GIGLIO

GROUP S.p.A.

Interim Report at September 30, 2017

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Directors' Report

Interim Report at September 30, 2017

Company Information

Registered office

Giglio Group S.p.A.
Viale Tunisia 38
20122 Milan

Legal Information

Share Capital: subscribed and paid-in Euro 3,208,050
Economic & Admin. Register No. 1028989 Tax No. 07396371002
Milan Company's Registration Office 07396371002
Website www.giglio.org

Corporate Boards

Board of Directors

Alessandro Giglio	Chairman
Anna Lezzi	Director
Giorgio Mosci	Independent Director
Carlo Frigato	Director
Yue Zhao	Director

Board of Statutory Auditors

Raffaele Pontesilli	Chairman
Giuseppe Ritucci	Standing Auditor
Cristian Tundo	Standing Auditor
Vittorio Bonanni	Alternate Auditor
Gianfranco Pallaria	Alternate Auditor

Independent Audit Firm

EY S.p.A.
Audit and accounting services

Registered office and Headquarters

Viale Tunisia 38, Milan

Offices

The offices of the company are as follows:
Registered office – Viale Tunisia, 38 Milan
Operational office – Via dei Volsci 163 Rome
Operational office – Via Brianza 15 San Giuliano Milanese
Operational office – Via Cornelia 498 Rome

1. Introduction

Dear Shareholders,

The first nine months of 2017 for our company saw a further step in the expansion phase with the closing of an important corporate operation which permitted the Group to complete the foundations for the launch of the E-COMMERCE 4.0 project proposed in the IPO on August 7, 2015. With the acquisition of the Evolve Group, a leading e-commerce service provider in the management of websites for prestigious “Made in Italy” fashion groups, the transformation of the Group’s business model concluded and a totally 4.0 group has been launched, in a position to present a unique commercial proposition to the domestic and international e-commerce marketplace.

The Directors’ Report refers to the interim financial statements of the GIGLIO GROUP S.p.A. Group at September 30, 2017, prepared in accordance with IAS/IFRS International Accounting Standards (International Accounting Standards and International Financial Reporting Standards) issued by the International Accounting Standard Board and endorsed by the European Union. The report should be read together with the Financial Statements and the relative Explanatory Notes, which constitute the financial statements for the period January 1 to September 30, 2017.

2. Group activities

Giglio Group is the first e-commerce 4.0 company capable of promoting and distributing luxury “Made in Italy” commercial brands across the globe. The Group can distribute brand products through its network based on solid commercial agreements, usually with the main local and international e-commerce players, among others, progressively reaching major traditional distribution platforms with hundreds of sales points, in Europe, the USA and China.

Listed on the AIM Italia market of Borsa Italiana since August 2015, it operates on 5 continents, in over 60 countries and reaches 150 million people daily through its digital channels.

The Group distributes the excellence of Made in Italy to the leading digital retailers on the major global markets through leveraging its multimedia content.

Our channels are distributed in over 60 countries, 5 continents and in 6 languages and are available 24/7.

The Group has a presence on over 100 platforms globally, of which approx. 80 Pay TV, for a total of over 22 million subscribers.

It can be viewed on Roku, iTunes, Amazon, Sling Tv, Klowd TV and Google Play, among many others.

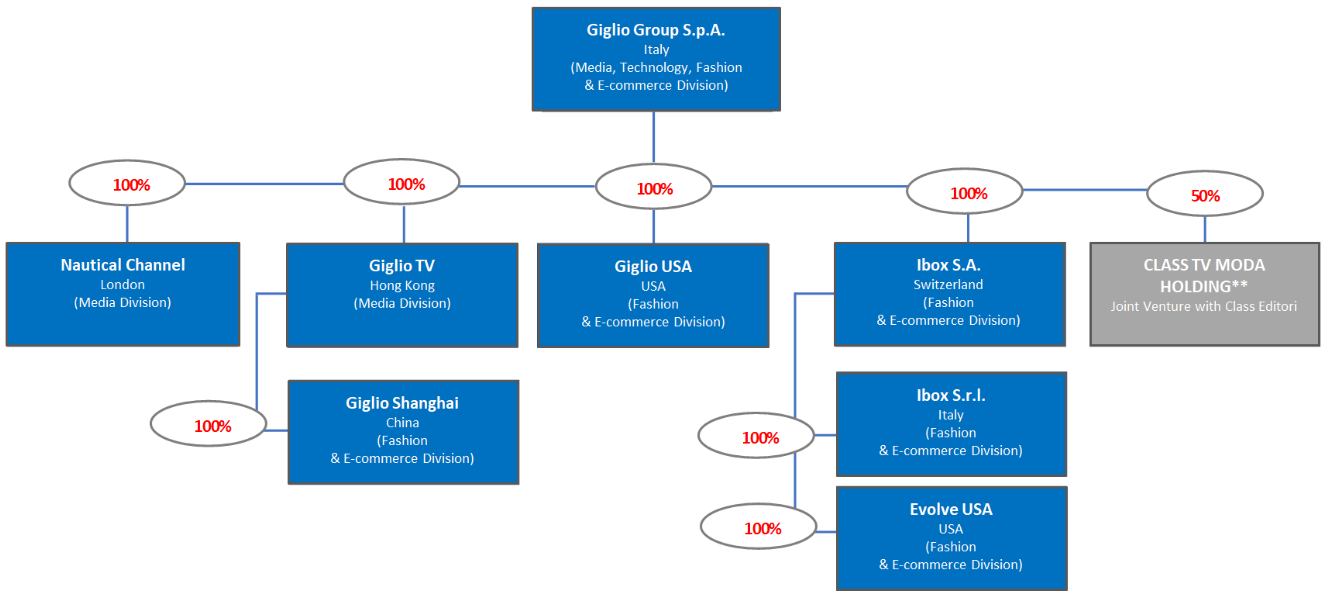
With the Satcom Division, it leads the radio television broadcast sector. Through two teleports, in Milan and Rome, and an advanced telecommunications infrastructure via satellite and fibre optics, in addition to overseeing the global distribution of Giglio Group channels, it offers transmission and signal transport services to the major domestic and international television networks.

With the Fashion division, it is a major Italian B2B distributor, highly specialised in distributing fashion excellence to digital retailers on the major global markets. Through its sales network, it supplies the thirty leading e-players in Europe, the Middle East, Asia, Latin America and the United States. The Giglio Fashion division assists brands in managing their online channel globally, tapping into the array of opportunities offered on the web, also thanks to branches in New York and Shanghai. The circuit comprises 3 logistics bases (Milan, Massachusetts, Shanghai), allowing stock to be moved as needed.

Finally, the digital division - strengthened with the acquisition of the Evolve Group (now iBox SA) - has become a hub for the Giglio Group's range of services, providing complete outsourcing of e-commerce management for the major fashion sector players.

3. Corporate structure

The structure of the Giglio Group at September 30, 2017 is as follows:



4. Operational overview

Key Financial Highlights at September 30, 2017

BALANCE SHEET	30.09.2017	31.12.2016
FIXED ASSETS	29,099,787	20,147,560
Current assets	41,701,847	25,605,220
Current liabilities	44,320,481	24,683,047
NET WORKING CAPITAL	(2,618,633)	922,174
PROVISIONS	955,209	648,743
NET EQUITY	16,713,608	12,785,389

INCOME STATEMENT	9M 2017	9M 2016
Revenues	50,134,141	23,494,663
Operating Costs	42,071,833	16,547,097
ADDED VALUE	**8,062,308**	**6,947,566**
ADDED VALUE%	**16%**	**30%**
Personnel expense	2,031,141	1,047,567
EBITDA[1]	**6,031,167**	**5,899,999**
EBITDA%	**12%**	**26%**

Amortisation, depreciation and write-downs	3,941,276	2,918,903
Non-recurring charges	1,539,185	238,351
EBIT[2]	**550,703**	**2,742,746**
Net financial charges	528,259	304,693
PROFIT BEFORE TAXES	**22,444**	**2,438,007**
Income taxes	(26,818)	897,819
NET PROFIT	**49,262**	**1,601,291**

1) Non-GAAP Indicators: Adjusted EBITDA is determined adding to EBITDA non-recurring charges as detailed in this Directors' Report. EBITDA is determined adding to the operating result amortisation, depreciation and write-downs.
2) Non-GAAP Indicators: EBIT is the operating result reported in the income statement illustrated in the Explanatory Notes.
3) The non-recurring charges in the table are the non-recurring costs described in the paragraph below.

The value of production in 2017 amounted to Euro 50 million, mainly related to the services provided by the satellite transmissions, fashion distribution and e-commerce divisions (the Evolve Group, now Ibox SA, contributed to the results from April 27, the date of acquisition). The net profit for the period was Euro 49 thousand, with a decrease of approx. Euro 1.5 million on the previous year largely attributable to the listing costs and to the residual price to be recognised to the sellers of the current Giglio fashion division, in the form of earn-out, and recorded in the Income Statement as the achievement of the pre-fixed contractual objectives is considered highly probable. The performances of the subsidiaries Nautical Channel and Giglio TV were in line with the previous period.
The operating costs increased in line with revenues and mainly relate to the purchase of products and service costs.
Personnel expense increased Euro 1 million, principally due to the expanded workforce which now has qualified key area figures on board and in compliance with the STAR segments issuers' regulation, while also contributing to business development and sales.
The company is progressively developing the 4.0 business model, as described in further detail below, utilising the internal resources acquired, the consolidated know-how in the marketing and communication sector, with a medium-term technological investment plan capable of driving the direct purchase experience through TV with commercial products.
On August 4, 2017, the company presented an application to Borsa Italiana for trading on the MTA organised and managed by Borsa Italiana, with request for STAR listing.
Simultaneously, the Group filed at Consob the communication as per Articles 94 and 113 of the CFA and Articles 4 and 52 of Consob Regulation No. 11971/1999, with a request to publish the

Prospectus, following approval by the Shareholders' Meeting of April 27, 2017 and the Board of Directors on June 6, 2017 and August 2, 2017.

The company incurred total listing costs of Euro 0.9 million (included in the non-recurring charges).

Also considered non-recurring charges were the costs relating to the acquisition of the Evolve Group, now Ibox SA, completed on April 27, 2017 for Euro 203 thousand; the remaining Earn-out (Euro 236 thousand) which will be recognised to the previous shareholders of the Fashion division in accordance with the contract signed and prior year charges (approx. Euro 180 thousand)

The EBITDA, net of these charges, therefore amounts to Euro 5.8 million and corresponds to an EBITDA/Revenues margin of 12%. The reduction in the margin compared to the previous year is due to the transformation of the business, leaving a strictly television model based on revenues from sales of advertising space, to a mixed model - defined as E-commerce 4.0 - in which the majority of income is on a commission basis on volumes.

The Group net financial position at September 30, 2017 is as follows:

NET FINANCIAL POSITION	30.09.2017	31.12.2016
cash and cash equivalents	4,860,106	1,817,010
current financial payables	(8,812,337)	(7,635,603)
Non-current financial payables	(10,478,509)	(4,418,250)
	(14,430,741)	**(10,236,843)**

The group net financial debt increased in the period approx. Euro 4.2 million, principally due to investments made, both in terms of fixed capital and working capital in support of the fashion distribution division, and also relating to the acquisition of the Evolve Group for Euro 1.5 million. The net financial debt was additionally impacted by non-recurring costs related to the current stock market index transfer. The increase in the debt principally concerns the greater recourse to short/medium-term funding.

The annualised NFP/EBITDA amounts to 1.8.

5. Human resources and industrial relations

The principal data relating to the workforce is illustrated below. The workforce at September 30, 2017 totals 70 employees as follows:

- Italy: 45 (of which 4 interns).
- Switzerland: 20
- United Kingdom: 2
- China: 2
- USA: 1

The employees are, with the exception of the interns, all on permanent contracts.

6. Research and development new products

In 2017, no research and development activities were undertaken.

7. Number and value of treasury shares and of shares in parent companies held by the company

The Company does not hold treasury shares or shares of the parent company.

8. Number and nominal value of treasury shares and of shares in parent companies purchased or sold by the company in the year

The Company did not purchase or sell during the year treasury shares or shares of the parent company.

9. Significant events in the year

On August 4, the application for listing on the MTA organised and managed by Borsa Italiana was presented to Borsa Italiana, with request for a STAR listing. Simultaneously, Giglio Group filed at Consob the communication as per Articles 94 and 113 of the CFA and Articles 4 and 52 of Consob Regulation No. 11971/1999, with a request to publish the Prospectus, following approval by the Shareholders' Meeting of April 27, 2017 and the Board of Directors on June 6, 2017 and August 2, 2017.

For the MTA listing, STAR segment, Giglio Group has appointed the following team of advisors: Sponsors: Banca Finnat, Legal and Tax Advisor: Carnelutti Legal Firm, Auditor: EY S.p.A.; Financial Advisor: Mazars Italia S.p.A.; Advisor for the Translisting: KT&Partners.

Also on August 4, the independent director was appointed Lead Independent Director.

On August 29, the company announced the signing of an agreement with the PT Media Nusantara Citra Tbk Group, the leading pay TV services provider in Indonesia, for the co-production of a series of “Fashion&Style” television content for the main Indonesian TV channels. The three-year agreement stipulates an equal distribution of advertising and rights revenues, while Giglio Group will receive the entirety of e-commerce revenues.

10. Subsequent events after the end of the third quarter

There were no subsequent events after the end of the third quarter.

11. Outlook

On April 27, Giglio Group agreed the full acquisition of the Evolve SA Group, a Swiss company whose majority shareholder was the company Tessilform SpA which owns the Patrizia Pepe brand, and is now a leading e-commerce entity competing with the major international online fashion, beauty and design retailers.

Evolve is a leading e-Commerce Service Provider internationally and supports the online shops of some of the biggest fashion and design brands, including: Max Mara, Alessi, Brics, Pinko, Moleskine, Golden Goose, Patrizia Pepe, Ermanno Scervino and Stefano Ricci, in addition to providing B2B platforms and services for brands such as Liu Jo and Guess. It currently manages approx. 15 online stores for international brands through competitive flexible and customised solutions for each brand.

The operation is of great strategic value for the growth of Giglio Group, committed in 2017 in the construction of its own “IBOX” e-commerce 4.0 platform and the crafting of a unique business proposition within the panorama of digital sales services and the setting of an ambitious objective for the definitive convergence and integration of media and e-commerce.

IBOX is a multichannel system which not only integrates traditional and digital distribution channels, but in a broader sense directly links sales and communication, transforming viewers and visitors into fans and customers. The Group’s ambition and strategy is to offer a full range of services to businesses operating in the fashion sector (and beyond), leveraging on its consolidated communication sector capacities and on the recently constructed commercial network. IBOX is a sales platform which connects consumers directly to the digital offer of brands, through presence on the main global and regional marketplaces, in USA, Europe and Asia, leveraging also all potential deriving from the integration with controlled television channels and from new technologies in terms of the visual recognition of goods presented through video.

After Giglio Fashion - entirely held by the Giglio Group and supplying the leading fashion world digital retailers through its B2B platform - also in new physical outlets areas such as the US, Canada and China - with the acquisition of Evolve, Giglio Group’s e-commerce 4.0 solution will gradually make a range of renowned brands available, through business development activities, to an increasingly broader audience and positioned as a go-to sector player.

IBOX therefore provides complimentary and synergetic services, including:

Digital production:

The product should be presented as well as possible, from photography to copywriting. Our buyers and merchandisers select the product together with the client, emphasising its key features during digital production and utilising our specialised research.

- Buying
- Production description.
- SEO compliant content
- Publishing Content
- Brand promotion television productions
- Translations
- Photography and video studio
- Post production

Customer care:

Customer care is the key to satisfied and loyal customers and the main brand marketing tool.

Our goal is to support the enterprise with a multilingual and professional service, focused on sales and info commerce concerns and not only technical support.

- Support in 8 languages and time-zones (Europe, Asia, USA).
- E-mail, telephone and live chat support.
- Team leader product training
- Qualified personnel, reduced turnover.

Creativity:

We invest in the brand, providing custom graphics projects (carrying out more than 100). Our products are not standard. The platform is sufficiently flexible to support any brand requirements.

- Creation of the e-commerce/institutional website
- Rotation of site internal and external banners according to the graphics guidelines.
- Design responsive, full screen, desktop and mobile.

Order Management and Cash management:

We provide an OMS platform, a CMS, a B2B platform and a marketplace integration platform, supporting the brand in all aspects of online presence: distribution and branding.

- Multilingual Support.
- Multicurrency Support.
- Engine Recommendation.
- Advanced analytics tools.
- OMS
- CMS
- B2B
- IP detection
- Risk Management System

Logistics:

Ibox provides a comprehensive logistics network according to requirements, working with the world's main shipping companies and postal services.

- 170 logistics hubs interfacing with our systems.
- Warehouse in the Shanghai free trade zone
- Customs officials support
- Standard and Express shipping
- Custom packaging
- Product customisation services.

Web marketing:

Ibox allows brands to not lose focus on ROI and investment efficacy. Our analysts provide a multilingual international service, optimising resource allocation through rigorous and daily analysis.

Our team is specialised in:

- Search Engine Marketing
- Search Engine Optimisation
- Affiliation Network
- Display Campaigns
- DEM campaigns
- Customer retention strategies
- Social Network campaigns.

Analytics:

Ibox has its own Data analysis and dynamic exploration platform, set up through extensive research and development with proprietary technology. The system perfectly integrates the data produced by the E-commerce platform with the customer access information recorded by Google Analytics and similar platforms. This permits our customers access to entirely customised crucial analytics which may be explored independently and available 24/7/365.

This approach allows customers to interact with data and therefore fully understand its meaning and discover additional aspects - beyond the limits of static reports lacking interactivity and preventing meaningful insight.

TV distribution:

The technological infrastructure comprises two teleports (in Milan and Rome), an advanced telecommunications infrastructure via satellite and fibre optics, permitting the receipt and broadcast of signals across the world, and a fleet of production and broadcast vehicles.

The range of services includes:

• Teleport Service: featuring distribution platforms for TV and Radio channels in DTH on Hot Bird 13 from Rome and Milan; numerous contribution platforms on the fleet of Etelsat satellites; co-location and back up services, use of satellite stations on all bands and configurations and fibre optic connectivity (with a network of 100 access points, of which 12 main points in Italy).

• Outside Broadcast Services: for the direct production and broadcasting of any news, sport or entertainment event, through a fleet of OB Vans and DSNG SD and HD vehicles, in addition to satellite capacity and on fibre on any bandwidth and with any configuration protocol.

• System Integration Service: for the design and construction of production, contribution and transport/broadcast systems for the radio and television market. Complete solutions for the creation of efficient and sustainable digital networks via satellite or with terrestrial infrastructure are provided, including fully outsourced system assistance and management.

12. Transactions with subsidiaries and related parties

The transactions were as follows:

REVENUES/COSTS

Revenues / Costs	Giglio Group	Nautical Channel	Giglio USA	Giglio TV	Giglio Shangai	Ibox SA	Evolve USA
Giglio Group		104,041	822,542				
Nautical Channel							
Giglio USA	118,409						
Giglio TV							
Ibox SA							29,613
Evolve USA							

TRADE RECEIV./PAYABLES

Receivables / Payables	Giglio Group	Nautical Channel	Giglio USA	Giglio TV	Giglio Shangai	Ibox SA	Evolve USA
Giglio Group		2,427,849	711,059	1,654,945			
Nautical Channel	876,800						
Giglio USA	46,253						
Giglio TV					7,687		
Ibox SA							2,336
Evolve USA							

FINANCIAL RECEIV./PAYABLES

Receivables / Payables	Giglio Group	Nautical Channel	Giglio USA	Giglio TV	Giglio Shangai	Ibox SA
Giglio Group		180,000	102,416	796,882		1,500,000
Nautical Channel						
Giglio USA						
Giglio TV	210,000				29,923	
Ibox S.r.l.	500,000					700,000

Giglio Group S.p.A. has a contract for the management of corporate/administration and legal services with the subsidiaries Nautical Channel LTD and Giglio TV.

There is also an inter-company loan from the parent company Giglio Group S.p.A. with the subsidiary Nautical Channel for Euro 180 thousand and with the subsidiary Giglio TV for Euro 797 thousand.

Giglio TV has a loan with Giglio Group of Euro 210 thousand.

All the transactions are regulated at market prices and are undertaken in the reciprocal interest of the parties. For further information, reference should be made to the explanatory notes.

The Transfer pricing option, in accordance with existing regulations, was exercised by the parent company Giglio Group S.p.A. in 2016. The company mandated the tax firm Carnelutti to prepare the Masterfile and all related documentation.

In addition, the company has undertaken the following transactions with:

- ✓ Max Factory S.r.l.: building owned by Alessandro Giglio who leases to Giglio Group S.p.A. the following buildings:
    - Genoa office - Palazzo della Meridiana,
    - Rome office - Via dei Volsci,
    - Rome office – Via dei Volsci ex Music Box

for a total annual cost of Euro 380 thousand. In the first nine months of 2017 the costs recorded in the income statement totalled Euro 284.4 thousand.

- China System Srl: provides consultancy to the group relating to the Chinese market. The company is owned by Ms. Yue Zhao, wife of Alessandro Giglio and Director of Giglio Group S.p.A.

  The annual cost amounts to Euro 100 thousand. In the first nine months of 2017 the costs recorded in the income statement totalled Euro 47 thousand.
- Docomo Digitaly Italy S.p.A.: the company has a payable to Docomo Digitaly Italy S.p.A. for Euro 80 thousand relating to operations undertaken in previous years. In relation to this payable, the parties have agreed a repayment plan.

The remuneration paid in 2016 to the Board of Directors of the Issuer amounts to Euro 225,000. In the first nine months of 2017 the costs recorded in the income statement totalled Euro 161 thousand.

13. Disclosure pursuant to Article 2428 paragraph 3 No. 6-*bis* of the Civil Code

The parent company Giglio Group S.p.A., in 2016, issued a Minibond called "GIGLIO GROUP S.P.A. – 5.4% 2016-2022" for Euro 3.5 million utilised to finance the acquisition of the company Giglio Fashion, at the following conditions:

- Rate: 5.4%
- Duration: 6 years
- Grace period: 2 years

The minibond is listed on the Professional Segment (ExtraMOT PRO) of the ExtraMOT market**.**

For the minibond, the following covenants must be complied with contractually, which are verified on December 31 each year, with the first date of Calculation on December 31, 2016:

Parameters	**Threshold values for year**
NFP / EBITDA	<=3.5
NFP / SE	<=2.0
EBITDA / OF	>=5.0

The minibond contract does not provide for the verification of interim covenants. At December 31, 2016, all financial covenants were complied with.

On May 26, 2017, a bond loan was issued, subscribed by Banca Sella for Euro 1 million, comprising 10 bearer bonds of a nominal value of Euro 100 thousand. The bond loan is for a duration of one year with an interest rate of 2.9%.

The company Giglio Group S.p.A. also has various loans for which reference should be made to the Explanatory Notes at paragraph 14.

14. Principal risks and uncertainties

In this section of the report, we wish to report upon the risks - considered as those events which may impact the achievement of corporate objectives, and therefore upon value creation.

Risks are broken down between financial and non-financial and therefore according to the source of the risk. The risks may be broken down into two macro-categories: internal and external risks, according to whether stemming from internal group operating processes or from external developments.

<u>Non-financial risks</u>

Among the internal risks we report:

Efficiency/efficacy of the processes: the organisational processes are currently being completed, especially with reference to the monitoring and implementation of the internal company procedures.

Delegation: within the growth of our company, it would be beneficial to assign a wider distribution of duties and responsibilities within the organisation in order to favour IT processes and internal efficiencies;

Human resources: our activities require resources with highly developed skill-sets: the workforce will require continual upskilling in order for our divisions to step up to the changed marketplace.

Among the external sources we highlight:

Market: the normal risks related to our activities, highly correlated to trends in market demand.

Regulations: the company's organisation permits the prompt compliance with stringent regulations especially in the Italian TV sector which represents a significant level of complication

Catastrophic events: there are no events of this nature.

IT risks: the widespread and growing use of digital identity-SPID, of digital signature and of certified electronic email addresses may increase the risk of digital identity theft as well as the fraudulent use of these identities. Any undue and/or elicit utilisation of such information could result in, among other matters, a violation, attributable to the Issuer and/or to the Group, of the data protection regulation, with possible negative effects on the activities and on the prospects of the Issuer and/or of the Group, as well as on the equity and financial situation of the Issuer and/or of the Group. During the years 2013-2017, there were no information system attacks nor, to the knowledge of the company, any occurrences of undue use of data and/or sensitive information. Where the Group is unable to adopt technological controls in order to meet these possible risks they may be liable for economic and financial damages incurred by third parties with negative effects on the economic, financial and equity situation of the Group.

Financial risks

For financing and investing operations the company adopted prudent and risk limitation criteria and no operations were taken of a speculative nature.

The company settles these financial charges with the liquidity from various operations, among which income deriving from the sale of advertising spaces and the provision of services and bank funding.

In order to monitor financial risks through an integrated reporting system and ensure analytical planning of future activities, the company is currently implementing a management control system.

In addition, the company did not utilise derivative financial instruments to hedge against risks regarding its funding requirements.

However, he company issued a “Minibond” for Euro 3.5 million and whose conditions were already illustrated.

On May 26, 2017 a bond loan was issued, subscribed by Banca Sella (for details reference should be made to the previous comments above).

Currency risk

The Company prepares its financial data in Euro and, in relation to its business model, incurs the majority of its costs in Euro. Although the Group operates on the international market there is no significant currency risk.

Credit risk

The credit risk, i.e. the risk that the company incurs a loss where the counterparty of a financial asset defaults, is considered marginal and does not constitute a significant variable in the business in which the company operates.

Transactions are generally settled on a timely basis and for the principal clients are often guaranteed by primary credit institutions. In addition, receivables are monitored daily by the finance department on a systematic and timely basis.

Liquidity risk

The liquidity risk is the risk that financial resources may be insufficient to meet obligations on maturity. The company manages liquidity risk by maintaining a constant balance between funding sources, deriving from operating activities, from recourse to credit institution financing, and resources employed. Cash flow, funding requirements and liquidity are constantly monitored, with the objective of ensuring efficient management of financial resources. In order to meet its obligations, in the event cash flows generated from ordinary activities are insufficient, or in the case of timing differences, the company has the possibility to undertake operations to source financial resources, through, for example, bank advances on receivables and bank lending.

15. Organisation Model and Ethics Code

In 2017, the parent company Giglio Group S.p.A. (hereafter the company) adopted a "Management and control organisational model" pursuant to Legislative Decree No. 231/2001 (hereafter "Model"), in order to outline the measures and preventative and disciplinary procedures appropriate to reduce the risk of offenses within the business organisation.

The Model will be subject to ongoing monitoring and will be updated with particular reference to the regulations pursuant to Legislative Decree No. 231/01 recently introduced (example IT, workplace security, money laundering offenses).

The company also appointed a Supervisory Board comprising an Independent director, a member of the Board of Statutory Auditors and an external member with proven legal and corporate experience. The Supervisory Board undertakes the functions of monitoring compliance of the Ethics Code and the Model, on updating of these documents and on the significant risk management profiles of the company.

The company will also adopt its own Ethics Code (hereafter "Ethics Code"), which will outline the values underlying company operating activities. This code represents an essential component of the Model for its effective implementation.

Milan, December 12, 2017 Board of Directors

(The Chairman)

GIGLIO GROUP S.p.A.

Registered office Viale Tunisia 38, Milan

Share capital: Euro 3,208,050

Economic & Admin. Register No. 1028989 **Tax No.** 07396371002

Milan Companies Registration Office 07396371002

Condensed Consolidated Financial Statements at September 30, 2017

FINANCIAL STATEMENTS

- Consolidated Balance Sheet
- Consolidated Income Statement and Comprehensive Income Statement
- Consolidated Cash Flow Statement
- Changes in consolidated shareholders' equity

Consolidated Balance Sheet at September 30, 2017

Consolidated Balance Sheet		30.09.2017	31.12.2016
Non-current assets			
Property, plant & equipment	(1)	6,369,098	6,965,001
Intangible assets	(2)	10,001,470	8,710,066
of which Publishing rights		*9,505,835*	*8,426,571*
Other intangible assets		*495,635*	*283,495*
Goodwill	(3)	11,718,064	4,134,439
Equity investments	(4)	150,011	-
Receivables	(5)	142,087	139,658
Deferred tax assets	(8)	719,057	198,396
Total non-current assets		**29,099,787**	**20,147,560**
Current assets			
Inventories	(6)	8,470,831	2,768,653
Trade and other receivables	(7)	17,552,580	18,888,840
Tax receivables	(8)	7,583,304	1,599,166
Other assets	(9)	3,235,027	531,552
Cash and cash equivalents	(10)	4,860,106	1,817,010
Total current assets		**41,701,847**	**25,605,220**
Total Assets		**70,801,635**	**45,752,780**
Net Equity	(11)		
Share capital		3,208,050	2,963,650
Reserves		11,391,539	7,750,087
Listing charges		(540,755)	(540,755)
FTA Reserve		3,814	3,814
Retained earnings		2,609,174	1,283,690
Translation reserve		(7,477)	(582)
Net profit		49,262	1,325,483
Total Group Net Equity		**16,713,608**	**12,785,387**
Total Minorities Net Equity		-	-
Total Net Equity		**16,713,608**	**12,785,387**
Non-current liabilities			
Provisions for risks and charges	(12)	668,268	282,864
Deferred tax liabilities	(13)	286,941	365,879
Financial payables (non-current portion)	(14)	8,812,337	7,635,603
Total non-current liabilities		**9,767,546**	**8,284,346**
Current liabilities			
Trade and other payables	(15)	31,083,768	18,310,718

Financial payables (current portion)	(14)	10,478,509	4,418,250
Tax payables	(16)	1,386,540	1,337,944
Other liabilities	(17)	1,371,663	616,135
Total current liabilities		**44,320,481**	**24,683,047**
Total Liabilities and Net Equity		**70,801,635**	**45,752,780**

Consolidated Income Statement for the first nine months of 2017

Consolidated income statement		**9M 2017**	**9M 2016**
Total revenues	(18)	**49,735,652**	**22,594,906**
Other revenues	(18)	398,489	899,758
Change in inventories		3,588,986	1,541,917
Purchase of raw materials, ancillary, consumables and goods	(18)	*(33,830,991)*	*(11,738,990)*
Service costs	(18)	*(12,263,424)*	*(5,748,429)*
Rent, lease and similar costs	(18)	*(629,505)*	*(388,024)*
Operating costs		**(46,723,919)**	**(17,875,442)**
Salaries and wages	(18)	*(1,588,373)*	*(781,617)*
Social security charges	(18)	*(409,937)*	*(224,005)*
Post-employment benefits	(18)	*(32,832)*	*(41,944)*
Personnel expense		**(2,031,141)**	**(1,047,567)**
Amortisation intangible assets	(18)	*(2,601,977)*	*(1,549,553)*
Depreciation property, plant & equipment	(18)	*(1,339,299)*	*(1,315,829)*
Doubtful debt provision	(18)	*0*	*(53,520)*
Amortisation, depreciation & write-downs		**(3,941,276)**	**(2,918,903)**
Other operating costs	(18)	(476,087)	(451,923)
Operating profit		**550,703**	**2,742,746**
Financial income	(18)	56,776	24,322
Financial charges	(18)	(585,034)	(329,060)
Profit before taxes		**22,444**	**2,438,007**
Income taxes	(18)	26,818	(836,717)
Net Profit		**49,262**	**1,601,291**
Of which minority interest		-	-
Earnings per share – basic and diluted		**0.001**	**0.1081**

Comprehensive Income Statement for the first nine months of 2017

COMPREHENSIVE INCOME STATEMENT	**9M 2017**	**9M 2016**
Net Profit	**49,262**	**1,601,291**
Other comprehensive income items		
Other comprehensive items which may be subsequently reclassified to profit/(loss) for the year net of income taxes.		
Translation Reserve	(7,477)	-
Total other comprehensive items which may be subsequently reclassified to profit/(loss) for the year net of income taxes	**(7,477)**	-
Other comprehensive income items which may not be subsequently reclassified to profit/(loss) for the year net of income taxes:		
Actuarial Loss on employee benefits	(24,548)	-

Total other comprehensive items which may not be subsequently reclassified to profit/(loss) for the year net of income taxes	(24,548)	
Total other comprehensive items for the year net of income taxes		
Consolidated comprehensive income	17,237	1,601,291

Change in Consolidated Shareholders’ Equity

Description *(in Euro)*	Share capital	Reserves	FTA Reserve	Translation reserve	IAS 19 Reserve	Retained earnings	Net profit for the period	Total
BALANCE AT DECEMBER 31, 2015	2,832,000	5,090,117	3,814	-	-	(67,487)	1,007,487	8,865,931
Share capital increase	200,000							200,000
Share premium reserve		2,300,000						2,300,000
Retained earnings						1,007,487		1,007,487
Other changes	(68,350)	(152,493)				401,236	(1,007,487)	(827,094)
Group profit							1,601,291	1,601,291
BALANCE AT SEPTEMBER 30, 2016	2,963,650	7,237,624	3,814	-	-	1,341,236	1,601,291	13,147,616

Description *(in Euro)*	Share capital	Reserves	FTA Reserve	Translation reserve	IAS 19 Reserve	Retained earnings	Net profit for the period	Total
DECEMBER 31, 2016	2,963,650	7,248,322	3,814	(582)	(38,990)	1,283,690	1,325,483	12,785,389
Share capital increase Evolve transaction	244,400							244,400
Share premium reserve Evolve Transaction		3,666,000						3,666,000
Allocation of prior year profit						1,325,483	(1,325,483)	-
IAS 19 Reserve					(24,548)			(24,548)
Exchange rate effect				(6,895)				(6,895)
Group profit							49,262	49,262
BALANCE AT SEPTEMBER 30, 2017	3,208,050	10,914,322	3,814	(7,477)	(63,538)	2,609,174	49,262	16,713,608

CASH FLOW STATEMENT

Amounts in Euro	30.09.2017	30.09.2016
Cash flows from operating activities		
Net profit	49,262	1,601,291
Adjustments for:		
Depreciation of tangible assets	1,345,841	1,315,829
Amortisation of intangible assets	2,649,217	1,549,553
Write-downs/(Revaluations)	-	53,520
Net financial charges/(income)	528,259	304,738
Income taxes	(26,818)	836,717
Changes in:		
Inventories	(4,329,590)	(4,834,291)
Trade receivables	7,108,429	(10,433,859)
Tax receivables	(3,295,397)	(949,294)
Other assets	(2,703,474)	-
Deferred tax liabilities	(97,609)	(253,554)
Trade payables	7,164	10,717,463
Tax payables	(127,468)	760,437

Other liabilities	755,528	-
Change in net working capital	**(2,682,418)**	**(4,993,098)**
Change in reserves	306,427	55,136
Cash flow generated from operating activities	**2,169,770**	**723,687**
Interest paid	(528,259)	(304,738)
Income taxes paid	26,818	(836,717)
Net cash flow generated from operating activities	**1,668,330**	**(417,768)**
Cash flows from investing activities		
Investments in tangible assets	(534,471)	(161,025)
Investments in intangible assets	(3,763,384)	(4,546,504)
Acquisition Evolve Group net of liquidity acquired	557,559	-
Acquisition Giglio Fashion net of liquidity acquired	-	(1,409,234)
Other intangible assets	(517,930)	(56,392)
Increase in investments	(150,011)	
Change in consolidation scope		
Net cash flow absorbed by investing activities	**(4,408,237)**	**(6,173,155)**
Cash flow from financing activities		
Share capital increase	-	131,650
Change in Net Equity	(31,042)	(74,643)
New financing	3,200,000	-
Change in financial debt	2,614,046	7,662,946
Net cash flow absorbed by financing activities	**5,783,003**	**7,719,953**
Net increase/(decrease) in cash and cash equivalents	**3,043,096**	**1,129,030**
Cash and cash equivalents at January 1	1,817,010	1,200,114
Cash and cash equivalents at September 30	4,860,106	2,329,144

EXPLANATORY NOTES

GENERAL INFORMATION

A. General information

The publication of the condensed consolidated financial statements of Giglio Group S.p.A. (the Company) for the period ended September 30, 2017 was approved by the Board of Directors on December 11, 2017.

The registered office of the parent company Giglio Group S.p.A. is Viale Tunisia No. 38, Milan.

The activities of the company and its subsidiaries are described in these Explanatory Notes, while the Group's structure is outlined in the Directors' Report. The information on transactions of the Group with the other related parties are presented in Note 22.

B. Accounting standards

The Giglio Group S.p.A. prepared the condensed consolidated financial statements at September 30, 2017 in accordance with IAS/IFRS accounting standards.

The abbreviation IFRS includes the accounting standards and interpretations approved by the IASB (International Accounting Standards Board), IAS (International Accounting Standards) and the interpretations (SIC) issued by the predecessors of the IASB and the interpretations of IFRIC (International Financial Reporting Interpretations Committee).

In particular the Giglio Group adopted international accounting standards from the year 2014, with transition date to IFRS at January 1, 2014.

The Group has not adopted in advance any accounting standard, interpretation or amendment issued but not yet in effect.

C. Basis of presentation

The financial statements are comprised of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Cash Flow Statement, and the Explanatory Notes.

In particular:

- in the Balance Sheet, the current and non-current assets and liabilities are shown separately;
- in the Income Statement and Comprehensive Income Statement, the analysis of the costs is based on their nature;
- for the Cash Flow Statement, the indirect method is used. The average exchange rates are used to convert the cash flows of foreign subsidiaries.

In particular, the assets and liabilities in the financial statements of the Group are classified as current or non-current.

An asset is considered current where:

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

All other assets are classified as non-current.

A liability is considered current where:

- it is expected to be settled within the normal operating cycle;
- it is held principally for trading;
- it is expected to be settled within 12 months from the reporting date; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

All the amounts indicated in the financial statements and the explanatory notes, unless otherwise stated, are in Euro.

Restatement of the financial statements at September 30, 2016

The financial statements at September 30, 2016 and at December 31, 2015 (within the changes in consolidated shareholders' equity) were restated as, following a review of the contractual clauses for the acquisition by Giglio Group S.p.A. of the subsidiary Giglio Tv HK, during the year 2016 the minority 49% investment held by Simest was reclassified, from minority interest equity to financial payables, and the net profit of Giglio TV was also reclassified from minority interest profit to Group profit. This is due to the irrevocable purchase obligation of the minority holding of Simest by Giglio, on June 30, 2022 for the amount of the initial investment, leaving the result for the year of the subsidiary equal to 49% of Simest's holding to the Giglio Group. This minority holding in the previous financial statements was recorded as minority interest equity and the profit was recorded as minority interest profit.

Based on this restatement, already recorded at December 31, 2016, the 9M 2016 profit was Euro 1,601 thousand (instead of Euro 887 thousand in the 9M 2016 financial statements not restated) and consequently the restated net equity at September 30, 2016 was Euro 13,147 thousand (instead of Euro 12,433 thousand in the financial statements at September 30, 2016 not restated). The consolidated financial statements at September 30, 2016 were not published as there was no disclosure obligation upon the company. We also report that the consolidated financial statements at September 30, 2016 were prepared for internal purposes.

D. Discretional valuations and significant accounting estimates

The preparation of the consolidated financial statements of the Giglio Group S.p.A. requires estimates and assumptions on the values of the assets and liabilities in the financial statements and on the disclosures on the assets and contingent liabilities at the reporting date: consequently, the actual results may differ from such estimates.

The estimates and assumptions used are based on past experience and other factors considered relevant. The estimates and assumptions are periodically reviewed and the effects of any variation are reflected in the Income Statement.

In particular, the estimates are utilised to record:

- provisions for doubtful debts,
- Amortisation & Depreciation and useful life,
- Write-downs of property, plant and equipment and intangible assets,
- employee benefits,

- income taxes,
- other provisions.

For further details, reference should be made to the specific sections of the explanatory notes.

E. Segment disclosure

The segment disclosure adopted by the Group is by region, based on the location of business activity.

A regional segment is defined as part of the Company, separately identifiable, which supplies products or services to a particular economic area subject to differing risks and benefits than other regional segments.

The regional segments identified, defined as a separately identifiable part of the Group and which supplies products or services to a particular economic area subject to differing risks and benefits than the other regional segments, are as follows:

- Europe
- UK
- Asia
- USA

The results of the regional segments in 9M 2017 are shown in the table below.

(Euro thousands)	**Europe**	**UK**	**Asia**	**USA**	**Adjustments and eliminations**	**9M 2017**
Revenues	43,389	2,261	2,960	2,199	(1,074)	49,736
Other income	398	-	-	0	0	398
Consumables and goods	3,822	-	-	(233)	0	3,589
Raw material purchase cost	*(33,382)*	-	-	*(1,390)*	941	(33,831)
Service costs	*(11,296)*	*(549)*	*(127)*	*(424)*	133	(12,263)
Rent, lease and similar costs	*(604)*	*(4)*	-	*(21)*	-	(630)
Operating costs	**(45,282)**	**(553)**	**(127)**	**(1,836)**	**1,074**	**(46,724)**
Wages and salaries	(1,508)	(81)	-	-	-	(1,588)
Social security charges	(404)	(6)	-	-	-	(410)
Post-employment benefits	(33)	-	-	-	-	(33)
Personnel expense	**(1,945)**	**(87)**	**-**	**-**	**-**	**(2,031)**
Depreciation property, plant and equipment	(593)	(799)	(1,209)	-	-	(2,602)
Amortisation intangible assets	(925)	(154)	(261)	-	-	(1,339)
Write-downs	-	-	-	-	-	0
Amortisation & Depreciation	**(1,518)**	**(953)**	**(1,470)**	**-**	**-**	**(3,941)**
Other operating costs	(457)	-	(18)	(0)	-	(476)
Operating profit	**(1,593)**	**669**	**1,345**	**130**	**-**	**551**
Net financial income/(charges)	(528)	(12)	(3)	16	-	(528)
Profit before taxes	**(2,121)**	**656**	**1,341**	**145**	**-**	**22**
Income taxes	442	(140)	(230)	(45)	-	27
Net profit for the period	**(1,678)**	**516**	**1,111**	**100**	**-**	**49**

Regional segment assets and liabilities at September 30, 2017 are shown in the table below.

(Euro thousands)	Europe	UK	Asia	USA	Adjustments and eliminations	Sept. 30, 2017
Segment assets	65,455	5,816	9,477	1,070	(11,016)	70,802
Segment liabilities	53,652	3,949	5,258	1,021	(9,791)	54,088

F. Management of capital and financial risks

Financial risks

For financing and investing operations the company adopted prudent and risk limitation criteria and no operations were taken of a speculative nature.

The company settles these financial charges with the liquidity from various operations, among which income deriving from the sale of advertising spaces and the provision of services and bank funding.

In order to monitor financial risks through an integrated reporting system and ensure analytical planning of future activities, the company is currently implementing a management control system.

In addition, the company did not utilise derivative financial instruments to hedge against risks regarding its funding requirements.

However, the company issued a “Minibond” for Euro 3.5 million and a bond loan for Euro 1 million, whose conditions are illustrated in the Explanatory Notes.

The financial risks to which the Giglio Group is exposed are illustrated below.

Currency risk

The Company prepares its financial data in Euro and, in relation to its business model, incurs the majority of its costs in Euro. The business model adopted permits the company to minimize the risks related to exchange rate movements.

Credit risk

The credit risk, i.e. the risk that the company incurs a loss where the counterparty of a financial asset defaults, is considered marginal and does not constitute a significant variable in the business in which the company operates.

Transactions are generally settled on a timely basis and for the principal clients are often guaranteed by primary credit institutions. In addition, receivables are monitored daily by the finance department on a systematic and timely basis.

Liquidity risk

The liquidity risk is the risk that financial resources may be insufficient to meet obligations on maturity. The company manages liquidity risk by maintaining a constant balance between funding sources, deriving from operating activities, from recourse to credit institution financing, and resources employed. Cash flow, funding requirements and liquidity are constantly monitored, with the objective of ensuring efficient management of financial resources. In order to meet its obligations, in the event cash flows generated from ordinary activities are insufficient, or in the case of timing differences, the company may undertake operations to source financial resources, through, for example, bank advances on receivables and bank lending.

G. Consolidation principles

The consolidated financial statements include the financial statements of Giglio Group S.p.A and its subsidiaries at September 30, 2017. In particular, a company is considered "controlled" when the Group has the power, directly or indirectly, to determine the financial and operating policies so as to obtain benefits from its activities.

The consolidated financial statements are prepared based on the financial statements of the individual companies in accordance with IFRS.

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investment entity (or holds valid rights which confer it the current capacity to control the significant activities of the investment entity);
- exposure or rights to variable returns deriving from involvement with the investment entity;
- the capacity to exercise its power on the investment entity to affect its income streams.

Generally, there is presumption that the majority of the voting rights results in control. In support of this presumption and when the Group holds less than the majority of the voting rights (or similar rights), the Group shall consider all the facts and significant circumstances to establish whether control of the investment entity exists, including:

- Contractual agreements with other holders of voting rights;
- Rights deriving from contractual agreements;
- Voting rights and potential voting rights of the Group.

The Group reconsiders if it has control of an investee if the facts and circumstances indicate that there have been changes in one or more of the three significant elements for the definition of control. The consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses this control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the consolidated financial statements at the date in which the Group obtains control until the date in which the Group no longer exercises control.

Changes in the holdings of subsidiaries which do not result in the loss of control are recognised under equity.

If the Group loses control of a subsidiary, it must eliminate the relative assets (including goodwill), liabilities, minority interests and other equity items, while any gain or losses are recorded in the income statement. Any holding maintained must be recorded at fair value.

The financial statements of the subsidiaries included in the consolidation scope are consolidated under the line-by-line method, which provides for the full integration of all accounts, without reference to the Group's holding, and the elimination of intercompany transactions and unrealised gains.

The amounts resulting from transactions between consolidated companies are eliminated, in particular receivables and payables at the reporting date, costs and revenues, as well as financial income and charges and other items recorded in the income statement. Gains and losses realised between consolidated companies and the related tax effects are also eliminated.

Business combinations and goodwill

Business combinations are recognised using the purchase method. The purchase cost is calculated as the total of the fair value consideration transferred at the acquisition date, and the value of any minority equity holding. For every business combination, the Group decides whether to measure the minority interest at fair value or in proportion to the amount held in the identifiable net assets of the investee. In particular, the goodwill is recorded only for the part attributable to the Parent Company and the value of the minority holding is determined in proportion to the investment held by third parties in the identifiable net assets of the investee.

The acquisition costs are expensed in the year and classified under administration expenses. When the group acquires a business, the financial assets acquired or liabilities assumed under the agreement are classified or designated in accordance with the contractual terms, the economic conditions and the other conditions at the acquisition date. Any potential payment to be recognised is recorded by the acquirer at fair value at the acquisition date. The change in the fair value of the potential payment classified as an asset or liability, as a financial instrument which is subject to IAS 39 financial instruments: recognition and measurement, must be recognised in the income statement. The goodwill is initially recorded at cost represented by the excess of the total consideration paid and the amount recognised for the minority interest holdings compared to the net identifiable assets acquired and liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the total consideration paid, the Group again verifies if it has correctly identified all the assets acquired and all the liabilities assumed and reviews the procedure utilised to determine the amount to be recorded at the acquisition date. If from the new valuation the fair value of the net assets acquired is still above the consideration, the difference (gain) is recorded in the income statement. After initial recognition, goodwill is measured at cost less any loss in value. For the purpose of impairment testing, goodwill acquired in a business combination must be allocated, from the acquisition date, to each of the Group's cash-generating units which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the entity are assigned to those units.

If the goodwill is allocated to a cash generating unit and the entity sells part of the activities of this unit, the goodwill associated with the activity sold is included in the book value of the activity when determining the gain or loss deriving from the sale. The goodwill associated with assets sold is calculated based on the relative values of the asset sold and the part maintained by the cash-generating unit.

Where the business combination was undertaken in several steps, on the acquisition of control the previous holdings are remeasured at fair value and any difference (positive or negative) recorded in the income statement.

On the acquisition of minority holdings, after obtaining control, the positive difference between the acquisition cost and book value of the minority holding acquired is recorded as a reduction of the net equity of the parent company. On the sale of holdings which do not result in the loss of control of the entity, however, the difference between the price received and the book value of the holding sold is recorded directly as an increase of the net equity, without recording through the income statement.

Consolidation scope
Information on subsidiaries:

The consolidated financial statements of the Group include:

Consolidation scope			
Giglio Group S.p.A.	Italy	**Parent**	
Nautical Channel Ltd	UK	**Subsidiary**	100%
Giglio TV	HK	**Subsidiary**	100%
Giglio USA	USA	**Subsidiary**	100%
Giglio (Shanghai) Technology Company Limited	China	**Subsidiary**	100%
IBOX SA	Switzerland	**Subsidiary**	100%
E-Volve Service USA	USA	**Subsidiary**	100%
IBOX S.r.l.	Italy	**Subsidiary**	100%
Class Tv Moda Holding	Italy	**Joint Venture**	50%

Companies consolidated under the line-by-line method:

***Giglio Group S.p.A.* (parent company)**

Registered office Viale Tunisia No. 38, Milan and operational and administration offices Via dei Volsci No. 163, Rome – Share capital Euo 3,208,050.

In particular, the company operates in the television content and multimedia publishing and distribution segment, including through directly-owned television channels.

Since August 7, 2015, the company has been listed on the AIM market, with a free float of approx. 23%. The shareholder structure is available on the company’s website: www.giglio.org

GIGLIO TV HK Limited

Registered Office:

Room 1501 (659), 15/F, SPA Centre

53-55 Lockhart Road

Wanchai

HONG KONG,

Share capital Euro 3,000,000, held 100% by Giglio Group S.p.A.. The company manages all the Group’s activities on the Chinese market.

NAUTICAL CHANNEL

Registered office: 346a Farnham Road Slough Berkshire SL2 1BT (UK)

Share capital Euro 5, held 100% by Giglio Group S.p.A.

The company manages all the Group’s Nautical activities worldwide.

GIGLIO USA LLC

Registered office: One Wall Street, 6th Floor

BURLINGTON, MA 01803

REPRESENTATIVE OFFICE

111 West 19th Street (6th Floor)

10011 New York, NY USA

Share capital (Euro 18 thousand, held 100% by Giglio Group S.p.A.

The company develops the business model of the Fashion division on the US market.

GIGLIO (Shaghai) TECHNOLOGY LIMITED COMPANY

Registered office: Shanghai International Finance Center

Century Avenue 8

Room 874, Level 8, Tower II

Shanghai, 200120

Share Capital Euro 40 thousand

The company develops the business model of the Fashion division on the US market.

IBOX SA

Registered Office: Galleria 1 Via Cantonale, 6928 Manno, Switzerland

Share capital: CHF 1,882,000

The company is an e-commerce service provider managing websites for major made in Italy fashion brands.

E-Volve Service USA

Registered Office: New York

Share capital: USD 10,000

The company develops the e-commerce business model of IBOX SA.

IBOX S.r.l.

Registered Office: Via Pier Della Francesca 39, 59100 Prato (PO)

Share capital: Euro 20,000

The company is an e-commerce service provider managing websites for major made in Italy fashion brands.

Class TV Moda Holding is recorded under the equity method.

Translation of financial statements in currencies other than the presentation currency

Translation of accounts in foreign currencies

The consolidated financial statements are presented in Euro, which is the Parent Company's functional currency. Each Group company decides the functional currency to be used to measure the accounts in the financial statements. The Group utilises the direct consolidation method; the gain or loss reclassified to the income statement on the sale of a foreign subsidiary represents the amount deriving from the use of this method.

Transactions and balances

Foreign currency transactions are initially recorded in the functional currency, applying the exchange rate at the transaction date.

Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Exchange rate differences realised or arising on the translation of monetary items are recorded in the income statement, with the exception of monetary items which hedge a net investment in a foreign operation. These differences are recorded in the comprehensive income statement until the sale of the net investment, and only then is the total amount reclassified to the income statement. The income taxes attributable to the exchange differences on the monetary items are also recorded in the comprehensive income statement.

Non-monetary items, measured at historical cost in foreign currency, are translated using the exchange rates on the date the transaction was first recorded. Non-monetary items recorded at fair value in foreign currencies are translated using the exchange rate at the date this value was determined. The gain or loss deriving from the translation of non-monetary items is treated in line with the recognition of the gain or loss recorded on the change in the fair value of these items (i.e. the translation differences on the accounts to which the fair value changes in the comprehensive income statement or in the income statement are recorded, respectively in the comprehensive income statement or in the income statement).

Group companies

At the reporting date, the assets and liabilities of the Group companies are translated into Euro at the exchange rate at that date, while revenues and costs included in the comprehensive income statement or separate income statement are translated at the exchange rate at the date of the transaction. The exchange differences from the translation are recorded in the comprehensive income statement. On the sale of a net investment in a foreign operation, the items in the comprehensive income statement relating to this foreign operation are recorded in the income statement.

The goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are recorded as assets and liabilities of the foreign operation and therefore are recorded in the functional currency of the foreign operation and translated at the exchange rate at the reporting date.

H. Fair value measurement

At each reporting date, the Group measures at fair value the earn-out liability arising on the Giglio Fashion acquisition operation. The Group does not have other financial instruments or assets and liabilities measured at fair value.

Fair value is the price that will be received for the sale of an asset or which will be paid for the transfer of a liability in a transaction settled between market operators at the measurement date.

A fair value measurement requires that the sale of the asset or transfer of the liability has taken place:

‣ in the principal market of the asset or liability;

or

‣ in in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal market or the most advantageous market must be accessible for the Group.

The fair value of an asset or liability is measured adopting the assumptions which market operators would utilise in the determination of the price of the asset or liability, assuming they act to best satisfy their economic interests.

The fair value measurement of a non-financial asset considers the capacity of a market operator to generate economic benefits utilising the asset to its maximum and best use or by selling to another market operator that would utilise the asset to its maximum or best use.

The Group utilises measurement techniques which are appropriate to the circumstances and for which there is sufficient available data to measure the fair value, maximising the utilisation of relevant observable inputs and minimising the use of non-observable inputs.

All the assets and liabilities for which the fair value is measured or stated in the financial statements are categorised based on the fair value hierarchy, as described below:

▸ Level 1 - prices listed (not adjusted) on active markets for identical assets or liabilities which the entity can access at the measurement date;

▸ Level 2 - inputs other than listed prices included in Level 1, directly or indirectly observable for the asset or the liability;

▸ Level 3 - measurement techniques for which the input data are not observable for the asset or for the liability.

The fair value measurement is classified entirely to the same hierarchical level of the fair value in which the lowest hierarchical input level utilised for the measurement is classified.

For the assets and liabilities recognised in the financial statements at fair value on a recurring basis, the Group assesses whether there have been transfers between the hierarchy levels, reviewing the classification (based on the lowest input level, which is significant for the fair value measurement in its entirety) at each reporting date.

At the preparation date of these financial statements, a potential payment of Euro 402,000 is recorded (i.e. the earn-out liability), measured at fair value categorised at level 3 and there were no reclassifications between fair value levels. This payment was redetermined at September 30, 2017 compared to the value estimated at December 31, 2016 (after the payment of Euro 1 million in the previous year) as Euro 236 in addition to Euro 166 already recorded in the financial statements, for a total of Euro 402. This is based on the updated expected results relating to the contractual targets, which improved on those available at the time of the fair value estimate made in 2016.

I. **Accounting policies**

The 2017 condensed consolidated financial statements at September 30, 2017 were prepared in accordance with IAS 34 Interim Financial Reporting. The condensed consolidated financial statements do not provide the full disclosure required in the preparation of the consolidated annual financial statements.

For this reason, it is necessary to read the condensed consolidated financial statements together with the 2016 consolidated annual report.

In addition, on the preparation of the condensed consolidated financial statements at September 30, 2017, the income taxes for the period of the individual consolidated companies were determined on the basis of the best estimates in relation to the information available and on the reasonable expectations of the performance for the full year.

J. New accounting standards, interpretations and amendments adopted by the Group

Standards issued but not yet in force

The standards which at the date of the preparation of the Group consolidated financial statements were issued but not yet in force are reported below. The list refers to standards and interpretations which the Group expects will be reasonably applied in the future. The Group will adopt these standards when they enter into force.

IFRS 9 Financial instruments

In July 2015, the IASB published the final version of IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and measurement and all the previous versions of IFRS 9. IFRS 9 combines all three aspects relating to the accounting of financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for periods beginning January 1, 2018 and thereafter; advance application is permitted. With the exception of the hedge accounting, retrospective application is required of the standard, but it is not obligatory to disclose comparative information. In relation to the hedge accounting, the standard is generally applied in a prospective manner, with some limited exceptions. The Group will adopt the new standard from the date it enters into force. The Group is undertaking an analysis of the principal new issues which will be introduced by IFRS 9 and of the possible impacts which may derive from the application of all three aspects treated within IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and introduces a new model in five steps which will be applied to revenues from contracts with customers and replaces all the current requirements within IFRS in terms of revenue recognition (IAS 18, IAS 11, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31). IFRS 15 provides for the recognition of revenues for an amount which reflects the payment which the entity considers to have the right to in exchange for the transfer of goods or services to the customer. The standard is effective for the periods beginning January 1, 2018 and thereafter, with full or modified retrospective application. Earlier application is permitted. The Group expects to apply the new standard from the date of obligatory application, utilising the full retrospective application method. The Group is currently undertaking an analysis of the principal new issues which will be introduced by IFRS 15 and of the possible impacts which may derive from the application of the new standard.

IFRS 16 Leases

IFRS 16 was published in January 2016 and will replace IAS 17 Leasing, IFRIC 4, SIC-15 and SIC-27. IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leasing (contracts which give the right to the use of third party assets) and requires lessees to recognise all leasing contracts in the financial statements on the basis of a single model similar to that utilised for recognising finance leases in accordance with IAS 17. The standard provides for two exemptions for the recognition by lessees - leasing contracts with low value (for example personal computers, photocopiers, etc.) and short-term lease contracts (for example contracts with expiry within 12 months or less). At the initial date of the lease contract, the lessee records a liability against the non-variable payments of the lease instalments (the leasing liability) and an asset which represents the right to the use of the underlying asset for the duration of the contract (the right to use an asset). The lessees must separately record the expenses for interest on the leasing liabilities and the amortisation of the right to use an asset. The lessees must also remeasure the leasing liabilities on the occurrence of certain events (e.g. change in the lease contract conditions, change in the future lease payments resulting from a change in an index or rate utilised to determine these payments). The lessee will generally recognise the amount of the remeasurement of the leasing liability as an adjustment to the right to use the asset. The accounting required by IFRS 16 for lessees is substantially unchanged compared to the current accounting under IAS 17, except that this latter considers the substance of the transaction similar to the purchase of an asset while IFRS 16 is based on the concept of the right to use a specific asset. The lessees will continue to classify all leases utilising the same classification principle as per IAS 17 and distinguishing between two types of leases: operating leases and finance leases. IFRS 16 requires from lessors and lessees greater disclosure compared to IAS 17. IFRS 16 will enter into force for periods which begin January 1, 2019 (the EU endorsement process is currently in progress). Advance application is permitted, but not before the entity has adopted IFRS 15. A lessee may choose to apply the standard utilising a fully retrospective approach or a modified retrospective approach. The transitory provisions within the standard permit some options. The Group is currently undertaking an analysis of the principal new issues which will be introduced by IFRS 16 and of the possible impacts which may derive from the application of the new standard.

IFRIC 23 – Uncertainty over income tax treatments

In June 2017, the IASB published the interpretation IFRIC 23 - Uncertainty over income tax treatments. The interpretation clarifies the application of the requirements for recognition and measurement established in IAS 12 Income Taxes when uncertainties exist on tax treatment.

The amendments will be applicable from periods beginning January 1, 2019.

The Group is assessing the impact of the application of these amendments on the consolidated financial statements.

Standards issued by the EU and in force from financial statements at December 31, 2017

Amendments to IAS 12

Recognition of deferred tax assets for unrealised losses. The amendments clarify that an entity must consider if the fiscal regulations limit the sources of assessable income against which they could make deductions related to the reversal of the deductible temporary differences. In addition, the amendment provides guidelines on how an entity should determine the future assessable income and explains the circumstances in which the assessable income could include the recovery of some assets for a value higher than their carrying value. The entities shall apply these amendments retrospectively. However, on the initial application of these amendments, the change in the opening net equity of the first comparative period may be recorded under opening retained earnings (or in another equity account, depending on the case), without allocating the change between opening retained earnings and other equity accounts. The entities which apply this option must provide disclosure. These amendments are effective for the periods beginning January 1, 2017 and thereafter; advance application is permitted. The entities must provide further disclosure where these amendments are applied in advance. The Group is assessing the impact of the application of these amendments on the consolidated financial statements.

Amendment to IAS 7 Statement of Cash Flows

The amendments to IAS 7 Statement of Cash Flows are part of the Disclosure Initiative of the IASB and requires an entity to provide additional information which permits the readers of the financial statements to assess the changes in the liabilities related to financing activities, including whether these changes relate to cash flows or non-monetary changes. On the initial application of this amendment, the entity is not required to present comparative information relating to previous periods. These amendments are effective for the periods beginning January 1, 2017 and thereafter; advance application is permitted.

K. Seasonality

The Group does not have significant seasonal or cyclical variations. Management in fact has not identified "a highly seasonal activity". For improved understanding, we report that the activities of the Group are impacted by the transformation of the business and by the integration of new companies acquired following the acquisition of the Ibox Group (previously Evolve) during the current year. For this reason, the business of the company has not yet been fully consolidated. Therefore, an analysis on the seasonal activities of the Group would not be indicative or worthwhile.

L. Workforce

The workforce, broken down by category, compared to the previous is presented below:

Workforce	30.09.2017	31.12.2016	Changes
Executives	3	-	3
Managers	7	3	4
White-collar	55	27	28
Blue-collar	-	-	-
Other	4	1	3
Total	69	31	38

The increase in the workforce is mainly due to the acquisition of the Evolve Group on April 27, 2017.

For the Giglio Group, the most notable new hires were the 2 executives (General Director and Digital Director) and the administration head.

In the first half nine months of 2017, there were no resignations.

M. Business combinations

On April 27, 2017, the Group acquired 100% of the shares with voting rights of IBox S.A. (formerly Evolve Service S.A.), a non-listed company with head office in Europe specialised in the management of luxury e-commerce websites. The Group acquired Evolve as the acquisition completed the "e-commerce 4.0" business project.

Evolve SA is a Swiss registered company whose majority shareholder was the company Tessilform SpA which owns the Patrizia Pepe brand. Evolve SA is a leading e-commerce entity competing with the major international online fashion, beauty and design retailers.

Consideration for the transaction was Euro 5.4 million, of which Euro 1.5 million cash paid on closing using own funds and Euro 3.9 million from the issue of 1,222,000 new Giglio Group shares reserved for Evolve's current shareholders (implied price per share of Euro 3.2).

The acquisition of the Ibox Group was treated as a business combination and, in accordance with "IFRS 3 - Business Combinations", Giglio Group S.p.A. was identified as the "acquirer" and the Ibox Group as the "acquired".

Ahead of completion of the purchase price allocation process of the assets, liabilities and contingent liabilities of the Ibox Group, a preliminary determination of the goodwill was made based on the best available information at September 30, 2017 with reference to the subgroup acquired, as illustrated in the table below. The Group is currently acquiring the information necessary to complete, as permitted by IFRS 3, for a period of 12 months from the acquisition date, the final measure of the goodwill emerging from the comparison between the price paid and the fair value of the net assets acquired and of the liabilities assumed at the acquisition date.

Purchase cost		5,410
Fair value of the identifiable assets and liabilities	- 2,173	
Goodwill	7,583	

ASSETS

B) Non-current assets

1. Property, plant & equipment

Balance 30.09.2017 6,369,098

Balance 31.12.2016 6,965,001

The breakdown of property, plant and equipment of the Group is illustrated below:

Property, plant & equipment	Plant	Equipment	Furniture & fittings	EDP	Motor vehicles	Other	Total
Net balance at December 31, 2016	**6,763,192**	**23,976**	**37,432**	**5,599**	**107,882**	**26,921**	**6,965,001**
- Increases	403,276	134,256	7,353	350	-	1,143	546,378
- Decreases						(571)	(571)
- Depreciation	(1,265,230)	(3,003)	(17,953)	(9,171)	(27,919)	(16,024)	(1,339,299)
- Increases for change in consolidation scope	89,370	6,073	81,083	3,186		17,876	197,588
Balance at September 30, 2017	**5,990,608**	**161,302**	**107,915**	**(36)**	**79,963**	**29,345**	**6,369,098**
Of which: - Historical cost	16,957,679	383,909	324,417	126,807	419,395	167,362	18,379,569
- Accumulated depreciation at 30.09.2017	(10,967,071)	(222,607)	(216,501)	(126,843)	(339,432)	(138,017)	(12,010,470)

The changes in the previous year are reported below:

Property, plant & equipment	Plant	Equipment	Furniture & fittings	EDP	Motor vehicles	Other	Total
Net balance at December 31, 2015	**7,952,635**	**38,031**	**35,989**	**4,643**	**107,650**	**22,497**	**8,161,445**
- Increases	608,040	-	16,702	4,017	2,343	7,566	638,668
- Decreases	-	(1,752)	-	-	-	-	(1,752)
- Depreciation	(1,797,483)	(12,303)	(15,259)	(3,061)	(2,111)	(3,142)	(1,833,359)
Balance at December 31, 2016	**6,763,192**	**23,976**	**37,432**	**5,599**	**107,882**	**26,921**	**6,965,001**
of which:							
- Historical cost	16,430,072	177,630	193,106	122,917	419,395	159,832	17,502,952
- Accumulated depreciation at 31.12.2016	(9,666,881)	(153,654)	(155,674)	(117,318)	(311,513)	(132,910)	(10,537,950)

At September 30, 2017 the account increased Euro 608 thousand mainly due to specific plant (antennas and upgraded broadcasting infrastructure) acquired by the Mthree division. There were no significant decreases in the period.

2. Intangible assets

Balance 30.09.2017 10,001,470

Balance 31.12.2016 8,710,066

The following table shows the breakdown of intangible assets and the changes in the period.

Intangible assets	Publishing rights	Other intangible assets	Total
Net balance at December 31, 2016	**8,426,570**	**283,495**	**8,710,065**
- Increases	3,585,077	55,858	3,640,935
- Amortisation	(2,505,813)	(96,164)	(2,601,977)
- Net increases for change in consolidation scope	-	252,446	252,446
Balance at September 30, 2017	**9,505,834**	**495,635**	**10,001,470**
Of which: - Historical cost	19,321,726	4,195,933	23,517,659
- Accumulated amortisation at 30.09.2017	(9,815,892)	(3,700,298)	(13,516,190)

The changes in the previous year are reported below:

Intangible assets	Publishing rights	Other intangible assets	Total
Net balance at December 31, 2015	**5,292,881**	**358,650**	**5,651,531**
- Reclass Goodwill RCS		(50,000)	(50,000)
- Increases	5,909,069	112,859	6,021,928
- Amortisation	(2,775,380)	(138,013)	(2,913,393)
Balance at December 31, 2016	**8,426,570**	**283,496**	**8,710,066**

Of which:			
- Historical cost	15,736,649	3,587,569	19,324,218
- Accumulated amortisation at 31.12.2016	(7,310,079)	(3,254,074)	(10,564,153)

In the period the Group (Nautical Channel and Giglio TV) undertook investments in distribution rights and Dubbing costs amounting to Euro 3.6 million, in particular regarding the dubbing costs to readapt Chinese content.

Intangible assets are amortised at 20% per annum as the reasonable estimated useful life is 5 years.

3. Goodwill

Balance at 30.09.2017 11,718,064

Balance at 31.12.2016 4,134,439

Goodwill includes:

- Euro 7,583 thousand relating to the difference between the purchase price of the shares of the Ibox Group paid by Giglio Group S.p.A. and the consolidated net equity of the Ibox Group as previously commented upon in the "Business combinations" section.
- Euro 4,084 thousand relating to the acquisition of Giglio Fashion in March 2016.
- Euro 50,000 relating to the purchase of a business unit from RCS containing a television channel (Yatch and Sail) and its library of TV programmes. The operation took place in 2003.

The Group undertakes an impairment test annually (at December 31) and when circumstances indicate the possibility of a reduction in the recoverable value of the goodwill. The impairment test on the value of the goodwill and of the intangible assets with indefinite useful life is based on the calculation of the value in use. The variables utilised to determine the recoverable value of the various cash generating units (CGU's) are illustrated in the consolidated financial statements at December 31, 2016.

In reviewing its impairment indicators, the Group takes into consideration, among other factors, the ratio between its market capitalisation and its net equity book value. At September 30, 2017, the market capitalisation of the Group was higher than the net equity book value, thus indicating the absence of a potential loss in value of the tangible and intangible assets recorded in the financial statements. Consequently, the directors did not undertake any impairment test at September 30, 2017 for the values above relating to the goodwill.

4. Investments

Balance at 30.06.2017 150,011

Balance at 31.12.2016 -

In April 2017, the company acquired two equity investments in the following companies:

- Pegaso Srl equal to 3% of the share capital
- Class TV Moda Holding: equal to 50% of the share capital

Both equity investments have strategic importance for the global distribution of the TV content for the Horse and Fashion segments, which are highly synergetic for the Media business of the Group.

The investment in Pegaso S.r.l in accordance with IAS 39, reports an insignificant value and is recorded at cost less any losses. The investment in Class TV Moda Holding is measured at equity.

5. Receivables and other non-current assets

Balance at 30.09.2017 142,087

Balance at 31.12.2016 139,658

Financial assets comprise financial receivables, as illustrated in the table below.

	30.09.2017				
Financial assets	Giglio Group	Ibox SA Group	Total	31.12.2016	Changes
Guarantee deposits	137,034	5,053	142,087	137,675	4,412
Other	-	-	-	1,983	(1,983)
Total	**137,034**	**5,053**	**142,087**	**139,658**	**2,429**

Guarantee deposits include deposits paid relating to rental contracts for the buildings at Milan and Rome with:

- Immobiliare Ancora di Villa & C. S.r.l. for the offices at viale Tunisia, Milan;
- Rfezia Immobiliare Servizi S.p.A. for the Rome offices;
- Interoute S.p.A. for the San Giuliano Milanese (MI) offices.

6. Inventories

Balance at 30.09.2017 8,470,831

Balance at 31.12.2016 2,768,653

The inventories of the Group comprise finished products for sale. The increase on the previous year is attributable to the Giglio Group S.p.A, Fashion division, to the US subsidiary, Fashion division and to the subsidiary Ibox SA.

At September 30, 2017, inventories were measured using the FIFO method.

We report that the inventories, within the B2B Fashion division, refer to goods which remain for a short time in stock as already allocated to final clients that have already confirmed a binding purchase order. In relation to the goods held by the company Ibox SA, within the B2C Fashion division, these refer to goods ready for shipment to the final consumer and customer returns to be returned to the brand clients based on contractual agreements. The returns, therefore, transit in the warehouses for the short time necessary to complete the reshipment without specific risks.

At September 30, no further provision was made to the obsolescence provision as the risk of unsold items was considered insignificant.

7. Trade and other receivables

Balance at 30.09.2017 17,552,580

Balance at 31.12.2016 18,888,841

	30.09.2017					
Trade receivables	Giglio Group	Ibox SA Group	Subsidiaries	Total	31.12.2016	Change
Trade receivables	7,841,115	4,638,018	4,449,663	16,928,796	17,571,784	(642,988)
Advances to suppliers	864,912	11,410	-	876,322	1,043,119	(166,797)
Guarantee deposits	613,224	190,167	60,999	864,390	567,941	296,449
Other receivables	490,714	84,488	36,803	612,005	490,714	121,291
Doubtful debt provision	(784,717)	(944,215)	-	(1,728,932)	(784,717)	(944,215)
Total	**9,025,248**	**3,979,868**	**4,547,464**	**17,552,580**	**18,888,841**	**(1,336,260)**

Relating to Giglio Group S.P.A., the adjustment of the nominal values of receivables to their estimated realisable value was made through the doubtful debt provision of Euro 784 thousand.

The decrease in trade receivables compared to December 31, 2016 is mainly attributable to the company's credit recovery policy and the utilisation of without recourse factoring operations with Banca IFITALIA in order to improve the DSO.

The guarantee deposits mainly refer to the Mthree division and in particular the rental contracts of the satellite band, with an annual duration.

The supplier advances of the Giglio Group are mainly attributable to the Fashion division and relate to advances on orders of the PE 2017 collection.

For the subsidiaries Nautical Channel and Giglio TV there were no significant changes compared to December 31, 2016. The largest exposure for both GiglioTV and Nautical Channel is to the Chinese advertising agency.

At September 30, 2017 there were no significant changes compared to December 31, 2016.

8. Tax receivables

Balance 30.09.2017	**8,302,361**
Balance at 31.12.2016	**1,797,561**

The breakdown of tax receivables is shown below:

	30.09.2017					
Tax receivables	Giglio Group	Ibox SA Group	Subsidiaries	Total	31.12.2016	Change
Deferred tax assets	703,435	15,622	-	719,057	198,396	520,661
Total deferred tax assets	703,435	15,622	-	719,057	198,396	520,661
IRES	121,589	-	-	121,589	-	121,589
IRAP	40,732	-	-	40,732		40,732
Withholding taxes	10,805	82	-	10,887	11,603	(716)
INPS	2,710	-	-	2,710	2,710	(0)
INAIL	2,059	-	-	2,059	2,059	(0)
VAT	2,603,691	4,630,412	-	7,234,103	1,433,751	5,800,352
Other	151,995	18,490	737	171,223	149,042	22,181
Total current tax receivables	2,933,582	4,648,984	737	7,583,304	1,599,165	5,984,139
Total current tax receivables	**3,637,017**	**4,664,606**	**737**	**8,302,361**	**1,797,561**	**6,504,800**

The account includes deferred assets amounting to Euro 719 thousand mainly relating to deferred tax assets calculated on the tax losses of the parent company (Euro 498 thousand) and to the tax effect of the IPO costs in 2015 (Euro 83 thousand).

The current part of the account includes all the tax receivables for payments on account or credits matured. The VAT receivable of the Giglio Group refers to the Giglio Fashion division and is attributable to the exercise of the "habitual exporter" option.

The VAT receivable amounting to Euro 4,630 thousand of Ibox SA relates to Italian VAT and is generated from purchase operations which the company concludes through its own stable organisation in Italy which is not offset with sales operations which are undertaken abroad and therefore VAT exempt. The recovery of this receivable is supported by authoritative tax advisor opinions.

The deferred tax assets are expected to be reabsorbed by future assessable income deriving from the business plan.

9. Other assets and other current receivables

Balance 31.09.2017 **3,235,027**

Balance 31.12.2016 **531,552**

	30.09.2017				
Other assets	**Giglio Group**	**Ibox SA Group**	Total	**31.12.2016**	**Change**
Other receivables	10,042	4,320	14,362	30,914	(16,552)
Prepayments/Accrued income	1,562,969	1,657,696	3,220,665	500,638	2,720,027
Total	**1,573,011**	**1,662,016**	**3,235,027**	**531,552**	**2,703,475**

Prepayments and accrued income mainly relate to:

- the Mthree division for Euro 1,377 thousand: concerns costs related to the subsequent quarter on the Eutelsat contract;
- the Ibox Group for Euro 1,302 thousand: concerns the relative installations for the use of management software for the years 2019 and thereafter invoiced in advance.

10. Cash and cash equivalents

Balance 30.09.2017 **4,860,106**

Balance 31.12.2016 **1,817,010**

“Cash and cash equivalents” are illustrated in the table below:

	30.09.2017					
Cash and cash equivalents	Giglio Group	Ibox SA Group	Subsidiaries	Total	31.12.2016	Change
Bank and postal deposits	3,287,519	829,654	283,193	4,400,366	1,812,159	2,588,207
Cash in hand and similar	6,332	453,407	-	459,739	4,851	454,888
Total	3,293,851	1,283,061	283,193	4,860,106	1,817,010	3,043,095

The changes relate to normal operating events and refer to the changes illustrated in the cash flow statement.

LIABILITIES

11. Shareholders’ Equity

The share capital at September 30, 2017 consists of 16,040,250 ordinary shares at a nominal value of Euro 0.20 each.

The changes in 2017 are due to:

- Share capital increase for Euro 244 thousand and share premium reserve for Euro 3,666 thousand, following the acquisition of the Ibox Group (formerly Evolve Group).
- Allocation of the consolidated result at December 31, 2016;
- Recognition of actuarial losses - IAS 19;
- Recognition of exchange differences;
- Profit in the period.

12. Provisions for risks and charges and Post-employment benefits

Balance 30.09.2017	**668,268**
Balance 31.12.2016	**282,864**

At September 30, 2017 the provision for risks and charges mainly refers to the Post-employment benefit provision which amounts to Euro 408 thousand.

The changes in the post-employment benefit provision was as follows:

(Euro thousands)	
Post-employment benefit provision at 1.1.2017	**283**
Provisions 2017	43
Advances/Util.	(51)
Actuarial gains (losses)	32
Change in consolidation scope	97
Net Interest	4
Balance at September 30, 2017	**408**

The residual value of the provisions for risks and changes refers to the provision for returns and relates to the company Ibox SA.

The principal technical demographic and economic bases utilised for the actuarial valuations are illustrated below:

- probability of elimination for death: ISTAT table 2015 (source ISTAT – 2016 Italian Annual Statistics);
- probability of elimination for invalidity: zero;
- probability of elimination for other reasons (dismissal, departure): equal to 3% per annum for the entire valuation period (taken from the data recorded, as well as experience relating to similar businesses);
- pension expected on the maturity of the first possibility of I.N.P.S. pension established by Article 24 of Law 214/2011;
- annual inflation rate: 0.6% for the fourth quarter of 2017, 1.6% for 2018 and 1.5% for 2019 (source: *"2017 Economic and Finance Document"*); from 2020 onwards, the annual rate of 1.5% was maintained;
- annual salary increase rate: equal to inflation for all categories and for the entire valuation period;
- probability of request for first advance: 2.5% of seniority from 8 years on;
- maximum number of advances: 1;
- amount of Post-employment benefit advance: 30% of the Post-employment benefit matured.

In relation to the financial assumptions, it should be noted that the discount rate was chosen, taking into account the indications of IAS 19, with reference to the curve at September 30, 2017 of AA securities issued by corporate issuers in the Eurozone and based on the average residual duration of the Post-employment benefit at September 30, 2017; therefore, considering that the average residual duration of the liabilities was 17 years, the annual nominal discount rate assumed in the valuation was 2%.

13. Deferred tax liabilities

Balance 30.09.2017 **286,941**

Balance 31.12.2016 **365,879**

At September 30, 2017 the balance amounted to Euro 286 thousand and mainly refers to the deferred tax effect calculated on the allocation of the higher price paid (PPA on fixed assets) deriving from the acquisition of Mthree Satcom. On the acquisition of the investment, in fact, the higher price calculated as the difference between the purchase price and the net equity was reallocated to an increase in the value of the assets. The new value of the fixed assets is supported by a technical experts' opinion. The reduction compared to December 31, 2016 is attributable to the change in these taxes in the period.

14. Current and non-current financial payables

Balance 30.09.2017 **19,290,847**

Balance 31.12.2016 **12,053,853**

The financial payables are illustrated in the table below:

	30.09.2017					
Financial payables	Giglio Group	Ibox SA Group	Subsidiaries	Total	31.12.2016	Change
Current	(10,268,974)	(5,382)	(204,154)	(10,478,509)	(4,418,250)	(6,060,259)
Non-current	(6,340,410)	(1,000,000)	(1,471,927)	(8,812,337)	(7,635,603)	(1,176,734)
Total	(16,609,383)	(1,005,382)	(1,676,081)	(19,290,847)	(12,053,853)	(7,236,994)

Relating to the current portion, the breakdown of financial payables is shown below:

Current financial payables	30.09.2017	31.12.2016	Change
Loans (current portion)	(1,979,779)	(1,907,281)	(72,498)
Total current loans	(1,979,779)	(1,907,281)	(72,498)
Invoice advance lines/credit lines	(6,872,333)	(1,288,984)	(5,583,349)
Bank overdrafts	(14,862)	-	(14,862)
Earn-out (current portion)	(402,000)	(1,000,000)	598,000
Bond loan	(1,000,000)	-	(1,000,000)
Total Giglio Group	(10,268,974)	(4,196,265)	(6,072,709)
Giglio TV advance line	(200,000)	(200,000)	-
Bank overdraft IBOX Group	(5,382)		
Bank overdrafts	(4,154)	(21,985)	17,831

Total	**(10,478,509)**	(4,418,250)	(6,060,260)

The current financial payables relate to:

- the self-liquidating credit lines as advances on invoices.
- the payable for the current portion of the earn-out was paid at the beginning of April 2017 to the previous shareholders of Giglio Fashion S.p.A. for Euro 1 million. The current portion in 2017 amounting to Euro 402 thousand (of which Euro 166 thousand relating to the previous year and classified under non-current financial payables at December 31, 2016) relates to the portion to be paid in the year and represents the best estimate on the basis of available information. An amount of Euro 236 was recorded as cost in the period for the reasons illustrated in paragraph H - fair value measurement.

Relating to the non-current portion, the breakdown of financial payables is shown below:

Non-current financial payables	30.09.2017	31.12.2016	Change
Loans	(2,858,366)	(2,483,478)	(374,888)
Total current loans	(2,858,366)	(2,483,478)	(374,888)
Liability acquired minority share G-TV	(1,470,000)	(1,470,000)	-
Earn-out	-	(166,000)	166,000
Minibond	(3,482,044)	(3,516,125)	34,081
Other	(1,927)	-	(1,927)
Total Giglio Group	(7,812,337)	(7,635,603)	(176,734)
Payables to Tessilform	(1,000,000)	-	(1,000,000)
Total Ibox SA Group	(1,000,000)	-	(1,000,000)
Total	**(8,812,337)**	**(7,635,603)**	**(1,176,734)**

The non-current financial payables are represented by unsecured loans and include:

- the Minibond recorded in accordance with the amortised cost criteria of Euro 3.5 million was issued in 2016 by the parent company Giglio Group S.p.A. The Minibond is called "GIGLIO GROUP S.P.A. – 5.4% 2016-2022" and was utilised to finance the acquisition of the company Giglio Fashion, at the conditions:
    - Rate: 5.4%
    - Duration: 6 years
    - Grace period: 2 years
- the financial payable for Euro 1 million of Ibox SA to the previous shareholders (Tessilform S.p.A) of Ibox SA (formerly Evolve SA);
- the account "liabilities acquired minority interest Giglio TV" for Euro 1,470 thousand relates to the financial liability concerning the irrevocable obligation to purchase the minority holding by Giglio, at June 30, 2022. This liability, following a closer interpretation

of accounting standard IAS 32, was reclassified to financial payables. This reclassification was also adopted in the financial statements at December 31, 2016.

The following table summarises the loans of the Giglio Group S.p.A. at September 30, 2017 and highlights the amounts due within and beyond one year:

SITUATION AT 30/09/2017 giglio group spa companies

Bank	Loan amount	subscription date	Residual at 30/09/2017	Maturity	Cap. payable bet. 01/10/2017 - 30/09/2018	Capital payable until maturity
BANCA DI SONDRIO						
Unsecured Loan No. 076/1111534	€ 1,500,000.00	07/04/2009	98,795 €	31/10/2018	78,641 €	20,154 €
Property Loan No. 076/1124006	€ 370,000.00	22/09/2013	120,146 €	31/03/2019	79,164 €	40,982 €
Unsecured Loan No. 076/1086086, CNA guarantee	€ 500,000.00	31/01/2012	54,186 €	31/01/2018	54,186 €	0 €
Unsecured Loan, guaranteed by MCC	€ 1,200,000.00	30/09/2015	745,002 €	30/09/2020	239,707 €	505,295 €
UNICREDIT BANCA						
Unsecured Loan No. 0550004486375, guaranteed by MCC	€ 500,000.00	04/06/2014	0 €	30/06/2017	0 €	0 €
INTESA						
Unsecured Loan No. 0735073124054, guaranteed by MCC	€ 500,000.00	11/02/2014	0 €	11/02/2019	0 €	0 €
Unsecured Loan No. 0IC1047064869	€ 1,000,000.00	28/06/2017	951,907 €	28/06/2022	194,338 €	757,569 €
MONTE PASCHI DI SIENA						
Unsecured Loan No. 741605822/82	€ 500,000.00	24/06/2011	0 €	30/06/2017	0 €	0 €
Unsecured Loan No. 741677580/60, CDP & SACE guarantee	€ 500,000.00	29/10/2014	250,000 €	31/12/2019	100,000 €	150,000 €
BANCA POP. NOVARA E VERONA						
Unsecured Loan No. 1065/472981, CDP guarantee	€ 100,000.00	18/02/2015	17,459 €	31/03/2018	17,459 €	0 €
Unsecured Loan No. 02986637	€ 202,000.00	28/06/2016	0 €	28/06/2017	0 €	0 €
Unsecured Loan No. 03528422	€ 500,000.00	30/01/2017	436,465 €	31/01/2022	97,065 €	339,400 €
Unsecured Loan No. 03709516	€ 200,000.00	24/06/2017	175,477 €	30/06/2019	99,446 €	76,031 €
BANCA POP di BERGAMO						
Loan No. 004/01141252, MCC guarantee	€ 300,000.00	17/06/2015	84,272 €	17/06/2018	84,272 €	0 €
Loan No. 004/01187014, unsecured	€ 600,000.00	29/07/2016	454,668 €	29/07/2020	148,394 €	306,274 €
CREDEM						
Loan No. 052/7059285, MCC guarantee	€ 700,000.00	21/06/2016	483,219 €	21/06/2020	174,679 €	308,540 €
CARIGE	€ 500,000.00	02/08/2017	486,482 €	31/08/2020	177,365 €	309,117 €
Loan 36 months						
TOTAL GIGLIO GROUP	**€ 9,672,000.00**		**4,358,078 €**		**1,544,717 €**	**2,813,361 €**
CREDEM						
Loan No. 7020946	€ 800,000.00	12/11/2015	313,739 €	12/11/2018	268,734 €	45,005 €
CREVAL						
Loan No. 61482	€ 500,000.00	09/04/2015	157,817 €	31/10/2018	157,817 €	0 €
TOTAL GIGLIO FASHION	**€ 1,300,000.00**		**471,556 €**		**426,551 €**	**45,005 €**
INTESA						
Unsecured Loan No. 0194073132771	€ 100,000.00	28/02/2014	8,511 €	31/01/2018	8,511 €	0 €
TOTAL M-Three	€ 100,000.00		**8,511 €**		**8,511 €**	**0 €**
	Grand total		**4,838,145 €**		**1,979,779 €**	**2,858,366 €**

15. Trade payables

Balance 30.09.2017 **31,083,768**

Balance 31.12.2016 **18,310,718**

	30.09.2017					
Trade payables	Giglio Group	Ibox SA Group	Subsidiaries	Total	31.12.2016	Change
Customer advances	(9,165)	-	-	(9,165)	(117,013)	107,848
Supply of goods and services	(13,280,153)	(14,554,582)	(1,673,849)	(29,508,584)	(16,552,026)	(12,956,558)
Credit notes to be issued	(555,408)	-	(118)	(555,526)	(616,821)	61,295
Contribution credit notes to be issued	(476,314)	-	-	(476,314)	(490,714)	14,400
Guarantee deposits	(534,180)	-	-	(534,180)	(534,144)	(36)
Other trade payables	-	-	-	-	-	-
Total	(14,855,219)	(14,554,582)	(1,673,967)	(31,083,768)	(18,310,718)	(12,773,050)

The decrease in trade payables is due to the normal operating activities of the business and to the fact that the company is seeking to align the DSO with the DPO.

Relating to Giglio Group S.p.A.:

- The credit notes to be issued relating to the M-Three division concern the Eutelsat client/supplier in relation to the normal management of the satellite band;
- The guarantee deposits of the M-Three division refer to the deposits paid by clients against contracts;
- Contribution credit notes to be issued refer to the contributions received from the State typical within the sector which in part must be returned to the clients.

Relating to both the subsidiaries GiglioTV and Nautical Channel, the greatest exposure is to the Chinese supplier FX for “dubbing” costs.

16. Tax payables

Balance 30.09.2017 **1,386,540**

Balance 31.12.2016 **1,337,944**

	30.09.2017					
Tax payables	Giglio Group	Ibox SA Group	Subsidiaries	Total	31.12.2016	Change
Withholding taxes	(60,733)	(10,275)	-	(71,008)	(114,912)	43,904
VAT	-	(84,445)	-	(84,445)	(362,608)	278,163
Income taxes	(254,979)	(90,108)	(813,875)	(1,158,962)	(812,141)	(346,821)
Social security institutions	(47,928)	(24,197)	-	(72,125)	(48,282)	(23,843)

Total	(363,641)	(209,025)	(813,875)	(1,386,540)	(1,337,943)	(48,597)

Tax payables mainly relate to withholding taxes and taxes related to the normal operating activities of the company.

17. Other current liabilities

Balance 30.09.2017 **1,371,663**

Balance 31.12.2016 **616,135**

	30.09.2017					
Other current liabilities	Giglio Group	Ibox SA Group	Subsidiaries	Total	31.12.2016	Change
Employee payables	(255,760)	(86,637)	-	(342,397)	(208,472)	(133,925)
Deferred income	(454,969)	(289,717)	-	(744,685)	(407,568)	(337,117)
Other payables	(6,253)	(264,683)	(13,644)	(284,580)	(95)	(284,485)
Total	(716,982)	(641,037)	(13,644)	(1,371,663)	(616,135)	(755,528)

Deferred income mainly refers to revenues to be recognised in future periods. In particular, for the Mthree division this concerns satellite band installation fees which are invoiced in advance.

18. Notes to the Income Statement

The table below illustrates the principal variances in the first nine months of 2017 compared to the previous year.

COMPREHENSIVE INCOME STATEMENT (in €)	9M 2017	9M 2016	change	cge %
Revenue from sales and services	49,735,652	22,594,906	27,140,747	120.1%
Other revenues	398,489	899,758	(501,269)	(55.7) %
Change in inventories	3,588,986	1,541,917	2,047,069	132.8%
Purchase of raw materials, ancillary, consumables and goods	*(33,830,991)*	*(11,738,990)*	*(22,092,001)*	188.2%
Service costs	*(12,263,424)*	*(5,748,429)*	*(6,514,995)*	113.3%
Rent, lease and similar costs	*(629,505)*	*(388,024)*	*(241,481)*	62.2%
Operating costs	***(46,723,919)***	***(17,875,442)***	***(28,848,477)***	**161.4%**
Salaries and wages	*(1,588,373)*	*(781,617)*	*(806,756)*	103.2%
Social security charges	*(409,937)*	*(224,005)*	*(185,931)*	83.0%
Post-employment benefits	*(32,832)*	*(41,944)*	*9,112*	(21.7) %
Personnel expense	***(2,031,141)***	***(1,047,567)***	***(983,575)***	**93.9%**
Amortisation of intangible assets	*(2,601,977)*	*(1,549,553)*	*(1,052,424)*	67.9%
Depreciation of property, plant & equip.	*(1,339,299)*	*(1,315,829)*	*(23,470)*	1.8%
Write-downs	*0*	*(53,520)*	*53,520*	(100.0) %
Amortisation, depreciation & write-downs	***(3,941,276)***	***(2,918,903)***	***(1,022,373)***	**35.0%**
Other operating costs	(476,087)	(451,923)	(24,164)	5.3%
Operating profit	**550,703**	**2,742,746**	**(2,192,043)**	**(79.9) %**
Net financial income/(charges)	(528,259)	(304,738)	(223,520)	73.3%
Profit before taxes	**22,444**	**2,438,007**	**(2,415,563)**	**(99.1) %**
Income taxes	26,818	(836,717)	863,535	(103.2) %
Net Profit	**49,262**	**1,601,291**	**(1,552,029)**	**(96.9) %**

In the first nine months of 2017 revenues amounted to Euro 49.7 million, compared to Euro 22.5 million in 9M 2016. The increase is principally due to:

- the contribution of the Giglio Fashion division for nine months in 2017 compared to 7 months in 2016 (the Giglio Fashion division contributed to the results in 2016 from the acquisition date, March 14, 2016);
- The entry of the Ibox Group from the acquisition date (April 27, 2017).

Relating to the other subsidiaries Giglio TV revenues increased Euro 500 thousand thanks to the greater revenue from the advertising campaigns with China International, the Chinese advertising agency. The revenues of the Nautical Channel were in line with the same period of the previous year.

Revenues at Giglio USA grew approx. Euro 1.1 million. The increase is due to the contribution for the full nine months compared to the previous year (the subsidiary was incorporated in May 2016).

The general increase in operating costs is directly related to the increase in revenues previously commented upon.

Specifically, the increase in service costs derives from the charges incurred by the company for the translisting process and the entry of the Ibox Group.

Rent, lease and similar costs mainly relate to the Giglio Group and include rental charges for the Milan, Rome and Genoa offices.

The rents refer to contracts agreed with:

- Immobiliare Ancora di Villa & C. S.r.l. for the offices at viale Tunisia, Milan;
- Rfezia Immobiliare Servizi S.p.A. for the teleport of the Rome office;
- Interoute S.p.A. for the teleport of the San Giuliano (MI) office;
- Max Factory S.r.l.: building owned by Alessandro Giglio who leases to the Giglio Group S.p.A. the Genoa offices at palazzo della Meridiana and in Rome at Via dei Volsci. This transaction is outlined in the section on related party transactions.

Personnel expense increased on 9M 2016 for a total of Euro 992 thousand due to the contribution of the Evolve Group but also the investment in the organisational structure of the new EIP business.

The increase in amortisation and depreciation is strictly related to the increase in investments. Reference should therefore be made to the specific sections of the Explanatory Notes.

Other operating costs in 9M 2017 include Euro 236 thousand relating to the earn-out previously commented upon.

Other operating costs in 9M 2016 mainly relate to minor cost for services not booked in the previous year due to errors in estimates.

Financial expenses increased on 9M 2016 principally related to the Minibond and Factoring.

The tax rate reduced against the higher impact on the result of the foreign subsidiaries with lower tax rates and thanks to the effect of the deferred tax assets recorded at the parent company which amounted to Euro 497 thousand and is commented upon in the section “tax receivables”.

In accordance with law, total remuneration payable to Directors and Statutory Auditors of the parent company Giglio Group S.p.A is indicated below.

Directors	Euro
A.Giglio	180
M.Mancini	15
A.Lezzi	10
G.Mosci	10
Y.Zaho	10
	225

Stat. Auds.	Euro
R.Pontesilli	15
C.Tundo	10
G.Ritucci	10
	35

Office	Remuneration
Directors	225,000
Statutory Auditors	35,000

The remuneration of the audit firm for the period ended September 30, 2017 totals Euro 184 thousand and refers to the audit of the half-year financial statements, the audit of the pro-forma data, the translisting process and the audit on the nine-month interim report.

The remuneration of directors, statutory auditors and the audit firm do not include expenses.

19. Related party transactions (Article 2427, paragraph 1, No. 22 - *bis* Civil Code)

The company undertook related party transactions (as per Article 2427, paragraph 2, of the Civil Code) in line with market conditions.

Financial and operating transactions with the subsidiaries are illustrated in paragraph 12 of the Directors' Report.

20. Commitments, guarantees and contingent liabilities

Guarantees

At the reporting date, the company provided guarantees to third parties.

Mr. Alessandro Giglio has provided personal guarantees on some Loans held by the company at September 30, 2017.

The details are shown below:

	Guarantee Value		Guaranteed amount	
MPS	€	1,047,500	€	250,000
B.POP Sondrio	€	3,470,000	€	1,194,026
B.POP Sondrio	€	1,500,000	€	98,795
Banca Sella	€	246,000	€	199,806
B. POP. Novara	€	650,000	€	650,000
FACTORIT	€	360,000	€	136,044
UNICREDIT	€	536,250	€	536,250
UNIPOL	€	330,000	€	3,351

Contingent liabilities

At the reporting date, there were no contingent liabilities not recorded in the financial statements.

21. Financial risk management - IFRS 7.

The financial risks existing refer entirely to the parent company GIGLIO GROUP S.P.A.

The present financial statements were prepared in accordance with the provisions of IFRS 7, which requires disclosure of the recording of financial instruments related to the performance, to the financial exposure, to the level of exposure of risks deriving from the utilisation of financial

instruments, and the description of the objectives, policies and management procedures in relation to these risks.
The loans and receivables are financial assets recorded at amortised cost which mature interest at fixed or variable rates. The book value may be impacted by changes in the credit or counterparty risk.

Medium-term loan

The company reports at September 30, 2017 a net financial debt position of approx. Euro 14.4 million (for the calculation basis and the reconciliation of the data reference should be made to the specific table in the Directors' Report). These payables also include the Minibond issued to finance the acquisition of Giglio Fashion (for further information reference should be made to that already illustrated in these Explanatory Notes and commented upon in the Directors' Report) and unsecured medium-term bank loans and the Simest holding reclassified.
The contracts contain clauses and commitments, undertaken by the debtor, typical of such financing contracts, whose violation could give rise to the lapse of the benefit of the terms, express resolution or withdrawal from the contractual relationship and, consequently, to the advance repayment of the sums provided. Among these clauses and commitments, we report the following:

- an obligation to channel a portion of work of Giglio Group S.p.A. not below 10% of annual revenues for the duration of the loan, with an increase in the spread equal to 1 percentage point in the case of non-compliance of the covenant with reference to the loan contract signed with Banca Monte dei Paschi di Siena on June 24, 2011, for a total amount of Euro 500,000;
- a resolution clause in favour of Banca Monte dei Paschi di Siena on the occurrence of so-called "Advance Repayment" events in relation to further loans granted by Banca Monte dei Paschi di Siena or by a party of the Monte dei Paschi di Siena Group with reference to the loan contract signed with Banca Monte dei Paschi di Siena on October 29, 2014 for a total amount of Euro 500,000;
- a clause which attributes the right of withdraw in favour of Banca Intesa Sanpaolo in the case of non-compliance of credit, financial or guarantee obligations in relation to any party or, even, resolution or withdrawal for reasons attributable to the Issuer regarding any contract agreed by them with reference to the loan contract stipulated with Banca Intesa

Sanpaolo on February 11, 2014, for a total amount of Euro 500,000.

Although the company carefully monitors its financial exposure, any violation of the contractual commitments or the non-payment of instalments, non-renewal or revocation of the current credit lines, even due to events external to the wishes and/or activity of the Issuer and/or of the companies of the Group, may have a negative impact on the economic, equity and/or financial situation of the company and of the Group.

Paragraph 14 summarises the loans held by Giglio Group S.p.A.

Bank overdrafts

The bank overdrafts are covered by guarantees of variable amounts provided by Mr. Alessandro Giglio.

In addition, the company issued in 2016 a Minibond for an amount of Euro 3.5 million, utilised to finance the acquisition of the company Giglio Fashion, with the conditions. The minibond is listed on the Professional Segment (ExtraMOT PRO) of the ExtraMOT market.

The bond is for a duration of 6 years and comprises 35 securities issued at a par value equal to 100% of the nominal value (Euro 100 thousand each). The bonds are interest-bearing from the rights date (March 10, 2016) until the maturity date (March 10, 2022) or up to the date of any advance repayment. The gross annual nominal interest rate is equal to 5.4%, unless a Step-up event occurs, which would increase the interest rate by 0.5 percentage points for non-compliance with the following financial covenants, which are verified on December 31 each year, with the initial Calculation date of December 31, 2016:

- NFP / EBITDA <= 3.5;
- NFP/ Net Equity <= 2,0;
- EBITDA / OF >= 5.0.

The repayment plan of each bond provides for the repayment of the capital portion in equal half-year instalments of Euro 12.5 thousand from September 10, 2018.

On May 26, 2017 a bond loan was issued, subscribed by Banca Sella for Euro 1 million, comprising 10 bearer bonds of a nominal value of Euro 100 thousand. The bond loan is for a duration of one year with an interest rate of 2.9%.

22. Earnings per share

The basic earnings per share attributable to the holders of the ordinary shares of the company is calculated by dividing the profit by the number of shares outstanding at the reporting date.

23. Diluted earnings per share

There are no significant dilution effects

24. Information relating to the fair value of financial instruments (Article 2427 bis of the Civil Code)

The Group has no derivative financial instruments. The book value of the financial assets and liabilities recorded in the financial statements approximates their fair value with the exception of the financial liabilities relating to the earn-out commented in paragraph H "Fair value measurement", to which reference should be made. Consequently, as indicated by IFRS 7 no further information is provided and reference should be made to these sections for further information.

Milan, December 12, 2017