheet, the consolidated income statement, the consolidated comprehensive income statement, the consolidated cash flow statement, the statement of changes in shareholders' equity and the relative notes.
The financial statements and the relative classification criteria adopted by the Group, within the options permitted by IAS 1 Presentation of financial statements are illustrated below:

Consolidated Balance Sheet: presents a distinction between current and non-current assets and liabilities, where non-current assets include asset balances with a realisable cycle beyond twelve months and include intangible assets, property, plant and equipment and financial assets and deferred tax assets; current assets include asset balances with a realisable cycle within twelve months; non-current liabilities include payables due beyond twelve months, including financial payables, provisions for risks and charges and employee benefit liabilities and deferred tax liabilities; current liabilities include payables due within twelve months, including the short-term portion of medium- to long-term loans, provisions for risks and charges and employee benefit liabilities;

Consolidated Income Statement: is presented, according to a classification of costs by nature, which is considered the most representative and reliable form of presentation of expenses and charges incurred by the Group during the period. The "Operating Income" intermediary result (defined as the difference between operating revenues and operating costs) is presented as an essential margin to understand the Group's ordinary earning capacity, before remuneration of third-party investors, the State and shareholders;

Comprehensive Income Statement: the Group has decided to present the income statement and the comprehensive income statement in two separate statements. The latter accommodates other income statement components, which may be reversed to the income statement in later periods or which will not be reversed to the income statement in later periods;

Cash Flow Statement: the consolidated cash flow statement presents cash flows from operating, investing and financing activities and is presented in accordance with IAS 7. The cash flow statement is presented in accordance with the indirect method, whereby net income is adjusted for the effects of non-cash transactions, any deferrals or provisions for previous or future operating cash receipts or payments, and items of income or expense associated with cash flows from investing or financing activities;

Statement of changes in consolidated shareholders' equity The statement of changes in consolidated shareholders' equity shows the comprehensive income for the year and the effect, for each equity item, of changes in accounting policies and correction of errors as required by International Accounting Standard No. 8. In addition, the statement presents the balance of accumulated gains or losses at the beginning of the period, movements during the year and the balance at the end of the year.

The consolidated financial statements are presented in Euro, which is the currency in which the Group mainly operates, and all amounts are rounded to the nearest thousands of Euro, where not otherwise indicated.

The main accounting policies adopted in the preparation of the consolidated financial statements are described below. In accordance with IAS 24, the following paragraphs highlight related party transactions with the Group and their impact, if significant, on the Group's financial position, results of operations, and cash flows.
The consolidated financial statements are compared with the balance sheet at December 31, 2021 and the consolidated income statement for 2021.

2.2 Accounting policies used to draw up the consolidated financial statements

The consolidated financial statements have been prepared on a historical cost basis, except for derivative instruments and financial assets held for sale (if any), which are recorded at fair value, and on a going concern basis.
The main policies adopted to prepare the consolidated financial statements are presented in the following points:

2.2.1 Plant, property and equipment

Property, plant and equipment are recorded at historical cost, net of the related provision for depreciation and accumulated impairment losses, including directly attributable accessory expenses necessary to make assets ready for use.
The carrying value of property, plant and equipment is subsequently adjusted by depreciation calculated on a straight-line basis from the time the asset is available and ready for use, based on the estimated useful life, defined as the estimated period over which the asset will be used by the enterprise, and any accumulated impairment loss.
The Group reviews the estimated residual values and expected useful lives of property, plant and equipment at least annually. In particular, the Group considers the impact of health, safety and environmental legislation when assessing expected useful lives and estimated residual values. The carrying amount of property, plant and equipment and any significant component initially recognised is

derecognised upon disposal (i.e. on the date the acquirer obtains control) or when no future economic benefit is expected from its use or disposal. The gain/loss arising when the asset is derecognised (calculated as the difference between the net carrying amount of the asset and the consideration received) is recognised in the income statement when the item is derecognised.

The residual values, useful lives, and depreciation methods of property, plant, and equipment are reviewed at each fiscal year-end and, where appropriate, adjusted prospectively.
If major components of such tangible fixed assets have different useful lives, such components are accounted for separately. Land, whether free of construction or related to buildings, is recognised separately and is not depreciated as elements of unlimited useful life.
Costs for improvements, modernisation and transformation that are incremental in nature to property, plant and equipment are charged to capital assets when they are likely to increase the expected future economic benefits from the use or sale of the asset.
The expense incurred for maintenance and repairs is directly charged to profit or loss in the year in which it is incurred.
The annual depreciation rates used are as follows:

Category	%
Industrial Buildings	3%
Machines,tools,equipments	12,50%
Cutting Machines and Automatic Machines	17,50%
Furniture and office equipments	12%
Electro-mechanical and electronic office machines	20%
Goods transportation vehicles	20%
Vehicles	25%
Cars	25%
Photovoltaic System	9%
Leasehold improvements	Lower between the useful life of the asset and the residual duration of the contract

It should be noted that in accordance with the provisions of Accounting Standard IAS 16, leasehold improvements previously recorded under intangible assets were reclassified to the category of relevant assets in the item under analysis here.
The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in economic situations indicate that the carrying amount cannot be recovered. If there is such an indication and where the carrying amount exceeds the recoverable amount, assets are written down accordingly by aligning the carrying amount with the recoverable or realisable amount. The realisable value of the property, plant and equipment is the higher between the net sales price and the value in use. In defining the value in use, the expected future cash flows are discounted using a discount rate that reflects the current market assessment of the value of money and the risks specific to the asset. For assets that do not generate independent cash flows, realisable value is calculated in relation to the cash-generating unit to which the entity belongs. Impairment losses are shown in the income statement under depreciation, amortisation and write-downs. Such losses are restated when the reasons for their write-down no longer exist.

2.2.2 Intangible assets

Intangible assets acquired separately are initially recognised at cost, while those acquired through business combinations are recognized at fair value on the acquisition date. After initial recognition, intangible assets are recognised at cost, net of accumulated amortisation and accumulated impairment, if any. Intangible assets internally generated, with the exception of development costs, are not capitalised and are recorded in the income statement of the year in which they were incurred.
The useful life of the intangible assets is measured as finite or indefinite. Intangible assets with a finite useful life are amortised over their useful life and tested for impairment whenever there is evidence of an impairment loss. The amortisation period and the amortisation method of an intangible asset with finite useful life are reviewed at least at each year-end. Changes in the expected useful life or in the manner in which the future economic benefits related to the asset will be realised are recognised through the change in the period or amortisation method, as the case may be, and are considered changes in accounting estimates. The amortisation rates applied to the Group's intangible assets with a finite useful life are as follows:

Category	%
Software	Duration of the contract
Key money	Residual duration of the related contract

Intangible assets with indefinite useful life are not amortised but are subject to an annual impairment test at an individual level or at cash-generating unit level.
We report that as of December 31, 2022, there are no intangible assets with indefinite useful lives.
Intangible assets related to charges incurred upon entering into new lease agreements, hereafter also referred to as "key money" paid for the opening of direct DOS stores, are considered to be severance costs related to a real estate lease agreement and are generally assets with a finite useful life determined over the period of the underlying agreement.
The Group verifies at least once a year whether there is any indication that intangible assets with finite useful lives may be impaired. Where there are indications of impairment, the carrying amount of the asset is reduced to its recoverable amount. Where it is not possible to estimate the recoverable value of an asset individually, the Group estimates the recoverable value of the cash-generating unit to which the asset belongs. The recoverable value of an asset is the higher between the fair value less costs to sell and its value in use. The value in use of a Group asset is calculated on the basis of the present value of the estimated future cash flows, gross of taxes, applying a discount rate which reflects the current market assessment of the time value of money and the risks specific to the asset. An impairment loss is recognised when the recoverable amount is less than the carrying amount. Research and development costs are recognised to the income statement in the year in which they are incurred.

2.2.3 Leased assets

The Group assesses, at the time of signing, whether the contract is, or contains, a lease. As required by IFRS 16, the determining element is to identify whether through the contract, the risks and benefits associated with ownership are substantially transferred to the Group or whether it confers the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group adopts a single recognition and measurement model for all leases, except for short-term leases and leases of low-value assets, by recognising, at the effective date of the lease, the right-of-use asset representing the right to use the asset underlying the contract and the liabilities related to lease payments. The right-of-use asset is initially measured at cost, including the amount of the initial valuation of the lease liability, adjusted for payments due for leases undertaken at the commencement date or before, plus initial direct costs incurred and an estimate of the costs which the lessee is expected to incur for the dismantling or removal of the underlying asset or for the refurbishment of the underlying asset or of the site at which it is located, net of the leasing incentives received. The right-of-use asset is depreciated successively on a straight-line basis from the effective date to the end of the lease term, unless the estimated useful life of the asset is shorter. In addition, the right-of-use asset is regularly reduced by any impairment losses and adjusted to reflect any changes arising from subsequent valuations of the lease liability. The Group measures the lease liability at the present value of unpaid lease payments due on the effective date, discounting them using the lease's implicit interest rate or, when the implicit interest rate is not easily determinable, using the incremental borrowing rate ("Incremental borrowing rate" or "IBR"). The IBR is determined by identifying each country in which the Group operates as a portfolio of contracts with similar characteristics, and is calculated as the rate of a risk-free instrument of the country in which the lease was stipulated, plus the average spread recognised by the Group to its lenders. Lease payments due included in the measurement of the lease liability include: fixed payments (including payments that are substantially fixed); payments due for leases that depend on an index or rate, measured initially using an index or rate on the effective date; amounts expected to be paid as security over the residual value; and payments due for leases in an optional renewal period if the Group has reasonable certainty of exercising the renewal option, and early lease termination penalties, unless the Group has reasonable certainty not to terminate the lease early. The lease liability is measured at amortised cost using the effective interest method and is remeasured in the event of a change in the future lease payments resulting from a change in the index or rate, in the event of a change in the amount that the Group expects to have to pay as a guarantee on the residual value or when the Group changes its valuation with reference to the exercise or not of an option to purchase, extend or terminate, or in the event of a revision of the payments due for the lease which are fixed in substance. When the lease liabilities are remeasured, the lessee correspondingly alters the right-of-use asset. In the balance sheet, the Group presents assets for the right-of-use that do not meet the definition of investment property under “Property, plant and equipment” and lease liabilities under “Financial payables”. Concessions obtained from lessors as a result of the COVID-19 pandemic ("rent concessions") are accounted for as negative variable fees and recognized in the income statement when they meet the following conditions: - they relate to reductions in only the payments due by June 30, 2022; - the total contractual payments after the rent concession are substantially equal to or less than the payments that were provided for in the original contract; - no other substantial contractual changes have been agreed with the lessor.

As illustrated, the Group applies the exemption for the recognition of short-term leases (leases term of 12 months or less from the inception date and do not contain a purchase option) and leases related to low-value assets. The short-term lease instalments and those for low value assets are recognised as costs on a straight-line basis over the lease duration.
When acting in the capacity of lessor, the Group recognizes the related lease payments due as an expense on a straight-line basis over the lease term, and they are included as revenue in the income statement given their operational nature.

2.2.4 Impairment test

The carrying amounts of Property, plant and equipment, Investment property, Intangible assets with a finite useful life, and Right-of-use assets are tested for impairment in cases where there are indicators of impairment (events or changes in circumstances that indicate that the carrying amount cannot be recovered) that require immediate assessment of any impairment, or where events have occurred that otherwise require the procedure to be repeated. An impairment occurs when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of fair value less costs to sell is based on data available from sales transactions between free and independent parties, of similar assets or observable market prices, less the higher costs related to the disposal of the asset. Value in use is calculated through the use of discounted cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and specific risks of the assets. The impairment test is undertaken on individual assets. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs ("Cash Generating Units" or "CGUs"), i.e. the individual geographic areas in which the Group operates, usually coinciding with the Group's individual legal entities. Cash flows are derived from estimates prepared by company management, which represent the best estimate that can be made of the economic conditions expected over the plan period. The plan projections cover a time span of three fiscal years. Cash flows do not include restructuring activities for which the Company does not already have a present obligation, nor significant future investments that will increase the return on the assets comprising the cash-generating unit being evaluated. The recoverable amount significantly depends on the discount rate used in the discounted cash flow model and the expected future cash flows and the growth rate. Goodwill is tested for impairment at least once a year (with reference to December 31) or more frequently when circumstances suggest that the carrying value may be subject to impairment.

2.2.5 Inventories

Inventories of raw materials, semi-finished and finished goods are valued at the lower of cost of production or purchase and net realisable value represented by the amount the enterprise expects to obtain from their sale in the normal course of business. The cost of production includes the purchase cost of materials used, the cost of internal and external processing and other accessory charges reasonably attributable to the product with the exclusion of financial charges and general, administrative and commercial expenses.
The Group's valuation criterion for inventories of finished goods, semi-finished goods and raw materials is the weighted average cost.

For such values, it was verified that they were not higher than market values and where necessary making corresponding adjustments. Obsolete and slow-moving stocks are written down in relation to their possible utility or realisable value.
The raw materials and finished products obsolescence provision is calculated to return cost to net realisable value based on estimates that take into account the length of the production season and the possibility of using the raw materials in production and selling finished products through the various distribution channels (outlets and stocks).

2.2.6 Derivative financial instruments

The Group uses derivative financial instruments only to (i) hedge financial risks related to changes in exchange rates on foreign currency commercial transactions and (ii) hedge risks of changes in interest rates in the case of medium- and long-term financing.
They have been accounted for according to the hedge accounting approach inasmuch as:

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

These derivative financial instruments are initially recognized at fair value at the date on which they are underwritten, and this fair value is periodically remeasured.
As permitted by IFRS 9 paragraph 7.2.21, the Group has opted to apply IAS 39 regarding hedge accounting. Consistent with IAS 39, paragraph 88 and taken up by IFRS 9, paragraph 6.4.1, when derivative instruments qualify for hedge accounting, the following accounting treatments apply:

- Fair value hedge – if a derivative financial instrument is designated as a hedge to the exposure of changes in the fair value of an asset or liability which can have effects on the income statement, the change in the fair value of the hedge instrument is recognised through profit or loss, and the change in the fair value of the hedged item, attributable to the risk hedged, is recognised as part of the carrying value of that item and recognised through profit or loss,
- Cash flow hedge – If a derivative financial instrument is designated as a hedge to the exposure of the changes in the cash flows of an asset or liability or of an operation considered highly probable and which may have effects on the income statement, the effective portion of the profits or of the losses of the financial instrument is recognised under equity and shown in the comprehensive income statement. The cumulative profits or losses are reversed from net equity and recognised to the income statement in the same period in which the operation subject to hedging influences the income statement; the profit or loss related to a hedge or the part of the hedge becoming ineffective is recognised to the income statement when such inefficacy is recognised. If hedge accounting cannot be applied, gains or losses deriving from the fair value of the financial derivative instrument are recognised directly in the income statement.

2.2.7 Trade, financial and other receivables (current and non-current)

Trade receivables and other receivables arising from the provision of financial assets, goods or services by the Group to third parties are classified as current assets except when they mature more than twelve months after the reporting date with reference to non-trade receivables. Current and non-current financial receivables, other current and non-current receivables and trade receivables, with the exception of assets deriving from derivative financial instruments, are measured, if they have a fixed maturity, at amortised cost calculated using the effective interest method. When the financial assets do not have a fixed maturity they are measured at acquisition cost. Receivables due beyond one year, non-interest bearing or which mature interest below market rates are discounted using market rates. The financial assets listed above are measured based on the impairment model introduced by IFRS 9, i.e. adopting an Expected Loss rationale, replacing the IAS 39 framework typically based on the measurement of observed losses (Incurred Loss). For trade receivables the Group adopts a simplified approach to valuation which does not require the recording of periodic changes in credit risk, but rather the estimation of an Expected Credit Loss ("ECL") calculated over the entire life of the receivable (so-called lifetime ECL). Specifically, the policy implemented by the Group involves stratifying trade receivables based on days past due and an assessment of the counterparty's creditworthiness, and applies different write-down percentages that reflect relative recovery expectations. The Group then applies an analytical assessment based on the customer's reliability and ability to pay the amounts due, for impaired receivables. The value of accounts receivable is shown in the balance sheet net of related allowances for doubtful accounts. Write-downs made in accordance with IFRS 9 are recognised in the consolidated income statement net of any positive effects associated with releases or reversals of impairment.

2.2.8 Cash and cash equivalents

Cash and cash equivalents includes cash, bank deposits on demand and units in money market securities that are readily convertible into cash and for which the risk of changes in value is insignificant. Bank overdrafts are reported as financial liabilities in the Group's balance sheet.
For the purposes of presentation in the consolidated cash flow statement, cash and cash equivalents are represented by cash and cash equivalents as defined above, net of bank overdrafts as these are considered an integral part of the Group's cash management.

2.2.9 Treasury shares

Treasury shares are recognised at cost and recognised as a reduction in equity. The original cost of treasury shares and the effects of any subsequent sales are recognized as a movement in equity in a specific reserve and do not give rise to any profit or loss in the income statement.

2.2.10 Trade payables, financial payables and other current and non-current payables

Trade and other payables that arise upon purchase from a third-party supplier of money, goods or services are classified as current liabilities except when maturity exceeds 12 months from the date of the financial statements with respect to non commercial payables. Current and non-current financial payables, other current and non-current liabilities, and trade payables are recorded, upon initial recognition in the financial statements, at fair value normally represented by the cost of the transaction that originates them, including incidental transaction costs. Subsequently, with the exception of derivative financial instruments, all financial liabilities are recorded at amortised cost using the effective interest method. Financial liabilities hedged by derivative instruments are measured in accordance with the procedures established for hedge accounting.

2.2.11 Post-employment benefit provision

The Group's net obligation deriving from defined benefit plans is calculated separately for each plan by estimating the amount of the future benefit that employees have accrued in exchange for the activity performed in the current year and in previous years; this benefit is discounted to calculate the present value.
Actuarial gains and losses are recognised directly in the comprehensive income statement as required by IAS 19. In Italy, as of January 1, 2007, the 2007 Budget Law and its implementing decrees introduced significant changes in the rules governing post-employment benefits, from which resulted the mandatory allocation of severance pay to supplementary pension forms or to the Treasury Fund managed by INPS, which from that date, pursuant to IAS 19, takes on the nature of "Defined Contribution Plans," while the accrual registered until 31/12/2006 to the Post employment benefit provision maintain the nature of "Defined Benefit Plans". The actuarial valuation of the liability was entrusted to independent actuaries.

2.2.12 Provisions for risks and charges

Provisions for risks and charges are recognised when, at the reporting date, a legal or implicit obligation exists that derives from a past event and a payment of resources is a probable requirement to satisfy the obligation, and the amount of this payment can be estimated. Where the effect is significant, provisions are determined by discounting the expected future cash flows at a discount rate that reflects the current market valuation of the time value of money and, if applicable, the specific risk referable to the obligation. When the amount is discounted, increases resulting from the passage of time are recognised as financial costs. Where the liability relates to tangible fixed assets, the provision is recorded against the fixed asset to which it relates, and the recognition of the charge in the income statement is achieved through the depreciation process of the tangible fixed asset to which the charge relates.

2.2.13 Revenue from contracts with customers

On the basis of the five-stage model introduced by IFRS 15, the Group recognises revenue after identifying the contracts with its customers and the related services to be provided (transfer of goods and/or services), determining the consideration to which it believes it is entitled in exchange for the provision of each of these services, and assessing the way in which these services will be provided (fulfilment generally occurs at a particular time). Revenue from the sale of goods in the wholesale channel are recognised when control of the goods passes to the client or at the same time as the transfer of ownership with its risks and benefits, which normally occurs with delivery or shipment depending on the clauses applied.
In calculating the sales transaction price for goods, the Group considers the effects from variable fees, significant financial components and monetary and non-monetary fees to be paid to the client (if existing).
Sales in the retail channel are recognised on the date of direct sale of the goods to the end customer.
The Group, upon receipt of an advance payment made by the customer, recognises under "Other current liabilities" the amount of the advance payment for the obligation to transfer goods in the future and eliminates this liability by recognising the revenue when it transfers these goods.

Right of return
Some contracts include a recognised right of the customer to return goods within a predetermined period of time. The provision for returns and discounts is estimated on the basis of forecasts, taking into account historical trends and is accounted for as a variable component of the contractual consideration with the simultaneous presentation of a liability for returns.
For products that the Company expects to receive as returns, revenue is adjusted and a liability for refunds is recognised.

Royalties
Royalty revenues are recognised on an accrual basis based on the terms and amounts stipulated in the license agreement, generally based on sales volumes.

2.2.14 Government grants

Public grants are recognised when there is reasonable certainty that they will be received and that all conditions attached to them are met. Grants related to cost components are recognised as revenue, but are allocated systematically between periods so as to be commensurate with the recognition of the costs they are intended to offset. Grants related to an asset are recognised as revenue on a straight-line basis over the expected useful life of the asset to which they refer.
Where the Group receives a non-cash contribution, the asset and the related contribution are recognised at nominal value and released to the income statement on a straight-line basis over the expected useful life of the relevant asset.

2.2.15 Cost allocation

Costs, where not governed by a specific standard, are recorded when relating to goods and services sold or consumed in the year or when there is no future utility. The accrual of costs for purchase of goods is determined by reference to the time of transfer of ownership of the goods. Service costs are accounted for when the service is completed.

2.2.16 Financial income/(charges)

Financial charges that are directly attributable to the acquisition, construction or production of an asset which requires a lengthy period before availability for use shall be capitalised as part of the cost of that asset. All other financial charges are recognised as a charge in the period in which they are incurred. Financial charges consist of interest and other costs that an entity incurs in connection with obtaining financing.

2.2.17 Income taxes

Income taxes represent the amount for current and deferred taxes.

Current income taxes

Tax receivables and payables for the year are measured at the amount expected to be paid to / received from the tax authorities. The tax rates and regulations used to calculate such amounts are those issued or substantially in force at the reporting date of the financial statements, in the countries in which the Group operates and generates its assessable income.

Current taxes related to items recognised directly in equity or in the comprehensive income statement are also recognised directly in equity or in the comprehensive income statement. The Group calculates income taxes for the year using the tax rate applicable to total expected annual income.

Deferred taxes

Deferred taxes are calculated based on the temporary differences at the reporting date between the fiscal values of the assets and liabilities and the corresponding values in the financial statements. Deferred tax assets and liabilities are calculated on the basis of the tax rates expected to be applied in the year in which the assets are realised or the amounts are paid, considering the rates in effect and those already issued or substantially issued as of the closing date of the financial statements. On initial recognition, management considers the existence of positive and negative elements in estimating the probability of sufficient future taxable income. The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent it is unlikely that sufficient future taxable income will be available, so that some or all of the asset may be used. Unrecognised deferred tax assets are reviewed at each reporting date and are recognised to the extent of the probability that the taxable income is sufficient to permit such deferred tax assets to be recovered. Deferred taxes concerning items recognised outside of the income statement are also recognised outside of the income statement and therefore to equity or to the comprehensive income statement, in line with the item to which they refer. The Group offsets deferred tax assets and deferred tax liabilities if, and only if, there is a legal right to offset current tax assets and current tax liabilities and if deferred tax assets and liabilities relate to income taxes due to the same tax authority by the same taxpayer or other taxpayers who intend to settle the current tax assets and liabilities on a net basis, or realise the asset and settle the liability simultaneously, with reference to each future period in which the assets and liabilities for deferred taxes are expected to be settled or recovered.

Indirect taxes

Costs, revenues, assets and liabilities are recognised net of indirect taxes, such as value added tax, with the following exceptions:

- the tax applied to the purchase of goods or services is non-deductible; in this case, it is recognised as part of the purchase cost of the asset or part of the cost recognised in the income statement,
- trade receivables and payables include the indirect tax applicable.

The net amount of indirect taxes to be recovered or paid to the tax authorities is included in the financial statements as receivables or payables.

2.2.18 Earnings per share

The basic earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of the Group by the average weighted number of ordinary shares outstanding during the year. In order to calculate the diluted earnings per share, the average weighted number of shares outstanding is adjusted assuming the conversion of all shares with potential dilution effect.

2.2.19 Fair value measurement

IFRS 13 is the only source of reference for fair value measurement and for the relevant information when such a measurement is required or permitted by other accounting standards. The fair value is the price that would be received for the sale of an asset, or that would be paid to transfer a liability in an arm's length transaction at the measurement date. The fair value of an asset or liability is measured adopting the assumptions which market operators would utilise in the determination of the price of the asset or liability, assuming they act to best satisfy their economic interests. The fair value measurement of a non-financial asset considers the capacity of a market operator to generate economic benefits utilising the asset to its maximum and best use or by selling to another market operator that would utilise the asset to its maximum or best use.

IFRS 13 establishes a fair value hierarchy that classifies the valuation technique inputs used to measure fair value in three levels. The levels provided for, in hierarchical order, are as follows:
- Level 1 - listed prices (not adjusted) on active markets for identical assets or liabilities which the entity can access at the measurement date;
- Level 2 - inputs other than listed prices included in Level 1, directly or indirectly observable for the asset or the liability;
- Level 3 - measurement techniques for which the input data are not observable for the asset or for the liability.

At each reporting date, the Group Finance Department analyses the changes in the values of assets and liabilities for which the revaluation or recalculation is required, based on the Group's accounting policies.

2.2.20 Segment disclosure

With reference to the provisions of IFRS 8 "Operating Segments," it should be noted that the Group, as currently constituted, due to the homogeneity of products and services offered and similarity in customer type
and class, operates in a single operating sector identified as the design, production and distribution of high-end childrenswear 0-16 years, with the brand of the same name, through multiple distribution channels.

2.2.21 Hyperinflation

Under the standard "Financial Reporting in Hyperinflationary Economies" ("IAS 29"), the financial statement values of entities whose functional currency is considered hyperinflationary are restated using a general price index that reflects changes in general purchasing power. For this purpose, all elements of the financial statements of Group entities subject to the application of this standard are separated into monetary and non-monetary elements. Monetary items are not restated as they are already expressed in terms of the current monetary unit. The effects of the restatement of non-monetary items recorded in the balance sheet of a subsidiary whose currency is deemed to be hyperinflationary according to the criteria identified by Accounting Standard IAS 29 are recorded in an equity reserve. After each restatement of the values of a subsidiary, the Group proceeds to assess the recoverability of the restated values, making any impairment if necessary.

2.2.22 Share-based payments

The Group grants additional benefits to the Chief Executive Officer through the 2018-2023 Long Term Incentive Plan (the "Plan") approved by the Shareholders' Meeting on June 15, 2018 upon the Board of Directors' proposal. The plan provides an award to the beneficiary in the form of a cash amount. The incentive is awarded free of charge.
In the case of cash-settled share-based payment transactions, the transaction cost is initially measured at fair value. Until the liability is settled, the fair value is recalculated at each reporting date, expensing all changes to the income statement.

2.2.23 Current/non-current classification

Assets and liabilities in the financial statements of the Group are classified according to the current/non-current criterion.
An asset is current when:

- it is expected to be realised, or is intended for sale or consumption, in the normal operating cycle;
- it is held principally for trading;
- it is expected to be realised within twelve months from year-end; or
- it comprises cash or cash equivalents, upon which no prohibition exists on their exchange or utilisation to settle a liability for at least 12 months from year-end.

All other assets are classified as non-current.

A liability is considered current when:

- it is expected to be settled within the normal operating cycle;
- it is held principally for trading;
- it must be settled within twelve months of year-end; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months of year-end.

The contractual terms of the liability that could, at the option of the counterparty, result in its settlement through the issue of equity instruments do not affect its classification.
The Group classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.2.24 Translation of accounts in foreign currencies

The consolidated financial statements are presented in Euro, which is the Parent Company's functional currency. Each Group company decides the functional currency to be used to measure the accounts in the financial statements. The Group uses the line-by-line consolidation method. Foreign currency transactions are initially recorded in the functional currency, applying the exchange rate at the transaction date. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Exchange rate differences realised or arising on the translation of monetary items are recorded in the income statement, with the exception of monetary items which hedge a net investment in a foreign operation. These differences are recorded in the comprehensive income statement until the sale of the net investment, and only then is the total amount reclassified to the income statement. The income taxes attributable to the exchange differences on the monetary items are also recorded in the comprehensive income statement. Non-monetary items, measured at historical cost in foreign currency, are translated using the exchange rates on the date the transaction was first recorded. Non-monetary items recorded at fair value in foreign currencies are translated using the exchange rate at the date this value was determined. The gain or loss deriving from the translation of non-monetary items is treated in line with the recognition of the gain or loss recorded on the change in the fair value of these items (i.e. the translation differences on the accounts to which the fair value changes in the comprehensive income statement or in the income statement are recorded, respectively in the comprehensive income statement or in the income statement).

2.2.25 Accounting policies, Change of estimates and correction of an error

Accounting standard IAS 8 governs the following aspects:

1) selection and application of accounting policies;
2) change in accounting policies;
3) review of accounting estimates;
4) correction of errors made in previous exercises.

These aspects are addressed with the aim of improving the relevance and reliability of the financial statements and ensuring their comparability over time (financial statements of the same enterprise in successive fiscal years) and space (financial statements of different enterprises for the same fiscal year).
Specifically, in the absence of a specific IFRS applicable to a transaction, event, or situation, the entity is required to apply an appropriate level of professional judgment to develop and apply an accounting policy that results in information that is relevant and reliable. Also under IAS 8, errors may arise with respect to recognition, measurement, presentation or disclosure within the financial statements. Errors detected in later periods are corrected in comparative data presented in financial statements of subsequent periods.

2.3 Amendments to International Accounting Standards

The Group has not early adopted any standards, interpretations or European enhancements issued but not yet in effect.

Accounting standards, amendments and interpretations adopted from January 1, 2023

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group from January 1, 2022.

Document	Date of issue	Effective date	Registration date	UE Regulation and publication date
Amendment IFRS (2018–2020 annual improvements) [Amendment to IFRS 1, IFRS 9, IFRS 16 and IAS 41]	May 2020	January 1, 2022	June 28, 2021	(UE) 2021/1080 July 2, 2021
Property, Plant and Equipment: Proceeds before Intended Use (Amendment to IAS 16)	May 2020	January 1, 2022	June 28, 2021	(UE) 2021/1080 July 2, 2021
Onerous Contracts – Costs of Fulfilling a Contract (Amendment to IAS 37)	May 2020	January 1, 2022	June 28, 2021	(UE) 2021/1080 July 2, 2021
Reference to the Conceptual Framework (Amendment to IFRS 3)	May 2020	January 1, 2022	June 28, 2021	(UE) 2021/1080 July 2, 2021

The adoptions of these amendments do not have any effects on the Group consolidated financial statements.

Accounting standards and amendments not yet effective and not adopted in advance by the Group

At the reporting date, the European Union had not yet completed its endorsement process for the adoption of the following standards and amendments. With regard to the applicable standards, the Group has decided not to exercise the option that provides for early adoption where applicable.

Document	Date of issue	Effective date	Registration date	UE Regulation and publication date
Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2 e Definition of Accounting Estimates—Amendments to IAS 8	February 2021	January 1, 2023	March 2, 2022	(UE) 2022/357 March 3, 2022
IFRS 17 Contracts Insurance (included amendments issued on June 2020)	May 2017 June 2020	1° January 1, 2023	November 19, 2021	(UE) 2021/2036 November 23, 2021 July 2, 2021

From the adoption of these amendments, significant impacts are not expected on the Group consolidated financial statements. At the reporting date, the European Union had not yet completed its endorsement process for the following standards and amendments:

Document	Date of issue	Effective date	Registration date
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	January 1, 2016	Homologation process suspended, waiting for the new accounting standard on “rate-regulated activities”
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Postponed until the completion of the project IASB on equity method	Homologation process suspended, waiting for the new accounting standard on “equity method"
Classification of Liabilities as Current or Non-current (Amendments to IAS 1), including subsequent amendment issued in July 2020	January 2020, July 2020	January 1, 2023	TBD
Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)	February 2021	January 1, 2023	TBD
Definition of Accounting Estimates (Amendments to IAS 8)	February 2021	January 1, 2023	TBD
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	May 2021	January 1, 2023	TBD

Initial Application of IFRS 17 and IFRS 9— Comparative Information (Amendment to IFRS 17)	December 2021	January 1, 2023	TBD

From the adoption of these amendments, significant impacts are not expected on the Group consolidated financial statements.

For illustrative purposes, the Group has described in detail the new standards and amendments and interpretations that are applicable as of January 1, 2022 (unless otherwise stipulated), regardless of whether they impact the Group's financial statements.

2.4 Consolidation method

The consolidated financial statements are based on the financial statements of Monnalisa S.p.A. as parent and the companies in which the parent directly or indirectly holds a controlling interest. The financial statements of companies included in the consolidated financial statements are incorporated on a line-by-line basis. The list of these companies is provided below. In 2022, the Group composition did not change compared to 2021.

Company	Registered Office	Share capital		Shareholders	Holding	Consolidated
		Currency	Amount			
Monnalisa Brazil Ltda	San Paolo (Brazil)	Real	9,532,303	Monnalisa SPA; Jafin S.r.l.	99%	100%
Monnalisa China LLC	Shanghai (China)	Yuan	36,505,707	Monnalisa SPA	100%	100%
Monnalisa Hong Kong LTD	Hong Kong	HKD	5,106,185	Monnalisa SPA	100%	100%
Monnalisa Korea LTD	Seoul (Korea)	WON	100,000,000	Monnalisa SPA	100%	100%
Monnalisa Russia OOO	Moscow (Russia)	RUB	41,410,000	Monnalisa SPA; Jafin S.r.l.	99,99%	100%
ML Retail Usa Inc	Houston Texas (USA)	USD	644,573	Monnalisa SPA	100%	100%
Monnalisa Bebek Giyim Sanayi ve Ticaret	Istanbul (Turkey)	TRY	7,450,000	Monnalisa SPA	100%	100%
Monnalisa UK LTD	London (UK)	GBP	199,993	Monnalisa SPA	100%	100%
Monnalisa Japan Co Ltd	Tokyo (Japan)	JPY	1,000,000	Monnalisa SPA	100%	100%
Monnalisa International Limited	Taipei (Taiwan)	TWD	7,000,000	Monnalisa SPA	100%	100%
Monnalisa Singapore LTD	Singapore	SGD	600,000	Monnalisa SPA	100%	100%
Monnalisa San Marino Srl	Republic of S.Marino	EUR	25,500	Monnalisa SPA	100%	100%

No companies are consolidated proportionally and none of the companies are held for an amount under the 20% threshold.
For the consolidation, the financial statements at December 31, 2022 of the individual companies were used, reclassified and adjusted in line with the accounting principles and policies adopted by the Group.
In accordance with Article 31, paragraph 1 of Legislative Decree No. 127 of April 9, 1991, the reporting dates of these consolidated financial statements coincides with December 31, 2022.
It should be noted that as the Parent Company directly promoted and participated in the incorporation of the individual consolidated companies, following the subscription of the nominal share capital it was not necessary to eliminate the value of the equity investments and thus to allocate the resulting consolidation difference, with the exception of that verified for the Brazilian subsidiary. The consolidated financial

statements of subsidiaries are consolidated from the date on which control was acquired until the date on which such control ceases.
The main consolidation principles were as follows:

- All subsidiaries are consolidated line-by-line. The minority interests' share in equity is shown separately in the balance sheet. Their portion of the result for the period is likewise shown separately in the income statement;
- Transactions and balances between consolidated companies are fully eliminated. Gains and losses from transactions between consolidated companies not arising from transactions with third parties are eliminated from the relevant items of the financial statements. In particular, intra-Group gains on period-end inventories due to intra-Group purchases of finished goods are eliminated;
- On pre-consolidation, the exclusively fiscal items were eliminated and the relative deferred taxes provisioned;
- The consolidated financial statements are presented in Euro. 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. Non-monetary items valued at historical cost in foreign currency are translated by using the exchange rates in effect on the date the transaction was first recorded. The net effect of translating the financial statements of investee companies into the reporting currency is recognised directly in equity in a specific reserve and shown in the comprehensive income statement. For the conversion of the financial statements in foreign currencies, the exchange rates reported on the official Bank of Italy website were utilised, as indicated in the following table. The average is calculated as the average of the individual month average exchange rates:

Currency	at 31/12/2022	Average 2022
Real	5.6386	5.4432
Yuan	7.3582	7.081
Won Sud	1.344.09	1.358.07
Japanese Yen	140.66	138.0051
Hong Kong dollar	8.3163	8.2512
Pounds	0.886	0.85261
Russian rouble	78.968	73.313
US Dollar	1.0666	1.0539
Taiwan dollar	32.7603	31.3303
Singaporean dollar	1.43	1.452
Turkic lira	19.9649	17.3849

The profit/(loss) and each of the other statement of comprehensive income items are allocated to the shareholders of the parent company and minority shareholders, even if this implies that the minority shareholder investments have a negative balance. Where necessary appropriate adjustments are made to the financial statements of the subsidiaries, in line with the accounting policies of the Group.

All assets and liabilities, shareholders' equity, revenues and costs, and inter-company cash flows relating to transactions between entities of the Group are completely eliminated on consolidation. Changes in the holdings of subsidiaries which do not result in the loss of control are recognised under equity.

2.5 Directors' assessment of the going concern assumption

The Directors are responsible for assessing the capacity of the Group to pursue operating activities and, in preparing the consolidated financial statements, the appropriateness of applying the going concern principle, in addition to the provision of adequate disclosure. The Directors apply the going concern principle in preparing the consolidated financial statements unless they have assessed that the conditions for the winding up of the parent company Monnalisa S.p.A. or for the interruption of operations exist or that they have no realistic alternatives to these options.
These consolidated financial statements have been prepared on the going concern basis, as the Directors consider, based on the company's operating performance and sound financial position, that there is no doubt regarding the company's ability to continue as a going concern for a period of at least 12 months from the reporting date.

3. USE OF DISCRETIONARY ESTIMATES AND JUDGMENTS IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of the financial statements requires the directors to apply accounting policies and methods that, in some circumstances, are based on difficulties and subjective valuations and estimates based on the historical experience and assumptions which are from time to time considered reasonable and realistic based on the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the balance sheet, the income statement and the cash flow statement, and on the disclosures in the notes to the accounts. The final outcome of the accounts in the financial statements, which use the above-mentioned estimates and assumptions, may differ from those reported in the financial statements due to the uncertainty which characterises the assumptions and conditions upon which the estimates are based. The accounting policies which require greater judgement by the directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the condensed financial statements are briefly described below.

<u>Estimates:</u>

(i) Depreciation and amortisation of property, plant and equipment and intangible assets: the cost of property, plant and equipment and intangible assets is depreciated or amortised on a straight-line basis over the estimated useful life of each asset. The useful life of the tangible and intangible fixed assets is determined by the directors when the fixed assets are purchased. This is based on the historical experiences for similar fixed assets, market conditions and considerations relating to future events which could have an impact, such as changes in technology. The effective useful life may therefore be different from the estimated useful life. The Group annually assesses technological and industry changes, any changes in contractual terms and regulations related to the use of property, plant and equipment and intangible assets, and the recovery value to update the remaining useful life. The result of these analyses can change the depreciation period and thus also the depreciation charge for the year and future years.

(ii) Measurement of receivables: trade receivables are adjusted by the doubtful debt provision, taking into account the effective recoverable value. The calculation of the impairment losses requires the directors to make judgements based on the documentation and the information available relating to the solvency of the customers, and from market and historical experience.

(iii) Risk provisions: the identification of the existence of a present obligation (legal or constructive) in some circumstances may be difficult to determine. The directors evaluate these factors case-by-case, together with the estimate of the amount of the economic resources required to fulfil the obligation. When the directors consider that a liability is only possible, the risks are disclosed in the notes under the section on commitments and risks, without any provision.

(iv) Recovery deferred taxes: these are recognised to the extent where it is likely there will be adequate future taxable income against which temporary differences or any tax losses can be utilised. In this regard, the Group's management estimates the probable timing and the amount of the future taxable income.

(v) Employee benefits: the values of which are determined on the basis of actuarial estimates; for the main actuarial assumptions, please refer to that outlined below;

(vi) Lease discount rate definition: since there is no implicit interest rate in most of the leases the Group has calculated an Incremental Borrowing Rate (IBR) to measure the lease liability. In order to determine the IBR to be used for discounting future lease payments, the Group has identified the rates applied on loan contracts of similar duration for each Group company; the Group estimates the marginal borrowing rate using observable data (such as market interest rates) if available, and making specific considerations about the conditions of the investee;

(vii) Inventory obsolescence provisions and estimated net realisable value: the Group estimates the future utilisation capacity of such products and materials by calculating appropriate turnover ratios and/or historical realisable experience based also on the ageing of the collections, to each of which a specific inventory write-down rate is applied;

(viii) Estimated returns: the provision reflects management's expectations of future merchandise returns and the associated liability for returns. The Group has determined that the expected value method is the most appropriate method for estimating expected returns to be recognised as an adjustment to revenues from contracts with customers;

(ix) Measurement of derivative financial instruments: the determination of the fair value of unlisted financial assets, such as derivative financial instruments, is undertaken through commonly used financial valuation techniques that require basic assumptions and estimates. Such assumptions may not occur according to the timeframe and manner predicted. Therefore, estimates of these derivative instruments may differ from the actual data;

(x) IAS 29 Hyperinflation: It should also be noted that accounting standard IAS 29, which was irrelevant as of December 31, 2021 as no Group company was operating in hyperinflationary markets as of that date, was applied for the first time as of June 30, 2022 in relation to the subsidiary in Turkey, a country for which the conditions for qualification as a hyperinflationary economy became apparent during the year.

Discretionary valuations:

(i) Lease term: the identification of lease term is a very relevant issue since the form, legislation and business practices on leases vary significantly from one jurisdiction to another, and the assessment of the effects of renewal options at the end of the non-cancellable period on the lease term estimate involves the use of assumptions. The IFRS Interpretation Committee has clarified that for the purpose of identifying the period of applicability, a lessee must consider the contractual point in time when both parties involved can exercise their right to terminate the contract without incurring penalties that are not irrelevant; the concept of penalty should not be understood as merely contractual but should be seen by considering all economic aspects of the contract. The Group considered these conclusions when identifying the duration of leasing contracts. In addition, the Group also considered the presence of renewal and cancellation options when defining the lease term, and considered the existence or absence of significant economic disincentives in refusing the renewal request;

(ii) The identification of Cash Generating Units (CGUs): a CGU represents the smallest group of assets that generates largely independent cash flows. In the process of identifying the aforementioned CGUs, management took into account the specific nature of the activity and the business to which it belongs (geographic area, business areas, relevant regulations, etc.), verifying that the cash flows from one group of activities were strictly interdependent and largely independent of those from other activities (or groups of activities). The activities included in each CGU were also identified on the basis of the ways in which Management manages and monitors them under the business model adopted.

Climate change - Impact Assessment:

Currently, the impact of climate-related issues is not significant on the Group's financial statements. The Group will assess whether and how the introduction of emission reduction regulations may increase production costs and, if they have a significant impact, will include such assumptions in the estimates.

4. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS IAS/IFRS

During this fiscal year 2022, the Group adopted IFRS accounting standards in the version adopted by the European Union (hereinafter also "IFRS") designating January 1, 2021 as the transition date to the new accounting standards. The last consolidated financial statements prepared in accordance with Italian GAAP (OIC) refer to the year ended December 31, 2021.
The present attachment discloses the information required by IFRS 1 and, in particular, the description of the impacts from the transition to IFRS on the balance sheet and income statement of the Group. For this purpose, the following were drawn up:

- a description of the accounting policies regarding the application rules of IAS/IFRS and the accounting treatments chosen under the accounting options permitted by those standards;
- the reconciliation between the balance sheets of the Group (i) at January 1, 2021 (Transition Date), (ii) at December 31, 2021 (date of the last financial statements prepared in accordance with Italian GAAP), drawn up in accordance with Italian GAAP and with IFRS;
- the reconciliation of the income statement and the comprehensive income statement for the year ended December 31, 2021 prepared in accordance with Italian GAAP and with IFRS;
- the reconciliation between the shareholders' equity and net result at January 1, 2021 and December 31, 2021 prepared in accordance with Italian GAAP and with IFRS;
- the reconciliation of the cash flow statement at December 31, 2021 prepared in accordance with Italian GAAP and reclassified in accordance with the classification criteria chosen by the Group for IFRS financial statements and the cash flow statement prepared in accordance with IFRS;
- the explanatory notes relating to the adjustments and reclassifications included in the above-mentioned reconciliation statements, which describe the significant effects of the transition, with regard to the classification of the various accounts in the financial statements and in relation to their measurement and, therefore, to the consequent effects on the balance sheet, financial position and income statement.

4.1 Basis of presentation of reconciliation statements

The reconciliation statements show the IFRS adjustments and reclassifications made to reflect changes in the presentation, recognition and measurement criteria required by IFRS compared to the Group's historical data prepared in accordance with Italian GAAP.
It should also be noted that the reconciliation statements have been prepared in accordance with IFRSs in effect at the date of their preparation, including: the IFRSs recently adopted by the International Accounting Standards Board ("IASB"), International Accounting Standards (IAS), and interpretations by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). The effects of the transition to IFRS derive from changes in accounting policies and,

consequently, as required by IFRS 1 are reflected in the opening equity at the transition date (January 1, 2021) in a specific “FTA Reserve”.
The transition to IFRS has required maintaining the estimates previously made as per Italian GAAP (“OIC”), unless the adoption of IFRS has required the drafting of estimates using different methods.
No exceptions to the application of IFRS were applied in the preparation of these reconciliation statements.

4.2 Application rules and accounting options on adoption of IFRS and selected policies

The balance sheet as of January 1, 2021 reflects the following differences in treatment compared to the balance sheet values measured in accordance with Italian GAAP on the same date:

- all and only assets and liabilities recognisable under IFRS were recognised; including those not provided for in application of the OICs;
- all assets and liabilities whose recognition is required by the OICs but not permitted by IAS/IFRS have been eliminated;
- the accounts previously indicated in a manner differing from that established under IFRS were reclassified;
- assets and liabilities were recognised at the values that would have been determined had the new standards always been applied except for the exemptions/options allowed under IFRS 1;
- all adjustments resulting from the first-time application of IFRS were recognised with a balancing entry in shareholders' equity net of the tax effect from time to time recognised in the deferred tax provision or in deferred tax assets; the latter were recognised to the extent that it was considered probable that future taxable income would be available against which they could be recovered.

IFRS 1 provides a retrospective approach to the application of IFRS, however permitting some "exemptions": optional and mandatory, the latter are called "exceptions."
The Group has applied the provisions of IFRS 1. The main choices made, including exemptions under IFRS 1, are shown below, indicating those used in the preparation of the opening balance sheet as of January 1, 2021 and the financial statements as of December 31, 2021:

- *presentation of the financial statements*: the "current/non-current" presentation and classification has been adopted for the balance sheet. For the Income Statement, the format of classifying costs according to their nature was adopted. For the Income Statement, the Group has, in addition, decided to present two separate statements: the income statement and the other items of the comprehensive income statement;

- *choosing to use the following exemptions provided by IFRS 1, paragraph 13, when first applying IFRS (January 1, 2021):*
  - *valuation estimates:* IFRS 1 establishes that the estimates utilised in the restatement at the Transition Date shall be consistent with estimates made for the financial statements under the previous GAAP (after adjustments to reflect any difference in accounting policies);
  - *business combinations:* IFRS 3 was not applied retrospectively to business combination transactions that occurred before the IFRS Transition Date. Therefore, business combinations that occurred until January 1, 2021 remain accounted for based on the *Previous GAAP*;
  - *employee benefits:* all cumulative actuarial gains and losses existing as of January 1, 2021 were fully recognised in Equity as of the IFRS Transition Date, specifically in the FTA Reserve. Subsequent actuarial gains and losses will be recognised in a specific reserve, called the IAS 19 Reserve;
  - *translation differences:* the accounting treatment of translation differences adopted by the Group on the basis of Previous GAAP is consistent with IFRS. However, it was chosen to use the exemption provided by IFRS 1, which allows the accumulated translation differences up to the Transition Date to be set to zero with retained earnings as a balancing entry. This exemption was applied to all subsidiaries, as required by IFRS 1;
- *accounting treatments chosen under the accounting options provided by IFRSs endorsed by the European Union:*
  - *valuation of property, plant and equipment and intangible assets:* subsequent to the initial recognition at cost, IAS 16 - Property, plant and equipment and IAS 38 - Intangible assets provide that property, plant and equipment and intangible assets, which have an active market value, may be measured at cost net of accumulated amortisation and depreciation and impairments, or periodically by determining the market value and adjusting the carrying amount to this value ("Revaluation Model"). The Group chose to maintain the cost as the measurement criterion of property, plant and equipment and intangible assets.
  - *inventories*: according to IAS 2, the cost of inventories should be stated according to the FIFO method or the weighted average cost method. The Group has adopted the weighted average cost method.

4.3 Main impacts of applying IFRS on the balance sheet as of January 1, 2021 and December 31, 2021, and on the income statement for the year ended December 31, 2021

The differences arising from the application of IFRS versus Italian GAAP, as well as the choices made by the Group in the accounting options under IFRS illustrated above, entail the restating of the financial statements prepared under Italian GAAP, indicating the effects on shareholders' equity and result for the year which are summarised in the statements below. The adjustments required by IFRS are described in detail in the explanatory notes presented below. Presented below are the balance sheets as of January 1, 2021, and December 31, 2021, and the income statement for the year ended December 31, 2021, showing each item in the individual columns:

- the carrying amounts according to Italian GAAP ("ITA GAAP") reclassified as per IFRS;
- the adjustments for compliance with IFRS;
- the values according to IFRS

4.4 Reconciliation statement of the balance sheet at January 1, 2021

The reconciliation is presented below between the balance sheet at January 1, 2021 prepared in accordance with Italian GAAP and reclassified based on the criteria chosen by the Group for the IFRS financial statements and the balance sheet prepared in accordance with IFRS.

(Euro)	01/01/2021 OIC	*Changes*	*Notes*	01/01/2021 IFRS
NON CURRENT ASSETS				
Property, plant and equipment	19,660,150	(298,684)	*a)*	19,361,466
Right of use assets	0	23,530,348	*b)*	23,530,348
Intangible assets with a finite useful life	2,598,897	(1,349,988)	*c)*	1,248,909
Other non current financial assets	2,413,738	0		2,413,738
Deferred tax assets	2,612,846	1,057,932	*e)*	3,670,778
TOTAL NON CURRENT ASSETS	**27,285,630**	**22,939,608**		**50,225,238**
CURRENT ASSETS				
Inventories	16,434,588	0		16,434,588
Trade Receivables	7,202,591	(402,389)	*d)*	6,800,202
Tax Receivables	1,956,740	0		1,956,740
Other current assets	1,266,450	(671,578)	*b)*	594,872
Other current financial assets	3,833	0		3,833
Cash and cash equivalents	4,078,887	0		4,078,887
TOTAL CURRENT ASSETS	**30,943,090**	**(1,073,967)**		**29,869,123**
TOTAL ASSETS	**58,228,720**	**21,865,641**		**80,094,361**
SHAREHOLDERS' EQUITY				
GROUP SHAREHOLDERS' EQUITY				
Share capital	10,000,000	0		10,000,000
Reserves	28,314,944	(1,605,474)	*f)*	26,709,471
Net profit/(loss) - Group	(7,805,982)	0		(7,805,982)
TOTAL GROUP SHAREHOLDERS' EQUITY	**30,508,962**	**(1,605,474)**		**28,903,488**
Share capital and reserves - minority interests	(1,746)	(0)		(1,746)
TOTAL SHAREHOLDERS' EQUITY	**30,507,216**	**(1,605,475)**		**28,901,742**
NON CURRENT LIABILITIES				
Non current financial liabilities	10,140,004	0		10,140,004
Provisions for risk and charges	524,019	375,000	*b)*	899,019
Employee benefit liabilities	2,020,841	233,810	*g)*	2,254,651
Other non current liabilities	87,804	205,452	*h)*	293,256
Non current lease liabilities	0	18,765,579	*i)*	18,765,579
Deferred tax liabilities	795,148	473,084	*j)*	1,268,232
TOTAL NON CURRENT LIABILITIES	**13,567,816**	**20,052,925**		**33,620,741**
CURRENT LIABILITIES				
Trade payables	6,788,986	0		6,788,986
Current financial liabilities	4,204,347	0		4,204,347
Tax payables	506,745	0		506,745
Other current liabilities	2,456,546	(300,000)	*c)*	2,156,546
Current lease liabilities	0	3,718,190	*i)*	3,718,190
Other current financial liabilities	197,063	0		197,063
TOTAL CURRENT LIABILITIES	**14,153,688**	**3,418,191**		**17,571,878**
TOTAL LIABILITIES	**27,721,504**	**23,471,116**		**51,192,620**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**58,228,720**	**21,865,641**		**80,094,361**

4.5 Reconciliation statement of the balance sheet at December 31, 2021

The reconciliation is presented below between the balance sheet at December 31, 2021 prepared in accordance with Italian GAAP and reclassified based on the criteria chosen by the Group for the IFRS financial statements and the balance sheet prepared in accordance with IFRS.

(Euro)	31/12/2021 OIC	*Changes*	*Notes*	31/12/2021 IFRS
NON CURRENT ASSETS				
Property, plant and equipment	19,252,770	(1,703,571)	*a)*	17,549,199
Right of use assets	0	20,964,119	*b)*	20,964,119
Intangible assets with a finite useful life	1,819,773	(873,183)	*c)*	946,590
Other non current financial assets	753,427	0		753,427
Deferred tax assets	3,636,385	1,188,828	*e)*	4,825,213
TOTAL NON CURRENT ASSETS	**25,462,355**	**19,576,192**		**45,038,547**
CURRENT ASSETS				
Inventories	15,275,320	34,384		15,309,704
Trade Receivables	8,060,919	(424,456)	*d)*	7,636,463
Tax Receivables	1,497,248	0		1,497,248
Other current assets	1,840,956	(574,900)	*b)*	1,266,056
Other current financial assets	399,838	0		399,838
Cash and cash equivalents	4,560,070	0		4,560,070
TOTAL CURRENT ASSETS	**31,634,351**	**(964,972)**		**30,669,379**
TOTAL ASSETS	**57,096,706**	**18,611,220**		**75,707,926**
SHAREHOLDERS' EQUITY				
GROUP SHAREHOLDERS' EQUITY				
Share capital	10,000,000	0		10,000,000
Reserves	21,441,798	(2,719,175)	*f)*	18,722,623
Net profit/(loss) - Group	(1,902,218)	(208,672)		(2,110,890)
TOTAL GROUP SHAREHOLDERS' EQUITY	**29,539,579**	**(2,927,847)**		**26,611,732**
Share capital and reserves - minority interests	(2,362)	0		(2,362)
TOTAL SHAREHOLDERS' EQUITY	**29,537,218**	**(2,927,847)**		**26,609,371**
NON CURRENT LIABILITIES				
Non current financial liabilities	8,007,615	0		8,007,615
Provisions for risk and charges	335,425	375,000	*b)*	710,425
Employee benefit liabilities	2,237,153	326,400	*g)*	2,563,553
Other non current liabilities	93,304	125,622	*h)*	218,926
Non current lease liabilities	0	16,280,240	*i)*	16,280,240
Deferred tax liabilities	1,081,193	36,738	*j)*	1,117,931
TOTAL NON CURRENT LIABILITIES	**11,754,690**	**17,144,000**		**28,898,690**
CURRENT LIABILITIES				
Trade payables	7,289,430	0		7,289,430
Current financial liabilities	5,504,377	0		5,504,377
Tax payables	429,106	0		429,106
Other current liabilities	2,578,685	(150,000)	*c)*	2,428,685
Current lease liabilities	0	4,545,068	*i)*	4,545,068
Other current financial liabilities	3,199	0		3,199
TOTAL CURRENT LIABILITIES	**15,804,797**	**4,395,068**		**20,199,865**
TOTAL LIABILITIES	**27,559,487**	**21,539,068**		**49,098,555**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**57,096,706**	**18,611,220**		**75,707,926**

4.6 Reconciliation statement of the consolidated income statement for the year ended December 31, 2021

Below shows the reconciliation between the income statement for the year ended December 31, 2021 prepared in accordance with Italian GAAP and reclassified based on the criteria chosen by the Group for the IFRS financial statements and the income statement prepared in accordance with IFRS.

(Euro)	31/12/2021 OIC	*Changes*	*Notes*	31/12/2021 IFRS
Revenues from contracts with customers	43,653,253	(22,067)	d)	43,631,186
Other income and revenues	1,567,928	(150,000)	c)	1,417,928
Revenues	**45,221,181**	**(172,067)**		**45,049,114**
Changes in inventories of work in progress, semi-finished goods and finished products	(1,158,222)	34,383	c)	(1,123,839)
Raw materials, finished products and consumables used	(11,710,292)	0		(11,710,292)
Costs for services	(20,337,280)	4,961,239	b)	(15,376,041)
Personnel costs	(10,772,126)	126,479	g)	(10,645,647)
Amortization, depreciation and write-downs	(3,610,259)	(4,459,461)	b)	(8,069,720)
Other operating costs	(870,470)	0		(870,470)
Operating profit/(loss)	**(3,237,468)**	**490,574**		**(2,746,894)**
Financial charges	(418,635)	(842,583)	i)	(1,261,218)
Financial income	4,288	0		4,288
Gains/(losses) on exchange rate differences	668,132	0		668,132
Profit before taxes	**(2,983,683)**	**(352,009)**		**(3,335,692)**
Income Taxes	1,080,880	143,336	e), j)	1,224,216
Net profit/(loss) for the period	**(1,902,803)**	**(208,672)**		**(2,111,475)**
Net profit/(loss) – Group	(1,902,218)			(2,110,890)
Net profit/(loss) – minority interests	(585)			(585)

4.7 Reconciliation statement of the consolidated comprehensive income statement for the year ended December 31, 2021

Below shows the reconciliation between the comprehensive income statement for the year ended December 31, 2021 prepared in accordance with Italian GAAP and reclassified based on the criteria chosen by the Group for the IFRS financial statements and the comprehensive income statement prepared in accordance with IFRS.

Consolidated Comprehensive Income Statement

(Euro)	31/12/2021 OIC	*Changes*	31/12/2021 IFRS
Net profit/(loss) for the period	**(1,902,803)**	**(208,672)**	**(2,111,475)**
Net gain/(Loss) from hedging derivatives		32,971	32,971
Currency translation differences of foreign operations		(114,721)	(114,721)
Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes		**(81,750)**	**(81,750)**
Net gain/(loss) from recognition of defined-benefit plans for employees		(99,113)	(99,113)
Total other gains / (losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes		**(99,113)**	**(99,113)**
Total other gains / (losses) net of taxes		**(180,863)**	**(180,863)**
Total comprehensive income for the period, net of taxes	**(1,902,803)**	**(180,863)**	**(2,292,338)**

4.8 Reconciliation statement of consolidated shareholders' equity at January 1, 2021 restated in accordance with IFRS

Below is a reconciliation between the consolidated shareholders' equity at January 1, 2021 prepared in accordance with Italian GAAP and the consolidated shareholders' equity as of that date prepared in accordance with IFRS.

(Euro)	Share capital	Legal reserve	Revaluation reserve	Cash flow hedge reserve	Other reserves	Reserve FTA	Retained earnings	Net profit/ (loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
As at 01.01.2021 OIC	**10,000,000**	**1,108,276**	**2,959,446**	**(21,243)**	**9,506,005**	**0**	**14,762,460**	**(7,805,982)**	**30,508,962**	**(1,746)**	**30,507,216**
Adjustment IFRS 15/IFRS9						(301,822)			(301,822)		(301,822)
Adjustment IAS 19						(177,696)			(177,696)		(177,696)
Adjustment IFRS 2						(156,144)			(156,144)		(156,144)
Adjustment IAS 38						(288,173)			(288,173)		(288,173)
Restoration depreciation 2020						(1,691,778)			(1,691,778)		(1,691,778)
Revaluation fixed assets						1,010,138			1,010,138		1,010,138
Reclassification reserves IFRS 1					1,159,058	(1,159,058)			0		0
As at 01.01.2021 IFRS	**10,000,000**	**1,108,276**	**2,959,446**	**(21,243)**	**10,665,063**	**(2,764,533)**	**14,762,460**	**(7,805,982)**	**28,903,487**	**(1,746)**	**28,901,742**

4.9 Reconciliation statement of consolidated shareholders' equity at December 31, 2021 restated in accordance with IFRS

Below is a reconciliation between the consolidated shareholders' equity at December 31, 2021 prepared in accordance with Italian GAAP and the shareholders' equity as of that date prepared in accordance with IFRS.

(Euro)	Share capital	Legal reserve	Revaluation reserve	Cash flow hedge reserve	Other reserves	Reserve FTA	Retained earnings	Net profit/ (loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
As at 31.12.2021 OIC	**10,000,000**	**1,108,276**	**3,969,582**	**11,727**	**9,395,734**		**6,956,478**	**(1,902,218)**	**29,539,579**	**(2,362)**	**29,537,218**
Reserve FTA						(3,774,671)			**(3,774,671)**		**(3,774,671)**
Effect on income statement IFRS 16					(4,450)			(580,344)	**(584,794)**		**(584,794)**
Effect on income statement IFRS 15								53,408	**53,408**		**53,408**
Effect on income statement IAS19					(99,113)			28,745	**(70,368)**		**(70,368)**
Adjustment IFRS 2								56,680	**56,680**		**56,680**
Adjustment IAS 38								340,989	**340,989**		**340,989**
Reversal income quotation AIM								(108,150)	**(108,150)**		**(108,150)**
Reclassification reserves IFRS 1					1,159,058				**1,159,058**		**1,159,058**
As at 31.12.2021 IFRS	**10,000,000**	**1,108,276**	**3,969,582**	**11,727**	**10,451,229**	**(3,774,671)**	**6,956,478**	**(2,110,890)**	**26,611,731**	**(2,362)**	**26,609,371**

4.10 Reconciliation statement of the consolidated cash flow statement for the year ended December 31, 2021

Below shows the reconciliation between the cash flow statement for the year ended December 31, 2021 prepared in accordance with Italian GAAP and reclassified based on the criteria chosen by the Group for the IFRS financial statements and the cash flow statement prepared in accordance with IFRS.

Consolidated Cash Flow Statement	31.12.2021 OIC	*Changes*	31.12.2021 IFRS
NET CASH FROM (USED IN) OPERATING ACTIVITIES (A)	1,535,584	4,961,239	6,496,823
NET CAS FROM (USED IN) INVESTING ACTIVITIES (B)	(222,044)	0	(222,044)
NET CASH FROM (USED IN) FINANCING ACTIVITIES (C)	(832,359)	(4,961,239)	(5,793,598)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C)	**481,183**	**0**	**481,183**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**4,078,887**	**0**	**4,078,887**
Increase /(decrease) in cash and cash equivalents	(481,183)		(481,183)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**4,560,070**	**0**	**4,560,070**

4.11 Explanatory notes to the reconciliation statements of the consolidated balance sheet at January 1, 2021 and at December 31, 2021, the consolidated income statement, the consolidated comprehensive income statement, and the consolidated cash flow statement for the year ended December 31, 2021

For the main adjustments, explanatory notes and references to the adjustments included in the reconciliations of equity and net income shown above are provided below.

4.11.1 Balance sheet at January 1, 2021 and December 31, 2021

a) Property, plant and equipment

During fiscal year 2020, also in light of the provisions of Interpretative Document OIC 9, the parent company Monnalisa S.p.A. availed of the option not to carry out the annual depreciation of the cost of tangible fixed assets provided by Article 60, paragraphs 7-*bis* to 7-*quinquies* of Decree Law 104 of 2020 (converted by Law 126 of 2020). The transition to international accounting standards resulted in the reinstatement of depreciation not carried out in 2020 in the amount of Euro 1,592 thousand, before the tax effect.

At January 1, 2021, the cost of the industrial building located in the municipality of Civitella Valdichiana, where the Group's cutting centre is located, was aligned with the "deemed cost" values, as required by IFRS 1, based on an independent appraisal report. The alignment value is Euro 1,401 thousand before the tax effect (calculated as Euro 391 thousand). The effects of the related depreciation are reflected in the depreciation schedules at December 31, 2021. As the revaluation was carried out, according to Legs. Decree 104 of 2020, also in Monnalisa S.p.A., the revalued amounts are presented in equity in the revaluation reserve and not in the FTA reserve.

b) Right of use assets

Right of use assets in the balance sheet at January 1, 2021 and December 31, 2021 increased by Euro 23,530 thousand and Euro 20,964 thousand, respectively, due to the application of IFRS 16 on leases, mainly related to the leased stores managed by the Group. Included within the item Right of use Assets was an estimate of the cost of restoring premises used primarily for retail outlets whose payment was deemed probable, with an offset to a provision for future charges.

For each lease, with the exception of low-value and short-term contracts, the Group has applied IFRS 16 as of the Transition Date according to the following approach:

- the lease liability was measured as the present value of the remaining lease payments as of the Transition Date, discounted using the IBR as of that date;

- the value of the related right-of-use asset was determined to be equal to the lease liability, adjusted for the amount of any accruals related to the lease recognised in the balance sheet immediately prior to the transition to IFRS.

Sections 3.3.3 and 4 below explain the criteria adopted by the Group and the significant estimates made in accounting for leases.

c) Intangible assets

During fiscal year 2020, also in light of the provisions of Interpretative Document OIC 9, the parent company Monnalisa S.p.A. availed of the option not to carry out the annual amortisation of the cost of intangible assets provided by Article 60, paragraphs 7-*bis* to 7-*quinquies* of Decree Law 104 of 2020 (converted by Law 126 of 2020). The transition to international accounting standards resulted in the reinstatement of depreciation not carried out in 2020 in the amount of Euro 754 thousand, before the tax effect.

Intangible Assets with a finite useful life at January 1, 2021 and at December 31, 2021, decreased by Euro 1,349 thousand and Euro 873 thousand, respectively, due to the derecognition of start-up and expansion costs and deferred charges, which do not meet the capitalisation requirements of IAS 38. The change in the accounting treatment of start-up and expansion costs also resulted in the direct allocation to the periods concerned of the related grants, which were previously charged to the income statement in proportion to amortisation, with a negative impact at January 1, 2021 and at December 31, 2021 of Euro 300 thousand and Euro 150 thousand, respectively.

d) Trade receivables and revenue from contracts with customers

Trade receivables related to revenues from contracts with customers were adjusted in application of IFRS15, decreasing by Euro 402 thousand at January 1, 2021 and by Euro 424 thousand at December 31, 2021, before tax effect.

As a result of this adjustment, revenues decreased by Euro 22,067 for the year ended December 31, 2021; consequently, the related stock increased by Euro 34,383.

e) Deferred tax assets

Deferred tax assets at January 1, 2021 and December 31, 2021 increased by Euro 1,058 thousand and Euro 1,188 thousand respectively due to the recognition of the tax effects related to other adjustments made in the transition to international accounting standards as detailed below:

Standard	01.01.2021	31.12.2021
IFRS 15	100,567	141,658
IAS 19	56,114	87,413
IFRS 2	49,308	26,158
IAS 16 / IAS 38	851,943	719,993
IFRS 16	-	213,606
Total	**1,057,932**	**1,188,828**

f) Shareholders' Equity

The "FTA reserve" at January 1, 2021 reports a negative balance of Euro 3,774 thousand, as a result of IFRS adjustments, including positive and negative tax effects, made to the items recorded under Italian GAAP (the FTA reserve does not include the amounts of the cutting centre revaluation presented within the revaluation reserve). The table in Section 2.3.8 above details the adjustments resulting from the application of IFRS and recognised to the FTA reserve as of the Transition Date.

g) Employee benefit liabilities

Employee benefit liabilities relates to the liabilities connected with severance pay to employees. This balance sheet item at January 1, 2021 and at December 31, 2021 increased by Euro 234 thousand and Euro 326 thousand, respectively. This adjustment refers to the application of actuarial methods adopted in the valuation of post-employment benefits in accordance with IAS 19.

h) Long-term incentive plan

In application of IFRS2, a liability was recorded for the long-term incentive plan in the amount of Euro 205 thousand, gross of the tax effect.

For more information regarding the incentive plan, please refer to Section 3.3.21.

i) Finance lease liabilities - current and non current

Current and non current financial liabilities related to lease agreements, mainly of rented premises used for retail outlets, recorded as a result of the application of IFRS 16, amounted to Euro 22,484 at January 1, 2021 and Euro 20,825 thousand at December 31, 2021.

For each lease, with the exception of low-value and short-term contracts, the Group has applied IFRS 16 as of the Transition Date according to the following approach:

- the lease liability was measured as the present value of the remaining lease payments as of the Transition Date, discounted using the IBR as of that date;

- the value of the related right-of-use asset was determined to be equal to the lease liability, adjusted for the amount of any accruals related to the lease recognised in the balance sheet immediately prior to the transition to IFRS.

Sections 3.3.3 and 4 below explain the criteria adopted by the Group and the significant estimates made in accounting for leases.

j) Deferred tax liabilities

Deferred tax liabilities at January 1, 2021 and December 31, 2021 increased by Euro 473 thousand and Euro 37 thousand respectively due to the recognition of the tax effects related to other adjustments made in the transition to international accounting standards as detailed below:

Standard	01.01.2021	31.12.2021
IAS 16 / IAS 38	473,084	40,350
IAS 19	-	9,077
IFRS 16	-	(12,689)
Total	**473,084**	**36,738**

4.11.2 Consolidated income statement for the year ended December 31, 2021

The most significant effects on the income statement concern the items "Costs for services and rental expenses", "Amortisation, depreciation and write-downs" and "Financial charges", which include adjustments related to the application of IFRS 16 on leases that resulted in the reversal of leases and the charging of amortisation, depreciation and interest to the income statement.

EXPLANATORY NOTES TO THE MAIN INCOME STATEMENT ACCOUNTS

Notes on the Group's main income statement accounts are presented below. For a better understanding of the performance of the income statement, please also refer to the comments included in the Directors' Report.

5. Revenues from contracts with customers

Revenues from contracts with customers in 2022 amounted to Euro 46,375 thousand, compared to Euro 43,631 thousand in 2021 (up 6%). Breakdown by sales channel and geographic area for 2022 and 2021 is presented below:

31 December at current exchange rates						
In thousands of €	**2022**	**Inc. %**	**2021**	**Inc. %**	**Var**	**Var %**
Retail	16,763	36%	13,996	32%	2,767	20%
Wholesale	26,680	58%	26,667	61%	14	0%
B2C	2,932	6%	2,968	7%	-37	-1%
Total	**46,375**	**100%**	**43,631**	**100%**	**2,744**	**6%**

31 December at current exchange rates						
In thousands of €	**2022**	**Inc. %**	**2021**	**Inc. %**	**Var**	**Var %**
Italy	17,230	37%	15,982	37%	1,248	8%
Europe	13,916	30%	11,943	27%	1,973	17%
Rest of the world	15,230	33%	15,707	36%	-477	-3%
Total	**46,375**	**100%**	**43,631**	**100%**	**2,744**	**6%**

For greater details on the development of revenues in the year, reference should be made to the preceding section of the Directors' Report.

The Group presents the revenue breakdown disclosure following a quali-quantitative approach. The timing of revenue recognition, for sales of goods, whether through the retail or wholesale channel, occurs when control of the goods has been transferred to the customer, generally at the time of delivery.

6. Other income

Other income in 2022 mainly includes:

- income from property leases benefiting the parent company for Euro 85,100, regarding the subleasing of leased spaces,
- photovoltaic plant grant recognised by Monnalisa S.p.A. for Euro 45,508,
- rebates and discounts of Euro 39,795,
- insurance damage recovery of Euro 50,622,
- operating grants of Euro 241,743, mainly related for Euro 119,993 to the research and development tax credit related to fiscal year 2022,
- grant received by the US subsidiary ML Retail for Euro 51,859 for the Employee

Retention Credit project, which provided for the U.S. government to award a grant to partially cover some facility costs under the COVID-19 health emergency.

Pursuant to Article 1, Paragraph 125 of Law No. 124 of August 4, 2017, in compliance with the obligation of transparency, it should be noted that on an accrual basis, the Group received the following contributions during fiscal year 2022:

▪contributions for curricular internships amounting to Euro 3,760,
▪energy bonus of Euro 39,689,
▪tax credit for capital goods investment of Euro 14,714.

7. Cost of sales and operating costs

The costs of sales and operating costs in 2022 amounted to Euro 49,520,966, compared to Euro 47,796,009 in 2021, increasing 4% on 2021, as a direct consequence of the increased revenues in the year. They are broken down by nature of expense in the following table:

Description	31/12/2022	31/12/2021	Changes
Change in inventories of goods	1,742,488	1,123,839	618,649
Raw materials, consumables and goods	12,057,107	11,710,292	346,815
Cost for services and use of third-party assets	15,267,281	15,376,041	(108,760)
Personnel costs	11,952,838	10,645,647	1,307,191
Amortisation and Depreciation	8,114,926	8,069,720	45,206
Other operating costs	386,325	870,470	(484,145)
Total	**49,520,966**	**47,796,009**	**1,724,957**

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.

Costs of raw materials, goods and consumables including the change in inventories of finished products, are strictly related to that outlined in the Directors' Report and in the revenue performance section, and are recognised in accordance with the principle of correlation with revenues for the period. An 8% increase is reported due to the increase in revenues.

8. Service costs and rent, lease and similar costs

Service costs in 2022 amounts to Euro 15.3 million, in line with the comparative year and including costs for the acquisition of services for core operations which are recognised to the Income Statement on completion.

Specifically, they mainly relate to the following accounts;

- Production services costs (sewing, ironing, embroidery, printing & other services) for Euro 3.1 million, related to the production of finished products,
- technical, industrial, administrative and commercial consultancy for Euro 1.9 million,
- transportation costs (on sales and/or purchases) of Euro 2.7 million,
- national and local advertising for Euro 800 thousand,

With regard to lease costs, it should be noted that some lease agreements that the Group has in place provide for payments based on turnover volumes achieved during the year (variable payments) that are recorded on an accrual basis and not included in the determination of the financial liability for leases.

9. Personnel costs

The personnel costs incurred during the year amounted to Euro 11,952 thousand, an increase of 12% on the comparative year, which were significantly impacted by the lockdown and the use of social security schemes. The change at consolidated level also reflects the strengthening of a number of currencies with which the Group operates.

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 period and the amount contributed to external pension funds.

10. Amortisation, depreciation & write-downs

Amortisation and depreciation has been calculated based on the duration of the useful life of the asset or its use in production. They are broken down as follows:

Description	31/12/2022	31/12/2021	Changes
Depreciation of Tangible assets	2,006,193	2,354,969	(348,776)
Amortisation of Intangible assets	341,504	585,334	(243,830)
Amortisation of Right of use assets	5,493,019	4,932,400	560,619
Write-off of trade receivables	273,849	197,017	76,832
Total	**8,114,565**	**8,069,720**	**44,845**

The depreciation and amortisation was calculated considering the measurement criteria outlined in the relative paragraph above of these notes.

Reference should be made to paragraphs 6.1, 6.2 and 6.3 for further details on investments in the year.

Write-downs include the write-down of trade receivables for Euro 273 thousand (Euro 197 thousand in 2021).

11. Financial management

Financial income and charges in 2022 presents a net charge of Euro 1,342 thousand, compared to a net charge of Euro 589 thousand in the previous year.

Description	31/12/2022	31/12/2021	Changes
Interest income	11,855	4,288	7,567
Bank financial interests	(248,913)	(217,460)	(31,453)
Other financial interests	(241,219)	(201,176)	(40,043)
Financial interests for leasing IFRS16	(815,908)	(842,583)	26,675
Exchange losses	(910,760)	(564,926)	(345,834)
Exchange gains	862,475	1,233,058	(370,583)
Total	**(1,342,470)**	**(588,799)**	**(753,671)**

Bank financial interests mainly include the interest on short-term bank loans and on medium/long-term bank loans of the parent company.
The financial charges on employee benefits recognised with regards to the measurement as per IAS 19 of defined benefit plans are recognised to “Other financial interests” for Euro 48,357.
Interest for leasing amounted to Euro 816 thousand in 2022 (Euro 843 thousand in 2021).
The net unrealised component of currency management resulted in a net loss of Euro 48 thousand, compared to a net gain in the previous year of Euro 688 thousand.

12. Income taxes

Income taxes have been calculated on the basis of taxable profit taking account of the changes in the tax code applied by current legislation, applicable in the various countries in which the companies within the consolidation scope operate.
The breakdown is as follows:

Description	31/12/2022	31/12/2021	Changes
Current taxes	2,941	36,440	(33,499)
Deferred tax charges/(income)	(148,936)	(1,260,656)	1,111,720
Total	**(145,995)**	**(1,224,216)**	**1,078,221**

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 breakdowns of the account is as follows:

Description	Deferred tax assets 2022	Deferred tax liabilities 2022
Tangible and intangible fixed assets	0	(273,964)
Inventories	382,620	0
Trade receivables	382,984	0
Trade receivables exchange effect	0	(49,753)
Receivables - IFRS 15	29,869	0
Liabilities for IFRS 2	8,562	0
Risks stores provision IFRS 16	19,530	0
Returns on sales provision	82,977	0
Service cost and interest cost of defined-benefit plans for employees	80,691	0
Valuation derivatives to OCI	0	0
Fiscal losses Monnalisa S.p.A.	2,060,631	0
Fiscal losses subsidiaries	279,956	0
IFRS 16 effects for subsidiaries	137,875	0
Intercompany margin on inventory	482,974	0
Other	380,853	(171,960)
Total	**4,329,522**	**(495,678)**

Regarding temporary differences and related deferred tax assets/liabilities impacting OCI, please refer to the table below:

Description	Amount	Deferred tax liabilities IRES	Deferred tax liabilities IRAP	Total Deferred tax liabilities 2022
Other comprehensive income/(loss) from recognition of defined-benefit plans for employees	262,164	62,919		**62,919**
Other comprehensive income/(loss) from hedging derivatives	290,054	69,613		**69,613**
Total	**555,218**	**132,532**		**132,532**

At December 31, 2022, the Company determined that the aforementioned deferred tax asset 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.
At December 31, 2022, in view of the significant uncertainty on the overseas markets and with regards to the subsidiaries, the Group did not recognise deferred tax assets on the prior year losses of the subsidiaries, both with regards to the losses in the present year and in terms of prior year losses. The deferred tax assets on prior year losses therefore exclusively concern the parent company Monnalisa S.p.A.

EXPLANATORY NOTES ON THE MAIN BALANCE SHEET ACCOUNTS (assets, shareholders' equity and liabilities)

13. Property, plant and equipment

The following table presents the movements in property, plant and equipment for the year ended December 31, 2022:

Description	31/12/2021	Increases	Decreases	Exc. diffs.	Other movements	Depreciation	31/12/2022
Land and buildings	11,635,620					(323,118)	11,312,501
Plant and machinery	2,411,592	105,095	-	(3,089)	-	(500,564)	2,013,034
Industrial and commercial equipment	298,141	4,501	(901)	20,758	-	(95,188)	227,311
Other assets	2,267,621	203,006	(2,408)	(332)	(4,958)	(615,885)	1,847,043
Assets in progress and advances	64,404	22,650	-	1,034	(64,404)	-	22,650
Leasehold improvements	871,821	226,060		22,337	21,729	(471,438)	670,509
Total	**17,549,199**	**561,313**	**(3,309)**	**40,708**	**(47,633)**	**(2,006,193)**	**16,094,084**

The increases in 2022 of Euro 561,313 mainly concern the purchase of equipment for the operational headquarters of Monnalisa S.p.A., improvements/restyling of existing stores and the capex to open the new Chengdu SKP sales point in China.

For all of the assets recognised to this category:

- The directors, also considering the extraordinary nature of the impacts from the continued consequences in a number of countries from the COVID-19 outbreak, consider that there are no impairments to property, plant and equipment.
- There are no commitments to purchase other assets;
- There are no capitalised borrowing costs.

As of December 31, 2022, any indicators of impairment, traceable through internal or external sources of information, were assessed. The analyses carried out did not reveal the need to carry out specific impairment tests targeting the carrying amounts expressed by the Group as of December 31, 2022 with respect to the right-of-use assets in question. As a reminder, assets obtained through a lease agreement are classified in the "Right of use assets" section that follows below.

14. Right of use assets

The breakdown of "Right of use assets" at December 31, 2022 are presented below:

Description	31/12/2021	Increases	Decreases	Exc. diffs.	Depreciation	31/12/2022
Buildings	20,553,289	5,234,398	(801,298)	202,419	(5,346,659)	19,842,149
Vehicles	235,097	116,187			(121,249)	230,035
Office equipments	175,733	0			(25,105)	150,628
Total	**20,964,119**	**5,350,585**	**(801,298)**	**202,419**	**(5,493,013)**	**20,222,812**

Buildings relates entirely to store leases and only residually to leases of other spaces.
The main increases recorded in 2022 refer to amendments and/or extensions of existing contracts for existing stores; while decreases mainly relate to the lease of a store of the subsidiary Monnalisa China, which was terminated early. The item includes costs for the restoration of premises leased from third parties on the basis of lease agreements that fall within the scope of IFRS16, which are set aside in the provisions for future risks and charges in compliance with the provisions of the standard.

As of December 31, 2022, any indicators of impairment, traceable through internal or external sources of information, were assessed. The analyses carried out did not reveal the need to carry out specific impairment tests targeting the carrying amounts expressed by the Group as of December 31, 2022 with respect to the right-of-use assets in question.

15. Intangible assets with finite useful lives

The following table outlines the composition and movement in the account for the year ended December 31, 2022:

Description	31/12/2021	Increases	Decreases	Exc. diffs.	Other movements	Amortization	31/12/2022
Industrial patents	412,558	152,276	(3,880)	33,654	25,868	(223,371)	397,105
Key money	508,573	0	0	0	0	(118,134)	390,439
Intangible assets in progress	25,459	22,200	0	12	(25,868)	0	21,803
Total	**946,590**	**174,476**	**(3,880)**	**33,666**	**0**	**(341,504)**	**809,347**

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. 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 recognised immediately in the income statement. The directors, also considering the extraordinary nature of the impacts from the continued consequences in a number of countries from the COVID-19 outbreak, consider that there are no impairments to intangible assets.
During the year no financial charges were expensed to fixed assets.

16. Other non current financial assets

The account includes a policy for Director severance pay in the amount of Euro 57 thousand and financial receivables for security deposits in the amount of Euro 825 thousand.
The account includes minor investments in other companies, as specified below. The account amounts to Euro 8,624 and does not report any changes compared to 31.12.2021:

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.

17. Deferred tax assets

With regards to the comments on deferred tax assets reference should be made to the deferred tax assets and liabilities reported in the income statement section above.

In accordance with IAS 12, the Group determined that the aforementioned deferred tax asset 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.

18. Inventories

At December 31, 2022, inventories amounted to Euro 14,538 thousand. They are broken down as follows:

Description	31/12/2022	31/12/2021	Changes
Raw materials, supplies and consumables	2,816,554	1,887,649	928,905
Work in progress and semi-finished products	713,926	1,176,661	(462,735)
Finished products and goods	10,907,143	12,140,895	(1,233,752)
Advances	100,390	104,498	(4,108)
Total	**14,538,012**	**15,309,703**	**(771,691)**

The change in finished product inventories and raw materials reflects the expected value estimates, based on the sales capacity through the usual distribution channels. Specifically, the value of finished products and work in progress inventory in the first half of each year is generally higher than in December. The finished product obsolescence provision and the raw material obsolescence provision reflect management's best estimate based on the allocation of inventory by year and season, on past experience and on future sales prospects. The two obsolescence provisions total Euro 1.4 million (Euro 1.6 million at December 31, 2021).

19. Trade receivables

The account is broken down as follows:

Description	31/12/2022	31/12/2021	Changes
Trade receivables	9,543,769	9,254,642	(10,873)
Allowance for doubtful accounts	(1,684,815)	(1,618,180)	(66,635)
Total	**7,858,954**	**76,462**	**(77,508)**

Trade receivables essentially concern wholesale sales and increased slightly on December 31, 2021, in line with the increase in revenues in the year. The relative allowance for doubtful accounts is considered adequate to deal with any insolvencies.
The movement in the allowance for the doubtful accounts in 2022 was as follows:

Description	Total
Balance at 31/12/2021	**1,618,180**
Utilisation in the period	(197,756)
Provision in the period	264,391
Balance at 31/12/2022	**1,684,815**

The doubtful debt provision was calculated considering the amount of doubtful receivables, analysing the specific conditions of the individual Group clients, any guarantees provided to the Group and appropriately assessing disputes and progress and the possibility of recovering overdue receivables. The Group has, in addition, analysed the average rate of customer default and loss on accounts receivable reported in recent years, in order to assess the consistency of the findings of the analyses conducted on the expected loss on accounts receivable of each customer with the historical loss rate.

20. Tax receivables

"Tax receivables" mainly include:

- VAT receivables for approx. Euro 430,029,
- IRES and IRAP advances for Euro 652,678,
- Research and Development credit for Euro 235,901.

21. Other current assets

At December 31, 2022, Other current assets amounted to Euro 1,245,169 and mainly included prepaid expenses of Euro 363,466 (Euro 540,000 at December 31, 2021) and the parent company's receivable from Jafin S.r.l. in the amount of Euro 360,000, following the early repayment of the bond loan by the latter through partial offsetting against some of the future rents for the use of the properties located in Milan, also providing for a reduction in the rent in favour of Monnalisa S.p.A.

22. Other current financial assets

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

Description	31/12/2021	Changes	31/12/2022
Financial Derivatives	19,436	270,622	290,058
Other financial receivables	380,402	(160,452)	219,951
Total	**399,838**	**110,171**	**510,009**

The account mainly includes the fair value measurement of the existing derivative contracts, undertaken by the parent company Monnalisa S.p.A. For further details, reference should be made to the "Information on the fair value of derivative financial instruments" paragraph.

23. Cash and cash equivalents

The balance concerns cash and cash equivalents and cash on hand at December 31, 2022:

Description	31/12/2022	31/12/2021	Changes
Bank & postal deposits	3,313,629	4,492,979	(1,179,350)
Cash & cash equivalents on hand	94,534	67,090	27,444
Total	**3,408,163**	**4,560,070**	**(1,151,906)**

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

24. Shareholders' Equity

Statement of changes in Group Shareholders' equity

Description	Share capital	Legal Reserve	Revaluation reserve	Cash flow hedge reserve	Other reserves	Effect IAS 19 Equity	Retained earnings	Net profit/ (loss) for the period	Group shareholders' equity
As at 01/01/2022	**10,000,000**	**1,108,276**	**3,969,584**	**11,727**	**6,775,672**	**(99,113)**	**6,956,478**	**(2,110,890)**	**26,611,734**
Allocation of result		34,930			352,053		(2,497,873)	2,110,890	-
Other movements IAS 29			60,989						60,989
Net profit/(loss) for the period								(3,248,398)	(3,248,398)
Other comprehensive income/(loss)				208,104	86,276	298,358			592,738
As at 31/12/2022	**10,000,000**	**1,143,206**	**4,030,573**	**219,831**	**7,214,001**	**199,245**	**4,458,605**	**(3,248,398)**	**24,017,063**

At the reporting date, securities in circulation concerned only 5,236,300 ordinary shares of a nominal value of Euro 10,000,000.
Other reserves mainly comprise:
- the share premium reserve of the parent company for Euro 9,063,125, recognised on the share capital increase following the listing,
- the non-distributable reserve for currency differences of Euro 352,053,
- the treasury shares in portfolio reserve of the parent company, for anegative Euro 149,915,
- the translation reserve, for Euro 28,445, which reflects the changes in the value of the share of the equity of the subsidiaries, due to movements in the exchange rates of the functional currencies of the companies, against the Group's functional currency,
- the negative FTA reserve for Euro 2,764 thousand.

The "IAS 19 equity effect" account includes the amounts recognised against the measurement differences required by IFRS in comparison to the local GAAP of the parent company, and concern the actuarial valuation of the employee benefit plans, calculated in accordance with that outlined at note 26 below.
No convertible bonds have been issued. No "stock-option" plans have been approved.
Amounts shown are net of tax effects where applicable.

25. Provisions for risks and charges

They are broken down in the following table:

Description	31/12/2022	31/12/2021	Changes
Provisions for pension and similar	49,022	65,195	(16,173)
Product returns charges provision	297,407	255,229	42,178
Other	382,555	390,000	(7,445)
Total	**728,984**	**710,424**	**18,560**

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 49,022,
- The product returns charges provision for Euro 297 thousand, which is estimated on the basis of future forecasts and taking into account historical trends, given that the goods are in any case returned by the preparation date of the financial statements and that the return results in a contraction in period revenues,
- Provision for restoration of space used for retail activities of Euro 375 thousand.

26. Employee benefit liabilities

The account includes the amount due to employees at the reporting date, calculated in accordance with Article 2120 of the Italian Civil Code and any national and supplementary contracts in effect. The liability mainly relates to the post-employment severance for employees of the parent company Monnalisa S.p.A., adjusted in accordance with IAS 19.
Changes in employee benefit liabilities are shown below:

In thousand of Euro	31.12.2022
Defined benefit obligation 01.01.2022	2,493
Service Cost	288
Interest Cost	48
Benefits Paid	(109)
Payments to Funds	(24)
Expected DBO 31.12.2022	2,696
Actuarial (Gains)/Losses for experience	83
Actuarial (Gains)/Losses for assumptions	(475)
Defined benefit obligation 31.12.2022	**2,304**

The main demographic and economic assumptions used are as follows:

	31.12.2022	31.12.2021
Annual discount rate	3.22%	0.98%
Annual inflation rate	2.10%	1.75%
Annual increase rate severance pay	3.075%	2.813%
Annual wage increase rate	0.50%	0.50%

Specifically, the annual discount rate used to determine the present value of the bond was derived, consistent with para. 83 of IAS 19, from the Iboxx Corporate AA index with duration 10+ recognised at the valuation date. For these purposes, the yield with a comparable duration to the duration of company employees subject to valuation was chosen.

The annual rate of increase of severance pay, as stipulated in Article 2120 of the Civil Code, is 75% of inflation plus 1.5 percentage points.

The technical demographic bases used at December 31, 2022 are shown below:

Technical bases	31.12.2022
Death	RG48 mortality tables produced by the General State Accounting Body
Inability	INPS tables different according to age and sex
Retirement	100% to the achievement of the requirements AGO appropriate to Decree-Law n.4/2019AGO in accordance with D.L: n.4/2019

Annual turnover and severance pay advance frequencies are assumed to be 3.00% and 5.00%, respectively, and are inferred based on historical experience.

27. Other non current liabilities

The account mainly includes Euro 103,173 (193,122 at 31/12/2021) of the outstanding liability for the long-term incentive plan, before tax effect, illustrated above.

28. Current and non current lease liabilities

Changes in the lease liability in 2022 are shown below:

Lease liabilities	
As at 01.01.2022	**20,825,308**
Exchange difference	(657,239)
Increase	5,942,111
Decrease	(806,988)
Lease Payments	(5,857,104)
Interests on lease liabilities	815,908
As at 31.12.2022	**20,261,996**

The average IBR applied to existing contracts when IFRS 16 was first applied was 3.5%; for contractual changes made in the second half of 2022, the rate was revised, in line with the standard's requirements, and an average IBR rate of 5.9% was applied.

29. Non financial current liabilities

The account is broken down as follows:

Description	31/12/2022	31/12/2021	Changes
Trade payables	8,291,096	7,289,430	1,001,666
Tax payables	487,587	429,106	58,481
Other current payables	2,542,405	2,428,685	113,720
Total	**11,321,088**	**10,147,221**	**1,173,867**

The account comprises:

- "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 the account "Deferred tax liabilities". The account amounted to Euro 487,587 (Euro 429,196 at December 31, 2021) and includes, in particular, sums withheld from employees and self-employed workers and duly paid in 2023;
- "Other current liabilities" mostly concern accrued commissions payable to agents of Euro 187,697 thousand, deferred amounts and additional months payable to employees of Euro 1,518,618, duly settled in 2023, and advances from customers for Euro 519 thousand.

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.

30. Financial payables

A breakdown of current and non current loans and borrowings is given below:

Description	31/12/2022	31/12/2021	Changes
Financial current liabilities	6,135,390	8,007,615	(1,872,225)
Financial non current liabilities	6,083,387	5,504,377	579,010

During 2022, the parent company Monnalisa S.p.A. repaid long-term loans through cash flow generated from operations.
No new loan agreements were signed in 2022, except for the disbursement of the second tranche of a SIMEST loan; existing loans do not have covenant clauses.

31. OTHER INFORMATION

Information on the fair value of the financial derivative instruments

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

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

The hedging operations at December 31, 2022 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	3,157,895 euro
Premium	Euribor 6 months

Bank Parameter Rate	Euribor 6 months
Client Parameter Rate	1%

At 31/12/2022, the mark to market of the transaction was Euro +169,224.

•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	2,909,534 euro
Premium	Euribor 3 months
Bank Parameter Rate	Euribor 3 months
Client Parameter Rate	-0.2%

At 31/12/2022, the mark to market of the transaction was Euro +120,834.

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

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

Description	Trade receivables	Financial receivables	Other receivables	Trade payables	Other payables	Revenues	Costs
Jafin S.r.l.	12,200		360,000			10,000	410,208
Fondazione Monnalisa	194,193					52,913	
Hermes & Athena Consulting Srl				120,000			200,000
Barbara Bertocci							127,500
Diletta Iacomoni							227,272

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

Information on the remuneration of the Independent Audit Firm, directors and the statutory auditors
In accordance with law, we report:

- the consideration in the year for the services provided by the Independent Audit Firm and the entities within its network to the Group for the audit of the parent company for Euro 63,000, of Euro 42,300 for the audit of the statutory and consolidated financial statements and Euro 12,700 for the limited audit of the interim consolidated half-year financial statements at June 30, 2022. Euro 8,000 for other work is in addition considered.
- the remuneration paid to parent company Directors and Statutory Auditors follows, including that for the performance of functions in other companies included in the consolidation:

Category	Fee 2022
Directors	320,000
Board of Statutory Auditors	49,000
Total	**369,000**

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

Significant non-recurring and/or atypical events and transactions

No significant non-recurring events or transactions were undertaken by the Monnalisa Group in 2022.
The Group did not carry out atypical and/or unusual transactions whose nature or purpose may compromise the completeness and accuracy of the financial statement disclosure provided.

32. SIGNIFICANT EVENTS IN THE YEAR

2022 featured the outbreak of the conflict between Russia and Ukraine and the ensuing consequences for the global economy. The year was significantly impacted also by the continued pandemic crises, particularly in China, with effects also on the eastern market in general. The post-pandemic situation in China, Hong Kong and Taiwan has seriously challenged an economic recovery, with such expected signs of recovery therefore not yet materialising for the Group’s operating and financial performance.
The Group adopted from January 1, 2022, for the preparation of the consolidated financial statements, the version of IFRS adopted by the European Union (hereafter also “IFRS”). Reference should be made to paragraph 4 above for further information.

Separate Financial Statements at December 31, 2022

Financial Statements

Statutory Income Statement

(Euro)	Notes	31/12/2022	of which with related parties	31/12/2021	of which with related parties
Revenues from contracts with customers	*5*	39,689,167	*3,728,025*	36,919,266	*2,973,357*
Other income and revenues	*6*	1,297,480	*327,072*	1,413,938	*340,477*
Revenues		**40,986,647**		**38,333,205**	
Changes in inventories of work in progress, semi-finished goods and finished products	7	(1,807,183)		(320,249)	
Raw materials, finished products and consumables used	7	(11.584.294)		(11,334,873)	
Costs for services	*8*	(13,328,077)	*(1,004,750)*	(12,723,819)	*(1,253,754)*
Personnel costs	*9*	(9,258,148)	*(227,272)*	(8,223,943)	
Amortization, depreciation and write-downs	*10*	(4,498,977)		(5,136,310)	
Other operating costs		(278,937)		(342,391)	
Operating profit/(loss)		**231,030**		**251,618**	
Financial charges	*11*	(894,895)		(875,556)	
Financial income	*11*	60,751	*50,044*	44,332	*41,591*
Gains/(losses) on exchange rate differences	*11*	400,724		262,825	
Profit before taxes		**(202,390)**		**(316,781)**	
Income Taxes	*12*	7,373		1,099,528	
Net profit/(loss) for the period		**(195,016)**		**782,747**	

Statutory Comprehensive Income Statement

(Euro)	Note	31.12.2022	31.12.2021
Net profit/(loss) for the period		**(195,017)**	**782,747**
Net gain/(Loss) from hedging derivatives	25	208,105	32,971
Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes		**208,105**	**32,971**
Net gain/(loss) from recognition of defined-benefit plans for employees	25	298,358	(99,113)
Total other gains / (losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes		**298,358**	**(99,113)**
Total other gains / (losses) net of taxes		**506,463**	**(66,142)**
Total comprehensive income for the period, net of taxes		**311,446**	**716,605**

Statutory Balance Sheet

(Euro)	Notes	31-dec-22	of which with related parties	31-dec-21	of which with related parties	31-dec-20	of which with related parties
NON CURRENT ASSETS							
Property, plant and equipment	*13*	14,868,601		16,005,341		17,662,108	
Right of use assets	*14*	11,403,587		13,463,036		15,802,108	
Intangible assets with a finite useful life	*15*	746,644		906,870		1,127,873	
Equity investments in subsidiaries	*16*	9,780,502		9,765,502		9,765,502	
Other non current financial assets	*17*	3,075,344	*2,802,655*	2,988,750	*2,743,754*	4,140,942	*3,901,939*
Deferred tax assets	*18*	2,841,432		3,943,166		2,924,098	
TOTAL NON CURRENT ASSETS		**42,716,109**	***2,802,655***	**47,072,665**	***2,743,754***	**51,422,631**	***3,901,939***
CURRENT ASSETS							
Inventories	*19*	11,904,557		12,782,300		13,465,606	
Trade Receivables	*20*	17,466,616	*9,868,668*	15,901,358	*8,918,190*	12,936,356	*6,385,676*
Tax Receivables	*21*	1,407,514		1,048,308		1,519,121	
Other current assets	*22*	928,866	*360,000*	962,448	*540,000*	405,883	
Other current financial assets	*23*	2,726,509	*2,436,451*	2,294,780	*2,275,344*	625,533	*621,700*
Cash and cash equivalents	*24*	1,903,949		2,797,458		2,612,791	
TOTAL CURRENT ASSETS		**36,338,012**	***12,665,119***	**35,786,653**	***11,733,534***	**31,565,291**	***7,007,376***
TOTAL ASSETS		**79,054,121**	***15,467,775***	**82,859,318**	***14,477,288***	**82,987,922**	***10,909,315***
SHAREHOLDERS' EQUITY							
Share capital	*25*	10,000,000		10,000,000		10,000,000	
Reserves	*25*	31,178,372		29,889,162		34,499,511	
Net profit/(loss)		(195,016)		782,747		(4,544,205)	
TOTAL SHAREHOLDERS' EQUITY		**40,983,356**		**40,671,909**		**39,955,306**	
NON CURRENT LIABILITIES							
Non current financial liabilities	*26*	6,135,390		8,007,615		10,140,004	
Provisions for risk and charges	*27*	416,429		405,425		703,643	
Employee benefit liabilities	*28*	2,303,543		2,560,948		2,254,651	
Other non current liabilities	*29*	142,977		218,926		293,256	
Non current lease liabilities	*30*	9,234,336		10,779,514		13,058,559	
Deferred tax liabilities	*32*	132,533		1,084,140		1,214,793	
TOTAL NON CURRENT LIABILITIES		**18,365,208**	***0***	**23,056,569**	***0***	**27,664,906**	
CURRENT LIABILITIES							
Trade payables	*31*	8,961,680	*1,175,468*	8,638,276	*1,853,274*	6,804,282	*1,008,222*
Current financial liabilities	*26*	6,083,387		5,504,377		4,204,347	
Tax payables	*31*	443,279		374,622		417,411	
Other current liabilities	*31*	2,319,952		2,178,871	*16,640*	1,908,719	*139,088*
Current lease liabilities	*30*	1,897,259		2,431,495		2,001,971	
Other current financial liabilities		0		3,199		30,978	
TOTAL CURRENT LIABILITIES		**19,705,557**	***1,175,468***	**19,130,841**	***1,869,914***	**15,367,709**	***1,147,310***
TOTAL LIABILITIES		**38,070,765**	***1,175,468***	**42,187,410**	***1,869,914***	**43,032,615**	***1,147,310***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**79,054,121**	***1,175,468***	**82,859,318**	***1,869,914***	**82,987,922**	***1,147,310***

Statutory Statement of changes in Shareholders' Equity

(Euro) Note 25	Share capital	Legal reserve	Revaluation reserve	Cash flow hedge reserve	Other reserves	Effect IAS 19 Equity	Retained earnings	Net profit/ (loss) for the period	Total shareholders' equity
As at 01.01.2021	**10,000,000**	**1,108,276**	**3,969,582**	**(21,243)**	**8,049,453**	**0**	**21,393,442**	**(4,544,205)**	**39,955,306**
Allocation of result							(4,544,205)	4,544,205	**0**
Net profit/(loss) for the period								782,747	**782,747**
Other comprehensive income/(loss)				32,968		(99,113)			**(66,145)**
As at 31.12.2021	**10,000,000**	**1,108,276**	**3,969,582**	**11,725**	**8,049,453**	**(99,113)**	**16,849,237**	**782,747**	**40,671,909**

(Euro) Note 25	Share capital	Legal reserve	Revaluation reserve	Cash flow hedge reserve	Other reserves	Effect IAS 19 Equity	Retained earnings	Net profit/ (loss) for the period	Total shareholders' equity
As at 01.01.2022	**10,000,000**	**1,108,276**	**3,969,582**	**11,727**	**8,049,453**	**(99,113)**	**16,849,238**	**782,747**	**40,671,909**
Allocation of result		34,930			352,053		395,765	(782,747)	**0**
Net profit/(loss) for the period								(195,016)	**(195,016)**
Other comprehensive income/(loss)				208,105		298,358			**506,463**
As at 31.12.2022	**10,000,000**	**1,143,206**	**3,969,582**	**219,832**	**8,401,506**	**199,245**	**17,245,003**	**(195,016)**	**40,983,356**

Statutory Cash Flow Statement

(Euro)	31.12.2022	of which with related parties	31.12.2021	of which with related parties
Net Profit/(loss) for the period	**(195,016)**		**782,747**	
Adjustments to reconcile net profit (loss) to net cash from (used in) operating activities:				
Amortization, depreciation and write-downs of tangible and intangible assets, investment property and right-of-use assets	4,225,128		4,740,415	
Income taxes	(7,373)		(1,099,528)	
Provision for employee benefit plans	325,279		298,632	
Allocation to/(use of) the provision for obsolete inventory	0		0	
Losses and provision for bad debt	264,031		197,000	
Losses/(gains) on disposal of tangible/intangible assets	0		0	
Interest expense and interest expense on lease liabilities	894,895		875,557	
Interest income	(60,751)		(44,332)	
Other non-monetary items	(37,953)		198,895	
Changes in operating assets and liabilities				
Inventories	877,743		683,306	
Trade receivables	(1,565,258)	(1,547,417)	(351,894)	(134,275)
Trade payables	323,404	91,648	636,528	(390,046)
Other receivables and tax payables	35,006		78,125	
Other assets and liabilities	676,820		(846,249)	
Employee benefits payments	(133,026)		(117,137)	
Income taxes paid	(1,003,927)		0	
Interest expense and interest expense on lease liabilities paid	(834,144)		(875,557)	
Interest income received	11,851		0	
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**3,796,708**	**(1,455,769)**	**5,156,508**	**(524,321)**
Cash flow from investing activities				
Purchase of tangible assets	(324,782)		(326,409)	
Purchase of intangible assets	(169,115)		(205,038)	
Proceeds from the sale of tangible and intangible assets	0		0	
NET CAS FROM (USED IN) INVESTING ACTIVITIES	**(493,897)**	**0**	**(531,447)**	**0**
Cash flow from financing activities				
Net change in financial receivables	(159,385)		(1,041,451)	
Net change in financial payables	(1,293,256)		(832,359)	
Repayment of lease liabilities	(2,743,679)		(2,566,584)	
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**(4,196,320)**	**0**	**(4,440,394)**	**0**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(893,509)**	**(1,455,769)**	**184,667**	**(524,321)**

NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**2.797.458**	**2.612.791**
Increase (decrease) of net cash and cash equivalents	(893.509)	184.667
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**1.903.949**	**2.797.458**

Explanatory Notes to the Separate Financial Statements at December 31, 2022

1. General information

Monnalisa S.p.A. (hereafter "the 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.
The financial statements for the year ended December 31, 2022, presented for your examination and approval, report a net loss of Euro 195,016.

2. Transition to international financial reporting standards IAS/IFRS

From January 1, 2022, the company adopted for the preparation of the financial statements the IFRS accounting standards in the version adopted by the European Union (hereinafter also "IFRS") designating January 1, 2021 as the transition date to the new accounting standards. The last financial statements prepared in accordance with Italian GAAP (OIC) refer to the year ended December 31, 2021.
The present attachment discloses the information required by IFRS 1 and, in particular, the description of the impacts from the transition to IFRS on the balance sheet and income statement of the company. For this purpose, the following were drawn up:

- a description of the accounting policies regarding the application rules of IAS/IFRS and the accounting treatments chosen under the accounting options permitted by those standards;
- the reconciliation between the balance sheets of the Company (i) at January 1, 2021 (Transition Date), (ii) at December 31, 2021 (date of the last financial statements prepared in accordance with Italian GAAP), drawn up in accordance with Italian GAAP and with IFRS;
- the reconciliation of the income statement and the comprehensive income statement for the year ended December 31, 2021 prepared in accordance with Italian GAAP and with IFRS;
- the reconciliation between the shareholders' equity and net result at January 1, 2021 and December 31, 2021 prepared in accordance with Italian GAAP and with IFRS;
- the reconciliation of the cash flow statement at December 31, 2021 prepared in accordance with Italian GAAP and reclassified in accordance with the classification criteria chosen by the Company for IFRS financial statements and the cash flow statement prepared in accordance with IFRS;
- the explanatory notes relating to the adjustments and reclassifications included in the above-mentioned reconciliation statements, which describe the significant effects of the transition, with regard to the classification of the various accounts in the financial statements and in relation to their measurement and, therefore, to the consequent effects on the balance sheet, financial position and income statement.

2.1 Basis of presentation of reconciliation statements

The reconciliation statements show the IFRS adjustments and reclassifications made to reflect changes in the presentation, recognition and measurement criteria required by IFRS compared to the Company's historical data prepared in accordance with Italian GAAP.

It should also be noted that the reconciliation statements have been prepared in accordance with IFRSs in effect at the date of their preparation, including: the IFRSs recently adopted by the International Accounting Standards Board ("IASB"), International Accounting Standards (IAS), and interpretations by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The effects of the transition to IFRS derive from changes in accounting policies and, consequently, as required by IFRS 1 are reflected in the opening equity at the transition date (January 1, 2021) in a specific "FTA Reserve".
The transition to IFRS has required maintaining the estimates previously made as per Italian GAAP ("OIC"), unless the adoption of IFRS has required the drafting of estimates using different methods.
No exceptions to the application of IFRS were applied in the preparation of these reconciliation statements.

2.2 Application rules and accounting options on adoption of IFRS and selected policies

The balance sheet as of January 1, 2021 reflects the following differences in treatment compared to the balance sheet values measured in accordance with Italian GAAP on the same date:

- all and only assets and liabilities recognisable under IFRS were recognised; including those not provided for in application of the OICs;
- all assets and liabilities whose recognition is required by the OICs but not permitted by IAS/IFRS have been eliminated;
- the accounts previously indicated in a manner differing from that established under IFRS were reclassified;
- assets and liabilities were recognised at the values that would have been determined had the new standards always been applied except for the exemptions/options allowed under IFRS 1;
- all adjustments resulting from the first-time application of IFRS were recognised with a balancing entry in shareholders' equity net of the tax effect from time to time recognised in the deferred tax provision or in deferred tax assets; the latter were recognised to the extent that it was considered probable that future taxable income would be available against which they could be recovered.

IFRS 1 provides a retrospective approach to the application of IFRS, however permitting some "exemptions": optional and mandatory, the latter are called "exceptions."
The Company has applied the provisions of IFRS 1. The main choices made, including exemptions under IFRS 1, are shown below, indicating those used in the preparation of the opening balance sheet as of January 1, 2021 and the financial statements as of December 31, 2021:

- *presentation of the financial statements*: the "current/non-current" presentation and classification has been adopted for the balance sheet. For the Income Statement, the format of classifying costs according to their nature was adopted. For the Income Statement, the Group has, in addition, decided to present two separate statements: the income statement and the other items of the comprehensive income statement;

- *choosing to use the following exemptions provided by IFRS 1, paragraph 13, when first applying IFRS (January 1, 2021):*
    - *Valuation estimates*: IFRS 1 establishes that the estimates utilised in the restatement at the Transition Date shall be consistent with estimates made for the financial statements under the previous GAAP (after adjustments to reflect any difference in accounting policies);

- *business combinations:* IFRS 3 was not applied retrospectively to business combination transactions that occurred before the IFRS Transition Date. Therefore, business combinations that occurred until January 1, 2021 remain accounted for based on the *Previous GAAP*;
- *employee benefits:* all cumulative actuarial gains and losses existing as of January 1, 2021 were fully recognised in Equity as of the IFRS Transition Date, specifically in the FTA Reserve. Subsequent actuarial gains and losses will be recognised in a specific reserve, called the IAS 19 Reserve;

- *accounting treatments chosen under the accounting options provided by IFRSs endorsed by the European Union:*
  - *valuation of property, plant and equipment and intangible assets:* subsequent to the initial recognition at cost, IAS 16 - Property, plant and equipment and IAS 38 - Intangible assets provide that property, plant and equipment and intangible assets, which have an active market value, may be measured at cost net of accumulated amortisation and depreciation and impairments, or periodically by determining the market value and adjusting the carrying amount to this value ("Revaluation Model"). The Company chose to maintain the cost as the measurement criterion of property, plant and equipment and intangible assets.
  - *inventories*: according to IAS 2, the cost of inventories should be stated according to the FIFO method or the weighted average cost method. The Company has adopted the weighted average cost method.

2.3 Main impacts of applying IFRS on the balance sheet as of January 1, 2021 and December 31, 2021, and on the income statement for the year ended December 31, 2021

The differences arising from the application of IFRS versus Italian GAAP, as well as the choices made by the Company in the accounting options under IFRS illustrated above, entail the restating of the financial statements prepared under Italian GAAP, indicating the effects on shareholders' equity and result for the year which are summarised in the statements below. The adjustments required by IFRS are described in detail in the explanatory notes presented below. Presented below are the balance sheets as of January 1, 2021, and December 31, 2021, and the income statement for the year ended December 31, 2021, showing each item in the individual columns:

- the carrying amounts according to Italian GAAP ("ITA GAAP") reclassified as per IFRS;
- the adjustments for compliance with IFRS;
- the values according to IFRS.

2.3.1 Reconciliation statement of the balance sheet at January 1, 2021

The reconciliation is presented below between the balance sheet at January 1, 2021 prepared in accordance with Italian GAAP and reclassified based on the criteria chosen by the Company for the IFRS financial statements and the balance sheet prepared in accordance with IFRS.

(Euro)	01/01/2021 OIC	Changes	Notes	01/01/2021 IFRS
NON CURRENT ASSETS				
Property, plant and equipment	17,964,657	(302,549)	a)	17,662,108
Right of use assets	0	15,802,108	b)	15,802,108
Intangible assets with a finite useful life	2,473,995	(1,346,122)	c)	1,127,873
Equity investments in subsidiaries	9,765,502	0		9,765,502
Other non current financial assets	4,140,942	0		4,140,942
Deferred tax assets	1,866,166	1,057,932	e)	2,924,098
TOTAL NON CURRENT ASSETS	**36,211,262**	**15,211,369**		**51,422,631**
CURRENT ASSETS				
Inventories	13,465,606	0		13,465,606
Trade Receivables	13,338,745	(402,389)	d)	12,936,356
Tax Receivables	1,519,121	0		1,519,121
Other current assets	1,077,461	(671,578)	b)	405,883
Other current financial assets	625,533	0		625,533
Cash and cash equivalents	2,612,791	0		2,612,791
TOTAL CURRENT ASSETS	**32,639,258**	**(1,073,967)**		**31,565,291**
TOTAL ASSETS	**68,850,523**	**14,137,402**		**82,987,922**
SHAREHOLDERS' EQUITY				
Share capital	10,000,000	0		10,000,000
Reserves	36,104,985	(1,605,474)	f)	34,499,511
Net profit/(loss)	(4,544,205)	0		(4,544,205)
TOTAL SHAREHOLDERS' EQUITY	**41,560,780**	**(1,605,474)**		**39,955,306**
NON CURRENT LIABILITIES				
Non current financial liabilities	10,140,004			10,140,004
Provisions for risk and charges	633,643	70,000	b)	703,643
Employee benefit liabilities	2,020,841	233,810	g)	2,254,651
Other non current liabilities	87,804	205,452	h)	293,256
Non current lease liabilities	0	13,058,559	i)	13,058,559
Deferred tax liabilities	741,709	473,084	j)	1,214,793
TOTAL NON CURRENT LIABILITIES	**13,624,001**	**14,040,905**		**27,664,906**
CURRENT LIABILITIES				
Trade payables	6,804,282			6,804,282
Current financial liabilities	4,204,347			4,204,347
Tax payables	417,411			417,411
Other current liabilities	2,208,719	(300,000)	c)	1,908,719
Current lease liabilities	0	2,001,971	i)	2,001,971
Other current financial liabilities	30,978			30,978
TOTAL CURRENT LIABILITIES	**13,665,738**	**1,701,971**		**15,367,709**
TOTAL LIABILITIES	**27,289,739**	**15,742,876**		**43,032,615**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**68,850,523**	**14,137,402**		**82,987,922**

2.3.2 Reconciliation statement of the balance sheet at December 31, 2021

The reconciliation is presented below between the balance sheet at December 31, 2021 prepared in accordance with Italian GAAP and reclassified based on the criteria chosen by the Company for the IFRS financial statements and the balance sheet prepared in accordance with IFRS.

(Euro)	31/12/2021 OIC	Changes	Notes	31/12/2021 IFRS
NON CURRENT ASSETS				
Property, plant and equipment	17,708,912	(1,703,571)	a)	16,005,341
Right of use assets	0	13,463,036	b)	13,463,036
Intangible assets with a finite useful life	1,780,053	(873,183)	c)	906,870
Equity investments in subsidiaries	9,765,502	0		9,765,502
Other non current financial assets	2,988,750	0		2,988,750
Deferred tax assets	2,854,001	1,089,164	e)	3,943,166
TOTAL NON CURRENT ASSETS	**35,097,218**	**11,975,446**		**47,072,665**
CURRENT ASSETS				
Inventories	12,747,917	34,384		12,782,300
Trade Receivables	16,325,814	(424,456)	d)	15,901,358
Tax Receivables	1,048,308	0		1,048,308
Other current assets	1,566,869	(604,421)	b)	962,448
Other current financial assets	2,294,780	0		2,294,780
Cash and cash equivalents	2,797,458	0		2,797,458
TOTAL CURRENT ASSETS	**36,781,146**	**(994,493)**		**35,786,653**
TOTAL ASSETS	**71,878,365**	**10,980,953**		**82,859,318**
SHAREHOLDERS' EQUITY				
Share capital	10,000,000	0		10,000,000
Reserves	32,603,887	(2,714,725)	f)	29,889,162
Net profit/(loss)	698,602	84,145		782,747
TOTAL SHAREHOLDERS' EQUITY	**43,302,489**	**(2,630,580)**		**40,671,909**
NON CURRENT LIABILITIES				
Non current financial liabilities	8,007,615	0		8,007,615
Provisions for risk and charges	335,425	70,000	b)	405,425
Employee benefit liabilities	2,234,548	326,400	g)	2,560,948
Other non current liabilities	93,304	125,622	h)	218,926
Non current lease liabilities	0	10,779,514	i)	10,779,514
Deferred tax liabilities	1,055,638	28,502	j)	1,084,140
TOTAL NON CURRENT LIABILITIES	**11,726,531**	**11,330,038**		**23,056,569**
CURRENT LIABILITIES				
Trade payables	8,638,276	0		8,638,276
Current financial liabilities	5,504,377	0		5,504,377
Tax payables	374,622	0		374,622
Other current liabilities	2,328,871	(150,000)	c)	2,178,871
Current lease liabilities	0	2,431,495	i)	2,431,495
Other current financial liabilities	3,199	0		3,199
TOTAL CURRENT LIABILITIES	**16,849,346**	**2,281,495**		**19,130,841**
TOTAL LIABILITIES	**28,575,877**	**13,611,533**		**42,187,410**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**71,878,365**	**10,980,953**		**82,859,318**

2.3.3 Reconciliation statement of the income statement for the year ended December 31, 2021

Below shows the reconciliation between the income statement for the year ended December 31, 2021 prepared in accordance with Italian GAAP and reclassified based on the criteria chosen by the Company for the IFRS financial statements and the income statement prepared in accordance with IFRS.

(Euro)	31/12/2021 OIC	*Changes*	*31/12/2021 IFRS*
Revenues from contracts with customers	36,941,333	(22,067)	36,919,266
Other income and revenues	1,563,938	(150,000)	1,413,938
Revenues	**38,505,272**	**(172,067)**	**38,333,205**
Changes in inventories of work in progress, semi-finished goods and finished products	(354,633)	34,384	(320,249)
Raw materials, finished products and consumables used	(11,334,873)	0	(11,334,873)
Costs for services	(15,290,403)	2,566,584	(12,723,819)
Personnel costs	(8,350,422)	126,479	(8,223,943)
Amortization, depreciation and write-downs	(3,101,195)	(2,035,115)	(5,136,310)
Other operating costs	(342,391)	(0)	(342,391)
Operating profit/(loss)	**(268,646)**	**520,265**	**251,618**
Financial charges	(570,574)	(489,751)	(1,060,325)
Financial income	491,926	0	491,926
Profit before taxes	**(347,294)**	**30,514**	**(316,781)**
Income Taxes	1,045,897	53,631	1,099,528
Net profit/(loss) for the period	**698,602**	**84,145**	**782,747**

2.3.4 Reconciliation statement of the comprehensive income statement for the year ended December 31, 2021

Below shows the reconciliation between the comprehensive income statement for the year ended December 31, 2021 prepared in accordance with Italian GAAP and reclassified based on the criteria chosen by the Company for the IFRS financial statements and the comprehensive income statement prepared in accordance with IFRS.

(Euro)	31/12/2021 OIC	Changes	31/12/2021 IFRS
Net profit/(loss) for the period	**698,602**	**84,145**	**782,747**
Net gain/(Loss) from hedging derivatives		(32,971)	(32,971)
Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes		**(32,971)**	**(32,971)**
Net gain/(loss) from recognition of defined-benefit plans for employees		(99,113)	(99,113)
Total other gains / (losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes		**(99,113)**	**(99,113)**
Total other gains / (losses) net of taxes		**(132,084)**	**(132,084)**
Total comprehensive income for the period, net of taxes	**698,602**	**(132,084)**	**566,518**

2.3.5 Reconciliation statement of shareholders' equity at January 1, 2021 restated in accordance with IFRS

Below is a reconciliation between the shareholders' equity at January 1, 2021 prepared in accordance with Italian GAAP and the shareholders' equity as of that date prepared in accordance with IFRS.

(Euro)	Share capital	Legal reserve	Revaluation reserve	Cash flow hedge reserve	Other reserves	Reserve FTA	Retained earnings	Net profit/ (loss) for the period	Total Shareholders' equity
As at 01/01/21 OIC	**10,000,000**	**1,108,276**	**2,959,446**	**(21,243)**	**10,665,068**	**0**	**21,393,442**	**(4,544,205)**	**41,560,784**
Adjustment IFRS 15/IFRS9						(301,822)			**(301,822)**
Adjustment IAS 19						(177,696)			**(177,696)**
Adjustment IFRS 2						(156,144)			**(156,144)**
Adjustment IAS 38						(288,173)			**(288,173)**
Restoration depreciation 2020						(1,691,778)			**(1,691,778)**
Revaluation fixed assets						1,010,138			**1,010,138**
As at 01/01/21 IFRS	**10,000,000**	**1,108,276**	**2,959,446**	**(21,243)**	**10,665,068**	**(1,605,475)**	**21,393,442**	**(4,544,205)**	**39,955,306**

2.3.6 Reconciliation statement of shareholders' equity at December 31, 2021 restated in accordance with IFRS

Below is a reconciliation between the shareholders' equity at December 31, 2021 prepared in accordance with Italian GAAP and the shareholders' equity as of that date prepared in accordance with IFRS.

(Euro)	Share capital	Legal reserve	Revaluation reserve	Cash flow hedge reserve	Other reserves	Reserve FTA	Retained earnings	Net profit/ (loss) for the period	Total Shareholders' equity
As at 31/12/21 OIC	**10,000,000**	**1,108,276**	**3,969,582**	**11,727**	**10,665,063**	**0**	**16,849,238**	**698,603**	**43,302,489**
Reserve FTA						(2,615,613)			**(2,615,613)**
Effect on income statement IFRS 16								(287,528)	**(287,528)**
Effect on income statement IFRS 15								53,408	**53,408**
Effect on income statement IAS19					(99,113)			28,745	**(70,368)**
Adjustment IFRS 2								56,680	**56,680**
Adjustment IAS 38								340,989	**340,989**
Reversal income quotation AIM								(108,150)	**(108,150)**
As at 31/12/21 IFRS	**10,000,000**	**1,108,276**	**3,969,582**	**11,727**	**10,565,950**	**(2,615,613)**	**16,849,238**	**782,747**	**40,671,909**

2.3.7 Reconciliation statement of the cash flow statement for the year ended December 31, 2021

Below shows the reconciliation between the cash flow statement for the year ended December 31, 2021 prepared in accordance with Italian GAAP and reclassified based on the criteria chosen by the Company for the IFRS financial statements and the cash flow statement prepared in accordance with IFRS.

Cash Flow Statement	31.12.2021 OIC	Changes	31.12.2021 IFRS
NET CASH FROM (USED IN) OPERATING ACTIVITIES (A)	2,589,923	2,566,584	5,156,507
NET CAS FROM (USED IN) INVESTING ACTIVITIES (B)	(1,572,898)	-	(1,572,898)
NET CASH FROM (USED IN) FINANCING ACTIVITIES (C)	(832,359)	(2,566,584)	(3,398,943)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A ± B ± C)	**184,666**	**-**	**184,666**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**2,612,791**	**2,612,791**	**2,612,791**
Increase /(decrease) in cash and cash equivalents	184,666		184,666
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**2,797,458**	**2,612,792**	**2,797,458**

2.4 Explanatory notes to the reconciliation statements of the balance sheet at January 1, 2021 and at December 31, 2021, the consolidated income statement, the consolidated comprehensive income statement, and the consolidated cash flow statement for the year ended December 31, 2021

For the main adjustments, explanatory notes and references to the adjustments included in the reconciliations of equity and net income shown above are provided below.

2.4.1 Balance sheet at January 1, 2021 and December 31, 2021

a) Property, plant and equipment

During fiscal year 2020, also in light of the provisions of Interpretative Document OIC 9, the Company availed of the option not to carry out the annual depreciation of the cost of tangible fixed assets provided by Article 60, paragraphs 7-bis to 7-quinquies of Decree Law 104 of 2020 (converted by Law 126 of 2020). The transition to international accounting standards resulted in the reinstatement of depreciation not carried out in 2020 in the amount of Euro 1,592 thousand, before the tax effect.

At January 1, 2021, the cost of the industrial building located in the municipality of Civitella Valdichiana, where the Group's cutting centre is located, was aligned with the "deemed cost" values, as required by IFRS 1, based on an independent appraisal report. The alignment value is Euro 1,401 thousand before the tax effect (calculated as Euro 391 thousand). The effects of the related depreciation are reflected in the depreciation schedules at December 31, 2021.

b) Right-of-use assets

Right of use assets in the balance sheet at January 1, 2021 and December 31, 2021 increased by Euro 15,802 thousand and Euro 13,463 thousand, respectively, due to the application of IFRS 16 on leases, mainly related to the leased stores managed by the Company. Included within the item Right of use Assets was an estimate of the cost of restoring premises used primarily for retail outlets whose payment was deemed probable, with an offset to a provision for future charges.

For each lease, with the exception of low-value and short-term contracts, the Company has applied IFRS 16 as of the Transition Date according to the following approach:

- the lease liability was measured as the present value of the remaining lease payments as of the Transition Date, discounted using the IBR as of that date;

- the value of the related right-of-use asset was determined taking account of the lease liability, adjusted for the amount of any accruals related to the lease recognised in the balance sheet immediately prior to the transition to IFRS and the initial costs incurred for these assets.

Sections 3.3.3 and 4 below explain the criteria adopted and the significant estimates made in accounting for leases.

c) Intangible Assets

During fiscal year 2020, also in light of the provisions of Interpretative Document OIC 9, Monnalisa S.p.A. availed of the option not to carry out the annual amortisation of the cost of intangible assets provided by Article 60, paragraphs 7-bis to 7-quinquies of Decree Law 104 of 2020 (converted by Law 126 of 2020). The transition to international accounting standards resulted in the reinstatement of depreciation not carried out in 2020 in the amount of Euro 754 thousand, before the tax effect.

Intangible Assets with a finite useful life at January 1, 2021 and at December 31, 2021, decreased by Euro 1,346 thousand and Euro 873 thousand, respectively, due to the derecognition of start-up and expansion costs and deferred charges, which do not meet the capitalisation requirements of IAS 38. The change in the accounting treatment of start-up and expansion costs also resulted in the direct allocation to the periods concerned of the related grants, which were previously charged to the income statement in proportion to amortisation, with a negative impact at January 1, 2021 and at December 31, 2021 of Euro 300 thousand and Euro 150 thousand, respectively.

d) Trade receivables and revenue from contracts with customers

Trade receivables related to revenues from contracts with customers were adjusted in application of IFRS15, decreasing by Euro 402 thousand at January 1, 2021 and by Euro 424 thousand at December 31, 2021, before tax effect.

As a result of this adjustment, revenues decreased by Euro 22,067 for the year ended December 31, 2021; consequently, the related stock increased by Euro 34,383.

e) Deferred tax assets

Deferred tax assets at January 1, 2021 and December 31, 2021 increased by Euro 1,056 thousand and Euro 1,089 thousand respectively due to the recognition of the tax effects related to other adjustments made in the transition to international accounting standards as detailed below:

Standard	**01.01.2021**	**31.12.2021**
IFRS 15/IFRS 9	100,567	141,658
IAS 19	56,114	87,413
IFRS 2	49,308	26,158
IAS 16 / IAS 38	851,943	719,993
IFRS 16	-	113,942
Total	**1,057,932**	**1,089,164**

f) Shareholders' Equity

The "FTA reserve" at January 1, 2021 reports a negative balance of Euro 1,605 thousand, as a result of IFRS adjustments, including positive and negative tax effects, made to the items recorded under Italian GAAP. The table in Section 2.3.8 above details the adjustments resulting from the application of IFRS and recognised to the FTA reserve as of the Transition Date.

g) *Post-employment benefit liabilities*

Employee benefit liabilities relates to the liabilities connected with severance pay to employees. This balance sheet item at January 1, 2021 and at December 31, 2021 increased by Euro 234 thousand and Euro 326 thousand, respectively. This adjustment refers to the application of actuarial methods adopted in the valuation of post-employment benefits in accordance with IAS 19.

h) Long Term Incentive Plan

In application of IFRS2, a liability was recorded for the long-term incentive plan in the amount of Euro 205 thousand, gross of the tax effect.

For more information regarding the incentive plan, please refer to paragraph 3.3.21.

i) Finance lease liabilities (current and non current)

Current and non current financial liabilities related to lease agreements, mainly of rented premises used for retail outlets, recorded as a result of the application of IFRS 16, amounted to Euro 15,060 at January 1, 2021 and Euro 13,211 thousand at December 31, 2021.

For each lease, with the exception of low-value and short-term contracts, the Company has applied IFRS 16 as of the Transition Date according to the following approach:

- the lease liability was measured as the present value of the remaining lease payments as of the Transition Date, discounted using the IBR as of that date;

- the value of the related right-of-use asset was determined to be equal to the lease liability, adjusted for the amount of any accruals related to the lease recognised in the balance sheet immediately prior to the transition to IFRS.

Sections 3.3.3 and 4 below explain the criteria adopted and the significant estimates made in accounting for leases.

j) Deferred tax liabilities

Deferred tax liabilities at January 1, 2021 and December 31, 2021 increased by Euro 473 thousand and Euro 419 thousand respectively due to the recognition of the tax effects related to other adjustments made in the transition to international accounting standards as detailed below:

Standard	01.01.2021	31.12.2021
IAS 16 / IAS 38	473,084	40,350
IAS 19	0	9,077
IFRS 16	0	(20,925)
Total	**473,084**	**28,502**

2.4.2 Consolidated income statement for the year ended December 31, 2021

The most significant effects on the income statement concern the items “Costs for services and rental expenses”, “Amortisation, depreciation and write-downs" and "Financial charges”, which include adjustments related to the application of IFRS 16 on leases that resulted in the reversal of leases and the charging of amortisation, depreciation and interest to the income statement.

3. ACCOUNTING POLICIES

3.1 Content and form of the operating financial statements

As stated above, the financial statements at December 31, 2022 are the first consolidated financial statements of the company prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), endorsed by the European Union and in force at the reporting date.

Therefore, it was necessary to carry out a transition process from these accounting standards to IFRS; the description of the impacts of the transition to IFRS on the Company's balance sheet and income statement, required by IFRS 1, is provided in the preceding paragraph.
The financial statements comprise the balance sheet, the income statement, the comprehensive income statement, the cash flow statement, the statement of changes in shareholders' equity and the relative notes.
The financial statements and the relative classification criteria adopted by the company, within the options permitted by IAS 1 "Presentation of financial statements" are illustrated below:

Balance Sheet: presents a distinction between current and non-current assets and liabilities, where non-current assets include asset balances with a realisable cycle beyond twelve months and include intangible assets, property, plant and equipment and financial assets and deferred tax assets; current assets include asset balances with a realisable cycle within twelve months; non-current liabilities include payables due beyond twelve months, including financial payables, provisions for risks and charges and employee benefit liabilities and deferred tax liabilities; current liabilities include payables due within twelve months, including the short-term portion of medium- to long-term loans, provisions for risks and charges and employee benefit liabilities;

Income Statement: is presented, according to a classification of costs by nature, which is considered the most representative and reliable form of presentation of expenses and charges incurred by the Company during the period. The "Operating Income" intermediary result (defined as the difference between operating revenues and operating costs) is presented as an essential margin to understand the Company's ordinary earning capacity, before remuneration of third-party investors, the State and shareholders;

Comprehensive Income Statement: the Company has decided to present the income statement and the comprehensive income statement in two separate statements. The latter accommodates other income statement components, which may be reversed to the income statement in later periods or which will not be reversed to the income statement in later periods;

Cash Flow Statement: the cash flow statement presents cash flows from operating, investing and financing activities and is presented in accordance with IAS 7. The cash flow statement is presented in accordance with the indirect method, whereby net income is adjusted for the effects of non-cash transactions, any deferrals or provisions for previous or future operating cash receipts or payments, and items of income or expense associated with cash flows from investing or financing activities;

Statement of changes in shareholders' equity: the statement of changes in shareholders' equity shows the comprehensive income for the year and the effect, for each equity item, of changes in accounting policies and correction of errors as required by International Accounting Standard No. 8. In addition, the statement presents the balance of accumulated gains or losses at the beginning of the year, movements during the year and the balance at the end of the year.

The financial statements are presented in Euro.

The main accounting policies adopted in the preparation of the financial statements are described below. In accordance with IAS 24, the following paragraphs highlight related party transactions with the Company and their impact, if significant, on the financial position, results of operations, and cash flows.

3.2 Directors' assessment of the going concern assumption

The Directors are responsible for assessing the capacity of the Group to pursue operating activities and, in preparing the consolidated financial statements, the appropriateness of applying the going concern principle, in addition to the provision of adequate disclosure. The Directors apply the going concern principle in preparing the consolidated financial statements unless they have assessed that the conditions for the winding up of the parent company Monnalisa S.p.A. or for the interruption of operations exist or that they have no realistic alternatives to these options.
These financial statements have been prepared on the going concern basis, as the Directors consider, based on the company's operating performance and sound financial position, that there is no doubt regarding the company's ability to continue as a going concern for a period of at least 12 months from the reporting date.

3.3 Accounting policies used to draw up the financial statements

The financial statements have been prepared on a historical cost basis, except for derivative instruments and financial assets held for sale (if any), which are recorded at fair value, and on a going concern basis.
The main policies adopted to prepare the financial statements are presented in the following points:

3.3.1 Plant, property and equipment

Property, plant and equipment are recorded at historical cost, net of the related provision for depreciation and accumulated impairment losses, including directly attributable accessory expenses necessary to make assets ready for use.
The carrying value of property, plant and equipment is subsequently adjusted by depreciation calculated on a straight-line basis from the time the asset is available and ready for use, based on the estimated useful life, defined as the estimated period over which the asset will be used by the enterprise, and any accumulated impairment loss. the useful life is re-examined annually and any changes are applied prospectively.
Costs for improvements, modernisation and transformation that are incremental in nature to property, plant and equipment are charged to capital assets when they are likely to increase the expected future economic benefits from the use or sale of the asset.
The expense incurred for maintenance and repairs is directly charged to profit or loss in the year in which it is incurred.
The annual depreciation rates used are as follows:

Category	%
Industrial Buildings	3%
Machines,tools,equipments	12,50%
Cutting Machines and Automatic Machines	17,50%
Furniture and office equipments	12%
Electro-mechanical and electronic office machines	20%
Goods transportation vehicles	20%
Vehicles	25%
Cars	25%
Photovoltaic System	9%
Leasehold improvements	Lower between the useful life of the asset and the residual duration of the contract

It should be noted that in accordance with the provisions of Accounting Standard IAS 16, leasehold improvements previously recorded under intangible assets were reclassified to the category of relevant assets in the item under analysis here.
The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in economic situations indicate that the carrying amount cannot be recovered. If there is such an indication and where the carrying amount exceeds the recoverable amount, assets are written down accordingly by aligning the carrying amount with the recoverable or realisable amount. The realisable value of the property, plant and equipment is the higher between the net sales price and the value in use. In defining the value in use, the expected future cash flows are discounted using a discount rate that reflects the current market assessment of the value of money and the risks specific to the asset. For assets that do not generate independent cash flows, realisable value is calculated in relation to the cash-generating unit to which the entity belongs. Impairment losses are shown in the income statement under depreciation, amortisation and write-downs. Such losses are restated when the reasons for their write-down no longer exist.

3.3.2 Intangible assets

Intangible assets acquired separately are initially recognized at cost, while those acquired through business combinations are recognized at fair value on the acquisition date. After initial recognition, intangible assets are recognised at cost, net of accumulated amortisation and accumulated impairment, if any. Intangible assets internally generated, with the exception of development costs, are not capitalised and are recorded in the income statement of the year in which they were incurred. The useful life of the intangible assets is measured as finite or indefinite. Intangible assets with a finite useful life are amortised over their useful life and tested for impairment whenever there is evidence of an impairment loss. The amortisation period and the amortisation method of an intangible asset with finite useful life are reviewed at least at each year-end. Changes in the expected useful life or in the manner in which the future economic benefits related to the asset will be realised are recognised through the change in the period or amortisation method, as the case may be, and are considered changes in accounting estimates. The amortisation rates applied to the Company's intangible assets with a finite useful life are as follows:

Category	%
Software	Duration of the contract
Key money	Residual duration of the related contract

Intangible assets with indefinite useful life are not amortised but are subject to an annual impairment test at an individual level or at cash-generating unit level. We report that as of December 31, 2022, there are no intangible assets with indefinite useful lives.
Intangible assets related to charges incurred upon entering into new lease agreements, hereafter also referred to as "key money" paid for the opening of direct DOS stores, are considered to be severance costs related to a real estate lease agreement and are generally assets with a finite useful life determined over the period of the underlying agreement. The Company verifies at least once a year whether there is any indication that intangible assets with finite useful lives may be impaired. Where there are indications of impairment, the carrying amount of the asset is reduced to its recoverable amount. Where it is not possible to estimate the recoverable value of an asset individually, the Company estimates the recoverable value of the cash-generating unit to which the asset belongs. The recoverable value of an asset is the higher between the fair value less costs to sell and its value in use. The value in use of a Company asset is calculated on the basis of the present value of the estimated future cash flows, gross of taxes, applying a discount rate which reflects the current market assessment of the time value of money and the risks specific to the asset. An impairment loss is recognised when the recoverable amount is less than the carrying amount. Research and development costs are recognised to the income statement in the year in which they are incurred.

3.3.3 Leased assets

The Company assesses, at the time of signing, whether the contract is, or contains, a lease. As required by IFRS 16, the determining element is to identify whether through the contract, the risks and benefits associated with ownership are substantially transferred to the Company or whether it confers the right to control the use of an identified asset for a period of time in exchange for consideration.
The Company adopts a single recognition and measurement model for all leases, except for short-term leases and leases of low-value assets, by recognising, at the effective date of the lease, the right-of-use asset representing the right to use the asset underlying the contract and the liabilities related to lease payments. The right-of-use asset is initially measured at cost, including the amount of the initial valuation of the lease liability, adjusted for payments due for leases undertaken at the commencement date or before, plus initial direct costs incurred and an estimate of the costs which the lessee is expected to incur for the dismantling or removal of the underlying asset or for the refurbishment of the underlying asset or of the site at which it is located, net of the leasing incentives received. The right-of-use asset is depreciated successively on a straight-line basis from the effective date to the end of the lease term, unless the estimated useful life of the asset is shorter. In addition, the right-of-use asset is regularly reduced by any impairment losses and adjusted to reflect any changes arising from subsequent valuations of the lease liability.
The Company measures the lease liability at the present value of unpaid lease payments due on the effective date, discounting them using the lease's implicit interest rate or, when the implicit interest rate is not easily determinable, using the incremental borrowing rate ("Incremental borrowing rate" or "IBR"). The IBR is determined by identifying each country in which the Company operates as a portfolio of contracts with similar characteristics, and is calculated as the rate of a risk-free instrument of the country in which the lease was entered into, plus the average spread recognized by the Company to its lenders. Lease payments due included in the measurement of the lease liability include: fixed payments (including payments that are substantially fixed); payments due for leases that depend on an index or rate, measured initially using an index or rate on the effective date; amounts expected to be paid as security over the

residual value; and payments due for leases in an optional renewal period if the Company has reasonable certainty of exercising the renewal option, and early lease termination penalties, unless the Company has reasonable certainty not to terminate the lease early. The lease liability is measured at amortised cost using the effective interest method and is remeasured in the event of a change in the future lease payments resulting from a change in the index or rate, in the event of a change in the amount that the Company expects to have to pay as a guarantee on the residual value or when the Company changes its valuation with reference to the exercise or not of an option to purchase, extend or terminate, or in the event of a revision of the payments due for the lease which are fixed in substance. When the lease liabilities are remeasured, the lessee correspondingly alters the right-of-use asset. In the balance sheet, the Company presents assets for the right-of-use that do not meet the definition of investment property under "Property, plant and equipment" and lease liabilities under "Financial payables". Concessions obtained from lessors as a result of the COVID-19 pandemic ("rent concessions") are accounted for as negative variable fees and recognized in the income statement when they meet the following conditions: - they relate to reductions in only the payments due by June 30, 2022; - the total contractual payments after the rent concession are substantially equal to or less than the payments that were provided for in the original contract; - no other substantial contractual changes have been agreed with the lessor.
As illustrated, the Company applies the exemption for the recognition of short-term leases (leases term of 12 months or less from the inception date and do not contain a purchase option) and leases related to low-value assets. The short-term lease instalments and those for low value assets are recognised as costs on a straight-line basis over the lease duration.
When acting in the capacity of lessor, the Company recognizes the related lease payments due as an expense on a straight-line basis over the lease term, and they are included as revenue in the income statement given their operational nature.

3.3.4 Equity investments in subsidiaries

Investments in subsidiaries are measured at acquisition cost, in accordance with IAS 27. Where there are indications that the costs will not be recovered, in whole or in part, the carrying amount is reduced to the recoverable amount, in accordance with IAS 36. Where such loss becomes recoverable or is reduced, the carrying amount is increased up to the new estimate of the recoverable value, which cannot exceed the original cost.

3.3.5 Inventories

Inventories of raw materials, semi-finished and finished goods are valued at the lower of cost of production or purchase and net realisable value represented by the amount the enterprise expects to obtain from their sale in the normal course of business. The cost of production includes the purchase cost of materials used, the cost of internal and external processing and other accessory charges reasonably attributable to the product with the exclusion of financial charges and general, administrative and commercial expenses.

The Company's valuation criterion for inventories of finished goods, semi-finished goods and raw materials is the weighted average cost.
For such values, it was verified that they were not higher than market values and where necessary making corresponding adjustments.
Obsolete and slow-moving stocks are written down in relation to their possible utility or realisable value.
The raw materials and finished products obsolescence provision is calculated to return cost to net realisable value based on estimates that take into account the length of the production season and the possibility of using the raw materials in production and selling finished products through the various distribution channels (outlets and stocks).

3.3.6 Derivative financial instruments

The Company uses derivative financial instruments only to (i) hedge financial risks related to changes in exchange rates on foreign currency commercial transactions and (ii) hedge risks of changes in interest rates in the case of medium- and long-term financing.
They have been accounted for according to the hedge accounting approach inasmuch as:
- the hedging instrument is formally designated and documented at the start of hedging;
- the hedge is expected to be highly effective;
- such efficacy can be reliably measured;
- the hedge is highly effective during the various accounting periods for which it is designated.

These derivative financial instruments are initially recognized at fair value at the date on which they are underwritten, and this fair value is periodically remeasured.
As permitted by IFRS 9 paragraph 7.2.21, the Company has opted to apply IAS 39 regarding hedge accounting. Consistent with IAS 39, paragraph 88 and taken up by IFRS 9, paragraph 6.4.1, when derivative instruments qualify for hedge accounting, the following accounting treatments apply:

- Fair value hedge – if a derivative financial instrument is designated as a hedge to the exposure of changes in the fair value of an asset or liability which can have effects on the income statement, the change in the fair value of the hedge instrument is recognised through profit or loss, and the change in the fair value of the hedged item, attributable to the risk hedged, is recognised as part of the carrying value of that item and recognised through profit or loss,
- Cash flow hedge – If a derivative financial instrument is designated as a hedge to the exposure of the changes in the cash flows of an asset or liability or of an operation considered highly probable and which may have effects on the income statement, the effective portion of the profits or of the losses of the financial instrument is recognised under equity and shown in the comprehensive income statement. The cumulative profits or losses are reversed from net equity and recognised to the income statement in the same period in which the operation subject to hedging influences the income statement; the profit or loss related to a hedge or the part of the hedge becoming ineffective is recognised to the income statement when such inefficacy is recognised.

If hedge accounting cannot be applied, gains or losses deriving from the fair value of the financial derivative instrument are recognised directly in the income statement.

3.3.7 Trade, financial and other receivables (current and non-current)

Trade receivables and other receivables arising from the provision of financial assets, goods or services by the Company to third parties are classified as current assets except when they mature more than twelve months after the reporting date with reference to non-trade receivables. Current and non-current financial receivables, other current and non-current receivables and trade receivables, with the exception of assets deriving from derivative financial instruments, are measured, if they have a fixed maturity, at amortised cost calculated using the effective interest method. When the financial assets do not have a fixed maturity they are measured at acquisition cost. Receivables due beyond one year, non-interest bearing or which mature interest below market rates are discounted using market rates. The financial assets listed above are measured based on the impairment model introduced by IFRS 9, i.e. adopting an Expected Loss rationale, replacing the IAS 39 framework typically based on the measurement of observed losses (Incurred Loss). For trade receivables the Company adopts a simplified approach to valuation which does not require the recording of periodic changes in credit risk, but rather the estimation of an Expected Credit Loss ("ECL") calculated over the entire life of the receivable (so-called lifetime ECL). Specifically, the policy implemented by the Company involves stratifying trade receivables based on days past due and an assessment of the counterparty's creditworthiness, and applies different write-down percentages that reflect relative recovery expectations. The Company then applies an analytical assessment based on the customer's reliability and ability to pay the amounts due, for impaired receivables. The value of accounts receivable is shown in the balance sheet net of related allowances for doubtful accounts. Write-downs made in accordance with IFRS 9 are recognised in the consolidated income statement net of any positive effects associated with releases or reversals of impairment.

3.3.8 Cash and cash equivalents

Cash and cash equivalents includes cash, bank deposits and units in money market securities that are readily convertible into cash and for which the risk of changes in value is insignificant. Bank overdrafts are reported as financial liabilities in the Company's balance sheet.

3.3.9 Treasury shares

Treasury shares are recorded as a reduction of equity. The original cost of the treasury shares and the income statement effects deriving from any subsequent sale are recognised as equity movements.

3.3.10 Trade payables, financial payables and other current and non-current payables

Trade and other payables that arise upon purchase from a third-party supplier of money, goods or services are classified as current liabilities except when maturity exceeds 12 months from the date of the financial statements with respect to non commercial payables. Current and non-current financial payables, other current and non-current liabilities, and trade payables are recorded, upon initial recognition in the financial statements, at fair value normally represented by the cost of the transaction that originates them, including incidental transaction costs. Subsequently, with the exception of derivative financial instruments, all financial liabilities are recorded at amortised cost using the effective interest method. Financial liabilities hedged by derivative instruments are measured in accordance with the procedures established for hedge accounting.

3.3.11 Post-employment benefit provision

The Company's net obligation deriving from defined benefit plans is calculated separately for each plan by estimating the amount of the future benefit that employees have accrued in exchange for the activity performed in the current year and in previous years; this benefit is discounted to calculate the present value.
Actuarial gains and losses are recognised directly in the comprehensive income statement as required by IAS 19. In Italy, as of January 1, 2007, the 2007 Budget Law and its implementing decrees introduced significant changes in the rules governing post-employment benefits, from which resulted the mandatory allocation of severance pay to supplementary pension forms or to the Treasury Fund managed by INPS, which from that date, pursuant to IAS 19, takes on the nature of "Defined Contribution Plans," while the accrual registered until 31/12/2006 to the Post employment benefit provision maintain the nature of "Defined Benefit Plans". The actuarial valuation of the liability was entrusted to independent actuaries.

3.3.12 Provisions for risks and charges

Provisions for risks and charges are recognised when, at the reporting date, a legal or implicit obligation exists that derives from a past event and a payment of resources is a probable requirement to satisfy the obligation, and the amount of this payment can be estimated. Where the effect is significant, provisions are determined by discounting the expected future cash flows at a discount rate that reflects the current market valuation of the time value of money and, if applicable, the specific risk referable to the obligation. When the amount is discounted, increases resulting from the passage of time are recognised as financial costs. Where the liability relates to tangible fixed assets, the provision is recorded against the fixed asset to which it relates, and the recognition of the charge in the income statement is achieved through the depreciation process of the tangible fixed asset to which the charge relates.

3.3.13 Revenue recognition

On the basis of the five-stage model introduced by IFRS 15, the Company recognises revenue after identifying the contracts with its customers and the related services to be provided (transfer of goods and/or services), determining the consideration to which it believes it is entitled in exchange for the provision of each of these services, and assessing the way in which these services will be provided (fulfilment generally occurs at a particular time). Sales in the wholesale channel are recognised on the transfer of ownership with its risks and benefits, which normally occurs with delivery or shipment. The provision for returns and discounts is estimated on the basis of forecasts, taking into account historical trends and is accounted for as a variable component of the contractual consideration with the simultaneous presentation of a liability for returns. Sales in the retail channel are recognised on the date of direct sale of the asset to the end customer. Royalty revenues are recognised on an accrual basis based on the terms and amounts stipulated in the license agreement, generally based on sales volumes.

The Company, upon receipt of an advance payment made by the customer, recognises under "Other current liabilities" the amount of the advance payment for the obligation to transfer goods in the future and eliminates this liability by recognising the revenue when it transfers these goods.

3.3.14 Government grants

Public grants are recognised when there is reasonable certainty that they will be received and that all conditions attached to them are met. Grants related to cost components are recognised as revenue, but are allocated systematically between periods so as to be commensurate with the recognition of the costs they are intended to offset. Grants related to an asset are recognised as revenue on a straight-line basis over the expected useful life of the asset to which they refer.

3.3.15 Cost allocation

Costs, where not governed by a specific standard, are recorded when relating to goods and services sold or consumed in the year or when there is no future utility.
The accrual of costs for purchase of goods is determined by reference to the time of transfer of ownership of the goods. Service costs are accounted for when the service is completed.

3.3.16 Financial income/(charges)

Financial charges that are directly attributable to the acquisition, construction or production of an asset which requires a lengthy period before availability for use shall be capitalised as part of the cost of that asset. All other financial charges are recognised as a charge in the period in which they are incurred. Financial charges consist of interest and other costs that an entity incurs in connection with obtaining financing.

3.3.17 Income taxes

Income taxes represent the amount for current and deferred taxes.

Current income taxes

Tax receivables and payables for the year are measured at the amount expected to be paid to / received from the tax authorities. The tax rates and regulations used to calculate such amounts are those issued or substantially in force at the reporting date of the financial statements, in the countries in which the company operates and generates its assessable income.
Current taxes related to items recognised directly in equity or in the comprehensive income statement are also recognised directly in equity or in the comprehensive income statement.
The Company calculates income taxes for the year using the tax rate applicable to total expected annual income.

Deferred taxes

Deferred taxes are calculated based on the temporary differences at the reporting date between the fiscal values of the assets and liabilities and the corresponding values in the financial statements. Deferred tax assets and liabilities are calculated on the basis of the tax rates expected to be applied in the year in which the assets are realised or the amounts are paid, considering the rates in effect and those already issued or substantially issued as of the closing date of the financial statements.
On initial recognition, management considers the existence of positive and negative elements in estimating the probability of sufficient future taxable income. The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent it is unlikely that sufficient future taxable income will be available, so that some or all of the asset may be used. Unrecognised deferred tax assets are reviewed at each reporting date and are recognised to the extent of the probability that the taxable income is sufficient to permit such deferred tax assets to be recovered.
Deferred taxes concerning items recognised outside of the income statement are also recognised outside of the income statement and therefore to equity or to the comprehensive income statement, in line with the item to which they refer.
The company offsets deferred tax assets and deferred tax liabilities if, and only if, there is a legal right to offset current tax assets and current tax liabilities and if deferred tax assets and liabilities relate to income taxes due to the same tax authority by the same taxpayer or other taxpayers who intend to settle the current tax assets and liabilities on a net basis, or realise the asset and settle the liability simultaneously, with reference to each future period in which the assets and liabilities for deferred taxes are expected to be settled or recovered.

Indirect taxes

Costs, revenues, assets and liabilities are recognised net of indirect taxes, such as value added tax, with the following exceptions:

- the tax applied to the purchase of goods or services is non-deductible; in this case, it is recognised as part of the purchase cost of the asset or part of the cost recognised in the income statement,
- trade receivables and payables include the indirect tax applicable.

The net amount of indirect taxes to be recovered or paid to the tax authorities is included in the financial statements as receivables or payables.

3.3.18 Earnings per share

The basic earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of the Company by the average weighted number of ordinary shares outstanding during the year. In order to calculate the diluted earnings per share, the average weighted number of shares outstanding is adjusted assuming the conversion of all shares with potential dilution effect.

3.3.19 Fair Value

IFRS 13 is the only source of reference for fair value measurement and for the relevant information when such a measurement is required or permitted by other accounting standards. The fair value is the price that would be received for the sale of an asset, or that would be paid to transfer a liability in an arm's length transaction at the measurement date. The fair value of an asset or liability is measured adopting the

assumptions which market operators would utilise in the determination of the price of the asset or liability, assuming they act to best satisfy their economic interests. The fair value measurement of a non-financial asset considers the capacity of a market operator to generate economic benefits utilising the asset to its maximum and best use or by selling to another market operator that would utilise the asset to its maximum or best use.
IFRS 13 establishes a fair value hierarchy that classifies the valuation technique inputs used to measure fair value in three levels. The levels provided for, in hierarchical order, are as follows:
- Level 1 - listed prices (not adjusted) on active markets for identical assets or liabilities which the entity can access at the measurement date;
- Level 2 - inputs other than listed prices included in Level 1, directly or indirectly observable for the asset or the liability;
- Level 3 - measurement techniques for which the input data are not observable for the asset or for the liability.

At each reporting date, the Company Finance Department analyses the changes in the values of assets and liabilities for which the revaluation or recalculation is required, based on the Company's accounting policies.

3.3.20 Segment disclosure

With reference to the provisions of IFRS 8 "Operating Segments," it should be noted that the Company, as currently constituted, due to the homogeneity of products and services offered and similarity in customer type
and class, operates in a single operating sector identified as the design, production and distribution of high-end childrenswear 0-16 years, with the brand of the same name, through multiple distribution channels.

3.3.21 Share-based payments

The Company grants additional benefits to the Chief Executive Officer through the 2018-2023 Long Term Incentive Plan (the "Plan") approved by the Shareholders' Meeting on June 15, 2018 upon the Board of Directors' proposal. The plan provides an award to the beneficiary in the form of a cash amount. The incentive is awarded free of charge.
In the case of cash-settled share-based payment transactions, the transaction cost is initially measured at fair value. Until the liability is settled, the fair value is recalculated at each reporting date, expensing all changes to the income statement.

3.3.22 Impairment test

The carrying amounts of Property, plant and equipment, Investment property, Intangible assets with a finite useful life, and Right-of-use assets are tested for impairment in cases where there are indicators of impairment (events or changes in circumstances that indicate that the carrying amount cannot be recovered) that require immediate assessment of any impairment, or where events have occurred that otherwise require the procedure to be repeated. An impairment occurs when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of fair value less costs to sell is based on data available from sales transactions between free and independent parties, of similar assets or observable market prices, less the higher costs related to the disposal of the asset. Value in use is calculated through the use of discounted cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and specific risks of the assets. The impairment test is undertaken on individual assets. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs ("Cash Generating Units" or "CGUs"), i.e. the individual geographic areas in which the Group operates, usually coinciding with the Group's individual legal entities. Cash flows are derived from estimates prepared by company management, which represent the best estimate that can be made of the economic conditions expected over the plan period. The plan projections cover a time span of three fiscal years. Cash flows do not include restructuring activities for which the Company does not already have a present obligation, nor significant future investments that will increase the return on the assets comprising the cash-generating unit being evaluated. The recoverable amount significantly depends on the discount rate used in the discounted cash flow model and the expected future cash flows and the growth rate. Goodwill is tested for impairment at least once a year (with reference to December 31) or more frequently when circumstances suggest that the carrying value may be subject to impairment.

4. USE OF DISCRETIONARY ESTIMATES AND JUDGMENTS IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of the financial statements requires the directors to apply accounting policies and methods that, in some circumstances, are based on difficulties and subjective valuations and estimates based on the historical experience and assumptions which are from time to time considered reasonable and realistic based on the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the balance sheet, the income statement and the cash flow statement, and on the disclosures in the notes to the accounts. The final outcome of the accounts in the financial statements, which use the above-mentioned estimates and assumptions, may differ from those reported in the financial statements due to the uncertainty which characterises the assumptions and conditions upon which the estimates are based.

The accounting policies which require greater judgement by the directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the condensed financial statements are briefly described below.

Estimates:

1. Depreciation and amortisation of property, plant and equipment and intangible assets: the cost of property, plant and equipment and intangible assets is depreciated or amortised on a straight-line basis over the estimated useful life of each asset. The useful life of the tangible and intangible fixed assets is determined by the directors when the fixed assets are purchased. This is based on the historical experiences for similar fixed assets, market conditions and considerations relating to future events which could have an impact, such as changes in technology. The effective useful life may therefore be different from the estimated useful life. The Company annually assesses technological and industry changes, any changes in contractual terms and regulations related to the use of property, plant and equipment and intangible assets, and the recovery value to update the remaining useful life. The result of these analyses can change the depreciation period and thus also the depreciation charge for the year and future years.

2. Measurement of receivables: trade receivables are adjusted by the doubtful debt provision, taking into account the effective recoverable value. The calculation of the impairment losses requires the directors to make judgements based on the documentation and the information available relating to the solvency of the customers, and from market and historical experience.

3. Risk provisions: the identification of the existence of a present obligation (legal or constructive) in some circumstances may be difficult to determine. The directors evaluate these factors case-by-case, together with the estimate of the amount of the economic resources required to fulfil the obligation. When the directors consider that a liability is only possible, the risks are disclosed in the notes under the section on commitments and risks, without any provision.

4. Recovery deferred taxes: these are recognised to the extent where it is likely there will be adequate future taxable income against which temporary differences or any tax losses can be utilised. In this regard, management estimates the probable timing and the amount of the future taxable profits;

5. Employee benefits: the values of which are determined on the basis of actuarial estimates; for the main actuarial assumptions, please refer to that outlined below;

6. Lease discount rate definition: since there is no implicit interest rate in most of the leases the Company has calculated an Incremental Borrowing Rate (IBR). In order to determine the IBR to be used for discounting future lease payments, the Company identified the rates applied on borrowing contracts with similar terms;

7. Inventory obsolescence provisions and estimated net realisable value: the Company estimates the future utilisation capacity of such products and materials by calculating appropriate turnover ratios and/or historical realisable experience based also on the ageing of the collections, to each of which a specific inventory write-down rate is applied;

8. Estimated returns: the provision reflects management's expectations of future merchandise returns and the associated liability for returns;

9. Measurement of derivative financial instruments: the determination of the fair value of unlisted financial assets, such as derivative financial instruments, is undertaken through commonly used financial valuation techniques that require basic assumptions and estimates. Such assumptions may not occur according to the timeframe and manner predicted. Therefore, estimates of these derivative instruments may differ from the actual data;

10. Impairment of Equity Investments: Equity investments are tested for impairment in cases where there are indicators of impairment (events or changes in circumstances that indicate that the carrying amount cannot be recovered) that require immediate assessment of any impairment, or where events have occurred that otherwise require the procedure to be repeated. An impairment occurs when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of fair value less costs to sell is based on data available from sales transactions between free and independent parties, of similar assets or observable market prices, less the higher costs related to the disposal of the asset. Value in use is calculated through the use of discounted cash flow models using a pre-tax discount rate that

reflects the current market assessment of the time value of money and specific risks of the assets. With regard to equity investments, the impairment test is conducted by considering as cash generating units (“Cash generating units" or "CGUs") the individual geographic areas in which the subsidiaries operate. Cash flows are derived from estimates prepared by company management, which represent the best estimate that can be made of the economic conditions expected over the plan period.

Discretionary valuations:

(i) Lease term: the identification of lease term is a very relevant issue since the form, legislation and business practices on leases vary significantly from one jurisdiction to another, and the assessment of the effects of renewal options at the end of the non-cancellable period on the lease term estimate involves the use of assumptions. The IFRS Interpretation Committee has clarified that for the purpose of identifying the period of applicability, a lessee must consider the contractual point in time when both parties involved can exercise their right to terminate the contract without incurring penalties that are not irrelevant; the concept of penalty should not be understood as merely contractual but should be seen by considering all economic aspects of the contract. The Company considered these conclusions when identifying the duration of leasing contracts; for the definition of the duration of the lease term, the Company also considered the presence of renewal and cancellation options, and considered the existence or absence of significant economic disincentives in refusing the renewal request.

EXPLANATORY NOTES TO THE MAIN INCOME STATEMENT ACCOUNTS

Notes on the Company's main income statement accounts are presented below. For a better understanding of the performance of the income statement, please also refer to the comments included in the Directors' Report.

5. Revenues from contracts with customers

Revenues in 2022 amounted to Euro 39,689 thousand, compared to Euro 36,919 thousand in 2021 (up 8%). They are broken down by channel in the following table:

In thousand of €	2022	Inc. %	2021	Inc. %	Var	Var %
Retail	8,539	22%	6,187	17%	2,352	38%
Wholesale	28,347	71%	27,867	75%	480	2%
B2C direct	2,803	7%	2,865	8%	(62)	-2%
Total	**39,689**	**100%**	**36,919**	**100%**	**2,770**	**8%**

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:

In thousand of €	2022	Inc. %	2021	Inc. %	Var	Var %
Italy	17,176	43%	15,966	43%	1,210	8%
Europe	12,411	31%	11,189	30%	1,222	11%
Rest of the word	10,102	25%	9,764	26%	338	3%
Total	**39,689**	**100%**	**36,919**	**100%**	**2,770**	**8%**

The Company presents the revenue breakdown disclosure following a quali-quantitative approach. The timing of revenue recognition, for sales of goods, whether through the retail or wholesale channel, occurs when control of the goods has been transferred to the customer, generally at the time of delivery.

6. Other income

Other income in 2022 mainly includes:

- income from property leases for Euro 85,100, regarding the subleasing of leased spaces,
- photovoltaic plant contributions of Euro 45,508,
- rebates and discounts of Euro 39,795,
- insurance damage recovery of Euro 50,622,
- operating grants of Euro 241,743, mainly related for Euro 119,993 to the research and development tax credit related to fiscal year 2022.

Pursuant to Article 1, Paragraph 125 of Law No. 124 of August 4, 2017, in compliance with the obligation of transparency, it should be noted that on an accrual basis, the Group received the following contributions during fiscal year 2022:

- contributions for curricular internships amounting to Euro 3,760,
- energy bonus of Euro 39,689,
- tax credit for capital goods investment of Euro 14,714.

7. Cost of sales and operating costs

Operating costs in 2022 amount to Euro 40,755,616, compared to Euro 38,081,586 in 2021, an increase of 7% on 2021. They are broken down in the following table:

Description	31/12/2022	31/12/2021	Changes
Change in inventories of goods	1,807,183	320,249	1,486,934
Raw materials, consumables and goods	11,584,294	11,334,873	249,421
Cost for services and use of third-party assets	13,328,077	12,723,819	604,258
Personnel costs	9,258,148	8,223,943	1,034,205
Amortisation and Depreciation	4,498,977	5,136,310	(637,333)
Other operating costs	278,937	342,391	(63,454)
Total	**40,755,616**	**38,081,586**	**2,674,030**

Costs of raw materials, goods and consumables are strictly related to that outlined in the Directors' Report and in the revenue performance section, and are recognised in accordance with the principle of correlation with revenues for the period.
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.

8. Service costs and rent, lease and similar costs
Services costs in 2022 amount to Euro 13.3 million, increasing 5% on the comparative year and including costs for the acquisition of services for core operations which are recognised to the Income Statement on completion. Specifically, they mainly relate to the following accounts:

- Production services costs (sewing, ironing, embroidery, printing & other services) for Euro 3.1 million, related to the production of finished products,
- technical, industrial, administrative and commercial consultancy for Euro 1.5 million,
- transportation costs (on sales and/or purchases) of Euro 2.5 million,
- national and local advertising for Euro 805 thousand,
- utility expenses amounting to Euro 412 thousand,
- ordinary maintenance expenses of Euro 677 thousand,
- costs for royalties amounting to Euro 904 thousand, among which the license relationship with the Chiara Ferragni brand started in late 2020.

With regard to lease costs, it should be noted that some lease agreements that the Company has in place provide for payments based on turnover volumes achieved during the year (variable payments) that are recorded on an accrual basis and not included in the determination of the financial liability for leases.

9. Personnel costs
The personnel costs incurred during the year amounted to Euro 9,258 thousand, an increase of 13% on the comparative year, which were impacted by the lockdown and the use of social security schemes.
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 period and the amount contributed to external pension funds.

10. Amortisation, depreciation & write-downs
Amortisation and depreciation has been calculated based on the duration of the useful life of the asset or its use in production. They are broken down as follows:

Description	31/12/2022	31/12/2021	Changes
Depreciation of Tangible assets	1.439.832	1.679.860	(240.028)
Amortisation of Intangible assets	328.830	1.025.440	(696.610)
Amortisation of Right of use assets	2.456.466	2.035.115	421.351
Write-off of trade receivables	273.849	395.895	(122.046)
Total	**4.498.977**	**5.136.310**	**(637.333)**

The depreciation and amortisation was calculated considering the measurement criteria outlined in the relative paragraph above of these notes.
Reference should be made to paragraphs 6.1, 6.2 and 6.3 for further details on investments in the year.
Write-downs include the write-down of trade receivables for Euro 264 thousand (Euro 197 thousand in 2021). In the previous year 2021 it included the write-down of the investment in the company Monnalisa Brazil that was closed in the previous year.

11. Financial income and charges

Financial income and charges in 2022 presents a net charge of Euro 433 thousand, compared to a net charge of Euro 568 thousand in the previous year.

Description	31/12/2022	31/12/2021	Changes
Interest income	60,751	44,332	16,419
Bank financial interests	(278,523)	(184,630)	(93,893)
Other financial interests	(191,715)	(201,175)	9,460
Financial interests for leasing IFRS16	(424,657)	(489,751)	65,094
Exchange losses	(326,142)	(184,769)	(141,373)
Exchange gains	726,866	447,594	279,272
Total	**(433,420)**	**(568,399)**	**134,979**

Financial interest mainly include the interest on short-term bank loans and on medium/long-term bank loans.
Interest for leasing amounted to Euro 397 thousand in 2022 (Euro 489 thousand in 2021).
The net unrealised component of currency management resulted in a net gain of Euro 401 thousand, compared to a net gain in the previous year of Euro 263 thousand.

12. Income taxes

Current income taxes
Current income taxes have been calculated on the basis of taxable profit taking account of the changes in the tax code applied by current legislation, applicable in the various countries in which the companies within the consolidation scope operate.
The breakdown is as follows:

Description	31/12/2022	31/12/2021	Changes
Current taxes	(2.434)	(29.306)	31.740
Deferred tax charges/(income)	9.808	1.128.834	(1.138.642)
Total	**7.374**	**1.099.528**	**(1.106.902)**

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 account breaks downs as follows:

Description	Temporary differences	Deferred tax liabilities IRES	Deferred tax liabilities IRAP	Deferred tax liabilities IRES	Deferred tax liabilities IRAP	Deferred tax assets 2022	Deferred tax liabilities 2022
Tangible and intangible fixed assets	(981,951)			(235,668)	(38,296)	**0**	**(273,964)**
Inventories	1,371,399	329,136	53,485			**382,620**	**0**
Trade receivables	1,595,768	382,984	0			**382,984**	**0**
Trade receivables exchange effect	(207,305)			(49,753)		**0**	**(49,753)**
Receivables - IFRS 15	124,456	29,869				**29,869**	**0**
Liabilities for IFRS 2	35,673	8,562	0			**8,562**	**0**
Risks stores provision IFRS 16	70,000	16,800	2,730			**19,530**	**0**
Returns on sales provision	297,407	71,378	11,599			**82,977**	**0**
Service cost e interest cost of defined-benefit plans for employees	336,212	80,691				**80,691**	**0**
Fiscal losses	8,585,963	2,060,631				**2,060,631**	**0**
Other	488,684	117,284				**117,284**	**0**
Total deferred tax assets/liabilities 2022	**11,716,306**	**3,097,335**	**67,813**	**(285,421)**	**(38,296)**	**3,165,148**	**(323,718)**

Changes on profit & loss	31/12/2022
Deferred tax assets/liabilities 2022	2,841,431
Deferred tax assets/liabilities 2021	2,831,623
Effects on profit and loss 2022	**9,808**

Regarding temporary differences and related deferred tax assets/liabilities impacting OCI, please refer to the table below:

Description	Temporary differences	Deferred tax liabilities IRES	Deferred tax liabilities IRAP	Deferred tax liabilities IRES	Deferred tax liabilities IRAP	Deferred tax assets 2022	Deferred tax liabilities 2022
Other comprehensive income/(loss) from recognition of defined-benefit plans for employees	262,164			62,919		**0**	**62,919**
Other comprehensive income/(loss) from hedging derivatives	290,054			69,613		**0**	**69,613**
Total	**555,218**	**0**	**0**	**132,532**		**0**	**132,532**

At December 31, 2022, the Company determined that the aforementioned deferred tax asset 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.

EXPLANATORY NOTES ON THE MAIN BALANCE SHEET ACCOUNTS (assets, shareholders' equity and liabilities)

13. Property, plant and equipment

The following table presents the movements in property, plant and equipment for the year ended December 31, 2022:

Description	31/12/2021	Increases	Decreases	Other movements	Depreciation	31/12/2022
Land and buildings	11,635,619				(323,118)	11,312,501
Plant and machinery	2,232,079	80,235			(454,514)	1,857,800
Industrial and commercial equipment	17,289	2,116			(12,950)	6,455
Other assets	1,869,844	197,581			(539,806)	1,527,619
Assets in progress and advances		22,650			0	22,650
Leasehold improvements	250,509	22,200		(21,689)	(109,444)	141,576
Total	**16,005,341**	**324,782**		**(21,689)**	**(1,439,832)**	**14,868,601**

Increases in 2022, amounting to Euro 324,782, mainly relate to the purchase of new furniture for the restyling work carried out on the Milan store as well as the purchase of business equipment for the operational headquarters of Monnalisa S.p.A.
For all of the assets recognised to this category:

- The directors consider that the tangible fixed assets do not present impairments.
- There are no commitments to purchase other assets;
- There are no capitalised borrowing costs.

As of December 31, 2022, any indicators of impairment, traceable through internal or external sources of information, were assessed. The analyses carried out did not reveal the need to carry out specific impairment tests targeting the carrying amounts expressed by the Company as of December 31, 2022 with respect to the right-of-use assets in question. As a reminder, assets obtained through a lease agreement are classified in the “Right of use assets" section that follows below.

14. Right of use assets

The breakdown of ”Right of use assets” at December 31, 2022 are presented below:

Description	31/12/2021	Increases	Decreases	Other movements	Amortization	31/12/2022
Buildings	13,052,207	585,836	(310,698)	5,690	(2,310,109)	11,022,926
Vehicles	235,097	116,187			(121,249)	230,035
Office equipments	175,733				(25,105)	150,628
Total	**13,463,036**	**702,023**	**(310,698)**	**5,690**	**(2,456,466)**	**11,403,587**

Buildings relates entirely to store leases and only residually to leases of other spaces.

The main increases recorded in 2022 refer to changes and/or extensions of existing contracts for existing outlets. The item includes costs for the restoration of premises leased from third parties on the basis of lease agreements that fall within the scope of IFRS16, which are set aside in the provisions for future risks and charges in compliance with the provisions of the standard.

As of December 31, 2022, any indicators of impairment, traceable through internal or external sources of information, were assessed. The analyses carried out did not reveal the need to carry out specific impairment tests targeting the carrying amounts expressed by the Company as of December 31, 2022 with respect to the right-of-use assets in question.

15. Intangible assets with finite useful lives

The following table outlines the composition and movement in the account for the year ended December 31, 2022:

Description	31/12/2021	Increases	Decreases	Other movements	Amortization	31/12/2022
Industrial patents	419,986	146,915			(210,697)	356,204
Key money and know how	486,884	0		21,689	(118,134)	390,439
Total	**906,870**	**146,915**	**0**	**21,689**	**(328,830)**	**746,643**

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. 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 recognised immediately in the income statement. The directors consider that the intangible assets do not present impairments.
During the year no financial charges were expensed to fixed assets.

16. Investments in subsidiaries

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

- **Monnalisa Hong Kong Ltd**: incorporated on August 25, 2015 and based in Hong Kong, it is a fully owned subsidiary of Monnalisa S.p.A. intended to pursue development of the local retail market. At the reporting date, the subsidiary operates one mono-brand store;
- **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 (5 at year-end, 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 (12 at December 31, 2022). 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. The company was permanently closed during the year;
- **Monnalisa Bebek Giyim Sanayi ve Ticaret A.Ş.:** incorporated on December 11, 2018, based in Turkey and fully owned by Monnalisa S.p.A. The company owns a single store at Istinye Park, which opened in January 2021;
- **Monnalisa UK Ltd:** incorporated in January 2019, with registered office in London, the company currently manages a concession outlet at Harrods. The Company is a wholly-owned subsidiary of Monnalisa S.p.A.;
- **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:** a wholly-owned subsidiary of Monnalisa S.p.A.; The company incorporated in 2019 was set up to develop the local retail market. Following the management of a number of temporary stores in 2020, at the reporting date the company is inactive;
- **Monnalisa Singapore Ltd:** wholly-owned by Monnalisa S.p.A.. The company operates a single outlet at Marina Bay Sands;
- **Monnalisa San Marino S.r.l.:** wholly-owned subsidiary of Monnalisa S.p.A. set up to develop the local retail market. The company has been operating since June 2021 the store opened at The Market outlet in San Marino.

There are no restrictions on availability placed by the holding company on investees, nor options rights or other liens. No significant transactions, with the exception of the increases in the holdings outlined above, regarding normal supplies and related to their funding, however at market conditions, was undertaken with the investees. The only change during the current year compared to the comparative 2021 concerns the equity investment in the subsidiary Monnalisa San Marino increasing by Euro 15 thousand following the waiver of the financial receivable by the shareholder Monnalisa S.p.A. in favour of the subsidiary in order to provide it with the necessary capital resources.
The following information is provided in relation to investments held either directly or indirectly in subsidiary companies.

Company	City or country	Share capital in EURO	Profit (loss) for the period in EURO	Equity in EURO	Shared owned in EURO	Shared owned in %	Book value
Monnalisa Hong Kong Ltd	HONG KONG	600,000	95,268	(2,228,370)	(2,228,370)	100	600,000
Monnalisa China LLLC	SHANGHAI CHINA	4,800,000	(1,288,269)	(1,637,935)	(1,637,935)	100	3,134,036
Monnalisa Russia LLC	MOSCOW RUSSIA	592,679	(481,174)	764,992	764,992	99,99	592,678
Ml Retail USA Inc.	TEXAS USA	591,156	(834,857)	(2,019,242)	(2,019,242)	100	3,982,292
Monnalisa Korea Ltd	SEOUL KOREA	81,000	0	14,175	14,175	100	0
Monnalisa Brasile	SAN PAOLO BRAZIL	505,087	(56,192)	(7,555)	(7,554)	99	0
Monnalisa Turkey	INSTABUL TURKEY	1,215,434	192,953	231,793	231,793	100	571,322
Monnalisa Japan	TOKYO JAPAN	8,189	(12,793)	(80,858)	(80,858)	100	8,189
Monnalisa Taiwan	TAIPEI TAIWAN	202,731	(115,261)	(182,154)	(182,154)	100	202,731
Monnalisa UK Ltd	LONDON UK	235,377	(163,900)	(463,660)	(463,660)	100	235,377
Monnalisa Singapore	SINGAPORE	413,376	(151,643)	(10,911)	(10,911)	100	413,376
Monnalisa San Marino S.r.l.	SAN MARINO	25,500	(152,164)	(188,843)	(188,843)	100	40,500

The company undertook analysis to identify any indicators of impairment and/or permanent losses in value of the subsidiaries. In particular, the recoverability of the residual value in the equity investments was measured to ensure that the carrying amount in the financial statements does not exceed the recoverable value.

The impairment testing were conducted considering the US subsidiary subject to analysis as the CGU. The value configuration used to determine the recoverable value of the CGUs is the value in use, estimated on the basis of expected cash flows and their discounting at an appropriate discount rate (Discounted cash-flow analysis - DCF). In particular, the value in use was estimated by discounting the operating cash flows of the CGUs at a rate equal to the weighted average cost of debt and equity (WACC -Weighted Average Cost of Capital).
For the purpose of calculating the residual value, a normalised cash flow extrapolated from the last explicit forecast year and to which an annual growth rate ('g') was applied was considered.
The Discounted cash-flow analysis was prepared using as a starting point the budget for 2023, prepared and approved by the Board of Directors, and for the following four years (2024 and 2027), drawn up according to management's expectations regarding the performance of the markets in which the investments are located. These plans take account of the impact COVID-19 had in particular on 2022, in a number of countries.
The principal assumptions for the calculation of the recoverable value are as follows:

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

Specifically:

Company	Growth rate "g"	WACC
Monnalisa China LLC	4.63%	7.98%
ML Retail USA Inc.	2.70%	9.50%

In light of the results of the impairment analysis, it was decided not to make any write-downs in the present year for the investments in Monnalisa China and ML Retail USA. For the other equity investments in subsidiaries, it is not considered that indicators of impairment exist, as the higher carrying amount of the investees against the corresponding share of net equity from the latest financial statements of the investee is due to the start-up phase in which they are currently engaged, in view of the expected results in the 2023-2027 period. Any negative changes to the underlying assumptions may result in further impairments.

17. Other non current financial assets

The account includes:

- a policy for Directors’ Post-Employment Benefits for Euro 57 thousand,
- financial receivables for security deposits for Euro 179 thousand,
- minor equity investments as outlined below for Euro 8,624 (no change from 31.12.2021):

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**

- interest-bearing loans and financial receivables with subsidiaries in the amount of Euro 2.8 million.

Financial assets were not recognised at amounts above fair value.

18. Deferred tax assets

Regarding "deferred tax assets", please refer to the comments above in the section on the income statement.

In accordance with IAS 12, the Company determined that the aforementioned deferred tax asset 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.

19. Inventories

At December 31, 2022, inventories amounted to Euro 11,812 thousand. They are broken down as follows:

Description	31/12/2022	31/12/2021	Changes
Raw material, ancillaries and consumables	2,806,235	1,872,776	933,459
Work-in-progress and semi-finished products	713,926	1,176,661	(462,735)
Finished products and goods	8,284,006	9,628,365	(1,344,359)
Advances	100,390	104,498	(4,108)
Total	**11,904,557**	**12,782,300**	**(877,743)**

The change in finished product inventories and raw materials reflects the expected value estimates, based on the sales capacity through the usual distribution channels. The finished product obsolescence provision and the raw material obsolescence provision reflect management's best estimate based on the allocation of inventory by year and season, on past experience and on future sales prospects. The inventory obsolescence provision amounted to Euro 1.6 million and was in line with December 31, 2021.

20. Trade receivables

The account is broken down as follows:

Description	31/12/2022	31/12/2021	Changes
Trade receivables	19,151,431	17,519,538	1,631,893
Allowance for doubtful accounts	(1,684,815)	(1,618,180)	(66,635)
Total	**17,466,616**	**15,901,358**	**1,565,258**

Trade receivables concern for Euro 9.5 million the receivables from the subsidiaries concerning the supply relationships between Monnalisa S.p.A. and the other companies within the consolidation scope and for Euro 8.3 million third party customers, essentially regarding wholesale sales.

The doubtful debt provision was calculated considering the amount of doubtful receivables, analysing the specific conditions of the individual Company clients, any guarantees provided to the Company and appropriately assessing disputes and progress and the possibility of recovering overdue receivables.

The Company has, in addition, analysed the average rate of customer default and loss on accounts receivable reported in recent years, in order to assess the consistency of the findings of the analyses conducted on the expected loss on accounts receivable of each customer with the historical loss rate.
Trade receivables are adjusted through a doubtful debt provision and whose movements were as follows:

Description	Total
Balance at 31/12/2021	**1,618,180**
Utilisation in the period	(197,396)
Provision in the period	264,031
Balance at 31/12/2022	**1,684,815**

21. Tax receivables

"Tax receivables" mainly include:

- VAT receivables for approx. Euro 430,029,
- IRES and IRAP advances for Euro 652,678,
- Research and Development credit for Euro 235,901.

22. Other current assets

At December 31, 2022, Other current assets amounted to Euro 928,866 and mainly included prepaid expenses of Euro 258 thousand and, for Euro 360,000 (Euro 540,000 at December 31, 2021) the parent company's receivable from Jafin S.r.l. following the early repayment of the bond loan by the latter through partial offsetting against some of the future rents for the use of the properties located in Milan, also providing for a reduction in the rent in favour of Monnalisa S.p.A.

23. Other current financial assets

The account, for Euro 290,058 mainly includes the fair value measurement of the existing derivative contracts, undertaken by the parent company Monnalisa S.p.A. For further details, reference should be made to the "Information on the fair value of derivative financial instruments" paragraph.
Financial receivables from subsidiaries of Euro 2.4 million are also recognized, as detailed below:

- ML Retail for Euro 769 thousand,
- Monnalisa Japan for Euro 80 thousand,
- Monnalisa Hong Kong for Euro 970 thousand,
- Monnalisa Taiwan for Euro 80 thousand,
- Monnalisa UK for Euro 338 thousand,
- Monnalisa San Marino for Euro 199 thousand.

24. Cash and cash equivalents

The balance concerns cash and cash equivalents and cash on hand at December 31, 2022:

Description	31/12/2022	31/12/2021	Changes
Bank & postal deposits	1,849,638	2,411,289	(561,651)
Checks	0	354,666	(354,666)
Cash & cash equivalents on hand	54,311	31,503	22,808
Total	**1,903,949**	**2,797,458**	**(893,509)**

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

25. Shareholders' Equity

Statement of changes in Shareholders' Equity

(Euro) Note 24	Share capital	Legal Reserve	Revaluation reserve	Cash flow hedge reserve	Other reserves	Effect IAS 19 Equity	Retained earnings	Net profit/ (loss) for the period	Shareholders' equity
As at 01.01.2022	**10,000,000**	**1,108,276**	**3,969,582**	**11,727**	**8,273,587**	**(99,113)**	**16,849,238**	**782,747**	**40,896,045**
Allocation of result		34,930			352,053		395,765	(782,747)	**0**
Net profit/(loss) for the period								(202,390)	**(202,390)**
Other comprehensive income/(loss)				208,105		298,358			**506,463**
As at 31.12.2022	**10,000,000**	**1,143,206**	**3,969,582**	**219,832**	**8,625,640**	**199,245**	**17,245,003**	**(202,390)**	**41,200,117**

At the reporting date, securities in circulation concerned only 5,236,300 ordinary shares of a nominal value of Euro 10,000,000.
Other reserves mainly comprise:
- the share premium reserve of the parent company for Euro 9,063,125, recognised on the share capital increase following the listing,
- to the negative FTA reserve for Euro 1.6 million,
- the treasury shares in portfolio reserve of the parent company, for a negative Euro 149,915.

The "IAS 19 equity effect" account includes the amounts recognised against the measurement differences required by IFRS in comparison to the local GAAP of the parent company, and concern the actuarial valuation of the employee benefit plans, calculated in accordance with that outlined at note 26 below.
No convertible bonds have been issued. No "stock-option" plan has been approved.
For changes during the period in the item under analysis, please refer to the appropriate statement above.
Amounts shown are net of tax effects where applicable.

26. Current and non-current financial payables

The item, amounting to a total of Euro 12,223 thousand at December 31, 2022, includes current and non-current loans from banks; the amount refers, therefore, to loans payable and expresses the actual debt for principal, interest and ancillary charges accrued and due as of 31.12.2022.
A breakdown of current and non current loans and borrowings is given below:

Description	31/12/2022	31/12/2021	Changes
Financial non current liabilities	6,135,390	8,007,615	(1,872,225)
Financial current liabilities	6,087,338	5,504,377	582,961
Total	**12,222,728**	**13,511,992**	**(1,289,264)**

During 2022, Monnalisa S.p.A. repaid long-term loans through cash flow generated from operations.
During the year, new loan agreements were signed for Euro 432,510; existing loans do not have covenant clauses.

27. Provisions for risks and charges

They are broken down in the following table:

Description	31/12/2022	31/12/2021	Changes
Provisions for pension and similar	49,022	65,195	(16,173)
Product returns charges provision	297,407	255,230	42,177
Other	70,000	85,000	(15,000)
Total	**416,429**	**405,425**	**11,004**

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 49,022,
- The product returns charges provision for Euro 297 thousand, which is estimated on the basis of future forecasts and taking into account historical trends, given that the goods are in any case returned by the preparation date of the financial statements and that the return results in a contraction in period revenues,
- Provision for restoration of space used for retail activities of Euro 70 thousand.

28. Employee benefit liabilities

The account includes the amount due to employees at the reporting date, calculated in accordance with Article 2120 of the Italian Civil Code and any national and supplementary contracts in effect. The liability mainly relates to the post-employment severance for employees of the parent company Monnalisa S.p.A., adjusted in accordance with IAS 19.
Changes in employee benefit liabilities are shown below:

In thousand of Euro	31.12.2022
Defined benefit obligation 01.01.2022	2,493
Service Cost	288
Interest Cost	48
Benefits Paid	(109)
Payments to Funds	(24)
Expected DBO 31.12.2022	2,696
Actuarial (Gains)/Losses for experience	83
Actuarial (Gains)/Losses for assumptions	(475)
Defined benefit obligation 31.12.2022	**2,304**

The main demographic and economic assumptions used are as follows:

	31.12.2022	31.12.2021
Annual discount rate	3.22%	0.98%
Annual inflation rate	2.10%	1.75%
Annual increase rate severance pay	3.075%	2.813%
Annual wage increase rate	0.50%	0.50%

Specifically, the annual discount rate used to determine the present value of the bond was derived, consistent with para. 83 of IAS 19, from the Iboxx Corporate AA index with duration 10+ recognised at the valuation date. For these purposes, the yield with a comparable duration to the duration of company employees subject to valuation was chosen.

The annual rate of increase of severance pay, as stipulated in Article 2120 of the Civil Code, is 75% of inflation plus 1.5 percentage points.

The technical demographic bases used at December 31, 2022 are shown below:

Technical bases	31.12.2022
Death	RG48 mortality tables produced by the General State Accounting Body
Inability	INPS tables different according to age and sex
Retirement	100% to the achievement of the requirements AGO appropriate to Decree-Law n.4/2019AGO in accordance with D.L: n.4/2019

Annual turnover and severance pay advance frequencies are assumed to be 3.00% and 5.00%, respectively, and are inferred based on historical experience.

29. Other non current liabilities

The account mainly includes for Euro 103,173 (Euro 193,122 at 31.12.2021) the outstanding liabilities, gross of the tax effect, concerning the long-term incentive plan outlined previously.

30. Current and non current lease liabilities

The movement in lease liabilities in 2022 is reported below:

Lease liabilities	
As at 01.01.2022	**13,211,009**
Increase	707,713
Decrease	(468,106)
Lease Payments	(2,743,679)
Interests on lease liabilities	424,657
As at 31.12.2022	**11,131,594**

The average IBR applied to existing contracts when IFRS 16 was first applied was 3%; for contractual changes made in the second half of 2022, the rate was revised, in line with the standard's requirements, and an IBR rate of 6% was applied.

31. Non financial current liabilities

The account is broken down as follows:

Description	31/12/2022	31/12/2021	Changes
Trade payables	8,961,680	8,638,276	323,405
Tax payables	440,845	374,622	66,222
Other current payables	2,319,952	2,178,871	141,080
Total	**11,722,477**	**11,191,769**	**530,707**

The account comprises:

- "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 the account "Deferred tax liabilities". The account amounted to Euro 440,845 (Euro 374,622 at December 31, 2021) and includes, in particular, sums withheld from employees and self-employed workers and duly paid in 2023;
- "Other current liabilities" mostly concern accrued commissions payable to agents of Euro 187,697 thousand, deferred amounts and additional months payable to employees of Euro 1,518,618, duly settled in 2023, and advances from customers for Euro 519 thousand.

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.

32. Deferred tax liabilities

With regards to "Deferred tax liabilities", please refer to the comments above regarding the income statement.
In accordance with IAS 12, the Company determined that the aforementioned deferred tax asset 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.

33. OTHER INFORMATION

Information on the fair value of the financial derivative instruments

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

The fair value and information on the entity and nature of each category of derivative financial instruments issued by the company are detailed below. These are sub-divided by class taking into account the characteristics of the instruments and their purpose. The hedging operations at December 31, 2022 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	3,157,895 euro
Premium	Euribor 6 months
Bank Parameter Rate	Euribor 6 months
Client Parameter Rate	1%

At 30/06/2022, the mark to market of the transaction was +Euro 169,224.

- 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	2,909,534 euro
Premium	Euribor 3 months
Bank Parameter Rate	Euribor 3 months
Client Parameter Rate	-0.2%

At 30/06/2022, the mark to market of the transaction was +Euro 120,834.

Information on loans for specific business purposes

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

Related party transactions

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

Description	Trade receivables	Financial receivables	Other receivables	Trade payables	Revenues	Costs
Jafin S.r.l.	12,200		360,000		10,000	410,208
Fondazione Monnalisa	194,193				52,913	
Hermes & Athena Consulting S.r.l.				120,000		200,000
Barbara Bertocci						127,500
Diletta Iacomoni						227,272
Monnalisa Hong Kong Ltd	1,641,250	970,000		127,489	58,441	12,902
Monnalisa Brazil Ltda						
Monnalisa China LLC	3,492,714	1,803,264		445,290	811,125	108,057
Monnalisa Rus OOO	595,986				1,545,469	
ML Retail Usa Inc	2,004,246	1,768,273		345,012	635,044	111,106
Monnalisa Bebek Giyim Sanayi ve Ticarted A.Ş.	400,981			137,677	259,791	34,889

Monnalisa UK Ltd	511,561	338,245			383,870	
Monnalisa Korea Ltd						
Monnalisa Taiwan	225,227	80,000			45,061	
Monnalisa Japan	30,215	80,000			800	
Monnalisa Singapore Ltd	460,231				139,118	
Monnalisa San Marino S.r.l.	299,778	199,408			163,509	88
Total	**9,868,583**	**5,239,191**	**360,000**	**1,175,468**	**4,105,141**	**1,232,022**

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 network are reported below:

- the consideration in the year for the services provided by the Independent Audit Firm and the entities within its network to the Group for the audit of the parent company for Euro 63,000, of Euro 42,300 for the audit of the statutory and consolidated financial statements and Euro 12,700 for the limited audit of the interim consolidated half-year financial statements at June 30, 2022. Euro 8,000 for other work is in addition considered.

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	**Fee 2022**
Directors	320,000
Board of Statutory Auditors	49,000
Total	**369,000**

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

Management and coordination activity

The Company Monnalisa S.p.A is subject to the management and coordination, in accordance with Article 2497 and subsequent of the Civil Code, of the company Jafin Due S.r.l., with registered office at Via Madame Curie, Arezzo. In accordance with Article 2497-*bis*, paragraph 4 of the Civil Code, the key financial highlights for 2021 and 2020 of the company Jafin Due S.r.l. are presented below:

(Euro)	**31/12/2021**	**31/12/2020**
A) Subscribed capital unpaid		
B) Fixed Assets	6,922,365	6,934,068
C) Current Assets	480,928	521,584
D) Accrued income and prepaid expenses	237	237
TOTAL ASSETS	**7,403,530**	**7,455,889**
Share capital	800,000	800,000

Reserve	6,627,427	6,729,967
Profit (loss) for the period	(57,963)	(102,540)
A) Total Shareholders' equity	**7,369,464**	**7,427,427**
B) Provisions for risks and charges		
C) Employee termination indemnities		
D) Payables	34,066	28,462
E) Accrued liabilities and deferred income		
TOTAL LIABILITIES	**7,403,530**	**7,455,889**

The Chairperson

Piero Iacomoni