MONNALISA

Monnalisa Group
Annual Financial Report
as of December 31, 2025

Monnalisa S.p.A.

Corporate Information
Registered office Via Madame Curie, 7, 52100, Arezzo (AR)
Legal Information Authorized, subscribed, and paid-in share capital: 10,000,000 Euro
Tax ID and Arezzo Chamber of Commerce registration number: 01163300518
Registration with the Arezzo-Siena Chamber of Commerce under R.E.A. No. AR-87271
Corporate website https://group.monnalisa.eu

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1. COMPOSITION OF CORPORATE BODIES

Board of Directors

The Board of Directors, appointed on April 29, 2024, will remain in office for three fiscal years, until the approval of the financial statements as of December 31, 2026. The members of the Board of Directors are:

Chairperson	Piero Iacomoni
Chief Executive Officer	Matteo Tugliani
Directors	Simone Pratesi Stefano Della Valle Fabrizio Dosi

Board of Statutory Auditors

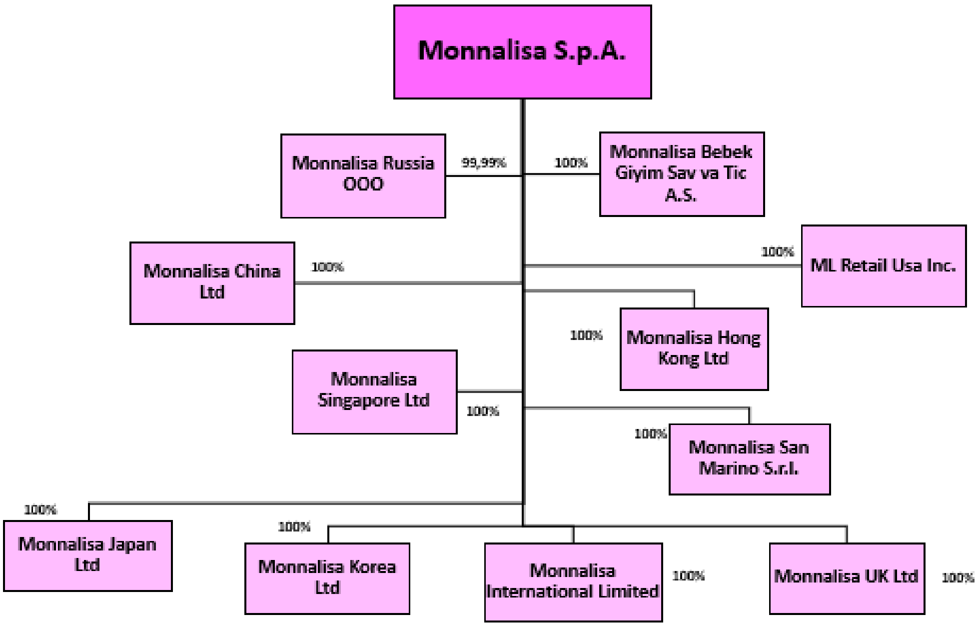
Chairperson	Alessandro Luzzi
Statutory Auditors	Gabriele Nardi Alberto Sodini

Independent Audit Firm	EY S.p.A.
Euronext Growth Advisor	CFO Sim S.p.A.

Dear Shareholders,
the fiscal year ended December 31, 2025, reports a consolidated net loss of €6,998,764.
The Holding company, Monnalisa S.p.A., reports a net loss for the year of €3,991,732.

2 . BUSINESS ACTIVITIES AND STRUCTURE OF THE GROUP

Monnalisa S.p.A. (hereinafter "Monnalisa" or "Company") designs, manufactures and distributes high-end childrenswear 0-16 years old, under the brand of the same name, through multiple distribution channels. The company philosophy has always combined entrepreneurial activity, innovation, the search for new markets, original styling and a particular attention to the development of company resources and skills. The Monnalisa Group (hereinafter the "Group") operates through a centralised business structure where almost all the activities relating to its organisational model are carried out, with the exception of the distribution and management of retail stores in the various geographical areas, which are carried out directly by the Group's individual commercial entities in the relevant reference market.
Monnalisa is therefore an operating holding company that – in addition to holding shares in foreign commercial companies – manages all phases of the production process, from the conception and creation of the product to its marketing, outsourcing only some production phases.
For 50 years, Monnalisa's philosophy has been based on the unique combination of entrepreneurial activity, innovation, search for new markets, original styling. Today the Group distributes in over 50 countries, both in direct flagship stores and in the most prestigious department stores in the world, and in over 400 multi-brand stores.
The internalization of the creative and manufacturing process of the products – in addition to representing a highly distinctive element of the Monnalisa Group – pursues the primary objective of a strong industrialization of the same. The Group is in fact able to oversee all strategic processes internally, with consequent positive implications on the management of turnover and margins.
The Group is organized according to a model in which product strategies and communication activities are closely connected so as to be consistent with the brand image and Monnalisa style. It is characterized by constant and careful control of the value chain by the Company.
The organization chart of the Monnalisa Group as at 31 December 2025 is shown below, which also corresponds to the Scope of consolidation. Compared to the structure in place as of December 31, 2024, there are no changes:



As at 31 December 2025, the Monnalisa Group includes Monnalisa S.p.A. and the fully consolidated subsidiaries, listed below, in which the Holding Company holds, directly or indirectly, the majority of the voting rights and over which it exercises control:

- **Monnalisa Hong Kong Ltd**: incorporated on August 25, 2015 and based in Hong Kong, it is 100% owned by Monnalisa S.p.A. and aimed at developing the local retail market. As of the date of this report, the subsidiary operates a mono-brand store;
- **Monnalisa Russia Llc**: incorporated on January 14, 2016, with the purpose of improving the efficiency of the local wholesale market management and expanding into the retail market through the direct opening of mono-brand stores (four at year-end: two DOS and two DOO). The company is 99.99% owned.
- **Monnalisa China Ltd**: incorporated on February 17, 2016, based in Shanghai, it is 100% owned by Monnalisa S.p.A. The company was established to develop the local retail market through the opening of mono-brand stores in prestigious malls in Shanghai, Beijing, and other major Chinese cities. As further detailed later in this report, during the current financial year Monnalisa gradually closed several stores in the Chinese market. These closures were a direct consequence of the severe economic crisis affecting the country, which has prevented the Group from operating profitably in that market. As of the date of this report, the company does not manage any store following the closure of the last two stores in the first half of 2025;
- **ML Retail USA Inc.**: incorporated on September 22, 2016, 100% owned by Monnalisa S.p.A. with the aim of managing the retail business of the local market. The company is present in the United States with currently three stores (2 DOS and 1 DOO);
- **Monnalisa Korea Ltd**: incorporated in December 2016, 100% owned by Monnalisa S.p.A. The company is currently inactive;
- **Monnalisa Bebek Giyim Sanayi ve Ticaret A.Ş.:** incorporated on December 11, 2018, and based in Turkey, it is 100% owned by Monnalisa S.p.A. The company operates a single store located in Istinye Park inaugurated in January 2021;
- **Monnalisa UK Ltd:** incorporated in January 2019 and headquartered in London, the company currently

operates a concession stand at Harrods. The company is wholly owned by Monnalisa S.p.A.;

- **Monnalisa International Limited:** established in May 2019, headquartered in Taiwan, and wholly owned by Monnalisa S.p.A. The company operates one retail outlet;
- **Monnalisa Japan Co Ltd:** a wholly-owned subsidiary of Monnalisa S.p.A. The company, established in 2019, is focused on developing the local retail market. After operating several pop-up stores in fiscal year 2020, the company is currently inactive as of the date of this document;
- **Monnalisa Singapore Ltd.:** a wholly-owned subsidiary of Monnalisa S.p.A. The company operates a single retail store at Marina Bay Sands;
- **Monnalisa San Marino S.r.l.:** a wholly-owned subsidiary of Monnalisa S.p.A., established to develop the local retail market through its retail outlet at The Market in San Marino.

3. KEY STOCK MARKET DATA

On July 10, 2018, the ordinary shares of the Holding Company Monnalisa S.p.A. were admitted to trading on the Euronext Growth Milan market (formerly known as AIM Italia / Alternative Capital Market), a multilateral trading facility organized and managed by Borsa Italiana S.p.A. Trading in the Company’s ordinary shares began on July 12, 2018.
The admission to listing took place following the placement of a total of 1,290,800 ordinary shares, of which 1,236,300 shares related to a capital increase for payment, through placement carried out mainly with qualified institutional investors, Italian and foreign, and 54.500 shares offered for sale by the controlling shareholder, Jafin Due S.r.l. (formerly Jafin Due S.p.A.).
The most important stock market data are provided below.

Key Stock Market Data	
Official price as of December 30, 2025	0.922
Lowest price 11/24/2025	0.896
Highest price on May 19, 2025	1.39
Market capitalization as of December 30, 2025	4,827,869
Number of shares composing the share capital as of December 31, 2025	5,236,300

The Group’s current stock market capitalization reflects the performance of financial markets and the overall difficult economic situation, and exceeds the Group’s net equity value. The Directors believe that this valuation does not represent the Group’s actual value.
According to art. 18 of the Euronext Growth Milan Issuers' Regulation, updated on 25 October 2021, the Company is required to publish the annual financial report within three months of the end of the financial year.
Therefore, on March 16, 2026, the Board of Directors of Monnalisa S.p.A. approved the annual financial report for the year ended 31 December 2025 and ordered its publication in the Investor Relations section of the Monnalisa S.p.A. website and on the channels provided for by Borsa Italiana.

4. OPERATING PERFORMANCE

In fiscal year 2025, the Monnalisa Group reported consolidated revenues of €33.8 million compared to €35.6 million in the prior year, representing a 5% decrease at both current and constant exchange rates.

It should be noted that in these consolidated financial statements, the Monnalisa China *Cash Generating Unit*, following the decision to proceed with its definitive closure within 12 months from December 31, 2025, has consequently been treated as *a Discontinued Operation* in accordance with IFRS 5.

In this regard, please refer to the details provided in paragraphs *"2.3 Application of IFRS* 5" and *"31. Assets and Liabilities Held for* Sale" of the Notes to the Consolidated Financial Statements.

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Monnalisa operates in the most important markets both through the DTC (Direct-to-Consumer) channel—comprising directly managed mono-brand stores (Directly Operated Stores—DOS and Directly Operated Outlets—DOO) and its own online store—and through the wholesale channel, comprising multi-brand stores and online sites specializing 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 scope to reach all major markets.

In 2025, Monnalisa completes a comprehensive strategic review of its retail business model, an initiative promoted and led by the new CEO, Matteo Tugliani, with the aim of restoring the direct retail operations to a state of economic sustainability and industrial coherence. The company is transitioning from a previous model known as "Expansive Showcase Retail"—characterized by widespread growth of stores in Italy and abroad conceived as "brand showcases"—to a new model called "Selective Profit-Driven Retail," based on streamlining the network and concentrating it in strategic locations with high potential. This approach has made it possible to significantly reduce the impact of fixed costs, improve inventory turnover, and return the retail outlets to a positive economic profile. Over the course of twelve months, the Group reduced its store count from 36 to 24, closing 12 structurally unprofitable stores and taking decisive action to improve the profitability of the remaining stores through more efficient management, an optimized product mix, and greater operational discipline.
A key feature of the new model was also the gradual introduction of licenses for premium-luxury adult fashion brands, enhancing the stores' commercial appeal and expanding the customer base with a focus on cross-selling and brand elevation. This decision further strengthened Monnalisa's positioning in the high-end kidswear segment, integrating lifestyle elements consistent with global market dynamics. The rationale behind this initiative lies in the need to equip the Group with a resilient, sustainable retail model consistent with macroeconomic and sector-specific conditions.
Another key element of the new business model, essential to support the relaunch, is the focus on data-driven analysis and omnichannel branding and marketing promotion, with investments in key personnel already made by the end of 2025, which are expected to have a decisive impact starting in 2026.

The environment in which the Group operates continues to be characterized by extreme uncertainty and volatility, with economic and geopolitical dynamics significantly impacting the children's fashion sector and beyond, sharply eroding consumer confidence.

It was precisely this awareness of such changes that enabled Monnalisa's management to recognize how crucial it was to act with a clear yet flexible strategy to respond to the new challenges arising from the external environment and, consequently, to the Group's distribution network.
During the 2025 fiscal year, the Group continued to implement the new business plan, the foundations of which were laid starting in May 2024—the month the new management took office—which envisions growth through new licensing or manufacturing agreements with adult fashion brands, a strategy aimed not only at increasing volumes but, even more so, at boosting the Group's profitability by creating new revenue streams and achieving a rise in corporate profitability that is more than proportional to the increase in revenue, thanks to significant operational leverage resulting from greater utilization of the organizational, production, logistics, and distribution capabilities the Group already possesses.

The results for the 2025 fiscal year thus mark an important first step toward this strategy.
The 2025 performance shows a net loss but represents a significant improvement compared to the 2024 comparative figures. The decline in revenue highlighted above is a direct consequence of the strategy implemented by the new management, aimed at enhancing the quality of its distribution network through the rationalization of the *retail* channel and the resulting optimized management of existing retail locations, with the gradual closure of underperforming stores from a medium- to long-term perspective, as they operate in countries that are still experiencing extreme difficulties in recovering (first and foremost China).
The strategy outlined above has therefore led to an absolute reduction in retail channel revenue but a more than proportional reduction in operating costs related to that channel, resulting, as can be seen from the financial data below, in a positive effect on the operating margin.
The plan to reduce non-strategic operating costs resulted in savings of 2.9 million euros in service and personnel costs, with an improvement in operating profit of 4 percentage points compared to the 2024 comparative figure.

In light of the above, the retail channel recorded revenues of 12.8 million as of December 31, 2025, representing a 13% decrease compared to sales volumes in 2024.
The comparison analyzed here is significantly impacted by the closures of company-owned stores recorded during the year. On a like-for-like basis, in fact, the channel's revenue is perfectly in line with the previous year, with countries such as Turkey, Russia, and the Americas posting positive growth, offset by a more subdued trend in the Asian market.

Revenues from the direct e-commerce channel stood at €2.8 million, compared to €2.6 million as of December 31, 2024, marking a significant 10% increase. For the second consecutive year, the e-commerce channel continues to grow at a double-digit rate.

The share of the online channel—both direct and indirect—in total revenue stands at 17% of total sales (the same percentage as of December 31, 2024). The percentage share of the direct online channel alone stands at 8.4% of total revenue, an increase of 1.1 percentage points compared to the previous fiscal year.

Revenues from the wholesale channel amounted to €18 million, remaining essentially in line with the previous fiscal year 2024, despite a decline in sales for a licensed brand that negatively impacted its revenues due to reputational risks arising from factors unrelated to its core business.
The new licensing agreements signed over the past two years, however, have enabled the creation of new sources of profitability with growing revenues and a corresponding flexible and productive business model.
The channel's percentage share of the group's total revenue stands at 54% compared to 51% in the prior-

year period.

Below is a breakdown of revenues by channel and geographic area (with changes at constant and current exchange rates):

December 31 at current exchange rates						
In thousands of €	**2025**	**% Change**	**2024**	**% change**	**Var**	**Change %**
Retail	12,820	38%	14,746	41%	(1,926)	-13%
Wholesale	18,090	54%	18,298	51%	(208)	-1%
Direct B2C	2,849	8%	2,590	7%	259	10%
Total	**33,759**	**100%**	**35,633**	**100%**	**(1,875)**	**-5%**

December 31 at constant exchange rates						
In thousands of €	**2025**	**% change**	**2024**	**% change**	**Var**	**Change %**
Retail	12,977	38%	14,746	41%	(1,768)	-12%
Wholesale	17,924	53%	18,298	51%	(374)	-2%
Direct B2C	2,849	8%	2,590	7%	259	10%
Total	**33,750**	**100%**	**35,633**	**100%**	**(1,884)**	**-5%**

December 31 at current exchange rates						
In thousands of €	**2025**	**% change**	**2024**	**% change**	**Var**	**Change %**
Italy	11,766	35%	12,929	36%	(1,162)	-9%
Europe	8,219	24%	9,118	26%	(899)	-10%
Rest of the World	13,773	41%	13,587	38%	186	1%
Total	**33,759**	**100%**	**35,633**	**100%**	**(1,875)**	**-5%**

December 31 at constant exchange rates						
In thousands of €	**2025**	**% change**	**2024**	**% increase**	**Var**	**Change %**
Italy	11,766	35%	12,929	36%	(1,162)	-9%
Europe	8,349	25%	9,118	26%	(769)	-8%
Rest of the World	13,634	40%	13,587	38%	47	0%
Total	**33,750**	**100%**	**35,633**	**100%**	**(1,884)**	**-5%**

Adjusted EBITDA came in at €3.3 million; the adjustments relate to extraordinary costs associated with non-recurring events in fiscal year 2025. Reported EBITDA showed a significant improvement, reaching €2.5 million, compared to €1.8 million as of December 31, 2024.
After depreciation, amortization, and impairment charges of €5.2 million (€6.1 million as of December 31, 2024), EBIT stood at €-2.4 million (€-4.3 million as of December 31, 2024). Net income from continuing operations, excluding the foreign exchange adjustment component, stood at -€4.6 million, a decrease of €1.7 million compared to fiscal year 2024, which stood at -6.3 million.

Net financial debt (Net Financial Position), including the effects of applying IFRS 16, stood at €21 million compared to €22.9 million as of December 31, 2024. Adjusted net financial debt, defined in paragraph 5 below under "Alternative Performance Measures" and calculated by excluding current and non-current liabilities related to lease agreements, amounts to €11.7 million (€12.4 million as of December 31, 2024).

The Group has shareholders' equity of €4.8 million. The shareholders' equity of the Holding company, Monnalisa S.p.A., amounts to €20.3 million.

5. ECONOMIC AND FINANCIAL ANALYSIS

The Monnalisa Group uses certain alternative performance indicators, which are not recognized as accounting measures under generally accepted accounting principles, to facilitate a better assessment of the performance of the Group and the holding company. The calculation methods applied by the Group and the resulting figures may therefore not be consistent with or comparable to those of other groups. These indicators are derived exclusively from historical data of the Group and the holding company for the accounting period covered by these financial statements and the comparative periods, without reference to the expected performance of the Group and Monnalisa S.P.A., and should not be considered a substitute for the indicators required by the applicable accounting standards (IFRS).
The following is a definition of the alternative performance indicators used:

EBITDA (Earnings Before Interest, Taxes, Depreciation, Amortization): Represents earnings before financial income and expenses, income taxes for the period, depreciation and amortization of fixed assets, and foreign exchange gains/losses. EBITDA, as defined above, is the indicator used by Monnalisa's directors to monitor and evaluate the company's operating performance. Since EBITDA is not recognized as an accounting measure under Generally Accepted Accounting Principles (GAAP), it should not be considered an alternative measure for evaluating the Company's operating performance. Because the composition of EBITDA is not regulated by applicable accounting standards, the calculation method applied by Monnalisa may not be consistent with that adopted by other entities and therefore may not be comparable to theirs.

ADJUSTED EBITDA (Adjusted EBITDA): Indicates earnings before financial income and expenses, income taxes for the period, depreciation and amortization of fixed assets, and foreign exchange gains/losses, adjusted for one-off costs incurred, the negative margin from stores opened and closed during the year, capital losses, and any extraordinary items (e.g., extraordinary inventory write-downs).

EBIT (Earnings Before Interest and Taxes): EBIT represents earnings before financial income and expenses, foreign exchange gains/losses, and income taxes for the period. EBIT, as defined above, is the metric used by Monnalisa's management to monitor and evaluate the company's performance. Since EBIT is not recognized as an accounting measure under the applicable accounting standards, it should not be considered an alternative measure for evaluating the performance of Monnalisa's results. Because the composition of EBIT is not regulated by the applicable accounting standards, the calculation method applied by the Company may not be consistent with that adopted by other entities and therefore may not be comparable to them
Net Financial Debt: In accordance with the provisions of CONSOB Communication No. DEM/6064293 of July 28, 2006, supplemented by CONSOB Advisory Notice No. 5/21, it is specified that net financial debt is calculated as the sum of cash and cash equivalents, current financial assets, and short- and long-term financial liabilities (current and non-current financial liabilities).

Adjusted Net Financial Debt: this is represented *by Net Financial Debt* excluding current and non-current lease liabilities.

5.1 Reclassified Income Statement

The operating segments of the reclassified income statement are organized by distinguishing between ordinary operating activities (operating and non-operating) and financial activities (financial expenses and foreign exchange management). For the purposes of reclassification, financial income and expenses, bank charges, and foreign exchange management are included within financial activities.

5.1.1 Reclassified Parent Company Income Statement

(Euro)	31.12.2025	Chg %	31.12.2024	% Change
Revenue from contracts with customers	28,836,251		30,822,318	
Gross margin	**16,017,395**	**56%**	**17,683,559**	**57%**
Cost of services	(7,092,888)		(8,713,138)	
Personnel expenses	(7,512,686)		(8,671,287)	
Other operating expenses	(667,805)		(529,311)	
Other income	780,421		1,090,872	
EBITDA	**1,524,437**	**5%**	**860,695**	**3.0%**
Depreciation, amortization, and impairment losses	(3,194,290)		(5,996,916)	
Provisions for risks	(350,000)		0	
EBIT	**(2,019,853)**	**-7%**	**(5,136,221)**	**-17%**
Financial expenses	(1,631,355)		(7,277,250)	
Financial income	(340,524)		632,749	
EBT	**(3,991,732)**	**-14%**	**(11,780,722)**	**-38%**
Income taxes	0		(523,000)	
Net income for the year	**(3,991,732)**	**-14%**	**(12,303,721)**	**-40%**

5.1.2 Reclassified consolidated income statement

(Euro)	31.12.2025	Chg %	31.12.2024	Chg %
Revenue from contracts with customers	33,758,882		35,633,490	
Gross margin	**21,128,892**	**63%**	**22,525,556**	**63%**

Cost of services	(9,018,576)		(10,346,024)	
Personnel expenses	(9,418,116)		(10,611,055)	
Other operating expenses	(748,548)		(570,081)	
Other income	569,182		815,834	
EBITDA	**2,512,834**	**7.4%**	**1,814,231**	**7.2%**
Depreciation, amortization, and impairment losses	(4,927,694)		(6,101,572)	
Provisions for risks	(350,000)		0	
EBIT	**(2,764,860)**	**-8%**	**(4,287,342)**	**-12%**
Financial expenses	(2,829,531)		(2,553,145)	
Financial income	141,780		1,180,087	
EBT	**(5,452,612)**	**-16%**	**(5,660,400)**	**-17%**
Income taxes	(262,994)		(428,474)	
Net income from continuing operations	**(5,715,606)**	**-16%**	**(6,088,874)**	**-17%**
Net income from discontinued operations	(1,283,158)		(815,994)	
Net income for the year	**(6,998,764)**	**-21%**	**(6,904,868)**	**-19%**
Group share of net income	(6,998,764)		(6,904,867)	
Minority interest	1		(1)	

5.2 Net Financial Position

The net financial position, which identifies the net financial debt of the Group and the holding company, summarizes the balance between financial sources and investments. It is calculated as the sum of cash and cash equivalents, plus financial receivables, net of financial liabilities (i.e., those not attributable to the operating cycle) for both the short and medium-to-long term.

5.2.1 Net Financial Position of the Parent Company

Amounts in thousands of euros	**31.12.2025**	**31.12.2024**
A. Cash and cash equivalents	755	519
B. Cash equivalents	-	-
C. Other current financial assets	2,738	2,545
D. Cash and cash equivalents A+B+C	**3,493**	**3,064**
E. Current financial debt	7,760	6,931
F. Current portion of non-current financial debt	1,049	2,870
G. Current financial debt (E+F)	**8,809**	**9,801**
H. Net current financial debt (G-D)	**5,316**	**6,737**
I. Non-current financial debt	10,290	10,787
J. Debt instruments	-	-
K. Trade payables and other current liabilities	-	-
L. Non-current financial debt (I+J+K)	**10,290**	**10,787**
M. Net financial debt (H+L)	**15,606**	**17,524**
Current financial liabilities from leases	1,560	1,439
Financial liabilities from non-current leases	4,343	5,467
Adjusted net financial debt	**9,704**	**10,618**

5.2.2 Group net financial position

Amounts in thousands of euros	**31.12.2025**	**31.12.2024**
A. Cash and cash equivalents	1,380	1,190
B. Cash equivalents	-	-

C. Other current financial assets	95	87
D. Cash and cash equivalents A+B+C	**1,475**	**1,278**
E. Current financial debt	9,206	8,495
F. Current portion of non-current financial debt	1,049	2,870
G. Current financial debt (E+F)	**10,256**	**11,364**
H. Net current financial debt (G-D)	**8,781**	**10,086**
I. Non-current financial debt	12,286	12,910
J. Debt instruments	-	-
K. Trade payables and other current liabilities	-	-
L. Non-current financial debt (I+J+K)	**12,286**	**12,910**
M. Net financial debt (H+L)	**21,067**	**22,996**
Current lease liabilities	3,006	2,964
Financial liabilities from non-current leases	6,338	7,590
Adjusted net financial debt	**11,722**	**12,442**

The net financial position has been presented in accordance with the format set forth in Consob Communication No. DEM/6064293 of July 28, 2006, supplemented by Consob Advisory Notice No. 5/21, which updates references to ESMA guidelines regarding disclosure requirements pursuant to EU Regulation 2017/1129. The comparative figures have been restated; however, no differences arose from the adoption of the new format for presenting the net financial position.
If the “net financial position” is negative, financial receivables and cash are greater than financial liabilities.
Adjusted financial debt is calculated by excluding current and non-current financial liabilities from lease agreements from net financial debt.

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

In managing its operations and implementing its strategy, the Group is naturally exposed—like any company—to a series of risks that, if not properly managed and mitigated, may affect its economic results and its current and future financial and equity positions. Monnalisa S.p.A. has established risk management procedures in the areas most exposed to risk in order to eliminate or reduce potential negative impacts on the Company’s economic and financial position.

Business interruption risks caused by natural, economic, and geopolitical events, including pandemics
The risk is associated with the possibility that natural, economic, and geopolitical events, including pandemics, may cause a significant interruption or halt to business continuity, with consequent economic/financial and/or reputational repercussions due to the inadequacy of the recovery strategies defined at the corporate level.

Market-related risks
The Monnalisa Group is responsible for the creation, development, industrialization, production, marketing, advertising, promotion, and distribution of Products globally; consequently, its business is subject to the risks typical of a manufacturer and distributor in the fashion industry. General market risks include competition, the market positioning of Products, negative demand conditions, and fluctuations in raw material costs. In

particular, the fashion industry is characterized by the sensitivity of consumer tastes, which are constantly changing, as well as by consumers' economic means.
Therefore, the Group is inevitably subject to the risk that, for whatever reason, its collections may not be well received by the market. In addition, the macroeconomic climate also affects the disposable income that consumers can spend on luxury goods. In both circumstances, the Group may experience lower-than-expected sales and is therefore subject to the risk that its revenue may prove insufficient to cover its operating expenses. This risk is compounded by that arising from the countries in which the company operates, each characterized by a different economic and political situation, particularly in those nations where the Group has a direct presence. These risks are managed by investing in innovation and research, fueling creativity with continuous stimuli and challenges. Furthermore, having a widespread presence in a significant number of markets around the world allows the Group to mitigate the risk arising from a potential deterioration in the economic or political situation of certain markets.

Reputational risks
The market in which the Monnalisa Group operates is influenced by the perceptions of both retailers and end customers, not only regarding the company's stylistic offerings but also regarding the intrinsic quality of the product and the brand's reputation. To mitigate these risks, the product and brand image (brand, product, company, and group communications) are carefully managed. The public relations function is handled internally to ensure more effective oversight of external communications, guaranteeing consistency in terms of brand identity and the Group's corporate image. To protect the end consumer and mitigate the resulting reputational risk, significant attention is paid to the safety of the product and the materials used in it, through quality control, chemical and physical testing of specific products, compliance with Reach regulations, and adherence to the highly restrictive requirements for access to major international shopping malls, achieved through specific product certifications.

Risks related to the distribution network
Risks arising from the wholesale channel relate to customer solvency and financial stability, which are regularly monitored: on the one hand, by prudently assessing credit limits to be granted, and on the other, by relying on a credit insurance and management service. An additional service is also in place to gather real-time commercial information online, enabling the Group to monitor the soundness of granted credit over time. The Group continuously invests in the distribution channel, confirming a *win-win* approach between customer and supplier, through personalized support for store layout and setup, assistance in preparing the initial stock order, monitoring of the product mix, training of sales staff, visual merchandising initiatives, management and co-management of in-store events, merchandise exchange services, and modular support in managing unsold inventory.
In the retail sector, it is essential to secure and maintain over time the most sought-after locations in the world's major cities and in the most prestigious department stores. The main risk associated with this type of channel relates to the duration of lease agreements, their potential for renewal, and any revision of the applicable terms.

Risks related to relationships with manufacturers and suppliers
Production is outsourced to small local workshops (façon) and to manufacturers of commercialized products, located in Italy and abroad (China, Turkey, Egypt). With key suppliers, collaboration is based on a long-term partnership approach, centered on shared objectives and tools to identify high-quality professional solutions and achieve mutually satisfactory results, aiming to stabilize the relationship while mitigating the risk of

dependence on key suppliers—whether due to volume of work or the type of product/service offered. Although the Group does not depend significantly on any single supplier, the risk of termination of existing supply relationships for any reason cannot be ruled out a priori. Therefore, workloads at each supplier are regularly monitored, and an intensive search for new suppliers is conducted worldwide.

Risks related to the loss of know-how and talent

The Group's success depends heavily on the people who work there, their skills, and their professionalism. We therefore strive to prevent the loss of talent by ensuring a stimulating, challenging work environment rich in opportunities for learning and growth. We encourage the sharing of knowledge by promoting cross-functional growth and the dissemination of skills through direct training of colleagues and the publication on the server of all information that can be systematized via procedures and instructions.

With the opening of new branches abroad in countries with cultures vastly different from that of the parent company, it has also become crucial to understand the work dynamics and motivational factors of staff of other nationalities, developing *tailored* policies and taking into account differing attitudes toward long-term company loyalty.

Risks related to the loss of information and data

Although the obligation to draft and update the security policy document has been lifted, the Monnalisa Group has incorporated data management and backup procedures into the instructions of the ISO 9001 manual of the holding company Monnalisa. There have never been any complaints regarding privacy violations or data loss. One of the three IT staff members is dedicated to the continuous updating of IT tools to prevent the risk of obsolescence, while a committee for software technology development operates at the management level. For the online sales system of its products, secure payment systems managed by certified companies that use the best security protocols are employed. Through its own controls, the company ensures the formal and substantive integrity of transactions.

Environmental Risks and Sustainability

With regard to strategic risks, climate change and public attention to the issue could impact customer preferences, leading to potential changes in the purchase of certain specific product categories—which are marginal to the Group's business—and in the potential sourcing of certain raw materials, without any current indication of a reduction in the quality of raw materials used in the production cycle. The Group therefore monitors risks related to climate change in order to reduce their impact on its operations. At present, the Group does not report any significant impacts of climate change on operational risks.

With regard to financial risks, the Group may be exposed in the future to potential higher costs and investments related to the adaptation of its production and distribution structure, in order to mitigate the impacts that the business could have on climate change. To date, no estimates of significant costs or investments in this regard have emerged.

Finally, regarding compliance risks, sustainability-related implications stem from non-compliance with environmental laws and regulations to which the Group may be subject. The Group monitors the ongoing evolution of the national and international regulatory framework and the potential introduction of additional regulations aimed at reducing the business's environmental impacts.

Liquidity Risks

The Monnalisa Group plans its financial operations to reduce liquidity risk. Based on financial needs, the Group utilizes credit lines guaranteed by the banking system, drawing on sources that are most appropriate, in terms of duration, relative to the related uses of funds. To limit the absorption of liquidity caused by the expansion of working capital, its volume and composition are constantly monitored, with the aim of containing it or, at the very least, ensuring its various components (receivables, payables, inventory) are balanced in terms of both volume and duration.

Financial Risks

Capital risks, understood as the possibility that the group may be unable to cope with “adverse” events, whether exogenous or endogenous, are fully mitigated by the company’s long-standing policy of setting aside generated profits, as evidenced by the significant level of equity relative to invested capital.

Risks related to exchange rate fluctuations

The diverse geographic distribution of the Group’s production and commercial activities exposes it to foreign exchange risk, both transactional and translation risk. Transactional foreign exchange risk arises from commercial and financial transactions carried out by individual Group companies in currencies other than the functional currency, due to fluctuations in exchange rates between the time the commercial/financial relationship is established and the time the transaction is settled (receipt/payment). Since, for the holding company, purchase volumes in dollars are temporally misaligned with the setting of sales price lists, exchange rates—established when compiling the bill of materials—are hedged when deemed appropriate, using flexible forwards, which are never speculative in nature but solely for insurance purposes, to guarantee planned margins. Using the same rationale, and where the conditions are met, foreign currency payment flows related to sales made in foreign markets are hedged.
Monnalisa holds controlling interests in companies that prepare their financial statements in currencies other than the euro, which is used for the preparation of the consolidated financial statements. This exposes the Group to translation 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

The Group does not work with the public administration or large-scale retail chains; therefore, the risk of corruption is considered low. The governance system and business processes contribute to keeping the risk level low, as they provide for general accountability controls, separation of duties, and responsibilities regarding potentially sensitive management processes. Monitoring of activities related to corruption risk management is also part of the assessment required by the Organization, Management, and Control Model pursuant to Legislative Decree No. 231 (“Model 231”) adopted by the Company.

<u>Whistleblowing</u>

In 2023, the Company adopted and implemented all appropriate technical and administrative measures to comply with the provisions of Legislative Decree of March 10, 2023, adopting a specific procedure for managing related reports under the Whistleblowing regulations and appointing an individual with the necessary qualifications to serve as the manager of such reports.

The entity has established a dedicated email address for reports.
During the fiscal year, as in previous years, there were no reports regarding possible acts or instances of corruption.

Risks related to corporate administrative liability

Since 2017, the Group has adopted the Code of Ethics and the Organization, Management, and Control Model pursuant to Legislative Decree No. 231 of 2001. Since 2024, the role of the Supervisory Body has been entrusted to a dedicated organizational unit consisting of two external members and the HR manager. The risk assessment is updated by the Compliance Team, which consists of the aforementioned individuals and reports to the CEO. The Compliance Team and the Supervisory Body periodically prepare reports on their activities for senior management.

Risks Related to Governance

The holding company is a first-generation family-owned business in which the founders still play an active role in terms of contribution and direction; therefore, potential risks to continuity and sustainability are evident. To mitigate these risks, a Board of Directors was established in 2010 and renewed in 2024. In addition to Chairman Piero Iacomoni and CEO Matteo Tugliani, the Board currently includes three members from outside the founder's family, all of whom are independent directors.

Risks related to accounting and tax matters

The accounting activities of the parent company Monnalisa are handled internally and overseen by individuals with extensive experience in these roles. The professionalism of these individuals is complemented by continuous professional development and the support of high-profile external consultants. The statutory audit engagement has been entrusted to the audit firm EY SpA, which is responsible for certifying the holding company's financial statements and the consolidated financial statements. With regard to the subsidiaries, accounting activities are entrusted to local consulting firms with international experience. The subsidiaries with the highest turnover (Russia and China) are subject to audit by local auditors. There have been no instances of penalties, monetary or otherwise, for non-compliance with laws and regulations.
With regard to ongoing tax-related disputes, please refer to the details provided under "Provisions for risks and charges."
Finally, it should be noted that the Group's operations are characterized, among other things, by activities in various countries (both European and non-European). As part of these operations, there are transfers of goods and provision of services between Group entities located in different countries and territories. In particular, transactions between the parent company and its foreign subsidiaries fall under transfer pricing regulations. In the management's opinion, the transactions between the parent company and the other non-resident group companies were carried out in the ordinary course of business and are conducted in full compliance with the "arm's length price" principle, as required by Italian law and defined (at the international level) by the guidelines provided by the OECD."

Risks Related to the Integration of Sustainability into Business Processes

Monnalisa adheres to the main standards of social responsibility and integrated corporate management (ISO 26000, SA8000, ISO 9001, ISO 14001). This commitment involves continuous work to improve and manage activities and processes, which are periodically evaluated by independent external bodies. The publication of the integrated report demonstrates the commitment to include stakeholders—some as recipients and others as contributors—in this virtuous cycle of sustainability, quality, and environmental policies. The adoption of materiality analysis as a “management tool” for sustainability is instrumental in improving the effectiveness of reporting and stakeholder engagement.

Risks Related to Growth Management

Among its economic and financial planning tools, Monnalisa prepares a three-year development plan, reviewed annually, which outlines in descriptive and numerical terms the strategies, actions, and expected economic and financial impact that the Company intends to implement both to consolidate its existing operations and to seize new growth opportunities.

Risks Related to Product Distinctiveness

Creativity—that is, the ability to make the product distinctive—is the competitive advantage par excellence, to be preserved and enhanced as one of the key components of the Company’s intangible assets. Oversight of this crucial area is in the hands of Barbara Bertocci and Diletta Iacomoni, respectively the founder’s wife and daughter, reflecting 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 third-party brands as well.

Risks related to safety and product quality assurance

Every Monnalisa garment is designed and evaluated with health and safety in mind, issues that are even more critical given that children are the end users of the product. The materials used and the finished products purchased are tested for the presence of harmful substances, and during the design and manufacturing phases, regulations regarding the physical safety of children’s clothing are strictly followed. Requirements and their strictness may vary from country to country, as does the list of substances deemed hazardous to consumer health; therefore, close attention must be paid to regulatory developments, striving to comply even with the most stringent standards. Addressing this issue involves raising awareness and monitoring the supply chain through which Monnalisa products are manufactured. To this end, all health and safety aspects of the product have been formally incorporated into the relationship with suppliers via the code of conduct, which is an integral part of the supply contract; by signing this contract, the supplier commits to adhering to the principles adopted by the client company.

Risks Related to Employee Health and Safety

Occupational health and safety are an inalienable right of every worker. At Monnalisa, since there are no inherently hazardous activities, our commitment to this aspect goes beyond legal requirements to cover softer—but no less important—aspects, such as the “workplace atmosphere” or work-life balance policies. In the face of 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. As the pandemic spread globally, it became necessary to rethink people’s workspaces and work schedules to ensure the safest possible conditions for them to perform their duties, while maintaining operational continuity and safeguarding the health of those who, in various capacities, interacted with the Group during the same period: specifically, customers, consumers, and suppliers.

Risks Related to Supply Chain Management
Monnalisa does not have in-house production, so control of its supply chain is very important from every perspective: quality, labor practices, human rights, the environment, and the safety of the products supplied. The selection and evaluation of suppliers is a crucial aspect of the Company's activities, especially given that purchases of both raw materials and finished products or services take place in many countries around the world, which may vary over time due to macroeconomic factors. In general, the philosophy guiding Monnalisa's collaboration with its main suppliers is based on building long-term partnerships, which involve sharing objectives and tools to identify professional solutions that prioritize quality and efficiency, thereby achieving mutually satisfactory results. The methods for selecting and evaluating suppliers, based not only on product aspects but also on ethical criteria, are designed to foster a lasting collaboration grounded in shared values. The effectiveness of this process is evidenced by the continuity and stability of the relationships established with key suppliers. The Company tends to prioritize suppliers with whom it collaborates in research, development, and testing.

7. RELATIONS WITH FINANCIAL INSTITUTIONS

Debt relates primarily to the holding company. The activities covered by the bank-company relationship include the execution of loans, foreign exchange hedging, asset sales, management of collections and payments, financing and credit lines, and the opening of documentary credits. The structure of the debt presents a good balance between short- and long-term obligations.

Use of Financial Instruments
Derivative financial instruments may be used to hedge financial risks related to changes in exchange rates on commercial transactions in foreign currency or to hedge financial risks arising from changes in variable interest rates on specific medium- to long-term financing transactions. At present, 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 for the year
Industrial rights and patents	11,700
Land and buildings	71,926
Plant and machinery	39,893
Industrial and commercial equipment	12,557
Other assets	5,380
Assets under construction and advance payments	15,601
Improvements to third-party property	105,398
Total	**262,456**

9. INFORMATION REGARDING RELATIONS WITH THE ENVIRONMENT AND EMPLOYEES

In accordance with the provisions of Article 2428, paragraph 2, of the Italian Civil Code, we hereby state the following:

- no complaints have been filed regarding damage caused to the environment;
- no final sanctions or penalties have been imposed for environmental crimes or damage;
- no violations of environmental protection regulations have been alleged.

The Group has not implemented specific environmental impact policies because they are not necessary in relation to its operations.
The holding company has an ISO 14001-certified environmental management system. Environmental improvement objectives are defined annually, and their achievement is then reported in the integrated financial statements, together with the environmental indicators required by the GRI (*Global Reporting Initiative*). To supplement the information provided in the Notes to the consolidated financial statements as of December 31, we clarify the following:

- there were no workplace fatalities among personnel listed in the employee register;
- there were no serious workplace accidents resulting in serious or very serious injuries to employees on the payroll;
- no claims were filed regarding occupational diseases involving employees or former employees, nor were there any cases of workplace bullying for which the company was definitively held liable;
- the Company has implemented personnel safety measures to bring the company into compliance with applicable legal provisions.

The parent company adopts all appropriate measures to protect the health and safety of the workplace through the application of standard procedures (risk assessment, occupational health monitoring plan) and with the support of qualified professionals (Managers, Supervisors, Occupational Physician, and Head of the Prevention and Protection Service as per Legislative Decree 81/2008). The prevention of occupational risks is a fundamental principle guiding the Company and represents an opportunity to improve the quality of life in the Company's plants and offices; with this in mind, training and awareness initiatives for employees and, more generally, for all workers on issues concerning workplace safety have continued. These activities were implemented through training and information initiatives (conducted via specialized courses), the implementation of the occupational health surveillance plan, and the dissemination of notices and circulars as required by relevant regulations. In compliance with the provisions of Legislative Decree No. 81 of 2008, additional investments were made to ensure that facilities and equipment meet the requirements of the aforementioned legislation.

10. RESEARCH AND DEVELOPMENT ACTIVITIES

Pursuant to and for the purposes of the provisions of point 1) of the third paragraph of Article 2428 of the Italian Civil Code, it is hereby certified that no research and development activities were carried out during 2025.

11. RELATED-PARTY TRANSACTIONS

Transactions between the various companies are governed by current market conditions. The following table details the terms of significant transactions carried out in 2024, by company:

- Jafin S.r.l.: a financial company with which Monnalisa has lease agreements in place for certain properties used for the company's operations
- Fondazione Monnalisa: a non-profit entity that carries out philanthropic activities in the Arezzo area
- Barbara Bertocci: creative director of Monnalisa
- Diletta Iacomoni: fashion coordinator at Monnalisa
- Monnalisa Hong Kong Ltd: retail development company in Hong Kong
- Monnalisa China Ltd: a retail development company in China
- Monnalisa Rus LLC: a retail and wholesale development company in Russia
- ML Retail USA Inc: retail development company in the U.S.
- Monnalisa Bebek Gygim Sanayi Ve Ticaret A.S.: retail development company in Turkey
- Monnalisa Japan: retail development company in Japan
- Monnalisa International: retail development company in Taiwan
- Monnalisa UK Ltd: retail development company in the United Kingdom
- Monnalisa Singapore: company for retail channel development in the local market
- Monnalisa San Marino srl: company for retail channel development in the local market

The following table details the economic and financial aspects of the relationships as of December 31, 2025:

Related party	Receivables	Financial receivables	Liabilities	Revenues	Costs
Jafin S.r.l.	26,295		242,378	11,895	150,598
Monnalisa Foundation	164,753			158,961	110,489
Barbara Bertocci			48,600		30,000
Diletta Iacomoni			15,647		260,422
Monnalisa Hong Kong Ltd	1,733,079	970,000	198,153	105,902	18,467
Monnalisa China LLC				66,033	14,075
Monnalisa Rus LLC	1,356,522			1,529,249	
ML Retail USA Inc	3,176,641	1,749,746	697,086	680,528	114,855
Monnalisa Baby Clothing Industry	341,999	10,000	83,729	196,599	26,654
Monnalisa UK Ltd	1,115,532	635,584		319,348	
Monnalisa Taiwan	511,470	155,000			20,988
Monnalisa Japan	0	0		1,072	
Monnalisa Singapore Ltd	557,707	125,000		113,451	4,261

Monnalisa San Marino S.r.l.	335,722			203,581	
Total	**9,319,719**	**3,645,331**	**1,285,593**	**3,386,618**	**750,810**

75% of Monnalisa's shares are held by Jafin Due S.r.l., which, pursuant to Article 2497-sexies of the Italian Civil Code ( ), exercises management and coordination activities .

12. TREASURY SHARES AND SHARES/INTERESTS IN PARENT COMPANIES

At the end of the fiscal year, Monnalisa S.p.A. held 18,075 treasury shares with a total value of €149,915, purchased pursuant to the Company's treasury share buyback and disposal program approved on January 16, 2019, by the Board of Directors of Monnalisa S.p.A. in accordance with the shareholders' meeting resolution of June 15, 2018.

The treasury shares may be sold at any time, in whole or in part, on one or more occasions, through their sale on the market, in blocks, or otherwise off-market, via *accelerated bookbuilding*, or through the transfer of any real and/or personal rights relating to them (including, by way of example, securities lending), as well as in the context of industrial projects or extraordinary finance transactions, through exchange, swap, or contribution transactions or other methods involving the transfer of treasury shares at a price or value deemed appropriate in line with the transaction, also taking into account market trends.

13. OTHER INFORMATION

In order to comply with the provisions of the Euronext Growth Milan Issuers' Regulations (formerly AIM Italia / Mercato Alternativo del Capitale) updated as of October 25, 2021, the Company has adopted specific corporate governance procedures such as:

- an Internal Dealing procedure designed to regulate disclosure obligations regarding certain transactions carried out by the Company's directors;
- regulations for the management and handling of corporate information and for the external disclosure of inside information;
- a 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 fairness, both substantive and procedural, of such transactions;
- procedure for fulfilling disclosure obligations to the Euronext Growth Advisor.

1 4. SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE PERIOD AND FORECAST BUSINESS OUTLOOK

Pursuant to the third paragraph of Article 2428 of the Italian Civil Code, the following are the significant events that occurred after the end of the period and that may have a material impact on the Group's performance.

Resolution on Capital Increase

At its meeting on February 24, 2026, the Board of Directors of Monnalisa resolved to propose to the Shareholders' Meeting that it proceed with a capital increase of €1 million, excluding subscription rights pursuant to Article 2441, paragraph 4, second sentence, of the Italian Civil Code, as well as Article 7.4 of the current Articles of Association, to be offered for subscription in equal shares of 50% each to the majority shareholder (Jafin Due, which currently holds 74.48% of the Company's capital) and to a third-party investor, represented by the family of Arezzo-based entrepreneur Massimo Anselmi, owner, among other businesses, of Vivetta, a company active in the "premium" fashion segment.

The transaction is part of a strategic repositioning process aimed at transforming Monnalisa from a premium brand focused on children's wear into an integrated platform for design, product development, operations, and international omnichannel distribution, progressively expanding its scope of operations to include the premium men's and women's segments as well.

The decision was made ahead of the commitments made by the majority shareholder to the banking sector, following the implementation of the group's new restructuring and relaunch plan, launched in May 2024, which is based on three value creation drivers:

1. Strengthening the core business: Consolidation of the premium children's wear segment, greater omnichannel integration, rationalization of the retail network, and optimization of working capital.

2. Diversification and multi-segment development: Leveraging creative, production, and distribution expertise to develop industrial partnerships and licensing in the premium adult segment, with the aim of increasing volumes, margins, and revenue quality.

3. Operational efficiency and financial discipline: Structural cost reduction, supply chain optimization, and capital strengthening to support financial stability in the medium term.

Specifically, the strategic plan calls for the consolidation of channels managed directly under the Monnalisa brand, as well as the continuation of the strategy to seek new licensing or manufacturing agreements with adult fashion brands, aimed not only at increasing volumes but also at enhancing the Group's profitability by creating new revenue streams and boosting corporate profitability. In parallel, the groundwork has been laid for targeted actions aimed at containing and reducing operating costs through a tailored cost-saving plan, as well as optimizing the network of directly operated retail stores deemed underperforming from a medium- to long-term perspective. Although the actions and initiatives already identified by the new management, together with others currently under consideration, have contributed and may still contribute positively to achieving financial equilibrium in the medium term, the situation of uncertainty and market downturn, which has now persisted for several fiscal years, has inevitably led to and progressively exacerbated a situation of financial strain for the Group, with significant effects particularly on the management of short-term financial exposure. In this regard, since taking office (in May 2024), management has promptly taken action with banks and suppliers to ensure short-term financial stability and, in parallel—including with the support of external advisors—to define a strategy aimed at restoring overall operational stability and a gradual return to profitability.

In this context, the Board of Directors has therefore decided to propose to the shareholders' meeting that a capital increase (initially scheduled under the recovery plan by 2028) be brought forward through a capital increase reserved for the majority shareholder and a third-party operator (the Anselmi family) in the fashion market.

The transaction proposed by the Board of Directors therefore provides for a total increase in the share capital of Monnalisa S.p.A. up to €1,000,000, an amount corresponding to 10% of the existing share capital, with the exclusion of subscription rights pursuant to Article 2441, paragraph 4, second sentence, of the Italian Civil Code, as provided for in Article 7.4 of the current Articles of Association, offered for 50% (fifty percent) to JAFIN DUE S.r.l. (hereinafter "Jafin2 Shareholder"), and the remaining 50% (fifty percent) to Modamet S.r.l., a company linked to Arezzo-based entrepreneur Massimo Anselmi, owner, among others, of Vivetta S.r.l., which operates in the "premium" women's fashion segment.

In order to raise the funds necessary to subscribe to the capital increase, the shareholders' meeting of JAFIN DUE S.r.l. resolved on February 23, 2026, to carry out a capital increase for a maximum amount of €700,000, to be paid in full in cash. The transaction will be carried out through the issuance of shares of corresponding value, the subscription of which—in the event that shareholders do not exercise their subscription rights (some of whom have already decided to waive them)—and for the entire unopted portion, will be reserved for Finmat S.r.l., a holding company headed by Mr. Matteo Tugliani, Chief Executive Officer of Monnalisa S.p.A. In this regard, the proposed transaction does not entail a change in control of the Company, which will remain with the same family, to which the Chief Executive Officer belongs, as the spouse of the majority shareholder of JAFIN DUE SRL, Diletta Iacomoni, who already exercises control over the Issuer.

In compliance with the provisions of Article 2441, paragraph 4, second sentence, of the Italian Civil Code, the proposed transaction is based on valid economic and industrial reasons of particular significance, which necessitate an immediate and targeted capital strengthening initiative, as well as the entry of strategic partners possessing distinctive expertise essential for the Company's future development.

If completed, the Transaction will ensure the Company:

-the exploitation of the benefits arising from the association of the "MOA Concept" sneaker brand owned by Fashion Gate S.r.l. (attributable to Matteo Tugliani) and the "premium" women's fashion brand of Vivetta S.r.l. ("Made in Vivetta") with the internationally renowned premium kidswear brand "Monnalisa" of Monnalisa S.p.A.;

-access to the Monnalisa Group's extensive omnichannel distribution network;

-the realization of significant operational and cost synergies with the Monnalisa Group, including, but not limited to, design, sampling, production, and logistics. At the same time, the transaction will enable the Monnalisa Group to expand its business—currently focused on the premium kidswear segment—into the world of accessories through the MOA Concept brand and into "premium" women's fashion through the Vivetta brand, while also benefiting from significant operational and cost synergies. Considering that the weighted average trading price of MONNALISA common shares over the last three months on the EGM market was €0.96 (zero point nine six) per common share, the issue price of the new shares (supported by an appraisal prepared in accordance with the law by an independent auditor) is proposed at €1.15 (one point fifteen) per share (hereinafter, the "Issue Price of the New Shares"), which incorporates a 20% premium over the weighted average price of the last three months. The aforementioned Issue Price of the New Shares also incorporates a premium of approximately 31% over the price recorded by Monnalisa shares on February 23 (€0.88). Consequently, having determined the total consideration of €1,000,000 that Shareholder Jafin2 and Modamet S.r.l. will be required to pay "pro-rata" in connection with the subscription of the new shares of Monnalisa S.p.A., the Company will proceed with the issuance of a corresponding number of new shares, namely 869,565.

The capital increase consolidates the capital structure, strengthens the credibility of the business plan, introduces complementary industrial expertise in the adult premium segment, and accelerates the evolution toward a scalable multi-segment platform model. The global macroeconomic environment remains volatile, but in the face of this uncertainty and unpredictability, the Group is continuing to work in line with its strategic plan, the pursuit of which has been significantly accelerated thanks to the aforementioned transaction, enabling Monnalisa to take an important step toward an integrated platform model of design and omnichannel distribution at the international level. All of this is accompanied by even stricter measures to contain operating costs, the effects of which are already clearly visible as of 2025 and will be even more so starting next fiscal year.

The environment in which the Group operates still calls for a cautious approach to the short-term outlook, but the Group is proceeding with energy and optimism in the implementation of its strategic plan, which aims to progressively expand its scope not only in children's wear—which remains the Group's core identity— but also in the premium men's and women's fashion segment, leveraging its historical DNA and its ongoing commitment to innovation and creativity—qualities already present and further strengthened by the arrival of new partners.

U.S. Supreme Court Ruling on IEEPA Tariffs

On February 20, 2026, the U.S. Supreme Court issued a decision of international significance regarding trade policy, ruling that the International Emergency Economic Powers Act (IEEPA) does not grant the President of the United States the authority to impose tariffs. The Court, in a 6–3 vote, clarified that the authority to "regulate" imports under the IEEPA does not include the imposition of tariffs, which instead falls within Congress's ordinary taxing power. The decision invalidated the IEEPA tariffs imposed in 2025, including those related to the so-called "Reciprocal Tariffs" and other tariffs linked to declared emergencies. However, the Court did not address the retroactive effects of the ruling or the procedures for any refund of duties already collected, creating a situation of operational uncertainty left to administrative authorities and proceedings currently pending before the Court of International Trade (CIT). Subsequently, the CIT ordered the Customs and Border Protection (CBP) to proceed with the assessment and, where applicable, the reassessment of imports without applying IEEPA duties, potentially extending access to refunds to all record importers, even in the absence of specific litigation. However, an appeal by the federal administration remains possible, as does the introduction of new tariff regimes based on different legal grounds, such as Section 122 of the Trade Act of 1974.

Although at present there are no direct and measurable impacts on procurement costs or on the commercial terms adopted by the Group, management will continue to monitor developments in the U.S. regulatory and judicial framework in order to promptly assess any effects on margins, the supply chain, and contractual relationships with U.S. and international operators.

Geopolitical events and potential impacts

During the first few months of fiscal year 2026, there was a significant deterioration in the geopolitical situation in the Persian Gulf region, following the military escalation between the United States, Israel, and Iran that began on February 28, which led to the closure of the Strait of Hormuz and major disruptions in global supply chains for oil and liquefied natural gas (LNG). The Strait is the world's main energy corridor, and its closure has caused significant volatility in energy commodity prices, with Brent crude oil prices consistently exceeding $100 per barrel and significant increases in European gas benchmarks. Although the Company does not have direct commercial relationships with counterparties operating in the countries involved, the evolution of the conflict and the continuation of geopolitical tensions could indirectly affect the macroeconomic environment, energy costs, and, more generally, conditions in the relevant markets. As of the date of approval of these financial statements, there are no direct impacts on the figures reported in this Financial Report; however, the directors continue to closely monitor developments in the region and their potential repercussions on the Company's operations, in accordance with the internal control and risk management system.

On behalf of the Board of Directors of Monnalisa S.p.A.

Chairperson Piero Iacomoni

Consolidated Financial Statements as of December 31, 2025

Financial Statements

Consolidated Income Statement

(Euro)	Notes	31.12.2025	*of which with related parties*	31.12.2024	*of which with related parties*
Revenue from contracts with customers	*5*	33,758,882	*170,856*	35,633,490	*173,827*
Other income	*6*	569,182		815,834	
Revenue		**34,328,064**		**36,449,324**	
Change in finished goods inventory	*7*	(2,090,380)		(1,093,782)	
Costs of raw materials, goods, and supplies	*7*	(7,827,903)		(8,966,969)	
Costs for services	*8*	(11,730,283)	*(811,931)*	(13,393,206)	*(721,086)*
Personnel expenses	*9*	(9,418,116)	*(260,422)*	(10,611,055)	*(253,260)*
Depreciation, amortization, and impairment	*10*	(4,927,694)		(6,101,572)	
Other operating expenses		(748,548)		(570,081)	
Provision for risks	*11*	(350,000)		0	
Operating income		**(2,764,860)**		**(4,287,342)**	
Financial expenses	*12*	(1,666,051)		(1,735,401)	
Financial income	*12*	64,021		121,221	
Foreign exchange gains (losses)	*12*	(1,085,722)		241,122	
Income before taxes		**(5,452,611)**		**(5,660,400)**	
Income taxes	*13*	(262,994)		(428,474)	
Net income from continuing operations		**(5,715,605)**		**(6,088,874)**	
Net income from discontinued operations		(1,283,158)		(815,994)	
Net income for the year		**(6,998,764)**		**(6,904,868)**	
Group share of net income		(6,998,764)		(6,904,867)	
Net income attributable to minority interests		1		(1)	

(Euro)	December 31, 2025	12/31/2024
Group profit (loss) for the year from continuing operations	(5,715,605)	(6,088,874)
Group profit (loss) for the year from discontinued operations	(1,283,158)	(815,994)
# shares	5,236,300	5,236,300
Basic earnings (loss) per share from continuing operations	(1.09)	(1.16)
Basic earnings (loss) per share from discontinued operations	(0.25)	(0.16)
Diluted earnings (loss) per share from continuing operations	(1.09)	(1.16)
Diluted earnings (loss) per share from discontinued operations	(0.25)	(0.16)

Consolidated Statement of Comprehensive Income

(Euro)	Notes	12/31/2025	12/31/2024
Net income for the year		**(6,998,764)**	**(6,904,868)**
Gains (losses) on hedging derivatives	24	(22,900)	(72,969)
Gains (losses) from the translation of financial statements of foreign entities	24	999,389	(469,300)
Items that may be reclassified to the income statement in subsequent periods, net of taxes		**976,489**	**976,489**
Gain (loss) from accounting for defined benefit plans for employees	24	43,297	36,665
Components that will not be reclassified to the income statement in subsequent periods, net of taxes		**43,297**	**36,665**
Total other income, net of taxes		**1,019,785**	**(505,604)**
Total comprehensive income, net of taxes		**(5,978,979)**	**(7,410,471)**

Consolidated Balance Sheet and Financial Statements

(Euro)	Notes	31.12.2025	*of which with related parties*	31.12.2024	*of which with related parties*
NON-CURRENT ASSETS					
Property, plant, and equipment	13	13,202,746		13,877,164	

Assets under right of use	14	8,833,509		10,131,191	
Intangible assets with a finite useful life	15	153,566		237,206	
Other non-current financial assets	16	368,077		567,654	
Deferred tax assets	12,17	3,362,645		3,648,546	
TOTAL NON-CURRENT ASSETS		**25,920,544**	**0**	**28,461,760**	**0**
CURRENT ASSETS					
Inventory	18	9,594,594		11,863,586	
Trade receivables	19	5,061,907	191,048	5,160,432	189,925
Tax receivables	20	116,956		117,242	
Other current assets	21	911,778	0	1,043,323	0
Other current financial assets	22	107,738		130,850	
Cash and cash equivalents	23	1,396,991		1,189,386	
TOTAL CURRENT ASSETS		**17,189,965**	**191,048**	**19,504,819**	**189,925**
Assets held for sale	31	397,003		1,558,567	
TOTAL ASSETS		**43,507,512**	**191,048**	**49,525,146**	**189,925**
GROUP EQUITY					
Share capital	24	10,000,000		10,000,000	
Reserves	24	1,757,595		6,731,702	
Group Net Income	24	(6,998,765)		(6,904,867)	
GROUP EQUITY	24	**4,758,831**		**9,826,835**	
Minority interest in capital and reserves	24	632		632	
TOTAL EQUITY		**4,759,463**	**0**	**9,827,467**	**0**
NON-CURRENT LIABILITIES					
Long-term financial debt		5,319,995		5,319,995	
Provisions for risks and charges	25	687,312		402,152	
Liabilities for employee benefits	26	2,083,151		2,201,442	
Other non-current liabilities	27	72,804		72,804	
Non-current lease liabilities	28	6,338,294		7,589,612	
Deferred tax liabilities	12	217,989		259,736	
TOTAL NON-CURRENT LIABILITIES		**14,719,545**	**0**	**15,845,740**	**0**
CURRENT LIABILITIES					
Trade payables	29	8,297,104	290,978	8,814,302	159,453
Short-term financial liabilities	30	7,874,466		8,361,524	
Tax liabilities	29	2,578,226		719,513	
Other current liabilities	29	2,212,509	15,647	2,777,829	8,310
Current lease liabilities	28	3,006,375		2,964,443	
TOTAL CURRENT LIABILITIES		**23,968,679**	**306,625**	**23,637,611**	**167,763**
Liabilities held for sale	31	59,824		214,329	
TOTAL LIABILITIES		**38,748,049**	**306,625**	**39,697,680**	**167,763**
TOTAL EQUITY AND LIABILITIES		**43,507,512**	**306,625**	**49,525,146**	**167,763**

Statement of Changes in Consolidated Equity

(Euro) Note 24	Share Capital	Legal reserve	Revaluation reserves	Reserve for hedging expected cash flows	Other reserves	IAS 19 effect on equity	Retained earnings (loss)	Net income (loss) for the year	Group equity	Minority interest	Total equity
Opening balance as of 01.01.2025	**10,000,000**	**1,115,361**	**4,030,573**	**32,348**	**6,857,163**	**192,363**	**(5,496,105)**	**(6,904,867)**	**9,826,835**	**632**	**9,827,467**
Allocation of net income							(6,904,867)	6,904,867	**0**		**0**
Changes due to IAS 29					(9,025)				**(9,025)**		**(9,025)**
Waiver of Shareholder Financing					920,000				**920,000**		**920,000**
Profit/(loss) for the period								(6,998,765)	**(6,998,765)**	1	**(6,998,764)**
Other comprehensive income/(loss)				(22,900)	999,389	43,297			**1,019,785**		**1,019,785**
Closing balance as of December 31, 2025	**10,000,000**	**1,115,361**	**4,030,573**	**9,448**	**8,767,527**	**235,660**	**(12,400,972)**	**(6,998,765)**	**4,758,831**	**632**	**4,759,463**

(Euro) Note 24	Share capital	Legal reserve	Revaluation reserves	Reserve for hedging expected cash flows	Other reserves	IAS 19 effect on equity	Retained earnings/(loss)	Net income/(loss) for the year	Group equity	Minority interest	Total equity
Opening balance as of 01.01.2024	**10,000,000**	**1,119,507**	**4,030,573**	**105,317**	**7,326,463**	**155,698**	**1,210,208**	**(6,706,313)**	**17,241,452**	**633**	**17,242,084**
Allocation of net income							(6,706,313)	6,706,313	**0**		**0**
Other movements resulting from IAS 29		(4,146)							**(4,146)**		**(4,146)**
Net income/(loss) for the year								(6,904,867)	**(6,904,867)**	(1)	**(6,904,868)**
Other comprehensive income/(loss)				(72,969)	(469,300)	36,665			**(505,604)**		**(505,604)**
Closing balance as of December 31, 2024	**10,000,000**	**1,115,361**	**4,030,573**	**32,348**	**6,857,163**	**192,363**	**(5,496,105)**	**(6,904,867)**	**9,826,835**	**632**	**9,827,467**

Consolidated Cash Flow Statement

(Euro)	31.12.2025	*of which with related parties*	31.12.2024	*of which with related parties*
Net income for the period	**(5,715,606)**		**(6,088,873)**	
Adjustments to reconcile net income with cash flows generated (used) by operations:				
Depreciation, amortization, and impairment of tangible and intangible assets, and right-of-use assets	4,543,090		5,766,590	
Income taxes	-		-	
Provision for employee benefit plans	188,530		254,487	
Provisions (reversals) for inventory write-downs	(106,137)		79,886	
Losses and provision for bad debts	536,178		317,954	
Losses (Gains) on disposal of tangible and intangible assets	-		-	
Interest expense and interest on lease liabilities	2,337,050		2,097,332	
Interest income	(32,390)		(9,803	
Other non-cash items	1,078,125		411,387	
Change in operating assets and liabilities:				
Inventories	2,375,129		1,837,869	
Trade receivables	(437,652)	1,123	1,005,189	(12,664)
Trade payables	(667,342)	(138,862)	(278,635)	12,237
Other tax receivables and payables	1,858,645		1,126,418	
Other assets and liabilities	(144,984)		146,687	
Payments for employee benefits	(323,162)		(401,007)	
Income taxes paid	-		-	
Interest expense and interest on lease liabilities paid	(1,666,682)		(1,422,745)	
Interest income received	32,390		9,803	
Cash flow from discontinued operations	37,695		263,210	
CASH FLOW GENERATED (USED) BY OPERATING ACTIVITIES	**3,892,877**		**5,115,749**	
Cash flow from investing activities				
Tangible assets acquired	(11,700)		(15,000)	
Intangible assets acquired	(830,267)		(571,468)	
Proceeds from the sale of tangible and intangible assets	-		-	
Cash flow from discontinued operations			-	
CASH FLOW GENERATED (USED) BY INVESTING ACTIVITIES	**(841,967)**		**(586,468)**	
Cash flow from financing activities				
Net change in financial receivables	210,407		340,362	
Net change in financial liabilities	432,943		(3,206,378)	
Repayment of lease liabilities	(3,448,959)		(4,545,031)	
Cash flow from discontinued operations	(37,662)		(239,461)	
CASH FLOWS FROM FINANCING ACTIVITIES	**(2,843,270)**		**(7,650,507)**	
INCREASE (DECREASE) IN NET CASH AND CASH EQUIVALENTS	**207,640**		**(3,121,226)**	

NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD FROM OPERATING ACTIVITIES	**1,189,386**		**4,334,360**	
NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD FROM DISCONTINUED OPERATIONS	**90,660**		**66,911**	
Increase (decrease) in net cash from continuing operations	207,606		(3,144,975)	

Increase (decrease) in net cash from discontinued operations	34	23,749
NET CASH AT THE END OF THE PERIOD FROM CONTINUING OPERATIONS	**1,396,991**	**1,189,386**
NET CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD FROM DISCONTINUED OPERATIONS	**90,694**	**90,660**

Notes to the consolidated financial statements as of December 31, 2025

1. GENERAL INFORMATION

1.1 Corporate Information

Monnalisa S.p.A., hereinafter also referred to as the "Company" or "Holding Company," is a corporation incorporated and domiciled in Italy, with its registered office at Via Madame Curie No. 7, organized as a joint-stock company, governed by Italian law, and structured in accordance with the legal system of the Italian Republic. It is organized according to the traditional management and control model, comprising 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 business segment focused on the design, production, and distribution of high-end children's wear for ages 0–16 under the eponymous brand, through multiple distribution channels.

The consolidated financial statements for the fiscal year ended December 31, 2025, were approved by the Board of Directors on March 16, 2026, and are derived from the financial statements for the period of the Holding Company and the companies in which the Company directly or indirectly holds a controlling interest or exercises control.

1.2 Management and Coordination

Monnalisa S.p.A. is subject to management and coordination, pursuant to Article 2497 et seq. of the Italian Civil Code, by Jafin Due S.r.l., with registered office in Arezzo, Via Madame Curie. In compliance with the provisions of Article 2497-bis, paragraph 4, of the Italian Civil Code, the key financial data from the financial statements as of December 31, 2024, and December 31, 2023, of Jafin Due S.r.l. are presented below:

(Euro)	31.12.2024	31.12.2023
A) Receivables from shareholders for payments still due		
B) Fixed assets	7,822,892	6,904,002
C) Current assets	146,241	354,580
D) Prepaid expenses and accrued income	5,615	199
TOTAL ASSETS	**7,974,748**	**7,258,781**
Share capital	810,000	800,000
Reserves	7,070,102	6,463,622
Net income (loss) for the year	6,737	(83,520)
Total equity	**7,886,839**	**7,180,102**
B) Provisions for risks and charges		
C) Employee severance pay		
D) Liabilities	87,909	78,679
E) Accrued liabilities and deferred income		
TOTAL LIABILITIES AND NET EQUITY	**7,974,748**	**7,258,781**

2. MAIN ACCOUNTING PRINCIPLES

2.1 Content and Form of the Consolidated Financial Statements

The Company's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union and effective as of the balance sheet date.

The Group's consolidated financial statements consist of the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the statement of changes in equity, and the related notes.
The following are the financial statement formats and related classification criteria adopted by the Group, within the scope of the options provided for by IAS 1 - Presentation of Financial Statements:

Consolidated Statement of Financial Position: distinguishes between current and non-current assets and liabilities, where non-current assets comprise asset balances with a realization period exceeding twelve months and include intangible, property, plant, and equipment, and financial assets, as well as deferred tax assets; current assets comprise asset balances with a realization period of twelve months or less; non-current liabilities include payables due in more than twelve months, including financial liabilities, provisions for risks and charges, employee benefit liabilities, and deferred tax liabilities; current liabilities include payables due within twelve months, including the current portion of medium- and long-term loans, provisions for risks and charges, and employee benefit liabilities;

Consolidated Income Statement: It is presented using a classification of costs by nature, a format considered the most representative and reliable way to present the expenses and costs incurred by the Group during the period. The interim "Operating Income" (defined as the difference between revenues and operating costs) is presented as an essential margin for understanding the Group's ordinary earning capacity, prior to remuneration of third-party investors, the government, and shareholders;

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

Statement of Cash Flows: The consolidated statement of cash flows presents cash flows from operating, investing, and financing activities and is presented in accordance with IAS 7. Cash flows from operating activities are presented using the indirect method, whereby net income for the year or period is adjusted for the effects of non-cash transactions, any deferrals or accruals of past or future operating receipts or payments, and items of revenue or expense related to cash flows arising from investing or financing activities;

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

The consolidated financial statements are presented in euros, which is the currency of the primary economic environment in which the Group operates, and all amounts are rounded to the nearest thousand euros, unless otherwise indicated.

The following sections detail the main accounting policies and principles applied in the preparation of the Consolidated Financial Statements. In accordance with IAS 24, the following paragraphs highlight transactions with the Group's related parties and their impact, if material, on the statement of financial position, income statement, and cash flows.

2.2 Accounting principles used in the preparation of the consolidated financial statements

The consolidated financial statements have been prepared on a historical cost basis, except for derivative instruments and financial assets held for sale (if any), which are recognized at *fair value*, and on a going concern basis.
The most significant accounting principles adopted in the preparation of the Consolidated Financial Statements are set forth in the following sections:

2.2.1 Property, plant, and equipment

Property, plant, and equipment are recognized at historical cost, net of the related accumulated depreciation and accumulated impairment losses, including directly attributable incidental costs necessary to make the assets ready for use.
The carrying amount of property, plant, and equipment is subsequently adjusted by depreciation calculated on a straight-line basis from the time the asset is available and ready for use, based on its estimated useful life—defined as the estimated 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 its property, plant, and equipment at least annually. In particular, the Group considers the impact of health, safety, and environmental regulations when assessing 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., on the date the buyer obtains control) or when no future economic benefits are expected from its use or disposal. The gain or loss arising upon the derecognition of the asset (calculated as the difference between the asset's net carrying amount and the consideration received) is recognized in the income statement when the asset is derecognized.

The residual values, useful lives, and depreciation methods of property, plant, and equipment are reviewed at each year-end and, where appropriate, adjusted prospectively.
If significant portions of such property, plant, and equipment have different useful lives, these components are accounted for separately. Land, whether vacant or attached to buildings, is recognized separately and is not depreciated as it has an indefinite useful life.
Costs for improvements, modernizations, and conversions that increase the value of property, plant, and equipment are capitalized when it is probable that they will increase the future economic benefits expected from the use or sale of the asset.
Expenses incurred for maintenance and repairs are charged directly to the income statement for the fiscal year in which they are incurred.

The annual depreciation rates used are as follows:

Category	%
Industrial buildings	3%
Machinery and equipment	12.50%
Cutting machines and automated machinery	17.50%
Office furniture and general office equipment	12%
Electromechanical and electronic office machines	20%
Commercial vehicles	20%
Equipment	25%
Passenger cars	25%
Solar power systems	9%
Improvements to third-party property	The shorter of the asset's useful life and the remaining term of the contract

It should be noted that, in accordance with the provisions of IAS 16, improvements to third-party assets previously recorded under intangible assets have been reclassified to the relevant asset category in the line item under review. 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 there is such an indication and if the carrying amount exceeds the recoverable amount, the assets are impaired accordingly, aligning the carrying amount with the recoverable amount or fair value. The fair value of property, plant, and equipment 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 the current market estimate of the cost of capital and the risks specific to the asset. For an asset that does not generate independent cash flows, the fair value is determined in relation to the revenue-generating unit to which the entity belongs. Impairment losses are recognized in the income statement under depreciation, amortization, and impairment charges. Impairment losses are reversed if the reasons that gave rise to them no longer exist.

2.2.2 Intangible Assets

Separately acquired intangible assets are initially recognized at cost, while those acquired through business combinations are recognized at fair value as of the acquisition date. After initial recognition, intangible assets are carried at cost net of accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, with the exception of any development costs, are not capitalized and are recognized in the income statement of the fiscal year in which they were incurred.
The useful life of intangible assets is assessed as finite or indefinite. Intangible assets with a finite useful life are amortized over their useful life and are tested for impairment whenever there are indications of a possible impairment. The amortization period and amortization method for an intangible asset with a finite useful life are reviewed at least at each year-end. Changes in the expected useful life or in the manner in which the future economic benefits associated with the asset will be realized are recognized by adjusting 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	Contract term
Key money	Remaining term of the relevant lease agreement

Intangible assets with an indefinite useful life are not amortized but are tested annually for impairment, both on an individual basis and at the level of the cash-generating unit.
Please note that, as of December 31, 2025, there are no intangible assets with indefinite useful lives.
Intangible assets related to costs incurred upon entering into new lease agreements, hereinafter also referred to as “key money” paid for the opening of DOS-operated stores, are treated as lease-related costs associated with a real estate lease agreement and generally have a finite useful life determined by the term of the underlying lease.
The Group assesses, at least once a year, whether there is any indication that intangible assets with a finite useful life may have suffered an impairment loss. 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 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 higher of its *fair value* less costs to sell and its value in use. To determine the value in use of an asset, the Group calculates the present value of estimated future cash flows, gross of 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 charged to the income statement as incurred.

2.2.3 Leased Assets

The Group assesses, at the time of signing, whether the contract is, or contains, a lease. As required by IFRS 16, the determining factor is whether the contract substantially transfers to the Group the risks and rewards associated with ownership or whether it confers the right to control the use of an identified asset for a period of time in exchange for consideration.
The Group adopts a single recognition and measurement model for all leases, except for short-term leases and leases of low-value assets, recognizing, as of the lease commencement date, the right-of-use asset representing the right to use the asset underlying the contract and the liabilities related to lease payments. The right-of-use asset is initially measured at cost, comprising the amount of the initial measurement of the lease liability, adjusted for lease payments due and made on or before the commencement date, plus initial direct costs incurred and an estimate of the costs the lessee will incur for the dismantling and removal of the underlying asset or for the restoration of the underlying asset or the site on which it is located, net of lease incentives received. The right-of-use asset is subsequently amortized 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. In addition, the right-of-use asset is regularly reduced by any impairment losses and adjusted to reflect any changes arising from subsequent measurements of the lease liability. The Group measures the lease liability at the present value of lease payments due but not yet paid as of the commencement date, discounting them using the implicit interest rate of the lease or, when the implicit interest rate is not readily determinable, using the incremental borrowing rate (“IBR”). The IBR is determined by identifying each country in which the Group operates as a portfolio of contracts with similar characteristics, and is calculated as the rate of a risk-free instrument in the country where the lease agreement was entered into, plus the average spread recognized by the Group to its lenders. Lease payments included in the measurement of the lease liability comprise: fixed payments (including payments that are substantially fixed); lease payments that depend on an index or rate, initially measured using an index or rate as of the commencement date; amounts expected to be paid as a guarantee on the residual value; and lease payments due during an optional renewal period

if the Group has reasonable certainty that it will exercise the renewal option, and penalties for early termination of the lease, unless the Group has reasonable certainty that it will not terminate the lease early. The lease liability is measured at amortized cost using the effective interest method and is remeasured in the event of a change in future lease payments resulting from a change in the index or rate, in the event of a change in the amount the Group expects to pay as a residual value guarantee, or when the Group revises its assessment regarding whether to exercise a purchase, extension, or termination option, or in the event of a revision of lease payments that are substantively fixed. 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 noted, the Group applies the exemption for the recognition of short-term leases (leases with a term of 12 months or less from the commencement date and that do not contain a purchase option) and for leases relating to low-value assets. Lease payments relating to 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 related lease payments due as an expense on a straight-line basis over the lease term and includes them in revenue in the income statement given their operating nature.

2.2.4 Impairment test

The carrying amounts of property, plant, and equipment, investment property, Intangible Assets with a Definite Useful Life, and Right-of-Use Assets are tested for impairment whenever there are indicators of impairment (events or changes in circumstances indicating that the carrying amount may not be recoverable) that require an immediate assessment of potential impairment losses, or when events have occurred that otherwise require the procedure to be repeated. An impairment loss exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of fair value less costs to sell is based on data available from sales transactions between independent and arm's-length parties of similar assets or observable market prices, net of the major costs associated with the disposal of the asset. Value in use is calculated using discounted cash flows at a pre-tax discount rate that reflects the current market estimate of the time value of money and the risks specific to the asset. The impairment test is performed on individual assets. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs ("Cash Generating Units" or "CGUs"), i.e., the individual geographic areas in which the Group operates, which generally coincide with the Group's individual legal entities. Cash flows are derived from estimates prepared by management, which represent the best estimate of the economic conditions expected during the planning period. The plan's projections cover a three-year period. Cash flows do not include restructuring activities for which the Company does not already have a present obligation, nor significant future investments that will increase the return on the assets comprising the cash-generating unit under evaluation. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model, as well as on 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, when circumstances suggest that the carrying amount may be impaired.

2.2.5 Inventories

Inventories of raw materials, work-in-progress, and finished goods are measured at the lower of production or purchase cost and net realizable value, which is 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 incidental expenses reasonably attributable to the product, excluding financial expenses and general, administrative, and selling expenses.
The Group's valuation criterion for inventories of finished goods, work-in-progress, and raw materials is weighted average cost.
The values determined in this manner were verified to ensure they did not exceed market values, with corresponding adjustments made where necessary. Inventories exhibiting signs of obsolescence and/or slow turnover are written down based on their likelihood of use or realization.
The allowance for impairment of raw materials and finished goods is calculated to bring the cost in line with the net realizable value based on estimates that take into account the age of the production season and the possibility of using the raw material in production and selling the finished goods through various distribution channels (outlets and stock).

2.2.6 Derivative Financial Instruments

The Group uses derivative financial instruments solely to (i) hedge financial risks related to changes in exchange rates on commercial transactions denominated in foreign currencies and (ii) hedge interest rate risk in the case of medium- and long-term loans.
They have been accounted for in accordance with the rules established for hedge accounting because:

- at the inception of the hedge, there is a formal designation and documentation of the hedging relationship;
- the hedge is expected to be highly effective;
- effectiveness can be reliably measured;
- the hedge is highly effective over the various accounting periods for which it is designated.

These derivative financial instruments are initially recognized at fair value on the date 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 with respect to hedge accounting. Consistent with the provisions of IAS 39 § 88 and as adopted by IFRS 9 § 6.4.1, when derivative instruments meet the criteria 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 fair value of a balance sheet asset or liability that may affect the income statement, the change in the fair value of the hedging derivative is recognized in the income statement, and the change in the fair value of the hedged item attributable to the hedged risk is recognized 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 for the exposure to cash flow variability of a balance sheet 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 financial instrument is recognized in equity and presented in the statement of comprehensive income; the cumulative gain or loss is reclassified from equity and recognized in the income statement in the same period in which the hedged transaction is recognized ; the gain or loss associated with a hedge, or with that portion of the hedge that has become ineffective, is recognized in the income statement when the ineffectiveness is identified. If the conditions for applying hedge accounting are not met, the effects arising from the fair value measurement 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 Group's provision of funds, goods, or services to third parties are classified as current assets, except when the maturity exceeds 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—with the exception of 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, whether non-interest-bearing or bearing interest below market rates, are discounted using market rates. The financial assets listed above are measured based on the impairment model introduced by IFRS 9, i.e., by adopting an expected loss approach, replacing the IAS 39 framework, which is typically based on the measurement of observed losses (Incurred Loss). For trade receivables, the Group adopts a simplified valuation approach (the so-called Simplified Approach) that does not require the recognition of periodic changes in credit risk, but rather the recognition of an Expected Credit Loss ("ECL") calculated over the entire life of the receivable (the so-called lifetime ECL). Specifically, the Group's policy involves classifying trade receivables based on days past due and an assessment of the counterparty's creditworthiness, and applies different impairment rates that reflect the corresponding recovery expectations. The Group then applies an analytical assessment based on the debtor's reliability and ability to pay the amounts due for impaired receivables. The value of receivables is reported in the statement of financial position net of the related allowance for doubtful accounts. Write-downs made in accordance with IFRS 9 are recognized in the consolidated income statement net of any positive effects related to reversals or write-backs.

2.2.8 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and shares in highly marketable money market funds that can be readily converted into cash and are subject to an insignificant risk of changes in value. Bank overdrafts are classified as financial liabilities in the Group's statement of financial position.
For the purposes of presentation in the consolidated statement of cash flows, cash and cash equivalents consist of cash as defined above, net of bank overdrafts, as these are considered an integral part of the Group's cash management.

2.2.9 Treasury shares

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

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

Trade payables and other payables arising from the purchase of cash, goods, or services from a third-party supplier are classified as current liabilities, except when the maturity exceeds twelve months from the balance sheet date with respect to non-trade payables. Current and non-current financial liabilities, other current and non-current liabilities, and trade payables are initially recognized in the financial statements at fair value, which is normally represented by the cost of the transaction giving rise to them, including transaction-related costs. Subsequently, with the exception of derivative financial instruments, all financial liabilities are carried at amortized cost using the effective interest method. Financial liabilities hedged by derivative instruments are measured in accordance with the rules established for hedge accounting.

2.2.11 Employee Benefit Liabilities

The Group's net obligation arising from defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in exchange for services rendered in the current and prior years; this benefit is discounted to calculate the present value.
Actuarial gains and losses are recognized directly in comprehensive income, as required by IAS 19. In Italy, effective January 1, 2007, the 2007 Finance Law and its implementing decrees introduced significant changes to the rules governing severance pay (TFR), resulting in the mandatory allocation of TFR to supplementary pension plans or to the Treasury Fund managed by INPS, which, as of that date, in accordance with IAS 19, the nature of "defined contribution plans," while the amounts contributed to the TFR Fund up to December 31, 200 , retain the nature of "defined benefit plans." The actuarial valuation of the liability was entrusted to independent actuaries.

2.2.12 Provisions for risks and charges

Provisions for risks and charges are recognized when, at the reporting date, there is a legal or constructive obligation arising from a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount of such outflow can be estimated. If the effect is significant, provisions are determined by discounting 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 associated with 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 relates to property, plant, and equipment, the provision is recognized as a contra entry to the asset to which it relates, and the expense is recognized in the income statement through the depreciation process of the property, plant, and equipment to which the expense relates.

2.2.13 Recognition of revenue from contracts with customers

Based on the five-step model introduced by IFRS 15, the Group recognizes revenue after identifying contracts with its customers and the related performance obligations to be satisfied (transfer of goods and/or services), determining the consideration to which it believes it is entitled in exchange for the satisfaction of each such performance obligation, and assessing the manner in which such performance obligations are satisfied (fulfillment generally occurs at a specific point in time). Revenue from the sale of goods in the wholesale channel is recognized when control of the goods passes to the customer or concurrently with the transfer of ownership along with its risks and rewards, which normally occurs upon delivery or shipment depending on the applicable terms.

In determining the transaction price for the sale of goods, the Group considers the effects arising from the presence of variable consideration, significant financing components, non-monetary consideration, and consideration payable to the customer (if any).
Retail channel sales are recognized on the date of direct transfer of the goods to the end customer.
Upon receipt of an advance payment from the customer, the Group records the amount of the advance payment under “Other current liabilities” for the obligation to transfer goods in the future and eliminates this liability by recognizing revenue when it transfers such goods.

Right of return
Some contracts provide for the customer’s right to return goods within a predetermined period of time. The provision for returns and discounts is estimated based on future forecasts, taking into account historical trends, and is accounted for as a variable component of the contract consideration with the simultaneous recognition of a liability for returns.
For products that the Company expects to receive as returns, revenue is adjusted and a liability for refunds is recorded.

Royalties
Revenue from royalties is recognized on an accrual basis based on the terms and amounts specified in the license 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 that all conditions related to them have been met. Grants related to cost components are recognized as revenue but are systematically allocated over the fiscal years so as to be commensurate with the recognition of the costs they are intended to offset. A grant related to an asset is recognized as revenue on a straight-line basis over the expected useful life of the related asset.
Where the Group receives a non-monetary grant, the asset and the related grant are recognized at their 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 Recognition of Costs

Costs, unless governed by a specific standard, are recognized when they relate to goods and services sold or consumed during the fiscal year, or on a systematic allocation basis when their future benefits cannot be identified. The economic recognition of costs for the purchase of goods is determined with reference to the time of transfer of ownership of the goods. Costs for services are recognized upon completion of the service.

2.2.16 Financial Expenses and Income

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

2.2.17 Income Taxes

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

Current taxes

Current 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 calculate the amount are those enacted or substantively in force at the balance sheet date in the countries where the Group operates and generates its taxable income. Current taxes relating to items recognized directly 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 period using the tax rate applicable to the total expected annual income.

Deferred Taxes

Deferred taxes are calculated based on temporary differences as of the balance sheet date between the tax bases of assets and liabilities and their corresponding carrying amounts. Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which such assets are realized or such liabilities are settled, taking into account rates that are in effect and those that have been enacted or substantively enacted as of the balance sheet date. In making initial recognition determinations, management considers the existence of positive and negative factors in estimating the likelihood 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 future taxable income will be available to allow for the full or partial utilization of such a credit. Unrecognized deferred tax assets are reviewed at each balance sheet date and are recognized to the extent that it becomes probable that taxable income will be sufficient to allow for the recovery of such deferred tax assets. Deferred taxes relating to items recognized outside the income statement are also recognized outside the income statement and, therefore, in equity or in 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 legal right to offset current tax assets and current tax liabilities, and the deferred tax assets and liabilities relate to income taxes due to the same tax authority by the same taxpayer or by different taxpayers who intend to settle the current tax assets and liabilities on a net basis or realize the asset and settle the liability simultaneously, with respect to each future period in which the deferred tax assets and liabilities 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, with the following exceptions:

- tax levied on the purchase of goods or services is non-deductible; in such cases, it is recognized as part of the purchase cost of the asset or part of the cost recognized in the income statement,
- trade receivables and payables include the applicable indirect tax.

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

2.2.18 Earnings per Share

Basic earnings per share are calculated by dividing the profit for the year attributable to the Group's common shareholders by the weighted average number of common shares outstanding during the year. For the purpose of calculating diluted earnings per share, the weighted average number of shares outstanding is adjusted to assume the conversion of all potential shares with a dilutive effect.

2.2.19 *Fair Value* Measurement

IFRS 13 serves as a single source of guidance for fair value measurement and related disclosures when such measurement is required or permitted by other accounting standards. Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an arm's-length transaction between market participants as of the measurement date. The fair value of an asset or liability is measured using the assumptions that market participants would use in pricing the asset or liability, assuming that they act to best serve their own economic interests. 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 who would use it in its highest and best use.
IFRS 13 establishes a hierarchy that classifies the inputs of the valuation techniques used to measure fair value into levels. The levels, presented in hierarchical order, are as follows:
-Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities to which the entity has access to as of the measurement date;
-Level 2: inputs other than quoted prices included in Level 1, observable directly or indirectly for the asset or liability;
-Level 3: valuation techniques for which the input data are not observable for the asset or liability.
At each balance sheet date, the Group's Finance Department analyzes changes in the values of assets and liabilities for which, in accordance with the Group's accounting principles, revaluation or remeasurement is required.

2.2.20 Segment Reporting

With reference to the provisions of IFRS 8 "Operating Segments," it is noted that the Group, as currently constituted, due to the homogeneity of the products and services offered and the similarity in the type and class of customers, operates in a single operating segment identified with the design, production, and distribution of high-end children's wear for ages 0–16 under the brand of the same name, through multiple distribution channels.

2.2.21 Hyperinflation

In accordance with the Standard "Financial Reporting in Hyperinflationary Economies" ("IAS 29"), the carrying amounts of entities whose functional currency is considered hyperinflationary are restated using a general price index that reflects changes in general purchasing power. To this end, all items in the financial statements of Group entities subject to the application of this standard are classified as monetary or non-monetary items. Monetary items are not restated as they are already expressed in terms of the current currency. The effects of restating non-monetary items recorded in the balance sheet of a subsidiary whose currency is deemed hyperinflationary according to the criteria identified in 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, recognizing any impairment losses if necessary.

2.2.22 Current/Non-Current Classification

Assets and liabilities in the Group's financial statements are classified as current or 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 the operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realized within twelve months of the balance sheet 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 balance sheet date.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled within the entity's normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months of the balance sheet date; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months from the balance sheet date.

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

2.2.23 Translation of foreign currency items

The consolidated financial statements are presented in euros, which is the functional and presentation currency adopted by the parent company. Each Group company defines its own functional currency, which is used to measure the items included in its individual financial statements. The Group uses the direct consolidation method. Foreign currency transactions are initially recognized in the functional currency, applying the spot exchange rate as of the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate on 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 hedge of a net investment in a foreign operation. Such differences are recognized in comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the income statement. Taxes attributable to exchange differences on monetary items are also recognized in the statement of comprehensive income. Non-monetary items measured at historical cost in a foreign currency are translated at the exchange rates prevailing on the date of initial recognition of the transaction. Non-monetary items measured at *fair value* in a foreign currency are translated at the exchange rate prevailing on the date such value is determined. The gain or loss arising from the translation of non-monetary items is treated consistently with the recognition of gains and losses relating to changes in *the fair value* of those items (i.e., translation differences on items whose changes in *fair value* are recognized in comprehensive income or in the income statement are recognized, respectively, in comprehensive income or in the income statement).

2.2.24 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. Selling costs are additional costs directly attributable to the sale, excluding financial expenses and taxes.
The condition for classification as held for sale is considered met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its current condition. The actions required to complete the sale should indicate that it is unlikely that significant changes will occur in the sale or that the sale will be canceled. Management must be committed to the sale, which is expected to be completed within one year of the date of classification.
Depreciation of property, plant, and equipment and amortization of intangible assets cease when these are classified as available for sale.
Assets and liabilities classified as held for sale are presented separately within current items on the balance sheet.
Assets held for disposal are excluded from operating income and are presented in the statement of net income for the year on a single line as Net income/(loss) from assets held for disposal.
Cash flows from discontinued operations are included in the consolidated statement of cash flows and are presented separately in Note 31. The Group includes proceeds from the disposal within the cash flow from discontinued operations.
Further information is provided in Note 31. All other notes to the financial statements include amounts relating to continuing operations, unless otherwise indicated.

2.3 Application of IFRS 5

In July 2024, the Group publicly announced the Board of Directors' decision to proceed with the closure of the subsidiary Monnalisa China by December 31, 2025, following the extreme difficulties in recovery that the Chinese market has experienced in recent years, causing significant economic and financial losses for the Group.
Monnalisa China is a wholly-owned subsidiary of Monnalisa S.p.A.
As of December 31, 2025, the subsidiary no longer operates any retail locations, but the closure activities are still ongoing and will be finalized by December 31, 2026.
The closure activities of the Chinese subsidiary are taking longer than anticipated, primarily due to the protracted negotiations with local authorities. These activities, in fact, require engagement with multiple local institutions, leading to delays beyond the initial estimates and necessitating compliance with numerous procedural requirements.
However, management remains committed to concluding these activities as quickly as possible so as to exit the Chinese market by the end of fiscal year 2026.
In these consolidated financial statements, the Monnalisa China *Cash Generating Unit*, consistent with the consolidated financial statements as of December 31, 2024, has been classified as a Discontinued Operation in accordance with IFRS 5.

Therefore, consistent with the treatment in the Financial Statements as of December 31, 2024, since the operations are still ongoing:

• in the income statement for the 2025 fiscal year, the subsidiary's revenue and income items, as well as its cost and expense items, have been reclassified under "Net income from discontinued operations";

• in the balance sheet, the assets and liabilities attributable to Monnalisa China have been reclassified under Assets and Liabilities held for sale;

• In the cash flow statement for fiscal year 2025, cash and cash equivalents and the cash flows generated by the operations constituting the Discontinued Operations have been reclassified into specific line items.

For further information regarding the application of IFRS 5 and its effects on these consolidated financial statements, please refer to "Note 31" below.

2.4 Changes to International Financial Reporting Standards

The Group has not early adopted any standard, interpretation, or improvement that has been issued but is not yet effective.

Recently published accounting standards and interpretations are listed below; these have not had any effect on the Group's consolidated financial statements.

Lack of exchangeability – Amendments to IAS 21

The amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specify how an entity should assess whether a currency is convertible and how it must determine the spot exchange rate when convertibility is absent. The amendments also require the disclosure of information that enables financial statement users to understand how the currency that is not convertible into another currency affects, or is expected to affect, the entity's results of operations, financial position, and cash flows.

These amendments did not have a significant impact on the Group's financial statements.

Standards issued but not yet effective

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

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for the presentation of the income statement, including specific totals and subtotals. Furthermore, entities must classify all costs and revenues in the income statement into four categories: operating, investing, financing, income taxes, and discontinued operations, with the first three categories being new.

The standard also requires disclosure based on the new definition of management-defined performance measures (MPMs), subtotals of costs and revenues, and includes new provisions for the aggregation and disaggregation of financial information based on the identified roles of the "primary" financial statements (PFS) and the notes.

In addition, amendments have been introduced to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operating activities using the indirect method—from profit or loss to operating profit or loss—and removing the option to classify cash flows from dividends and interest. Furthermore, consequential amendments have been made to numerous other accounting standards.
IFRS 18 and the amendments to other standards are effective for fiscal years beginning on or after January 1, 2027, but early adoption is permitted provided that disclosure is made. IFRS 18 will be applied retrospectively.
The Group is currently working to identify the impacts that the amendments will have on its financial statements and notes to the financial statements. The preliminary assessments of the main expected impacts on the Group's consolidated financial statements are as follows:

- rental income, changes in fair value related to investment property, and the share of profit of an investee and a joint venture will be classified in the "investment" category within the income statement.
- Foreign exchange differences will be classified within the category in which the related income and expenses that gave rise to the foreign exchange difference were classified.
- New disclosures will be introduced regarding: (a) "management-defined performance measures"; (b) costs by nature, provided that such costs are presented by destination within the "operating" category in the statement of profit or loss; and (c) a reconciliation, for each item in the income statement, between the amounts restated in accordance with IFRS 18 and those previously presented in accordance with IAS 1. Interest income and interest expense will be classified, respectively, under investing activities and financing activities in the statement of cash flows.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to opt for a reduction in their disclosure requirements while continuing to apply the recognition, measurement, and presentation provisions in other IFRS accounting standards. To be eligible, at the end of the financial year, an entity must be a subsidiary as defined in IFRS 19, must not have "public accountability," and must have a parent entity (ultimate or intermediate) that prepares consolidated financial statements, available to the public, in accordance with IFRS accounting standards.
IFRS 19 will become effective for fiscal years beginning on or after January 1, 2027, with the option for early adoption.
Since the Group's shares are publicly listed, the Group is not eligible for the application of IFRS 19.

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7, titled Amendments to the Classification and Measurement of Financial Instruments (the "Amendments"). The Amendments include:

- a clarification that a financial liability is derecognized on the "settlement date" and the introduction of an accounting policy choice (if specific conditions are met) to derecognize financial liabilities settled through electronic payment systems prior to the settlement date;
- additional guidance on how to assess contractual cash flows for financial assets with environmental, social, and governance (ESG) or similar characteristics;
- clarifications regarding the characteristics of a "non-recourse" feature and the characteristics of contractually linked instruments;

- the introduction of disclosure requirements for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

The Amendments are effective for annual periods beginning on or after January 1, 2026, with early adoption permitted only for the classification of financial assets and related disclosures.

The Group does not expect the amendments to have a significant effect on the consolidated financial statements.

Annual Improvements to IFRS Accounting Standards - Volume 11

In July 2024, the IASB issued nine amendments of limited scope as part of the periodic maintenance of IFRS. The amendments include clarifications, simplifications, corrections, or changes aimed at improving consistency in the following standards: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosures and the related Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows.
The amendments will be effective for financial years beginning on or after January 1, 2026. Early adoption is permitted, provided that appropriate disclosure is made.
These amendments are not expected to have a significant impact on the Group's consolidated financial statements.

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

In December 2024, the IASB issued amendments to IFRS 9 and IFRS 7, Contracts Referencing Nature-dependent Electricity. The amendments apply exclusively to contracts that reference this type of electricity and:

- clarify the application of own-use requirements for contracts within the scope of application;
- modify the requirements for designating a hedged item in a cash flow hedge relationship for the contracts in question;
- introduce new disclosure requirements to enable investors to understand the effects of such contracts on a company's financial performance and cash flows.

The amendments are effective for fiscal years beginning on or after January 1, 2026. Early adoption is permitted, but adequate disclosure must be provided.

The amendments relating to the own-use exception must be applied retrospectively, while those relating to hedge accounting must be applied prospectively to new designated hedging relationships from the date of initial application. Furthermore, the disclosure amendments under IFRS 7 must be implemented in conjunction with the amendments to IFRS 9. If an entity does not restate comparative information, it may not present comparative disclosures.

The Group does not expect these amendments to have a significant impact on its consolidated financial statements.

2.5 Consolidation Methods

The consolidated financial statements are derived from the financial statements of Monnalisa S.p.A. and the companies in which the parent company directly or indirectly holds a controlling interest in the capital or exercises control. The financial statements of the companies included in the scope of consolidation are accounted for using the line-by-line method. The list of these companies is provided below. During the 2025 fiscal year, the composition of the Monnalisa Group remained unchanged compared to the prior-year 2024 period.

Company Name	Registered office	Share capital		Shareholders	Ownership interest	Consolidated share
		Currency	Amount in currency			
Monnalisa Brazil Ltda	São Paulo (Brazil)	Real	9,532,303	Monnalisa S.p.A.; Jafin srl	99%	100%
Monnalisa China LLC	Shanghai (China)	Yuan	36,505,707	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	99.99%	100%
ML Retail USA Inc	Houston, Texas (USA)	USD	644,573	Monnalisa S.p.A.	100%	100%
Monnalisa Bebek	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	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 companies consolidated using the proportional method, and there are no companies in which the Group's ownership interest is below the 20% threshold.
For consolidation purposes, the financial statements of the individual companies as of December 31, 2025, 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 is December 31, 2025.
It should be noted that since the Parent Company directly promoted and participated in the incorporation of the individual consolidated companies by subscribing to the par value of the capital, it was not necessary to eliminate the value of the equity investments and the resulting allocation of the consolidation difference, with the exception of what occurred in the Brazilian subsidiary. The financial statements of the subsidiaries are consolidated from the date on which control was acquired until the date on which such control ceases.
The main consolidation criteria are as follows:

- All subsidiaries are consolidated using the full consolidation method. The portion of equity attributable to minority shareholders is recorded in the appropriate line item on the balance sheet. The portion of net income attributable to minority shareholders is shown separately in the income statement;
- Intercompany transactions between the companies included in the scope of consolidation are fully eliminated. Gains 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, intercompany gains accrued on the closing inventory of finished goods purchased within the group are reversed;
- During pre-consolidation, items of exclusively tax-related significance were eliminated, and the related deferred taxes were provided for;
- The consolidated financial statements are presented in euros. The financial statements of foreign subsidiaries were translated using the spot exchange rate as of the balance sheet date for assets and liabilities and using 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 on the date of initial recognition of the transaction. The net effect of translating the financial statements of

investee companies into the functional currency is recognized directly in equity in a specific reserve and reported in the statement of comprehensive income. For the conversion of financial statements denominated in foreign currencies, exchange rates taken from the official website of the Bank of Italy were applied, as shown in the following table, noting that the annual average rate is calculated as the average of the monthly average exchange rates:

Currency	as of 12/31/2025	Average 2025
Renminbi (Yuan)	8.23	8.11
Japanese Yen	184.09	168.95
Hong Kong Dollar	9.15	8.80
British Pound	0.87	0.86
Russian Ruble	92.37	93.06
US Dollar	1.18	1.13
Taiwan Dollar	36.86	35.16
Singapore Dollar	1.51	1.48
Turkish Lira (new)	50.48	44.77

Net income (loss) for the period 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 results in a negative balance for minority interests. When necessary, appropriate adjustments are made to the financial statements of subsidiaries to ensure compliance with the Group's accounting policies.
All intercompany assets and liabilities, equity, revenues, costs, and cash flows relating to transactions between group entities are fully eliminated on consolidation. Changes in ownership interests in a subsidiary that do not result in a loss of control are accounted for in equity.

2.6 Management's Assessment of the Going Concern Assumption

The Directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriateness of using the going concern assumption, as well as for providing adequate disclosure on this matter. The Directors apply the going concern assumption in preparing the consolidated financial statements unless they have determined that conditions exist for the liquidation of the parent company Monnalisa S.p.A. or for the discontinuation of operations, or that there are no realistic alternatives to such outcomes.

The environment in which the Group operates remains significantly influenced by global macroeconomic and market factors that remain volatile and uncertain; negative external factors that have significantly impacted demand for luxury goods, contributing to the creation of very challenging conditions for the Group, including for the current fiscal year.

In light of all this, Management has implemented its Strategic Revitalization and Restructuring Plan through actions and initiatives aimed at facilitating a turnaround in the company's results and a return to a more balanced economic and financial position within a reasonable timeframe.
The performance for the 2025 fiscal year, in line with expectations, marked a significant break from the past, representing, in fact, the first full year of operations under the new management.

An important year that allowed the company to continue its strategy of creating more flexible and profitable revenue streams through new licensing or production agreements with adult fashion brands, aimed not only at increasing volumes but also at enhancing the Group's profitability, generating new revenue streams and boosting corporate profitability, and through the rationalization of the retail channel, which required

optimized management of existing stores, including the closure of those company-owned stores for which no medium- to long-term profitability was identified. All of this is accompanied by a targeted effort to contain and reduce operating costs by cutting overhead expenses through an ad hoc cost-saving plan, without compromising product quality or the business's medium-term prospects, alongside ongoing process efficiency improvements.
This restructuring and relaunch plan is taking shape as a significant break from the past, bringing about major changes in the business model and corporate strategies, as well as targeted operational measures, capable of restoring the Group to a more balanced financial position by fiscal year 2025—a position that had suffered a setback in previous years.

For this reason, as early as October 2024, the Company, facing potential short-term liquidity risks, simultaneously initiated a debt renegotiation with the banking sector, resulting in an agreement already in effect, signed on August 6, 2025, with all creditor banks (Intesa Sanpaolo S.p.A., Banca Monte dei Paschi di Siena S.p.A., UniCredit S.p.A., and BPER Banca S.p.A.), the "Agreement for the Implementation of the Restructuring and Revitalization Plan." This Agreement was intended to govern the actions of the aforementioned banks regarding financial measures in support of Monnalisa's Restructuring and Revitalization Plan and marked a decisive turning point for the Company, constituting a cornerstone of the aforementioned Restructuring and Revitalization Plan and confirming the confidence that the banking sector also places in the Company itself and in the industrial strategy outlined by the new management.

With the formalization of the aforementioned Agreement, Monnalisa S.p.A.'s financial restructuring plan has been officially launched and is currently being fully implemented; With the strengthening of the financial structure resulting from the signing of the Agreement with the banking sector and the consequent implementation of the aforementioned restructuring and relaunch plan, Management's efforts will be focused on resolutely pursuing the Plan's objectives, which lays the groundwork for a phase of new growth prospects for Monnalisa S.p.A. in the near future.

It should also be noted that the Board of Directors of Monnalisa, at its meeting on February 24, 2026, resolved to propose to the shareholders' meeting that a capital increase of €1 million be carried out, with the exclusion of subscription rights pursuant to Article 2441, fourth paragraph, second sentence, of the Italian Civil Code, as well as Article 7.4 of the current Articles of Association, to be offered in equal shares of 50% each for subscription to the majority shareholder (Jafin Due, which currently holds 74.48% of the Company's share capital) and to a third-party investor. In this regard, please refer to the details provided below in the section "Significant events occurring after the end of the period and expected business outlook."

Furthermore, the Company has prepared a forward-looking monthly cash flow plan covering the twelve months following the date of approval of the financial report as of December 31, 2025. This analysis, based on reasonable assumptions consistent with currently available information, indicates the Company's ability to meet its financial obligations during the period in question without experiencing liquidity pressures that would jeopardize its ability to continue as a going concern. Therefore, there are no factors that could give rise to significant uncertainties regarding the Company's ability to continue as a going concern in the foreseeable future, also in light of the planned capital increase described below.

These consolidated financial statements as of December 31, 2025, have been prepared on a going-concern basis, as the directors, confident in the implementation of the guidelines of the Restructuring and Revitalization Plan and the Financial Measures contained therein, the economic forecasts, and the consequent restoration of profitability within the timeframe and in the manner envisaged, believe that there are no doubts regarding the Group's ability to continue operating as a going concern for a period of at least 12 months from the reporting date of December 31, 2025.

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

The preparation of financial statements requires the directors to apply accounting principles and methods that, in certain circumstances, are based on difficult and subjective assessments and estimates grounded in historical experience and assumptions that are considered reasonable and realistic on a case-by-case basis in light of the relevant circumstances. The application of such estimates and assumptions affects the amounts reported in the financial statements, such as the balance sheet, income statement, and cash flow statement, as well as the disclosures 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 inherent in the assumptions and conditions on which the estimates are based. The following is a brief description of the most significant accounting principles that require greater judgment on the part of management in preparing estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the restated aggregate financial data.

<u>Estimates:</u>

(i) Depreciation and amortization of tangible and intangible assets: The cost of tangible and intangible assets is amortized on a straight-line basis over the estimated useful life of each asset. The economic useful life of property, plant, and equipment and intangible assets is determined at the time of acquisition and is based on historical experience with similar assets, market conditions, and expectations regarding future events that could have an impact, including changes in technology. The actual economic life, therefore, may differ from the estimated useful life. The Group annually assesses technological and industry changes, any changes in contractual terms and applicable regulations related to the use of tangible and intangible assets, and the recoverable amount to update the remaining useful life. The results of these analyses may alter the amortization period and, consequently, the amortization expense charged to the current and future fiscal years;

(ii) Valuation of receivables: trade receivables are adjusted by the related allowance for doubtful accounts to reflect their actual recoverable value. Determining the amount of write-downs requires management to exercise subjective judgments based on available documentation and information regarding the customer's creditworthiness, as well as on experience and historical trends;

(iii) Provisions for risks: determining whether a current obligation (legal or constructive) exists is, in some circumstances, not easily ascertainable. The directors assess these situations on a case-by-case basis, together with an estimate of the amount of economic resources required to fulfill the obligation. When the directors believe that the occurrence of a liability is merely possible, the risks are disclosed in the specific section on commitments and risks, without giving rise to any provision;

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

(v) Employee benefits: the values of which 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 lease agreements entered into by the Group do not include an implicit interest rate, the Group has calculated an incremental borrowing rate (IBR) to measure the lease liability. To determine the IBR to be used for discounting future lease payments, the Group has identified the rates applied to debt financing agreements of similar duration for each Group company; the Group estimates the marginal borrowing rate using observable data (such as market interest rates) where available, and by making specific assessments of the investee's circumstances;

(vii) Inventory obsolescence provisions and net realizable value estimates: the Group estimates the future usability of these products and materials by calculating specific turnover ratios and/or historical realizable value data, taking into account the age of the collections, to each of which a specific inventory write-down rate is applied;

(viii) Estimation 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 method 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 applied financial valuation techniques that require underlying assumptions and estimates. These assumptions may not materialize in the manner or timeframe anticipated. Therefore, estimates of these derivative instruments 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 was operating in hyperinflationary markets at that date, was applied for the first time as of June 30, 2022, in relation to the subsidiary in Turkey, a country for which the conditions for classification as a hyperinflationary economy were met during the fiscal year;

(xi) In July 2024, the Group publicly announced the Board of Directors' decision to proceed with the gradual closure of the wholly-owned subsidiary Monnalisa China following the significant difficulties the country had experienced, which significantly compromised the local business. In these consolidated financial statements, the *Cash Generating Unit* has consequently been treated as a *Discontinued Operation* in accordance with IFRS 5.

<u>Discretionary assessments:</u>

(i) Lease term: determining the term of lease contracts is a highly significant issue, as the form, legislation, and commercial practices regarding lease agreements vary significantly from one jurisdiction to another, and assessing the effects of renewal options at the end of the non-cancellable term on the estimated lease term involves the use of assumptions. The IFRS Interpretation Committee has clarified that, for the purpose of identifying the lease term, a lessee must consider the contractual point at which both parties involved may exercise their right to terminate the contract without incurring penalties that are not immaterial; the concept of a penalty should not be interpreted in a purely contractual sense but must be viewed by considering all economic aspects of the contract. The Group has taken these conclusions into account in determining the term of lease contracts. Furthermore, in defining the lease term, the Group has also considered the presence of renewal and cancellation options and has assessed whether there are significant economic disincentives to rejecting a renewal request;

(ii) Identification of Cash-Generating Units (CGUs): a CGU represents the smallest group of activities that generates largely independent cash flows. In the process of identifying the aforementioned CGUs, management took into account the specific nature of the asset and the business to which it belongs (geographic area, business segments, applicable regulations, etc.), verifying that the cash flows arising from a group of assets were closely interdependent and largely independent of those arising from other assets (or groups of assets). 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 impacts of climate change:

In line with the priorities defined by the European Securities and Markets Authority (ESMA) for the 2023 reporting year, the Group has identified the various types of risk, including any environmental risk factors, and monitors the ongoing evolution of the national and international regulatory framework.

The main transition risks identified by the Group are linked to the possible introduction of new environmental rules and regulations, expectations regarding the use of low-impact energy sources, and the uncertainty of market signals with potential unexpected fluctuations in energy prices; Additional risk factors identified may include a failure to adapt product innovation in line with the technological advancements necessary to mitigate climate change-related phenomena, shifts in product demand that are increasingly focused on environmental issues—which would require an adjustment of supply—and reputational risks.

Currently, climate-related issues do not have a material impact on the Group's financial statements. The Group will assess whether and how the introduction of emissions reduction regulations might increase production costs and, if they have a significant impact, will incorporate these assumptions into its estimates.

COMMENTS ON THE MAIN ITEMS OF THE INCOME STATEMENT

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

5. Revenue from Contracts with Customers

Revenue from contracts with customers as of December 31, 2025, amounted to €33,759 thousand, compared to €35,633 thousand as of December 31, 2024, representing a 5% decrease at both constant and current exchange rates. The following table shows their breakdown by sales channel and by geographic area for the fiscal years 2025 and 2024:

December 31 at current exchange rates

In thousands of €	2025	% Change	2024	% change	Var	Change %
Retail	12,820	38%	14,746	41%	(1,926)	-13%
Wholesale	18,090	54%	18,298	51%	(208)	-1%
Direct B2C	2,849	8%	2,590	7%	259	10%
Total	**33,759**	**100%**	**35,633**	**100%**	**(1,875)**	**-5%**

December 31 at current exchange rates						
In thousands of €	**2025**	**% change**	**2024**	**% change**	**Var**	**Change %**
Italy	11,766	35%	12,929	36%	(1,162)	-9%
Europe	8,219	24%	9,118	26%	(899)	-10%
Rest of the World	13,773	41%	13,587	38%	186	1%
Total	**33,759**	**100%**	**35,633**	**100%**	**(1,875)**	**-5%**

For a detailed breakdown of the revenue trend recorded during the fiscal year, please refer to the information provided earlier in the management report.
The Group presents revenue breakdown disclosures using a qualitative and quantitative approach. Revenue recognition for the sale of goods, whether through the retail or wholesale channel, occurs when control of the goods has been transferred to the customer, generally upon delivery.

6. Other Income

This item is detailed below:

Account	12/31/2025	12/31/2024	Change
Extraordinary income	198,041	228,517	(30,476)
Insurance claims	2,445	39,871	(37,426)
Store capex contribution	0	60,000	(60,000)
Photovoltaic system contributions	49,898	58,893	(8,995)
Operating account contribution	29,207	24,703	4,504
Royalty revenue	1,388	53,094	(51,706)
Revenue from rental income	12,576	12,550	26
Other income	275,627	338,207	(62,580)
Total	**569,182**	**815,834**	**(246,652)**

As of December 31, 2025, the item “Other income” amounts to €569,000 and primarily includes photovoltaic system grants of €49,898, operating grants of €29,703, and extraordinary income of 157,282.

7. Cost of goods sold and operating expenses

Cost of goods sold and operating expenses as of December 31, 2025, totaled €36,512,011, compared to €40,736,665 as of December 31, 2024, representing a decrease of €4,224,654, or 10%, compared to fiscal year 2024, as a direct result of both the decline in revenue recorded during the fiscal year and the cost-saving measures implemented in 2025. The following table shows their breakdown by nature:

Description	12/31/2025	12/31/2024	Changes

Change in finished goods inventory	2,090,380	1,093,782	996,598
Costs for raw materials, goods, and supplies	7,827,903	8,966,969	(1,139,066)
Costs for services	11,716,735	13,393,206	(1,676,471)
Personnel expenses	9,418,116	10,611,055	(1,192,939)
Depreciation, amortization, and impairment losses	4,710,329	6,101,572	(1,391,243)
Other operating expenses	748,548	570,081	178,467
Total	**36,512,011**	**40,736,665**	**(4,224,654)**

This item includes the costs necessary for the production of goods related to the company's ordinary operations. Costs for the purchase of goods are recognized in the Income Statement upon delivery. As with revenues and income, costs and expenses are recorded net of returns, discounts, rebates, and bonuses.
Costs for raw materials, goods, and supplies—including changes in finished goods inventory—are closely linked to the information provided in the section of the Interim Management Report on revenue trends and are recognized in accordance with the matching principle. These costs decreased by 1.4% as a result of the decline in revenue volume noted above.

8. Costs for services

Costs for services, amounting to approximately €11.7 million as of December 31, 2025, decreased by a total of 13% compared to the prior-year period and include costs arising from the purchase of services in the company's ordinary operations, which are recognized in the Income Statement upon completion.
In detail, this item primarily includes:

- contract manufacturing costs (sewing, ironing, embroidery, printing, ancillary processes) of €2.4 million related to the production and manufacture of finished goods,
- costs for routine maintenance, which also include expenses for the restoration of stores closed during the year, amounting to €0.8 million,
- costs for technical, industrial, administrative, and commercial consulting totaling €1.4 million,
- transportation costs (on sales and/or purchases) of €2.2 million,
- advertising costs, both national and local, amounting to €890,000,
- remuneration for the Board of Directors and supervisory bodies of €444,000,
- POS commissions and banking services totaling €372,000

Service costs also include certain lease agreements that the Group has in place, which provide for payments based on the revenue volumes achieved during the fiscal year (*variable payments*), recognized on an accrual basis and not included in the calculation of the financial liability for leases.

9. Personnel Costs

Personnel costs incurred during the period amounted to approximately €9.4 million, representing a decrease of 11.2% compared to the prior comparative year, primarily as a result of the implementation of the turnaround and restructuring plan described above, which led to the closure of directly operated stores deemed underperforming.
The item under review includes all employee-related expenses, including merit-based pay increases, promotions, seniority-based pay increases, the cost of accrued but unused vacation time, and provisions made in accordance with the law and collective bargaining agreements.
The "employee severance pay" account includes, in addition to the amount set aside during the period, the amount accrued and paid to employees hired and terminated during the same period, as well as the amount paid to external pension funds.

10. Depreciation and Impairment

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

Description	12/31/2025	12/31/2024	Changes
Depreciation of tangible fixed assets	1,375,875	1,513,474	(137,599)
Amortization of intangible assets	110,607	239,057	(128,450)
Amortization of right-of-use assets	3,056,580	4,014,061	(957,481)
Other write-downs of fixed assets	2,000	16,827	(14,827)
Write-down of trade receivables	165,267	318,154	(152,887)
Total	**4,710,329**	**6,101,572**	**(1,391,243)**

The depreciation and amortization in question were calculated in accordance with the valuation criteria already set forth in the relevant section of these notes.
Please refer to the comments in sections 6.1, 6.2, and 6.3 for further details on investments for the year.
The “Write-downs” item includes a write-down of trade receivables for €383 thousand (€318 thousand as of December 31, 2024).

11. Provision for Risks

As of the date of preparation of these financial statements, a dispute with the tax authorities remains pending.
In this regard, it should be noted that in the early months of 2021, the Arezzo Revenue Agency initiated an audit of Monnalisa S.p.A. regarding the use of tax credits arising from research and development activities conducted from 2015 to 2019, thus covering the years 2016 through 2020. As is well known, Monnalisa made the investments giving rise to these research and development credits, entrusting the monitoring and certification of such investments to qualified entities recognized by the Tax Administration itself.

Following initial interactions with Agency officials, that audit process remained suspended until April 20, 2023, the date on which a Notice of Assessment (PVC) was served, containing hypothetical findings regarding the legitimacy of the use in question.

Moreover, as previously communicated, the Company, based on well-reasoned legal opinions confirming the groundlessness of the tax authorities’ findings and the very belated nature of the proposed adjustments, initiated close dialogue with the relevant Revenue Agency, based on technical briefs and documentary evidence, highlighting that the lack of factual and legal grounds for the alleged offenses cited by the Tax Police had been confirmed by the Public Prosecutor’s Office and the Preliminary Investigating Judge of Arezzo upon the conclusion of the investigations initiated by the formal notices issued by the aforementioned Revenue Agency.

Furthermore, reference was made to the Policy Statement of July 1, 2025, issued by the Ministry of Economy and Finance, which explicitly instructed regional offices that *“if the taxpayer obtains a certification pertaining to the aforementioned types of tax credits, issued by qualified entities authorized to sign it, which certifies the technical eligibility of the investments made or to be made, and which pertains to the activity actually carried out, any tax assessment or penalty notice contesting the use of the credit solely on the basis of the investment’s eligibility may be deemed null and void, with all the related legal consequences, in accordance with general principles.*”

The subsequent dialogue with the offices of the Revenue Agency, despite initial indications of a possible voluntary withdrawal of recovery claims for the years 2016 through 2019 and the proposal to settle through “voluntary compliance” the 2020 matter through a settlement, with Monnalisa paying a lump sum of

€500,000 in 16 semi-annual installments, did not lead to a positive outcome, partly due to systemic reasons (installment payments are not permitted for the recovery of tax credits), or, above all, because the guidelines from the Regional Directorate would prevent local offices from closing cases involving alleged situations of the use of "non-existent tax credits" without a prior judicial review confirming their nullity due to the expiration of the limitation period referred to in Article 38 bis, Presidential Decree No. 600/1973.

Pending clarification of the tax context in question, on November 26, 2025, the company filed five appeals with the competent Tax Court of First Instance in Arezzo against the tax assessment notices served by the Arezzo Revenue Agency, arguing the overall illegality of the recovery notices in question, with a request for a stay of execution "without hearing the other party" of such notices and/or a concurrent request for the prompt scheduling of the relevant hearing; however, immediately following the tax authority's formal appearance in court—which took place on January 19, 2026 —negotiations resumed to settle the total tax claim through conciliation; however, these could not be finalized due to the impending expiration of procedural deadlines and the impossibility of allowing the taxpayer to pay the amounts acknowledged in the settlement agreement in installments, since the case in question involved the "recovery" of tax credits.
Consequently, positive negotiations are currently underway with the Legal Office of the Arezzo Revenue Agency to resolve the legal disputes in question through the out-of-court judicial conciliation procedure, now provided for under Article 48 of the Tax Procedure Code. This prospect, in fact, would not be unwelcome to the Arezzo Revenue Agency itself, which will not pursue the collection of the amounts set forth in the recovery notices in question.
By orders dated March 6, 2026, the President of the First Instance Tax Court of Arezzo suspended, "without hearing the other party," the five recovery notices challenged by the company, postponing to the chamber hearing on March 25 before the Second Section of the same Tax Court, the adversarial proceedings with the Revenue Agency for a "long-term" suspension, in order to allow the parties to resolve the delicate matter referred to the tax judges through "judicial conciliation."
In this regard, based on the confirmation provided by the professionals assisting the company, while reaffirming the absolute correctness of the company's past actions, it is nevertheless considered that this remaining dispute—although it may constitute a potential liability—is neither probable nor quantifiable at this stage beyond the amount set aside in the financial statements.

12. Financial Management

The item "Financial Income and Expenses" as of December 31, 2025, shows a negative balance of 2,669 thousand euros, compared to a negative balance of 1,373 thousand euros in the previous fiscal year.

Description	**12/31/2025**	**12/31/2024**	**Changes**
Interest income	64,021	121,161	(57,140)
Bank interest expense	(697,080)	(891,763)	194,683
Other interest expense and other	(335,712)	(239,631)	(96,081)
Financial expenses for IFRS 16 leases	(614,979)	(604,007)	(10,972)
Foreign exchange losses	(1,689,563)	51,859	(1,741,422)
Foreign exchange gains	603,841	189,323	414,518
Total	**(2,669,472)**	**(1,373,058)**	**(1,296,413)**

The item "Bank interest expense" primarily includes interest on the Parent Company's short-term bank loans and medium- and long-term bank loans.
The expense related to employee benefits recognized in connection with the measurement of defined benefit plans in accordance with IAS 19 is recorded under "Other interest expense and other" in the amount of €74,061 (€72,936 as of December 31, 2024).
Interest on lease liabilities amounted to €615,000 in fiscal year 2025 (€604,000 in 2024).

The net unrealized valuation component attributable to foreign exchange management resulted in a net loss of €1 million, compared to a net gain of €241 thousand in the prior year.
The impact of foreign exchange management therefore significantly affects the comparison between the net result for the current fiscal year and that of the prior fiscal year.

13. Income Taxes for the Period

Income taxes were calculated on a taxable base that took into account the tax-related changes provided for by current legislation applicable in the various countries where the companies included in the scope of consolidation operate.
The item is composed as follows:

Taxes	12/31/2025	12/31/2024	Changes
Current taxes	0	0	0
Deferred (prepaid) taxes	262,994	428,474	(165,480)
Total	**262,994**	**428,474**	**(165,480)**

Deferred / Prepaid Taxes

Deferred taxes were calculated using the global allocation method, taking into account the cumulative amount of all temporary differences, based on the average tax rates expected to be in effect when such temporary differences reverse. Deferred taxes are reflected in the provision recorded in the tax reserve.
Deferred tax assets have been recognized because there is reasonable certainty that, in the periods in which the deductible temporary differences, against which the deferred tax assets have been recognized, will reverse, there will be taxable income not less than the amount of the differences that will be reversed, particularly with regard to tax losses that can be carried forward indefinitely.
The breakdown of the resulting item is shown below:

Description	Total deferred tax assets 2025	Total deferred taxes 2025
Property, plant, and equipment and intangible assets	0	(273,964)
Inventories	382,620	0
Trade receivables	382,984	0
Trade receivables from exchange rate effects	0	(49,753)
Receivables - IFRS 15	29,869	0
Liabilities under IFRS 2	8,562	0
Store restoration reserve	19,530	0
Provision for customer returns	82,977	0
Non-deductible severance pay (service costs and interest)	80,691	10,391
Valuation of derivatives in OCI	0	5,496
Parent company tax losses	1,537,631	0
Intercompany margin on inventory	821,209	0
Other	16,572	89,841
Total deferred tax assets/liabilities 2025	**3,362,645**	**(217,989)**

For information regarding temporary differences and the related deferred tax assets/liabilities that impacted other comprehensive income (OCI), please refer to the table below:

Description	Temporary differences	Temporary differences	Deferred IRAP Taxes	Deferred IRES taxes	Deferred IRAP taxes	Total deferred tax assets 2025	Total deferred taxes 2025
Severance pay - OCI component	43,297			10,391		**0**	**10,391**

Hedging derivatives - OCI component	22,900			5,496		**0**	**5,496**
Total deferred taxes	**66,197**	**0**	**0**	**15,887**		**0**	**15,887**

For the purposes of recognizing deferred tax assets, the Company has conducted a detailed assessment of their recoverability, in accordance with the requirements of IAS 12. This assessment takes into account the guidance provided by ESMA regarding the recognition of deferred taxes, according to which the requirement of “probability” of recovery necessitates the presence of sufficiently robust and objective positive evidence to outweigh any contrary evidence that may exist.

In particular, the Company verified that the assumptions underlying the forecast plans, used to estimate future taxable income, are supported by assumptions consistent with those adopted in other relevant assessments (supported by a specific impairment test) and are not based on future events that are highly uncertain or beyond the Company’s control.

In line with ESMA expectations, the Company has also considered the time horizon actually available for the utilization of temporary differences, without introducing arbitrary limits, and has carefully assessed the impact of any prior-year tax losses, providing—where necessary—adequate additional evidence

Based on these analyses, the Company believes that the amount of deferred tax assets recognized in the financial statements is reasonably recoverable in light of expected taxable income and taxable temporary differences that are expected to reverse in future fiscal years.

As of December 31, 2025, given the significant uncertainty in foreign markets and regarding subsidiaries, the Group has not recognized deferred tax assets on the subsidiaries’ prior-year losses with respect to losses for the current period or for the prior period.

It should be noted here that since the Group’s consolidated revenues are less than €750 million, the Group is not subject to the Pillar Two Model regulations.

NOTES TO THE MAIN ITEMS OF THE BALANCE SHEET (assets, equity, and liabilities)

13. Property, plant, and equipment

The following table shows the changes in the Property, plant, and equipment account for the fiscal year ended December 31, 2025:

Description	12/31/2024	Increases	Decreases	Foreign Exchange Variation	Other transactions	Balance	12/31/2025
Land and buildings	10,675,005	71,926	0	0	0	(324,205)	10,422,726
Plant and machinery	1,098,918	39,893	(44,853)	0	0	(389,069)	704,889
Industrial and commercial equipment	107,238	12,557	0	(17,066)	0	(44,470)	58,258
Other assets	1,601,858	584,891	(18,522)	(11,086)	0	(522,733)	1,634,409
Assets under construction and advance payments	0	15,601					15,601
Improvements to third-party property	394,144	105,398		(37,281)	0	(95,398)	366,863
Total	**13,877,163**	**830,267**	**(63,375)**	**(65,433)**	**0**	**(1,375,875)**	**13,202,746**

The increases in 2025, amounting to €830,000, relate primarily to relocation and improvement/restyling of existing stores and to the increase in “Historical archive garments,” i.e., those finished products which, as strategic and durable assets, are classified as company assets rather than finished goods inventory, as well as to the purchase of equipment for the Monnalisa SpA headquarters.

Disposals, on the other hand, primarily relate to stores closed during the year.
It is noted that for all assets classified in this category:

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

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

The Group conducted an analysis to identify any indicators of impairment and/or permanent loss of value. In addition, the recoverability of the residual value of property, plant, and equipment was assessed to ensure that these assets are not carried on the balance sheet at a value higher than their recoverable amount.
The valuation approach used to determine the recoverable amount of the CGUs is value in use, estimated based on expected cash flows and their discounting using an appropriate discount rate (Discounted Cash Flow analysis – DCF). Specifically, the estimate of value in use was performed by discounting the operating cash flows of the CGUs at a rate equal to the weighted average cost of capital (WACC).
For the purpose of calculating the residual value, a normalized cash flow extrapolated from the last year of the explicit forecast was considered, to which an annual growth rate (“g”) was applied.
The discounted cash flow analysis was prepared using the 2026–2030 business plan, developed and approved by the Board of Directors, as a starting point.
The main assumptions for determining the recoverable value are set out below:

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

Specifically:

Company	Growth rate g	WACC
Monnalisa Singapore	2%	9.1%
ML Retail USA Inc.	1.6%	9.4%
Monnalisa Taiwan	2.2%	8.2%

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 focused on a new business model involving licensing agreements aimed at increasing production through design and manufacturing, or the production of third-party brands to complement those currently produced under license;
- cost containment, without compromising product quality or the business’s medium-term prospects, accompanied by continuous process optimization;
- sustainable growth as a key element for the development process and product differentiation.

In detail:

- Regarding Monnalisa Singapore, the subsidiary continues operations as in previous years through a flagship store located in the Marina Bay Sands Mall in Singapore. In the short term, management does not anticipate substantial changes to the business model; the lease expires in June 2026, but efforts to renew it are already in the final stages. Management has launched initiatives to ensure operational continuity and improve the store's performance, thereby realigning it with its historical potential, through a team overhaul, the launch of a loyalty program and drive-to-store activities, leveraging price repositioning and the high-visibility location, as well as the control and optimization of service costs. At the same time, management is evaluating, starting in 2027, the evolution of the format toward a multi-brand store featuring the Group's brands;

- As for Monnalisa Retail USA Inc., management does not anticipate any substantial changes to the current business model for the coming fiscal year, continuing to operate the three flagship stores in the United States. The development strategy focuses on increasing revenue and streamlining costs at the three retail locations, particularly for the two company-owned stores that have posted weaker performance in the current fiscal year; The outlet's performance has been very positive, with revenues in 2025 up 16% compared to 2024, a 20% growth trend over the past three years, and positive margins contributing to the consolidated results. Looking ahead, starting in 2026, management intends to initiate an evolution of the business model aimed at structurally strengthening revenue streams and increasing the subsidiary's overall margins, in line with the strategy to optimize the scope of operations in the North American market, which is considered strategic for the Group. Specifically, the plan is to reposition the product offering by integrating the current Monnalisa line with a selection of third-party brands for which licenses are already in place, gradually transforming the format from single-brand to multi-brand: this will allow for a broader product range, increased commercial appeal, and improved product turnover. At the same time, management is working to implement a business channel complementary to the retail network, fueled in part by the sale of inventory to U.S. stores, with the aim of increasing volumes and improving margins through greater efficiency in inventory management and the reduction of carrying/obsolescence costs;

- As for Monnalisa Taiwan, starting in 2026, with the closure of the last company-operated store, the subsidiary will transition its business model from company-operated to wholesale, thereby maintaining its presence in the Taiwanese market. This will optimize the cost structure through greater operational efficiency, realigning the business's profitability with the Group's overall objectives. Management also anticipates the gradual disposal of existing inventory through local stockists and partners.

The sensitivity analysis of the assumptions mentioned above (WACC and g) used to determine recoverable value, conducted on the CGUs subject to impairment testing, indicated that adverse changes in the underlying assumptions could result in an impairment loss.

Based on the analyses performed and considering the value in use of these assets, no impairment losses were identified on the carrying amounts reported by the Group as of December 31, 2025.
The Group is exposed to the risk that the assumptions and projections underlying the aforementioned 2026–2030 forecasts may not materialize or may materialize at different times or to a different extent than expected.
The assumptions formulated for the purpose of determining the value in use of the individual cash-generating units, in support of the asset values, inherently incorporate a degree of uncertainty associated with all forecasts; therefore, they could in the future result in adjustments to the carrying amounts depending on the actual realization of the assumptions underlying the estimates made by management.
Assets acquired through lease agreements are classified in the "Right-of-use assets" section below.

14. Assets held under right-of-use arrangements

The breakdown of the “Assets held under right-of-use leases” line item for the year ended December 31, 2025, is provided below:

Description	12/31/2024	Increases	Decreases	Other movements	Foreign exchange effect	Amortization	12/31/2025
Buildings	6,706,608	2,348,345	(417,298)	(2,000)	(169,603)	(2,980,837)	5,485,215
Vehicles	105,699					(37,845)	67,854
Business equipment	159,100					(37,898)	121,202
Total	**6,971,407**	**2,348,345**	**(417,298)**	**(2,000)**	**(169,603)**	**(3,056,580)**	**5,674,271**

The “Buildings” item relates entirely to store lease agreements and only to a minor extent to lease agreements for other spaces.
The main increases recorded in 2025 relate to modifications and/or extensions of existing contracts for current retail locations; while the decreases relate primarily to lease agreements for stores closed during the year. This item also includes the costs of restoring premises leased from third parties under lease agreements falling within the scope of IFRS 16, set aside in provisions for future risks and charges in accordance with the requirements of that standard.

As of December 31, 2025, an assessment was made of the potential presence of impairment indicators, identified through internal or external sources of information. Additionally, the recoverability of the residual value of right-of-use assets was assessed to ensure that they are not carried on the balance sheet at a value higher than their recoverable amount.
For further information on the methods used to assess the recoverability of the residual value of right-of-use assets, please refer to the discussion above regarding “Property, plant, and equipment.”
The analyses performed did not reveal any impairment losses on the carrying amounts reported by the Group as of December 31, 2025, with respect to the right-of-use assets in question.

15. Intangible Assets with a Definite Useful Life

The following table shows the composition and changes in this item for the year ended December 31, 2025:

Description	12/31/2024	Increases	Decreases	Foreign exchange effect	Amortization	12/31/2025
Industrial patent rights and intellectual property rights	53,154	11,700		14,114	(45,100)	33,868
Key money	184,051				(64,354)	119,698
Intangible assets with a finite useful life in progress						0
Total	**237,206**	**11,700**	**0**	**14,114**	**(109,454)**	**153,566**

The costs recognized are reasonably expected to provide benefits over multiple fiscal years and are amortized systematically in accordance with their remaining useful lives.
The Group conducted an analysis to identify any indicators of impairment and/or permanent loss of value. Furthermore, the recoverability of the residual value of intangible assets with a finite useful life was assessed to ensure that they are not carried on the balance sheet at a value higher than their recoverable amount.
For further information on the methods used to assess the recoverability of the residual value of intangible assets with a finite useful life, please refer to the discussion above regarding “Property, plant, and equipment.”

Based on the analyses performed and considering the value in use of these assets, no impairment losses were identified on the carrying amounts reported by the Group as of December 31, 2025.

No financial expenses were charged to the asset accounts during the period.

16. Other non-current financial assets

This item includes financial receivables for security deposits amounting to €359 thousand.
The item also includes amounts related to minority interests as specified below. The item amounts to €8,624 and shows no changes compared to the year ended December 31, 2024:

Description	Carrying amount	Fair value
CONSORZIO BIMBO ITALIA	1,291	1,291
ARETINO UNIVERSITY POLE	510	510
CONAI	23	23
PRATACC DEVELOPMENT CONSORTIUM	500	500
TOSCANA LOFT CONSORTIUM	1,300	1,300
MADE IN RUSSEL FOUNDATION	5,000	5,000
Total	**8,624**	**8,624**

No financial assets are recorded in the financial statements at a value exceeding their *fair value*.

17. Deferred Tax Assets

For comments regarding deferred tax assets, please refer to the comments on deferred and prepaid taxes provided earlier in the section on the income statement.
In this regard, it should be noted that, in accordance with IAS 12, the Group has assessed the recoverability of the aforementioned deferred tax assets with reasonable certainty by projecting future taxable income based on the economic business plans and estimating the amount of deferred tax assets that is reasonably recoverable.
No additional deferred tax assets were recognized during the fiscal year.

18. Inventories

As of December 31, 2025, inventory totaled €9,595,000. The following table shows its breakdown:

Description	12/31/2025	12/31/2024	Changes
Raw materials, auxiliary materials, and supplies	1,541,134	1,707,103	(165,969)
Work in progress and semi-finished goods	569,324	553,566	15,758
Finished goods and merchandise	7,484,136	9,587,663	(2,103,527)
Advance payments	0	15,254	(15,254)
Total	**9,594,594**	**11,863,586**	**(2,268,992)**

The change in inventories of finished goods and raw materials reflects the estimated expected value, taking into account sales capacity through the usual distribution channels. In particular, the value of finished goods and work-in-progress inventories in the first half of each fiscal year tends to increase compared to December figures. The allowance for inventory write-downs, amounting to 1.4 million as of December 31, 2025, reflects management's best estimate based on the breakdown of inventory by year and season, taking into account past experience and future sales prospects.

19. Trade receivables and other receivables

The breakdown of this item is shown below:

Description	12/31/2025	12/31/2024	Changes
Trade receivables	7,398,746	7,237,560	161,186
Allowance for doubtful accounts	(2,336,840)	(2,077,128)	(259,712)
Total	**5,061,907**	**5,160,432**	**(98,525)**

Trade receivables, primarily related to wholesale sales, are in line with the previous fiscal year 2024; the related allowance for doubtful accounts is considered adequate to cover potential defaults.
The changes in the allowance for doubtful accounts in 2025 were as follows:

Description	Total
Balance as of 12/31/2024	**(2,259,454)**
Uses during the year	201,361
Provision for the year	(278,747)
Balance as of December 31, 2025	**(2,336,840)**

The allowance for doubtful accounts was determined by considering the amount of doubtful receivables, analyzing the specific circumstances of the Group’s customers, any guarantees provided to the Group, and appropriately assessing pending litigation and the prospects for recovering past-due receivables. The Group also analyzed the average customer default rate and actual credit losses recorded in recent fiscal years to assess the consistency of the results of the analyses conducted on the expected credit losses for each customer with the historical loss rate.

20. Tax receivables

The item “Tax receivables” includes receivables from the tax authorities for income taxes relating to advance payments made during the fiscal year.

21. Other current assets

As of December 31, 2025, the “Other current assets” item amounts to €911,778 (€1,043,323 as of December 31, 2024) and primarily includes prepaid expenses of €282,000, VAT receivables of €263,000 (€295,000 as of December 31, 2024), and a credit for prepaid costs of €52,288.

22. Other current financial assets

This item is detailed below and recorded the following changes during the fiscal year:

Description	12/31/2025	12/31/2024	Changes
Derivative financial instruments	13,237	43,368	(30,131)
Other financial receivables	94,501	87,482	7,019
Total	**107,738**	**130,850**	**(23,112)**

This item primarily includes the fair value measurement of outstanding derivative contracts entered into by the parent company Monnalisa S.p.A. For further details, please refer to the section “Information on the fair value of derivative financial instruments.”

23. Cash and Cash Equivalents

The balance detailed below represents cash and cash equivalents as of the balance sheet date of December 31, 2025:

Description	12/31/2025	12/31/2024	Changes
Bank and postal deposits	1,344,491	1,125,228	219,263
Cash and cash equivalents	52,500	64,158	(11,658)
Total	**1,396,991**	**1,189,386**	**207,605**

The balance represents cash and cash equivalents and the amount of cash and securities on hand as of the end of the period. Bank and postal deposits and checks are valued at their estimated realizable value, while cash on hand is valued at its face value. There are no restricted accounts.
Foreign currency balances are recorded at the exchange rate in effect at the end of the period.

24. Shareholders’ Equity

Statement of Changes in Group Shareholders’ Equity

(Euro) Note 24	Share Capital	Legal reserve	Revaluation Reserves	Reserve for hedging expected cash flows	Other reserves	IAS 19 effect on equity	Retained earnings/(loss)	Net income/(loss) for the year	Group equity
Opening balance as of 01/01/2025	**10,000,000**	**1,115,361**	**4,030,573**	**32,348**	**6,857,163**	**192,363**	**(5,496,105)**	**(6,904,867)**	**9,826,835**
Allocation of net income							(6,904,867)	6,904,867	**0**
Changes due to IAS 29					(9,025)				**(9,025)**
Waiver of shareholder loan					920,000				**920,000**
Profit/(loss) for the period								(6,998,765)	**(6,998,765)**
Other comprehensive income/(loss)				(22,900)	999,389	43,297			**1,019,785**
Closing balance as of December 31, 2025	**10,000,000**	**1,115,361**	**4,030,573**	**9,448**	**8,767,527**	**235,660**	**(12,400,972)**	**(6,998,765)**	**4,758,831**

As of the balance sheet date, outstanding shares consist solely of 5,236,300 common shares with a par value of 10,000,000 euros.
The “Other Reserves” line item primarily refers to:

- the Parent Company’s share premium reserve of €9,063,125 recognized upon the capital increase resulting from the listing process,
- the non-distributable reserve for exchange rate differences of €352,053,
- the Parent Company’s reserve for treasury shares heldnegative amount of €149,915,
- the negative translation reserve of €300,979, which reflects changes in the value of the Parent Company’s share of the equity of subsidiaries, due to changes in the exchange rates of the functional currencies of those subsidiaries relative to the Group’s functional currency,
- to the negative FTA reserve of €2,764 thousand.

The item “IAS 19 equity effect” includes the amounts recognized for the valuation differences required by IFRS compared to the parent company’s local accounting standards and refers to the actuarial valuation of employee benefit plans, determined in accordance with the specifications set forth in Note 26 below.

No convertible bonds have been issued. No stock option plans have been approved.
The amounts shown are net of tax effects where applicable.

25. Provisions for Risks and Charges

The following table shows their composition:

Description	12/31/2025	12/31/2024	Changes
Provisions for retirement benefits and similar obligations	45,564	44,563	1,001
Provision for product returns	108,731	113,432	(4,701)
Other provisions	533,017	244,156	288,861
Total	**687,312**	**402,151**	**285,161**
Of which current portion	*108,731*	*113,432*	(4,701)
Of which non-current portion	*578,581*	*288,719*	289,862

These provisions are established to cover losses or liabilities that are certain or probable, but for which the amount or the date of occurrence could not be determined at the end of the period.
In valuing these provisions, the general principles of prudence and accrual basis were observed, and no general risk provisions without economic justification were established.
Contingent liabilities have been recognized in the financial statements and recorded in provisions as they are considered probable and the amount of the related liability can be reasonably estimated.
This item consists mainly of:

- Provision for agent commissions of €45,664,
- Provision for product returns of €108 thousand, estimated based on future forecasts and historical trends, given that the merchandise is returned by the date of preparation of the draft financial statements and that the returns result in a reduction in revenue for the period,
- Provision for restoration of spaces used for retail activities of €165 thousand,
- Provision for risks amounting to €350 thousand, recorded in accordance with the details provided in the notes to the income statement under "provisions for risks," to which reference is made here.

26. Liabilities for employee benefits

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

In thousands of euros	12/31/2025
Defined benefit obligation 01/01/2025	**2,192**
Service Cost	190
Interest cost	74
Benefits Paid	(323)
Contribution to Funds	
Expected DBO as of December 31, 2025	2,133
Actuarial (Gains)/Losses from Experience	27
Actuarial (gains)/losses due to assumptions	(84)
Defined benefit obligation as of December 31, 2025	**2,076**

The main demographic and economic assumptions used are as follows:

	12/31/2025	12/31/2024
Annual discount rate	3.96%	3.38%
Annual inflation rate	2.00%	2.00%
Annual severance pay increase rate	3.00%	3.00%
Annual wage increase rate	0.50%	0.50%

In particular, the annual discount rate used to determine the present value of the obligation was derived, in accordance with paragraph 83 of IAS 19, from the Iboxx Corporate AA index with a duration of 10+ as of the valuation date. For this purpose, the yield with a duration comparable to that of the group of employees subject to the valuation was selected.
The annual rate of increase in severance pay, as provided for in Article 2120 of the Italian Civil Code, is equal to 75% of inflation plus 1.5 percentage points.
The demographic assumptions used as of December 31, 2025, are set forth below:

Demographic Assumptions	12/31/2025
Death	RG48 mortality tables published by the State General Accounting Office
Disability	INPS tables broken down by age and sex
Retirement	100% upon meeting the AGO requirements as per Decree Law No. 4/2019

The annual rates of turnover and severance pay advances are assumed to be 3.00% and 5.00%, respectively, and are derived based on historical experience.

27. Other non-current liabilities

This item primarily includes the liability for severance pay for directors.

28. Current and non-current lease liabilities

The following table shows the changes in lease liabilities during 2025:

Lease liabilities	
Balance as of 01/01/2025	**10,554,055**
Reclassification to assets held for sale	(268,657
Translation difference	2,348,344
Increases	(417,299)
Decreases	(3,486,620)
Repayments of lease liabilities	614,846
Interest on lease liabilities	**9,344,669**
Value as of December 31, 2025	**10,554,055**

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

29. Current non-financial liabilities

This item is broken down as follows:

Description	December 31, 2025	12/31/2024	Changes
Trade payables	8,297,104	8,814,302	(517,198)
Tax liabilities	2,578,226	719,513	1,858,713
Other current liabilities	2,212,509	2,777,829	(565,320)

Total	13,087,839	11,933,105	1,154,734

This item consists of:

- "Accounts payable" recorded net of trade discounts, while "cash" accounts payable are recognized at the time of payment;
- “Tax liabilities” include only liabilities, net of related prepayments, for certain and determined taxes, since liabilities for taxes that are probable or uncertain in amount or timing, or for deferred taxes, are recorded under the item “Deferred tax liabilities.” The item totals €2.6 million and includes, in particular, withholding taxes deducted from employees and self-employed workers;
- “Other current liabilities” consist primarily of amounts payable to agents for accrued commissions to be settled in the amount of €127,665, accrued liabilities and deferred income of €23,000, payables to employees including accrued amounts and additional monthly payments totaling €1,460,000, which were duly paid during 2026, and advances from customers amounting to €517,000.

No transactions involving an obligation to repay at a future date have been entered into, nor are there any payables to shareholders for loans to be allocated according to maturities and the contractual subordination clause.

30. Financial Liabilities

The following is a breakdown of current and non-current loans and borrowings:

Description	12/31/2025	12/31/2024	Changes
Long-term financial liabilities	5,319,995	6,599,463	(1,279,468)
Short-term financial liabilities	8,361,524	10,289,475	(1,927,951)
Total	**13,681,519**	**16,888,938**	**(3,207,419)**

During 2025, the parent company Monnalisa S.p.A. repaid long-term loans totaling €0.4 million.
It should be noted that on August 6, 2025, Monnalisa S.p.A. signed the Interbank Agreement with all creditor banks (Intesa Sanpaolo S.p.A., Banca Monte dei Paschi di Siena S.p.A., UniCredit S.p.A., and BPER Banca S.p.A.) in execution of the Restructuring and Revitalization Plan, as fully detailed in this document.
The item “long-term financial liabilities” includes amounts due to shareholders for loans of €100 thousand (€920 thousand as of December 31, 2024) following the waiver of €920,000 by the shareholder Jafin Due S.r.l.

31. Assets and liabilities held for sale

As described above, in these consolidated financial statements, the Monnalisa China cash-generating unit has been treated as *a discontinued operation*. Additional information is provided below.
With regard to the presentation of transactions between Continuing and Discontinued Operations, the method chosen resulted in these transactions being presented as if the Discontinued Operations had already been removed from the Group’s scope of consolidation and, therefore, as if the transaction had already taken place as of the balance sheet date.
The following table shows Monnalisa China’s contribution to the Group’s net income and statement of financial position.

(Euro)	12/31/2025	12/31/2024
Revenue from contracts with customers	237,804	993,821
Other income	0	73,959
Revenue	**237,804**	**1,067,779**
Change in finished goods inventory	(707,338)	(814,936)
Costs of raw materials, goods, and supplies	(371)	(83,252)
Costs for services	(28,805)	(260,389)
Personnel expenses	(120,281)	(513,161)
Depreciation, amortization, and impairment losses	(246,097)	(346,740)
Other operating expenses	(154,214)	(11,105)
Operating income	**(1,019,302)**	**(961,804)**
Financial expenses	(275,605)	(22,687)
Financial income	0	168,496
Income before taxes	**(1,294,907)**	**(815,994)**
Income taxes	0	0
Net gain/(loss) on assets held for sale	**(1,294,907)**	**(815,994)**

Balance Sheet

(Euro)	12/31/2025	12/31/2024
ASSETS		
Property, plant, and equipment	0	27,747
Right-of-use assets	0	58,516
Intangible assets with a finite useful life	0	9,662
Other non-current financial assets	3,754	22,149
Deferred tax assets	23,757	25,771
Inventories	173,141	1,118,357
Trade receivables	29,175	46,780
Other current assets	76,482	158,925
Cash and cash equivalents	90,694	90,660
ASSETS HELD FOR SALE	**397,003**	**1,558,567**
LIABILITIES		
Provisions for risks and charges	0	30,000
Deferred tax liabilities	(8,370)	(8,370)
Trade payables	61,964	137,036
Tax liabilities	230	583
Other current liabilities	6,000	17,419
Current lease liabilities	0	37,661
LIABILITIES HELD FOR DISPOSAL	**59,824**	**214,329**
NET ASSETS HELD FOR DISPOSAL	**337,179**	**1,344,238**

Cash Flow Statement for Cash and Cash Equivalents from Discontinued Operations

(Euro)	12/31/2025	12/31/2024
A. Cash flow from operating activities from Discontinued operations	34	215,712
B. Cash flow from investing activities from Discontinued operations	0	0
C. Cash flows from financing activities from Assets held for sale	0	(239,461)
D. Net cash flow for the year from Discontinued operations (A+B+C)	**34**	**(23,749**
E. Cash and cash equivalents at the beginning of the year from discontinued operations	90,660	66,991
F. Cash and cash equivalents at the end of the fiscal year from Discontinued operations	90,694	90,660

32. Other Information

Information regarding the fair value of derivative financial instruments

Derivative financial instruments are used solely for the purpose of hedging financial risks related to changes in exchange rates on commercial transactions denominated in foreign currencies.

The following table shows the *fair value* and information on the extent and nature of each category of derivative financial instruments entered into by the company, broken down by class, taking into account aspects such as the characteristics of the instruments themselves and the purposes for which they are used.

Hedging transactions outstanding as of December 31, 2025, with financial counterparties consist of:

- Interest Rate Cap (1)

Contract ID	23950927
Transaction Date	12/27/2018
Counterparty	Unicredit S.p.A.
Contract maturity	12/31/2026
Notional amount	1,315,789 euros
Bank Reference Rate	6-month Euribor
Customer Reference Rate	6-month Euribor
Cap Rate	1%

As of December 31, 2025, the mark-to-market value of the transaction was €13,236.62.

Information regarding loans intended for a specific transaction

Pursuant to Article 2427(21), it is hereby certified that there are no loans intended for a specific transaction.

Information regarding transactions with related parties

The following table sets forth the amount, the nature of the amount, and any additional information deemed necessary for understanding the financial statements regarding such transactions—whether material or not—concluded at market conditions.

Information regarding individual transactions has been aggregated by nature, except where separate disclosure was deemed necessary to understand the effects of such transactions on the consolidated balance sheet and financial position and on consolidated net income:

Related party	Receivables	Liabilities	Revenues	Expenses
Jafin S.r.l.	26,295	242,378	11,895	150,598
Monnalisa Foundation	164,753		158,961	110,489
Barbara Bertocci		48,600		30,000
Diletta Iacomoni		15,647		260,422
Total	**191,048**	**306,625**	**170,856**	**551,509**

Information regarding agreements not reflected in the balance sheet

There are no agreements in effect not reflected in the balance sheet.

Information regarding compensation payable to the statutory auditor, directors, and statutory auditors

In accordance with the law, the following are disclosed:

- the fees for the period for services rendered by the statutory audit firm for the audit of the parent company in the amount of €49,000, of which €35,800 for the statutory audit of the statutory and consolidated financial statements and €13,200 for the limited review of the interim consolidated financial statements as of June 30, 2025;
- the remuneration due to the directors and members of the Board of Statutory Auditors of the parent company, including remuneration for performing such functions in other companies included in the consolidation:

Position	Annual compensation
Directors	324,402
Board of Statutory Auditors	36,400
Total	**360,802**

Information regarding significant non-recurring and/or atypical events and transactions

It should be noted that during 2025, there were no significant non-recurring events or transactions carried out by the Monnalisa Group.
The Group has not entered into any atypical and/or unusual transactions, or transactions that, by their nature and purpose, could compromise the completeness and accuracy of the financial information provided.

33. SIGNIFICANT EVENTS OCCURRED DURING THE FISCAL YEAR

Consolidation of the licensing agreement with the Aeffe Group: on January 31, 2025, Monnalisa strengthened its partnership with the Aeffe Group, which began in early 2024, further expanding the industrial, production, quality, and stylistic collaboration to include the Alberta Ferretti brand. Following this agreement, in addition to the Philosophy by Lorenzo Serafini Kids line, Monnalisa will, starting with the Spring/Summer 2026 season, produce and distribute the collections of the Alberta Ferretti kids' line, designed by Creative Director Lorenzo Serafini, thereby further expanding its target customer base, the Group's new positioning, and its new market strategy, in line with the vision of the new management.

Signing of the agreement with the banking sector to implement the restructuring and relaunch plan: on August 6, 2025, Monnalisa signed the "Agreement to Implement the Restructuring and Relaunch Plan" with all creditor banks (Intesa Sanpaolo S.p.A., Banca Monte dei Paschi di Siena S.p.A., UniCredit S.p.A., and BPER Banca S.p.A.) the "Agreement for the Implementation of the Restructuring and Revitalization Plan." This Agreement was intended to govern the actions of the aforementioned banks regarding financial measures in support of the Restructuring and Revitalization Plan of MONNALISA S.p.A. and marked a decisive turning point for the Company, constituting a cornerstone of the aforementioned Restructuring and Revitalization Plan and confirming the confidence that the banking sector also places in the Company itself and in the industrial strategy outlined by the new Management.

With the formalization of the aforementioned Agreement, Monnalisa S.p.A.'s Financial Restructuring Plan was officially launched and is currently being fully implemented; With the strengthening of the financial structure resulting from the signing of the Agreement with the banking sector and the consequent implementation of the aforementioned restructuring and relaunch plan, Management's efforts will be focused on resolutely pursuing the Plan's objectives, laying the groundwork for a phase of new growth prospects for Monnalisa S.p.A. in the near future.

Waiver of shareholder loan for the Company's capital strengthening: in December 2025, the shareholder Jafin Due Srl, holding a receivable from the Company amounting to €920,000, irrevocably and unconditionally waived the repayment of said receivable to ensure the Company's capital and financial strengthening.

Financial Statements as of December 31, 2025

Financial Statements

Statutory Income Statement

(Euro)	Notes	12/31/2025	*of which with related parties*	12/31/2024	*of which with related parties*
Revenue from contracts with customers	*5*	28,836,251	*3,043,091*	30,822,318	*3,291,224*
Other income	*6*	780,421	*299,204*	1,090,872	*291,563*
Revenue		**29,616,671**		**31,913,190**	
Change in finished goods inventory	*7*	(2,547,743)		(1,465,981)	
Costs of raw materials, goods, and supplies	*7*	(7,559,405)		(8,625,596)	
Costs for services	*8*	(9,804,595)	*(490,388)*	(11,760,320)	*(483,365)*
Personnel expenses	*9*	(7,512,686)	*(260,422)*	(8,671,287)	*(253,260)*

Depreciation, amortization, and impairment	*10*	(3,194,290)		(5,996,916)	
Other operating expenses		(667,805)		(529,311)	
Provision for risks		(350,000)			
Operating income		**(2,019,853)**		**(5,136,221)**	
Financial expenses	*11*	(762,857)		(7,141,331)	
Financial income	*11*	(452,522)	*44,323*	162,187	*43,143*
Foreign exchange gains (losses)	*11*	(756,499)		334,643	
Income before taxes		**(3,991,732)**		**(11,780,722)**	
Income taxes	*12*	0		(523,000)	
Net income for the year		**(3,991,732)**		**(12,303,721)**	

Statutory Comprehensive Income Statement

(Euro)	**Notes**	**12/31/2025**	**12/31/2024**
Net income for the year		**(3,991,732)**	**(12,303,721)**
Gains (losses) on hedging derivatives	24	(22,900)	(72,969)
Components that may be reclassified to the income statement in subsequent periods, net of taxes		**(22,900)**	**(72,969)**
Gain (loss) from accounting for defined benefit plans for employees	24	43,297	36,665
Components that will not be reclassified to the income statement in subsequent periods, net of taxes		**43,297**	**36,665**
Total other income, net of taxes		**20,396**	**(36,304)**
Total comprehensive income, net of taxes		**(3,971,335)**	**(12,340,025)**

Statutory Balance Sheet and Statement of Financial Position

(Euro)	**Notes**	**12/31/2025**	***of which with related parties***	**12/31/2024**	***of which with related parties***
NON-CURRENT ASSETS					
Property, plant, and equipment	13	12,798,598		13,368,989	
Right-of-use assets	14	5,927,382		6,971,404	
Intangible assets with a finite useful life	15	137,071		234,825	
Investments in subsidiaries	16	7,243,843		7,134,382	
Other non-current financial assets	17	1,005,529	*907,193*	1,198,277	*1,026,041*
Deferred tax assets	12,17	2,318,432		2,318,432	
TOTAL NON-CURRENT ASSETS		**29,430,855**	**907,193**	**31,226,310**	***1,026,041***
CURRENT ASSETS					
Inventories	19	8,510,248		11,239,597	
Trade receivables	20	14,096,560	*9,319,719*	13,391,410	*10,632,300*

Tax receivables	21	116,956		117,242	
Other current assets	22	383,853		535,096	
Other current financial assets	23	2,751,374	*2,738,138*	2,588,348	*2,544,980*
Cash and cash equivalents	24	754,988		518,375	
TOTAL CURRENT ASSETS		**26,613,979**	**12,057,857**	**28,390,069**	***13,177,280***
TOTAL ASSETS		**56,044,834**	**12,965,050**	**59,616,378**	***14,203,321***
NET EQUITY					
Share capital	25	10,000,000		10,000,000	
Reserves	25	14,325,191		25,688,516	
Net income	25	(3,991,732)		(12,303,721)	
TOTAL EQUITY		**20,333,459**	**0**	**23,384,795**	**0**
NON-CURRENT LIABILITIES					
Long-term financial liabilities	26	5,947,654		8,189,560	
Provisions for risks and charges	27	544,295		247,995	
Liabilities for employee benefits	28	2,075,893		2,192,978	
Other non-current liabilities	29	72,804		72,804	
Non-current lease liabilities	30	4,342,597		5,466,987	
Deferred tax liabilities	12	77,596		71,155	
TOTAL NON-CURRENT LIABILITIES		**13,060,838**	**0**	**16,241,479**	***0***
CURRENT LIABILITIES					
Trade payables	31	9,233,464	1,269,946	9,821,776	*1,297,932*
Short-term financial liabilities	26	7,246,807		5,491,959	
Tax liabilities	31	2,488,043		631,722	
Other current liabilities	31	2,122,122	15,647	2,605,803	*8,310*
Current lease liabilities	30	1,560,099		1,438,844	
TOTAL CURRENT LIABILITIES		**22,650,536**	**1,285,593**	**19,990,104**	***1,306,242***
TOTAL LIABILITIES		**35,711,374**	**1,285,593**	**36,231,584**	***1,306,242***
TOTAL EQUITY AND LIABILITIES		**56,044,834**	**1,285,593**	**59,616,378**	***1,306,242***

Statement of Changes in Statutory Equity

(Euro) Note 25	Share Capital	Legal reserve	Revaluation reserves	Reserve for hedging expected cash flows	Other reserves	IAS 19 effect on equity	Retained earnings/(loss)	Net income/(loss) for the year	Total equity
Opening balance as of 01/01/2024	**10,000,000**	**1,143,206**	**3,969,582**	**105,317**	**8,401,506**	**155,698**	**17,049,987**	**(5,100,473)**	**35,724,820**
Allocation of net income							(5,100,473)	5,100,473	**0**
Net income/(loss) for the year								(12,303,721)	**(12,303,721)**
Other comprehensive income/(loss)				(72,969)		36,665			**(36,304)**
Closing balance as of December 31, 2024	**10,000,000**	**1,143,206**	**3,969,582**	**32,348**	**8,401,506**	**192,363**	**11,949,514**	**(12,303,721)**	**23,384,795**

(Euro) Note 25	Share capital	Legal reserve	Revaluation reserves	Reserve for hedging expected cash flows	Other reserves	IAS 19 effect on equity	Retained earnings/(loss)	Net income/(loss) for the year	Total equity
Opening balance as of 01/01/2025	**10,000,000**	**1,143,206**	**3,969,582**	**32,348**	**8,401,506**	**192,363**	**11,949,514**	**(12,303,721)**	**23,384,795**
Allocation of net income							12,303,721	12,303,721	**0**
Net income/(loss) for the year								(3,991,732)	**(3,991,732)**
Waiver of Shareholder Loan					920,000				**920,000**
Other comprehensive income/(loss)				(22,900)		43,297			**20,396**
Closing balance as of December 31, 2025	**10,000,000**	**1,143,206**	**3,969,582**	**9,448**	**9,321,506**	**235,660**	**(354,207)**	**(3,991,732)**	**20,333,459**

Statutory Cash Flow Statement

(Euro)	12/31/2025	*of which with related parties*	12/31/2024	*of which with related parties*
Net income for the period	**(3,991,732)**		**(12,303,721)**	
Adjustments to reconcile net income with cash flows generated (used) by operations:				
Depreciation, amortization, and impairment of tangible and intangible assets, and right-of-use assets	3,024,776		11,840,588	
Income taxes	0		0	
Provision for employee benefit plans	189,736		245,844	
Provisions (reversals) for inventory write-downs	0		79,886	
Losses and provision for bad debts	262,586		317,954	
Losses (Gains) on disposal of tangible and intangible assets	0		0	
Interest expense and interest on lease liabilities	1,315,243		1,536,647	
Interest income	(76,369)		(50,769	
Other non-cash items	92,626		(215,869)	
Change in operating assets and liabilities:				
Inventories	2,729,350		2,146,372	
Trade receivables	(110,751)	(1,409,585)	(702,272)	(1,797,208)
Trade payables	(571,645)	76,355	(169,247)	149,173
Other tax receivables and payables	1,863,048		1,187,511	
Other assets and liabilities	(1,007,605)		885,312	
Payments for employee benefits	(323,166)		(393,960)	
Income taxes paid	0		0	
Interest expense and interest on lease liabilities paid	(956,499)		(1,088,946)	
Interest income received	76,369		50,769	
CASH FLOW GENERATED (USED) BY OPERATING ACTIVITIES	**2,515,967**	**(1,333,229)**	**3,366,099**	**(1,648,035)**
Cash flow from investing activities				
Property, plant, and equipment acquired	(657,810)		(370,323)	
Intangible assets acquired	(11,700)		(15,000)	
Proceeds from the sale of tangible and intangible assets	0		0	
CASH FLOW GENERATED (USED) BY INVESTING ACTIVITIES	**(669,510)**	**0**	**(385,323)**	**0**
Cash flow from financing activities				
Net change in financial receivables	(204,942)	74,310	(255,319)	70,114
Net change in financial liabilities	805,533		(3,206,378)	
Repayment of lease liabilities	(2,210,436)		(2,319,921)	
CASH FLOWS FROM FINANCING ACTIVITIES	**(1,609,845)**	**74,310**	**(5,781,617)**	**70,114**
INCREASE (DECREASE) IN NET CASH AND CASH EQUIVALENTS	**236,612**	**(1,258,920)**	**(2,800,841)**	**(1,577,921)**

NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**518,376**	**3,319,216**
Increase (decrease) in net cash and cash equivalents	236,612	(2,800,841)
NET CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**754,988**	**518,376**

Notes to the financial statements as of December 31, 2025

1. General Information

Monnalisa S.p.A., hereinafter the "Company," is a corporation incorporated and domiciled in Italy, with its registered office in Arezzo, Via Madame Curie No. 7, and organized under the laws of the Italian Republic.
The financial statements for the fiscal year ended December 31, 2025, submitted for your review and approval, show a net loss for the year of €3,991,732.

2. ACCOUNTING PRINCIPLES

2.1 Content and Form of the Financial Statements

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

Statement of Financial Position: distinguishes between current and non-current assets and liabilities, where non-current assets comprise receivables with a realization period exceeding twelve months and include intangible, property, plant, and equipment, and financial assets, as well as deferred tax assets; current assets comprise receivables with a realization period of twelve months or less; non-current liabilities include payables due beyond twelve months, including financial liabilities, provisions for risks and charges, employee benefit liabilities, and deferred tax liabilities; current liabilities include payables due within twelve months, including the current portion of medium- and long-term loans, provisions for risks and charges, and employee benefit liabilities;

Income Statement: It is presented using a classification of costs by nature, a format considered the most representative and reliable way to present the expenses and costs incurred by the Company during the fiscal year. The intermediate result "Operating Income" (defined as the difference between revenues and operating costs) is presented as an essential margin for understanding the Company's ordinary earning capacity, prior to remuneration of third-party investors, the State, and shareholders;

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

Cash Flow Statement: The cash flow statement presents cash flows from operating, investing, and financing activities and is prepared in accordance with IAS 7. Cash flows from operating activities are presented using the indirect method, whereby net income for the year or period is adjusted for the effects of non-cash transactions, any deferrals or accruals of past or future operating receipts or payments, and items of revenue or expense related to cash flows arising from investing or financing activities;

Statement of Changes in Equity: The statement of changes in equity shows the comprehensive income for the period and the effect, for each equity item, of changes in accounting policies and corrections of errors as required by International Accounting Standard No. 8. In addition, the statement presents the balance of retained earnings or losses at the beginning of the period, the movements during the period, and the balance at the end of the period.

The financial statements are presented in euros.

The following is a detailed description of the main accounting policies and principles applied in the preparation of the financial statements. In accordance with IAS 24, the following paragraphs highlight transactions with related parties and their impact, if material, on the statement of financial position, income statement, and cash flow statement.

2 .2 Management's Assessment of the Going Concern Assumption

The Directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriateness of using the going concern assumption, as well as for providing adequate disclosure on this matter. The Directors apply the going concern assumption in the preparation of the consolidated financial statements unless they have determined that conditions exist for the liquidation of the parent company Monnalisa S.p.A. or for the discontinuation of operations, or that there are no realistic alternatives to such choices.

The environment in which the Group operates remains significantly influenced by global macroeconomic and market factors that remain volatile and uncertain; negative external factors that have significantly impacted demand for luxury goods, contributing to the creation of very challenging conditions for the Group, including for the current fiscal year.

In light of all this, Management has implemented its Strategic Revitalization and Restructuring Plan through actions and initiatives aimed at facilitating a turnaround in the company's results and a return to a more balanced economic and financial position within a reasonable timeframe.
The performance for the 2025 fiscal year, in line with expectations, marked a significant break from the past, representing, in fact, the first full year of operations under the new management.

An important year that allowed the company to continue its strategy of creating more flexible and profitable revenue streams through new licensing or production agreements with adult fashion brands, aimed not only at increasing volumes but also at enhancing the Group's profitability, generating new revenue streams and boosting corporate profitability, and through the rationalization of the retail channel, which required optimized management of existing stores, including the closure of those company-owned stores for which no medium- to long-term profitability was identified. All of this is accompanied by a targeted effort to contain and reduce operating costs by cutting overhead expenses through an ad hoc cost-saving plan, without compromising product quality or the business's medium-term prospects, alongside ongoing process efficiency improvements.
This restructuring and relaunch plan is taking shape as a significant break from the past, bringing about major changes in the business model and corporate strategies, as well as targeted operational measures, capable of restoring the Group to a more balanced financial position by fiscal year 2025—a position that had suffered a setback in previous years.

For this reason, as early as October 2024, the Company, facing potential short-term liquidity risks, simultaneously initiated a debt renegotiation with the banking sector, resulting in an agreement already in effect, signed on August 6, 2025, with all creditor banks (Intesa Sanpaolo S.p.A., Banca Monte dei Paschi di Siena S.p.A., UniCredit S.p.A., and BPER Banca S.p.A.), the "Agreement for the Implementation of the Restructuring and Revitalization Plan." This Agreement was intended to govern the actions of the aforementioned banks regarding financial measures in support of Monnalisa's Restructuring and Revitalization Plan and marked a decisive turning point for the Company, constituting a cornerstone of the aforementioned Restructuring and Revitalization Plan and confirming the confidence that the banking sector also places in the Company itself and in the industrial strategy outlined by the new management.

With the formalization of the aforementioned Agreement, Monnalisa S.p.A.'s Financial Plan has been officially launched and is currently being fully implemented; With the strengthening of the financial structure resulting from the signing of the Agreement with the banking sector and the consequent implementation of the aforementioned restructuring and relaunch plan, Management's efforts will be focused on resolutely pursuing the Plan's objectives, which lays the groundwork for a phase of new growth prospects for Monnalisa S.p.A. in the near future.

It should also be noted that the Board of Directors of Monnalisa, at its meeting on February 24, 2026, resolved to propose to the shareholders' meeting that a capital increase of €1 million be carried out, with the exclusion of subscription rights pursuant to Article 2441, fourth paragraph, second sentence, of the Italian Civil Code, as well as Article 7.4 of the current Articles of Association, to be offered in equal shares of 50% each for subscription to the majority shareholder (Jafin Due, which currently holds 74.48% of the Company's share capital) and to a third-party investor. In this regard, please refer to the details provided below in the section "Significant events occurring after the end of the period and expected business outlook."

Furthermore, the Company has prepared a forward-looking monthly cash flow plan covering the twelve months following the date of approval of the financial report as of December 31, 2025. This analysis, based on reasonable assumptions consistent with currently available information, indicates the Company's ability to meet its financial obligations during the period in question without experiencing liquidity pressures that would jeopardize its ability to continue as a going concern. Therefore, there are no factors that could give rise to significant uncertainties regarding the Company's ability to continue its operations in the foreseeable future, also in light of the planned capital increase described below.

These statutory financial statements as of December 31, 2025, have been prepared on a going-concern basis, as the directors, confident in the implementation of the guidelines of the Restructuring and Revitalization Plan and the Financial Measures contained therein, the economic forecasts, and the consequent restoration of profitability within the expected timeframe and in the manner envisaged, believe that there are no doubts regarding the Company's ability to continue operating as a going concern for a period of at least 12 months from the reporting date of December 31, 2025.

2.3 Main accounting principles used in the preparation of the financial statements

The financial statements have been prepared on a historical cost basis, except for derivatives and financial assets held for sale (if any), which are recognized at *fair value*, and on a going concern basis.
The most significant accounting principles adopted in the preparation of the financial statements are set forth in the following sections:

2.3.1 Property, plant, and equipment

Property, plant, and equipment are recognized at historical cost, net of the related accumulated depreciation and accumulated impairment losses, including directly attributable incidental costs
necessary to bring the assets to working condition. The carrying amount of property, plant, and equipment is subsequently adjusted by depreciation calculated on a straight-line basis from the time the asset is available and ready for use, based on the estimated useful life—defined as the estimated period during 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, modernizations, and conversions that increase the value of property, plant, and equipment are capitalized when it is probable that they will increase the future economic benefits expected from the use or sale of the asset.
Expenses incurred for maintenance and repairs are charged directly to the income statement for the period in which they are incurred.
The annual depreciation rates used are as follows:

Category	%
Industrial buildings	3%
Machinery and equipment	12.50%
Cutting machines and automated machinery	17.50%
Office furniture and general office equipment	12%
Electromechanical and electronic office machines	20%
Commercial vehicles	20%
Equipment	25%
Passenger cars	25%
Solar power systems	9%
Improvements to third-party property	The shorter of the asset's useful life and the remaining term of the contract

It should be noted that, in accordance with the provisions of IAS 16, improvements to third-party assets previously recorded under intangible assets have been reclassified to the relevant asset category in the line item under review.
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 there is such an indication and if the carrying amount exceeds the recoverable amount, the assets are written down accordingly, aligning the carrying amount with the recoverable amount or fair value. The fair value of property, plant, and equipment 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 the current market estimate of the cost of capital and the risks specific to the asset. For an asset that does not generate independent cash flows, the fair value is determined in relation to the revenue-generating unit to which the entity belongs. Impairment losses are recognized in the income statement under depreciation, amortization, and impairment charges. Impairment losses are reversed if the reasons that gave rise to them no longer exist.

2.3.2 Intangible Assets

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

Category	%
Software	Five years
Key money	Remaining term of the related lease agreement

Intangible assets with indefinite useful lives are not amortized but are tested annually for impairment, both individually and at the cash-generating unit level. We note that, as of December 31, 2025, there are no intangible assets with indefinite useful lives.
Intangible assets related to costs incurred upon entering into new lease agreements, hereinafter also referred to as "key money" paid for the opening of DOS-managed stores, are treated as lease-related costs associated with a real estate lease agreement and are generally assets with a finite useful life determined by the term of the underlying lease. The Company assesses, at least once a year, whether there is any indication that intangible assets with a finite useful life may have suffered an impairment loss. 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 an individual 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, gross of taxes, by applying 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 charged to the income statement as 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 incidental to 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 Company adopts a single recognition and measurement model for all leases, except for short-term leases and leases of low-value assets, recognizing, as of the lease commencement date, the right-of-use asset representing the right to use the asset underlying the contract and the liabilities related to lease payments. The right-of-use asset is initially measured at cost, comprising the amount of the initial measurement of the lease liability, adjusted for lease payments due and made on or before the commencement date, plus initial direct costs incurred and an estimate of the costs the lessee will incur for the dismantling and removal of the underlying asset or for the restoration of the underlying asset or the site on which it is located, net of lease incentives received. The right-of-use asset is subsequently amortized 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. Furthermore, the right-of-use asset is regularly reduced by any impairment losses and adjusted to reflect any changes arising from subsequent measurements
of the lease liability. The Company measures the lease liability at the present value of lease payments due but not yet paid as of the commencement date, discounting them using the implicit interest rate of
lease or, when the implicit interest rate is not readily determinable, using the incremental borrowing rate ("IBR"). The IBR is determined by identifying each country in which the Company operates as a portfolio of contracts with similar characteristics, and is calculated as the rate of a risk-free instrument in the country where the lease agreement was entered into, plus the average spread paid by the Company to its lenders. Lease payments included in the measurement of the lease liability comprise: fixed payments (including

payments that are substantially fixed); lease payments that depend on an index or rate, initially measured using an index or rate as of the commencement date; amounts expected to be paid as a guarantee on the residual value; and lease payments due during an optional renewal period if the Company has reasonable certainty that it will exercise the renewal option, and penalties for early termination of the lease, unless the Company has reasonable certainty that it will not terminate the lease early. The lease liability is measured at amortized cost using the effective interest method and is remeasured in the event of a change in future lease payments resulting from a change in the index or rate, in the event of a change in the amount the Company expects to pay as a residual value guarantee, or when the Company revises its assessment regarding whether to exercise a purchase, extension, or termination option, or in the event of a revision of lease payments that are substantively fixed. 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 Company reports 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 noted, the Company applies the exemption for the recognition of short-term leases (leases with a term of 12 months or less from the commencement date and that do not contain a purchase option) and for leases relating to low-value assets. Lease payments relating to 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 the related lease payments due as an expense on a straight-line basis over the lease term and includes them in revenue in the income statement given their operating nature.

2.3.4 Investments in Subsidiaries

Investments in subsidiaries are measured at acquisition cost, in accordance with the provisions of IAS 27. If there are indications that the recoverability of the cost has, in whole or in part, been lost, the carrying amount is reduced to the recoverable amount, in accordance with IAS 36. When, subsequently, such impairment ceases to exist or is reduced, the carrying amount is increased up to the new estimate of the recoverable amount, which may not exceed the original cost.

2.3.5 Inventories

Inventories of raw materials, work-in-progress, and finished goods are valued at the lower of production or purchase cost and net realizable value, which is the amount the company expects to receive 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 incidental expenses reasonably attributable to the product, excluding financial expenses and general, administrative, and selling expenses.
The Company's valuation criterion for inventories of finished goods, work-in-progress, and raw materials is weighted average cost.
The values determined in this manner were verified to ensure they did not exceed market values, and corresponding adjustments were made where necessary.
Inventories that are obsolete and/or have slow turnover are written down based on their likelihood of use or realization.
The allowance for impairment of raw materials and finished goods is calculated to bring the cost in line with the net realizable value based on estimates that take into account the age of the production season and the

possibility of using the raw material in production and selling the finished goods through various distribution channels (outlets and stock).

2.3.6 Derivative Financial Instruments

The Company uses derivative financial instruments solely to (i) hedge financial risks related to changes in exchange rates on commercial transactions denominated in foreign currencies and (ii) hedge interest rate risk in the case of medium- and long-term loans.
They have been accounted for in accordance with the rules established for hedge accounting because:

- at the inception of the hedge, there is a formal designation and documentation of the hedging relationship;
- the hedge is expected to be highly effective;
- effectiveness can be reliably measured;
- the hedge is highly effective over the various accounting periods for which it is designated.

These derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value.
As permitted by IFRS 9 paragraph 7.2.21, the Company has opted to apply IAS 39 with respect to hedge accounting. Consistent with the provisions of IAS 39 § 88 and as adopted by IFRS 9 § 6.4.1, when derivative instruments meet the criteria 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 fair value of a balance sheet asset or liability that may affect the income statement, the change in the fair value of the hedging derivative is recognized in the income statement, and the change in the fair value of the hedged item attributable to the hedged risk is recognized 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 the variability of cash flows of a balance sheet asset or liability or a highly probable forecast transaction that could affect the income statement, the portion
effective portion of the gains or losses on the financial instrument is recognized in equity and presented in the statement of comprehensive income; the cumulative gain or loss is removed from equity and recognized in the income statement in the same period in which the hedged transaction is recognized; the gain or loss associated with a hedge, or with that portion of the hedge that has become ineffective, is recognized in the income statement when the ineffectiveness is identified. If the conditions for hedge accounting are not met, the effects arising from the fair value measurement of the derivative financial instrument are recognized directly 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 provision of funds, 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 for non-trade receivables. Current and non-current financial receivables, other current and non-current receivables, and trade receivables—with the exception of 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, whether non-interest-bearing or bearing interest below market rates, are discounted using market rates. The financial assets listed above are measured based on the impairment model introduced by IFRS 9, i.e., by adopting an expected loss approach, replacing the IAS

39 framework, which is typically based on the measurement of observed losses (Incurred Loss). For trade receivables, the Company adopts a simplified valuation approach (the so-called Simplified Approach) that does not require the recognition of periodic changes in credit risk, but rather the recognition of an Expected Credit Loss (“ECL”) calculated over the entire life of the receivable (the so-called lifetime ECL). Specifically, the Company’s policy involves classifying trade receivables based on days past due and an assessment of the counterparty’s creditworthiness, applying different impairment rates that reflect the corresponding recovery expectations. The Company then performs an analytical assessment based on the debtor’s creditworthiness and ability to pay the amounts due for impaired receivables. The value of receivables is reported in the statement of financial position net of the related allowance for doubtful accounts. Write-downs made in accordance with IFRS 9 are recognized in the consolidated income statement net of any positive effects related to reversals or write-backs.

2.3.8 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank deposits, and shares in highly liquid funds that can be readily converted into cash and are subject to an insignificant risk of changes in value. Bank overdrafts are classified as financial liabilities in the Company’s statement of financial position.

2.3.9 Treasury shares

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

2.3.10 Trade payables, financial liabilities, and other current and non-current liabilities

Trade payables and other payables arising from the purchase of cash, goods, or services from a third-party supplier are classified as current liabilities, except when the maturity exceeds twelve months from the balance sheet date with respect to non-trade payables. Current and non-current financial liabilities, other current and non-current liabilities, and trade payables are initially recognized in the financial statements at fair value, which is normally represented by the cost of the transaction giving rise to them, including transaction-related costs. Subsequently, with the exception of derivative financial instruments, all financial liabilities are carried at amortized cost using the effective interest method. Financial liabilities hedged by derivative instruments are measured in accordance with the rules established for hedge accounting.

2.3.11 Employee Benefit Liabilities

The Company’s net obligation arising from defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in exchange for services rendered in the current and prior periods; this benefit is discounted to calculate the present value.
Actuarial gains and losses are recognized directly in comprehensive income, as required by IAS 19. In Italy, effective January 1, 2007, the 2007 Finance Law and its implementing decrees introduced significant changes to the rules governing severance pay (TFR), resulting in the mandatory allocation of TFR to supplementary pension schemes or to the Treasury Fund managed by INPS, which, as of that date, in accordance with IAS 19, the nature of “defined contribution plans,” while the amounts recorded up to December 31, 2006, in the

TFR Fund retain the nature of “defined benefit plans.” The actuarial valuation of the liability was entrusted to independent actuaries.

2.3.12 Provisions for risks and charges

Provisions for risks and charges are recognized when, at the reporting date, there is a legal or constructive obligation arising from a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount of such outflow can be estimated. If the effect is material, provisions are determined by discounting expected future cash flows at a rate that reflects the market’s current assessment of the time value of money and, if applicable, the specific risk associated with 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 relates to property, plant, and equipment, the provision is recognized as a contra entry to the asset to which it relates, and the expense is recognized in the income statement through the depreciation process of the property, plant, and equipment 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 contracts with its customers and the related performance obligations to be satisfied (transfer of goods and/or services), determining the consideration to which it believes it is entitled in exchange for the satisfaction of each such performance obligation, and assessing the manner of satisfying such performance obligations (fulfillment generally occurs at a specific point in time). Wholesale channel sales are recognized upon transfer of ownership, along with its risks and benefits, which normally occurs upon delivery or shipment. The provision for returns and discounts is estimated based on future forecasts, taking into account historical trends, and is accounted for as a variable component of the contract consideration, with a corresponding liability for returns recognized. Retail channel sales are recognized on the date of direct transfer of the goods to the end customer. Royalty revenue is recognized on an accrual basis based on the terms and amounts specified in the license agreement, generally based on sales volumes.
Upon receipt of an advance payment from a customer, the Company records the amount of the advance payment under “Other current liabilities” for the obligation to transfer goods in the future and eliminates this liability by recognizing revenue when it transfers such goods.

2.3.14 Government Grants

Government grants are recognized when there is reasonable assurance that they will be received and that all conditions related to them have been met. Grants related to cost components are recognized as revenue but are systematically allocated over the fiscal years so as to be commensurate with the recognition of the costs they are intended to offset. A grant related to an asset is recognized as revenue on a straight-line basis over the expected useful life of the related asset.

2.3.15 Recognition of costs

Costs, unless governed by a specific standard, are recognized when they relate to goods and services sold or consumed during the fiscal year or on a systematic basis when their future benefits cannot be identified.
The economic recognition of costs for the purchase of goods is determined with reference to the moment of transfer of ownership of the goods. Costs for services are recognized upon 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 sufficiently long period before it is available for use are capitalized as part of the asset's cost. All other financial expenses are recognized as expenses in the period in which 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

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

Current taxes

Current 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 calculate the amount are
those enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates its taxable income. Current taxes relating to items recognized directly in equity or in the statement of comprehensive income are also recognized directly in equity or in the statement of comprehensive income.
The Company calculates income taxes for the fiscal year using the tax rate applicable to total annual income.

Deferred taxes

Deferred taxes are calculated based on the temporary differences as of the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which such assets are realized or such liabilities are settled, taking into account rates that are in effect and those that have been enacted or substantively enacted as of the balance sheet date.
In making initial recognition determinations, management considers the existence of positive and negative factors in estimating the likelihood 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 future taxable income will be available to allow for the full or partial utilization of such a credit.
Unrecognized deferred tax assets are reviewed at each balance sheet date and are recognized to the extent that it becomes probable that taxable income will be sufficient to allow for the recovery of such deferred tax assets.
Deferred taxes relating to items recognized outside the income statement are also recognized outside the income statement and, therefore, in equity or in comprehensive income, consistent with the item to which they relate.
The Company offsets deferred tax assets and deferred tax liabilities if and only if there is a legal right to offset current tax assets and current tax liabilities, and the deferred tax assets and liabilities relate to income taxes due to the same tax authority by the same taxpayer or by different taxpayers who intend to settle the current

tax assets and liabilities on a net basis or realize theasset and settle the liability simultaneously, with respect to each future period in which the deferred tax assets and liabilities 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, with the following exceptions:

- tax levied on the purchase of goods or services is non-deductible; in such cases, it is recognized as part of the purchase cost of the asset or part of the cost recognized in the income statement,
- trade receivables and payables include the applicable indirect tax.

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

2.3.18 Earnings per Share

Basic earnings per share are calculated by dividing the profit for the year attributable to the Company's common shareholders by the weighted average number of common shares outstanding during the year. For the purpose of calculating diluted earnings per share, the weighted average number of shares outstanding is adjusted to assume the conversion of all potential shares with a dilutive effect.

2.3.19 Fair Value

IFRS 13 serves as a single source of guidance for fair value measurement and related disclosures when such measurement is required or permitted by other accounting standards. Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an arm's-length transaction between market participants as of the measurement date. The fair value of an asset or liability is measured using the assumptions that market participants would use in pricing the asset or liability, assuming that such participants act to best serve their own economic interests. 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 who would use it in its highest and best use.
IFRS 13 establishes a hierarchy that classifies the inputs of the valuation techniques used to measure fair value into levels. The levels, presented in hierarchical order, are as follows:
- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities to which the entity has access to as of the measurement date;
- Level 2: inputs other than quoted prices included in Level 1, observable directly or indirectly for the asset or liability;
- Level 3: valuation techniques for which the input data are not observable for the asset or liability.

At each fiscal year-end, the Company's Finance Department analyzes changes in the values of assets and liabilities that require revaluation or restatement in accordance with the Company's accounting principles.

2.3.20 Segment Reporting

With reference to the provisions of IFRS 8 "Operating Segments," it should be noted that the Company, as currently constituted, due to the homogeneity of the products and services offered and the similarity in the

type
and class of customers, operates in a single operating segment identified with the design, production, and distribution of high-end children's wear for ages 0–16 under the brand of the same name, through multiple distribution channels.

2.3.21 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 subject to impairment testing in cases where there are indicators of impairment (events or changes in circumstances indicating that the carrying amount cannot be recovered) requiring an immediate assessment of potential impairment losses, or where events have occurred that otherwise require the procedure to be repeated. An impairment loss exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (hereinafter also "VIU"). The calculation of fair value less costs to sell is based on data available from sales transactions between independent and autonomous parties of similar assets or observable market prices, net of the major costs associated with the disposal of the asset. Value in use is calculated using discounted cash flows at a pre-tax discount rate that reflects the current market estimate 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 the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs, considering the individual geographic areas in which the Group operates as cash-generating units ("CGUs"), which generally coincide with the Group's individual legal entities. Cash flows are derived from estimates prepared by management, which represent the best estimate of the economic conditions expected during the planning period. The plan's projections cover a three-year period. Cash flows do not include restructuring activities for which the Company does not already have a present obligation, nor significant future investments that will increase the return on the assets comprising the cash-generating unit under evaluation. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model, as well as on 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, when circumstances suggest that the carrying amount may be impaired.

2.4 Changes to International Financial Reporting Standards

The Company has not early adopted any standard, interpretation, or improvement that has been issued but is not yet effective.
Recently published accounting standards and interpretations are listed below; these have not had any effect on the Company's financial statements.

Lack of exchangeability – Amendments to IAS 21

The amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specify how an entity should assess whether a currency is convertible and how it must determine the spot exchange rate when convertibility is absent. The amendments also require the disclosure of information that enables financial

statement users to understand how the currency that is not convertible into another currency affects, or is expected to affect, the entity's results of operations, financial position, and cash flows.
These amendments did not have a significant impact on the Company's financial statements.

Standards issued but not yet effective

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

IFRS 18 Presentation and Disclosure in Financial Statements
In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for the presentation of the income statement, including specific totals and subtotals. Furthermore, entities must classify all costs and revenues in the income statement into four categories: operating, investing, financing, income taxes, and discontinued operations, with the first three categories being new.

The standard also requires disclosure based on the new definition of management-defined performance measures (MPMs), subtotals of costs and revenues, and includes new provisions for the aggregation and disaggregation of financial information based on the identified roles of the "primary" financial statements (PFS) and the notes.
In addition, amendments have been introduced to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operating activities using the indirect method—from profit or loss to operating profit or loss—and removing the option to classify cash flows from dividends and interest. Furthermore, consequential amendments have been made to numerous other accounting standards. IFRS 18, and the amendments to the other standards, are effective for fiscal years beginning on or after January 1, 2027, but early adoption is permitted provided that disclosure is made. IFRS 18 will be applied retrospectively.

The Company is currently working to identify the impacts that the amendments will have on its financial statements and notes to the financial statements. The preliminary assessments of the main expected impacts on the Company's financial statements are as follows:

- Rental income, changes in fair value related to investment property, and the share of profit from an investee and a joint venture will be classified in the "investment" category within the income statement.
- Foreign exchange differences will be classified within the category in which the related income and expenses that gave rise to the foreign exchange difference were classified.
- New disclosures will be introduced regarding: (a) "management-defined performance measures"; (b) costs by nature, provided that costs are presented by destination within the "operating" category in the statement of profit or loss; and
(c) a reconciliation, for each item in the income statement, between the amounts restated in accordance with IFRS 18 and those previously presented in accordance with IAS 1. Interest income and interest expense will be classified, respectively, under investing activities and financing activities in the statement of cash flows.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to opt for a reduction in their disclosure requirements while continuing to apply the recognition, measurement, and presentation provisions in other IFRS accounting standards. To be eligible, at the end of the financial year, an entity must be a subsidiary as defined in IFRS 19, must not have "public accountability," and must have a parent entity (ultimate or intermediate) that prepares consolidated financial statements, available to the public, in accordance with IFRS accounting standards. IFRS 19 will become effective for fiscal years beginning on or after January 1, 2027, with the option of early adoption. As the Company's shares are publicly listed, it is not eligible for the application of IFRS 19.

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7, titled Amendments to the Classification and Measurement of Financial Instruments (the "Amendments"). The Amendments include:

- a clarification that a financial liability is derecognized on the "settlement date" and the introduction of an accounting policy choice (if specific conditions are met) to derecognize financial liabilities settled through electronic payment systems prior to the settlement date;
- additional guidance on how to assess contractual cash flows for financial assets with environmental, social, and governance (ESG) or similar characteristics;
- clarifications regarding the characteristics of a "non-recourse" feature and the characteristics of contractually linked instruments;
- the introduction of disclosure requirements for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

The Amendments are effective for annual periods beginning on or after January 1, 2026, with early adoption permitted only for the classification of financial assets and related disclosures.

The Company does not expect the amendments to have a significant effect on its financial statements.

Annual Improvements to IFRS Accounting Standards - Volume 11

In July 2024, the IASB issued nine amendments of limited scope as part of the periodic maintenance of IFRS. The amendments include clarifications, simplifications, corrections, or changes aimed at improving consistency in the following standards: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosures and the related Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, and IAS 7 Statement of Cash Flows.

The amendments will be effective for fiscal years beginning on or after January 1, 2026. Early adoption is permitted, and appropriate disclosure must be provided.

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

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

In December 2024, the IASB issued amendments to IFRS 9 and IFRS 7, Contracts Referencing Nature-dependent Electricity. The amendments apply exclusively to contracts that reference this type of electricity and:

- clarify the application of own-use requirements for contracts within the scope of application;
- modify the requirements for designating a hedged item in a cash flow hedge relationship for the contracts in question;
- introduce new disclosure requirements to enable investors to understand the effects of such contracts on a company's financial performance and cash flows.

The amendments are effective for fiscal years beginning on or after January 1, 2026. Early adoption is permitted, but adequate disclosure must be provided.

The amendments relating to the own-use exception must be applied retrospectively, while those relating to hedge accounting must be applied prospectively to new designated hedging relationships from the date of initial application. Furthermore, the disclosure amendments under IFRS 7 must be implemented in conjunction with the amendments to IFRS 9. If an entity does not restate comparative information, it may not present comparative disclosures.

The Company does not expect these amendments to have a significant impact on its financial statements.

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

The preparation of financial statements requires management to apply accounting principles and methods that, in certain circumstances, are based on difficult and subjective judgments and estimates based on historical experience and assumptions that are considered reasonable and realistic in light of the relevant circumstances. The application of such estimates and assumptions affects the amounts reported in the financial statements, such as the balance sheet, income statement, and cash flow statement, as well as the disclosures 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 inherent in the assumptions and conditions on which the estimates are based.
The following is a brief description of the most significant accounting principles that require greater judgment on the part of management in preparing estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the restated aggregate financial data.

Estimates:

1. Depreciation and amortization of tangible and intangible assets: The cost of tangible and intangible assets is depreciated or amortized 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 acquisition and is based on historical experience with similar assets, market conditions, and

expectations regarding future events that could have an impact, including changes in technology. The actual economic life, therefore, may differ from the estimated useful life. The Company annually assesses technological and industry changes, any changes in contractual terms and applicable regulations related to the use of tangible and intangible assets, and the recoverable amount to update the remaining useful life. The results of these analyses may alter the amortization period and, consequently, the amortization expense charged to the current and future fiscal years.

2. Valuation of receivables: trade receivables are adjusted by the related allowance for doubtful accounts to reflect their actual recoverable value. Determining the amount of write-downs requires management to exercise subjective judgments based on available documentation and information regarding the customer's creditworthiness, as well as on experience and historical trends.

3. Provisions for risks: determining whether a current obligation (legal or constructive) exists is, in some circumstances, not easily ascertainable. The directors assess such situations on a case-by-case basis, together with an estimate of the amount of economic resources required to fulfill the obligation. When the directors believe that the occurrence of a liability is merely possible, the risks are disclosed in the specific section on commitments and risks, without giving rise to any provision.

4. Recovery of deferred taxes: these are recognized to the extent that it is probable that adequate 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 income;

5. Employee benefits: the values of which are determined based on actuarial estimates; for the main actuarial assumptions, please refer to the details provided below in this document;

6. Determination of the discount rate for leases: since most of the lease agreements entered into by the Company do not include an implicit interest rate, the Company has calculated an Incremental *Borrowing* Rate (*IBR*). To determine the IBR to be used for discounting future lease payments, the Company has identified the rates applied to long-term debt financing agreements of similar duration;

7. Provisions for inventory obsolescence and estimate of net realizable value: the Company estimates the future usability of these products and materials by calculating specific turnover ratios and/or historical sales data, taking into account the age of the collections, to each of which a specific inventory write-down rate is applied;

8. Estimation of returns: the provision reflects management's expectations regarding future merchandise returns and the related liability for returns;

9. Valuation of derivative financial instruments: the fair value of unlisted financial assets, such as derivative financial instruments, is determined using commonly applied financial valuation techniques that require underlying assumptions and estimates. These assumptions may not materialize in the manner or timeframe anticipated. Therefore, estimates of these derivative instruments may differ from actual results;

10. Impairment of Property, Plant, and Equipment ( ), Right-of-Use Assets, and Intangible Assets with a finite useful life : Property, Plant and equipment, right-of-use assets, and intangible assets with finite useful lives are tested for impairment whenever there are indicators of impairment (events

or changes in circumstances indicating that the carrying amount may not be recoverable) that require an immediate assessment of potential impairment losses, or whenever events have occurred that otherwise require the procedure to be repeated. An impairment loss exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of fair value less costs to sell is based on data available from sales transactions between independent third parties of similar assets or observable market prices, net of the major costs associated with the disposal of the asset. Value in use is calculated using discounted cash flow models, applying a pre-tax discount rate that reflects the current market estimate of the time value of money and the risks specific to the asset. Cash flows are derived from estimates prepared by management, which represent the Company's best estimate of the economic conditions expected during the planning period;

11. Impairment of Equity Investments: Equity investments are tested for impairment whenever there are indicators of impairment (events or changes in circumstances that suggest the carrying amount may not be recoverable) that require an immediate assessment of potential impairment losses, or whenever events have occurred that otherwise require the procedure to be repeated. An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of fair value less costs to sell is based on data available from sales transactions between independent parties of similar assets or observable market prices, net of the major costs associated with the disposal of the asset. Value in use is calculated using discounted cash flow models with a pre-tax discount rate that reflects the current market estimate of the time value of money and the risks specific to the asset. With regard to equity investments, the impairment test is conducted by treating the individual geographic areas in which the subsidiaries operate as cash-generating units ("CGUs"). Cash flows are derived from estimates prepared by management, which represent the Company's best estimate of the economic conditions expected during the planning period.

Discretionary assesment:

(i) Lease term: determining the term of lease contracts is a highly significant issue, as the form, legislation, and commercial practices regarding lease agreements vary significantly from one jurisdiction to another, and assessing the effects of renewal options at the end of the non-cancellable term on the estimated lease term involves the use of assumptions. The IFRS Interpretation Committee has clarified that, for the purpose of identifying the lease term, a lessee must consider the contractual point in time at which both parties involved may exercise their right to terminate the contract without incurring penalties that are not immaterial; the concept of a penalty should not be interpreted in a purely contractual sense but must be viewed by considering all economic aspects of the contract. The Company has taken these conclusions into account in determining the term of lease agreements; in defining the lease term, it has also considered the presence of renewal and cancellation options and has assessed whether there are significant economic disincentives to rejecting a renewal request.

<u>Assessment of the impacts of climate change:</u>

In line with the priorities defined by the European Securities and Markets Authority (ESMA) for the 2023 reporting year, the Company has identified various types of risk, including potential environmental risk factors, and monitors the ongoing evolution of the national and international regulatory framework.

The main transition risks identified by the Company are linked to the possible introduction of new environmental rules and regulations, expectations regarding the use of low-impact energy sources, and the uncertainty of market signals with potential unexpected fluctuations in energy prices; Additional risk factors identified may include a failure to adapt product innovation in line with the technological advancements necessary to mitigate climate change-related phenomena, shifts in product demand that are increasingly focused on environmental issues—which would require an adjustment of supply—and reputational risks.

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

COMMENTS ON THE MAIN ITEMS OF THE INCOME STATEMENT

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

5. Revenue from Contracts with Customers

Revenues as of December 31, 2025, amounted to €28,836 thousand, compared to €30,822 thousand as of December 31, 2024, representing a decrease of 6%. The following table shows their breakdown by channel and geographic area:

December 31 at current exchange rates						
In thousands of €	**2025**	**% Change**	**2024**	**% change**	**Var**	**Change %**
Retail	7,107	25%	8,462	27%	(1,355)	-16%
Wholesale	18,881	65%	19,771	64%	(889)	-4%
Direct B2C	2,849	10%	2,590	8%	259	10%
Total	**28,836**	**100%**	**30,822**	**100%**	**(1,986)**	**-6%**

December 31 at current exchange rates						
In thousands of €	**2025**	**% change**	**2024**	**% change**	**Var**	**Change %**
Italy	11,766	41%	12,929	42%	(1,162)	-9%
Europe	7,815	27%	8,558	28%	(743)	-9%
Rest of the World	9,255	32%	9,335	30%	(80)	-1%
Total	**28,836**	**100%**	**30,822**	**100%**	**(1,986)**	**-6%**

For a detailed breakdown of revenue trends recorded during the period, please refer to the information provided earlier in the interim management report.
The Company presents revenue breakdown disclosures using a qualitative and quantitative approach. Revenue recognition for the sale of goods, whether through the retail or wholesale channel, occurs when control of the goods has been transferred to the customer, generally upon delivery.

6. Other Income

The “Other income” item is detailed below:

Account	12/31/2025	12/31/2024	Change
Store Capex Contribution	0	60,000	(60,000)
Extraordinary income	157,282	246,180	(88,898)
Insurance claims	2,445	39,871	(37,426)
Reimbursement of costs to subsidiaries	285,479	291,563	(6,084)
Photovoltaic system grants	49,898	58,892	(8,995)
Operating account contribution	29,207	24,703	4,504
Royalty revenue	1,388	53,094	(51,706)
Revenue from rental income	12,576	12,550	26
Other income	242,145	304,019	(61,873)
Total	**780,421**	**1,090,872**	**(310,452)**

As of December 31, 2025, the item “Other income,” detailed above, primarily includes:

- subsidies for the photovoltaic system amounting to €49,898,
- charges to Group companies for services provided centrally by the headquarters amounting to €285,479,
- operating grants of €29,207,
- unforeseen income of €157,282.

7. Cost of Goods Sold and Operating Expenses

Operating costs as of December 31, 2025, amounted to €31.3 million, compared to €37 million as of December 31, 2024, representing a 16% decrease compared to the prior year. The following table shows their breakdown:

Description	12/31/2025	12/31/2024	Changes
Change in finished goods inventory	2,547,743	1,465,981	1,081,762
Costs for raw materials, goods, and supplies	7,559,405	8,625,596	(1,066,191)
Costs for services and use of third-party assets	9,804,595	11,760,320	(1,955,725)
Personnel expenses	7,512,686	8,671,287	(1,158,601)
Depreciation, amortization, and impairment losses	3,194,290	5,996,916	(2,802,626)
Other operating expenses	667,805	529,311	138,494
Total	**31,286,524**	**37,049,411**	**(5,762,887)**

Costs for raw materials, goods, and consumables are closely related to the information provided in the section of the Interim Management Report on revenue trends and are recognized in accordance with the matching principle with revenues for the period.
This item includes the costs necessary for the production of goods related to the company’s ordinary business activities. Costs for the purchase of goods are recognized in the Income Statement upon delivery. As with revenues and income, costs and expenses are recorded net of returns, discounts, rebates, and bonuses.

8. Costs for services

Service costs as of December 31, 2025, amounted to €9.8 million, representing a significant decrease of 17% compared to the prior year, and include costs arising from the procurement of services in the company's ordinary course of business, which are recognized in the income statement upon completion. The decline is directly related to the reduction in revenue and the cost-saving initiatives implemented by management during 2025.
In detail, the following items are primarily included in the item under analysis:

- contract manufacturing costs (sewing, ironing, embroidery, printing, and ancillary processes) of €2.4 million related to the production and manufacture of finished goods,
- costs for technical, industrial, administrative, and commercial consulting totaling €0.98 million,
- transportation costs (on sales and/or purchases) of €2 million,
- advertising and promotional event costs of €1 million
- utility expenses of €290,000,
- ordinary maintenance expenses of €586,000,
- royalty costs of €355,000.

This item also includes certain lease agreements that the Company has in place, which provide for payments based on revenue volumes achieved during the fiscal year (*variable payments*), recognized on an accrual basis and not included in the calculation of the financial liability for leases.

9. Personnel Costs

Employee labor costs incurred during the period amounted to €7.5 million, compared to €8.7 million in the prior-year 2024, representing a 13% decrease as part of the implementation of the turnaround and restructuring plan defined by the new management.
The item under review includes all employee-related expenses, including merit-based increases, promotions, contingency pay, the cost of accrued but unused vacation, and provisions made in accordance with the law and collective bargaining agreements.
The "employee severance pay" account includes, in addition to the amount set aside during the period, the amount accrued and paid to employees hired and terminated during the same period, as well as the amount paid to external pension funds.

10. Depreciation and Impairment

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

Description	12/31/2025	12/31/2024	Changes
Depreciation of tangible fixed assets	1,228,201	1,321,398	(93,196)
Amortization of intangible assets	109,454	237,904	(128,451)
Amortization of right-of-use assets	1,592,049	2,028,315	(436,266)
Other write-downs of property, plant, and equipment	2,000	16,827	(14,827)
Write-down of trade receivables from third parties	262,586	317,954	(55,368)
Write-down of intercompany trade receivables	0	2,074,518	(2,074,518)
Total	**3,194,290**	**5,996,916**	**(2,802,626)**

The depreciation and amortization in question were calculated in accordance with the valuation criteria already set forth in the relevant section of these notes.
Please refer to the comments in paragraphs 13, 14, and 15 for further details on investments for the year.

11. Provision for Contingencies

As of the date of preparation of these financial statements, a dispute with the tax authorities remains pending.
In this regard, it should be noted that in the early months of 2021, the Arezzo Revenue Agency initiated an audit of Monnalisa S.p.A. regarding the use of tax credits arising from research and development activities conducted from 2015 to 2019, thus covering the years 2016 through 2020. As is known, Monnalisa made the investments giving rise to these research and development credits, entrusting the monitoring and certification of such investments to qualified entities recognized by the Tax Administration itself.

Following initial interactions with Agency officials, that audit process remained suspended until April 20, 2023, the date on which a Notice of Assessment (PVC) was served, containing hypothetical findings regarding the legitimacy of the use in question.

Moreover, as previously communicated, the Company, based on well-reasoned legal opinions confirming the groundlessness of the tax authorities' findings and the very belated nature of the proposed adjustments, initiated close dialogue with the relevant Revenue Agency, based on technical briefs and documentary evidence, highlighting that the lack of factual and legal grounds for the alleged offenses cited by the Tax Police had been confirmed by the Public Prosecutor's Office and the Preliminary Investigating Judge of Arezzo upon the conclusion of the investigations initiated by the formal notices issued by the aforementioned Revenue Agency.

Furthermore, reference was made to the Policy Statement of July 1, 2025, issued by the Ministry of Economy and Finance, which explicitly instructed regional offices that *"if the taxpayer obtains a certification pertaining to the aforementioned types of tax credits, issued by qualified entities authorized to sign it, which certifies the technical eligibility of the investments made or to be made, and which pertains to the activity actually carried out, any tax assessment or penalty notice contesting the use of the credit solely on the basis of the investment's eligibility may be deemed null and void, with all the related legal consequences, in accordance with general principles*."

The subsequent dialogue with the offices of the Revenue Agency, despite initial indications of a possible voluntary withdrawal of recovery claims for the years 2016 through 2019 and the proposal to settle the 2020 matter through a settlement, with Monnalisa paying a lump sum of €500,000 in 16 semi-annual installments, did not lead to a positive outcome, partly due to systemic reasons (installment payments are not permitted for the recovery of tax credits), or, above all, because the guidelines from the Regional Directorate would prevent local offices from closing cases involving alleged situations of the use of "non-existent tax credits" without a prior judicial review confirming the nullity due to the expiration of the limitation period referred to in Article 38 bis, Presidential Decree No. 600/1973.

Pending the resolution of the tax matter in question, on November 26, 2025, the company therefore filed five appeals with the competent Tax Court of First Instance in Arezzo against the recovery notices served by the Arezzo Revenue Agency, arguing the overall illegality of the recovery notices in question, with a request for a stay of such notices "without hearing the other party" and/or a concurrent request for the prompt scheduling of the relevant hearing; however, immediately following the Revenue Office's formal appearance in court—which took place on January 19, 2026 —negotiations resumed to settle the total tax claim through conciliation; however, these could not be finalized due to the impending expiration of procedural deadlines and the impossibility of allowing the taxpayer to pay the amounts acknowledged in the settlement agreement in installments, since the case in question involved the "recovery" of tax credits.
Consequently, positive negotiations are currently underway with the Legal Office of the Arezzo Revenue Agency to resolve the legal disputes in question through the out-of-court judicial conciliation procedure, now provided for under Article 48 of the Tax Procedure Code. This prospect, in fact, would not be unwelcome to the Arezzo Revenue Agency itself, which will not pursue the collection of the amounts set forth in the recovery notices in question.

By orders dated March 6, 2026, the President of the First Instance Tax Court of Arezzo suspended, "without hearing the other party," the five recovery notices challenged by the company, postponing to the chamber hearing on March 25 before the Second Section of the same Tax Court, the adversarial proceedings with the Revenue Agency for a "long-term" suspension, in order to allow the parties to resolve the delicate matter referred to the tax judges through "judicial conciliation."

In this regard, based on the confirmation provided by the professionals assisting the company, while reaffirming the absolute correctness of the company's past actions, it is nevertheless considered that this remaining dispute—although it may constitute a potential liability—is neither probable nor quantifiable at this stage beyond the amount set aside in the financial statements.

12. Financial Income and Expenses

The item "Financial income and expenses" as of December 31, 2025, shows a negative balance of €2 million, compared to a negative balance of €6.6 million in the previous fiscal year.

Description	12/31/2025	12/31/2024	Changes
Interest income	108,052	162,187	(54,136)
Bank interest expense	(883,691)	(1,018,382)	134,691
Other interest expense and other	(146,867)	(92,729)	(54,138
Financial expenses for IFRS 16 leases	(284,684)	(374,766)	90,082
Foreign exchange losses	(868,498)	(135,919)	(732,579)
Foreign exchange gains	111,998	470,562	(358,563)
Impairment of equity investments	(8,189)	(3,852,190)	3,844,001
Write-down of intercompany financial receivables	0	(1,803,264)	1,803,264
Total	**(1,971,879)**	**(6,644,501)**	**4,672,622**

The item "interest expense" primarily includes interest on short-term bank loans and on medium- and long-term bank loans.
Interest on lease liabilities amounted to €284 thousand as of December 31, 2025 (€374 thousand as of December 31, 2024).
The net unrealized valuation component attributable to foreign exchange management resulted in a net loss of €757 thousand, compared to a net gain of €335 thousand in the prior year.

13. Income Taxes for the Period

Current taxes

Current taxes were calculated on a taxable base that took into account the tax-related changes provided for by the applicable regulations in the various countries where the companies included in the scope of consolidation operate.
The item is composed as follows:

Taxes	12/31/2025	12/31/2024	Changes
Current taxes	0	0	0
Deferred (prepaid) taxes	0	523,000	(523,000)
Total	**0**	**523,000**	**(523,000)**

Deferred / Prepaid Taxes

Deferred taxes were calculated using the global allocation method, taking into account the cumulative amount of all temporary differences, based on the expected average tax rates in effect at the time such temporary differences reverse. Deferred taxes are reflected in the provision recorded in the tax reserve.

Deferred tax assets have been recognized because there is reasonable certainty that, in the periods in which the deductible temporary differences, against which the deferred tax assets have been recognized, will reverse, there will be taxable income not less than the amount of the differences that will be reversed, particularly with regard to tax losses that can be carried forward indefinitely.
The breakdown of the item is shown below:

Description	Temporary differences	Deferred IRES Taxes	IRAP Prepaid Taxes	Deferred IRES taxes	Deferred IRAP taxes	Total deferred tax assets 2025	Total deferred taxes 2025
Property, plant, and equipment and intangible 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 rate effect	(207,305)			(49,753)		**0**	**(49,753)**
Receivables - IFRS 15	124,456	29,869				**29,869**	**0**
Liabilities under IFRS 2	35,673	8,562	0			**8,562**	**0**
Store restoration fund	70,000	16,800	2,730			**19,530**	**0**
Allowance for customer returns	297,407	71,378	11,599			**82,977**	**0**
Non-deductible severance pay (service cost and interest)	336,212	80,691				**80,691**	**0**
Tax losses	6,406,796	1,537,631				**1,537,631**	
Other	488,684	117,284				**117,284**	**0**
deferred tax assets/liabilities 2025	**9,537,139**	**2,574,335**	**67,814**	**(285,421)**	**(38,296)**	**2,642,148**	**(323,717)**

For information on temporary differences and the related deferred tax assets/liabilities that affected other comprehensive income, please refer to the table below:

Description	Temporary differences	IRES Deferred Tax Assets	IRAP Prepaid Taxes	Deferred IRES taxes	Deferred IRAP taxes	Total deferred tax assets 2022	Total deferred taxes 2022
Severance pay - OCI component	43,297			10,391		**0**	**10,391**
Hedging derivatives - OCI component	22,900			5,496		**0**	**5,496**
Total deferred taxes	**66,197**	**0**	**0**	**15,887**		**0**	**15,887**

As of December 31, 2025, the company assessed the recoverability with reasonable certainty of the aforementioned deferred tax assets recorded by projecting future taxable income based on the economic business plan and estimating the amount of deferred tax assets reasonably recoverable.

NOTES TO THE MAIN ITEMS OF THE BALANCE SHEET (assets, equity, and liabilities)

13. Property, plant, and equipment

The following table shows the changes in the Property, plant, and equipment account for the fiscal year ended December 31, 2025:

Description	12/31/2024	Increases	Decreases	Other changes	Amortization	12/31/2025
Land and buildings	10,675,004	71,926			(324,205)	10,422,725
Plant and equipment	1,095,731	39,893	(44,853)		(384,577)	706,194
Industrial and commercial equipment	1,620	1,557			(1,554)	1,623

Other assets	1,512,325	584,891	(1,756)		(498,059)	1,597,401
Assets under construction and advance payments	0	15,601				15,601
Improvements to third-party property	84,309	28,000	(37,450)		(19,806)	55,053
Total	**13,368,989**	**741,869**	**(84,059)**	**0**	**(1,228,201)**	**12,798,598**

The increases for fiscal year 2025, amounting to €742,000, relate primarily to investments incurred for the relocation of the Serravalle Outlet store and to the capitalization of " Gari archive items" for €370,000 .
Disposals for the period, on the other hand, are primarily related to the closures of company-owned stores that occurred during the current fiscal year.
It is noted that for all assets recorded in this category:

- The directors believe that there are no impairment losses with respect to the value of property, plant, and equipment;
- there are no commitments to purchase other assets;
- there are no capitalized financial expenses.

As of December 31, 2025, an assessment was made of the possible presence of impairment indicators, identified through internal or external sources of information. This analysis was conducted by taking into account the technological, market, economic, and regulatory environment in which the Group operates, observable market values, the obsolescence or physical deterioration of an asset, and the economic performance of the assets and the Group as a whole. Based on the analyses performed and considering the value in use of these assets, no impairment losses were identified in the carrying amounts reported by the Group as of December 31, 2025. Assets acquired under lease agreements are classified in the "Right-of-use assets" section below.

14. Assets held under right-of-use leases

The breakdown of the "Right-of-use assets" line item for the year ended December 31, 2025, is provided below:

Description	12/31/2024	Increases	Decreases	Other movements	Amortization	12/31/2025
Buildings	6,706,608	967,326	(417,298)	(2,000)	(1,516,306)	5,738,330
Vehicles	105,699				(37,845)	67,854
Business equipment	159,100				(37,898)	121,202
Total	**6,971,404**	**967,326**	**(417,298)**	**(2,000)**	**(1,592,049)**	**5,927,382**

The "Buildings" item relates entirely to store lease agreements and only to a minor extent to lease agreements for other spaces.
The main increases recorded in fiscal year 2025 relate to amendments and/or extensions of existing contracts for current retail locations. This item includes the costs of restoring premises leased from third parties under lease agreements falling within the scope of IFRS 16, set aside in provisions for future risks and charges in accordance with the requirements of that standard.

As of December 31, 2025, an assessment was conducted to determine whether there were any indicators of impairment, identified through internal or external sources of information. This analysis was performed by taking into account the technological, market, economic, and regulatory environment in which the Group operates, observable market values, and the economic performance of the assets and the Group as a whole. The analyses conducted did not reveal any impairment losses on the carrying amounts reported by the Group as of December 31, 2025, with respect to the right-of-use assets in question.

15. Intangible Assets with a Definite Useful Life

The following table shows the composition and changes in this item for the year ended December 31, 2025:

Description	12/31/2024	Increases	Decreases	Other changes	Amortization	12/31/2025
Industrial property rights and intellectual property rights	50,773	11,700			(45,100)	17,373
Key money and know-how	184,052				(64,354)	119,698
Total	**234,825**	**11,700**	**0**	**0**	**(109,454)**	**137,071**

The costs recorded are reasonably related to a benefit extending over multiple fiscal years and are amortized systematically in relation to their remaining useful life. At each balance sheet date, the company reviews the carrying amount of its tangible and intangible assets to determine whether there are any indications that these assets have suffered impairment. If such indications exist, the recoverable amount of the asset is estimated to determine the amount of 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 written down to the lower recoverable amount. An impairment loss is recognized in the income statement immediately. When an impairment loss is no longer justified, the carrying amount of the asset—with the exception of goodwill—is increased to the new amount derived from the estimate of its recoverable amount, but not beyond the net carrying amount the asset would have had had the impairment loss not been recognized. The reversal of the impairment loss is recognized in the income statement immediately. The analyses performed did not reveal any permanent impairment of the carrying amounts reported by the Group as of December 31, 2025, with respect to the value of intangible assets.

16. Equity Investments

No investment in equity securities has undergone a change in classification.
There are no restrictions on the availability of any equity investment to the investing company, nor are there any option rights or other privileges. No significant transactions, with the exception of the share increase transactions highlighted above, routine supply transactions, and those related to their financing—all of which took place under normal market conditions—were carried out with investee companies.
The following information is provided regarding equity investments held directly or indirectly by subsidiaries and associates ( ):

Company Name	City (if in Italy) or Country (if abroad)	Share capital in euros	Profit (Loss) in euros	Net equity in euros	Ownership interest in euros	Ownership percentage	Book value
Monnalisa Hong Kong Ltd	HONG KONG	600,000	(447,718)	(2,473,612)	(2,473,612)	100	600,000
Monnalisa China LLC	SHANGHAI, CHINA	6,300,000	(1,288,907)	(3,085,847)	(3,085,847)	100	0
Monnalisa Russia LLC	MOSCOW, RUSSIA	592,679	93,777	136,753	136,739	99.99	592,678
MI Retail USA Inc.	TEXAS USA	1,391,156	(555,485)	(2,925,355)	(2,925,355)	100	3,752,180
Monnalisa Korea Ltd	SEOUL, SOUTH KOREA	81,000	0	11,234	11,234	100	0
Monnalisa Brazil	SÃO PAULO	2,016,691	0	0	0	99	0
Monnalisa Turkey	INSTABUL	1,215,434	(292,329)	(106,118)	(106,118)	100	1,215,434
Monnalisa Japan	TOKYO	8,189	(1,164)	(92,362)	(92,362)	100	0
Monnalisa Taiwan	TAIPEI TAIWAN	202,731	(192,252)	(562,743)	(562,743)	100	202,731
Monnalisa UK Ltd	LONDON UK	235,377	(396,480)	(1,500,871)	(1,500,871)	100	0
Monnalisa Singapore	SINGAPORE	413,376	(234,660)	(541,415)	(541,415)	100	413,376
Monnalisa San Marino S.r.l.	SAN MARINO	25,500	(128,088)	(137,227)	(137,227)	100	467,443

The following changes occurred in this account during the period:

Description	Investments in subsidiaries
Value at the beginning of the fiscal year	**7,134,382**

Increases	117,649
Decreases	
Reversals of impairment	
Write-downs	(8,189)
Value at year-end	**7,243,842**

Changes for the period relate to the following:

- increases of 117,649 related to the waiver granted during 2025 by the shareholder Monnalisa S.p.A.

to payments made to the subsidiary Monnalisa San Marino. This transaction, completed through the Parent Company's waiver of receivables, resulted in a corresponding increase in the subsidiary's equity;

- write-downs for the period of €8,189 relating to the write-down of the investment in the subsidiary

Monnalisa Japan, which was closed during the current fiscal year 2025.

The Company conducted an analysis aimed at identifying the presence of any indicators of impairment and/or permanent loss of value in its subsidiaries. In particular, the recoverability of the residual value of the equity 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 by treating the subsidiary under analysis as a CGU. The valuation approach used to determine the recoverable amount of the CGUs is value in use, estimated based on expected cash flows and their discounting using an appropriate discount rate (Discounted Cash Flow analysis – DCF). Specifically, the estimate of value in use was performed by discounting the operating cash flows of the CGUs at a rate equal to the weighted average cost of capital (WACC).
For the purpose of calculating the residual value, a normalized cash flow extrapolated from the last year of the explicit forecast was considered, to which an annual growth rate ("g") was applied.
The discounted cash flow analysis was prepared using as a starting point the budget for fiscal year 2026, prepared and approved by the Board of Directors, and for the four subsequent forecast years (2027 and 2030), prepared in accordance with management's expectations regarding the performance of the markets in which the investments are positioned.
The main assumptions used to determine the recoverable amount are set forth below:

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

Specifically:

Company	Growth rate g	WACC
Monnalisa Singapore	2%	9.1%
ML Retail USA Inc.	1.6%	9.4%
Monnalisa Taiwan	2.2%	8.2%

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 focused on a new business model involving licensing agreements aimed at increasing production through design and manufacturing, or the production of third-party brands to complement those currently produced under license;
- cost containment, without compromising product quality or the business's medium-term prospects, accompanied by continuous process optimization;

- sustainable growth as a key element for the development process and product differentiation.

In detail:

- As for Monnalisa Singapore, the subsidiary continues to operate as in previous years through a flagship store located in the Marina Bay Sands Mall in Singapore. In the short term, management does not anticipate any substantial changes to the business model; the lease is set to expire in June 2026, but efforts to renew it are already in the final stages. Management has launched initiatives to ensure operational continuity and improve the store's performance, thereby realigning it with its historical potential, through a team overhaul, the launch of a loyalty program and drive-to-store activities, leveraging price repositioning and the high-visibility location, as well as the control and optimization of service costs. At the same time, management is evaluating, starting in 2027, the evolution of the format toward a multi-brand store featuring the Group's brands;

- As for Monnalisa Retail USA Inc., management does not anticipate any substantial changes to the current business model for the coming fiscal year, maintaining the management of the three single-brand stores in the United States. The development strategy emphasizes revenue growth and cost rationalization across the three stores, particularly for the two company-owned stores that recorded weaker performance in the current fiscal year; The outlet trend has been very positive, showing a 16% increase in revenue in 2025 compared to 2024, with a 20% growth trend over the last three years and positive margins contributing to the consolidated results. Looking ahead, starting in 2026, management intends to initiate an evolution of the business model aimed at structurally strengthening revenue streams and increasing the subsidiary's overall margins, in line with the strategy to optimize the scope of operations in the North American market, which is considered strategic for the Group. Specifically, the plan is to reposition the product offering by integrating the current Monnalisa line with a selection of third-party brands for which licenses are already in place, gradually transforming the format from single-brand to multi-brand: this will allow for a broader product range, increased commercial appeal, and improved product turnover. At the same time, management is working to implement a business channel complementary to the retail network, fueled in part by the sale of inventory to U.S. stores, with the aim of increasing volumes and improving margins through greater efficiency in inventory management and the reduction of carrying/obsolescence costs;

- As for Monnalisa Taiwan, starting in 2026, with the closure of the last company-operated store, the subsidiary will transition its business model from company-operated to wholesale, thereby maintaining its presence in the Taiwanese market. This will optimize the cost structure through greater operational efficiency, realigning the business's profitability with the Group's overall objectives. Management also anticipates the gradual disposal of existing inventory through local stockists and partners.

The sensitivity analysis of the aforementioned assumptions (WACC and g) used to determine the recoverable amount, conducted on the CGUs subject to impairment testing, indicated that adverse changes in the underlying assumptions could result in an impairment loss.

In light of the results of the impairment analyses conducted and the present value of the expected future cash flows resulting therefrom, no indicators have emerged that would warrant impairment charges in the current fiscal year.

The subsidiaries are also exposed to the risk that the assumptions and projections underlying the 2025–2029 forecasts may not materialize or may materialize at different times or to a different extent than expected.
The assumptions made for the purpose of determining the value in use of the individual cash-generating units, in support of the asset values, inherently incorporate a degree of uncertainty associated with all

forecasts; therefore, they could in the future lead to adjustments to the carrying amounts depending on whether the assumptions underlying the estimates made by the directors are actually realized.

17. Other non-current financial assets

This item includes:

- financial receivables for security deposits amounting to €90 thousand,
- minority interests as specified below for €8,624 (no changes compared to the year ended December 31, 2024):

Description	Carrying amount	Fair value
CONSORZIO BIMBO ITALIA	1,291	1,291
ARETINO UNIVERSITY POLE	510	510
CONAI	23	23
PRATACC DEVELOPMENT CONSORTIUM	500	500
TOSCANA LOFT CONSORTIUM	1,300	1,300
MADE IN RUSSEL FOUNDATION	5,000	5,000
Total	**8,624**	**8.624**

- interest-bearing loans and financial receivables from subsidiaries amounting to €907,000.

No financial assets are recorded in the financial statements at a value exceeding their *fair value*.

18. Deferred Tax Assets

With regard to the item "deferred tax assets," please refer to the comments provided earlier in the section on the income statement.

In this regard, it should be noted that, in accordance with IAS 12, the Company has assessed the recoverability with reasonable certainty of the aforementioned deferred tax assets recognized by projecting future taxable income based on the economic business plans and estimating the amount of deferred tax assets reasonably recoverable.

The directors did not recognize any additional deferred tax assets during the fiscal year.

19. Inventories

As of December 31, 2025, inventory amounted to €8,510 thousand. The following table shows its composition:

Description	12/31/2025	12/31/2024	Changes
Raw materials, auxiliary materials, and supplies	1,540,348	1,706,052	(165,704)
Work in progress and semi-finished goods	569,324	553,566	15,758
Finished goods and merchandise	6,400,576	8,964,077	(2,563,501)
Advance payments	0	15,902	(15,902)
Total	**8,510,247**	**11,239,597**	**(2,729,350)**

The change in inventories of finished goods and raw materials reflects the estimated expected value, taking into account sales capacity through the usual distribution channels. The allowance for inventory write-downs of finished goods and raw materials reflects management's best estimate based on the breakdown of inventory by year and season, based on past experience and future sales prospects. The inventory allowance amounts to €1.4 million and is substantially in line with the figure as of December 31, 2024.

20. Trade receivables

The breakdown of this item is shown below:

Description	12/31/2025	12/31/2024	Changes
Trade receivables	18,309,430	17,543,055	766,375
Allowance for doubtful accounts	(4,212,870)	(4,151,645)	(61,225)
Total	**14,096,560**	**13,391,410**	**705,150**

Trade receivables consist of €9.2 million in receivables from subsidiaries related to supply agreements between Monnalisa S.p.A. and other companies within the scope of consolidation, and €4.8 million in receivables from third-party customers, primarily attributable to wholesale sales. The increase compared to the prior year is closely related to the higher percentage of wholesale revenue relative to total revenue, compared to what was recorded in 2024e.
The allowance for doubtful accounts was determined by considering the amount of doubtful receivables, analyzing the specific conditions of the Company's customers, any guarantees provided in favor of the Company, and appropriately assessing pending litigation and the prospects for recovering past-due receivables.
The Company also analyzed the average customer default rate and actual credit losses recorded in recent fiscal years to assess the consistency of the results of the analyses conducted on the expected credit loss for each customer with the historical loss rate.
The adjustment of the carrying amount of trade receivables was made through a specific allowance for doubtful accounts, which underwent the following changes during the fiscal year:

Description	Total
Balance as of 12/31/2024	**(4,151,645)**
Use during the year	201,361
Provision for the year	(262,586)
Balance as of December 31, 2025	**(4,212,870)**

21. Tax receivables
The "Tax receivables" item primarily includes receivables for current IRAP taxes amounting to €111 thousand.

22. Other current assets
As of December 31, 2025, the "Other current assets" item amounts to €383,853 and primarily includes prepaid expenses of €162 thousand, receivables from advances to suppliers of €25 thousand, and VAT receivables of €102 thousand.

23. Other current financial assets
This item includes, in the amount of €13,237, the fair value measurement of outstanding derivative contracts entered into by the parent company Monnalisa S.p.A. For further details, please refer to the section "Information on the fair value of derivative financial instruments."
Also included here are financial receivables from subsidiaries totaling €2.7 million, as detailed below:
- ML Retail for €842,000,
- Monnalisa Hong Kong for €970,000,
- Monnalisa Singapore for €125,000,

- Monnalisa Taiwan for €155,000,
- Monnalisa UK for €635,000,
- Monnalisa Bebek Turkey for €10,000.

24. Cash and Cash Equivalents

The balance detailed below represents cash and cash equivalents, as well as cash on hand and marketable securities, as of the balance sheet date of December 31, 2025:

Description	12/31/2025	12/31/2024	Changes
Bank and postal deposits	719,074	471,172	247,902
Cash and cash equivalents	35,914	47,204	(11,290)
Total	**754,988**	**518,375**	**236,612**

The balance represents cash and cash equivalents and the amount of cash and securities on hand as of the end of the fiscal year. Bank and postal deposits and checks are valued at their estimated realizable value, while cash on hand is valued at its face 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 Shareholders' Equity

(Euro) Note 25	Share Capital	Legal reserve	Revaluation reserves	Reserve for hedging expected cash flows	Other reserves	IAS 19 equity effect	Retained earnings (loss)	Net income (loss) for the period	Total equity
Opening balance as of 01/01/2025	**10,000,000**	**1,143,206**	**3,969,582**	**32,348**	**8,401,506**	**192,363**	**11,949,514**	**(12,303,721)**	**23,384,795**
Allocation of net income							(12,303,721)	12,303,721	**0**
Net income/(loss) for the year								(3,991,732)	**(3,991,732)**
Waiver of Shareholder Loan					920,000				**920,000**
Other comprehensive income/(loss)				(22,900)		43,297			**20,396**
Closing balance as of December 31, 2025	**10,000,000**	**1,143,206**	**3,969,582**	**9,448**	**9,321,506**	**235,660**	**(354,207)**	**(3,991,732)**	**20,333,459**

As of the balance sheet date, outstanding shares consist solely of 5,236,300 common shares with a par value of 10,000,000 euros.
The item "Other Reserves" primarily refers to:

- the Parent Company's share premium reserve of €9,063,125 recognized upon the capital increase resulting from the listing process,
- the negative FTA reserve of €1.6 million,
- the Parent Company's negative reserve for treasury shares held in portfolio of €149,915.

The item "IAS 19 equity effect" includes the amounts recognized for valuation differences required by IFRS compared to the Parent Company's local accounting standards and refers to the actuarial valuation of employee benefit plans, determined in accordance with the specifications set forth in Note 28 below.
No convertible bonds have been issued. No stock option plans have been approved.
For changes during the period in the item under review, please refer to the specific table above.
The amounts shown are net of tax effects where applicable.

26. Short- and Long-Term Financial Liabilities

This item, amounting to a total of €13,194 thousand as of December 31, 2025, includes current and non-current bank loans; the amount, therefore, refers to loan liabilities and represents the actual debt for principal, interest, and ancillary charges accrued and due as of December 31, 2025.
The following is a breakdown of current and non-current loans and borrowings:

Description	12/31/2025	12/31/2024	Changes
Long-term financial liabilities	5,947,654	8,189,560	(2,241,906)
Short-term financial liabilities	7,246,807	5,491,959	1,754,848
Total	**13,194,461**	**13,681,519**	**(487,058)**

During 2025, the parent company Monnalisa S.p.A. repaid long-term loans totaling €0.4 million.
It should be noted that on August 6, 2025, Monnalisa S.p.A. signed the Interbank Agreement with all creditor banks (Intesa Sanpaolo S.p.A., Banca Monte dei Paschi di Siena S.p.A., UniCredit S.p.A., and BPER Banca S.p.A.) in execution of the Restructuring and Revitalization Plan, as fully detailed in this document.
The loans and credit lines granted to the parent company are subject to variable interest rates. The cost of debt is determined based on the prevailing market rate (generally Euribor) plus a differentiated spread that depends on the specific type of credit line, in line with best market standards.

The item "long-term financial liabilities" includes amounts due to shareholders for loans of €100 thousand (€920 thousand as of December 31, 2024) following the waiver of €920,000 by the shareholder Jafin Due S.r.l.

27. Provisions for Risks and Charges
The following table shows their composition:

Description	12/31/2025	12/31/2024	Changes
Provisions for retirement benefits and similar obligations	45,564	44,563	1,001
Provision for product returns	108,731	143,432	(34,701)
Other provisions	390,000	60,000	330,000
Total	**544,295**	**247,995**	**296,300**
Of which current portion	*108,731*	*143,432*	
Of which non-current portion	*435,564*	*104,563*	

These provisions are set aside to cover losses or liabilities that are certain or probable, but for which the amount or the date of occurrence could not be determined at the end of the period.
In valuing these provisions, the general principles of prudence and accrual basis were followed, and no general risk provisions without economic justification were established.
Contingent liabilities have been recognized in the financial statements and recorded in provisions as they are considered probable and the amount of the related liability can be reasonably estimated.
This item consists mainly of:

- Provision for agent indemnities of €45,564,
- Provision for product returns of €108 thousand, estimated based on future forecasts and historical trends, given that the goods are returned by the date of preparation of the draft financial statements and that the returns result in a reduction in revenue for the period,
- Provisions for risks related to pending litigation of €350 thousand, for which reference is made to the details provided in Note 11. Provisions for risks;
- Provision for restoration of spaces used for retail activities of €40 thousand.

28. Liabilities for employee benefits
This item includes the liability existing at the end of the period to employees, determined in accordance with

Article 2120 of the Italian Civil Code and any applicable national and supplementary collective agreements. The liability primarily relates to the provision for employee severance pay of the Parent Company Monnalisa S.p.A., adjusted in accordance with IAS 19.
The changes in liabilities for employee benefits are shown below:

In thousands of euros	12/31/2025
Defined benefit obligation 01/01/2025	**2,192**
Service Cost	190
Interest cost	74
Benefits Paid	(323)
Contribution to Funds	
Expected DBO as of December 31, 2025	2,133
Actuarial (Gains)/Losses from Experience	27
Actuarial (gains)/losses due to assumptions	(84)
Defined benefit obligation as of December 31, 2025	**2,076**

The main demographic and economic assumptions used are as follows:

	12/31/2025	12/31/2024
Annual discount rate	3.96%	3.38%
Annual inflation rate	2.00%	2.00%
Annual severance pay increase rate	3.00%	3.00%
Annual wage increase rate	0.50%	0.50%

In particular, the annual discount rate used to determine the present value of the obligation was derived, in accordance with paragraph 83 of IAS 19, from the Iboxx Corporate AA index with a duration of 10+ as of the valuation date. For this purpose, the yield with a duration comparable to that of the group of employees subject to the valuation was selected.
The annual rate of increase in severance pay, as provided for in Article 2120 of the Italian Civil Code, is equal to 75% of inflation plus 1.5 percentage points.
The demographic assumptions used as of December 31, 2025, are set forth below:

Demographic assumptions	December 31, 2025
Death	RG48 mortality tables published by the State General Accounting Office
Disability	INPS tables broken down by age and sex
Retirement	100% upon meeting the AGO requirements as per Decree Law No. 4/2019

The annual rates of turnover and severance pay advances are assumed to be 3.00% and 5.00%, respectively, and are derived based on historical experience.

30. Current and non-current lease liabilities

The following table shows the changes in lease liabilities during the 2024 fiscal year:

Lease liabilities	
Balance as of 01/01/2025	**6,905,831**
Increases	967,326
Decreases	(417,299)
Repayments of lease liabilities	(1,837,846)
Interest on lease liabilities	284,684
Balance as of December 31, 2025	**5,902,696**

The average IBR applied to existing contracts upon initial application of IFRS 16 was 3%; for subsequent contract modifications, the rate was revised in accordance with the standard’s requirements, and an IBR of 6% was applied.

31. Current non-financial liabilities
The item is detailed as follows:

Description	12/31/2025	12/31/2024	Changes
Trade payables	9,233,464	9,821,776	(588,312)
Tax liabilities	2,488,043	631,722	1,856,321
Other current liabilities	2,122,122	2,605,803	(483,681)
Total	**13,843,629**	**13,059,301**	**784,328**

This item consists of:

- "Accounts payable" recorded net of trade discounts, while "cash" accounts payable are recognized at the time of payment;
- "Tax liabilities" include only liabilities, net of related prepayments, for certain and determined taxes, since liabilities for taxes that are probable or uncertain in amount or timing, or for deferred taxes, are recorded under the item "Deferred tax liabilities." This item totals €2.5 million and includes, in particular, withholding taxes deducted from employees and self-employed workers;
- "Other current liabilities" consist primarily of amounts payable to agents for accrued commissions to be settled in the amount of €85 thousand, amounts payable to employees including accruals and additional monthly payments totaling €1.4 million, which were duly paid during 2026, and advances from customers amounting to €449 thousand.

No transactions involving an obligation to repay at a future date have been carried out, nor are there any payables to shareholders for loans to be allocated according to the due dates and the contractual subordination clause.

32. Deferred tax liabilities
With regard to the item "Deferred tax liabilities," please refer to the comments provided earlier in the section on the income statement.
In this regard, it should be noted that, in accordance with IAS 12, the Company has assessed the recoverability with reasonable certainty of the aforementioned 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 regarding the fair value of derivative financial instruments
Derivative financial instruments are used solely for the purpose of hedging financial risks related to changes in exchange rates on commercial transactions denominated in foreign currencies.
The following table shows the *fair value* and information on the extent and nature of each category of derivative financial instruments entered into by the company, broken down by class, taking into account aspects such as the characteristics of the instruments themselves and the purposes for which they are used.
Hedging transactions outstanding as of December 31, 2022, with financial counterparties consist of:

- Interest Rate Cap (1)

Contract ID	23950927
Transaction date	12/27/2018
Counterparty	Unicredit S.p.A.

Contract maturity	12/31/2026
Notional amount	1,315,789 euros
Bank Reference Rate	6-month Euribor
Customer Reference Rate	6-month Euribor
Cap Rate	1%

As of December 31, 2025, the mark-to-market value of the transaction was €13,236.62.

Information regarding loans intended for a specific transaction

Pursuant to Article 2427(21), it is hereby certified that there are no loans intended for a specific transaction.

Information regarding transactions with related parties

The following table shows the amount, the nature of the amount, and any additional information deemed necessary for understanding the financial statements regarding such transactions—whether material or not—concluded at market conditions.

Information regarding individual transactions has been aggregated according to their nature, except where separate disclosure was deemed necessary to understand the effects of such transactions on the statement of financial position and the statutory income statement:

Related party	Receivables	Financial receivables	Liabilities	Revenues	Costs
Jafin S.r.l.	26,295		242,378	11,895	150,598
Monnalisa Foundation	164,753			158,961	110,489
Barbara Bertocci			48,600		30,000
Diletta Iacomoni			15,647		260,422
Monnalisa Hong Kong Ltd	1,733,079	970,000	198,153	105,902	18,467
Monnalisa China LLC				66,033	14,075
Monnalisa Rus LLC	1,356,522			1,529,249	
ML Retail USA Inc	3,176,641	1,749,746	697,086	680,528	114,855
Monnalisa Baby Clothing Industry and Trade Inc.	341,999	10,000	83,729	196,599	26,654
Monnalisa UK Ltd	1,115,532	635,584		319,348	
Monnalisa Taiwan	511,470	155,000			20,988
Monnalisa Japan	0	0		1,072	
Monnalisa Singapore Ltd	557,707	125,000		113,451	4,261
Monnalisa San Marino S.r.l.	335,722			203,581	
Total	**9,319,719**	**3,645,331**	**1,285,593**	**3,386,618**	**750,810**

Information regarding agreements not reflected in the balance sheet

There are no agreements in effect not reflected in the balance sheet.

Information regarding fees payable to the Independent Auditor

In accordance with the law, the fees for the period for services rendered by the Independent Audit Firm and entities belonging to its network to the Group are disclosed as follows:

- the fees for the period for services rendered by the Independent Audit Firm for the audit of the parent company amounting to €49,000, of which €35,800 for the statutory audit of the separate and consolidated financial statements and €13,200 for the limited review of the interim consolidated financial statements as of June 30, 2026.

Information regarding compensation payable to directors and statutory auditors

In accordance with the law, the total compensation payable to the directors and members of the Board of Statutory Auditors
of the parent company, including remuneration for performing such functions in other companies included in the consolidation:

Position	Annual compensation
Directors	324,402
Board of Statutory Auditors	36,400
Total	**360,802**

Management and Coordination Activities

Monnalisa S.p.A. is subject to management and coordination activities, pursuant to Article 2497 et seq. of the Italian Civil Code, by Jafin Due S.r.l., with registered office in Arezzo, Via Madame Curie. In compliance with the provisions of Article 2497-bis, paragraph 4, of the Italian Civil Code, the key financial data from the financial statements as of December 31, 2024, and December 31, 2023, of Jafin Due S.r.l. are presented below:

(In Euros)	**12/31/2024**	**12/31/2023**
A) Receivables from shareholders for payments still due		
B) Fixed assets	7,822,892	6,904,002
C) Current assets	146,241	354,580
D) Prepaid expenses and accrued income	5,615	199
TOTAL ASSETS	**7,974,748**	**7,258,781**
Share capital	810,000	800,000
Reserves	7,070,102	6,463,622
Net income (loss) for the year	6,737	-83,520
Total equity	**7,886,839**	**7,180,102**
B) Provisions for risks and charges		
C) Employee severance pay		
D) Liabilities	87,909	78,679
E) Accrued liabilities and deferred income		
TOTAL LIABILITIES AND NET EQUITY	**7,974,748**	**7,258,781**

Proposal to cover the loss for the fiscal year

The directors propose to the shareholders' meeting to cover the net loss for the year of €3,991,732 by utilizing retained earnings.

The Chairman

Piero Iacomoni