

MONNALISA

Monnalisa Group Annual financial report as of December 31, 2023

Monnalisa S.p.A.

Corporate data

Registered office Via Madame Curie, 7, 52100, Arezzo (AR)

Legal data Authorized, subscribed, and paid-up share capital 10.000.000 Euro

Tax code and registration number in the Arezzo business register: 01163300518

C.C.I.A.A. registration di Arezzo-Siena al nr. R.E.A. AR-87271

Official website <https://group.monnalisa.eu>

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Management Report as of December 31, 2023

1. COMPOSITION OF CORPORATE BODIES

Board of Directors

The Board of Directors, appointed on May 31, 2021, will hold office for three terms, until the approval of this financial statement as of December 31, 2023. The Board of Directors consists of:

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

Board of Statutory Auditors

<i>Chairman</i>	Marco Mainardi
<i>Effective Auditors</i>	Fabrizio Rossi Alberto Sodini

<u>Legal Auditing Firm</u>	EY S.p.A.
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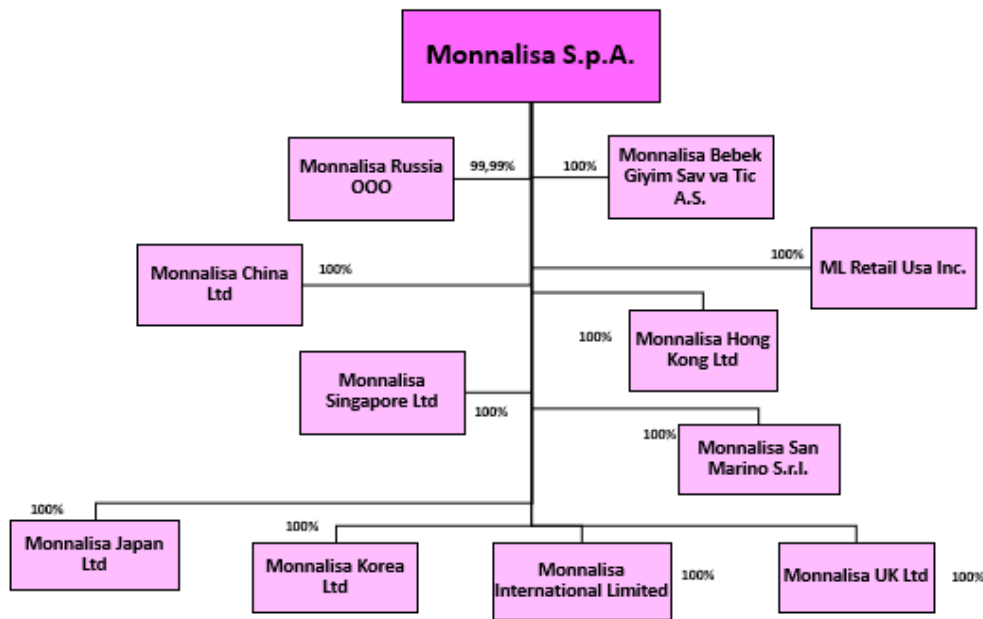
<u>Euronext Growth Advisor</u>	CFO Sim S.p.A.
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Dear Shareholders,

the fiscal year closed on December 31, 2023, shows a consolidated net loss of EUR 6,706,235, of which EUR 78 is profit attributable to non-controlling interests. The parent company, Monnalisa S.p.A., reports a net loss for the year of EUR 5,100,473.

2. ACTIVITIES AND STRUCTURE OF THE GROUP

Monnalisa S.p.A. (hereinafter "Monnalisa" or the "Company") designs, produces, and distributes high-end childrenswear for ages 0-16 under its own brand name, through multiple distribution channels. The company's philosophy has always combined entrepreneurial activity, innovation, exploration of new markets, original styling, and particular attention to the development of corporate resources and skills. The Monnalisa Group (hereinafter the "Group") operates through a centralized business structure where almost all activities related to its organizational model are carried out, except for the distribution and management of retail outlets in different geographical areas, which are directly implemented by the individual commercial entities of the Group in their respective reference markets. Monnalisa is therefore an operational holding company that—besides holding shares in foreign commercial companies—manages all phases of the production process, from the conception and creation of the product to its commercialization, outsourcing only some production stages. For 50 years, Monnalisa's philosophy has been based on a unique combination of entrepreneurial activity, innovation, exploration of new markets, and original styling. Today, the Group distributes in over 50 countries, both through direct flagship stores and in the most prestigious department stores worldwide, and in over 500 multi-brand retail outlets. The internalization of the creative and manufacturing process of products—not only serves as a distinctive element of the Monnalisa Group but also aims primarily at strong industrialization of the products. The Group is indeed able to internally oversee all strategic processes, resulting in positive impacts on revenue management and margins. The Group is organized according to a model in which product strategies and communication activities are closely linked to ensure consistency with the brand image and Monnalisa style. It is characterized by constant and careful control of the value chain by the Company. Below is the organizational chart of the Monnalisa Group as of December 31, 2023, which also corresponds to the Consolidation Area. No changes are noted compared to the structure in place on December 31, 2022:



As of December 31, 2023, the Monnalisa Group includes Monnalisa S.p.A. and the following wholly consolidated subsidiaries, in which the parent company holds, directly or indirectly, the majority of voting rights and exercises control:

- **Monnalisa Hong Kong Ltd:** Established on August 25, 2015, in Hong Kong, it is 100% controlled by Monnalisa S.p.A. and aimed at developing the local retail market. As of the date of this document, the subsidiary owns one monobrand store;
- **Monnalisa Russia Llc:** Established on January 14, 2016, to make the local wholesale market management more efficient and to enter the retail market by directly opening monobrand stores (5 at the end of the period, 3 DOS and 2 DOO). The company is 99.99% controlled;
- **Monnalisa China Ltd:** Established on February 17, 2016, in Shanghai, and 100% controlled by Monnalisa S.p.A. Its establishment is aimed at developing the local retail market through the opening of monobrand stores in the most prestigious malls in Shanghai, Beijing, and other major Chinese cities, totaling 12 as of December 31, 2022. In addition to the retail channel, since 2018 the company also sells through the B2C distribution channel;
- **ML Retail Usa Inc.:** Established on September 22, 2016, 100% owned by Monnalisa S.p.A. with the purpose of managing the local market's retail activity. The company has five stores in the American territory (4 DOS and 1 DOO);
- **Monnalisa Korea Ltd:** Established in December 2016, 100% owned by Monnalisa S.p.A. The company is currently inactive;
- **Monnalisa Bebek Giyim Sanayi ve Ticaret A.Ş.:** Established on December 11, 2018, in Turkey and 100% controlled by Monnalisa S.p.A. The company owns a single store at Istinye Park, which opened in January 2021;
- **Monnalisa UK Ltd:** Established in January 2019, based in London, the company currently manages a concession outlet at Harrods. The company is 100% controlled by Monnalisa S.p.A.;
- **Monnalisa International Limited:** Established in May 2019, based in Taiwan, and 100% controlled by Monnalisa S.p.A. The company manages two stores, one of which opened in late June 2023 in Taichung;
- **Monnalisa Japan Co Ltd:** 100% controlled by Monnalisa S.p.A. The company was established during 2019 to develop in the local retail market. After managing several temporary stores in 2020, as of the date of

this document, the company is inactive;

- **Monnalisa Singapore Ltd.:** 100% controlled by Monnalisa S.p.A. The company manages a single store at Marina Bay Sands;
- **Monnalisa San Marino S.r.l.:** 100% controlled by Monnalisa S.p.A. aimed at developing the local retail market through the store at The Market outlet in San Marino.

3. MAIN STOCK MARKET DATA

On July 10, 2018, the ordinary shares of the parent company Monnalisa S.p.A. were admitted for trading on the Euronext Growth Milan market (previously known as AIM Italia / Alternative Capital Market), a multilateral trading system organized and managed by Borsa Italiana S.p.A. Trading of the company's ordinary shares began on July 12, 2018. The admission to listing followed the placement of a total of 1,290,800 ordinary shares, of which 1,236,300 were linked to a paid capital increase, through placement mainly with institutional qualified investors, both Italian and foreign, and 54,500 shares were sold by the controlling shareholder, Jafin Due S.r.l. (previously Jafin Due S.p.A.).

Below are the most important stock market data.

Stock Market Data	
Official price as of December 29, 2023	1.88
Minimum price on December 22, 2023	1.82
Maximum price on December 22, 2023	3.27
Market capitalization as of December 31, 2023	9,844,244
Number of shares comprising the share capital as of December 31, 2023	5,236,300

The current market capitalization of the Group is affected by the performance of financial markets and the overall challenging economic situation that has arisen, and it is lower than the Group's net asset value. The Directors believe that this valuation does not represent the actual value of the Group. According to Article 18 of the Euronext Growth Milan Issuers Regulation, updated on October 25, 2021, the Company is obligated to publish its annual financial report within three months from the closing date of the fiscal year. Therefore, the Board of Directors of Monnalisa S.p.A. approved the annual financial report for the year ended December 31, 2023, on March 29, 2023, and arranged for its publication on the Investor Relations section of Monnalisa S.p.A.'s website and on the prescribed channels of Borsa Italiana.

4. MANAGEMENT PERFORMANCE

In the 2023 fiscal year, the Monnalisa Group recorded consolidated revenues of EUR 41.9 million compared to EUR 46.4 million in the previous year, representing a decrease of 7% at constant exchange rates. Monnalisa operates in major markets both through the DTC (Direct-to-Consumer) channel, consisting of directly operated monobrand stores (Directly Operated Store - DOS and Directly Operated Outlet - DOO) and its own online store, as well as through the wholesale channel, consisting of multi-brand retail points and online sites specialized in the sale of luxury goods (e-tailers).

Monnalisa's strategy aims to control the distribution chain, whether retail, wholesale, or digital, through a direct approach that leverages the companies within the Group's perimeter to reach all major markets.

At the end of the 2023 fiscal year, the Monnalisa Group owns a total of fifty-one direct sales outlets, between DOS and DOO, compared to forty-nine stores at the end of the previous 2022 fiscal year.

The retail channel recorded revenues of EUR 16.6 million as of December 31, 2023, with values at current exchange rates substantially in line with the sales volumes of 2022. At constant exchange rates, the channel's revenues increased by 4%, reaching EUR 17.4 million compared to EUR 16.7 million in the previous year.

Revenues from the wholesale channel amounted to EUR 22.9 million (EUR 26.7 million as of December 31, 2022). The percentage share of total group revenues is 54% compared to 58% in the comparative fiscal year. More than half of the revenue reduction in the channel can be attributed to the combined effect of the decline in revenues from brands other than Monnalisa and from exchange rate effects. Wholesale sales of the Monnalisa brand alone at constant exchange rates decreased by only 7%

Direct e-commerce channel revenues amount to EUR 2.3 million compared to EUR 2.9 million as of December 31, 2022. It should be noted that e-commerce sales are related to the proprietary platform and sales on T-Mall China. The incidence of the online channel, both direct and indirect, on total revenues, stands at 16% of total turnover (18% as of December 31, 2022). The percentage impact of the direct online channel alone accounts for 6% of total revenues, consistent with the previous comparative fiscal year. In 2023, the indirect channel generated 54% of the turnover, while the remaining 46% was generated by the direct channel (retail and online). Below is a detail of revenue by channel and geographic area (with variations at constant and current exchange rates):

December 31 at current exchange rates						
In thousands of €	2023	Inc. %	2022	Inc. %	Change	% change
Retail	16,594	40%	16,763	36%	(169)	-1%
Wholesale	22,979	54%	26,680	58%	(3,701)	-14%
Direct B2C	2,334	6%	2,932	6%	(598)	-20%
Total	41,907	100%	46,375	100%	(4,468)	-10%

December 31 at constant exchange rates						
In thousands of €	2023	Inc. %	2022	Inc. %	Change	% change
Retail	17,437	40%	16,763	36%	674	4%
Wholesale	23,558	55%	26,680	58%	(3,122)	-12%
Direct B2C	2,343	5%	2,932	6%	(588)	-20%
Total	43,339	100%	46,375	100%	(3,037)	-7%

December 31 at current exchange rates						
In thousands of €	2023	Inc. %	2022	Inc. %	Change	% change
Italy	15,306	37%	17,230	37%	(1,923)	-11%
Europe	11,537	28%	13,916	30%	(2,378)	-17%
Rest of the world	15,064	35%	15,230	33%	(166)	-1%
Total	41,907	100%	46,375	100%	(4,468)	-10%

December 31 at constant exchange rates						
In thousands of €	2023	Inc. %	2022	Inc. %	Change	% change
Italy	15,306	35%	17,230	37%	(1,923)	-11%
Europe	11,843	27%	13,916	30%	(2,073)	-15%
Rest of the world	16,189	38%	15,230	33%	959	6%
Total	43,339	100%	46,375	100%	(3,037)	-7%

Adjusted EBITDA stands at EUR 3.9 million; adjustments are related to extraordinary costs linked to non-recurring events in 2023 and the result of some stores opened in the last 12 months and therefore not yet at break-even. Reported EBITDA is EUR 3 million, compared to EUR 5.8 million as of December 31, 2022.

After depreciation of EUR 7.5 million (EUR 7.8 million as of December 31, 2022), EBIT stands at EUR -4.4 million (EUR -2 million as of December 31, 2022). The Net Result is negative at EUR 6.7 million (negative EUR 3.2 million in 2022). The net result is negatively impacted by exposure to currency fluctuation mainly related to business activities with Group companies in a currency other than the Euro, which generated a negative effect on the income statement for the year of EUR 812 thousand, compared to a negative effect of EUR 48 thousand in 2022.

Net financial debt (Net Financial Position), including the effects arising from the application of the IFRS 16 accounting standard, stands at EUR 28.8 million compared to EUR 28.5 million as of December 31, 2022. The adjusted net financial debt, defined in the following paragraph 5 among 'Alternative Performance Indicators' and calculated excluding current and non-current lease liabilities, amounts to EUR 12.2 million (EUR 8.6 million as of December 31, 2022).

Throughout the year, the Group confirmed its ability to generate cash through operational management. The cash flow generated from operations amounts to EUR 1.7 million.

The investment activity absorbed net financial resources of EUR 87 thousand, specifically consisting of investments in third-party assets for the renewal/restyling of existing stores (particularly the Beverly Hills store in America), expenses for the opening of two new stores inaugurated during 2023, software investments, and the purchase of corporate equipment for Monnalisa S.p.A.'s headquarters, offset by financial resources generated from the sale of a property located in Florence at the end of the year.

The Group has a Net Equity of EUR 17.2 million. The Net Equity of the parent company Monnalisa S.p.A. is EUR 35.7 million.

The results for the fiscal year 2023, lower than expected, were significantly impacted by negative exogenous factors mainly attributable to the following: the continuing Russo-Ukrainian conflict which affected the performance of online revenues and revenues from multi-brand wholesale customers who realized a significant portion of their turnover online in those markets; inflationary dynamics, which have contributed and are contributing to reducing consumer confidence and consequently the contraction of sell-outs and

wholesale customer orders, already the weak link in the chain; turbulence in the supply and goods transportation markets; the slowdown in consumption in very important markets for the Group, such as the United States and China, but also in Europe; industry-specific elements, especially the radical change in the competitive arena of high-end children's fashion, which in recent years has been swept by the wave of men's and women's brands launching their offerings for children.

The climate of uncertainty that also characterized the previous comparative year persisted with impacting effects also in 2023: geopolitical tensions related to the conflict between Russia and Ukraine have introduced and continue to introduce an additional element of difficulty at the macroeconomic level and, specifically, in the continuation of the process of growth and consolidation of turnover and international presence of the Group; the monetary policy adopted by the European Central Bank and the inflationary pressures not yet abated have produced situations of disturbance in the industry's production chain.

All this could still influence consumption, habits, and people's movements with a potential impact on expected revenues. Particularly, the situation in China and Russia translates into extreme difficulty in restarting the economy, meaning that signs of recovery are not yet reflected in the Group's economic and financial performance.

In this context of uncertainty, the Group has continued to implement its industrial project, which integrates the branding and distribution strategies of the previous plan with growth through licensing agreements or production agreements with adult fashion brands. This strategy is aimed not only at increasing volumes but more importantly, at enhancing the group's profitability by creating new revenue streams and a more than proportional increase in corporate profitability (EBITDA on revenue and EBIT on revenue) due to a significant operational leverage effect through greater exploitation of the organizational, production, logistics, and distribution capacities that the Group already possesses.

It is from the awareness of these changes, which have impacted and are impacting the external environment, as well as from the wealth of skills and managerial capabilities in product development, production, logistics, and distribution that the transformation process implemented in recent years has developed, that the decision to modify the business model of the company arose. The growth will occur through diversification by acquiring adult brands through licensing or production agreements, with an expectation of a more than proportional increase in the group's profitability, relying on a significant potential for operational leverage.

The recent signing of new licensing agreements with brands like La Martina and Philosophy by Lorenzo Serafini marks an important step in this direction, the effects of which will only be visible on next year's balance sheet.

Furthermore, the Group has continued on its strategic path aimed at enhancing the quality of its distribution, increasingly orienting towards the direct-to-consumer channel; during 2023, following the implementation of its development plan, two new stores were inaugurated, one in Taiwan (Taipei Sogo) and one in Paris (Giverny outlet). Another important pillar of its strategy remains the constant improvement of the quality of its distribution, which rewarded the Group with a 4% growth in retail revenues at constant exchange rates, even in a time of great uncertainty in some of its most important markets. The increased incidence of retail turnover on total turnover, with the channel's weight shifting from 36% in 2022 to 40% in 2023, combined with careful management of production costs, has allowed the Group to make a significant leap forward in this direction.

Furthermore, during the fiscal year, the already initiated policy of cost review aimed at containing non-strategic or deferrable costs continued, without affecting the quality of products and the medium-term prospects of the business; the effects of the reduction of some general expenses were compensated by the support of non-recurring costs that had a significant impact on the current fiscal year's income statement.

5. ECONOMIC AND FINANCIAL ANALYSIS

The Monnalisa Group uses certain alternative performance indicators, which are not identified as accounting measures under accounting principles, to enable a better evaluation of the performance of the Group and the parent company. The determination criteria used by the Group and the results obtained might not be homogeneous and comparable with those of other groups. These indicators are exclusively derived from the historical data of the Group and the parent company for the accounting period under review and those compared, without referring to the expected performance of the Group and Monnalisa S.p.A. and should not be considered substitutes for the indicators required by the relevant accounting standards (IFRS):

EBITDA (Earnings Before Interest, Taxes, Depreciation, Amortization): Indicates the result before financial income and expenses, income taxes, depreciation of fixed assets, and gains/losses on exchange rates. The defined EBITDA represents the indicator used by Monnalisa's administrators to monitor and assess the operational performance of the business. Since EBITDA is not indicated as an accounting measure under Accounting Principles, it should not be considered an alternative measure for evaluating the company's operational results. As the composition of EBITDA is not regulated by the reference accounting principles, the determination criteria applied by Monnalisa may not be homogeneous with those adopted by other entities and therefore may not be comparable.

EBITDA ADJUSTED (Ebitda Adjusted): Indicates the result before financial income and expenses, income taxes, depreciation of fixed assets, and gains/losses on exchange rates, adjusted for one-off costs incurred, the negative margin of stores opened and closed within the year, impairments, and any items of an exceptional nature (i.e., extraordinary devaluation of inventory).

EBIT (Earnings Before Interest and Taxes): EBIT indicates the result before financial income and expenses, gains/losses on exchange rates, and income taxes. The defined EBIT represents the indicator used by Monnalisa's administrators to monitor and assess the performance of the business. Since EBIT is not identified as an accounting measure under Accounting Principles, it should not be considered an alternative measure for evaluating Monnalisa's results. As the composition of EBIT is not regulated by the accounting principles, the determination criteria applied by the Company may not be homogeneous with those 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, supplemented by CONSOB attention call no. 5/21, it is specified that net financial debt is obtained as the algebraic sum of cash and cash equivalents, current financial assets, and short-term and long-term financial liabilities (current and non-current financial liabilities).

Adjusted Net Financial Debt: Represented by *Net Financial Debt* excluding current and non-current leasing liabilities.

5.1 Reclassified Income Statement

The management areas of the reclassified income statement are articulated by distinguishing between ordinary productive management (operational and extra-characteristic) and financial management (financial charges and currency management). For the purpose of reclassification, active and passive financial interests, banking expenses, and currency management are considered within the financial management.

5.1.1 Reclassified Income Statement for Parent Company

(Euro)	31.12.2023	Inc %	31.12.2022*	Inc %
Revenue from Contracts with Customers	35,085,737		39,689,167	
Gross Margin	20,171,913	57%	22,511,564	57%
Costs for Services	(10,390,215)		(9,541,952)	
Personeel costs	(8,877,163)		(9,258,148)	
Other operating costs	(417,601)		(278,937)	
Other income	1,388,267		1,297,480	
EBITDA	1,875,202	5%	4,730,008	12%
Depreciation and Impairments	(5,656,043)		(4,498,977)	
Financial expenses	(1,760,031)		(1,221,036)	
Financial income	328,930		787,617	
EBT	(5,211,942)	-15%	(202,390)	-1%
Income taxes	111,470		7,373	
Net result for the fiscal year	(5,100,472)	-15%	(195,016)	0%

* The data from December 31, 2022, has been reclassified to ensure a better understanding of the information

5.1.2 Reclassified Consolidated Income Statement

(Euro)	31.12.2023	Inc %	31.12.2022*	Inc %
Revenue from Contracts with Customers	41,907,658		46,375,300	
Gross margin	26,443,804	63%	29,197,697	63%
Costs for Services	(12,453,175)		(11,889,273)	
Personeel costs	(11,572,435)		(11,952,838)	
Other operating costs	(528,529)		(660,534)	
Other income	1,112,098		1,093,180	
EBITDA	3,001,763	6%	5,788,232	12%
Depreciation and Impairments	(7,469,818)		(7,840,717)	
Financial expenses	(2,671,701)		(2,216,800)	
Financial income	185,641		874,330	
EBT	(6,954,115)	-18%	(3,394,955)	-7%
Income taxes	247,880		145,995	
Net result for the fiscal year	(6,706,235)	-17%	(3,248,960)	-7%

* The data from December 31, 2022, has been reclassified to ensure a better understanding of the information

5.2 Net Financial Position

The net financial position, which identifies the net financial debt of the Group and the parent company, succinctly expresses the balance between sources and investments of a financial nature. It is determined by the amount of immediate cash assets plus financial receivables, net of financial liabilities (not related to the commercial cycle) both short-term and medium-to-long-term.

5.2.1 Net Financial Position of the Parent Company

Values in thousands of Euro	31.12.2023	31.12.2022
A. Cash on hand	3,319	1,904
B. Cash equivalents	-	-
C. Other current financial assets	2,401	2,436
D. Liquidity A+B+C	5,720	4,340
E. Current financial debt	9,430	5,676
F. Current portion of non-current financial debt	2,590	2,305
G. Current financial indebtednes (E+F)	12,020	7,981
H. Net current financial indebtedness (G-D)	6,300	3,640
I. Non-current financial debt	14,963	15,370
J. Debt instruments	-	-
K. Trade payables and other current liabilities	-	-
L. Non-current financial indebtedness (I+J+K)	14,963	15,370
M. Net financial indebtedness (H+L)	21,263	19,010
Current financial liabilities for leasing	1,732	1,897
Non-current financial liabilities for leasing	8,364	9,234
Adjusted net financial indebtedness	11,168	7,878

5.2.2 Net Financial Position of the Group

Values in thousands of Euros	31.12.2023	31.12.2022
A. Cash	4,401	3,408
B. Cash equivalents	-	-
C. Other current financial assets	251	220
D. Liquidity A+B+C	4,652	3,628
E. Current financial debt	11,766	8,317
F. Current portion of non-current financial debt	2,590	2,305
G. Current financial indebtednes (E+F)	14,356	10,622
H. Net current financial indebtedness (G-D)	9,704	6,994
I. Non-current financial debt	18,795	21,859
J. Debt instruments	-	-
K. Trade payables and other current liabilities	-	-
L. Non-current financial indebtedness (I+J+K)	18,795	21,859
M. Net financial indebtedness (H+L)	28,499	28,853
Current financial liabilities for leasing	4,067	4,538
Non-current financial liabilities for leasing	12,196	15,724
L. Adjusted net financial indebtedness	12,236	8,591

The net financial position is presented according to the format of the Consob Communication No. DEM/6064293 of July 28, 2006, supplemented by Consob attention call No. 5/21, which updates references to ESMA guidelines regarding disclosure obligations under EU Regulation 2017/1129. Comparative data have been restated, however, no differences arose from the adoption of the new presentation format for the net financial position. If the 'net financial position' is negative, financial receivables and liquidity exceed financial debts. Adjusted financial indebtedness is calculated by excluding current and non-current financial liabilities from leasing contracts from the net financial indebtedness.

6. DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED

In managing its activities and implementing its strategy, the group is naturally exposed—as any company would be—to a range of risks that, if not properly managed and mitigated, can affect the economic results and the current and prospective financial and asset conditions. Monnalisa S.p.A. has developed procedures to manage risks in the areas most exposed in order to eliminate or reduce potential negative impacts on the economic and financial situation of the Company.

Business Interruption Risks Caused by Natural, Economic, Geopolitical Events, Including Pandemic Events

The risk is associated with the possibility that natural, economic, geopolitical events, including pandemic events, may cause significant disruption or halt to business continuity, resulting in economic/financial and/or reputational repercussions due to the inadequacy of corporate-level recovery strategies.

Market-Related Risks

The Monnalisa Group is responsible for creating, developing, industrializing, producing, marketing, advertising, promoting, and distributing products globally and is therefore subject to the typical risks of a fashion industry manufacturer and distributor. General market risks include competition, product market positioning, negative demand conditions, and fluctuations in raw material costs. The fashion industry is particularly characterized by the sensitivity of consumer tastes, which are constantly changing, as well as by the economic means consumers have. Thus, the Group is inevitably at risk that, for any reason, its collections may not be favorably received by the market. Additionally, the macroeconomic situation influences the disposable income consumers can spend on luxury goods. In both circumstances, the Group may face sales below expectations and thus is at risk that its turnover may be insufficient to cover its operating expenses. This risk is associated with the countries in which the company operates, each characterized by a different economic and political situation, especially for those nations where the group is present directly. These risks are managed by investing in innovation and research, fueling creativity with continuous stimuli and challenges. Moreover, having a significant presence in numerous global markets allows the group to mitigate the risk arising from potential economic or political deterioration in some markets.

Image-Related Risks

The market in which the Monnalisa Group operates is influenced by the retail customer's and the end customer's perception not only of the company's stylistic proposal but also of the intrinsic quality of the product and the brand's reputation. To contain these risks, the product and brand image (brand, product, company, group communication) are carefully managed. The public relations function is internal to allow

more effective control of the messages communicated externally, ensuring consistency in terms of brand identity and group reality. To protect the end consumer and manage the corresponding reputational risk, great attention is paid to the safety of the product and the materials used in it, through quality control, chemical and physical testing on specific products, adherence to Reach regulations, and compliance with very restrictive requirements for access to major international malls, through specific product certifications.

Distribution Network Risks

Risks arising from the wholesale channel are related to the solvency and financial stability of customers, which is regularly monitored, on the one hand, by cautiously evaluating the credit limits granted, and on the other, by relying on credit insurance and management services. Additionally, a further service is active to acquire commercial information online, in real-time, to monitor over time the appropriateness of the credit granted. The Group continuously invests in the distribution channel, confirming a win-win logic between customer and supplier, through customized support for the layout and setup of the sales point, assistance in preparing the initial order, monitoring the assortment mix, training sales staff, visual merchandising interventions, management and co-management of in-store events, merchandise exchange service, and modular support in managing unsold goods. In the retail sector, it is essential to secure and maintain over time the most coveted locations in the world's most important cities and in the most prestigious department stores. The main risk associated with this type of channel is related to the duration of lease contracts, their renewal possibilities, and the potential revision of the terms applied.

Risks Related to Relations with Producers and Suppliers

Production is carried out externally at small local workshops (façon) and by commercialized producers, located in Italy and abroad (China, Turkey, Egypt). With major suppliers, collaboration is achieved with a long-term partnership approach, based on the sharing of goals and tools to identify professional quality solutions and achieve mutually satisfying results, aiming for a stabilization of the relationship, containing the risk of dependence on key suppliers, either by workload or by type of product/service offered. Although the Group does not significantly depend on any one supplier, it is not possible to rule out the risk of cessation for any reason of the existing supply relationships. Therefore, workloads at each supplier are regularly monitored, and intense scouting activity for new suppliers is conducted worldwide.

Risks Related to the Loss of Know-How and Talents

The success of the Group strongly depends on the people who work there, their skills, and their professionalism. Therefore, efforts are made to prevent the loss of talent by ensuring a stimulating work environment, challenging and rich in learning and growth opportunities. Knowledge sharing is promoted through cross-functional growth and the dissemination of skills with direct training of colleagues and publication on the server of anything that can be systematized through procedures and instructions. With the opening of new branches abroad in countries with cultures deeply different from that of the parent company, understanding the work dynamics and motivational aspects of staff of another nationality becomes crucial, developing ad hoc policies and considering a different attitude towards corporate loyalty over time.

Risks Related to Information and Data Loss

Although the obligation to draft and update the security document has been removed, the Monnalisa Group has included data management and backup procedures in the instructions of the parent company

Monnalisa's ISO 9001 manual. There have been no complaints regarding violations of privacy and data loss. One of the three people in the IT office is dedicated to the continuous update of IT tools to prevent the risk of obsolescence, while within the management, a committee for the development of software-level technology is active. For the online sales system of its products, secure payment systems managed by certified companies using the best security protocols are employed. The company's controls ensure the formal and substantial soundness of the transactions.

Environmental Risks and Sustainability

Regarding strategic risks, climate change and public opinion's attention to the issue could impact customer preferences, potentially causing variations in the purchase of certain particular product categories, marginal with respect to the Group's business, and in the possible sourcing of certain raw materials, without currently foreseeing a reduction in the quality of the raw materials used in the production cycle. The Group therefore oversees risks related to climate change to reduce repercussions on its activities. At present, the Group does not report significant impacts of climate change on operational risks. Regarding financial risks, the Group could be exposed in the future to potential higher costs and investments related to the adaptation of the production and distribution structure, in order to mitigate the impacts that the business might determine on climate change. To date, there are no estimates of significant costs and investments in this regard. Finally, regarding compliance risks, the fallout in the field of sustainability is linked to the failure to comply with environmental norms and regulations, to which the Group could be subject. The Group follows the continuous evolution of the national and international regulatory framework and the possible introduction of further regulations related to the reduction of the environmental impacts of the business.

Liquidity Risks

The Monnalisa Group plans its financial dynamics in order to reduce liquidity risk. Based on financial needs, guaranteed lines of credit from the banking system are used, resorting to the most suitable sources in terms of duration, compared to related uses. In order to contain the absorption of liquidity caused by the expansion of working capital, its volume and composition are constantly monitored, trying to contain it or at least make it homogeneous in its various components (receivables, payables, inventory) both in terms of volumes and duration.

Asset Risks

Asset risks, understood as the possibility that the group may not be able to cope with "negative" events, both exogenous and endogenous, are fully contained by the corporate policy which has long seen the setting aside of profits produced, demonstrated by the significance of its own means compared to the invested capital.

Risks Related to Exchange Rate Trends

The different geographical distribution of production and commercial activities exposes the Group to exchange rate risk, both transactional and translational. Transactional exchange rate risk is generated by commercial and financial transactions carried out by the individual companies of the Group in currencies other than the functional currency, due to fluctuations in exchange rates between the time the commercial/financial relationship originates and the time the transaction is completed (collection/payment). Since, for the parent company, the volumes of purchases in dollars are temporally misaligned with respect to the definition of the sales price lists, when deemed appropriate, coverage of the exchange rates, set at the time of compiling the bill of materials, is provided using flexible forward contracts, never speculative in nature, but only of an insurance nature, to guarantee the planned margin. With the same rationale, and

where the conditions exist, the currency flows related to sales made in foreign markets are covered. Monnalisa holds controlling stakes in companies that prepare financial statements in a currency other than the euro, used for preparing the consolidated financial statements. This exposes the Group to translational exchange rate risk, due to the conversion into euros of the assets and liabilities of subsidiaries operating in currencies other than the euro.

Risks Related to Corruption Phenomena

The Group does not work with public administration or with large organized distribution, so the risk of corruption is therefore considered low. Maintaining a low level of risk is contributed to by the governance system and business processes, which provide general accountability safeguards, separation of tasks, and responsibilities on potential sensitive management processes. Monitoring of activities regarding the management of the risk.

Whistleblowing

The Company has implemented and operationalized in 2023 all technical and administrative measures necessary to comply with the requirements of Legislative Decree of March 10, 2023, adopting a specific procedure for managing related whistleblower reports and appointing a person with the necessary characteristics to act as the manager of such reports. The entity has established a dedicated mailbox for reports. During the fiscal year, as in previous years, there have been no reports regarding possible attitudes or phenomena of corruption.

Risks Related to Corporate Administrative Responsibility

The Group has adopted, since 2017, the Ethical Code and the Model of Organization, Management, and Control pursuant to Legislative Decree No. 231 of 2001. Since 2012, the Supervisory Board function has been entrusted to the Audit Committee. The risk assessment update is managed by a specific organizational unit in the staff of the CEO named the Compliance Team, composed of: the HR manager, the special projects manager, and an external consultant. The compliance team and the Supervisory Board periodically draft reports on the activities carried out for the corporate leadership.

Governance Risks

The parent company is a family-owned business, still in the first generation, where the founders' active presence in terms of contribution and guidance is strong, hence, there are evident potential risks of continuity and permanence. To mitigate these risks, a Board of Directors was established in 2010, renewed in 2021, which currently includes the chairman Piero Iacomoni, the councilor Matteo Tugliani, three external members from the founder's family, including the CEO Christian Simoni, and two independent members.

Risks Related to Accounting and Tax Activities

The accounting activities of the parent company Monnalisa are internally managed and overseen by individuals with an average of twenty years of experience in the same role. The professionalism of these individuals is complemented by continuous updating and the support of high-profile external consultants. The legal audit task has been entrusted to the auditing firm EY SpA, which has been assigned the certification

of the financial statements of the parent company and the consolidated financial statements. As for the controlled companies, the accounting activity is entrusted to local consulting firms with international experience. The controlled companies with the highest turnover volumes (Russia and China) are subject to review by local auditors. There have been no cases of sanctions, monetary or otherwise, for non-compliance with laws and regulations. As of the date of preparation of this financial statement, there is no litigation with the tax administration. In the early months of 2021, the Revenue Agency initiated an audit against Monnalisa S.p.A. concerning the tax credit from research and development activities, used in compensation for the years 2015-2016-2017-2018-2019. After several disputes, the audit activity was suspended for over a year until April 20, 2023, when a PVC was notified by the Revenue Agency - Provincial Directorate of Florence. The Company, believing that the observations raised are entirely unfounded, sent a specific defensive memorandum with comments on the PVC on June 20, 2023. To date, no notice of assessment has been issued. While reiterating the correctness of the actions taken, it is nevertheless considered that such an assessment, although it could constitute a possible potential liability, is neither probable nor quantifiable. Finally, it is noted that the Group's activities are characterized, among other things, by operations in several countries (both European and non-European). Within this scope of operations, there are transfers of goods and services between companies residing in different states and territories. In particular, the relationships established by the parent company with its foreign subsidiaries fall under the operations subject to transfer pricing regulations. In the management's opinion, the transactions between the parent company and other non-resident companies of the group have been carried out during ordinary activities and are carried out in full compliance with the principle of "arm's length pricing," as prescribed by Italian regulations and defined internationally by the OECD guidelines.

Risk of Unsold Inventory

n consumer tastes or other factors that decrease the value of the products in inventory. This risk is limited because Monnalisa operates primarily on the basis of specific production orders (except for blind orders placed on some raw materials), which allows for the advance definition of the quantities to be produced. With the development of the retail channel, the risk is potentially subject to growth but is nonetheless managed through the outlet sub-channel (both physical and online). As responsible for the industrialization, production, and marketing of products, Monnalisa requires that the retail stores owned by the Group display a representative mix of the entire collection to promote the sales of all products globally and, consequently, guarantees the distribution companies of the Group the possibility of returns at the original purchase price unless they can sell them through their own outlet channel. Particularly, at the end of each season, excess stock is managed differently depending on whether an outlet exists in each local market: (i) in countries where there is no outlet, end-of-season returns are predominantly reallocated to Monnalisa, while (ii) in countries where an outlet exists, end-of-season returns are sold through the local outlet. In the first case, the Group is exposed to the risk of unsold inventory.

Risks Related to the Consolidation of Sustainability in Business Processes

Monnalisa adheres to major standards of social responsibility and integrated business management (ISO 26000, SA8000, ISO 9001, ISO 14001). This commitment involves continuous improvement and management of activities and processes, which are periodically evaluated by independent external entities. The publication of the integrated report demonstrates the desire to include stakeholders, some as recipients and others as contributors, in the virtuous process of sustainability, quality, and environmental policies. Adopting the

materiality analysis as a "management tool" for sustainability proves functional for improving the effectiveness of reporting and stakeholder engagement.

Risks Related to Growth Management

Among the economic and financial planning tools, Monnalisa drafts a three-year development plan, annually revised, which contains in descriptive and numerical form the strategies, actions, and their expected economic-financial impact, which the Company intends to implement both to consolidate existing operations and to seize new growth opportunities.

Risks Related to Product Distinctiveness

Creativity, or the ability to make a product distinctive, represents the ultimate competitive lever, to be preserved and valued as one of the key components of the Company's intangible assets. Oversight of this critical area is in the hands of Barbara Bertocci and Diletta Iacomoni, respectively the wife and daughter of the founder, demonstrating the continuity the Company intends to maintain in terms of product identity and distinctiveness. With the same care and attention, Monnalisa approaches the licensing business, effectively interpreting, producing, and distributing also third-party brands.

Risks Related to Product Safety and Quality Assurance

Every Monnalisa garment is designed and evaluated also considering health and safety, issues even more significant given that children are the final recipients of the offered products. The materials used and the finished products purchased are tested for harmful substances, as well as during the design and industrialization phases of the product, the regulations regarding the physical safety of clothing intended for children are followed. The requirements and their degree of restrictiveness can vary from country to country, as can the list of substances considered harmful to consumer health; therefore, it is necessary to pay close attention to the evolution of regulations, trying to comply even with the strictest. Oversight of this issue is achieved through awareness and control of the supply chain through which the Monnalisa product is manufactured. To this end, all aspects of product health and safety have been formally included in the relationship with suppliers, through the code of conduct which forms an integral part of the supply contract, by which the supplier commits to comply with the principles embraced by the commissioning Company.

Risks Related to Employee Health and Safety

Health and safety at work are an indispensable right of every worker. In Monnalisa, as there are no inherently dangerous activities, oversight of this aspect goes beyond legal provisions to cover softer, yet no less important aspects, such as the "climate" in the workplace or work-life balance policies. Faced with the health emergency caused by the Coronavirus, the well-being and health of people have been at the center of the initiatives and policies promoted by the Group. With the global spread of the pandemic, it has been necessary to rethink the spaces and work times of people to ensure them the best safety conditions in carrying out their duties, preserving operational continuity and also safeguarding the health of those who interacted with the Group during the same period, particularly customers, consumers, and suppliers.

Risks Related to Supply Chain Management

Monnalisa does not have internal production, so controlling its supply chain is very important from all perspectives: quality, labor practices, human rights, environment, and safety of the supplied product. The selection and evaluation of suppliers is a crucial aspect of the Company's activities, also considering that purchases of raw materials, finished products, or services occur in many countries of the world, which may vary over time even due to macroeconomic reasons. Generally, the logic that inspires Monnalisa's collaboration with key suppliers is based on creating a long-term partnership, which materializes in the sharing of goals and tools to identify professional quality and efficiency solutions, thus achieving mutually satisfactory results. The methods of selecting and evaluating suppliers, based not only on product aspects but also on ethical criteria, are functional to creating a lasting collaboration also founded on a commonality of values. The goodness of this process is testified by the continuity and stability of the relationships that have been established with key suppliers. The Company tends to favor those suppliers from whom it receives collaboration in research, development, and experimentation.

7. RELATIONS WITH FINANCIAL INSTITUTIONS

The debt concerns mostly the parent company alone. The activities covered in the bank-company relationship pertain to the signing of mortgages, exchange coverage, asset sales, cash management, financing, and lines of credit, and opening documentary credits. The structure of the debt presents a good balance between short-term and long-termrmine.

Use of Financial Instruments

Derivative financial instruments can be used with the intent to hedge financial risks related to fluctuations in exchange rates on foreign currency commercial transactions or to cover financial risks arising from changes in variable interest rates related to specific medium-to-long-term financing operations. Currently, the Group has in place only hedges against risks arising from changes in interest rates.

8. INVESTMENTS

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

Fixed assets	Investments of the fiscal year
Industrial rights and patents	28,722
Fixed assets under construction and intangible advances	17,000
Other intangible fixed assets	331,817
Land and buildings	750,409
Plant and machinery	98,608
Industrial and commercial equipment	14,026
Other assets	97,152
Total	1,337,734

9. INFORMATION ON RELATIONS WITH THE ENVIRONMENT AND PERSONNEL

In compliance with Article 2428, paragraph 2, of the Civil Code, we specify the following:

- No complaints have been filed for damages caused to the environment;
- No sanctions or definitive penalties have been imposed for environmental crimes or damages;
- No violations of environmental protection regulations have been contested.

The Group has not undertaken specific environmental impact policies as they are not necessary in relation to the activities performed. The parent company has an ISO 14001 certified environmental management system. Annually, environmental improvement objectives are defined, and their achievement is then reported in the integrated report, along with the indicators required by the GRI (Global Reporting Initiative) for the environment. Further to what is reported in the explanatory notes to the consolidated financial statements as of December 31, the following is specified:

- No work-related fatalities occurred among personnel registered in the roster book;
- No serious work-related injuries occurred that resulted in serious or very serious injuries to personnel registered in the roster book;
- No charges have been recorded regarding occupational diseases on employees or former employees, and no cases of mobbing for which the company has been definitively held responsible;
- The Company has carried out personnel safety interventions to bring the company in line with legal provisions.

The parent company adopts all appropriate measures to protect the health and safety of the workplace environments through the application of traditional procedures (risk assessment, health surveillance plan) and with the support of competent professional figures (Managers, Supervisors, Competent Doctor, and Head of Prevention and Protection Service as per Legislative Decree 81/2008). The prevention of occupational risks is a fundamental principle that inspires the Company and represents an opportunity to improve the quality of life in the company's plants and offices; in this perspective, initiatives for training and raising awareness among employees and generally all workers on safety issues in the workplace have continued. The activity was carried out through training and information interventions (conducted with specific courses), the implementation of the health surveillance plan, and the dissemination of notices and circulars as required by regulations. In compliance with the provisions of Legislative Decree No. 81 of 2008, additional investments were made to improve the adequacy of the plants and equipment to the dictates of the aforementioned legislation.

10. RESEARCH AND DEVELOPMENT ACTIVITIES

In accordance with and for the purposes of what is reported in point 1) of the third paragraph of article 2428 of the Civil Code, it is certified that during 2023, research and development activities continued on projects considered particularly innovative, both through own staff and consulting activities. The costs incurred for the research and development of processes and products are not capitalized but are included by nature in operating costs, and as such are fully charged to the income statement.

11. RELATED PARTY TRANSACTIONS

The exchange relationships between the various companies are regulated by current market conditions. Below, the content of the significant transaction reports made in 2023, for each company, is presented:

- Jafin S.r.l.: A financial company with which Monnalisa has leasing contracts for some properties used for the company's activities
- Fondazione Monnalisa: A non-profit entity that carries out philanthropic activities in the Arezzo area
- Hermes&Athena S.r.l.: A consulting firm in the commercial area
- Barbara Bertocci: creative director of Monnalisa
- Diletta Iacomoni: fashion coordinator of Monnalisa
- Monnalisa Hong Kong Ltd: Company for retail development in Hong Kong
- Monnalisa China Ltd: Company for retail development in China
- Monnalisa Rus Llc: Company for retail and wholesale development in Russia
- ML Retail USA Inc: Company for retail development in the USA
- Monnalisa Bebek Gygim Sanayi Ve Ticaret A.S.: Company for retail development in Turkey
- Monnalisa Japan: Company for retail development in Japan
- Monnalisa International: Company for retail development in Taiwan
- Monnalisa UK Ltd: Company for retail development in Great Britain
- Monnalisa Singapore: Company for retail channel development in the local market
- Monnalisa San Marino srl: Company for retail channel development in the local market

In the following table, the economic and financial aspects of the relationships highlighted as of December 31, 2023, are detailed:

Related Party	Trade Receivables	Financial Receivables	Other Receivables	Trade Payables	Revenues	Costs
Jafin S.r.l.	12,200		180,000	70,000	10,000	413,295
Fondazione Monnalisa	190,389				61,547	
Hermes & Athena Consulting S.r.l.				330,000		200,000
Barbara Bertocci				32,002		130,004
Diletta Iacomoni						250,768
Monnalisa Hong Kong Ltd	1,441,715	970,000			87,954	27,327
Monnalisa China LLC	1,563,018	1,803,264				340,338
Monnalisa Rus OOO	1,069,868				1,972,180	
ML Retail Usa Inc	1,517,444	1,833,439			736,365	125,228
Monnalisa Bebek Giyim Sanayi	59,182				204,218	28,060
Monnalisa UK Ltd	636,313	345,202			323,304	
Monnalisa Taiwan	382,493	130,000			157,266	
Monnalisa Japan	31,259	86,883			1,044	
Monnalisa Singapore Ltd	401,394				157,770	
Monnalisa San Marino S.r.l.	500,741				223,952	
Total	7,806,016	5,168,788	180,000	432,002	3,935,600	1,515,020

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

12. OWN SHARES AND SHARES OF CONTROLLING COMPANIES

At the end of the fiscal year, Monnalisa S.p.A. held 18,075 own shares with a counterpart value of EUR 149,915, purchased following a share buyback and disposal program of the Company's own shares approved on January 16, 2019, by the Board of Directors of Monnalisa S.p.A. in execution of the shareholders' resolution of June 15, 2018.

The own shares can be transferred at any time, in whole or in part, in one or more instances, through sale on the market, in blocks, or otherwise off-market, accelerated bookbuilding, or by transferring any real and/or personal rights related to them (including, by way of example, securities lending), as well as within the framework of industrial projects or extraordinary finance operations, through exchange operations, swaps, contributions, or other methods that involve the transfer of own shares at a price or value that will be considered fair in line with the operation, also taking into account market trends.

13. OTHER INFORMATION

In order to comply with the provisions of the Euronext Growth Milan Issuers Regulation (previously AIM Italia / Alternative Capital Market) updated as of October 25, 2021, the Company has established specific corporate governance procedures such as:

- Internal Dealing procedure aimed at regulating the disclosure obligations pertaining to certain transactions carried out by the company's administrators;
- Regulation for the management and handling of corporate information and for the external communication of privileged information;
- Procedure for transactions with related parties aimed at regulating the identification, approval, and execution of transactions carried out by the Company with related parties in order to ensure the transparency and correctness, both substantial and procedural, of the transactions;
- Procedure for fulfilling the communication obligations to the Euronext Growth Advisor.

14. SIGNIFICANT EVENTS AFTER THE CLOSURE OF THE PERIOD AND FORESEEABLE EVOLUTION OF MANAGEMENT

In accordance with point 5) of the third paragraph of Article 2428 of the Civil Code, no significant events have occurred after the closure of the period that could have a substantial impact on the performance of the Group. The global macroeconomic context remains volatile, with uncertainties related to recession risks, ongoing inflationary pressure, and geopolitical instability. In the face of this uncertainty and unpredictability, the Group continues to work in line with its development strategies with clear and targeted ideas. The main strategic development lines are defined below:

CONTINUATION OF THE DTC CHANNEL GROWTH STRATEGY with a consequent increase in overall profitability, through the expansion of its distribution network and the opening of new Directly Operated Stores (DOS) and Directly Operated Outlets (DOO) in locations characterized by a high incidence of affluent population and high spending rates in the luxury segment; in a context of uncertainty that has persisted for several years, the group has continued to invest, most recently with the opening of two new stores in France and Taiwan during the current fiscal year. This is accompanied by the closure of those stores considered non-profitable in a medium-to-long-term perspective;

CONTINUATION OF THE STRATEGY TOWARDS A NEW BUSINESS MODEL that involves selective licensing agreements aimed at increasing production and business volume through the design and production, or production of third-party brands alongside current licensed products, also produced under license, leveraging the organizational and productive structure already available to the group. Here, the new five-year multi-channel licensing agreement signed in September 2023 between Monnalisa and La Martina, an iconic international brand associated with Argentine and British polo, is contextualized as just the first step towards this growth process. The international agreement aims to launch and grow a clothing, footwear, and accessories offering for the 0-16 years target of the brand founded in 1985, through the structure and expertise of Monnalisa. The first collection from the new licensing course of the brand will be for the FALL-WINTER 2024/2025 season. The licensing agreement constitutes an important step along the strategic path of changing Monnalisa's business model. The La Martina Kids collection will be distributed not only in some selected monobrand stores – via e-commerce and in a selection of Monnalisa multibrands. The style office, under the direction of Barbara Bertocci and Diletta Iacomoni, will interpret with the quality and attention to detail that distinguishes the historic brand, the style guides of La Martina. It is noted here that in February 2024, Monnalisa signed a multi-year licensing agreement for the kids' line of the Philosophy brand by Lorenzo Serafini, expiring in 2032, with the company Aeffe S.p.A., an international company active in the fashion and luxury field through the creation, production, and distribution of a wide range of products including ready-to-wear, footwear, leather goods, lingerie, and swimwear. With this partnership, Monnalisa will be able to further expand its target clientele and extend its expertise with an offering aligned with the contemporary romantic style for which it is known. The debut of the collaboration will take place with the SS 2025 season;

SUSTAINABLE AND RESPONSIBLE GROWTH sees sustainable transformation as a distinctive element for its development process and for product differentiation for the Monnalisa brand. Here, the group's commitment to continue implementing the necessary actions and projects to pursue the sustainability goals published in the 2022-2024 Plan approved by the Board of Directors on July 21, 2022, is framed. In order to ensure the achievement of such objectives, Monnalisa has created a dedicated multifunctional working group, coordinated by the CEO, tasked with defining objectives, targets, and timelines within the commitments already undertaken by the Group through the Sustainability Plan, to monitor the progress of the projects and the achievement of the same objectives. At the beginning of 2024, the rating agency Standard Ethics confirmed the EE- (adequate) rating, which is "investment grade," positioning the Monnalisa Group at the top compared with other companies in the sector. The ESG rating by Standard Ethics was first assigned in 2022 to the Monnalisa Group, confirming the Group's growth path in the ESG (Environmental, Social, Governance) field. The Standard Ethics Agency also updated the medium-long-term expectation to EE+ over a timeframe of 3-4 years. The improvement achieved is based on the work carried out, most recently during the fiscal year 2023, by the Group mainly on the governance of sustainability and sustainable development strategies, aligned with most of the voluntary guidelines of the United Nations, OECD, and the

European Union, alongside an extra-financial reporting drafted according to international standards adhering to ESG practices and policies continuously evolving in response to evolving sustainability needs.

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

Chairman

Piero Iacomoni

Consolidated Financial Statements as of December 31, 2023

Financial Statements

Consolidated Income Statement

(Euro)	Notes	31.12.2023	<i>related to transactions with related parties</i>	31.12.2022	<i>related to transactions with related parties</i>
Revenue from Contracts with Customers	5	41,907,658	71,547	46,375,300	62,913
Other income	6	1,112,098		1,093,180	
Revenues		43,019,756		47,468,480	
Change in Inventories of Finished Goods	7	2,104,185		(1,742,488)	
Cost of Raw Materials, Goods, and Consumables	7	(13,565,727)		(12,057,107)	
Costs for Services	8	(16,455,487)	(743,299)	(15,267,281)	(737,708)
Personnel Costs	9	(11,572,435)	(250,768)	(11,952,838)	(227,272)
Depreciation and Impairment	10	(7,469,818)		(8,114,926)	
Other Operating Costs		(528,529)		(386,325)	
Operating Result		(4,468,054)		(2,052,485)	
Financial Charges	11	(1,813,639)		(1,306,040)	
Financial Income	11	140,324		11,855	
Gains (Losses) on Exchange Rates	11	(812,746)		(48,285)	
Result Before Taxes		(6,954,115)		(3,394,955)	
Income Taxes	12	247,880		145,995	
Result of the Fiscal Year		(6,706,235)		(3,248,960)	
Group Share of the Result		(6,706,313)		(3,248,398)	
Minority Interest Result		78		(563)	

(Euro)	31.12.2023	31.12.2022
Profit (Loss) for the Group's Fiscal Year	(6,706,313)	(3,248,398)
# number of shares	5,236,300	5,236,300
Basic Earnings (Loss) Per Share	(1.28)	(0.62)
Diluted Earnings (Loss) Per Share	(1.28)	(0.62)

Consolidated Comprehensive Income Statement

(Euro)	Note	31.12.2023	31.12.2022
Net Profit (Loss) for the Year		(6,706,235)	(3,248,960)
Gains (Losses) on Hedging Instruments	24	(114,515)	208,105
Gains (Losses) from the Translation of Foreign Operations	24	112,462	86,276
Components that may be reclassified to profit or loss in subsequent periods, net of tax		(2,053)	294,381
Profit (Loss) from Accounting for Defined Benefit Plans	24	(43,547)	298,358
Components that will not be reclassified to profit or loss in subsequent periods, net of tax		(43,547)	298,358
Total Other Comprehensive Income, Net of Tax		(45,600)	592,739
Total Comprehensive Income, Net of Tax		(6,751,835)	(2,656,222)

Consolidated Equity and Financial Situation

(Euro)	Notes	31.12.2023	<i>related to transactions with related parties</i>	31.12.2022	<i>related to transactions with related parties</i>
NON-CURRENT ASSETS					
Property, Plant, and Equipment	13	15,105,276		16,094,084	
Right-of-Use Assets	14	15,924,133		20,222,813	
Intangible Assets with Finite Useful Lives	15	470,727		809,347	
Other Non-Current Financial Assets	16	767,022		837,046	
Deferred Tax Assets	12-17	4,125,372		4,005,806	
TOTAL NON-CURRENT ASSETS		36,392,529	0	41,969,096	0
CURRENT ASSETS					
Inventories	18	15,669,809		14,538,012	
Trade Receivables	19	6,530,355	202,589	7,858,954	206,393
Tax Receivables	20	1,517,648		1,778,826	
Other Current Assets	21	885,949	180,000	1,245,169	360,000
Other Current Financial Assets	22	390,006		510,009	
Cash and Cash Equivalents	23	4,401,271		3,408,163	
TOTAL CURRENT ASSETS		29,395,038	382,589	29,339,133	566,393
TOTAL ASSETS		65,787,567	382,589	71,308,229	566,393
EQUITY					
GROUP EQUITY					
Share capital	24	10,000,000		10,000,000	
Reserves	24	13,947,765		17,265,461	
Group earnings	24	(6,706,313)		(3,248,398)	
TOTAL GROUP EQUITY	24	17,241,452		24,017,063	
Minority Interest	24	633		558	
TOTAL EQUITY		17,242,084	0	24,017,621	0
NON-CURRENT LIABILITIES					
Long-Term Financial Debts	30	6,599,463		6,135,390	
Provisions for Risks and Charges	25	752,946		728,984	
Employee Benefit Liabilities	26	2,324,070		2,309,858	
Other Non-Current Liabilities	27	107,304		142,977	
Non-Current Leasing Liabilities	28	12,195,551		15,723,594	
Deferred Tax Liabilities	12	276,193		304,493	
TOTAL NON-CURRENT LIABILITIES		22,255,527	0	25,345,296	0
CURRENT LIABILITIES					
Trade Payables	29	9,430,568	432,002	8,291,096	120,000
Short-Term Financial Debts	30	10,289,475		6,083,387	
Tax Liabilities	29	477,109		490,021	
Other Current Liabilities	29	2,025,428		2,542,405	
Current Leasing Liabilities	28	4,067,377		4,538,402	
TOTAL CURRENT LIABILITIES		26,289,956	432,002	21,945,313	120,000
TOTAL LIABILITIES		48,545,483	432,002	47,290,609	120,000
TOTAL EQUITY AND LIABILITIES		65,787,567	432,002	71,308,229	120,000

Statement of Changes in Consolidated Equity

(Euro) Note 24	Share Capital	Legal Reserve	Revaluation Reserve	Reserve for Hedging Expected Cash Flows	Other Reserves	IAS 19 Equity Effect	Profit (Loss) Carried Forward	Profit (Loss) for the Period	Group Equity	Minority Interest Equity	Total equity
Initial Balance 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 Results		34,930			352,053		(2,497,873)	2,110,890	-		-
Other Movements from IAS 29 Effect			60,989						60,989		60,989
Other Movements									-		-
Profit/(Loss) for the Period								3,248,397	(3,248,397)	(563)	(3,248,961)
Other Comprehensive Income/(Loss)				208,104	86,276	298,358			592,739	3,483	596,222
Final Balance 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

(Euro) Nota 24	Share Capital	Legal Reserve	Revaluation Reserve	Reserve for Hedging Expected Cash Flows	Other Reserves	IAS 19 Equity Effect	Profit (Loss) Carried Forward	Profit (Loss) for the Period	Group Equity	Minority Interest Equity	Total equity
Initial Balance at 01.01.2023	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
Allocation of Results							3,248,397	(3,248,397)	0		0
Other Movements from IAS 29 Effect		(23,699)							(23,699)		(23,699)
Other Movements									0		0
Profit/(Loss) for the Period								(6,706,313)	(6,706,313)		(6,706,313)
Other Comprehensive Income/(Loss)				(114,515)	112,462	(43,547)			(45,600)	75	(45,525)
Final Balance at 31.12.2023	10,000,000	1,119,507	4,030,573	105,317	7,326,463	155,698	7,707,002	(6,706,313)	17,241,452	633	17,242,084

Consolidated Cash Flow Statement

(Euro)	31.12.2023	<i>related to transactions with related parties</i>	31.12.2022	<i>related to transactions with related parties</i>
Net Profit for the Period	(6,706,235)		(3,248,961)	
Adjustments to Reconcile Net Profit to Cash Flows Generated (Used) from Operations:				
Depreciation and Impairment of Tangible, Intangible, and Right-of-Use Assets	7,075,434		7,840,716	
Income taxes	-		145,995	
Provision for Employee Benefits	250,915		328,658	
Provisions (Utilizations) for Inventory Impairment	114,924		0	
Losses and Provisions for Credit Impairment	248,463		264,391	
Losses (Gains) on Disposal of Tangible and Intangible Assets	(517,000)		0	
Interest Expense and Interest on Lease Liabilities	1,947,862		1,306,040	
Interest income	(140,324)		(11,855)	
Other Non-Cash Economic Components	(141,345)		(23,997)	
Changes in Operating Assets and Liabilities:				
Inventories	(1,246,721)		771,691	
Trade Receivables	1,080,095	3,804	(222,491)	(9,474)
Trade Payables	1,139,472	312,022	1,001,666	(5,000)
Other Tax Receivables and Payables	248,266		116,624	
Other Assets and Liabilities	(312,996)	180,000	820,261	180,000
Payments for Employee Benefits	(377,753)		(133,026)	
Income Taxes Paid	-		(1,003,927)	
Interest Expense and Interest on Lease Liabilities Paid	(1,114,190)		(1,225,395)	
Interest Income Received	140,324		11,851	
CASH FLOW GENERATED (USED) FROM OPERATING ACTIVITIES	1,689,191		6,734,244	
Cash Flow from Investing Activities				
Purchase of Tangible Assets	(1,291,227)		(561,313)	
Purchase of Intangible Assets	(45,722)		(174,476)	
Proceeds from Sale of Tangible and Intangible Assets	1,250,000		0	
CASH FLOW GENERATED (USED) FROM INVESTING ACTIVITIES	(86,949)		(735,789)	
Cash Flow from Financing Activities				
Net Change in Financial Receivables	39,351		0	
Net Change in Financial Liabilities	4,670,197		(1,293,256)	
Repayment of Lease Liabilities	(5,318,681)		(5,857,104)	
CASH FLOW GENERATED (USED) FROM FINANCING ACTIVITIES	(609,133)		(7,150,360)	
INCREASE (DECREASE) IN NET CASH AND CASH EQUIVALENTS	993,108		(1,151,907)	
NET CASH AT THE BEGINNING OF THE PERIOD	3,408,163		4,560,070	
Increase (Decrease) in Net Cash and Cash Equivalents	993,108		(1,151,907)	
NET CASH AT THE END OF THE PERIOD	4,401,271		3,408,163	

**Explanatory Notes to the
Consolidated Financial
Statements
as of December 31, 2023**

1. GENERAL INFORMATION

1.1 Corporate information

Monnalisa S.p.A., hereinafter also referred to as the "Company" or "Parent Company," is a company incorporated and domiciled in Italy, with its registered office at Via Madame Curie no. 7, in the form of a joint-stock company, governed by Italian law and organized according to the legal system of the Italian Republic. It is organized under the traditional administration and control model with the Shareholders' Meeting, the Board of Directors, and the Board of Statutory Auditors. The Company's shares are traded on Euronext Growth Milan managed by Borsa Italiana S.p.A. The Monnalisa Group operates in a single operational sector identified with the design, production, and distribution of high-end childrenswear for ages 0-16 under the eponymous brand, through multiple distribution channels. The consolidated financial statements for the year ended December 31, 2023, were approved by the Board of Directors on March 29, 2024, and are based on the financial statements of the Parent Company and the companies in which the Company directly or indirectly holds a controlling interest in the capital or exercises control.

1.2 Direction and Coordination

Monnalisa S.p.A. is subject to direction and coordination activities, pursuant to Article 2497 et seq. of the Italian Civil Code, by Jafin Due S.r.l., with its registered office in Arezzo, Via Madame Curie. In compliance with the provisions of Article 2497-bis, paragraph 4 of the Italian Civil Code, the essential data of the financial statements as of December 31, 2022, and December 31, 2021, of Jafin Due S.r.l. are presented below:

(Euro)	31.12.2022	31.12.2021
A) Receivables from Shareholders for Payments Still Due		
B) Fixed assets	6,905,112	6,922,365
C) Current assets	427,544	480,928
D) Prepaid Expenses and Accrued Income	197	237
TOTAL ASSETS	7,332,853	7,403,530
Shared capital	800,000	800,000
Reserves	6,569,463	6,627,427
Profit (Loss) for the Year	(105,841)	(57,963)
Total equity	7,263,622	7,369,464
B) Provisions for Risks and Charges		
C) Employee Severance Indemnity		
D) Liabilities	69,231	34,066
E) Accrued Expenses and Deferred Income		
TOTAL LIABILITIES AND EQUITY	7,332,853	7,403,530

2. MAIN ACCOUNTING PRINCIPLES OF PREPARATION

2.1 Content and Form of the Consolidated Financial Statements

The consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union and in effect at the balance sheet date. The Group's consolidated financial statements consist of the consolidated statement of financial position, the consolidated income statement, the consolidated comprehensive income statement, the consolidated cash flow statement, the statement of changes in equity, and the related explanatory notes. Below are the financial statement formats and the related classification criteria adopted by the Group, within the options provided by IAS 1 - Presentation of Financial Statements:

Consolidated Statement of Financial Position: presents a distinction between current and non-current assets and liabilities, where non-current assets include assets with a realization cycle beyond twelve months and include intangible, tangible, and financial assets and deferred tax assets; current assets include assets with a realization cycle within twelve months; non-current liabilities include liabilities due beyond twelve months, including financial liabilities, provisions for risks and charges, employee benefit liabilities, and deferred tax liabilities; current liabilities include liabilities due within twelve months, including the short-term portion of medium-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, considered the most representative and reliable form for presenting the charges and expenses incurred by the Group during the period. The intermediate result "Operating Income" (defined as the difference between revenues and operating costs) is presented as it is an essential margin for understanding 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 includes other income statement components that may be reclassified to the income statement in subsequent periods or that will not be reclassified to the income statement in subsequent periods;

Cash Flow Statement: the consolidated cash flow statement presents the financial flows from operating, investing, and financing activities, in accordance with IAS 7. Cash flows from operating activities are presented using the indirect method, whereby the profit for the period is adjusted for the effects of non-monetary transactions, any deferrals or accruals of past or future operating cash receipts or payments, and revenue or cost items associated with investing or financing cash flows;

Statement of Changes in Consolidated Equity: the statement of changes in consolidated equity shows the comprehensive result for the period and the effect, for each equity item, of changes in accounting principles and error corrections as provided by International Accounting Standard No. 8. Additionally, the statement presents the balance of accumulated profits or losses at the beginning of the period, movements during the period, and the balance at the end of the period. The consolidated financial statements are presented in euros, which represents the currency of the primary economic environment in which the Group operates, and all values are rounded to the nearest thousand euros, unless otherwise indicated. Below are the main accounting policies and principles applied in the preparation of the Consolidated Financial Statements in

detail. As provided by IAS 24, subsequent paragraphs highlight related party transactions with the Group and their significant impacts, if any, on the financial position, economic results, and cash flows.

2.2 Accounting Principles Used in the Preparation of the Consolidated Financial Statements

The consolidated financial statements have been prepared based on the historical cost principle, except for derivatives and financial assets available for sale (if any), which are recorded at fair value, and based on the going concern principle. The most significant principles adopted for the preparation of the Consolidated Financial Statements are indicated in the following points:

2.2.1 Property, Plant, and Equipment

Property, plant, and equipment are recorded at historical cost, net of the related accumulated depreciation and accumulated impairment losses, including directly attributable ancillary costs necessary to make the assets ready for use. The carrying amount of tangible assets is subsequently adjusted for depreciation calculated on a straight-line basis from the moment the asset is available and ready for use, based on the estimated useful life, understood as the estimate of the period during which the asset will be used by the company, and any accumulated impairment losses. The Group reviews the estimated residual values and expected useful lives of tangible assets at least annually. In particular, the Group considers the impact of health, safety, and environmental legislation in evaluating expected useful lives and estimated residual values. The carrying amount of an item of property, plant, and equipment, and any significant component initially recognized, is derecognized upon disposal (i.e., the date the buyer gains control) or when no future economic benefits are expected from its use or disposal. The gain/loss arising on the derecognition of the asset (calculated as the difference between the net carrying amount of the asset and the proceeds received) is recognized in the income statement when the item is derecognized.

The residual values, useful lives, and depreciation methods of property, plant, and equipment are reviewed at each year-end and adjusted prospectively, if appropriate. If significant parts of such tangible assets have different useful lives, such components are accounted for separately. Land, whether undeveloped or attached to buildings, is recorded separately and is not depreciated as it is considered to have an indefinite useful life. Costs for improvements, upgrades, and transformations that have an incremental nature are capitalized when it is probable that they will increase the future economic benefits expected from the use or sale of the asset. Costs incurred for maintenance and repairs are directly charged to the income statement for the year in which they are incurred. The annual depreciation rates used are as follows:

Category	%
Industrial building	3%
Machinery and Equipment	12.50%
Cutting Machines and Automatic Machinery	17.50%
Furniture and Office Equipment	12%
Electromechanical and Electronic Office Machines	20%
Instrumental Transport Vehicles	20%
Equipment	25%

Cars	25%
Photovoltaic Systems	9%
Improvements on Third-Party Assets	Lesser of Useful Life of the Asset and Remaining Term of the Contract

It is noted that in accordance with the provisions of Accounting Standard IAS 16, improvements on third-party assets previously recorded under intangible assets have been reclassified to the relevant asset category in this section. The carrying amount of property, plant, and equipment is reviewed for impairment whenever events or changes in economic conditions indicate that the carrying amount may not be recoverable. If such indications exist and the carrying amount exceeds the recoverable amount, the assets are written down accordingly by aligning the carrying amount to the recoverable or realizable value. The realizable value of property, plant, and equipment is the higher of the net selling price and the value in use. In order to determine the value in use, expected future cash flows are discounted using a discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate independent cash flows, the realizable value is determined in relation to the cash-generating unit to which the asset belongs. Impairment losses are recognized in the income statement among depreciation and impairment costs. Impairment losses are reversed if the reasons for the impairment no longer exist.

2.2.2 Intangible Assets

Intangible assets acquired separately are initially recognized at cost, while those acquired through business combinations are recorded at fair value at the acquisition date. After initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, except for any development costs, are not capitalized and are recognized in the income statement of the year in which they are incurred.

The useful life of intangible assets is assessed as either finite or indefinite. Intangible assets with a finite useful life are amortized over their useful life and are tested for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the manner in which the future economic benefits of the asset are realized are recognized through the change in the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization rates applied to the Group's intangible assets with a finite useful life are as follows:

Category	%
Software	Contractual duration
Key money	Remaining term of the related lease contract

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually, either individually or at the cash-generating unit level. At 31 December 2023, there are no intangible assets with indefinite useful lives.

Intangible assets related to costs incurred at the time of signing new lease contracts, also referred to as "key money" paid for the opening of directly operated stores (DOS), are considered as exit costs related to a real estate lease and are generally finite useful life assets determined over the period of the underlying contract. The Group assesses, at least annually, whether there is any indication that finite life intangible assets may have suffered an impairment loss. If any indication exists, the carrying amount of the asset is reduced to its recoverable amount. If it is not possible to estimate the recoverable amount of an individual asset, the Group

estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset is the greater of its fair value less costs of disposal and its value in use. To determine the value in use, the Group calculates the present value of estimated future cash flows, before taxes, using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the recoverable amount is less than the carrying amount. Research and development costs are expensed in the income statement as incurred.

2.2.3 Leased assets

The Group assesses at the inception of a contract whether the contract is, or contains, a lease. As required by IFRS 16, the key consideration is whether the contract substantially transfers to the Group the risks and rewards associated with ownership or whether it grants the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement model for all leases, except for short-term leases and leases of low-value assets, recognizing on the lease commencement date a right-of-use asset representing the right to use the underlying asset and lease liabilities representing the obligation to make lease payments. The right-of-use asset is initially measured at cost, which includes the initial measurement amount of the lease liability adjusted for lease payments made at or before the commencement date, increased by any direct initial costs incurred and an estimate of costs that the lessee will incur to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the end of the lease term, unless the estimated useful life of the asset is shorter. Additionally, the right-of-use asset is periodically reduced by impairment losses and adjusted for remeasurements of the lease liability. The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date, discounting them using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate ("IBR"). The IBR is determined by identifying each country in which the Group operates as a portfolio of leases with similar characteristics and is calculated as the rate of a risk-free instrument of the country where the lease is entered into, increased by the average spread recognized by the Group to its lenders. Lease payments included in the measurement of the lease liability include fixed payments (including in-substance fixed payments); variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; amounts expected to be payable under residual value guarantees; and the exercise price of a purchase option if the Group is reasonably certain to exercise that option and lease termination penalties, unless the Group is reasonably certain not to terminate the lease early. The lease liability is measured at amortized cost using the effective interest method and is remeasured in the event of changes in future lease payments resulting from a change in an index or rate, in the event of a change in the amount expected to be paid under a residual value guarantee, or if the Group changes its assessment regarding the exercise or non-exercise of a purchase, extension, or termination option or if there is a revision of in-substance fixed lease payments. When the lease liability is remeasured, the lessee makes a corresponding adjustment to the right-of-use asset. In the statement of financial position, the Group presents right-of-use assets that do not meet the definition of investment property under 'Property, plant, and equipment' and lease liabilities under 'Financial liabilities'.

As specified, the Group applies the exemption for the recognition of short-term leases (leases that have a term of 12 months or less from the commencement date and do not contain a purchase option) and leases

of low-value assets. Lease payments for short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

When acting as a lessor, the Group recognizes the lease payments received as income on a straight-line basis over the lease term and includes them among revenue in the income statement due to their operational nature.

2.2.4 Impairment test

The carrying values of Property, Plant, and Equipment, Investment Properties, Finite Life Intangible Assets, and Right-of-Use Assets are subjected to impairment testing when there are indicators of impairment (events or changes in circumstances indicating that the carrying amount may not be recoverable) that require an immediate evaluation of any impairment loss or when events or changes in circumstances necessitate repeating the procedure. An impairment loss exists when the carrying amount of an asset or a 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 fair value less costs to sell is based on data available from transactions involving free and independent parties, prices of similar assets in an active market, or observable market prices, less incremental costs directly attributable to the disposal of the asset. The value in use is calculated by discounting future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The impairment test is conducted on individual assets. If it is not possible to estimate the recoverable amount of an individual asset, the company determines the recoverable amount of the cash-generating unit (CGU) to which the asset belongs, which are typically the individual geographical areas where the Group operates, usually coinciding with the individual legal entities of the Group. The cash flows are derived from the estimates prepared by the company management, representing the best possible estimate of the expected economic conditions during the planning period. The projections cover a period of three years. Cash flows do not include restructuring activities for which the company does not yet have a present obligation or significant future investments that will enhance the asset base of the cash-generating unit being tested.

The recoverable amount significantly depends on the discount rate used in the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Goodwill is tested for impairment at least once a year (as of December 31) or more frequently if events or changes in circumstances indicate that its carrying value may be impaired.

2.2.5 Inventories

Inventories of raw materials, work-in-progress, and finished products are valued at the lower of cost and net realizable value. The cost of production includes the purchase cost of materials, direct labor, and other direct costs, including an appropriate portion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs. The cost of inventories is determined using the weighted average cost method.

The net realizable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Inventories that are slow-moving, obsolete, or have a low turnover are written down based on their expected use or realization. The write-downs for raw materials and finished products are calculated to bring the carrying amount to their net realizable value based on estimates that take into account the age of the production season and the likelihood of using the raw material in production and selling finished products through various distribution channels (outlets and stock sales).

2.2.6 Derivative Financial Instruments

The Group uses derivative financial instruments only for (i) hedging financial risks related to changes in exchange rates on commercial transactions in foreign currency and (ii) hedging financial risks related to changes in interest rates for medium- and long-term financing operations.

These instruments are accounted for according to the hedge accounting requirements because:

- At the inception of the hedge, there is formal designation and documentation of the hedging relationship;
- The hedge is expected to be highly effective;
- The effectiveness of the hedge can be reliably measured;
- The hedge is highly effective throughout the financial reporting periods for which it is designated.

These derivative financial instruments are initially recognized at fair value at the date when the derivative contract is entered into and are subsequently remeasured at fair value.

As permitted by IFRS 9, paragraph 7.2.21, the Group has opted to apply IAS 39 for hedge accounting purposes. Consistent with IAS 39 § 88 and IFRS 9 § 6.4.1, the following accounting treatments apply:

- Fair value hedge: if a derivative financial instrument is designated as a hedge of the exposure to changes in the current fair value of a recognized asset or liability that could affect the income statement, the changes in the fair value of the hedging instrument are recognized in the income statement, and the changes in the fair value of the hedged item attributable to the hedged risk are also recognized as part of the carrying amount of the hedged item and are also recognized in the income statement.
- Cash flow hedge: if a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows of a recognized asset or liability or a highly probable forecast transaction that could affect the income statement, the effective portion of the gains or losses on the hedging instrument is recognized in equity and presented in the statement of comprehensive income. The cumulative gain or loss is reclassified from equity to the income statement in the same period during which the hedged transaction affects the income statement. The gain or loss associated with the ineffective portion of the hedge is recognized immediately in the income statement when the ineffectiveness is identified. When hedge accounting is not applicable, changes in the fair value of the derivative financial instrument are recognized directly in the income statement.

2.2.7 Trade Receivables, Financial Receivables, and Other Current and Non-Current Receivables

Trade receivables and other receivables arising from the provision of financial resources, goods, or services by the Group to third parties are classified as current assets except when they mature beyond twelve months from the balance sheet date for non-trade receivables. Current and non-current financial receivables, other current and non-current receivables, and trade receivables, except for assets arising from derivative financial instruments, are measured, if they have a fixed maturity, at amortized cost calculated using the effective interest method. When financial assets do not have a fixed maturity, they are measured at cost. Receivables with a maturity of more than one year, which are non-interest-bearing or bear interest at below-market rates, are discounted using market rates.

The above-listed financial assets are measured based on the impairment model introduced by IFRS 9, adopting an expected loss approach, replacing the IAS 39 framework, which typically relied on an incurred loss model. For trade receivables, the Group adopts a simplified approach that does not require the periodic assessment of credit risk changes but rather the recognition of a lifetime expected credit loss ("ECL"). In particular, the Group's policy stratifies trade receivables based on aging and counterpart creditworthiness,

applying different impairment percentages reflecting the expected recovery rates. The Group then performs an analytical assessment based on the debtor's reliability and capacity to pay the owed amounts for impaired receivables. The receivables' carrying amount is shown net of the relevant impairment provisions. Impairments recognized under IFRS 9 are accounted for in the consolidated income statement, net of any positive effects related to releases or reversals of impairments.

2.2.8 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and highly liquid short-term investments readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. Bank overdrafts are included in financial liabilities in the Group's statement of financial position.

For the purposes of the consolidated cash flow statement, cash and cash equivalents are presented 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 recorded at cost and deducted from equity. The original cost of treasury shares and the proceeds from any subsequent sales are recognized as movements in equity within a specific reserve and do not give rise to any gain or loss in the income statement.

2.2.10 Trade Payables, Financial Liabilities, and Other Current and Non-Current Liabilities

Trade payables and other liabilities arising from acquiring financial resources, goods, or services from a third-party supplier are classified as current liabilities, except when they mature beyond twelve months from the balance sheet date for non-trade payables. Current and non-current financial liabilities, other current and non-current liabilities, and trade payables are initially recognized at fair value, normally represented by the transaction cost inclusive of directly attributable transaction costs. Subsequently, except for derivative financial instruments, all financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities covered by derivative instruments are measured according to the hedge accounting rules.

2.2.11 Employee Benefits

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Actuarial gains and losses are recognized directly in the comprehensive income statement, as provided by IAS 19.

In Italy, from January 1, 2007, the Financial Law 2007 and its implementing decrees introduced significant changes in the treatment of TFR, resulting in the mandatory allocation of TFR to supplementary pension schemes or the INPS Treasury Fund. From that date, TFR funds have the nature of "defined contribution plans," while the quotas recorded up to December 31, 2006, maintain the nature of "defined benefit plans." The actuarial valuation of the liability has been assigned to independent actuaries.

2.2.12 Provisions for Risks and Charges

Provisions for risks and charges are recognized when, at the reporting date, there is a legal or implicit obligation arising from a past event, and it is probable that an outflow of resources will be required to settle the obligation, and the amount of the outflow can be reliably estimated. If the effect is significant, provisions are determined by discounting the expected future cash flows at a discount rate that reflects the current market assessment of the time value of money and, if applicable, the specific risks associated with the obligation. When the amount is discounted, the increase in the provision due to the passage of time is recognized as financial expense. If the liability relates to tangible fixed assets, the provision is recognized as a counterpart to the asset to which it relates, and the recognition of the expense in the income statement occurs through the depreciation of the tangible fixed asset to which the charge relates.

2.2.13 Recognition of Revenue from Contracts with Customers

In accordance with the five-step model introduced by IFRS 15, the Group recognizes revenue after identifying contracts with its customers and the related performance obligations (transfer of goods and/or services), determining the consideration it expects to receive in exchange for fulfilling each of these obligations, and assessing the method of satisfying these obligations (typically at a point in time). Revenue from the sale of goods through the wholesale channel is recognized when control of the goods transfers to the customer, typically upon delivery or shipment depending on the contractual terms. This also coincides with the transfer of ownership, including its associated risks and rewards.

When determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, significant financing components, non-cash considerations, and consideration payable to the customer (if applicable).

Sales through the retail channel are recognized at the point of direct transfer of goods to the end customer. Upon receiving an advance payment from the customer, the Group records the amount of the advance payment as a liability under "Other current liabilities" for the obligation to transfer goods in the future. This liability is subsequently derecognized upon transferring the goods and recognizing the revenue.

This approach ensures that revenue is recognized when control of the goods or services is transferred to the customer, reflecting the satisfaction of performance obligations under the terms of the contract.

Return rights

Some contracts grant customers the right to return goods within a predetermined period of time. Provision for returns and discounts is estimated based on future projections, taking into account historical trends, and is recorded as a variable component of the contractual consideration with the simultaneous recognition of a liability for returns. For products expected to be returned, revenues are adjusted, and a liability for refunds is recognized.

Royalties

Revenue from royalties is recognized when earned, based on the terms and amounts stipulated in the licensing agreement, generally based on sales volumes.

2.2.14 Government grants

Government grants are recognized when there is reasonable assurance that they will be received and all related conditions have been met. Grants related to cost components are recognized as revenue, systematically spread over periods that best match the recognition of the costs they are intended to compensate. Grants related to an asset are recognized as revenue on a straight-line basis over the expected useful life of the related asset. When the Group receives a non-monetary grant, both the asset and the related grant are recognized at nominal value and released to the income statement on a straight-line basis over the expected useful life of the related asset.

2.2.15 Cost allocation

Costs, unless governed by specific standards, are recognized when goods and services are sold or consumed in the period, or systematically allocated when their future benefits cannot be identified. The economic benefit of costs for the purchase of goods is determined at the time of transfer of ownership of the goods. Costs for services are recognized when the services are completed.

2.2.16 Financial expenses and income

Financial expenses directly attributable to the acquisition, construction, or production of an asset that requires a substantial period before it is ready for use are capitalized as part of the cost of that asset. All other financial expenses are recognized in profit or loss in the period in which they are incurred. Financial expenses consist of interest and other costs incurred in obtaining financing.

2.2.17 Income taxes

Income taxes recognized in profit or loss represent the amount of current income taxes payable or recoverable and deferred income taxes.

Current income taxes

Current income taxes for the year are measured at the amount expected to be recovered from or paid to tax authorities. The tax rates and tax laws used to compute the amount are those enacted or substantially enacted at the reporting date in the countries where the Group operates and generates taxable income. Current taxes related to items directly recognized in equity or in the statement of comprehensive income are also recognized directly in equity or in the statement of comprehensive income. The Group calculates income taxes for the year using the applicable tax rate on the total annual expected income.

Deferred income taxes

Deferred income taxes are calculated based on temporary differences at the reporting date between the tax bases of assets and liabilities and their corresponding carrying amounts in the financial statements. Deferred tax assets and liabilities are measured using the tax rates expected to be applied in the period when such assets will be realized or liabilities settled, considering tax rates enacted or substantially enacted at the reporting date. In the initial recognition assessments, management considers both positive and negative evidence for estimating the probability of sufficient future taxable income. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that

sufficient taxable income will be available in the future to allow the use of such credit in whole or in part. Deferred tax assets not recognized are reviewed at each reporting date and recognized to the extent that it becomes probable that taxable profits will be sufficient to enable the recovery of those deferred tax assets. Deferred taxes related to items recognized outside profit or loss are also recognized outside profit or loss, either in equity or in the statement of comprehensive income, consistent with the item to which they relate. The Group offsets deferred tax assets and deferred tax liabilities if and only if there is a legally enforceable right to set off current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities refer to income taxes due to the same tax authority by the same taxpayer or by different taxpayers who intend to settle current tax assets and liabilities on a net basis or to realize the asset and settle the liability simultaneously, with reference to each future period in which it is expected that deferred tax assets and liabilities will be settled or recovered.

Indirect taxes

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

- the tax applied to the purchase of goods or services is not recoverable; in this case, it is recognized as part of the purchase cost of the asset or as part of the cost recognized in the profit and loss account,
- commercial credits and debts include the applicable indirect tax.

The net amount of indirect taxes to be recovered or paid to the Treasury is included in the balance sheet among the receivables or among the liabilities.

2.2.18 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders of the Group for the year by the weighted average number of ordinary shares outstanding during the year. For the purpose of calculating diluted earnings per share, the weighted average number of shares in issue is adjusted assuming the conversion of all potential dilutive shares.

2.2.19 Fair value measurement

IFRS 13 provides a single source of guidance on fair value measurement and related disclosures when such valuation is required or permitted by other accounting standards. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or liability is assessed using assumptions that market participants would use when pricing the asset or liability, presuming that they act in their economic best interest. Fair value measurement of a non-financial asset considers the ability of a market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant who would use it in its highest and best use. IFRS 13 establishes a hierarchy that classifies the inputs to valuation techniques used to measure fair value. The levels provided, presented in hierarchical order, are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities to which the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;

- Level 3 - valuation techniques for which the inputs are unobservable for the asset or liability. At each balance sheet date, the Group's financial management analyzes changes in the values of assets and liabilities for which, based on the Group's accounting principles, revaluation or redetermination is required.

2.2.20 Segment reporting

In accordance with the provisions of IFRS 8 "Operating Segments," it is noted that the Group, as currently structured, due to the homogeneity of products and services offered and the similarity in the type and class of clientele, operates in a single operating segment identified with the design, production, and distribution of high-end childrenswear aged 0-16, under its own brand name, through multiple distribution channels.

2.2.21 Hyperinflation

In accordance with the "Financial Reporting in Hyperinflationary Economies" (IAS 29) principle, the carrying amounts of entities whose functional currency is considered hyperinflationary are restated using a general price index reflecting changes in general purchasing power. For this purpose, all balance sheet items of Group entities subject to the application of this principle are separated into monetary and non-monetary items. Monetary items are not restated as they are already expressed in current monetary units. The effects of restating non-monetary items recorded in the financial position and financial performance of a subsidiary whose currency is considered hyperinflationary according to the criteria identified by IAS 29 are recorded in an equity reserve. After each restatement of a subsidiary's values, the Group assesses the recoverability of the restated values, proceeding with any impairments if necessary.

2.2.22 Share-based payments

The Group recognizes additional benefits to the Chief Executive Officer through the Long Term Incentive Plan 2018-2023 (the "Plan") approved by the Shareholders' Meeting on June 15, 2018, upon recommendation of the Board of Directors. The plan involves the granting of a reward to the beneficiary in the form of a cash amount. The grant of the incentive is provided free of charge. For transactions with cash-settled share-based payments, the cost of the transaction is initially measured at fair value. Until the liability is extinguished, fair value is recalculated at each reporting date, with all changes recognized in profit or loss.

2.2.23 Current/non-current classification

Assets and liabilities in the Group's balance sheet are classified as current/non-current. An asset is current when:

- it is expected to be realized or is held for sale or consumption in the normal course of operations;
- it is held primarily for trading;
- it is expected to be realized within twelve months from the reporting date; or
- it consists of cash or cash equivalents unless it is restricted from being exchanged or used to settle a liability for at least twelve months from the reporting date.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal course of operations;
- it is held primarily for trading;
- it is due to be settled within twelve months from the reporting date; or
- the entity has no unconditional right to defer settlement of the liability for at least twelve months from the reporting date. Contractual terms of a liability that could, at the counterparty's option, result in its settlement by issuing equity instruments do not affect its classification.

All other liabilities are classified as non-current. Prepaid and deferred income taxes are classified as non-current assets and liabilities.

2.2.24 Currency translation

The consolidated financial statements are presented in euros, which is the functional and presentation currency adopted by the parent company. Each entity within the Group defines its own functional currency, which is used to measure the items included in their individual financial statements. The Group uses the direct consolidation method.

Foreign currency transactions are initially recorded in the functional currency using the spot exchange rate at the transaction date. Foreign currency-denominated monetary assets and liabilities are translated into the functional currency using the exchange rate at the balance sheet date.

Realized exchange differences or those arising from the translation of monetary items are recognized in the income statement, with the exception of monetary items that form part of the net investment in a foreign operation. Such differences are recognized in the comprehensive income until the disposal of the net investment, at which point the total amount is reclassified to the income statement.

Taxes related to exchange differences on monetary items are also recognized in the comprehensive income statement. Non-monetary items measured at historical cost in foreign currency are converted using the exchange rates at the initial recognition date of the transaction. Non-monetary items measured at fair value in foreign currency are converted using the exchange rates at the fair value determination date.

The profit or loss arising from the conversion of non-monetary items is treated consistently with the recognition of gains and losses related to the change in fair value of such items (conversion differences related to items whose fair value change is recognized in the comprehensive income statement or income statement are recognized, respectively, in the comprehensive income statement or income statement).

2.3 Changes to International Accounting Standards

Accounting Standards, Amendments, and Interpretations Effective from January 1, 2023

The following International Financial Reporting Standards (IFRS), amendments, and interpretations, applied for the first time by the Group starting January 1, 2023, did not have significant effects on the consolidated financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a new accounting standard for insurance contracts covering recognition, measurement, presentation, and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g., life, non-life, direct insurance, and reinsurance), regardless of the entity type issuing them, as well as some guarantees and financial instruments with discretionary participation features. Certain exceptions regarding the scope of

application apply. The overall objective of IFRS 17 is to provide a more useful and consistent accounting model for insurers. Unlike the requirements of IFRS 4, which largely relied on maintaining previous local accounting principles, IFRS 17 provides a comprehensive model for insurance contracts covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- Specific adaptation for contracts with direct participation features (the variable fee approach),
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

These changes did not impact the Group's consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

Amendments to IAS 12 Income Taxes restrict the scope of the initial recognition exception, no longer applying it to transactions giving rise to taxable and deductible temporary differences that are equal, such as leases and decommissioning liabilities. These amendments did not affect the Group's consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply significant judgement in accounting policy disclosures. The amendments aim to assist entities in providing more useful accounting policy information by replacing the requirement to disclose "significant" accounting policies with the obligation to disclose "material" accounting policies, and by adding guidance on how entities apply the concept of materiality when making decisions about accounting policy disclosures. These amendments impacted the Company's accounting policy disclosures but not the measurement, recognition, and presentation of balance sheet items.

International Tax Reform – Pillar Two Model Rules – Amendments of IAS 12

Amendments to IAS 12 were introduced in response to OECD BEPS Pillar Two rules and include:

A mandatory temporary exemption from recognition and disclosure requirements for deferred taxes arising from the implementation of Pillar Two rules in jurisdictions.

Disclosure requirements for entities involved to help users of financial statements better understand the income tax impacts arising from such legislation, particularly before the effective date.

The mandatory temporary exemption, for which disclosure is required, is immediately applicable. The remaining disclosure requirements apply to financial years beginning on or after January 1, 2023, but not to interim periods preceding December 31, 2023. This amendment had no impact on the Group's consolidated financial statements as the Group does not meet the requirements under the Pillar Two rules regulations.

Accounting principles and amendments not yet applicable and not early adopted by the Group

Below are the principles and interpretations that, as of the date of preparation of the Group's consolidated financial statements, had already been issued but were not yet in force. The Group intends to adopt these principles and interpretations, if applicable, when they become effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued an amendment to IFRS 16 to specify the requirements that a seller-lessee applies in measuring the lease liability arising from a sale and leaseback transaction, ensuring that the seller-lessee does not recognize any gain or loss with respect to the right-of-use retained. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and must be applied retrospectively to all sale and leaseback transactions entered into after the initial application of IFRS 16. Early application is permitted, and disclosure of this fact is required.

These amendments are not expected to have a material impact on the Group's financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69-76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That the right to defer must exist at the end of the reporting period.

The classification is not affected by the likelihood of the entity exercising its right to defer. Only if an embedded derivative in a convertible liability is itself an equity instrument does the liability's maturity not affect its classification

Additionally, a requirement has been introduced to disclose information when a liability arising from a financing agreement is classified as non-current, and the entity's right to defer settlement is subject to compliance with covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and must be applied retrospectively. These amendments are not expected to have a material impact on the Group's financial statements.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of reverse factoring arrangements and to require additional disclosures about these arrangements. The disclosure requirements included in the amendments aim to help users of financial statements understand the effects of reverse factoring arrangements on an entity's liabilities, cash flows, and liquidity risk exposure. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Early application is permitted, and disclosure of this fact is required. These amendments are not expected to have an impact on the Group's financial statements.

Lack of exchangeability - Amendments to AS 21

On August 15, 2023, the IASB published an amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability. The amendment introduces a consistent approach to assessing whether a currency can be exchanged into another currency and, when this is not possible, determining the exchange rate to use and the disclosure to provide. These amendments are not expected to have an impact on the Group's financial statements.

2.4 Consolidation Methods

The consolidated financial statements originate from the financial statements of Monnalisa S.p.A. and the companies in which the parent company directly or indirectly holds a controlling interest or exercises control. The financial statements of the companies included in the consolidation scope are prepared using the full consolidation method. The list of these companies is provided below. During the 2023 financial year, the composition of the Monnalisa Group did not change compared to the comparative year 2022.

Corporate name	Headquarters	Share capital		Shareholders	Ownership Percentage	Consolidated Percentage
		Currency	Amount in Currency			
Monnalisa Brazil Ltda	San Paolo (Brazil)	Real	9,532,303	Monnalisa S.p.A.; Jafin srl	99%	100%
Monnalisa China LLC	Shanghai (China)	Yuan	48,294,207	Monnalisa S.p.A.	100%	100%
Monnalisa Hong Kong LTD	Hong Kong	HKD	5,106,185	Monnalisa S.p.A.	100%	100%
Monnalisa Korea Ltd	Seoul (Korea)	WON	100,000,000	Monnalisa S.p.A.	100%	100%
Monnalisa Rus OOO	Moscow (Russia)	RUR	41,410,000	Monnalisa S.p.A.; Jafin srl	99.9%	100%
ML Retail Usa Inc	Houston Texas (USA)	USD	1,528,573	Monnalisa S.p.A.	100%	100%
Monnalisa Bebek Giyim Sanayi	Istanbul (Turkey)	TRY	7,450,000	Monnalisa S.p.A.	100%	100%
Monnalisa UK LTD	London (UK)	GBP	199,993	Monnalisa S.p.A.	100%	100%
Monnalisa Japan Co Ltd	Tokyo (Japan)	JPY	1,000,000	Monnalisa S.p.A.	100%	100%
Monnalisa International Limited	Taipei (Taiwan)	TWD	7,000,000	Monnalisa S.p.A.	100%	100%
Monnalisa Singapore Ltd	Singapore	SGD	600,000	Monnalisa S.p.A.	100%	100%
Monnalisa San Marino S.r.l.	Republic of San Marino	EUR	25,500	Monnalisa S.p.A.	100%	100%

There are no cases of companies consolidated using the proportional method, and there are no companies in which the participation held is below the 20% threshold. For consolidation purposes, the financial statements as of December 31, 2023, of the individual companies were used, reclassified, and adjusted to conform to the accounting principles and presentation criteria adopted by the Group. Pursuant to Article 30, Paragraph 1, of Legislative Decree No. 127 of April 9, 1991, the reporting date of these consolidated financial statements coincides with December 31, 2023. It should be noted that since the Parent Company directly promoted and participated in the establishment of the individual consolidated companies by subscribing to the nominal value of the capital, it was not necessary to eliminate the value of the investments and attribute the resulting consolidation difference, except for the case of the Brazilian subsidiary. The financial statements of the subsidiaries are consolidated from the date control was acquired until the date such control ceases. The main consolidation criteria are as follows:

- All controlled companies are consolidated using the full consolidation method. The equity attributable to third-party shareholders is recorded in the specific item in the balance sheet. In the income statement, the share of the result attributable to third parties is shown separately;
- The financial and economic relationships between the companies included in the consolidation area are completely eliminated. The profits and losses arising from transactions between consolidated companies, which are not realized through transactions with third parties, are eliminated from the corresponding financial statement items; in particular, intra-group profits embedded in the final inventories for finished products purchased intra-group are eliminated;
- In the pre-consolidation phase, items of exclusive tax relevance were eliminated, and the related deferred taxes were provided for;
- The consolidated financial statements are presented in euros. The translation of the financial statements of foreign subsidiaries was carried out using the spot exchange rate at the balance sheet date for assets and liabilities and the average exchange rate for the period for income statement items. Non-monetary items measured at historical cost in foreign currency are translated using the exchange rates in effect at the date of initial recognition of the transaction. The net effect of translating the financial

statements of the subsidiaries into the reporting currency is recorded directly in equity in a specific reserve and shown in the comprehensive income statement. For the translation of financial statements expressed in foreign currencies, the exchange rates provided by the official Bank of Italy website were applied, as indicated in the following table, noting that the annual average is the average of the monthly average exchange rates:

Currency	31.12.2023	Average 2023
Renminbi (Yuan)	7.3582	7.0810
Japanese Yen	140.6600	138.01
Hong Kong Dollar	8.3163	8.2512
British Pound	0.8869	0.85261
Russian Ruble	78.969	73.313
US Dollar	1.0666	1.0539
Taiwan Dollar	32.7603	31.3303
Singapore Dollar	1.4300	1.4520
Turkish Lira (new)	19.9649	17.3849

The profit (loss) for the year and each of the other components of comprehensive income are attributed to the shareholders of the parent company and to minority interests, even if this implies that the minority interests have a negative balance. Where necessary, appropriate adjustments are made to the financial statements of subsidiaries to ensure compliance with the group's accounting policies.

All intra-group assets and liabilities, equity, revenues, expenses, and cash flows relating to transactions between group entities are completely eliminated during consolidation. Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for in equity.

2.5 Directors' Assessment of the Going Concern Assumption

The Directors are responsible for assessing the Group's ability to continue operating as a going concern and, in preparing the consolidated financial statements, for the appropriateness of using the going concern assumption, as well as for adequate disclosure on the matter. The Directors use the going concern assumption in preparing the consolidated financial statements unless they have assessed that there are conditions for the liquidation of the parent company Monnalisa S.p.A. or for the cessation of activities, or they have no realistic alternatives to such choices. The performance for the 2023 fiscal year, which was below expectations, was significantly influenced by negative exogenous factors mentioned earlier. In a highly uncertain geopolitical context that impacted key markets for the Group (mainly Russia, China, and Europe), the Group confirms its strategic plan in the 2024-2026 Business Plan, namely:

- Changing the business model from a mono-brand company to a multi-brand company through the activation of new licensing agreements aimed at generating new revenue streams. These licensing, collaboration, and production agreements with other brands aim to increase revenue and profitability more than proportionally compared to the revenue increase, thanks to a significant operational leverage effect through greater utilization of the organizational, production, logistical, and distribution capacities that the Group already possesses, as well as generating cash to support investments in Monnalisa's core business for branding equity enhancement and growth. It is noted here that the licensing agreements signed in the past two years represent only the first step towards this growth process. The licensing agreements with "La Martina" and "Philosophy by Lorenzo Serafini," both signed in the second half of 2023, will begin to have effects from the second part of FY24;
- Continuing the strategy of growing direct channels: the Group continues to work in line with its development strategies with clear and targeted ideas aimed at strengthening its direct relationship with the consumer; the plan thus reflects the strategy of growing the direct-to-consumer channel;

- Cost containment, without affecting the quality of products and the medium-term business prospects, alongside continuous process efficiency improvements;
- Ongoing focus on the uniqueness, quality, and innovation of its products and enhancing the Monnalisa brand worldwide through direct communication aimed at brand awareness;
- A strategic approach to sustainability, which has always been one of the Group's founding values, and sees sustainable transformation as a distinctive element for its development process and for product differentiation for Monnalisa's brand.

The Group has a Net Equity as of December 31, 2023, amounting to €17.2 million, equal to 26% of total assets.

With reference to the consequent potential liquidity risks, the directors of Monnalisa S.p.A., considering the financial position as of December 31, 2023, the available lines of credit, the short-term financial forecasts, and taking into account the Group's capitalization, believe that the going concern is guaranteed by both the financial solidity of the Group and the economic-financial effects of the actions implemented and those in progress in the industrial plan. Therefore, these consolidated financial statements have been prepared on a going concern basis, as the directors believe, based on the asset consistency, the financial situation, and the assumptions underlying the industrial plan, that there are no doubts about the company's ability to continue operating as a going concern for at least 12 months from the balance sheet date.

3. USE OF ESTIMATES AND DISCRETIONARY ASSESSMENTS IN FINANCIAL STATEMENT PREPARATION

The preparation of financial statements requires the application of accounting principles and methodologies by the directors that, in certain circumstances, are based on difficult and subjective evaluations and estimates based on historical experience and assumptions that are considered reasonable and realistic based on the relevant circumstances. The application of such estimates and assumptions affects the amounts reported in the financial statement formats, such as the balance sheet, income statement, and cash flow statement, as well as the information provided. The actual results of the financial statement items for which the aforementioned estimates and assumptions were used may differ from those reported in the financial statements due to the uncertainty that characterizes the assumptions and conditions on which the estimates are based. Below are brief descriptions of the most significant accounting principles that require the greatest subjectivity from the directors in the estimation process and for which a change in the underlying conditions of the assumptions used could have a significant impact on the aggregate financial data reported.

Estimates:

- (i) Depreciation of tangible and intangible assets: The cost of tangible and intangible assets is depreciated on a straight-line basis over the estimated useful life of each asset. The economic useful life of tangible and intangible assets is determined at the time they are purchased and is based on historical experience for similar assets, market conditions, and forecasts of future events that could have an impact, including changes in technology. Therefore, the actual economic life may differ from the estimated useful life. The Group annually evaluates technological and industry changes, any changes in contractual conditions, and existing regulations related to the use of tangible and intangible assets, and the recoverable value to update the remaining useful life. The result of these analyses may change the depreciation

period and, therefore, the depreciation charge for the current and future years.

- (ii) Valuation of receivables: Customer receivables are adjusted by the related allowance for doubtful accounts to account for their actual recoverable value. Determining the amount of the impairment requires the directors to make subjective judgments based on the documentation and information available regarding the customer's solvency, as well as on historical experience and trends.
- (iii) Provisions for risks: Identifying whether a current obligation (legal or implied) exists is sometimes difficult. The directors evaluate these situations on a case-by-case basis, along with the estimate of the amount of economic resources required to fulfill the obligation. When the directors believe that the occurrence of a liability is only possible, the risks are indicated in the specific section on commitments and risks, without making any provision.
- (iv) Recovery of deferred taxes: These are recognized to the extent that it is probable that sufficient future taxable profits will be available against which the temporary differences or any tax losses can be utilized. In this regard, the Group's management estimates the likely timing and amount of future taxable profits;
- (v) Employee benefits: The values are determined based on actuarial estimates; for the main actuarial assumptions, please refer to the details provided below in this document;
- (vi) Determination of the discount rate for leases: Since most of the Group's lease contracts do not have an implicit interest rate, the Group has calculated an Incremental Borrowing Rate (IBR) to measure the lease liability. To determine the IBR to use for discounting future lease payments, the Group identified the rates applied to similar duration financing contracts 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 subsidiary's conditions;
- (vii) Obsolescence provisions for inventories and estimation of net realizable value: The Group estimates the future usability of these products and materials by calculating specific turnover indices and/or historical realizations, also based on the age of the collections, with a specific depreciation rate applied to each;
- (viii) Estimate of returns: The provision reflects management's expectations regarding future merchandise returns and the related liability for returns. The Group has determined that the expected value method is the most appropriate for estimating expected returns to be recognized as an adjustment to revenue from contracts with customers;
- (ix) Valuation of derivative financial instruments: The fair value of unlisted financial assets, such as derivative financial instruments, is determined using commonly used financial valuation techniques that require assumptions and basic estimates. These assumptions may not occur as expected. Therefore, the estimates of such derivatives may differ from actual results;
- (x) IAS 29 Hyperinflation: It should also be noted that IAS 29, which was not applicable as of December 31, 2021, since no Group company operated in hyperinflationary markets at that date, was applied for the first time on June 30, 2022, concerning the subsidiary in Turkey, a country that met the criteria for classification as a hyperinflationary economy during the year.

Discretionary Assessments:

- (i) Lease term: Identifying the lease term is very important because the form, legislation, and commercial practices for lease contracts vary significantly from one jurisdiction to another, and evaluating the effects of renewal options at the end of the non-cancellable period on the lease term estimation involves using assumptions. The IFRS Interpretation Committee clarified that to identify the enforceable period, a lessee must consider the contractual point at which both parties involved can exercise their right to terminate the contract without incurring penalties that are not insignificant; the concept of a penalty should not be understood merely in contractual terms but should consider all economic aspects of the contract. The Group considered these conclusions in identifying the lease terms. Additionally, the Group considered the presence of renewal and cancellation options and assessed whether significant economic disincentives existed in rejecting the renewal request;
- (ii) 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 these CGUs, management considered the specific nature of the activity and the business to which it belongs (geographical area, business areas, reference regulations, etc.), ensuring that the cash flows derived from a group of assets were closely interdependent and largely autonomous from those derived from other activities (or groups of activities). The assets included in each CGU were also identified based on how management manages and monitors them within the adopted business model.

Assessment of the Impact of Climate Change:

Consistent with the priorities defined by the European Securities and Market Authority (ESMA) for the 2023 reporting year, the Group has identified and detected various types of risk, potential environmental risk factors, and monitors the ongoing evolution of the regulatory framework, both nationally and internationally.

The main transition risks identified by the Group are related to the possible introduction of new environmental laws and regulations, expectations regarding the use of low-impact energy sources, and the uncertainty of market signals with potential unforeseen changes in energy prices; other identified risk factors may include the failure to innovate products in line with the technological developments necessary to address climate change, the shift in product demand increasingly focused on environmental issues requiring an adjustment in supply, and reputational risks.

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

COMMENTS ON THE MAIN ITEMS OF THE INCOME STATEMENT

Below are the comments on the main items of the Group's income statement. For a better understanding of the trends in the income statement items, please also refer to the comments included in the Management Report.

5, Revenues from contracts with customers

Revenues from contracts with customers as of December 31, 2023, amount to €41,907 thousand compared to €46,375 thousand as of December 31, 2022, with a negative change of 10% (at constant exchange rates the decline is 7%). The following table shows their breakdown by sales channel and their breakdown by geographical area for the years 2023 and 2022:

31 dicembre a cambi correnti						
In thousands of €	2023	Inc. %	2022	Inc. %	Var	Var %
Retail	16,594	40%	16,763	36%	(169)	-1%
Wholesale	22,979	55%	26,680	58%	(3,701)	-14%
B2C diretto	2,334	6%	2,932	6%	(598)	-20%
Total	41,907	100%	46,375	100%	(4,468)	-10%

31 dicembre a cambi correnti						
In thousands of €	2023	Inc. %	2022	Inc. %	Var	Var %
Italy	17,437	40%	16,763	36%	674	4%
Europe	23,558	54%	26,680	58%	(3,122)	-12%
Rest of the world	2,343	5%	2,932	6%	(588)	-20%
Total	43,339	100%	46,375	100%	(3,037)	-7%

For a detailed breakdown of the revenue trend recorded during the year, please refer to the detailed information provided earlier in the Management Report. The Group presents information on the disaggregation of revenues following a qualitative-quantitative approach. The timing of revenue recognition, for sales of goods, both through the retail channel and the wholesale channel, occurs when control of the good has been transferred to the customer, generally at the time of delivery.

6. Other Income

The item is detailed below:

Account	31.12.2023	31.12.2022	Variations
Gain on sale of property	517,071	0	517,071
Contingent assets	81,486	408,005	(326,518)
Insurance damage recovery	31,954	55,431	(23,477)
Recharged costs to subsidiaries	319,817	300,885	18,932
Photovoltaic system contributions	36,842	45,508	(8,666)
Contributo conto esercizio	73,812	210,787	(136,976)
Royalty Revenues	412,599	12,580	400,019
Revenues from Active Rentals	31,231	85,100	(53,869)
Other Income	(5,891)	173,578	(179,469)
Total	1,498,921	1,291,873	207,048

As of December 31, 2023, other income mainly includes:

- Rental income benefiting the Parent Company amounting to €88,453 related to the lease of spaces,
- Capital gain of €517,000 related to the sale of the Company's property located in Via del Corso in Florence, for a consideration of €1,250,000. The property was purchased on March 24, 2023, for a consideration of €680,000,
- Photovoltaic system contributions accounted for by Monnalisa S.p.A. amounting to €36,842,
- Insurance damage recovery amounting to €31,822,
- Operating grants amounting to €73,812, mainly related to the 2023 research and development tax credit.

7. Cost of Goods Sold and Operating Costs

The cost of goods sold and operating costs as of December 31, 2023, amount to €47,487,810 compared to €49,520,966 as of December 31, 2022, showing a decrease of 3% compared to the 2022 financial year. This is a direct consequence of the revenue contraction recorded during the year. The following table shows their composition by nature:

Description	31.12.2023	31.12.2022	Variations
Change in finished goods inventory	(2,104,185)	1,742,488	(3,846,673)
Costs for raw materials, goods, and consumables	13,565,727	12,057,107	1,508,620
Service costs	16,455,487	15,267,281	1,188,206
Personnel costs	11,572,435	11,952,838	(380,403)
Depreciation and amortization	7,469,818	8,114,926	(645,108)
Other operating costs	528,529	386,325	142,204
Total	47,487,810	49,520,966	(2,033,156)

This item includes the costs necessary for the production of goods related to the company's ordinary business activities. The costs for the purchase of goods are charged to the Income Statement at the time of delivery. As with revenues and income, costs and expenses are recorded net of returns, discounts, rebates, and bonuses. The costs for raw materials, goods, and consumables, including the change in finished goods inventory, are closely related to what is described in the Interim Management Report and the trend in revenues and are recorded in compliance with the principle of matching costs with revenues for the period. They show a decrease of 17% as a consequence of the decline in the volume of revenues noted above.

8. Service Costs

The service costs, amounting to approximately €16.5 million as of December 31, 2023, show an overall increase of 8% compared to the comparative period and include the costs derived from acquiring services in the ordinary course of business, which are charged to the Income Statement upon completion.

Specifically, the following items are mainly included in this category:

- Façon costs (sewing, ironing, embroidery, printing, accessory phases) amounting to €3.8 million related to the production and realization of finished products,
- Costs for technical, industrial, administrative, and commercial consultancy amounting to €2.2 million,
- Transport costs (on sales and/or purchases) amounting to €2.2 million,
- Advertising costs, both national and local, amounting to €869 thousand.

The increase for the period is particularly influenced by some non-recurring costs that had a significant impact during the year. Refer to the Management Report for more details.

Additionally, service costs include some rental contracts that the Group has in place, which provide for payments based on the volumes of revenue achieved during the year (variable payments) recorded based on the accrual principle and not included in the determination of the lease liability.

9. Personnel Costs

The cost of employee labor incurred during the period amounted to approximately €11.6 million, showing a decrease of 3% compared to the previous comparative year. This item includes the entire expense for employees, including merit increases, category advancements, contingency increases, the cost of accrued but unused vacation, and provisions made by law and in compliance with collective agreements. In the "severance pay" account, in addition to the amount accrued during the period, the amount accrued and paid to employees hired and dismissed in the same period and the amount paid to external pension funds are included.

10. Depreciation and Impairment

Depreciation was calculated based on the useful life of the asset and its use in the production phase. They are broken down as follows:

Description	31.12.2023	31.12.2022	Variations
Depreciation of tangible assets	1,896,705	2,006,193	(109,488)
Depreciation of intangible assets	348,962	341,504	7,458
Depreciation of right-of-use assets	4,975,689	5,493,019	(517,330)
Impairment of trade receivables	248,463	273,849	(25,386)
Total	7,469,818	8,114,565	(644,746)

The depreciation in question was calculated considering the evaluation criteria already outlined in the relevant section of these notes. Refer to sections 6.1, 6.2, and 6.3 for further details on the year's investments. The impairment item includes the impairment of trade receivables amounting to €248 thousand (€273 thousand as of December 31, 2022).

11. Financial Management

Financial income and expenses as of December 31, 2023, show a negative balance of €2,486 thousand compared to a negative balance of €1,342 thousand in the previous year.

Description	31.12.2023	31.12.2022	Variations
Interest income	140,324	11,855	128,469
Bank interest expense	(785,931)	(248,913)	(537,018)
Other interest expense	(269,353)	(241,219)	(28,134)
IFRS 16 lease interest expense	(758,355)	(815,908)	57,553
Exchange losses	(1,047,410)	(910,760)	(136,650)
Exchange gains	234,664	862,475	(627,811)
Total	(2,486,061)	(1,342,470)	(1,143,591)

The bank interest expense item mainly includes interest on short-term bank loans and medium- and long-term bank loans of the Parent Company. The interest expense on employee benefits recognized in relation to the evaluation under IAS 19 of defined benefit plans is included in the "Other interest expense" item for €83,752 (€48,357 as of December 31, 2022). Interest on lease liabilities amounts to €758 thousand in 2023 (€816 thousand in 2022). The net unrealized evaluation component attributable to currency management resulted in a net loss of €811 thousand compared to a net loss of €48 thousand in the previous year.

12. Income Taxes for the Period

Income taxes have been calculated on a taxable base that takes into account the fiscal variations provided by the applicable regulations in the various countries where the companies included in the consolidation area operate.

The item is composed as follows:

Taxes	31.12.2023	31.12.2022	Variations
Current taxes	0	2,941	(2,941)
Deferred taxes (prepaid)	(247,880)	(148,936)	(98,944)
Total	(247,880)	(145,995)	(101,885)

Deferred/Prepaid Taxes

Deferred taxes have been calculated according to the global allocation method, taking into account the cumulative amount of all temporary differences, based on the average expected rates in force when such temporary differences will reverse. Deferred taxes are expressed by the provision made in the tax fund. Prepaid taxes have been recognized as there is reasonable certainty that, in the periods when the deductible temporary differences will reverse, taxable income not less than the amount of the differences that will be canceled will be available, particularly concerning indefinitely carryforward tax losses. The composition of the resulting item is represented below:

Description	Total Prepaid Taxes 2023 (€)	Total Deferred Taxes 2023 (€)
Tangible and intangible 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
Store restoration fund	19,530	0
Customer returns fund	82,977	0
Non-deductible severance pay (service cost and interest)	80,691	0
Derivatives valuation at OCI	0	0
Parent company tax losses	2,060,631	0
Subsidiaries tax losses	279,956	0
IFRS 16 write-off for subsidiaries	306,464	0
Intercompany margin on inventories	511,333	0
Other	(20,245)	47,524
Total Prepaid/Deferred Taxes 2023	4,125,372	(276,193)

Regarding the temporary differences and the related prepaid/deferred taxes that had an impact on OCI, please refer to the following table:

Description	Temporary Differences	Prepaid Taxes IRES	Prepaid Taxes IRAP	Deferred Taxes IRES	Deferred Taxes IRAP	Total Prepaid Taxes 2023	Total Deferred Taxes 2023
Severance pay - OCI component	319,460			76,670		0	76,670
Hedging derivatives - OCI component	139,380			33,451		0	33,451
Total Deferred Taxes	458,840	0	0	110,121		0	110,121

As of December 31, 2023, the company has reasonably certain the recovery of the aforementioned prepaid taxes recorded by projecting future taxable income based on the economic Business Plan and estimating the amount of prepaid tax assets reasonably recoverable.

As of December 31, 2023, considering the significant uncertainty in foreign markets and concerning the subsidiaries, the Group has not recognized prepaid taxes on past losses of subsidiaries, both for the current period losses and for the previous periods' losses. Therefore, the prepaid taxes on past losses are exclusively related to the parent company Monnalisa S.p.A.

COMMENTS ON THE MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION (Assets, Equity, and Liabilities)

13. Property, Plant, and Equipment

The following table shows the movements in the item Property, Plant, and Equipment for the year ended December 31, 2023:

Description	31.12.2022	Increases	Decreases	Currency Changes	Other Movements	Depreciation	31.12.2023
Land and buildings	11,312,501	750,409	(741,669)	0	0	(323,118)	10,998,123
Plant and machinery	2,013,034	98,608	(5,200)	(8,344)	22,650	(491,026)	1,629,722
Industrial and commercial equipment	227,311	14,026	(546)	(21,940)	(2,469)	(62,651)	153,730
Other assets	1,847,043	556,173	0	(22,679)	(3,408)	(590,823)	1,786,306
Construction in progress and advances	22,650	0	0	0	(22,650)	0	0
Improvements on third-party assets	670,509	331,817	0	(46,713)	32,505	(451,759)	536,359
Total	16,094,084	1,751,033	(747,415)	(99,676)	26,628	(1,919,378)	15,105,276

The increases in 2023, amounting to €1,751,033, mainly relate to the purchase of company equipment for the operational headquarters of Monnalisa S.p.A., some improvement/restyling interventions on existing stores, and investments made for the opening of new sales points, inaugurated during the current year, in Giverny and Taiwan. The movement in the item "Land and buildings" is related to the purchase, in March 2023, of a property for shop use in the center of Florence, which was then sold at the end of the year. The increase in the item "Other assets" refers to €459 thousand for the inclusion of "Historical archive garments" among the tangible fixed assets, i.e., those finished products that, being strategic and durable goods, are

classified as company assets and not as finished product inventories. It is noted that for all assets recorded in this category:

- There are no commitments to purchase other assets;
- There are no capitalized financial charges.

At each balance sheet date, the company reviews the carrying amount of its tangible, intangible assets, and right-of-use assets to determine whether there are indications that these assets have suffered impairment. If these indications exist, the recoverable amount of the asset is estimated to determine the possible impairment amount. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be lower than its carrying amount, it is reduced to the lower recoverable amount. An impairment loss is recognized immediately in the income statement. When an impairment loss no longer exists, the carrying amount of the asset, except for goodwill, is increased to the new estimate of its recoverable amount, but not beyond the carrying amount that the asset would have had if the impairment had not been recognized. The reversal of the impairment is recognized immediately in the income statement.

The Group conducted an analysis to identify any indicators of impairment and/or long-term losses in value. Furthermore, the recoverability of the residual value of property, plant, and equipment was assessed to ensure that they are not recorded in the balance sheet at a value higher than their recoverable amount. The value configuration used to determine the recoverable amount of the CGUs is the value in use, estimated based on expected cash flows and their discounting using an appropriate discount rate (Discounted Cash Flow Analysis – DCF). Specifically, the estimation of the value in use was carried out by discounting the operational 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 calculation of the residual value, a normalized cash flow extrapolated from the last year of explicit forecast was considered, to which an annual growth rate (“g”) was applied. The Discounted Cash Flow Analysis was prepared using the budget for the 2024 financial year as a starting point, drawn up and approved by the Board of Directors, and for the four subsequent forecast years (2025 to 2028).

The main assumptions for determining the recoverable amount are as follows:

- Terminal Value: determined using the perpetuity method at a long-term growth rate “g,” which represents the present value, at the last year of projection, of all future expected cash flows;
- Growth rate “g”
- Discount rate (Weighted Average Cost of Capital, WACC).

Specifically:

Company	Growth rate “g”	WACC
Monnalisa S.p.A.	1%	9.3%
Monnalisa China LLC	3%	7.6%
ML Retail USA Inc.	2%	7.4%
Monnalisa Turkey	3%	15.9%

The main assumptions included in the forecasts concern:

- The continuation of the growth strategy in the DTC channel through the expansion of the distribution network and the opening of new Directly Operated Stores (DOS) and Directly Operated Outlets (DOO);
- The continuation of the strategy oriented towards a new business model that provides for licensing agreements aimed at increasing production through design and production, or the production of third-party brands alongside those currently produced under license;

- Cost containment, without affecting the quality of products and the medium-term business prospects, alongside continuous process efficiency improvements;
- Sustainable growth as a distinctive element for the development process and product differentiation.

Based on the analyses carried out and considering the value in use of these assets, no long-term losses in value of the carrying amounts reported by the Group as of December 31, 2023, emerged.

The Group is exposed to the risk that the assumptions and hypotheses underlying the aforementioned 2024-2028 forecasts do not occur or occur in different times and measures than expected.

The assumptions made for determining the value in use of the individual cash-generating units, supporting the asset values, inherently incorporate an element of uncertainty connected to all forecasts; therefore, they may in the future lead to adjustments to the carrying amounts based on the actual realization of the assumptions underlying the estimates made by the directors.

Assets obtained through leasing contracts are classified in the section "Right-of-use assets" that follows here.

14. Right-of-Use Assets

The composition of the "Right-of-Use Assets" item for the year ended December 31, 2023, is provided below:

Description	31.12.2022	Increases	Decreases	Currency Changes	Depreciation	31.12.2023
Buildings	19,842,149	1,134,840	(51,591)	(552,160)	(4,783,895)	15,589,343
Vehicles	230,035				(40,335)	189,700
Company equipment	150,628				(5,538)	145,090
Total	20,222,812	1,134,840	(51,591)	(552,160)	(4,829,767)	15,924,133

The Buildings item is entirely related to the lease contracts for stores and only marginally to the lease contracts for other spaces. The main increases recorded in 2023 refer to modifications and/or extensions of existing contracts for ongoing sales points, while the decreases are mainly related to the early termination of a lease contract for a store of the subsidiary Monnalisa China. The item includes the restoration costs of leased premises based on lease contracts falling within the scope of IFRS 16, accrued in the provisions for risks and future charges in compliance with the standard.

As of December 31, 2023, the potential presence of impairment indicators was evaluated, traceable through internal or external sources of information. Furthermore, the recoverability of the residual value of the right-of-use assets was assessed to ensure that they are not recorded in the balance sheet at a value higher than their recoverable amount. For more information on the methods used in assessing the recoverability of the residual value of right-of-use assets, please refer to the previously illustrated section on "Property, Plant, and Equipment." Based on the analyses performed, no long-term losses in value of the carrying amounts expressed by the Group as of December 31, 2023, emerged regarding the right-of-use assets in question.

15. Intangible Assets with a Defined Useful Life

The table below shows the composition and movements of the item for the year ended December 31, 2023:

Description	31.12.2022	Increases	Currency Changes	Other Movements	Depreciation	31.12.2023
Industrial patent rights and intellectual property rights	397,105	28,722	(2,419)	(11,159)	(230,828)	181,421
Key money	390,439	0	0	0	(118,134)	272,305
Intangible assets with a defined useful life in progress	21,803	17,000	(458)	(21,345)	0	17,000
Total	809,347	45,722	(2,877)	(32,504)	(348,962)	470,727

The recorded costs are reasonably related to utility extended over multiple years and are systematically amortized concerning their residual usability. The Group conducted an analysis to identify any indicators of impairment and/or long-term losses in value. Furthermore, the recoverability of the residual value of intangible assets with a defined useful life was assessed to ensure that they are not recorded in the balance sheet at a value higher than their recoverable amount. For more information on the methods used in assessing the recoverability of the residual value of intangible assets with a defined useful life, please refer to the previously illustrated section on "Property, Plant, and Equipment." Based on the analyses performed and considering the value in use of these assets, no long-term losses in value of the carrying amounts expressed by the Group as of December 31, 2023, emerged.

No financial charges were allocated to the accounts recorded under assets during the period.

16. Other Non-Current Financial Assets

This item includes a policy for TFR (Employee Severance Pay) for Directors amounting to €57 thousand and financial receivables for security deposits amounting to €825 thousand. The item also includes values related to minor investments as specified below. The item amounts to €8,624 and shows no variations compared to the year ended December 31, 2022:

Description	Carrying Amount	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

No financial assets are recorded in the financial statements at a value higher than their fair value.

17. Deferred Tax Assets

For comments related to deferred tax assets, refer to the comments on deferred and prepaid taxes reported previously in the section on the income statement. It is noted in this regard that, in compliance with IAS 12, the Group has reasonably certain the recovery of the aforementioned deferred tax assets by projecting future taxable income based on economic Business Plans and estimating the amount of deferred tax assets reasonably recoverable. No additional deferred tax assets were recognized during the year.

18. Inventories

As of December 31, 2023, inventories amount to €15,669 thousand. The table below shows their composition:

Description	31.12.2023	31.12.2022	Variations
Raw materials, supplies and consumables	2,416,116	2,816,554	(400,438)
Work in progress and semi-finished products	997,631	713,926	283,705
Finished products and goods	12,237,090	10,907,143	1,329,947
Advances	18,971	100,390	(81,419)
Total	15,669,809	14,538,013	1,131,796

The variation in inventories of finished products and raw materials reflects the estimated expected value, considering the sales capacity through the usual distribution channels. In particular, the value of the inventory of finished products and work in progress tends to increase in the first half of each year compared to the values in December. The finished products write-down fund, amounting to €1.5 million as of December 31, 2023, reflects management's best estimate based on the stock's age and season, past experience, and future sales prospects.

19. Trade Receivables

The composition of the item is shown below:

Description	31.12.2023	31.12.2022	Variations
Trade receivables	8,425,157	9,543,769	(1,118,612)
Provision for doubtful accounts	(1,894,802)	(1,684,815)	(209,987)
Total	6,530,355	7,858,954	(1,328,599)

Trade receivables, essentially related to wholesale sales, show a slight increase compared to December 31, 2022, in line with the increase in turnover recorded during the year; the related provision for doubtful accounts is considered adequate to address any insolvencies. The movement of the provision for doubtful accounts in 2023 is as follows:

Description	Total
Balance at 31.12.2022	1,684,815
Utilization during the period	(37,651)
Provision for the period	247,637
Balance at 31.12.2023	1,894,801

The provision for doubtful accounts was determined considering the amount of receivables of doubtful collectability, analyzing the specific conditions of the Group's customers, any guarantees provided in favor of the Group, and appropriately evaluating ongoing disputes and the possibilities of recovering overdue receivables. The Group also analyzed the average customer insolvency rate and bad debt loss recorded in recent years to assess the consistency of the analyses conducted on the expected loss on receivables for each customer with the historical loss rate.

20. Tax Receivables

The item "Tax Receivables" mainly includes:

- VAT receivables amounting to approximately 574.517,
- IRES and IRAP advances amounting to 319.202,
- Research and Development credit amounting to 121.288.

21. Other Current Assets

As of December 31, 2023, the item Other Current Assets amounts to €885,949 (€1,245,169 as of December 31, 2022) and mainly includes prepaid expenses of €427 thousand, the credit claimed by the Parent Company from Jafin S.r.l. for €180 thousand following the early repayment of the bond loan by the latter through partial offsetting against some of the future lease payments for the use of properties located in Milan, also providing for a reduction in the lease fee in favor of Monnalisa S.p.A.

22. Other Current Financial Assets

The item is detailed below and shows the following movement during the year:

Description	31.12.2023	31.12.2022	Variation
Derivative financial instruments	139,381	290,058	(150,677)
Other financial receivables	250,625	219,951	30,674
Total	390,006	510,009	(120,003)

The item mainly includes the fair value evaluation of the derivative contracts in place, entered into by the parent company Monnalisa S.p.A. For more details, refer to the section "Information on the fair value of derivative financial instruments".

23. Cash and Cash Equivalents

The detailed balance below represents the cash and cash equivalents and the presence of cash and values as of December 31, 2023:

Description	31.12.2023	31.12.2022	Variation
Bank and postal deposits	4,331,500	3,313,629	1,017,871
Cash on hand and valuables	69,771	94,534	(24,763)
Total	4,401,271	3,408,163	993,108

The balance represents the cash and the presence of cash and values at the period end date. Bank and postal deposits and checks are valued at their presumed realizable value, while cash on hand is valued at its nominal value. There are no restricted accounts. Foreign currency balances are recorded at the exchange rate in effect at the period end date.

24. Equity

Statement of Changes in Group Equity

(Euro) Note 24	Share capital	Legal reserve	Revaluati on reserves	Reserve for cash flow hedges	Other reserves	IAS 19 Equity effect	Retained earnings	Profit/(loss) for the year	Group Equity
Initial balance at 01.01.2023	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
Allocation of result							3,248,397	(3,248,397)	0
Other movements effect IAS 29		(23,699)							(23,699)
Profit/(loss) for the year								(6,706,313)	(7,146,107)
Other comprehensive income/(loss)				(114,515)	112,462	(43,547)			(45,600)
Final balance at 31.12.2023	10,000,000	1,119,507	4,030,573	105,317	7,326,463	155,698	7,707,002	(6,706,313)	16,801,658

As of the balance sheet date, the outstanding shares are solely composed of 5,236,300 ordinary shares with a nominal value of €10,000,000. The "Other Reserves" item mainly refers to:

- The Share Premium Reserve of the Parent Company amounting to €9,063,125 recognized on the occasion of the capital increase following the listing procedure,
- The Non-Distributable Reserve for Exchange Differences amounting to €352,053,
- The Reserve for Treasury Shares held by the Parent Company amounting to a negative €149,915,
- The Conversion Reserve amounting to €84,047, reflecting the changes in the value of the equity share of the subsidiaries due to the exchange rate variations of their functional currencies relative to the Group's functional currency,
- The FTA Reserve amounting to a negative €2,764 thousand.

The "IAS 19 Equity Effect" item includes the values recorded for the differences in valuation required by IFRS compared to the local principles of the Parent Company and refers to the actuarial valuation of employee benefit plans, determined with the specifics outlined in Note 26 that follows. There are no convertible bonds issued. There are no stock option plans approved. The amounts indicated are net of tax effects where applicable.

25. Provisions for Risks and Charges

The table below shows their composition:

Description	31.12.2023	31.12.2022	Variations
Provisions for retirement and similar obligations	54,027	49,022	5,005
Provision for product returns	297,407	297,407	0
Other provisions	401,511	382,555	18,956
Total	752,946	728,984	23,962
<i>Of which current portion</i>	<i>297,407</i>	<i>297,407</i>	
<i>Of which non-current portion</i>	<i>455,539</i>	<i>431,577</i>	

These provisions are set aside to cover losses or liabilities of certain or probable existence, the amount or date of occurrence of which, however, could not be determined at the period end. In evaluating these provisions, the general criteria of prudence and accrual were followed, and no generic risk provisions without economic justification were established. Contingent liabilities have been recognized in the financial statements and included in the provisions as they are deemed probable and reasonably estimable in amount. This item mainly consists of:

- Provision for Agents' indemnities amounting to €54,027,

- Provision for product returns amounting to €297 thousand, which is estimated based on future forecasts and historical trends, considering that the goods are returned by the financial statement preparation date and that the return results in a reduction in revenue for the period,
- Provision for the restoration of spaces used for retail activities amounting to €375 thousand.

26. Employee Benefits Liabilities

This item includes the liability existing at the period end towards employees, determined in accordance with Article 2120 of the Italian Civil Code and any applicable national and supplementary collective agreements. The liability mainly relates to the employee severance indemnity fund of the Parent Company Monnalisa S.p.A., adjusted in accordance with IAS 19. The movement of employee benefits liabilities is shown below:

In thousands of Euro	31.12.2023
Defined benefit obligation 01.01.2023	2,309
Service Cost	251
Interest Cost	84
Benefits Paid	(379)
Versamento a Fondi	0
Expected DBO 31.12.2023	2,265
Actuarial (Gains)/Losses for experience	(5)
Actuarial (Gains)/Losses for assumptions	63
Defined benefit obligation 31.12.2023	2,324

The main demographic and economic assumptions used are as follows:

	31.12.2023	31.12.2022
Tasso annuo di attualizzazione	3.17%	3.77%
Tasso annuo di inflazione	2.00%	2.30%
Tasso annuo incremento TFR	3.000%	3.225%
Tasso annuo di incremento salariale	0.50%	0.50%

Specifically, the annual discount rate used to determine the present value of the obligation was derived, in line with paragraph 83 of IAS 19, from the Iboxx Corporate AA index with a 10+ year duration as of the valuation date. For this purpose, the yield with a comparable duration to the duration of the workforce subject to evaluation was chosen. The annual TFR increase rate, as provided for by Article 2120 of the Italian Civil Code, is equal to 75% of inflation plus 1.5 percentage points. The demographic bases used as of December 31, 2023, are as follows:

Demographic Bases	31.12.2023
Mortality	RG48 mortality tables published by the State General Accounting Office
Disability	INPS tables differentiated by age and gender
Retirement	100% upon reaching AGO requirements adjusted to D.L: n,4/2019

Annual turnover and TFR advance rates are assumed to be 3.00% and 5.00%, respectively, and are derived from historical experience.

27. Other Non-Current Liabilities

This item mainly includes the liability for end-of-mandate indemnity to directors amounting to €67,500 (€103,173 as of 31.12.2022).

28. Current and Non-Current Lease Liabilities

The movement of lease liabilities during 2023 is shown below:

Lease Liabilities	
Value at 01.01.2023	20,261,996
Currency difference	(499,924)
Increases	1,133,062
Decreases	(63,444)
Repayments of lease liabilities	(5,318,681)
Interest on lease liabilities	749,920
Value at 31.12.2023	16,262,928

The average IBR applied to existing contracts at the initial application of IFRS 16 was 3.5%.

29. Current Non-Financial Liabilities

The item is detailed as follows:

Description	31.12.2023	31.12.2022	Variations
Trade payables	9,430,568	8,291,096	1,139,472
Tax payables	477,109	487,587	(10,478)
Other current liabilities	2,025,428	2,542,405	(516,977)
Total	11,933,105	11,321,088	612,017

The item consists of:

- "Trade payables" recorded net of trade discounts, while cash discounts are recognized at the time of payment;
- "Tax payables" include only liabilities, net of related advances, for certain and determined taxes, as liabilities for probable or uncertain taxes in amount or timing, or for deferred taxes, are recorded in the "Deferred tax liabilities" item. The total amount is €456,173 (€487,587 as of December 31, 2022) and includes, in particular, withholding taxes retained from employees and freelancers, duly paid in 2023;
- "Other current liabilities" are mainly represented by payables to agents for commissions accrued and to be settled amounting to €112,571, payables to employees including accruals and additional monthly payments amounting to €1,392,918, regularly paid during 2024, and advances from customers amounting to €384 thousand.

No operations were carried out that involve the obligation of term repossession, nor are there any payables to shareholders for loans to be distributed according to deadlines and the contractual subordination clause.

30. Financial Liabilities

Details of current and non-current loans and borrowings are provided below:

Description	31.12.2023	31.12.2022	Variations
Long-term financial liabilities	6,599,463	6,135,390	464,073
Short-term financial liabilities	10,289,475	6,083,387	4,206,088
Total	16,888,938	12,218,777	4,670,161

During 2023, the parent company Monnalisa S.p.A. repaid long-term loans through positive cash flows generated from operating activities. In 2023, two new loan agreements totaling €3 million were entered into; the existing loans do not have covenant clauses.

31. Other information

Information on the Fair Value of Derivative Financial Instruments

Derivative financial instruments are used solely for hedging 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 undertaken by the company are provided below, categorized by class, considering aspects such as the characteristics of the instruments themselves and the purposes of their use.

The hedging operations in place as of December 31, 2023, with financial counterparties are as follows:

- Interest Rate Cap (1)

Contract Identification No.	23950927
Transaction date	27/12/2018
Counterparty	Unicredit S.p.A.
Contract Expiry	31/12/2026
Reference Notional	2,364,421 euro
Bank Parameter Rate	6-month Euribor
Client Parameter Rate	6-month Euribor
Cap Rate	1%

As of December 31, 2023, the mark to market of the operation was +88.435,76.

- Interest Rate Swap

Contract Identification No.	26966309
Transaction date	22/09/2020
Counterparty	Unicredit S.p.A.
Contract Expiry	30/09/2025
Reference Notional	1,571,909 euro
Bank Parameter Rate	3-month Euribor
Client Parameter Rate	3-month Euribor
Cap Rate	-0.2%

As of December 31, 2023, the mark to market of the operation was +50.944,53.

Information on Loans for Specific Transactions

Pursuant to Article 2427 No. 21), it is certified that there are no loans allocated for specific transactions.

Information on Transactions with Related Parties

The amounts, nature of the amounts, and any additional information deemed necessary for understanding the financial statements related to such transactions, whether material or not, concluded at market conditions, are indicated below. The information regarding individual transactions has been aggregated according to their nature, except when separate indication was deemed necessary to understand the effects of the transactions on the consolidated financial and economic situation:

Related party	Trade receivables	Financial receivables	Other receivables	Trade payables	Revenues	Costs
Jafin S.r.l.	12,200		180,000	70,000	10,000	413,295
Fondazione Monnalisa	190,389				61,547	
Hermes & Athena Consulting S.r.l.				330,000		200,000
Barbara Bertocci				32,002		130,004
Diletta Iacconi						250,768

Information on Agreements Not Resulting from the Balance Sheet

There are no agreements in place that do not result from the Balance Sheet.

Information on Fees Due to the Auditor, Directors, and Statutory Auditors

Pursuant to the law, the following is highlighted:

- The fees for services rendered by the Legal Audit Company and entities belonging to its network to the group for the audit at the Parent Company amount to €63,000, of which €42,300 for the statutory audit of the civil and consolidated financial statements, €12,700 for the limited audit of the interim consolidated financial statements as of June 30, 2023. An additional €8,000 is for other activities;
- The fees due to directors and members of the Board of Statutory Auditors of the Parent Company, including those for performing such functions also in other companies included in the consolidation:

Position	Annual compensation
Directors	370,000
Board of statutory Auditors	49,000
Total	369,000

It is noted that the Chairman has partially waived his compensation, resulting in a total reduction of €125,000.

Information on Significant Non-Recurring and/or Atypical Events and Transactions

It is specified that no significant non-recurring events or transactions occurred within the Monnalisa Group during 2023. The Group did not carry out atypical and/or unusual transactions, meaning transactions that by nature and object could compromise the completeness and correctness of the financial information provided.

32. SIGNIFICANT EVENTS DURING THE YEAR

Evolution of the Covid-19 Pandemic: On May 5, 2023, the World Health Organization officially declared the end of the pandemic, and during the first half of 2023, the last restrictions and lockdowns on people and commercial activities were lifted, leading to a gradual recovery in tourist flows. However, the recovery of travel retail, particularly in Asia and America, remains delayed. The long-term overall effects of the pandemic on the global economy are still uncertain and complex to define, as the slowdown in expected economic growth trends has multiple causes, some of which are indirectly attributable to the Covid-19 pandemic.

Resignation of a Statutory Auditor: Following the passing of auditor Dr. Alessandra Pederzoli, on June 28, 2023, pursuant to Article 26.15 of the bylaws, a new auditor was appointed; Dr. Alberto Sodini, who was an alternate auditor from the same list as Dr. Pederzoli, assumed the role. According to Article 2401 of the Civil Code, he will remain in office until the next shareholders' meeting. The appointment was made after verifying Dr. Sodini's integrity and professionalism requirements to ensure compliance with Article 6-bis of the Euronext Growth Milan Issuers' Regulations.

Direct Effects of the Monnalisa Group on the Russia-Ukraine Conflict: The ongoing conflict in Ukraine, which began in February 2022, has had direct impacts on the Group, which has a subsidiary in the areas currently affected by the conflict as well as local wholesale customers with revenue that represented a significant percentage at the Group level. The Group has always complied with the sanctions package adopted by the European Union against Russia. It is difficult to make predictions about the evolution of the conflict; however, it is conceivable that the continuation of hostilities will bring further inflationary pressures to Europe, with additional increases in the prices of raw materials and energy. These pressures will impact demand and the profitability of businesses.



Monnalisa S.p.A.

Consolidated financial statements as at December 31, 2023

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

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

To the Shareholders of
Monnalisa S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Monnalisa Group (the Group), which comprise the consolidated equity and financial position as at December 31, 2023 and the consolidated income statement, the consolidated comprehensive income statement, the statement of changes in consolidated equity, the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of Monnalisa S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Monnalisa S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee (“Collegio Sindacale”) is responsible, within the terms provided by the law, for overseeing the Group’s financial reporting process.

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

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

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

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

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

Report on compliance with other legal and regulatory requirements

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

The Directors of Monnalisa S.p.A. are responsible for the preparation of the Report on Operations of Monnalisa Group as at December 31, 2023, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Monnalisa Group as at December 31, 2023 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of Monnalisa Group as at December 31, 2023 and comply with the applicable laws and regulations.

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

Florence, April 11, 2024

EY S.p.A.

Signed by: Andrea Eronidi, Auditor

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

Financial Statements as of December 31, 2023

Financial statements

Statutory Income Statement

(Euro)	Notes	31.12.2023	<i>of which with related parties</i>	31.12.2022	<i>of which with related parties</i>
Revenues from contracts with customers	5	35,082,800	3,925,600	39,689,167	3,728,025
Other income	6	1,391,204	329,817	1,297,480	327,072
Revenues		36,474,004		40,986,647	
Change in inventories of finished products	7	2,112,747		(1,807,183)	
Costs for raw materials, goods, and consumables	7	(13,024,258)	(1,264,252)	(11,584,294)	(1,004,750)
Costs for services	8	(14,397,272)		(13,328,077)	
Personnel costs	9	(8,877,164)	(250,768)	(9,258,148)	(227,272)
Depreciation and amortization	10	(4,252,820)		(4,498,977)	
Other operating costs		(412,857)		(278,937)	
Operating result		(2,377,619)		231,030	
Financial expenses	11	(3,451,484)		(894,895)	
Financial income	11	836,161	52,936	60,751	50,044
Gains (losses) on foreign exchange	11	(219,001)		400,724	
Result before taxes		(5,211,943)		(202,390)	
Income taxes	12	111,470		7,373	
Result for the year		(5,100,473)		(195,016)	

Comprehensive Income Statement

(Euro)	Notes	31.12.2023	31.12.2022
Net result for the year		(5,100,473)	(195,016)
Gains (losses) on cash flow hedges	24	(114,515)	208,105
Components that may be reclassified to the income statement in subsequent periods, net of taxes		(114,515)	208,105
Gains (losses) from the accounting of defined benefit plans for employees	24	(43,547)	298,358
Components that will not be reclassified to the income statement in subsequent periods, net of taxes		(43,547)	298,358
Total other gains, net of taxes		(158,062)	506,463
Total comprehensive result, net of taxes		(5,258,535)	311,446

Statement of financial position

(Euro)	Notes	31.12.2023	<i>of which with related parties</i>	31.12.2022	<i>of which with related parties</i>
NON-CURRENT ASSETS					
Property, plant, and equipment	13	14,287,859		14,868,601	
Right-of-use assets	14	10,244,210		11,403,587	
Intangible assets with a defined useful life	15	436,041		746,644	
Investments in subsidiaries	16	10,876,686		9,780,502	
Other non-current financial assets	17	3,000,221	2,767,921	3,075,344	2,802,655
Deferred tax assets	12-17	2,841,431		2,841,432	
TOTAL NON-CURRENT ASSETS		41,686,448	2,767,921	42,716,109	2,802,655
CURRENT ASSETS					
Inventories	19	13,465,855		11,904,557	
Trade receivables	20	15,081,609	7,806,016	17,466,616	9,868,668
Tax receivables	21	1,190,915		1,407,514	
Other current assets	22	651,047	180,000	928,866	360,000
Other current financial assets	23	2,540,247	2,400,867	2,726,509	2,436,451
Cash and cash equivalents	24	3,319,216		1,903,949	
TOTAL CURRENT ASSETS		36,248,889	10,386,883	36,338,012	12,665,119
TOTAL ASSETS		77,935,338	13,154,804	79,054,121	15,467,775
EQUITY					
Share capital	25	10,000,000		10,000,000	
Reserves	25	30,825,293		31,178,372	
Profit/(loss) for the year	25	(5,100,473)		(195,016)	
TOTAL EQUITY		35,724,820	0	40,983,356	
NON-CURRENT LIABILITIES					
Long-term financial liabilities	26	9,189,691		6,135,390	
Provisions for risks and charges	27	421,434		416,429	
Employee benefits liabilities	28	2,316,401		2,303,543	
Other non-current liabilities	29	107,304		142,977	
Non-current lease liabilities	30	8,363,926		9,234,336	
Deferred tax liabilities	12	82,619		132,533	
TOTAL NON-CURRENT LIABILITIES		20,481,376	0	18,365,208	0
CURRENT LIABILITIES					
Trade payables	31	9,991,023	432,002	8,961,680	1,175,468
Short-term financial liabilities	26	7,699,246		6,083,387	
Tax payables	31	390,890		443,279	
Other current liabilities	31	1,916,433		2,319,952	
Current lease liabilities	30	1,731,551		1,897,259	
TOTAL CURRENT LIABILITIES		21,729,142	432,002	19,705,557	1,175,468
TOTAL LIABILITIES		42,210,518	432,002	38,070,765	1,175,468
TOTAL EQUITY AND LIABILITIES		77,935,338	432,002	79,054,121	1,175,468

Statement Of Changes In Statutory Equity

(Euro) Note 24	Share capital	Legal capital	Revaluation reserves	Reserve for cash flow hedges	Other reserves	IAS 19 Equity effect	Retained Earnings	Profit/(Loss) for the Year	Total Equity
Balance 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
Profit (loss) for the period								(195,016)	(195,016)
Comprehensive income/(loss)				208,105		298,358			506,463
Balance 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

(Euro) Note 24	Share capital	Legal capital	Revaluation reserves	Reserve for cash flow hedges	Other reserves	IAS 19 Equity effect	Retained Earnings	Profit/(Loss) for the Year	Total Equity
Initial balance at 01.01.2023	10,000,000	1,143,206	3,969,582	219,832	8,401,506	199,245	17,245,003	(195,016)	40,983,356
Allocation of result							(195,016)	195,016	0
Profit (loss) for the period							(5,100,473)		(5,100,473)
Comprehensive income/(loss)				(114,515)		(43,547)			(158,062)
Final balance at 31.12.2023	10,000,000	1,143,206	3,969,582	105,317	8,401,506	155,698	11,949,514	0	35,724,820

Statutory Cash Flow Statement

(Euro)	31.12.2023	<i>of which with related parties</i>	31.12.2022	<i>of which with related parties</i>
Net result for the period	(5,100,473)		(195,016)	
Adjustments to reconcile net result to cash flows from operating activities:				
Depreciation and amortization of tangible, intangible, and right-of-use assets	5,408,406		4,225,128	
Income taxes			(7,373)	
Provisions for employee benefits plans	250,915		325,279	
Provisions (utilizations) for inventory write-down	114,924		0	
Losses and provisions for bad debt	248,463		264,031	
Losses (gains) on disposal of tangible and intangible assets	(517,000)		0	
Interest expenses and interest on lease liabilities	1,404,150		894,895	
Interest income	(57,826)		(60,751)	
Other non-cash items	108,052		(37,953)	
Changes in operating assets and liabilities:				
Inventories	(1,676,222)		877,743	
Trade receivables	(163,497)	(1,030,247)	(1,565,258)	(1,547,417)
Trade payables	1,029,343	(27,046)	323,404	91,648
Other tax receivables and payables	164,210		35,006	
Other assets and liabilities	(211,287)		676,820	
Payments for employee benefits	(377,753)		(133,026)	
Income taxes paid	0		(1,003,927)	
Interest expenses and interest on lease liabilities paid	(934,715)		(834,144)	
Interest income received	57,826		11,851	
CASH FLOW FROM OPERATING ACTIVITIES	(252,484)	(1,057,293)	3,796,708	(1,455,769)
Cash flow from investing activities				
Purchases of tangible assets	(1,539,844)		(324,782)	
Purchases of intangible assets	(28,541)		(169,115)	
Proceeds from sale of tangible and intangible assets	1,250,000		0	
CASH FLOW FROM INVESTING ACTIVITIES	(318,385)		(493,897)	0
Cash flow from financing activities				
Net change in financial receivables	(143,188)		(159,385)	
Net change in financial payables	4,669,159		(1,293,256)	
Repayment of lease liabilities	(2,540,876)		(2,743,679)	
CASH FLOW FROM FINANCING ACTIVITIES	1,985,095		(4,196,320)	0
INCREASE (DECREASE) IN NET CASH AND CASH EQUIVALENTS	1,414,226	(1,057,293)	(893,509)	(1,455,769)
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD				
	1,903,949		2,797,458	
Increase (decrease) in net cash and cash equivalents	1,414,226		(893,509)	
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,318,175		1,903,949	

Explanatory Notes to the Financial Statements as of December 31, 2023

1. General information

Monnalisa S.p.A. (hereinafter referred to as the “Company”) is a company incorporated and domiciled in Italy, with its registered office in Arezzo, Via Madame Curie no. 7, and organized under the legal system of the Italian Republic. The financial statements for the year ended December 31, 2023, submitted for your examination and approval, show a loss for the year of €5,100,473.

2. ACCOUNTING PRINCIPLES USED IN PREPARATION

2.1 Content and Format of the Financial Statements

The financial statements consist of the statement of financial position, the income statement, the comprehensive income statement, the cash flow statement, the statement of changes in equity, and the related explanatory notes. Below are the financial statement formats and the classification criteria adopted by the Company, within the options provided by IAS 1 - Presentation of Financial Statements:

Statement of Financial Position: presents a distinction between current and non-current assets and liabilities. Non-current assets include balances with a realization cycle of over twelve months and include intangible, tangible, and financial assets, as well as deferred tax assets. Current assets include balances with a realization cycle within twelve months. Non-current liabilities include payables due beyond twelve months, including financial payables, provisions for risks and charges, employee benefits, and deferred tax liabilities. Current liabilities include payables due within twelve months, including the short-term portion of medium-long term borrowings, provisions for risks and charges, and employee benefits;

Income Statement: presented according to a classification of costs by nature, which is considered more representative and reliable for presenting the costs and expenses incurred by the Company during the year. The intermediate result “Operating Income” (defined as the difference between revenues and operating costs) is presented as it is essential for understanding the ordinary profitability of the Company before remunerating 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 includes other components of the income statement that may be reclassified to the income statement in subsequent periods or that will not be reclassified to the income statement in subsequent periods;

Cash Flow Statement: presents cash flows from operating, investing, and financing activities in accordance with IAS 7. Operating activities cash flows are presented using the indirect method, where the net result for the period is adjusted for the effects of non-monetary transactions, any deferral or accrual of past or future operational receipts or payments, and revenue or cost items related to cash flows from investing or financing activities;

Statement of Changes in Equity: shows the comprehensive result for the year and the effect, for each equity item, of changes in accounting policies and corrections of errors as required by International Accounting

Standard no. 8. The statement also presents the balance of retained earnings 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 euros. Below are the main accounting policies and principles applied in preparing the financial statements. In accordance with IAS 24, subsequent paragraphs highlight related party transactions and their significant impact, if any, on the financial position, financial performance, and cash flows.

2.2 Directors' Assessment on the Going Concern Assumption

The Directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriateness of using the going concern assumption, as well as for adequate disclosure in this regard. The Directors use the going concern assumption in preparing the consolidated financial statements unless they have assessed that there are conditions for the liquidation of the parent company Monnalisa S.p.A. or for the cessation of operations or do not have realistic alternatives to these choices. The performance for the year 2023, which was below expectations, was significantly affected by the negative exogenous factors mentioned earlier. In a highly uncertain geopolitical context that has affected key markets for the Company (primarily Russia and Europe), the Group confirms its strategic plan for 2024-2026, which includes:

- Transition from a mono-brand company to a multi-brand company through the activation of new licensing agreements aimed at generating new revenue streams. These licensing, collaboration, and production agreements with other brands aim to increase turnover and company profitability more than proportionally to the increase in turnover due to a significant operational leverage effect through greater utilization of the organizational, production, logistical, and distribution capacities that the Group already possesses, as well as cash generation to support investments in the Monnalisa core business for increased branding equity and growth. It should be noted that the licensing agreements signed over the past two years represent only the first step towards this growth process. The licensing agreements with "La Martina" and "Philosophy by Lorenzo Serafini," both signed in the second half of 2023, will start to have effects from the second part of FY24.
- Continuation of the strategy to grow direct channels: the Group continues to work in line with its development strategies with clear and targeted ideas aimed at strengthening its direct relationship with the consumer. The plan, therefore, reflects the strategy to grow the direct-to-consumer channel.
- Cost containment without affecting the quality of products and the medium-term business prospects, alongside continuous process efficiency.
- Continuous attention to the uniqueness, quality, and innovation of its products and enhancement of the Monnalisa brand worldwide through direct and targeted communication for brand awareness.
- Strategic approach to sustainability, which has always been one of the Group's founding values, seeing sustainable transformation as a distinctive element for its development process and product differentiation for the Monnalisa brand.

The Company has equity of €17.2 million as of December 31, 2023, which is 46% of total assets. Regarding potential liquidity risks, the directors of Monnalisa S.p.A., considering the financial position as of December 31, 2023, available credit lines, short-term financial forecasts, and the Company's capitalization, believe that the going concern is ensured by the Company's financial solidity and the economic and financial effects of the actions taken and being implemented as part of the industrial plan.

Therefore, these statutory financial statements have been prepared on a going concern basis, as the directors believe, based on the Company's equity, financial position, and the assumptions underlying the industrial plan, that there are no doubts about the Company's ability to continue as a going concern for at least 12 months from the reporting date of the financial statements.

2.3 Main Accounting Principles Used in Preparing the Financial Statements

The financial statements have been prepared based on the historical cost principle, except for derivative instruments and financial assets available for sale (if any), which are recorded at fair value, and based on the going concern principle. The most significant principles adopted for the preparation of the financial statements are indicated in the following points:

2.3.1 Property, Plant, and Equipment

Property, plant, and equipment are recorded at historical cost, net of the related accumulated depreciation and accumulated impairment losses, including directly attributable ancillary costs necessary to make the assets ready for use. The carrying amount of tangible assets is subsequently adjusted by depreciation calculated on a straight-line basis from the moment the asset is available and ready for use, based on the estimated useful life, understood as the estimate of the period in which the asset will be used by the company, and any accumulated impairment losses; the useful life of the asset is reviewed annually, and any changes are reflected prospectively. Costs for improvements, modernization, and transformation of an incremental nature are capitalized when it is probable that they will increase the future economic benefits expected from the use or sale of the asset. Expenses for maintenance and repairs are directly expensed in the income statement in the period they are incurred.

The annual depreciation rates used are as follow:

Category	%
Buildings for industrial use	3%
Machinery and equipment	12.50%
Cutting machines and automatic machinery	17.50%
Furniture and ordinary office machines	12%
Electro-mechanical and electronic office machines	20%
Transport vehicles used for business	20%
Equipment	25%
Cars	25%
Photovoltaic systems	9%
Improvements on third-party assets	Lesser of useful life and remaining contract duration

It is noted that in accordance with IAS 16, improvements on third-party assets previously recorded among intangible assets have been reclassified to the relevant asset category in the item under analysis. The carrying amount of property, plant, and equipment is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such an indication exists and the carrying amount exceeds the recoverable amount, the assets are written down to their recoverable amount or net realizable value. The recoverable amount is the higher of the net selling price and the value in use. To determine the value in use, expected future cash flows are discounted using a discount rate that reflects current market assessments of the time value of money and the specific risks of the asset. For an asset that does not generate independent cash flows, the recoverable amount is determined in relation to the cash-generating unit to which the asset belongs. Impairment losses are recognized in the income statement under depreciation and impairment costs. Impairment losses are reversed if the reasons for recognizing them no longer apply.

2.3.2 Intangible Assets

Intangible assets acquired separately are initially recognized at cost, while those acquired through business combinations are recorded at fair value at the acquisition date. After initial recognition, intangible assets are recorded at cost net of accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, except for any development costs, are not capitalized and are expensed in the income statement in the year they are incurred. The useful life of intangible assets is assessed as either definite or indefinite. Intangible assets with a definite useful life are amortized over their useful life and are tested for impairment whenever there are indications of possible impairment. The amortization period and method for an intangible asset with a definite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the way future economic benefits associated with the asset will be realized are recognized by changing the period or method of amortization, as appropriate, and are treated as changes in accounting estimates. The amortization rates applied to intangible assets with a definite useful life are as follows:

Category	%
Software	Five years
Key money	Remaining duration of the related lease contract

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually, either individually or at the cash-generating unit level. It is noted that as of December 31, 2023, there are no intangible assets with indefinite useful lives. Intangible assets related to costs incurred at the time of entering into new lease contracts, also referred to as "key money" paid for the opening of directly operated stores (DOS), are considered as exit costs related to a real estate lease and are generally definite life assets determined over the period of the underlying contract. The Company checks at least annually if there is any indication that the intangible assets with a definite useful life may have suffered impairment. If such evidence exists, the carrying amount of the assets is reduced to their recoverable amount. When it is not possible to estimate the recoverable amount of a single asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. To determine the value in use of an asset, the Company calculates the present value of estimated future cash flows, before taxes, using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the recoverable amount is lower than the carrying amount. Research and development costs are expensed in the income statement when incurred.

2.3.3 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 factor is whether the contract substantially transfers to the Company the risks and rewards associated with ownership or whether it grants the right to control the use of an identified asset for a period of time in exchange for a consideration.

The Company adopts a single model for the recognition and measurement of all leases, except for short-term leases and leases of low-value assets, recognizing the right-of-use asset, representing the right to use the underlying asset of the contract, and the corresponding lease liability, representing the obligation to make lease payments, at the lease commencement date.

The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and

an estimate of the costs to be incurred for dismantling and removing the underlying asset or restoring the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the lease term or the useful life of the right-of-use asset. In addition, the right-of-use asset is regularly reduced by any impairment losses and adjusted to reflect any remeasurement of the lease liability.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate ("IBR"). The IBR is determined by identifying each country in which the Company operates as a portfolio of leases with similar characteristics and is calculated as the rate of a risk-free instrument from the country where the lease contract is signed, plus the average spread recognized by the Company to its financiers. Lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease, unless the Company is reasonably certain not to terminate early. The lease liability is measured at amortized cost using the effective interest method and is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option, or if there is a revision of in-substance fixed lease payments. When the lease liability is remeasured, the Company makes a corresponding adjustment to the right-of-use asset.

In the balance sheet, the Company presents right-of-use assets that do not meet the definition of investment property within 'Property, plant, and equipment' and lease liabilities within 'Financial liabilities'. The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and for leases of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term. When acting as a lessor, the Company recognizes lease payments as expenses on a straight-line basis over the lease term and are included in revenues in the income statement due to their operating nature.

2.3.4 Investments in Subsidiaries

Investments in subsidiaries are measured at purchase cost, in accordance with IAS 27. If there are indications that the recoverable amount of the investment is lower than its carrying amount, the carrying amount is reduced to its recoverable amount, as required by IAS 36. If the reasons for the impairment loss no longer exist, the carrying amount is increased to the new estimate of the recoverable amount, which cannot exceed the original cost.

2.3.5 Inventories

Inventories of raw materials, semi-finished, and finished products are measured at the lower of production or purchase cost and net realizable value, which represents the amount the Company expects to obtain from their sale in the ordinary course of business. Production cost includes the purchase cost of materials used, internal and external processing costs, and other accessory costs reasonably attributable to the product,

excluding financial charges and general, administrative, and sales expenses. The Company uses the weighted average cost method to value inventories of finished products, semi-finished products, and raw materials. For the values thus determined, it has been verified that they do not exceed market values, making necessary adjustments if required. Inventories that show signs of obsolescence and/or slow turnover are written down in relation to their potential use or realizability. The provision for the write-down of raw materials and finished products is calculated to bring the cost down to net realizable value based on estimates that take into account the age of the production season and the ability to use the raw material in production and sell finished products through various distribution channels (outlet and stock).

2.3.6 Derivative Financial Instruments

The Company uses derivative financial instruments solely for (i) hedging financial risks related to exchange rate fluctuations on commercial transactions in foreign currency and (ii) hedging interest rate risks in the case of medium and long-term loans. Derivative financial instruments are accounted for in accordance with hedge accounting rules because:

- At the inception of the hedge, there is formal designation and documentation of the hedging relationship;
- It is expected that the hedge will be highly effective;
- The effectiveness can be reliably measured;
- The hedge is highly effective throughout the periods for which it is designated.

Such derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently measured at fair value.

As permitted by IFRS 9 paragraph 7.2.21, the Company has opted for the application of IAS 39 regarding hedge accounting. Consistent with IAS 39 § 88 and reiterated by IFRS 9 § 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 of the exposure to changes in the current value of a balance sheet asset or liability that could affect the income statement, the change in fair value of the hedging derivative is recognized in the income statement, and the change in fair value of the hedged item attributable to the hedged risk is recorded as part of the carrying amount of the hedged item and is also recognized in the income statement,
- Cash flow hedge: if a derivative financial instrument is designated as a hedge of the exposure to variability in cash flows of a balance sheet asset or liability or a highly probable forecast transaction that could affect the income statement, the effective portion of gains or losses on the hedging instrument is recognized in equity and presented in the statement of comprehensive income; the cumulative gain or loss is reclassified from equity to the income statement in the same period in which the hedged transaction is recognized in the income statement; the gain or loss associated with a hedge or that portion of the hedge that has become ineffective is recognized in the income statement when the ineffectiveness is identified. When the conditions for hedge accounting are not met, the effects of measuring the derivative financial instrument at fair value are directly recognized in the income statement.

2.3.7 Trade Receivables, Financial Receivables, and Other Current and Non-Current Receivables

Trade receivables and other receivables arising from the supply of financial assets, goods, or services by the Company to third parties are classified as current assets except when the maturity exceeds twelve months from the balance sheet date concerning non-trade receivables. Current and non-current financial receivables, other current and non-current receivables, and trade receivables, except for financial assets deriving from derivative financial instruments, are measured, if they have a fixed maturity, at amortized cost calculated using the effective interest method. When financial assets do not have a fixed maturity, they are measured at cost. Receivables with maturities exceeding one year, non-interest-bearing, or bearing interest below market rates are discounted using market rates.

The above-mentioned financial assets are measured based on the impairment model introduced by IFRS 9, adopting an expected loss approach (Expected Loss) in place of the IAS 39 framework based typically on the evaluation of incurred losses (Incurred Loss). For trade receivables, the Company adopts a simplified approach (Simplified approach) that does not require the recognition of periodic changes in credit risk, but rather the accounting of an Expected Credit Loss ("ECL") calculated over the entire life of the receivable (lifetime ECL). In particular, the Company's policy stratifies trade receivables based on the days past due and an assessment of the counterparty's solvency, applying different write-down percentages that reflect the respective recovery expectations. The Company then applies an analytical evaluation based on the debtor's reliability and ability to pay the amounts due for impaired receivables. Receivables are shown in the balance sheet net of the related write-down allowances. Write-downs made under IFRS 9 are recognized in the consolidated income statement net of any positive effects related to releases or value recoveries.

2.3.8 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank deposits, and highly liquid fund shares that can be readily converted into cash and are subject to an insignificant risk of value changes. Bank overdrafts are recorded as financial liabilities in the Company's balance sheet.

2.3.9 Treasury Shares

Treasury shares are recorded as a reduction in equity. The original cost of treasury shares and the economic effects of any subsequent sales are recognized as movements in equity.

2.3.10 Trade Payables, Financial Liabilities, and Other Current and Non-Current Liabilities

Trade payables and other liabilities arising from the acquisition of money, goods, or services from a third-party supplier are classified as current liabilities unless their maturity exceeds twelve months from the balance sheet date, concerning non-trade payables. Current and non-current financial liabilities, other current and non-current liabilities, and trade payables are initially recognized in the balance sheet at fair value, typically represented by the transaction cost that originated them, including any directly attributable transaction costs. Subsequently, except for derivative financial instruments, all financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities hedged by derivatives are measured according to hedge accounting rules.

2.3.11 Employee Benefits

The Company's net obligation from defined benefit plans is calculated separately for each plan by estimating the future benefit that employees have earned in return for their service in the current and prior periods. This benefit is discounted to determine its present value. Actuarial gains and losses are recognized directly in comprehensive income, as required by IAS 19. In Italy, starting from January 1, 2007, the Financial Law 2007 and related implementing decrees introduced significant changes to the TFR (severance pay) regulations. These changes resulted in the mandatory allocation of TFR to supplementary pension schemes or the Treasury Fund managed by INPS. As of that date, these allocations, according to IAS 19, are considered "Defined Contribution Plans," while the portions recorded up to December 31, 2006, in the TFR Fund, retain the nature of "Defined Benefit Plans." The actuarial valuation of the liability has been entrusted to independent actuaries.

2.3.12 Provisions for Risks and Charges

Provisions for risks and charges are recognized when, at the balance sheet date, there is a legal or implicit obligation resulting from a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect is significant, provisions are determined by discounting the expected future cash flows at a discount rate that reflects the current market assessment of the time value of money and, if applicable, the specific risk related to the obligation. When the amount is discounted, the increase in the provision due to the passage of time is recognized as a financial expense. If the liability is related to tangible assets, the provision is recorded as a counterpart to the tangible asset it relates to, and the expense is recognized in the income statement through the depreciation process of the tangible asset to which the expense relates.

2.3.13 Revenue recognition

Based on the five-step model introduced by IFRS 15, the Company recognizes revenue after identifying the contracts with its customers and the related performance obligations (transfer of goods and/or services), determining the consideration it expects to be entitled to in exchange for satisfying each performance obligation, and evaluating the method of satisfying these obligations (which generally occurs at a specific point in time). Wholesale channel sales are recognized upon the transfer of ownership along with its risks and benefits, which normally occurs upon delivery or shipment. The allowance for returns and discounts is estimated based on future projections, taking into account historical trends, and is accounted for as a variable component of the contractual consideration with a corresponding presentation of a return liability. Retail channel sales are recognized at the date of direct transfer of the goods to the final customer. Royalty revenues are recognized on an accrual basis based on the terms and amounts stipulated in the license agreement, generally based on sales volumes. Upon receipt of an advance payment from the customer, the Company records the amount of the advance payment as "Other current liabilities" for the obligation to transfer goods in the future and removes this liability by recognizing the revenue when it transfers those goods.

2.3.14 Government Grants

Government grants are recognized when there is reasonable assurance that the grants will be received and that all conditions associated with them will be met. Grants related to cost components are recognized as revenue and systematically allocated over the periods to match the recognition of the costs they intend to compensate. Grants related to an asset are recognized as revenue in constant installments over the expected useful life of the asset.

2.3.15 Cost Recognition

Costs, unless governed by a specific standard, are recognized when related to goods and services sold or consumed during the year or allocated systematically when the future benefits cannot be identified. The economic competence of costs for the purchase of goods is determined with reference to the moment of transfer of ownership of the goods. Service costs are accounted for at the time of completion of the service.

2.3.16 Financial Expenses and Income

Financial expenses directly attributable to the acquisition, construction, or production of an asset that requires a substantial period before being available for use are capitalized as part of the cost of the asset. All other financial expenses are recognized as costs in the period they are incurred. Financial expenses consist of interest and other costs that an entity incurs in connection with obtaining financing.

2.3.17 Income taxes

Income taxes recognized in the income statement represent the amount of current income taxes and deferred taxes.

Current taxes

Current income tax assets and liabilities for the period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the balance sheet date in the countries where the company operates and generates taxable income. Current taxes relating to items recognized directly in equity or in the comprehensive income statement are also recognized directly in equity or in the comprehensive income statement.

The Company calculates current income taxes for the period using the tax rate applicable to the total annual taxable income.

Deferred taxes

Deferred taxes are calculated based on temporary differences as of the balance sheet date between the tax values of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted, or substantively enacted, by the balance sheet date.

In determining the initial recognition of deferred taxes, management considers the existence of positive and negative elements to estimate the probability of sufficient future taxable income. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred taxes relating to items recognized outside the income statement are also recognized outside the income statement, in equity or in the comprehensive income statement, consistently with the item to which they relate.

The Company offsets deferred tax assets and deferred tax liabilities if, and only if, there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that intend to settle the current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Indirect taxes

Costs, revenues, assets, and liabilities are recognized net of indirect taxes, such as value-added tax (VAT), with the following exceptions:

- When the indirect tax on the purchase of goods or services is not deductible, in which case it is recognized as part of the purchase cost of the asset or as part of the cost recognized in the income statement.
- Trade receivables and trade payables include the applicable indirect tax.

The net amount of indirect taxes recoverable from, or payable to, the tax authorities is included in the financial statements under receivables or payables.

2.3.18 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to the Company's ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. For the calculation of diluted earnings per share, the weighted average number of shares outstanding is adjusted to assume the conversion of all potential dilutive shares.

2.3.19 Fair value

IFRS 13 provides a single source of guidance for fair value measurement and disclosure requirements when such measurement is required or permitted by other IFRSs. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. IFRS 13 establishes a fair value

hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

At each reporting date, the Company's finance department analyzes the changes in the values of assets and liabilities that must be remeasured or reassessed as per the Company's accounting policies.

2.3.20 Segment Reporting

With reference to IFRS 8 "Operating Segments", it is specified that the Company, as it is currently constituted, is active in a single operating segment identified with the design, production, and distribution of high-end childrenswear for ages 0-16 under the same brand, through multiple distribution channels, due to the homogeneity of products and services offered and the similarity in the type and class of customers.

2.3.21 Share-based Payments

The Company recognizes additional benefits to the CEO through the Long-Term Incentive Plan 2018-2023 (the "Plan") approved by the Shareholders' Meeting on June 15, 2018, upon the proposal of the Board of Directors. The plan provides for the award of a bonus to the beneficiary in the form of a cash amount. The award of the incentive is granted free of charge. In the presence of cash-settled share-based payment transactions, the cost of the transaction is initially measured at fair value. Until the liability is settled, fair value is remeasured at each reporting date with any changes being recognized in the income statement.

2.3.22 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 whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss exists when the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use (VIU). The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the Company's forecasts for the next three years. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Goodwill is tested for impairment annually at December 31 and when circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed.

2.4 Changes to International Accounting Standards

Accounting principles, amendments, and interpretations effective from January 1, 2023

The following IFRS accounting principles, amendments, and interpretations, applied for the first time by the Company from January 1, 2023, did not have a significant impact on the financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g., life, non-life, direct insurance, and reinsurance), regardless of the type of entity issuing them, as well as some guarantees and financial instruments with discretionary participation features; certain exceptions to the scope apply. The overall objective of IFRS 17 is to provide a more useful and consistent accounting model for insurers. Unlike the requirements of IFRS 4, which largely maintained previous local accounting standards, IFRS 17 provides a comprehensive model for insurance contracts covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach),
- A simplified approach (the premium allocation approach) primarily for short-duration contracts.

The amendments did not impact the Company's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Taxes narrow the scope of the initial recognition exemption so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. The amendments did not impact the Company's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide more useful information about accounting policies by replacing the requirement to disclose "significant" accounting policies with the requirement to disclose "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments impacted the Company's accounting policy disclosures but did not affect the measurement, recognition, and presentation of financial statement elements.

Accounting principles and amendments not yet applicable and not adopted early by the Group

The following principles and interpretations were issued but not yet effective at the date of the consolidated financial statements. The Group intends to adopt these principles and interpretations, if applicable, when they become effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued an amendment to IFRS 16 to specify the requirements that a seller-lessee applies in measuring the lease liability arising from a sale and leaseback transaction, ensuring that the seller-lessee does not recognize any gains or losses related to the retained right-of-use asset. The amendments are effective for annual periods beginning on or after January 1, 2024, and must be applied retrospectively to all sale and leaseback transactions entered into after the date of initial application of IFRS 16. Early application is permitted, and this fact must be disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB published amendments to paragraphs 69-76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement,
- That the right to defer must exist at the end of the reporting period,
- That classification is unaffected by the likelihood that an entity will exercise its deferral right,
- That only if a derivative embedded in a convertible liability is itself an equity instrument does the liability's maturity not affect its classification

Additionally, a requirement was introduced to disclose information when a liability arising from a financing arrangement is classified as non-current, and the entity's right to defer settlement is subject to compliance with covenants within twelve months.

The amendments will be effective for annual periods beginning on or after January 1, 2024, and must be applied retrospectively. The amendments are not expected to have a material impact on the Company's financial statements.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of reverse factoring arrangements and require additional disclosures about these arrangements. The disclosure requirements included in the amendments aim to help financial statement users understand the effects of reverse factoring arrangements on an entity's liabilities, cash flows, and exposure to liquidity risk. The amendments will be effective for annual periods beginning on or after January 1, 2024. Early application is permitted, and this fact must be disclosed. The amendments are not expected to impact the Company's financial statements.

Lack of exchangeability - Amendments to AS 21

On August 15, 2023, the IASB published an amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability. The amendment introduces a consistent approach to assessing whether a currency can be exchanged into another currency and, when this is not possible, determining the exchange rate to use and the related disclosures. The amendments are not expected to impact the Company's financial statements.

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

The preparation of financial statements requires the application of accounting principles and methodologies, which in some cases are based on difficult and subjective evaluations and estimates based on historical experience and assumptions considered reasonable and realistic under the given circumstances. The use of these estimates and assumptions influences the amounts reported in the financial statements, including the balance sheet, income statement, and cash flow statement, as well as the related disclosures. The actual results of the financial statement items for which estimates and assumptions were used may differ from those reported due to the inherent uncertainty of the assumptions and conditions on which the estimates are based.

Below are the most significant accounting principles that require a higher degree of subjectivity from the administrators in the preparation of estimates and for which a change in the underlying assumptions could have a significant impact on the reported financial data.

Estimates:

1. Depreciation of tangible and intangible assets: The cost of tangible and intangible assets is depreciated on a straight-line basis over the estimated useful life of each asset. The economic useful life of tangible and intangible assets is determined at the time of purchase and is based on historical experience with similar assets, market conditions, and expectations about future events that could impact them, such as technological changes. Therefore, the actual economic life may differ from the estimated useful life. The Company annually reviews technological and industry changes, any changes in contractual conditions, and current regulations related to the use of tangible and intangible assets, as well as the recoverable value to update the remaining useful life. The result of these analyses may change the depreciation period and therefore the depreciation charge for the current and future periods;
2. Valuation of receivables: Receivables from customers are adjusted by the related allowance for doubtful accounts to account for their actual recoverable value. Determining the amount of write-downs requires subjective evaluations by the administrators based on the available documentation and information about the customer's solvency, as well as historical experience and trends;
3. Provisions: Identifying whether a current obligation (legal or implicit) exists is sometimes challenging. The administrators evaluate these situations on a case-by-case basis, along with estimating the amount of economic resources required to fulfill the obligation. When administrators consider the occurrence of a liability to be only possible, the risks are disclosed in the commitments and risks section without making any provision;
4. Deferred tax recovery: Deferred taxes are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences or any tax losses can be utilized. In this regard, the Company's management estimates the probable timing and amount of future taxable profits;
5. Employee benefits: The values are determined based on actuarial estimates; the main actuarial assumptions are detailed later in this document;
6. Determining the discount rate for leases: As most of the Company's lease contracts do not include an implicit interest rate, the Company calculated an incremental borrowing rate (IBR). To determine the IBR used to discount future lease payments, the Company identified the

rates applied to similar-duration passive financing contracts;

7. Inventory obsolescence provision and estimation of net realizable value: The Company estimates the future usability of such products and materials by calculating specific turnover indices and/or historical realization experience based on the age of the collections, with a specific obsolescence rate applied to each;
8. Estimation of returns: The provision reflects management's expectations regarding future merchandise returns and the related return liability;
9. Valuation of derivative financial instruments: The determination of the fair value of unquoted financial assets, such as derivative financial instruments, is done using commonly used financial valuation techniques that require basic assumptions and estimates. These assumptions might not occur as expected. Therefore, the estimates of such derivative instruments could differ from actual data;
10. Impairment of Property, Plant, and Equipment, Right-of-Use Assets, and Definite-Lived Intangible Assets: Property, Plant, and Equipment, Right-of-Use Assets, and Definite-Lived Intangible Assets are tested for impairment when there are indicators (events or changes in circumstances) that the carrying amount may not be recoverable. Impairment exists when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is based on available data from sales transactions between independent parties involving similar assets or observable market prices, less the costs of disposal. Value in use is calculated using discounted cash flow models with a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Cash flows are derived from the management's estimates, representing the best estimate of the Company regarding the expected economic conditions during the plan period;
11. Impairment of Investments: Investments are tested for impairment when there are indicators (events or changes in circumstances) that the carrying amount may not be recoverable. Impairment exists when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is based on available data from sales transactions between independent parties involving similar assets or observable market prices, less the costs of disposal. Value in use is calculated using discounted cash flow models with a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For investments, the impairment test is conducted considering the individual geographical areas in which the subsidiaries operate as cash-generating units (CGUs). Cash flows are derived from management's estimates, representing the best estimate of the Company regarding the expected economic conditions during the plan period.

Discretionary Evaluations:

- (i) Lease term determination: Identifying the lease term is a significant issue as the form, legislation, and commercial practices of lease contracts vary significantly across jurisdictions, and assessing the effects of renewal options at the end of the non-cancellable period on the lease term estimate involves assumptions. The IFRS Interpretation Committee clarified that for identifying the enforceable period, a lessee should consider the contractual moment when both parties involved can exercise their right to terminate the contract without incurring

penalties that are not insignificant. The concept of penalty should not be considered only contractually but should include all economic aspects of the contract. The Company has considered these conclusions in identifying the lease terms; it has considered the presence of renewal and termination options and whether there are significant economic disincentives to refusing a renewal request.

Evaluation of Climate Change Impacts:

Consistent with the priorities defined by the European Securities and Market Authority (ESMA) for the 2023 reporting year, the Company has identified various types of risks, potential environmental risk factors, and monitors the continuous evolution of the national and international regulatory framework.

The main transition risks identified by the Company are related to the potential introduction of new environmental regulations, expectations regarding the use of low-impact energy sources, and market uncertainty signals with potential unforeseen changes in energy prices. Other identified risk factors may include failure to innovate products in line with necessary technological advancements to address climate change issues, changes in product demand increasingly focused on environmental issues requiring adjustment of supply, and reputational risks.

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

COMMENTS ON THE MAIN ITEMS OF THE INCOME STATEMENT

Below are comments on the main items of the Company's income statement. For a better understanding of the performance of the income statement items, please refer also to the comments in the Management Report.

5. Revenues from Contracts with Customers

Revenues as of December 31, 2023, amount to €35,083 thousand compared to €39,689 thousand as of December 31, 2022, representing a negative change of 12%. The following table shows their breakdown by channel and geographic area:

December 31 at current exchange rates						
In thousands of €	2023	Inc. %	2022	Inc. %	Var	Var %
Retail	8,542	24%	8,539	22%	3	0%
Wholesale	24,321	69%	28,347	71%	(4,026)	-14%
B2C diretto	2,220	6%	2,803	7%	(583)	-21%
Total	35,083	100%	39,689	100%	(4,607)	-12%

December 31 at current exchange rates						
In thousands of €	2023	Inc. %	2022	Inc. %	Var	Var %
Italy	15,303	44%	17,176	43%	(1,873)	-11%
Europe	9,940	28%	12,411	31%	(2,471)	-20%
Rest of the world	9,840	28%	10,102	25%	(262)	-3%
Totale	35,083	100%	39,689	100%	(4,606)	-12%

For a detailed explanation of the revenue trend during the period, refer to the detailed report previously provided in the interim management report. The Company presents revenue disaggregation information using a qualitative-quantitative approach. The timing of revenue recognition for the sale of goods, whether through the retail or wholesale channel, occurs when control of the goods is transferred to the customer, typically upon delivery.

6. Other income

The "Other Income" item is detailed as follows:

Account	31.12.2023	31.12.2022	Delta
Gain on sale of property	517,071	0	517,071
Active contingencies	81,486	408,005	(326,518)
Insurance damage recovery	31,954	55,431	(23,477)
Cost recharges to subsidiaries	319,817	300,885	18,932
Photovoltaic system contributions	36,842	45,508	(8,666)
Operating contributions	73,812	210,787	(136,976)
Royalties revenue	412,599	12,580	400,019
Rental income	31,231	85,100	(53,869)
Other Income	(5,891)	173,578	(179,469)
Total	1,498,921	1,291,873	207,048

As of December 31, 2023, other income mainly includes:

- Real estate rental income of €88,453 related to the leasing of spaces;
- Gain of €517 thousand from the sale of the Company's property located on Via del Corso in Florence, for a consideration of €1,250,000. The property was purchased on March 24, 2023, for a consideration of €680,000;
- Photovoltaic system contributions of €36,842;
- Insurance damage recovery of €31,822;
- Operating contributions of €73,812, mainly related to the 2023 research and development tax credit;
- Cost recharges to subsidiaries for services provided by the Parent Company amounting to €319,817.

7. Cost of Goods Sold and Operating Expenses

Operating expenses as of December 31, 2023, amount to €38.9 million compared to €40.8 million as of December 31, 2022, representing a decrease of 5% compared to the previous year. The following table shows their composition:

Description	31.12.2023	31.12.2022	Variations
Change in finished goods inventories	(2,112,747)	1,807,183	(3,919,930)
Costs for raw materials, goods, and consumables	13,024,258	11,584,294	1,439,964
Costs for services	14,397,272	13,328,077	1,069,195
Personnel costs	8,877,164	9,258,148	(380,984)
Depreciation and amortization	4,252,820	4,498,977	(246,157)
Other operating costs	412,857	278,937	133,920
Total	38,851,623	40,755,616	(1,903,993)

Costs for raw materials, goods, and consumables are closely related to what was stated in the interim management report and the revenue trend. These costs include the necessary expenses for producing goods in the company's ordinary business activities. The costs for purchasing goods are charged to the income statement upon delivery. Like revenues and income, costs and expenses are recorded net of returns, discounts, allowances, and premiums.

8. Costs for Services

Costs for services as of December 31, 2023, amount to €14.4 million, an 8% increase compared to the previous year. These costs derive from the acquisition of services in the ordinary course of business and are charged to the income statement upon completion. Specifically, the main items include:

- Costs for manufacturing processes (sewing, ironing, embroidery, printing, accessory phases) amounting to €3.9 million related to product production and realization,
- Technical, industrial, administrative, and commercial consulting costs amounting to €1.8 million,
- Transportation costs (on sales and/or purchases) amounting to €2.4 million,
- Advertising expenses, both national and local, amounting to €1.5 million, of which €200 thousand relates to the fashion show held at the beginning of the year,
- Utility expenses amounting to €492 thousand,
- Ordinary maintenance expenses amounting to €884 thousand,
- Royalties costs amounting to €557 thousand.

This item also includes some lease contracts that the Company has in place, which provide for payments based on the volume of sales achieved during the year (variable payments) recorded based on the accrual principle and not included in the determination of the lease liability.

9. Personnel costs

Personnel costs for the period amounted to €8.8 million compared to €9.2 million for the comparative year 2022. This item includes the entire expense for employees, including merit increases, category changes, contingency increments, accrued but unused vacation costs, and legal and collective agreement provisions. The "severance pay" account includes the amount accrued during the period, the amount accrued and paid to employees hired and dismissed in the same period, and the amount paid to external pension funds.

10. Depreciation and Amortization

Depreciation and amortization have been calculated based on the useful life of the asset and its use in the production phase. They are broken down as follows:

Description	31.12.2023	31.12.2022	Variations
Depreciation of tangible fixed assets	1,387,406	1,439,832	(52,426)
Depreciation of intangible fixed assets	339,325	328,830	10,495
Depreciation of right-of-use assets	2,278,452	2,456,466	(178,014)
Impairment of trade receivables	247,637	273,849	(26,212)
Total	4,252,820	4,498,977	(246,157)

These depreciations have been calculated considering the valuation criteria already outlined in the relevant section of these notes. For further details on the year's investments, refer to the comments in paragraphs 13, 14, and 15. The impairment item includes the impairment of trade receivables amounting to €247 thousand (€273 thousand as of December 31, 2022).

11. Financial Income and Expenses

The "Financial Income and Expenses" item as of December 31, 2023, shows a negative balance of €2.8 million compared to a negative balance of €433 thousand in the previous year.

Description	31.12.2023	31.12.2022	Variations
Interest income	192,049	60,751	131,298
Bank interest expenses	(870,245)	(278,523)	(591,722)
Other interest expenses	(148,222)	(191,715)	43,493
Financial charges for IFRS 16 leases	(385,683)	(424,657)	38,974
Exchange losses	(355,882)	(326,142)	(29,740)
Exchange gains	136,881	726,866	(589,985)
Impairment of investments	(2,047,335)	0	(2,047,335)
Reversal of impairment on investments	644,112	0	644,112
Total	(2,834,324)	(433,420)	(2,400,904)

The item "interest expenses" mainly includes interest on short-term bank loans and medium and long-term bank loans. The interest on lease liabilities amounts to €386 thousand as of December 31, 2023 (€424 thousand as of December 31, 2022). The net unrealized valuation component attributable to exchange management resulted in a net loss of €219 thousand against a net profit of the previous year amounting to €400 thousand. Regarding the item "Impairment and reversal of impairment on investments," refer to the detailed information in point 16 "Investments" below.

12. Income Taxes for the Period

Current taxes

Current taxes have been calculated on a taxable base that considers the fiscal variations provided by the applicable regulations in the various countries where the companies included in the consolidation area operate.

The item is composed as follows:

Taxes	31.12.2023	31.12.2022	Variations
Current taxes	0	(2,434)	2,434
Deferred taxes	(111,470)	9,808	(121,278)
Total	(111,470)	7,374	(118,844)

Deferred / Prepaid Taxes

Deferred taxes have been calculated according to the global allocation criterion, taking into account the cumulative amount of all temporary differences, based on the average expected rates in force at the time these temporary differences will reverse. Deferred taxation is expressed by the provision made in the tax reserve. Prepaid taxes have been recognized as there is reasonable certainty of the existence, in the periods in which the deductible temporary differences will reverse, of taxable income not less than the amount of the differences that will be reversed, particularly regarding indefinitely carryforward tax losses. The composition of the item is shown below:

Description	Temporary Differences	Prepaid Taxes IRES	Prepaid Taxes IRAP	Deferred Taxes IRES	Deferred Taxes IRAP	Total Prepaid Taxes 2023	Total Deferred Taxes 2023
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
Store restoration reserve	70,000	16,800	2,730			19,530	0
Customer returns reserve	297,407	71,378	11,599			82,977	0
Non-deductible TFR (service cost and interest)	336,212	80,691				80,691	0
Tax losses	8,585,963	2,060,631				2,060,631	0
Other	488,684	117,284				117,284	0
Total deferred/prepaid taxes 2023	11,716,306	3,097,335	67,813	(285,421)	(38,296)	3,165,148	(323,718)

Regarding the temporary differences and the related prepaid/deferred taxes that impacted the OCI, refer to the table below:

Description	Temporary Differences	Prepaid Taxes IRES	Prepaid Taxes IRAP	Deferred Taxes IRES	Deferred Taxes IRAP	Total Prepaid Taxes 2022	Total Deferred Taxes 2022
TFR - OCI component	319,460			76,670		0	76,670
Hedging derivatives - OCI component	139,380			33,451		0	33,451
Total deferred taxes	458,840	0	0	110,121		0	110,121

As of December 31, 2023, the company has reasonably assessed the recoverability of the aforementioned recognized prepaid taxes by projecting future taxable income based on the economic Business Plan and estimating the amount of the reasonably recoverable prepaid tax assets.

COMMENTS ON THE MAIN ITEMS OF THE FINANCIAL POSITION (assets, equity, and liabilities)

13. Property, Plant, and Equipment

The table below shows the movements in the "Property, Plant, and Equipment" item for the year ended December 31, 2023:

Description	31.12.2022	Additions	Disposals	Other movements	Depreciation	31.12.2023
Land and buildings	11,312,501	750,409	(741,669)		(323,118)	10,998,123
Plant and machinery	1,857,800	98,608	(5,200)	(22,650)	(446,998)	1,526,860
Industrial and commercial equipment	6,455	4,320			(6,802)	3,973
Other assets	1,527,619	556,172			(507,030)	1,576,761
Assets under construction and advances	22,650	17,000				17,000
Improvements on third-party assets	141,576	127,023		(22,650)	(103,457)	165,142
Total	14,868,601	1,553,532	(746,869)	(21,689)	(1,387,406)	14,287,859

The additions for the year 2023, amounting to €1.5 million, primarily relate to the purchase of a property for retail use in the center of Florence in March 2023, which was then sold at the end of the year. Other additions mainly relate to investments for the opening of a new store in Giverny for the purchase of furniture and fittings and improvement works amounting to €80,000 and €110,000, respectively, and the capitalization of "Historic Archive Items" for €459,000 as previously specified.

For all assets recorded in this category:

- The directors believe there are no permanent impairments in the value of tangible fixed assets.
- There are no commitments to purchase other assets.
- There are no capitalized financial charges.

As of December 31, 2023, the potential presence of impairment indicators was assessed using both internal and external information sources. This analysis was conducted considering the technological, market, economic, or regulatory environment in which the Group operates, observable market values, obsolescence or physical deterioration of an asset, and the economic performance of the assets and the Group as a whole.

Based on the analyses carried out and considering the use value of these assets, no permanent impairment losses were identified for the carrying values expressed by the Group as of December 31, 2023. Assets obtained through lease contracts are classified in the "Right-of-use assets" section that follows.

14. Right-of-use Assets

Below is the composition of the "Right-of-use assets" for the year ended December 31, 2023:

Description	31.12.2022	Additions	Disposals	Depreciation	31.12.2023
Buildings	11,022,926	1,119,075		(2,232,579)	9,909,422
Vehicles	230,035			(40,335)	189,700
Company equipment	150,628			(5,538)	145,090
Total	11,403,587	1,119,075		(2,278,452)	10,244,210

The "Buildings" item is entirely related to store lease contracts and only to a residual extent to other space rental contracts. The main additions recorded in 2023 refer to modifications and/or extensions of existing contracts for current stores and the lease contract for the new store in Paris opened during this year. The

item includes restoration costs of leased premises from third parties based on lease agreements that fall within the scope of IFRS 16, accrued in provisions for risks and future charges in accordance with the same principle.

As of December 31, 2023, the potential presence of impairment indicators was assessed using both internal and external information sources. This analysis was conducted considering the technological, market, economic, or regulatory environment in which the Group operates, observable market values, and the economic performance of the assets and the Group as a whole. Based on the analyses carried out, no permanent impairment losses were identified for the carrying values expressed by the Group as of December 31, 2023, concerning the right-of-use assets in question.

15. Intangible Assets with Definite Useful Life

The table below shows the composition and movements of the item for the year ended December 31, 2023:

Description	31.12.2022	Additions	Disposals	Depreciation	31.12.2023
Patents and intellectual property right	356,204	28,722		(221,191)	163,735
Key money and know-how	390,439	0		(118,134)	272,305
Total	746,643	28,722	0	(339,325)	436,041

The costs recorded are reasonably related to a utility extending over several years and are amortized systematically concerning their residual usability. At each balance sheet date, the company reviews the carrying amount of its tangible and intangible assets to determine if there are indications that these assets have suffered impairment. If such indications exist, the recoverable amount of the asset is estimated to determine any impairment loss. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, it is reduced to the recoverable amount. An impairment loss is recognized immediately in profit or loss. When an impairment loss subsequently reverses, the carrying amount of the asset, except for goodwill, is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. Based on the analyses carried out, no permanent impairment losses were identified for the carrying values expressed by the Group as of December 31, 2023, concerning the value of intangible assets.

16. Investments

No investment has changed its intended use.

Detailed below are the subsidiaries:

- **Monnalisa Hong Kong Ltd:** Established on August 25, 2015, based in Hong Kong, it is 100% controlled by Monnalisa S.p.A. and aims to develop the local retail market. As of the date of this document, the subsidiary owns one monobrand store;
- **Monnalisa Russia Llc:** Established on January 14, 2016, to enhance the efficiency of managing the local wholesale market and enter the retail market through the direct opening of monobrand stores (5 at the end of the period, 3 DOS and 2 DOO). The company is 99.99% controlled;
- **Monnalisa China Ltd:** Established on February 17, 2016, based in Shanghai, it is 100% controlled by Monnalisa S.p.A. Its establishment aims to develop the local retail market through the opening of monobrand stores in the most prestigious malls of Shanghai, Beijing, and other major Chinese cities, with a total of 12 as of December 31, 2022. In addition to the retail channel, the company also sells through the B2C distribution channel since 2018;
- **ML Retail Usa Inc.:** Established on September 22, 2016, wholly owned by Monnalisa S.p.A. and aims to manage the local retail market. The company operates five stores (4 DOS and 1 DOO) in the USA;

- **Monnalisa Korea Ltd:** Established in December 2016, wholly owned by Monnalisa S.p.A. The company is currently inactive;
- **Monnalisa Bebek Giyim Sanayi ve Ticaret A.Ş.:** Established on December 11, 2018, based in Turkey, and 100% controlled by Monnalisa S.p.A. The company has one store at Istinye Park, which opened in January 2021;
- **Monnalisa UK Ltd:** Established in January 2019, based in London, it currently manages a retail concession store at Harrods. The company is 100% controlled by Monnalisa S.p.A.;
- **Monnalisa International Limited:** Established in May 2019, based in Taiwan, and 100% controlled by Monnalisa S.p.A., aimed at developing the local retail market where a store was opened in September 2020 in Taipei;
- **Monnalisa Japan Co Ltd:** 100% controlled by Monnalisa S.p.A. The company was established in 2019 to develop the local retail market. After managing some temporary stores in 2020, the company is currently inactive;
- **Monnalisa Singapore Ltd.:** 100% controlled by Monnalisa S.p.A. The company manages a single store at Marina Bay Sands;
- **Monnalisa San Marino S.r.l.:** 100% controlled by Monnalisa S.p.A., aimed at developing the local retail market. Since June 2021, the company has managed the store opened at the outlet The Market in San Marino.

There are no restrictions on the availability of any fixed investment by the parent company, nor are there any options or other privileges. No significant transactions, except for the operations to increase the participation rate highlighted above, of normal supply, and those related to their financing, carried out under usual market conditions, have been implemented with subsidiaries.

Below are the details of the companies directly or indirectly owned:

Company	City or foreign country	Share capital	Profit (loss)	Net equity	Owned amount	Ownership %	Book value
Monnalisa Hong Kong Ltd	HONG KONG	600,000	(138,324)	(2,282,720)	(2,282,720)	100	600,000
Monnalisa China LLLC	SHANGHAI CHINA	4,800,000	(1,054,600)	(1,062,432)	(1,062,432)	100	3,616,813
Monnalisa Russia LLC	MOSCOW RUSSIA	592,679	(236,982)	389,725	389,686	99.99	592,678
MI Retail USA Inc.	TEXAS USA	591,156	(894,843)	(2,024,965)	(2,024,965)	100	3,752,180
Monnalisa Korea Ltd	SEOUL KOREA	81,000			0	100	0
Monnalisa Brasile	SAO PAULO BRASIL	505,087	7,887	(0)	(0)	99	0
Monnalisa Turchia	ISTANBUL TURKEY	1,215,434	82,086	206,453	206,453	100	1,215,434
Monnalisa Japan	TOKYO JAPAN	8,189	(26,248)	(98,264)	(98,264)	100	8,189
Monnalisa Taiwan	TAIPEI TAIWAN	202,731	(135,072)	(310,524)	(310,524)	100	202,731
Monnalisa UK Ltd	LONDON UK	235,377	(198,628)	(672,024)	(672,024)	100	235,377
Monnalisa Singapore	SINGAPORE	413,376	(181,579)	(191,425)	(191,425)	100	413,376
Monnalisa San Marino	SAN MARINO	25,500	(121,869)	(111,305)	(111,305)	100	239,908

The item recorded the following movements during the period:

Description	Investments in Subsidiaries
Opening balance	9,780,502
Additions	2,499,407
Disposals	
Revaluations	644,112
Impairments	(2,047,335)
Closing balance	10,876,686

The period's changes are mainly related to the following:

- Additions of €199,407 related to the waiver made in 2023 by the shareholder Monnalisa S.p.A. to the payments made in favor of the subsidiary Monnalisa San Marino; the waiver concerned commercial credits claimed from the aforementioned subsidiary. This operation, completed through the waiver of financial credits claimed by the Parent Company, resulted in a consequent increase in the subsidiary's net equity.
- Additions of €2.3 million related to the waiver made in 2023 by the shareholder Monnalisa S.p.A. to the payments made in favor of the subsidiaries Monnalisa China and Monnalisa USA for €1.5 million and €800,000, respectively; the waiver concerned commercial credits claimed by the Parent Company and resulted in a consequent increase in the net equity of the two subsidiaries.
- Impairments for the period amounting to €2,047,335 in light of the results of the impairment analysis, as specified below.
- Revaluations for the period amounting to €644,112 in light of the results of the impairment analysis, as specified below.

The company conducted an analysis to identify the presence of potential impairment indicators and/or permanent value losses in its subsidiaries. Specifically, the recoverability of the residual value of the investments was assessed to ensure that they are not recorded in the financial statements at a value higher than their recoverable amount. The impairment tests were conducted considering the subsidiary under analysis as the CGU. The value configuration used to determine the CGU's recoverable amount is the value in use, estimated based on expected cash flows and their discounting at an appropriate discount rate (Discounted cash-flow analysis – DCF). Specifically, the value in use estimate was made by discounting the CGU's operating cash flows at a rate equal to the weighted average cost of debt and equity (WACC - Weighted Average Cost of Capital). For the calculation of the residual value, a normalized cash flow extrapolated from the last year of explicit forecast was considered, to which an annual growth rate ("g") was applied. The Discounted cash-flow analysis was prepared using the budget for the fiscal year 2024, developed and approved by the Board of Directors, and for the subsequent four forecast years (2025 to 2028), prepared according to management's expectations regarding the market trends in which the investments are positioned.

The main assumptions for determining the recoverable amount are as follows:

- Terminal Value: Determined using the perpetuity method at a long-term growth rate "g," representing the present value, at the last projection year, of all expected future cash flows;
- Growth rate "g"
- Discount rate (Weighted Average Cost of Capital, WACC).

Specifically:

Subsidiary	Growth rate g	WACC
Monnalisa China LLC	3%	7.6%
ML Retail USA Inc.	2%	7.4%
Monnalisa Turchia	3%	15.9%

In light of the results from the impairment analyses and the current value of expected future cash flows, it was decided to impair the investments in Monnalisa China LLC and ML Retail USA Inc. by a total of €2 million for the current year and to fully reverse the impairment of the investment in the subsidiary Monnalisa Turkey, as the reasons that led the administrative bodies to impair the aforementioned investment previously no longer exist.

The subsidiaries are also exposed to the risk that the assumptions and hypotheses underlying the 2024-2028 forecasts may not occur or may occur at different times and measures than expected. The assumptions made for determining the value in use of the individual cash-generating units, supporting the asset values, inherently incorporate an element of uncertainty associated with all forecasts; therefore, they could lead to adjustments to the carrying amounts in the future depending on the actual realization of the assumptions underlying the estimates made by the directors.

17. Other Non-current Financial Assets

The item includes:

- A policy for Directors' TFR (Severance Pay) amounting to €57,000.
- Financial credits for security deposits amounting to €166,000.
- Minor equity investments as detailed below amounting to €8,624 (no changes compared to the financial year ended December 31, 2022):

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 credits to subsidiaries amounting to €2.8 million.

In the financial statements, no financial fixed assets are recorded at a value higher than their fair value.

18. Deferred Tax Assets

Regarding the item "deferred tax assets," please refer to the comments previously reported in the income statement section. It is noted that, in compliance with IAS 12, the Company assessed the recoverability of the deferred tax assets recognized with reasonable certainty by projecting future taxable incomes based on economic Business Plans and estimating the reasonably recoverable amount of deferred tax assets. The directors did not recognize additional deferred tax assets during the fiscal year.

19. Inventories

As of December 31, 2023, inventories amount to €13,465 thousand. The following table shows their composition:

Description	31.12.2023	31.12.2022	Variations
Raw materials, supplies, and consumables	2,412,882	2,806,235	(393,353)
Work in progress and semi-finished goods	997,631	713,926	283,705
Finished goods and merchandise	10,036,370	8,284,006	1,752,364
Advances	18,971	100,390	(81,419)
Total	13,465,855	11,904,557	1,561,298

The change in inventories of finished goods and raw materials reflects the estimated expected value, considering the ability to sell through the usual distribution channels. The inventory write-down fund reflects the management's best estimate based on the distribution of inventory by year and season, based on past

experience and future sales prospects. The inventory write-down fund amounts to €1.5 million and is substantially in line with December 31, 2022.

20. Trade Receivables

The composition of the item is shown below:

Description	31.12.2023	31.12.2022	Variations
Trade receivables	16,976,411	19,151,431	(2,175,020)
Allowance for doubtful accounts	(1,894,801)	(1,684,815)	(209,987)
Total	15,081,609	17,466,616	(2,385,007)

Trade receivables refer to €6.5 million from subsidiaries related to supply relationships between Monnalisa S.p.A. and other companies within the consolidation scope, and €8.6 million from third-party customers mainly related to wholesale sales. The reduction compared to the previous year is closely related to the decrease in turnover recorded in 2023 compared to 2022, which mainly affected wholesale channel sales. The allowance for doubtful accounts was determined considering the amount of receivables of doubtful collectability, analyzing the specific conditions of the Company's customers, any guarantees provided in favor of the Company, and appropriately evaluating ongoing disputes and the possibilities of recovering overdue receivables. The Company also analyzed the average default rate of customers and credit losses recorded in recent years to evaluate the consistency of the analyses' results on the expected loss on receivables for each customer with the historical loss rate. The adjustment of the nominal value of trade receivables was obtained through a specific allowance for doubtful accounts, which had the following movements during the year:

Description	Total
Balance at 31.12.2022	1,684,815
Usage during the period	(37,651)
Allocation for the period	247,637
Balance at 31.12.2023	1,894,801

21. Tax Receivables

The "Tax Receivables" item mainly includes:

- VAT credits for approximately €574 thousand,
- IRES and IRAP advances for €319 thousand,
- Research and Development credit for €121 thousand

22. Other Current Assets

As of December 31, 2023, the "Other Current Assets" item amounts to €651,047 and mainly includes prepaid expenses for €294 thousand and, for €180 thousand (compared to €360 thousand as of December 31, 2022), the credit claimed by the Parent Company against Jafin S.r.l. following the early repayment of the bond loan by the latter through partial offsetting against some of the future lease payments for the use of properties located in Milan, also providing for a reduction in the lease payment in favor of Monnalisa S.p.A.

23. Other Current Financial Assets

The item includes €139,380, representing the fair value of derivative contracts in place, entered into by the parent company Monnalisa S.p.A. For more details, refer to the paragraph "Information on the fair value of derivative financial instruments."

It also includes financial credits to subsidiaries amounting to €2.4 million as detailed below:

- ML Retail for €868 thousand,
- Monnalisa Japan for €87 thousand,
- Monnalisa Hong Kong for €970 thousand,
- Monnalisa Taiwan for €130 thousand,
- Monnalisa UK for €345 thousand.

24. Cash and Cash Equivalents

The detailed balance below represents cash and cash equivalents as of December 31, 2023:

Description	31.12.2023	31.12.2022	Variations
Bank and postal deposits	3,263,527	1,849,638	1,413,889
Cash and Cash Equivalents	55,689	54,311	1,378
Total	3,319,216	1,903,949	1,415,267

The balance represents cash and cash equivalents as of the fiscal year-end. Bank and postal deposits and checks are measured at their likely realizable value, while cash on hand is measured at its nominal value. There are no restricted accounts. Foreign currency balances are recorded at the exchange rate in effect at the end of the period.

25. Shareholders' Equity

Statement of Changes in Equity

(Euro) Note 24	Share capital	Legal capital	Revaluation reserves	Cash flow hedge reserves	Other reserves	IAS 19 Equity effect	Retained Earnings	Profit/(Loss) for the period	Total Equity
Balance at 01.01.2023	10,000,000	1,143,206	3,969,582	219,832	8,401,506	199,245	17,245,003	(195,016)	40,983,356
Allocation of result							(195,016)	(195,016)	0
Profit (Loss) for the period							(5,100,473)		(5,100,473)
Other comprehensive income (loss)				(114,515)		(43,547)			(158,062)
Balance at 31.12.2023	10,000,000	1,143,206	3,969,582	105,317	8,401,506	155,698	11,949,514	0	35,724,820

As of the balance sheet date, the outstanding securities consist solely of 5,236,300 ordinary shares with a nominal value of 10,000,000 euros.

The item "Other Reserves" mainly refers to:

- The share premium reserve of the Parent Company amounting to €9,063,125 recognized during the capital increase following the listing process,
- The negative FTA reserve of €1.6 million,
- The negative reserve for treasury shares held by the Parent Company amounting to €149,915.

The item "IAS 19 equity effect" includes values recorded for the valuation differences required by IFRS compared to the Parent Company's local standards and refers to the actuarial valuation of employee benefit

plans, determined as specified in note 28 below. No convertible bonds have been issued. No stock-option plans have been approved. For the movements during the period in the item under analysis, refer to the specific statement above.

Amounts are net of tax effects where applicable.

26. Short- and Long-term Financial Liabilities

As of December 31, 2023, the item totals €16,889 thousand and includes current and non-current bank loans; the amount therefore refers to outstanding loans and expresses the actual debt for principal, interest, and accrued and payable ancillary charges as of December 31, 2023. The following is a breakdown of current and non-current loans and borrowings:

Description	31.12.2023	31.12.2022	Variations
Long-term financial liabilities	9,189,691	6,135,390	3,054,301
Short-term financial liabilities	7,699,246	6,087,338	1,611,908
Total	16,888,937	12,222,728	4,666,209

During 2023, the Parent Company Monnalisa S.p.A. repaid long-term loans amounting to €2.4 million.

In the current year 2023, two new loan agreements were signed: a long-term loan, signed on June 28, 2023, amounting to €2,500,000 with Monte dei Paschi di Siena bank, with a request for SACE guarantee, for a duration of 96 months, and a medium-long-term loan amounting to €580,000 with Monte dei Paschi di Siena, aimed at carrying out the real estate investment previously mentioned. The existing loans do not have covenant clauses.

The loans and credit lines granted to the Parent Company are subject to variable interest rates. The cost of borrowing is defined based on the market rate of the period (generally EURIBOR) plus a differentiated spread that depends on the specific type of credit line, in line with the best market standards.

27. Provisions for Risks and Charges

The following table shows their composition:

Description	31.12.2023	31.12.2022	Variations
Provisions for retirement and similar obligations	54,027	49,022	5,005
Provision for product returns	297,407	297,407	0
Other provisions	70,000	70,000	0
Total	421,434	416,429	5,005
<i>Of which current portion</i>	<i>297,407</i>	<i>297,407</i>	
<i>Of which non-current portion</i>	<i>126,727</i>	<i>119,022</i>	

These provisions are allocated to cover losses or debts of certain or probable existence, for which, however, the amount or date of occurrence was not determinable at the end of the period. In assessing these provisions, general prudence and accrual criteria were observed, and no generic risk provisions without economic justification were made. Potential liabilities were recognized in the financial statements and included in the provisions as they were deemed probable, and the related expense could be reasonably estimated.

This item mainly consists of:

- Agents' severance indemnity provision amounting to €54,027,

- Provision for product returns amounting to €297 thousand, estimated based on future forecasts and taking into account historical trends, as the goods are generally returned by the date of preparation of the financial statements and the return results in a reduction of the period's revenue,
- Provision for the restoration of spaces used for retail activities amounting to €70 thousand.

28. Employee Benefits Liabilities

This item includes the liability existing at the end of the period towards employees, determined in accordance with Article 2120 of the Civil Code and national and supplementary contracts, if any. The liability mainly relates to the end-of-service indemnity fund for the employees of the Parent Company Monnalisa S.p.A., adjusted in accordance with IAS 19. The movement in employee benefits liabilities is shown below:

In thousands of Euros	31.12.2023
Defined benefit obligation 01.01.2023	2,309
Service Cost	251
Interest Cost	84
Benefits Paid	(379)
Versamento a Fondi	0
Expected DBO 31.12.2023	2,265
Actuarial (Gains)/Losses for experience	(5)
Actuarial (Gains)/Losses for assumptions	63
Defined benefit obligation 31.12.2023	2,324

The main demographic and economic assumptions used are as follows:

	31.12.2023	31.12.2022
Annual discount rate	3.17%	3.77%
Annual inflation rate	2.00%	2.30%
Annual TFR increase rate	3.000%	3.225%
Annual salary increase rate	0.50%	0.50%

In particular, the annual discount rate used to determine the present value of the obligation was derived, consistently with paragraph 83 of IAS 19, from the Iboxx Corporate AA index with a 10+ year duration observed at the valuation date. For this purpose, the yield with a duration comparable to the duration of the group of workers subject to evaluation was chosen. The annual TFR increase rate, as provided by Article 2120 of the Civil Code, is equal to 75% of inflation plus 1.5 percentage points.

The following are the demographic bases used as of December 31, 2023:

Demographic bases	31.12.2023
Mortality	RG48 mortality tables published by the State General Accounting Office
Disability	INPS tables by age and gender
Retirement	100% upon reaching AGO requirements adjusted to Legislative Decree No, 4/2019

The annual turnover and TFR advance rates are assumed to be 3.00% and 5.00%, respectively, and are derived based on historical experience.

29. Other Non-current Liabilities

The item mainly includes €67,500 (compared to €103,173 as of December 31, 2022) representing the liability, gross of the tax effect, related to the long-term incentive plan previously mentioned.

30. Current and Non-current Lease Liabilities

The movement in lease liabilities during the 2023 fiscal year is shown below:

Lease liabilities	
Balance at 01,01,2023	11,131,594
Increases	1,119,075
Decreases	0
Lease liabilities repayments	(2,540,876)
Interest on lease liabilities	385,683
Balance at 31.12.2023	10,095,477

The average Incremental Borrowing Rate (IBR) applied to existing contracts at the time of the initial application of IFRS 16 was 3%; for subsequent contractual modifications, the rate was revised, in line with the requirements of the standard, and an IBR of 6% was applied.

31. Current Non-Financial Liabilities

The item is detailed as follows:

Description	31.12.2023	31.12.2022	Variations
Trade payables	9,991,023	8,961,680	1,029,343
Tax payables	390,890	440,845	(49,955)
Other current liabilities	1,916,433	2,319,952	(403,519)
Total	12,298,345	11,722,477	575,868

The item consists of:

- "Trade payables" recorded net of trade discounts, while "cash discounts" are recognized at the time of payment;
- "Tax payables," which include only liabilities, net of related prepayments, for certain and determined taxes, as liabilities for probable or uncertain taxes in amount or date of occurrence, or for deferred taxes, are recorded under "Deferred tax liabilities." The item totals €390,890 (€440,845 as of December 31, 2022) and mainly includes withholding taxes deducted from employees and self-employed workers, duly paid at the beginning of 2024;
- "Other current liabilities" are mainly represented by payables to agents for accrued commissions to be paid amounting to €113 thousand, payables to employees including accruals and additional months' salaries amounting to €1.1 million, regularly paid during 2024, and customer advances amounting to €325 thousand.

No transactions involving mandatory repurchase agreements have been carried out, nor are there any payables to shareholders for loans to be distributed according to deadlines and contractual subordination clauses.

32. Deferred Tax Liabilities

For "Deferred tax liabilities," refer to the comments previously reported in the income statement section. It is noted that, in compliance with IAS 12, the Company has reasonably assured the recoverability of the deferred tax assets recorded by projecting future taxable income based on the economic business plans and estimating the amount of deferred tax assets reasonably recoverable.

33. OTHER INFORMATION

Information on Fair Value of Derivative Financial Instruments

Derivative financial instruments are used solely to hedge financial risks related to exchange rate fluctuations on commercial transactions in foreign currencies. Below are the fair value and information on the nature and extent of each category of derivative financial instruments undertaken by the company, broken down by class considering aspects such as the characteristics of the instruments themselves and the purposes of their use. The hedging operations in place as of December 31, 2022, with financial counterparts are:

- Interest Rate Cap (1)

Contract Identification No.	23950927
Transaction date	27/12/2018
Counterparty	Unicredit S.p.A.
Contract Expiry	31/12/2026
Notional amount	3,157,895 euro
Bank Parameter Rate	Euribor 6 mesi
Client Parameter Rate	Euribor 6 mesi
Cap Rate	1%

As of December 31, 2023, the mark to market of the operation was €88,435.76.

- Interest Rate Swap

Contract Identification No.	26966309
Transaction date	22/09/2020
Counterparty	Unicredit S.p.A.
Contract Expiry	30/09/2025
Notional amount	1,571,909 euro
Bank Parameter Rate	Euribor 3 mesi
Client Parameter Rate	Euribor 3 mesi
Cap Rate	-0.2%

As of December 31, 2023, the mark to market of the operation was €50,944.53.

Information on Financing for Specific Business

Pursuant to Article 2427, No. 21, there are no financings intended for a specific business.

Information on Transactions with Related Parties

The table below shows the amounts, the nature of the amounts, and any additional information necessary for understanding the financial statements related to these transactions, whether relevant or not, concluded on market terms. The information on individual transactions has been aggregated according to their nature, except where separate indication has been deemed necessary to understand the effects of the transactions on the financial and economic situation of the company:

Related party	Trade Receivables	Financial Receivables	Various Receivables	Trade Payables	Revenues	Costs
Jafin S.r.l.	12,200		180,000	70,000	10,000	413,295
Fondazione Monnalisa	190,389				61,547	
Hermes & Athena Consulting S.r.l.				330,000		200,000
Barbara Bertocci				32,002		130,004
Diletta Iacomoni						250,768
Monnalisa Hong Kong Ltd	1,441,715	970,000			87,954	27,327
Monnalisa China LLC	1,563,018	1,803,264				340,338
Monnalisa Rus OOO	1,069,868				1,972,180	
ML Retail Usa Inc	1,517,444	1,833,439			736,365	125,228
Monnalisa Bebek Giyim Sanayi ve Ticarted	59,182				204,218	28,060
Monnalisa UK Ltd	636,313	345,202			323,304	
Monnalisa Taiwan	382,493	130,000			157,266	
Monnalisa Japan	31,259	86,883			1,044	
Monnalisa Singapore Ltd	401,394				157,770	
Monnalisa San Marino S.r.l.	500,741				223,952	
Total	7,806,016	5,168,788	180,000	432,002	3,935,600	1,515,020

Information on Agreements Not Resulting in the Balance Sheet

There are no agreements not resulting in the balance sheet.

Information on Fees Due to the Statutory Auditor

Pursuant to the law, the fees for services rendered by the Statutory Auditor and entities belonging to its network to the group are highlighted:

- The fees for services rendered by the Statutory Auditor and entities belonging to its network to the group for auditing at the parent company amount to €63,000, including €42,300 for the statutory audit of the statutory and consolidated financial statements, €12,700 for the limited review of the interim consolidated financial statements as of June 30, 2023. In addition, €8,000 for other activities.

Information on Fees Due to Directors and Statutory Auditors

Pursuant to the law, the total fees due to directors and members of the Board of Statutory Auditors of the parent company, including those for performing these functions also in other companies included in the consolidation, are highlighted:

Position	Annual fee
Directors	320,000
Board of statutory auditors	49,000
Total	369,000

It is noted that the Chairman of the Board of Directors has partially waived his compensation, resulting in a total reduction of €125,000.

Management and Coordination Activities

Monnalisa S.p.A. is subject to management and coordination activities, pursuant to Articles 2497 et seq. of the Civil Code, by Jafin Due S.r.l. based in Arezzo, Via Madame Curie. In compliance with Article 2497-bis, paragraph 4, the essential data of the financial statements as of December 31, 2022, and December 31, 2021, of Jafin Due S.r.l. are reported below:

(In Euro)	31.12.2022	31.12.2021
A) Receivables from shareholders for contributions still due		
B) Fixed assets	6,905,112	6,922,365
C) Current assets	427,544	480,928
D) Accruals and deferrals	197	237
TOTAL ASSETS	7,332,853	7,403,530
Share capital	800,000	800,000
Reserves	6,569,463	6,627,427
Profit (loss) for the year	(105,841)	(57,963)
Total equity	7,263,622	7,369,464
B) Provisions for risks and charges		
C) Employee severance indemnity		
D) Debts	69,231	34,066
E) Accruals and deferred income		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7,332,853	7,403,530

Proposal for covering the loss of the financial year

The directors propose to the shareholders' meeting to cover the loss for the year amounting to Euro 5,100,473 through the use of retained earnings.

The Chairman

Piero Iacomoni

RELAZIONE DEL COLLEGIO SINDACALE

ALL'ASSEMBLEA DEGLI AZIONISTI DI MONNALISA S.p.A. IN OCCASIONE DELL'APPROVAZIONE DEL BILANCIO DI ESERCIZIO CHIUSO AL 31 DICEMBRE 2023 REDATTA AI SENSI DELL'ART. 2429, CO. 2, C.C.

Agli Azionisti della Società MONNALISA Sp.A.

Premessa

Il Collegio sindacale di MONNALISA S.p.A. (di seguito "Società") presenta la propria relazione ai sensi dell'art. 2429, comma 2, c.c. per dare conto della attività di vigilanza ex art. 2403 c.c. svolta nel corso dell'esercizio 2023 e fino alla data odierna.

Il Collegio sindacale attualmente in carica è stato nominato dall'assemblea degli azionisti del 31 maggio 2021 e terminerà il proprio mandato con l'Assemblea di approvazione del bilancio dell'esercizio chiuso al 31 dicembre 2023.

Il Collegio sindacale è composto dal Prof. Marco Mainardi, Presidente, e dai Sindaci effettivi Dott. Fabrizio Rossi e Dott. Alberto Sodini (quest'ultimo subentrato ai sensi dell'art. 26.15 dello statuto sociale in data 28 giugno 2023 a seguito della scomparsa della dott.ssa Alessandra Pederzoli).

Il Collegio sindacale è anche incaricato delle funzioni di Organismo di Vigilanza ex D.lgs. 231/2001 (di seguito "OdV"), ai sensi dell'articolo 6, comma 4-bis D.Lgs 231/2001. Tale incarico è stato conferito dal Consiglio di amministrazione in data 18 giugno 2021 e a durata fino alla data di approvazione del bilancio al 31 dicembre 2023.

Lo svolgimento dell'attività di revisione legale è affidata (con delibera dell'Assemblea del 31 maggio 2021) alla società di revisione EY S.p.A., per il triennio 2021-2023. Pertanto anche tale incarico giungerà a scadenza con l'approvazione del bilancio al 31 dicembre 2023.

Fonti normative e deontologiche di riferimento per l'esercizio della vigilanza ex art. 2403 del codice civile

Nel corso dell'esercizio chiuso al 31 dicembre 2023 il Collegio Sindacale ha svolto la propria attività in conformità alle disposizioni di legge, ispirandosi alle più recenti norme di comportamento raccomandate dal Consiglio Nazionale dei Dottori commercialisti e degli Esperti contabili applicabili per le società non quotate (versione del 12 gennaio 2021 aggiornate con versione del 20 dicembre 2023), in quanto, pur essendo la Società quotata su *Euronext Growth Milan* (già AIM Italia) mercato organizzato e gestito da Borsa Italiana, la stessa non è normativamente qualificabile come soggetto emittente ai sensi del D. Lgs. 58/1998 (TUF). Il Collegio ha comunque ritenuto opportuno considerare utile punto di riferimento anche le norme di comportamento (versione del 26 aprile 2018 aggiornate con versione del 21 Dicembre 2023)

dettate per le società quotate in quanto applicabili. Il Collegio sindacale ha provveduto, sulla base delle dichiarazioni individuali, all'autovalutazione annuale con esito positivo dell'indipendenza dei propri componenti e a programmare la propria attività di vigilanza.

Ciò detto, viene sottoposto al Vostro esame il bilancio d'esercizio della Monnalisa S.p.A. al 31 dicembre 2023, redatto in conformità agli International Financial Reporting standard (IFRS) emessi dall'International Accounting Standards Board (IASB):

Il Collegio dà atto che il Consiglio di amministrazione nella seduta del 29 marzo 2024 ha approvato il nuovo piano industriale del Gruppo per il triennio 2024-2026 nel quale vengono individuate le linee di indirizzo strategico della Società, le azioni funzionali al loro raggiungimento unitamente al ripristino dell'equilibrio economico.

Gli amministratori hanno riferito in merito al presupposto della continuità aziendale intesa come capacità del Gruppo di continuare come entità in funzionamento ritenendola sussistente. I presupposti su cui si è basata la valutazione prospettica sono stati riportati nel paragrafo 2.5 delle note al bilancio consolidato e nel paragrafo 2.2 delle note al bilancio d'esercizio della capogruppo. La valutazione di appropriatezza della continuità operativa effettuata dagli amministratori - per almeno 12 mesi successivi alla chiusura dell'esercizio in conformità ai principi contabili di riferimento - si è basata sui fondamenti del piano industriale per il triennio 2024-2026 sopra citato. Le linee strategiche in sintesi sono esposte nell'informativa riportata nelle menzionate note al bilancio. In particolare preme segnalare a questo Collegio il cambiamento avvenuto nel modello di business da azienda mono brand ad azienda multi brand (si veda a questo proposito l'informativa esposta nel paragrafo 14 - *Fatti di rilievo avvenuti dopo la chiusura del periodo ed evoluzione prevedibile della gestione della relazione sulla gestione*), la strategia di crescita dei canali diretti, al contenimento dei costi e efficientamento dei processi, nonché l'approccio costante alla sostenibilità.

Tale valutazione è stata ritenuta adeguata anche dalla Società di revisione EY S.p.A. che ha espresso in data odierna un giudizio positivo senza rilievi.

Al riguardo il Collegio ha richiesto al Consiglio di amministrazione di mantenere il continuo monitoraggio degli obiettivi attesi tenendo informato il Collegio sui risultati delle azioni intraprese e, in particolare, sui loro effetti in termini redditività.

Il Collegio rammenta che nella seduta del 20 marzo 2024 ha invitato l'organo amministrativo ad un'attenta valutazione del tema della continuità aziendale a motivo dei risultati negativi degli ultimi esercizi pur in presenza di un EBITDA positivo. In tale seduta il Collegio ha incontrato anche la Società di revisione EY S.p.A. in carica. Parimenti, in tale seduta, il Collegio ha richiesto agli amministratori una significativa attenzione nello svolgimento dell'*impairment test*. Le assunzioni e i risultati di tale test sono riportati nel bilancio d'esercizio nei paragrafi 2.3.22 e 16. In particolare, il test, svolto sulla base di una metodologia uniforme rispetto a quella adottata nel precedente esercizio, ha portato ad imputare al conto economico dell'esercizio svalutazioni su partecipazioni controllate per euro 2.047.335 (Monnalisa China LLC e Monnalisa Retail USA Inc.) e rivalutazioni per euro 644.112 (Monnalisa Turchia).

Come riportato nelle note al bilancio consolidato (nota 13) dagli stessi amministratori, *"il Gruppo è esposto al rischio che le assunzioni e le ipotesi poste alla base delle suddette previsioni 2024-2028 non si verifichino o si verifichino secondo tempi e misure diverse dalle attese.*

Le assunzioni formulate ai fini della determinazione del valore d'uso delle singole unità generatrici di flussi finanziari, a supporto dei valori dell'attivo, incorporano per loro natura un'aleatorietà connessa a tutte le previsioni; pertanto, potrebbero in futuro determinare rettifiche

dei valori contabili in funzione dell'effettivo realizzarsi delle assunzioni alla base delle stime effettuate dagli amministratori."

Il Collegio sindacale non essendo incaricato della revisione legale, ha svolto sul bilancio le attività di vigilanza previste nella Norma 3.8. delle "Norme di comportamento del collegio sindacale di società non quotate" consistenti in un controllo sintetico complessivo volto a verificare che il bilancio sia stato correttamente redatto. La verifica della rispondenza ai dati contabili spetta, infatti, all'incaricato della revisione legale.

Al riguardo il Collegio dà atto che:

- il bilancio è stato messo a sua disposizione nel termine di legge;
- la società di revisione EY S.p.A. ha consegnato la propria relazione, in data odierna, contenente un giudizio positivo senza modifica ;
- la relazione di revisione riporta che il bilancio d'esercizio al 31.12.2023 rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico e i flussi di cassa, in conformità agli IFRS;
- la verifica della rispondenza ai dati contabili spetta all'incaricato della revisione legale che è responsabile del giudizio professionale sul bilancio di esercizio e sul bilancio consolidato nonché del giudizio di coerenza e conformità della relazione sulla gestione (art. 14 d.lgs del 27 gennaio 2010, n. 39).

1) ATTIVITÀ DI VIGILANZA AI SENSI DEGLI ARTT. 2403 E SS. C.C.

Il Collegio ha vigilato sull'osservanza della legge e dello statuto, sul rispetto dei principi di corretta amministrazione e, in particolare, sull'adeguatezza degli assetti organizzativi, del sistema amministrativo e contabile e sul loro concreto funzionamento.

Dall'inizio dell'esercizio e fino alla data della presente relazione, il Collegio:

- si è riunito per l'espletamento delle verifiche periodiche n. 7 volte nel 2023 e n. 2 volte dall'inizio del 2024;
- ha partecipato alle riunioni del Consiglio di amministrazione (n. 4 nel 2023 e n. 3 dall'inizio del 2024);
- ha partecipato alle Assemblee dei soci (n. 1 nel 2023).

Il Collegio dà atto che le suddette riunioni degli organi sociali si sono svolte nel rispetto delle disposizioni di legge e statutarie.

Il Collegio, nel corso dell'esercizio e durante le riunioni periodiche, ha acquisito dall'amministratore delegato e dalla *Finance & Control Manager*, informazioni sul generale andamento della gestione e sulla sua prevedibile evoluzione, nonché sulle operazioni di maggiore rilievo, per le loro dimensioni o caratteristiche, effettuate dalla società e dalle sue controllate e, in base alle informazioni acquisite.

Il Collegio ha monitorato periodicamente le informazioni relative alle dinamiche economiche e finanziarie della società avendo cura di comprendere l'andamento dei ricavi, l'evoluzione della posizione finanziaria netta e del sistema degli affidamenti bancari.

Il Collegio ha acquisito conoscenza e ha vigilato sull'adeguatezza dell'assetto organizzativo, amministrativo e contabile e sul suo concreto funzionamento anche tramite la raccolta di informazioni dai responsabili delle funzioni. In particolare:

- ha acquisito conoscenza e vigilato, per quanto di sua competenza, sull'adeguatezza e sul funzionamento del sistema amministrativo-contabile, nonché sull'affidabilità di quest'ultimo a rappresentare correttamente i fatti di gestione, mediante l'ottenimento di informazioni dai responsabili delle funzioni e l'esame dei documenti aziendali, e a tale riguardo, non ha osservazioni particolari da riferire;
- ha vigilato sull'effettiva attuazione ed il concreto funzionamento della *Procedura con le Operazioni con Parti Correlate (OPC)* adottata dalla Società, inclusa l'informazione periodica da parte del Consiglio di amministrazione in caso di effettuazione di tali operazioni.

Il Collegio ha mantenuto, anche in qualità di OdV, un periodico scambio informativo – attraverso incontri e flussi informativi scritti - con il *Team compliance* della Società, nonché con responsabili degli altri presidi di controllo di secondo livello quali: il *Data Protection Officer* e il *Responsabile del Servizio di Prevenzione e Protezione*. Ha inoltre ottenuto periodici flussi informativi scritti anche dalle seguenti funzioni aziendali: Group HR Manager, Responsabile ICT, ASPP.

Il *Team compliance*, posto in staff all'Amministratore delegato, è composto dall'*Innovation Manager & Compliance Coordinator*, dalla *Group HR Manager* e da una *consulente esterna*. Tale team garantisce un idoneo presidio per: l'aggiornamento delle procedure aziendali e la periodica rappresentazione dell'insieme di documenti organizzativi caratterizzanti il sistema di controllo interno e gestione dei rischi della Società; la corretta adozione dei sistemi di gestione aziendale anche in un'ottica sinergica con l'attuazione del Modello di Organizzazione, gestione e controllo ex D. Lgs n. 231/2001 adottato dalla Società (di seguito "Modello 231") e di monitoraggio degli obiettivi di sostenibilità. Il *team compliance* documenta la propria attività attraverso una reportistica semestrale portata all'attenzione dell'Amministratore delegato e dell'OdV.

Con riferimento alle tematiche di bilancio, rammenta il Collegio che gli amministratori hanno fornito adeguata informativa nella relazione sulla gestione e nella nota integrativa al bilancio d'esercizio e al bilancio consolidato della Società sulle operazioni di natura ordinaria effettuate nel corso dell'esercizio con parti correlate o società infragruppo. Per quanto concerne la descrizione delle loro caratteristiche e dei relativi effetti economici e patrimoniali si rinvia a tali documenti.

Non sono pervenute denunce dai soci ex art. 2408 c.c. né esposti di alcun tipo.

In merito alle eventuali segnalazioni ex art. 25 *novies* del codice della crisi di impresa (d.lgs. 14/2019) che i c.d. creditori pubblici qualificati (INPS; INAIL; Agenzia delle Entrate, Agenzia delle Entrate -Riscossione) debbono inviare al Presidente del Collegio sindacale, si dà atto di non aver ricevuto alcuna notifica o segnalazione.

In data odierna Collegio sindacale ha rilasciato parere motivato per il conferimento, da parte dell'Assemblea, dell'incarico di revisione legale dei conti per i bilanci consolidati e separati degli esercizi 2024-2025-2026.

Il Collegio, nel rammentare che gli amministratori hanno fornito nella relazione sulla gestione la rappresentazione dei rischi aziendali e dei relativi presidi di fronteggiamento, segnala, come indicato dagli stessi (par. 6) che alla data di predisposizione del bilancio non risulta in essere alcun contenzioso con l'Amministrazione finanziaria.

Nel corso dell'attività di vigilanza, come sopra descritta, non sono emersi altri fatti significativi tali da richiederne la menzione nella presente relazione.

Il Collegio sindacale segnala, inoltre, che:

- l'ultimo aggiornamento del Modello 231 deliberato in CdA è avvenuto nella riunione del 29 settembre 2023;
- il Collegio ha valutato, in qualità di OdV, i profili di interesse ai sensi del D.Lgs. 231/2001 e in proposito non risultano anomalie o fatti significativi censurabili. Con relazioni aventi cadenza semestrale (datate 19 luglio 2023 e 30 gennaio 2024) ha riferito per iscritto al Consiglio di Amministrazione sull'attività svolta in qualità di OdV, così come previsto dal Modello 231 che, al paragrafo 4.3.1, così recita: *"L'Organismo di Vigilanza predispose le seguenti linee di reporting: la prima, su base continuativa, direttamente verso l'Amministratore Delegato; la seconda, su base periodica almeno semestrale, nei confronti del Consiglio di Amministrazione e del Collegio Sindacale"*.
- ha incontrato la società di revisione BDO in data 20 marzo 2024 incaricata della revisione contabile limitata della DNF del Gruppo al 31 dicembre 2023 ed è stato edotto sulle attività di verifica svolte in sede di *preliminary audit* e di *final audit*. Non sono emerse criticità.

In tema di rendicontazione di sostenibilità, il Collegio ricorda che è attualmente in corso di consultazione il decreto di recepimento della direttiva UE 2022/2464 "CSRD", che comporterà un potenziale adempimento per la Società dal 1° gennaio 2025. Con la "CSRD", la rendicontazione di sostenibilità prenderà il posto dell'attuale Dichiarazione non finanziaria ex D.Lgs. 254/2016.

2) OSSERVAZIONI IN ORDINE AL BILANCIO CONSOLIDATO

Il Collegio prende atto che la Società ha provveduto alla redazione del bilancio consolidato per l'esercizio 2023 (da cui risulta un patrimonio netto di gruppo di euro 17.241.452 e un risultato negativo di pertinenza del gruppo di euro 6.706.313) che è stato sottoposto alla revisione legale da parte della società di revisione EY S.p.A.

Non essendo domandato al Collegio il controllo analitico di merito sul contenuto del bilancio stesso, il Collegio ha svolto sul bilancio consolidato e sulla relazione consolidata sulla gestione le medesime attività di vigilanza svolte sul bilancio d'esercizio, segnatamente ha vigilato, per gli aspetti di propria competenza, sull'osservanza delle norme procedurali inerenti l'impostazione e la sua formazione, tenuto altresì conto delle informazioni acquisite dalla Società di revisione, anche con riferimento alla corretta definizione del perimetro di consolidamento. A tale riguardo il Collegio non ha osservazioni particolari da riferire.

Si segnala, infine, che la società di revisione EY S.p.A. ha espresso sul bilancio consolidato un giudizio di revisione positivo senza rilievi come così ha espresso il giudizio di coerenza della relazione sulla gestione consolidata rispetto al bilancio e la sua conformità alle norme di legge.

3) OSSERVAZIONI IN ORDINE AL BILANCIO D'ESERCIZIO

Il Collegio prende atto che dal bilancio d'esercizio 2023 risulta un patrimonio netto di euro 35.724.820 (contro euro 40.983.356 dell'esercizio precedente) e una perdita d'esercizio pari a euro 5.100.473 (contro una perdita dell'esercizio precedente pari a euro 195.016).

Non essendo domandato al Collegio il controllo analitico di merito sul contenuto del bilancio d'esercizio, il Collegio ha vigilato per gli aspetti di propria competenza, sull'osservanza delle norme procedurali inerenti all'impostazione e la sua formazione, tenuto altresì conto delle informazioni acquisite dalla Società di revisione. Il Collegio ha inoltre verificato la rispondenza del bilancio ai fatti e alle informazioni di cui ha avuto conoscenza a seguito dell'espletamento dei propri doveri e non ha osservazioni al riguardo.

Si segnala, infine, che la società di revisione EY S.p.A. ha espresso sul bilancio d'esercizio della Società un giudizio di revisione positivo senza rilievi.

Per quanto a conoscenza di questo Collegio, gli amministratori, nella redazione del bilancio, non hanno derogato alle norme di legge ai sensi dell'art. 2423, co. 5, c.c.

4) OSSERVAZIONI E PROPOSTE IN ORDINE ALL'APPROVAZIONE DEL BILANCIO

Per quanto di propria competenza, questo Collegio:

- preso atto delle risultanze del bilancio dell'esercizio chiuso al 31 dicembre 2023;
- considerato l'esito positivo degli specifici compiti svolti dalla società di revisione EY S.p.A. in tema di controllo della contabilità e verifica dell'attendibilità del bilancio d'esercizio e consolidato;

ritiene di non avere obiezioni da formulare in merito all'approvazione dello stesso e alla proposta formulata dal Consiglio di Amministrazione relativa alla copertura della perdita dell'esercizio 2023 di euro 5.100.473 mediante utilizzo degli *Utili a nuovo* a tal uopo capienti, come indicato nella nota integrativa.

Signori Azionisti,

Il Collegio ricorda che con l'approvazione del bilancio dell'esercizio 2023, vengono a scadere, per decorso triennio, il Consiglio di Amministrazione e il Collegio sindacale, oltre alla società di revisione per la quale è stata separatamente formulata la proposta motivata.

Nel ringraziare per la fiducia concessa, Vi invitiamo a provvedere alle nuove nomine in conformità alle disposizioni statutariamente previste (artt. 20 e 26).

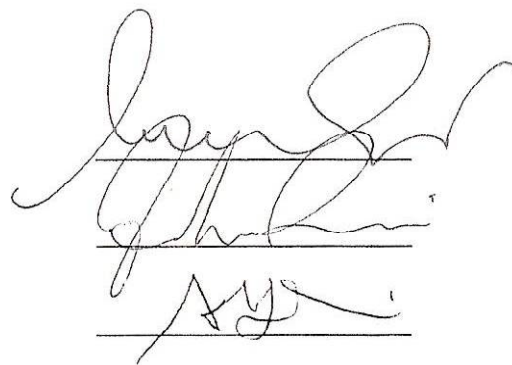
Arezzo, 11 aprile 2024.

Il Collegio Sindacale

Marco Mainardi (Presidente)

Fabrizio Rossi (Sindaco effettivo)

Alberto Sodini (Sindaco effettivo)





Monnalisa S.p.A.

Financial statements as at December 31, 2023

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

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

To the Shareholders of
Monnalisa S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Monnalisa S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2023, and the statutory income statement, the comprehensive income statement, the statement of changes in statutory equity and the statutory cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee (“Collegio Sindacale”) is responsible, within the terms provided by the law, for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on compliance with other legal and regulatory requirements

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

The Directors of Monnalisa S.p.A. are responsible for the preparation of the Report on Operations of Monnalisa S.p.A. as at December 31, 2023, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the financial statements of Monnalisa S.p.A. as at December 31, 2023 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of Monnalisa S.p.A. as at December 31, 2023 and comply with the applicable laws and regulations.

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

Florence, April 11, 2024

EY S.p.A.
Signed by: Andrea Eronidi, Auditor

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