giglio

GROUP S.p.A.

2017 Annual & Consolidated Financial Report

CONTENTS

Directors’ Report

on the 2017 Consolidated Financial Statements

CALL NOTICE OF THE SHAREHOLDERS´ MEETING

Shareholders are called to the Shareholders' AGM at the registered office in Milan, Piazza Diaz No. 6 on May 11, 2018 at 11AM in single call, to discuss and vote upon the following

AGENDA

1. Statutory financial statements at December 31, 2017 of "Giglio Group S.p.A." and allocation of the result for the year
   1.1 Approval of the statutory financial statements of the company at December 31, 2017, following review of the Directors' Report, the Board of Statutory Auditors' Report and the Independent Auditors' Report. Presentation of the Consolidated Financial Statements of Giglio Group S.p.A. at December 31, 2017.
   1.2. Allocation of the result for the year.

2. Appointment of the Board of Directors, with prior establishment of the number of directors and the period of office; establishment of remuneration.

   2.1. Establishment of the number of members;
   2.2 Establishment of the period of office;
   2.3 Appointment of the members of the Board of Directors;
   2.4 Establishment of the Directors' fees.

3. Appointment of the Board of Statutory Auditors and its Chairman; establishment of remuneration.

   3.1. Appointment of the Board of Statutory Auditors and its Chairman
   3.2 Establishment of remuneration.

4. Appointment of independent audit firm. Change to the nine-year period of mandate assigned by the Shareholders' Meeting on December 1, 2017.

Information on the share capital

The share capital amounts to Euro 3,208,050.00, comprising 16,040,250 ordinary shares, without nominal value. At the present date the company does not hold treasury shares.

Attendance at the Shareholders' Meeting

Each ordinary share has the right to one vote at the Ordinary and Extraordinary Shareholders' Meetings of the Company.

Pursuant to Article 83-*sexies* of Legislative Decree No. 58/98, as subsequently amended (the "CFA"), those who, based on the communication sent to the company from an intermediary, in accordance with applicable legislation and in accordance with the accounting records at the end of the 7th trading day before the date set for the Shareholders' Meeting in single call (i.e. May 2, 2018, "record date"), have the right to attend and vote; holders of shares of the company only subsequent to this date will not have the right to attend and vote at the Shareholders' Meeting. The communication of the intermediary must be received by the Company by the end of the third trading day before the date fixed for the Shareholders' Meeting (therefore, by May 8, 2018). The right to attend and vote at the Shareholders' Meeting remains valid if the communication is sent to the Company outside the above-stated time period, although by the beginning of the Shareholders' Meeting.

Exercise of proxy voting

Those with the right to attend the Shareholders' Meeting may be represented through written proxy in accordance with law, with the option to utilise for this purpose the proxy form available on the company website www.giglio.org ("Corporate Governance" section); the proxy form may be sent to the Company through registered letter to the registered office of the company in Milan, Piazza Diaz No 6, or through the certified electronic e-mail address "giglio@arubapec.it". Proxy may be granted through a computer-generated document signed in electronic form in accordance with Article 21, paragraph 1 *bis* of Legislative Decree No. 82/2005.

Shareholder's Designated Agent

The proxy may be conferred, with voting instructions on the proposals on the Agenda, to Computershare S.p.A., with registered office in via Lorenzo Mascheroni, No. 19, 20145 Milan, as the Designated Agent of the Company pursuant to Article 135-*undecies* of Legislative Decree No. 58/1998, utilising the proxy form which may be downloaded from the website www.giglio.org (in the "Corporate Governance" section) or at the registered office of the Company or at the registered office of Computershare S.p.A. The original proxy and voting instructions should be sent to Computershare S.p.A., via Lorenzo Mascheroni, No. 19, 20145 Milan, by the end of the second trading day before the date fixed for the Shareholders' Meeting in single call (therefore by May 9, 2018). A copy of the proxy may be sent to the Designated Agent, within the above-mentioned terms, via telefax to the number +39 02 46776850 or attaching the proxy to the e-mail address ufficiomilano@pecserviziotitoli.it. Only proxies containing voting instructions are valid. Proxies and voting instructions are revocable in accordance with the same terms above. The communication to the Company by the intermediary ascertaining the right to attend and vote at the Shareholders' Meeting is also necessary in the case of conferring proxy to the Designated Agent of the Company. In accordance with law for which the proxy was conferred, even partially, these are included for the quorum of the Shareholders` Meeting and, where no voting instructions have been conferred, the shares are not included for the calculation of the necessary majority and of the share capital percentage required to approve the motions. Information concerning conferring proxy to Computershare S.p.A. (which may be contacted via telephone for clarification at +39 02 46776811) is also available within the above-mentioned proxy form.

Right to request supplementation of the Agenda and to present new proposals

In accordance with Article 126-*bis* of the CFA, Shareholders who represent, even jointly, at least one-fortieth of the share capital may request, within ten days of publication of the present notice (therefore by April 9), supplementation to the matters on the Agenda, indicating in the request the further matters to be included on the Agenda, or proposals on matters already on the Agenda. For the exercise of this right a communication should be sent to the Company by the intermediary. The request should be sent through registered letter to the registered office of the Company in Milan, Piazza Diaz No. 6, or to the certified electronic email address giglio@arubapec.it, within the time period outlined above; the proposing shareholders – by the same time period and method – must present a report outlining the reasons for the proposal of new matters to be added to the Agenda or the reasoning concerning further proposals to be presented on matters already on the Agenda. In relation to supplementation to the Agenda or the presentation of further proposals on existing matters, notice is given in the same manner prescribed for the publication of the call notice, at least 15 days before the Shareholders' Meeting in single call (therefore by April 26, 2018). At the same time of publication of the supplementation notice or of the presentation, in the same manner established for the documentation relating to the Shareholders' Meeting, the report prepared by requesting shareholders, accompanied by any evaluations of the Board of Directors, will be made available to the public. Supplementation of the Agenda is not permitted for matters on which the Shareholders' Meeting will vote, in accordance with law, on proposals of the Directors or concerning projects or reports other than those prepared in accordance with Article 125-*ter* paragraph 1 of the CFA.

Right to submit questions regarding matters on the Agenda In accordance with Article 127-*ter* of the CFA, those with the right to vote may submit questions regarding the matters on the Agenda by May 8, 2018, through sending questions by registered letter to the registered office, in Milan, Piazza Diaz No. 6, or to the certified electronic e-mail address "giglio@arubapec.it". The exercise of this right shall be communicated to the Company by the intermediary; this certificate however is not necessary where the intermediary has sent to the Company the communication for attendance at the Shareholders' Meeting. For the questions sent before the Shareholders' Meeting, response will be given at the latest at the meeting, with the faculty of the Company to provide a single response to questions with the same content.

Appointment of the Board of Directors, with prior establishment of the number of directors and the period of mandate; establishment of remuneration.

Pursuant to Article 16 of the By-Laws, the Board of Directors is appointed in accordance with the current *pro tempore* regulations on gender equality, on the basis of slates presented by the shareholders as outlined below, in which the candidates are elected by means of progressive number. Shareholders may present slates whom, alone or together with other shareholders, hold a percentage of share capital as determined by law or regulations. In accordance with the By-Laws the shareholding required for the presentation of slates for the appointment of the Board of Directors of the Company is equal to 2.5% of the share capital. The slates must be presented at the registered office of the company at Milan, Piazza Diaz 6, by April 16, 2018.

The filing of the slates for the appointment of the Board of Directors may also be made through the certified electronic e-mail address "giglio@arubapec.it". On the presentation of slates through electronic e-mail the presenters should also attach a valid identity document.

In addition, it is also necessary to file, within the terms required for the publication of the slates by the Company - and, therefore, even subsequent to the filing of the slate, although at least twenty one days before the date of the Shareholders' Meeting (therefore by April 20, 2018) - the certification issued by an appointed intermediary maintaining the accounts in accordance with law proving the ownership, at the date of the filing, of the number of shares necessary for the presentation of the slate through sending to the Company (by the intermediary) the communication pursuant to Article 23 of the Joint Regulation. The ownership of the holding is established considering the shares which have been registered in favour of the shareholder on the day on which the slates are filed with the Company. The Directors must possess the requisites required by law and by the By-Laws.

The slates presenting a number of candidates of three or above should be composed of candidates belonging to both genders, so that the under-represented gender comprises at least one-third of the candidates (rounded up).

For further details on the methods and terms, as well as the documentation to be filed for the presentation of slates reference should be made to that outlined in the Report of the Directors on point 2 of the Agenda and, in general, on the application of law and the By-Laws.

Slates presented in violation of the above rule are considered void.

The slates shall also be subject to the other means of publication in accordance with legislation and regulations in force. In particular, at least twenty-one days before the date of the Shareholders' Meeting the slates are made available to the public at the registered office, on the website and through the other means established by Consob.

Appointment of the Board of Statutory Auditors and its Chairman; establishment of remuneration. Resolutions thereon.

Pursuant to Article 30 of the By-Laws, the Board of Statutory Auditors is appointed in accordance with the current *pro tempore* regulations on gender equality, on the basis of slates presented by the shareholders as outlined below, in which the candidates are elected by means of progressive number.

Shareholders may present slates whom, alone or together with other shareholders, hold a percentage of share capital as determined by law or regulations. In accordance with the By-Laws the shareholding required for the presentation of slates for the appointment of the Board of Statutory Auditors of the Company is equal to 2.5% of the share capital.

The slates must be presented at the registered office of the company at Milan, Piazza Diaz 6, by April 16, 2018.

The filing of the slates for the appointment of the Board of Statutory Auditors may also be made through the certified electronic e-mail address "giglio@arubapec.it", pursuant to Article 144-*sexies* of Consob Regulation No. 11971/1999 (the "Issuers' Regulation"). On the presentation of slates through electronic e-mail the presenters should also attach a valid identity document.

Pursuant to Art. 144-*sexies*, paragraph 5 of the Issuers' Regulation, in the event that only one slate is presented by the expiry of the submission deadline (April 16, 2018), or slates have only been presented by shareholders with whom significant associative relationships exist pursuant to applicable laws and regulations, slates may be presented up to the third day following that date and, therefore, by April 19, 2018 (the "Reopening Period"); in the event of a Reopening Period, the minimum threshold for the submission of slates is reduced to half and will therefore be equal to 1.25% of the share capital.

Pursuant to Art. 144-*sexies*, paragraph 4-*quater* of the Issuers' Regulation, the ownership of the total share of equity held by Shareholders presenting the slate is confirmed, by sending it to the company through the intermediary authorised to keep a record of notifications, as envisaged by Art. 23 of the Joint Regulation, even if this is subsequent to the filing of the slate, provided that this takes place at least twenty-one days before the date set for the Shareholders' Meeting, that is, by April 20, 2018. In the event of a Reopening Period, the above-mentioned notification may be sent to the company by April 20, 2018. The ownership of the holding is established considering the shares which have been registered in favour of the shareholder on the day on which the slates are filed with the Company.

The Statutory Auditors must possess the requisites required by law and by the By-Laws.

The slates containing three or more candidates must contain candidates belonging to both genders, in order than the under-represented gender is represented by one third (rounded up) of the standing auditor candidates, as well as one third (rounded up) of the candidates for alternate auditor.

Slates presented in violation of the above rule are considered void.

For further details on the methods and terms, as well as the documentation to be filed for the presentation of slates reference should be made to that outlined in the Report of the Directors on point 3 of the Agenda and, in general, on the application of law and the By-Laws.

The slates shall also be subject to the other means of publication in accordance with legislation and regulations in force. In particular, at least twenty-one days before the date of the Shareholders' Meeting the slates are made available to the public at the registered office, on the website and through the other means established by Consob.

Documentation

The Shareholders' Meeting documentation required by applicable regulations will be made available at the registered office of the company in Milan, Piazza Diaz No. 6 and on the company' s website www.giglio.org ("Corporate Governance" section), as well as the authorised storage mechanism 1Info on the website www.1Info.it.

Shareholders shall have the right to examine any documents filed at the Company's registered offices and to obtain copies thereof. The present call notice is published in accordance with Article 125-*bis* of the CFA and Article 84 of the Issuers' Regulation, on the website of the Company www.giglio.org ("corporate Governance" section) and in the daily newspaper "Il Giornale" on March 31, 2018.

Milan, March 30, 2018

for the Board of Directors

The Chairman and Chief Executive Officer

Mr. Alessandro Giglio

Company Information

Registered office

Giglio Group S.p.A.
Piazza Diaz 6
Milan 20122

Legal Information

Share Capita 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

Chairman and Chief Executive Officer

Anna Lezzi	Director
Giorgio Mosci	Independent Director
Massimo Mancini	Director and General Manager
Yue Zhao	Director
Carlo Frigato	Director
Graziella Capellini	Independent Director

Board of Statutory Auditors

Cristian Tundo	Chairman
Monica Mannino	Statutory Auditor
Marco Centore	Statutory Auditor
Vittorio Bonanni	Alternate Auditor
Gianfranco Pallaria	Alternate Auditor

Independent Audit Firm

EY S.p.A.
Audit and accounting services

Registered office and Headquarters

Piazza Diaz 6, Milan

Operational headquarters

The offices of the company are as follows:
Registered office – Piazza Diaz 6, Milan
Operational office – Via dei Volsci 163 Rome
Operational office – Viale Brianza – San Giuliano Milanese
Operational office – Via Cornelia - Rome

1. Introduction

Dear Shareholders,

The year 2017, for our company saw an important corporate operation which permitted the Group to significantly drive forward the E-COMMERCE 4.0 project proposed in the IPO on August 7, 2015. With the acquisition of E-volve Group, now IBOX, which is one of the leading e-commerce service providers in the fashion sector, the company is continuing its transformation from a Media company to a leader specialising in E-commerce, before definitively affirming the 4.0 Model in the year 2018. This will be followed by the transition to a company primarily focused on T-commerce activities, which is the Group's original proposal for convergence between e-commerce and television.

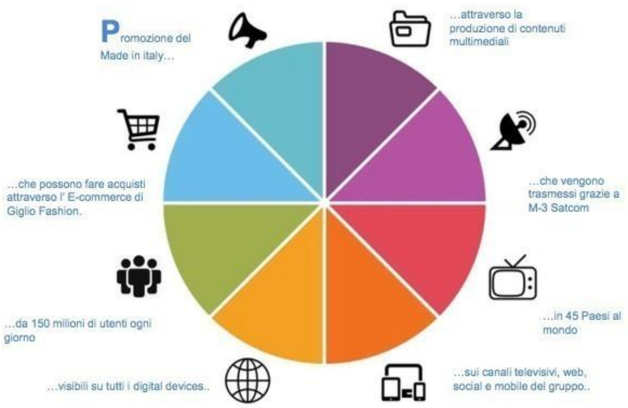
This Directors' Report refers to the consolidated financial statements of the GIGLIO GROUP S.p.A. Group at December 31, 2017, prepared in accordance with IAS/IFRS International Accounting Standards (International Accounting Standards and International Financial Reporting Standards) issued by the International 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 December 31, 2017. The company finalised the transition to the MTA market, STAR segment with effect from March 20, 2018. It should be noted that on March 13 the company received notification regarding its ordinary shares' admission to trading on the Italian Stock Exchange's Electronic Share Market (MTA) with simultaneous exclusion from trading in the AIM Italia market /Alternative Capital Market. The first day of effective trading on the MTA market was March 20, 2018.

It should also be noted that in preparing the annual financial statements as at December 31, 2017, no account was taken of the provisions issued in implementation of Art. 9 of Legislative Decree No. 38/2005, since it refers to a period when the company did not yet have a Public-Interest Entity (EIP) status pursuant to Legislative Decree No. 39/2010 and Regulation (EU) No. 537/2014. In fact, the company's ordinary shares were admitted to trading on the Electronic Share Market (MTA) as of March 20, 2018 and, therefore, the company only assumed EIP status after this date.

2. Group activities

Founded in 2003 by Alessandro Giglio, Giglio Group is an e-commerce 4.0 company capable of promoting and distributing luxury "Made in Italy" commercial brands across the globe. Listed on the Italian Stock Exchange AIM Italia market since August 2015, the Group operates in 5 continents and in over 90 countries when considering all the countries in which its channels are broadcast and the countries it serves through B2C e-commerce services.

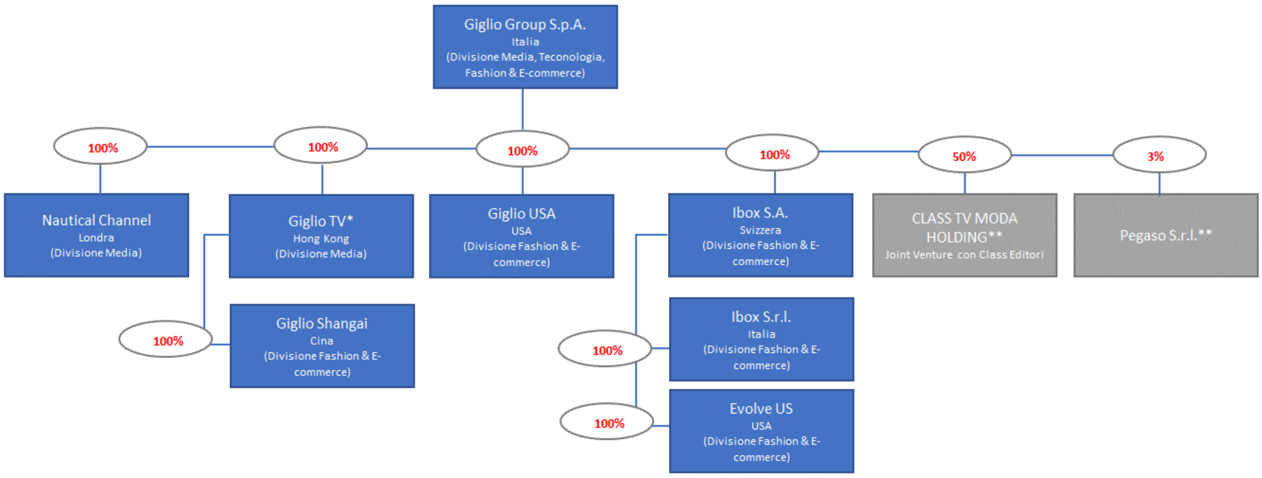
Giglio Group is developing a new generation e-commerce 4.0 channelled to the market under the ibox name by leveraging its global media network, its broadcasting and digital technology expertise and its B2B and B2C online sales experience. The business model proposed by Giglio, currently being implemented through historically-owned activities in the media sector and those more recently acquired in the fashion, distribution and e-commerce sectors, envisages total integration between televised and e-commerce communication. As shown in the following pie chart, the best of Made in Italy in the fashion, design and lifestyle industries is being promoted and marketed through B2B and B2C platforms through the production of multimedia content transmitted on the Group's television channels.



Integrated model

3. Corporate structure

The Group corporate structure is reported below:



Group structure at 31\12\2017

* The remaining 49% share capital of Giglio TV is held by SIMEST.

** Company not included in the consolidation scope.

A series of operations completed during the year changed the Giglio Group's structure, in particular:

- **Acquisition Ibox Group**

On April 27, 2017, the Company acquired 100% of Evolve Service SA, which on June 1, 2017 changed its name to Ibox SA and in turn wholly-owns the company Sodalux S.r.l., which on July 13, 2017 changed its name to Ibox S.r.l., and the company Evolve Service USA Corp (hereafter, the "Ibox Group"). In particular, Ibox SA, a Swiss registered company, is a leading international e-Commerce Service Provider and supports the online shops of some of the biggest fashion and design brands, including: Max Mara, Pinko and Patrizia Pepe, in addition to providing B2B platforms to brands such as Liu Jo and Guess. The value of the transaction was Euro 5.4 million. With reference to the above-mentioned transaction we report:

(i) the controlling shareholders of the company were Claudio Orrea, Patrizia Bambi, Stefano Orrea, Ugo Pieretti, Marco Ruffa, Filippo Zuin and E-Volve Holding S.A.;

(ii) the purchase price was Euro 5.4 million and was calculated taking into account the EBITDA from the financial statements at December 31, 2016. The purchase price was approved by the sworn independent expert`s report nominated by the Company pursuant to Article 2343 of the Civil Code on February 13, 2017 which determined the value of the Ibox Group utilising the earnings method equal to Euro 5.7 million;

(iii) the purchase price was paid Euro 1.5 million in cash and Euro 3.9 million through the issue of new shares of the Company reserved to the shareholders of Ibox S.A. against the conferment of Ibox S.A. In order to limit the impact of the acquisition on the liquidity of the Company and align the interests of the shareholders of Ibox S.A. with those of the Issuer, 1,222,000.00 shares of Giglio Group were issued, through the subscription of a reserved capital increase to the shareholders of Ibox S.A.. The value of the newly issued shares was considered correct based on the valuation issued by an independent expert appointed by the Company;

(iv) no Related Parties at the date of the operation took part in the acquisition;

(v) the company did not assume any debt for the payment of the purchase price;

(vi) the acquisition contract provides for the assumption by the Issuer of the loan of Euro 1 million granted to Ibox S.A. by Tessilform S.p.A., previous shareholder of the company.

Reference should be made to the Explanatory Notes paragraph 3 “Goodwill” for further details on the determination and on the results deriving from the Purchase Price Allocation relating to the acquisition of the Ibox Group.

4. 2017 Financial Highlights

Alternative performance indicators

The Group utilises some alternative performance indicators, which are not identified as accounting measures within IFRS, for management`s view on the performance of the Group. Therefore, the criteria applied by the Group may not be uniform with the criteria adopted by other groups and these values may not be comparable with that determined by such groups.

These alternative performance indicators exclusively concern historical data of the Group and determined in accordance with those established by the Alternative Performance Indicators Orientations issued by ESMA/2015/1415 and adopted by CONSOB with communication No. 92543 of December 3, 2015. These indicators refer to the performance for the accounting period of the present Annual Financial Report and of the comparative periods and not to the expected performance of the Group and must not be considered as replacement of the indicators required by the accounting standards (IFRS).

The alternative performance indicators utilised in the Annual Financial Report are as follows:

Operating working capital: calculated as the sum of Inventories and Trade Receivables net of Trade Payables.

Net working capital: the operating working capital net of other receivables/payables, tax receivables/payables.

Net capital employed: calculated as the sum of non-current fixed assets and net working capital.

Net financial debt: the sum of available liquidity net of financial payables.

EBITDA Adjusted: is determined adding to EBITDA non-recurring charges as detailed in the Directors' Report.

EBITDA: is the Operating result before Amortisation/Depreciation and Write-downs of tangible and intangible fixed assets.

EBIT: EBIT is the operating result reported in the income statement illustrated in the Explanatory Notes.

The key consolidated financial highlights are shown below.

BALANCE SHEET (Euro thousands)	31.12.2017	31.12.2016
FIXED ASSETS	29,765	19,949
OPERATING WORKING CAPITAL	(6,073)	3,347
NET WORKING CAPITAL	1,683	3,073
NET CAPITAL EMPLOYED	31,448	23,022
NET EQUITY	(16,692)	(12,785)

INCOME STATEMENT (Euro thousands)	2017	2016
Revenues	78,816	33,780
Operating Costs	67,041	24,519
ADDED VALUE	**11,775**	**9,261**
ADDED VALUE%	**15%**	**27%**
Personnel expense	3,208	1,427
EBITDA adjusted	**8,567**	**7,834**
EBITDA adjusted %	**11%**	**23%**
Non-recurring charges	1,747	593
EBITDA reported	**6,820**	**7,241**
Amortisation, depreciation and write-downs	6,119	4,876
EBIT	**702**	**2,366**
Net financial charges	624	486
PROFIT BEFORE TAXES	**78**	**1,879**
Income taxes	34	554
NET PROFIT	**43**	**1,325**

Earnings and financial indicators

The principal earnings and financial indicators for the years ended December 31, 2017 and 2016 are illustrated in the table below.

These indicators are taken from the consolidated financial statements, and, in order to permit a better understanding of these indicators, they should be read together with the alternative performance indicators and the indicators required by the accounting standards (IFRS) described in the present document.

The principal ratios at consolidated level are illustrated below:

	2017	2016
ROE (Group net result/Group net equity)	0.3%	10.37%
ROA (Result before financial charges/Total assets)	1%	5%
ROI (EBIT / net capital employed)	27%	34%

	2017	2016
D/E (Net financial debt/Group net equity)	-0.88	-0.80
NFP/EBITDA (Net financial debt/EBITDA)	-1.72	-1.31

Revenues in 2017 amounted to Euro 79 million increasing on 2016 (Euro 33.8 million) principally due to the entry into the consolidation scope of the Ibox Group. Organic business reported revenue growth in the media division for Euro 1.9 million attributable to the performance of the subsidiary Giglio TV thanks to new advertising in Indonesia not present in 2016. The consolidated net profit was approx. Euro 43 thousand, down on 2016 (Euro 1,325 thousand) due to non-recurring charges of Euro 1.7 million. These charges refer to:

- for Euro 1.2 million to the translisting process;
- for Euro 0.2 million costs relating to the acquisition of the IBOX Group (formerly Evolve Group);
- for Euro 0.3 million the remaining part of the earn-out recognised to the previous shareholders of the Giglio Fashion division in accordance with the contract.

The adjusted consolidated profit before non-recurring charges amount to Euro 1.8 million compared to Euro 1.9 million in 2016.

The Evolve Group contributed to results in 2017 only for 8 months, since the acquisition date.

The net financial debt (determined in accordance with Consob No. DEM/6064293 and illustrated below) at December 31, 2017 and December 31, 2016 is as follows:

	(Euro thousands)	31.12.2017	31.12.2016	Change
A.	Cash	6,209	1,817	4,392
B.	Bank and postal deposits and cheques	-	-	-
C.	Securities held for trading	-	-	-
D.	**Cash & cash equivalents (A)+(B)+(C)**	**6,209**	**1,817**	**4,392**
E.	Current financial receivables	-	-	-
F.	Current bank payables	(7,564)	(1,511)	(6,053)
G.	Current portion of non-current debt	(2,239)	(1,907)	(332)
H.	Other current financial payables	(1,960)	(1,000)	(960)
I.	**Current financial debt (F)+(G)+(H)**	**(11,763)**	**(4,418)**	**(7,345)**
J.	**Net current financial debt (I) + (E) + (D)**	**(5,554)**	**(2,601)**	**(2,953)**
K.	Non-current bank payables	(3,560)	(2,483)	(1,077)
L.	Bonds issued	(3,098)	(3,516)	418
	of which Related Parties	-	(3,516)	3,516
M.	Other non-current payables	(2,543)	(1,636)	(907)
N.	**Non-current financial debt (K)+(L)+(M)**	**(9,201)**	**(7,635)**	**(1,566)**
O.	**Net financial debt (J)+(N)**	**(14,756)**	**(10,236)**	**(4,520)**

The Group net financial debt amounts to Euro 14.8 million, an increase on December 31, 2016 (Euro 10.2 million) of Euro 4.6 million; this increase is principally attributable to the following factors:

negative for:

• Issuance of the bond subscribed by Banca Sella in May 2017 equal to Euro 1 million (maturity May 2018) which increased the portion of current financial payables;

• Euro 6 million credit lines to support Working Capital expansion due to the seasonal effect of the Fashion division in relation to 2018 Autumn/Winter season orders;

• Higher loans of Euro 1.4 million;

• Higher payables of Euro 1 million related to the company IBoxSA to the previous shareholder Tessilform;

• Financial leasing for Euro 100 thousand.

positive for:

• Greater liquidity for Euro 4.3 million;

• Reduction of the Earn Out payable of Euro 0.7 million.

The financial highlights of the standalone Giglio Group S.p.A. are illustrated below:

BALANCE SHEET (Euro thousands)	31.12.2017	31.12.2016
FIXED ASSETS	21,267	13,996
OPERATING WORKING CAPITAL	2,074	5,202
NET WORKING CAPITAL	6,296	5,349
NET CAPITAL EMPLOYED	27,563	19,345
NET EQUITY	(11,712)	(10,222)

INCOME STATEMENT (Euro thousands)	2017	2016
Revenues	32,550	29,366
Operating Costs	28,794	24,477
ADDED VALUE	**3,756**	**4,889**
ADDED VALUE%	**12%**	**17%**
Personnel expense	2,067	1,301
EBITDA adjusted	**1,689**	**3,588**
EBITDA adjusted %	**5%**	**12%**
Non-recurring charges	1,747	494
EBITDA reported	**(58)**	**3,095**
Amortisation, depreciation and write-downs	2,320	2,159
EBIT	**(2,378)**	**936**
Net financial charges	652	493
PROFIT/(LOSS) BEFORE TAXES	**(3,030)**	**443**
Income taxes	(651)	302
NET PROFIT/(LOSS)	**(2,379)**	**141**

For the definition of the alternative performance indicators reference should be made to that previously illustrated.

Revenues in 2017 amount to Euro 32.5 million, increasing on 2016 (Euro 29.3 million). The revenue growth is due to the contribution of the Giglio Fashion division for the entire year 2017 compared to 10 months in 2016 (this division contributed to the results in 2016 from the acquisition date, March 14, 2016).

EBITDA adjusted, adjusted for non-recurring charges, amounts to Euro 1.7 million (Euro 3.6 million in 2016). The decrease is attributable to the increase in personnel costs due to the rise in the headcount in 2017 and the greater impact of operating costs.

EBIT decreased on the previous year due to higher depreciation following the investments made in the year and non-recurring charges (Euro 1.7 million) related to the listing process.

Financial charges increased on the previous year due to the lending charges (Minibond, bond and new loans granted in 2017).

5. Human resources

The Group workforce, at the Date of the Information Prospectus, totalled 68 employees of which 44 in Italy, 20 in Switzerland, 2 in the United Kingdom and 1 in China. There are no employees in Hong Kong and in the United States.

At December 31, 2017 no employee of the Group was the subject of Temporary Lay-off Schemes or other similar provisions.

The table below illustrates the workforce of the Group for the year ended December 31, 2017 and December 31, 2016.

December 31, 2017	December 31, 2016
Italy 44 (14 Issuer, 9 Fashion division, 13 media division (of which 2 fixed term), 3 Ibox stable organisation, 5 IBox S.r.l.)	**Italy** 28 (9 Issuer (of which 1 fixed term), 7 Fashion division, 12 media division (of which 2 fixed term)
Switzerland 20 (IBox)	**Switzerland N/A**
U.S.A. 1 employee	**U.S.A. N/A**
United Kingdom 2 employees	**United Kingdom** 2 employees
China 1 employee	**China** 1 employee
Total 68 employees	**Total** 31 employees

All employees are classified within the category of white-collar workers and there are no temporary employees.

In 2017 there were no resignations.

6. Research and development new products

In 2017, no research and development activities were undertaken.

7. Investments

Group investments undertaken in 2017 or investments in progress refer to tangible and intangible fixed assets and mainly concern dubbing costs incurred in Great Britain (Nautical Channel) and in Hong Kong (Giglio TV HK) and for the replacement of specific plant in Italy in the Media sector. These investments are financed through self-financing and in particular relate to:

- Giglio Group amounting to Euro 1.5 million comprising teleport equipment (antenna and television studios) located in Italy at the San Giuliano Milanese headquarters and publishing rights for television content;
- Giglio TV for intangible assets relating to costs for the creation of television content for the TV Giglio Channel amounting to Euro 3.4 million in China; and
- Nautical Channel amounting to Euro 2.2 million for intangible assets relating to costs for the creation of television content for the Nautical Channel which is broadcast in 46 countries and 5 continents.

8. 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.

9. Number and nominal value of treasury shares and shares or quotas of holding 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.

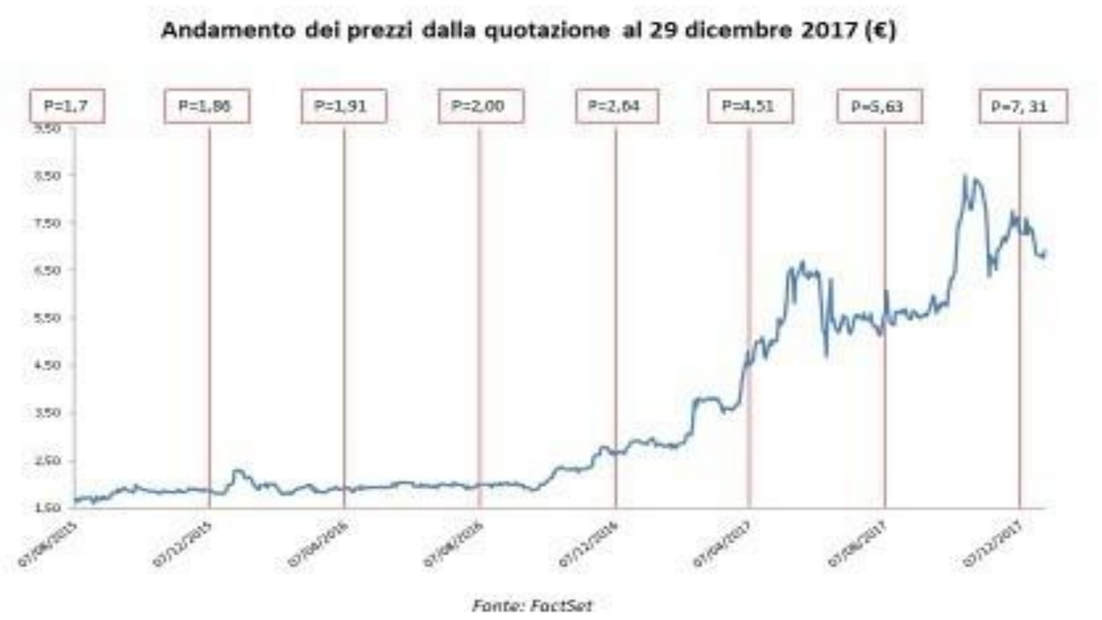
10. Reconciliation Group net equity and net result

The table below reports the reconciliation between the net equity and net result of the parent company and the consolidated net equity and net result at December 31, 2017 and December 31, 2016:

(Euro thousands)	Net Equity 31/12/2017	2017 Net Result	Net Equity 31/12/2016	2016 Net Result
Result and net equity of Giglio Group S.p.A.	**14,091**	**(2,379)**	**10,081**	**141**
Net Equity of the subsidiaries	3,783	2,422	3,279	1,184
Equity investments	(5,250)		(1,841)	
Consolidation adjustments	4,026		(59)	
Total Group net result and net equity	**16,650**	**43**	**11,460**	**1,325**

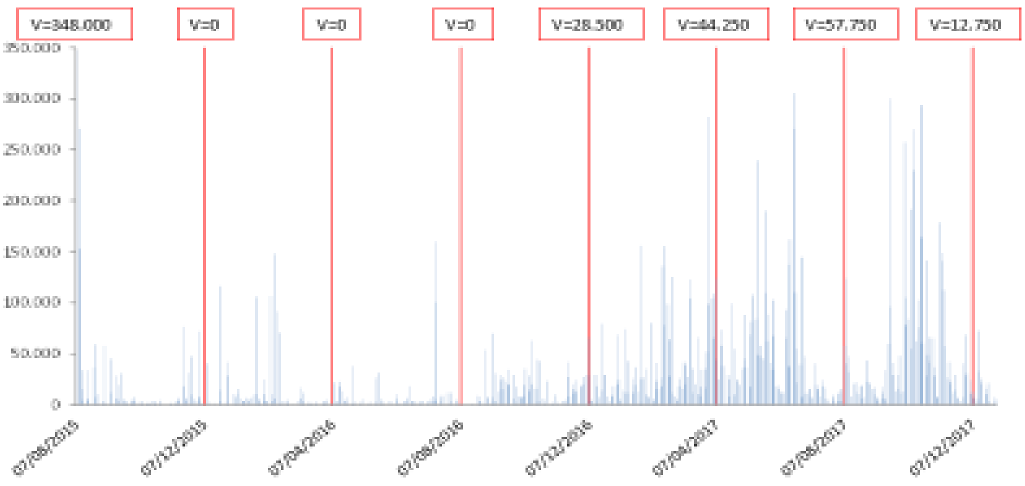
11. Share performance

The share price of the Company on the AIM segment from the date of listing to December 31, 2017 was as follows:



Volumes traded of the shares of the company on the AIM segment from listing to December 31, 2017 were as follows:

Andamento dei volumi dalla quotazione al 29 dicembre 2017 (unità)



Fonte: FactSet

12. Subsequent events

On March 20, 2018, the company Giglio Group was admitted to the STAR segment of the Italian Stock Exchange, concluding the translisting process commenced in 2017. The translisting process did not involve the sourcing of funding on the market.

On March 21, 2018, Giglio Group S.p.A. signed an agreement with Acque Minerali d'Italia S.p.A., one of the top four companies in the water mineral sector in Italy, led by Massimo Pessina.

The company Cloud Food was incorporated - held 51% by Giglio Group and 49% by Acque Minerali d'Italia S.p.A.. Cloud Food is an innovative technological platform that will serve as an alternative and innovative distribution channel for Made in Italy food products, enabling the flexible management of orders and online subscription methods, including through innovative T-Commerce available on the Giglio Group channels. Composed of 3 divisions (Food Digital, Food Distribution and Food Media), Cloud Food will provide tailor-made B2C and B2B e-commerce 4.0 services, from the creation of e-commerce platforms, to the management of products and consumer goods in the food and beverage sector on all the main marketplaces at a global level. Cloud Food will therefore be the first Digital Company to introduce the fusion of promotion on traditional and digital media (TV and

video channels) and sales through an online platform to the international market, revolutionising the world's e-shopping experience with the new integrated e-commerce 4.0 model.
The partnership between Giglio Group and Acque Minerali d'Italia makes it possible to share the two Groups' distinctive activities and competencies, namely: technological, digital and T-Commerce expertise combined with Giglio Group's television and those of a Group at the forefront of its market, with a pipeline of new interesting products and a nationwide distribution network represented by Acque Minerali d'Italia.
On March 21, 2018, Giglio Group presented the new Ibox 65 channel, a T -commerce channel dedicated to the home and family market (home, food, furniture, design and family) that can be viewed on the digital terrestrial channel 65 and which will be the first T-commerce channel in Italy that will make it possible to also purchase products distributed by the Giglio Group and Cloud Food on TV.

13. Outlook

Figures for the initial months of the year confirm a trend of sustainable revenue growth which is in line with the Business Plan approved by the Board of Directors on February 1, 2018. Some of these indicators are included in the prospectus filed by the company following notification of its admission to trading on the Electronic Share Market, received on March 13, 2018. The Business Plan does not include the synergies that might arise from the new business model. The company is committed to bringing the business proposition's new products, called 4.0, to the market in a short timeframe and, in particular, plans to fully convert its digital terrestrial television channels broadcast in Italy into theme channels to support T-commerce and dedicated to the Made in Italy lifestyle, products for the home and foodstuffs. In the e-commerce fashion area, the Group envisages greater coverage for its distribution network, especially in Far East Asia, seizing emerging sales opportunities also through agreements with important local operators in the sector.

14. 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, with the 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 on December 31, 2017:

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

At December 31, 2017, the financial covenants were complied with.
On May 19, 2017, also in relation to the completion of the activities relating to the acquisition of the company Ibox SA, the Issuer approved the issuance of a bond denominated “GIGLIO GROUP Tf 2.9% Mag18 Eur”. On May 26, 2017, Banca Sella S.p.A., one of the leading corporate lenders, subscribed a bond amounting to Euro 1 million. The bond has a duration of 1 year with an interest rate of 2.9%.
In addition to the Minibond, the company has a number of loans to which reference should be made in the Explanatory Notes at paragraph 14 “Current and non-current financial payables”.

15. 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.

Non-financial risks

Among the internal risks we highlight:

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 high 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 2013-2016 there were no information system attacks nor, to the knowledge of the company, any occurrences of embezzlement 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.

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 were already illustrated.

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 reduce to the minimum the risks related to changes in exchange rates.

Credit risk

Credit risk is the risk that a counterparty does not fulfil its obligations relating to a financial instrument or a commercial contract, resulting therefore in a financial loss. The Group is exposed to credit risks deriving from operations (particularly with regards to trade receivables and credit notes) and financing activities, including deposits at banks and financial institutions.

Payment terms for key clients that dictate terms and conditions make it necessary for the Group to primarily finance working capital through bank debt, especially for self-liquidating lines. The need to finance working capital entails different types of charges for the Group, which is mainly interest payable on loans.

Liquidity risk

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.

16. Market Regulations as per articles 36 and 39

The Giglio Group administrative-accounting and reporting systems currently in place permit compliance in accordance with regulations for the companies included in in the consolidation scope both in terms of the publication of accounting data prepared for the preparation of the consolidated financial statements, and to correctly permit management and the auditors of the Parent Company to obtain the data necessary for the preparation of the consolidated financial statements.
In relation to the requests to obtain from the same company the by-laws and composition and the powers of the boards, the Parent Company obtains these in a continuous manner from the boards of all the subsidiary companies.
The Group controls the following overseas companies: Nautical Channel Ltd, Giglio TV Hong Kong, Giglio U.S.A. and Giglio Shanghai, in relation to which the management control system is currently being updated and will be completed within six months from the commencement of trading of the Issuer's Ordinary Shares (commencement of trading on the MTA is March 2018). Therefore, in the phase prior to this date, the generation of reports relating to these subsidiaries will be managed by the Issuer outside of the automated management control system, by means of reports produced by the individual overseas companies. It should be noted, however, that the overall size of the above subsidiaries is below the 25% threshold of the Group's total revenues.

17. Significant shareholders and shares of the Issuer

At the date of the present financial statements (March 2018) the official data indicates the following significant shareholders:

- 53.71% shares held by Meridiana Holding S.r.l. (company held 99% by Alessandro Giglio and 1% by his wife Ms. Yue Zhao);
- DOCOMO Digital Italy S.P.A. which holds 11.15% of the share capital.

18. Investments held by Directors, Statutory Auditors, and Senior Executives

In relation to disclosure obligations, we report below the investments held, in the issuer and its subsidiaries, by members of the board of directors, statutory auditors and senior executives, as well as spouses not legally separated and minor children, directly or through subsidiary or trust or nominee companies, as resulting from the shareholder register, from the communications received and from other information acquired from the same members of the boards of directors, statutory auditors and senior executives:

NOME E COGNOME	CARICA RICOPERTA	SOCIETA' PARTECIPATA	NUMERO DELLE AZIONI POSSEDUTE ALLA FINE DELL' ESERCIZIO PRECEDENTE	NUMERO DELLE AZIONI ACQUISTATE	NUMERO DELLE AZION VENDUTE	NUMERO DELLE AZIONI POSSEDUTE ALLA FINE DELL' ESERCIZIO IN CORSO	Note
Amministratori in carica al 31.12.2017							
ALESSANDRO GIGLIO	Presidente CDA	GIGLIO GROUP SPA	4.500	132.750	47.250	90.000	
ALESSANDRO GIGLIO	Presidente CDA	GIGLIO GROUP SPA	-	122.250	122.250	-	Tramite Max Factory
YUE ZHAO	Amministratore	GIGLIO GROUP SPA	255.750	78.000	18.750	315.000	Tramite Chyna System
ANNA LEZZI	Amministratore						
MASSIMO MANCINI	Amministratore						
CARLO FRIGATO	Amministratore						
GIORGIO MOSCI	Amministratore Indipendente	GIGLIO GROUP SPA	21.000		6.000	15.000	
GABRIELLA CAPPELLINI	Amministratore Indipendente						
Sindaci in carica al 31.12.2017							
CRISTIAN TUNDO	Presidente Collegio						
MONICA MANNINO	Sindaco Effettivo						
MARCO CENTORE	Sindaco Effettivo						
Dirigenti con Responsabilità Strategiche							
Massimo Mancini	Direttore Generale						
Myriam Amato	Dirigente Preposto	GIGLIO GROUP SPA	23.250	6.000	28.500	750	
Alessandro Santamaria	Direttore Generale Digital						
Fabio Marchesi	Direttore Commerciale	GIGLIO GROUP SPA	199.500		199.500	-	
Michele Magnifichi	Direttore Commerciale						

Board of Directors

The Board of the Issuer in office at the date of the approval of the present financial statements comprises 7 members and were nominated by the Ordinary Shareholders' Meeting of April 20, 2015 (through the voting of slates), in accordance with the Company By-laws and remains in office until the approval of the 2017 financial statements. On October 9, 2017, the Extraordinary Shareholders' Meeting approved the amendment of the By-Laws approved on April 27, 2017 for the purposes of admission to trading of ordinary Giglio Group S.p.A. shares on the Mercato Telematico Azionario, organised and managed by Borsa Italiana S.p.A., prospectively STAR segment.

On the same date, in ordinary session the Shareholders' Meeting approved the increase in the number of company directors from five to seven, due to the admission to trading of ordinary Giglio Group S.p.A. shares on the Mercato Telematico Azionario, organised and managed by Borsa Italiana S.p.A., prospectively STAR segment.

Board of Statutory Auditors

In accordance with Art. 24 of the Issuer's By-Laws, the Board of Statutory Auditors, in office since April 24, 2015, is composed of three Statutory Auditors and two alternate auditors, who will remain in office until the Shareholders' Meeting called to approve the financial statements at December 31, 2017.

19. 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 new amendment is scheduled for the first half of 2018.

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

A Supervisory Board was set up with oversight on compliance of the Ethics Code and the Model, on updating these documents and on the significant risk management profiles of the company.

Milan, March 29, 2018

Board of Directors

(Chairman)

Alessandro Giglio

GIGLIO GROUP S.p.A.

Registered office in Milan, Piazza Diaz, 6 Milan

Share capital: Euro 3,208,050

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

Milan Companies Registration Office 07396371002

2017 Consolidated Financial Statements

FINANCIAL STATEMENTS

- Consolidated Balance Sheet
- Consolidated Income Statement and Comprehensive Income Statement
- Consolidated Cash Flow Statement
- Changes in consolidated shareholders’ equity
- Explanatory Notes

Consolidated Balance Sheet

Consolidated Balance Sheet (Euro thousands)		31.12.2017	31.12.2016
Non-current assets			
Property, plant & equipment	(1)	6,829	6,965
Intangible assets	(2)	10,926	8,710
of which Distribution rights		-	-
of which Publishing rights		10,573	8,427
Other intangible assets		353	283
Goodwill	(3)	11,718	4,134
Equity investments	(4)	150	-
Receivables	(5)	142	140
Deferred tax assets	(8)	941	347
Total non-current assets		**30,706**	**20,296**
Current assets			
Inventories	(6)	6,729	2,769
Trade and other receivables	(7)	20,926	18,889
Financial receivables		-	-
Tax receivables	(8)	9,822	1,450
Other assets	(9)	3,010	532
Cash and cash equivalents	(10)	6,209	1,817
Total current assets		**46,696**	**25,457**
Total Assets		**77,402**	**45,753**
Shareholders' Equity	(11)		
Share capital		3,208	2,964
Reserves		11,374	7,750
Extraordinary reserve		-	-
Listing charges		(541)	(541)
FTA Reserve		4	4
Retained earnings		2,609	1,284
Translation reserve		(5)	(1)
Net profit		43	1,325
Total Group Shareholders' Equity		**16,692**	**12,785**
Minority interest share. equity		-	-
Total Shareholders' Equity		**16,692**	**12,785**
Non-current liabilities			
Provisions for risks and charges	(12)	864	283
Deferred tax liabilities	(13)	282	366
Financial payables (non-current portion)	(14)	9,201	7,636
Total non-current liabilities		**10,347**	**8,285**
Current liabilities			
Trade and other payables	(15)	33,728	18,311
Financial payables (current portion)	(14)	11,763	4,418
Tax payables	(16)	3,581	1,338
Other liabilities	(17)	1,291	616
Total current liabilities		**50,363**	**24,683**
Total liabilities and shareholders' equity		**77,402**	**45,753**

Consolidated Income Statement

Consolidated Income Statement (Euro thousands)		2017	2016
Total revenues	(18)	**78,031**	**34,315**
Other revenues	(18)	785	146
Change in inventories		2,640	(681)
Purchase of raw materials, ancillary, consumables and goods	(19)	*(49,686)*	*(14,896)*
Service costs	(20)	*(20,082)*	*(8,982)*
Rent, lease and similar costs	(21)	*(908)*	*(590)*
Operating costs		**(70,676)**	**(24,468)**
Salaries and wages	(22)	*(2,453)*	*(1,068)*
Social security charges	(22)	*(678)*	*(298)*
Post-employment benefits	(22)	*(77)*	*(61)*
Personnel expense		**(3,208)**	**(1,427)**
Amortisation	(23)	*(3,947)*	*(2,913)*
Depreciation	(23)	*(1,792)*	*(1,833)*
Doubtful debt provision	(23)	*(380)*	*(129)*
Amortisation, depreciation & write-downs		**(6,119)**	**(4,875)**
Other operating costs	(24)	*(751)*	*(644)*
Operating profit		**702**	**2,366**
Financial income	(25)	*146*	*37*
Net financial expenses	(25)	*(770)*	*(523)*
Profit before taxes		**78**	**1,880**
Income taxes	(26)	*(34)*	*(554)*
Net Profit		**44**	**1,326**
Of which minority interest		-	-
Earnings per share – basic and diluted		**(0.0002)**	**0.0865**

Comprehensive Income Statement

COMPREHENSIVE INCOME STATEMENT (Euro thousands)		2017	2016
Net Profit		44	1,326
Other comprehensive income items			
Other comprehensive items which may be subsequently reclassified to profit/(loss) for the year net of income taxes.			
Translation Reserve		(5)	(5)
Total other comprehensive items which may be subsequently reclassified to profit/(loss) for the year net of income taxes		**(5)**	**(5)**
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	(12)	(42)	(39)
Total other comprehensive items which may not be subsequently reclassified to profit/(loss) for the year net of income taxes		**(42)**	**(39)**
Consolidated comprehensive income/(charge)		**(3)**	**1,282**

Change in Consolidated Shareholders’ Equity

Description *(Euro thousands)* Note 11	Share capital	Reserves	FTA Reserve	Translation reserve	IAS 19 Reserve	Retained earnings	Net profit for the year	Total
DECEMBER 31, 2015	**2,832**	**5,090**	**4**	**-**	**-**	**(68)**	**1,008**	**8,866**
Share capital increase	200							200
Share premium reserve		2,300						2,300
Retained earnings						1,008	(1,008)	-
IAS 19 Reserve					(39)			(39)
Exchange rate effect				(1)				(1)
Other changes	(68)	(142)				344		134
Group net profit							1,326	1,326
DECEMBER 31, 2016	**2,964**	**7,248**	**4**	**(1)**	**(39)**	**1,284**	**1,326**	**12,785**

Description *(Euro thousands)* Note 11	Share capital	Reserves	FTA Reserve	Translation reserve	IAS 19 Reserve	Retained earnings	Net profit for the year	Total
DECEMBER 31, 2016	**2,964**	**7,248**	**4**	**(1)**	**(39)**	**1,284**	**1,326**	**12,785**
Share capital increase Evolve transaction	244							244
Share premium reserve Evolve Transaction		3,666						3,666
Allocation of profit for the previous year						1,326	(1,326)	-
IAS 19 Reserve					(42)			(42)
Exchange rate effect				(5)				(5)
Group net profit							43	43
DECEMBER 31, 2017	**3,208**	**10,914**	**4**	**(5)**	**(81)**	**2,609**	**43**	**16,692**

CASH FLOW STATEMENT

Euro thousands		31.12.2017	31.12.2016
Cash flows from operating activities			
Net profit		43	1,325
Adjustments for:			
Depreciation of tangible assets	(1)	1,792	1,833
Amortisation of intangible assets	(2)	3,947	2,913
Write-downs/(Revaluations)	(23)	380	129
Net financial charges/(income)	(25)	624	486
Income taxes	(26)	34	554
Changes in:			
Inventories	(6)	(2,588)	406
Trade receivables	(7)	3,735	(7,531)
Tax receivables	(8)	(5,534)	186
Other assets	(9)	(2,478)	(313)
Deferred tax liabilities	(13)	(103)	(288)
Trade payables	(15)	2,651	5,179
Tax payables	(16)	2,067	(106)
Other liabilities	(17)	674	592
Change in net working capital		**(1,576)**	**(1,875)**
Change in reserves	(12)	502	30
Cash flow generated from operating activities		**5,746**	**5,395**
Interest paid	(25)	(624)	(486)
Income taxes paid	(26)	(34)	(554)
Cash flow generated from operating activities		**5,088**	**4,355**
Cash flows from investing activities			
Investments in tangible assets	(1)	(1,441)	(629)
Investments in intangible assets	(2)	(5,985)	(6,021)
Acquisition Evolve Group net of liquidity acquired		558	-
Acquisition Giglio Fashion net of liquidity acquired		-	(1,409)
Other intangible assets	(5);(8)	(1,120)	(132)
Increase equity investments	(4)	(150)	-
Change in consolidation scope			
Cash flow absorbed from investing activities		**(8,138)**	**(8,191)**
Cash flow from financing activities			
Share capital increase		-	158
Change in Shareholders' Equity		(46)	(64)
New financing	(14)	3,700	5,018
Repayment of loans	(14)	(2,004)	(1,940)
Change in financial debt	(14)	5,792	1,280
Cash flow absorbed from financing activities		**7,442**	**4,452**
Net increase/(decrease) in cash and cash equivalents		**4,392**	**616**
Cash and cash equivalents at January 1		1,817	1,200
Cash and cash equivalents at December 31		6,209	1,817

EXPLANATORY NOTES

GENERAL INFORMATION

A. General information

The publication of the consolidated financial statements of Giglio Group S.p.A. (the Company) for the period ended December 31, 2017 was approved by the Board of Directors on March 29, 2018.

The registered office of the parent company Giglio Group S.p.A. is Piazza Diaz No. 6, 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 26.

B. Accounting standards

The consolidated financial statements of Giglio Group S.p.A at December 31, 2017 were prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

EU-IFRS includes all "International Financial Reporting Standards", all "International Accounting Standards" (IAS), all interpretations of the International Reporting Interpretations Committee (IFRIC), previously called "Standing Interpretations Committee" (SIC) which, at the approval date of the Consolidated Financial Statements, were endorsed by the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and European Council of July 19, 2002. The EU-IFRS were applied consistently for all the periods presented in the present document.

The consolidated financial statements comprise the income statement, the comprehensive income statement, the balance sheet, the cash flow statement and the statement of changes in shareholders' equity (all stated in Euro thousands) and these explanatory notes.

The consolidated financial statements are presented in Euro and all the amounts are rounded to the nearest thousandth, unless otherwise specified.

The Euro is the functional and presentation currency of the parent company and that in which the majority of Group operations are conducted, with the exclusion of the activities relating to the subsidiary Nautical Channel, expressed in UK Sterling, of the activities of Giglio USA and Evolve USA, expressed in US Dollars and of the activities of Giglio Shanghai, expressed in Chinese Yuan.

The consolidated financial statements provide comparative figures from the previous year.

The main accounting standards and policies utilised to prepare the consolidated financial statements are described below. The policies are in line with those utilised for the preparation of the comparative financial statements.

The consolidated financial statements were prepared in accordance with the historical cost criterion on a going-concern basis, as the Directors verified the absence of financial, operating or other indicators which may suggest difficulties with regards to the Group's capacity to meet its obligations in the foreseeable future and in particular in the next 12 months. In particular the Giglio Group adopted international accounting standards from the year 2014, with transition date to IFRS at January 1, 2014.

C. Basis of presentation

The consolidated 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, 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 balance sheet 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 balance sheet date.

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

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 are used to determine the provisions for doubtful debts, depreciation and amortisation, write-downs, employee benefits, income taxes and other provisions. The estimates and assumptions are periodically reviewed and the effects of any variation are reflected in the Income Statement.

The principal data subject to estimates refer to:

- Provision for inventory write-down of raw materials and accessories and inventories of finished products; since the Group deals with products that are influenced by market trends and fashion, product inventories may be subject to impairment. In particular, the provision for inventory write-down of finished products reflects management’s estimate on the impairment losses expected on the products of various seasonal collections in stock, taking into account the ability to sell them through the various distribution channels in which the Group operates. Indicatively, write-down assumptions provide for devaluation percentages that increase according to the aging of the products purchased (it should be noted that the Group deals with both in-season and off-season collections and distributes them among the most important digital retailers in the world) in such a way as to reflect the decrease in selling prices and the reduction in the probability of their sale over time. Underpinning the calculation of this percentage is a statistical analysis on the variation of the aging product in stock and a constancy assessment of the percentages in use over time. If a change in available information is noted, percentages are re-analysed and possibly adjusted.

- Doubtful debt provision:

Through the aging list and based on the collection of receivables and the assessments provided by the Legal Department, management carefully assesses the status of receivables and overdue receivables and carries out a recoverability analysis; these estimates could also be found to be incorrect since they are subject to a natural degree of uncertainty;

- Employee Benefits, whose values are based on actuarial estimates; refer to Note 12 for the main actuarial assumptions;

- Goodwill: the recoverability of Goodwill is tested annually and, where necessary, also during the year. The allocation of goodwill to CGUs or groups of CGUs and the calculation of the latter's recoverable value involves the assumption of estimates that depend on subjective valuations and factors that may change over time with consequent effects that are also significant with regard to the valuations carried out by the Directors. These valuations are carried out at the level of cash-generating units to which the value of goodwill is attributed and assume the higher of the fair value as the recoverable value, if this is available or calculable, and its value in use obtainable from the long-term plans approved by the Boards of Directors.

It is worth nothing that the valuations carried out in the periods used for comparison have confirmed the recoverability of the carrying value, as better described in Note 3;

- Intangible Rights: the Directors did not identify impairment indicators at the balance sheet date with reference to the value of intangible fixed assets. Further details are available in the notes to the intangible fixed assets. In this regard, it should also be stressed that intangible fixed assets, with particular reference to the Group's library, are tested annually for permanent write-downs when there are indications that the carrying amount may not be recovered. When the calculations of the value in use are prepared, Directors must estimate the cash flows expected from the asset or from the cash-generating units and choose an appropriate discount rate so as to calculate the present value of these cash flows. The correct identification of the indicators of the existence of a potential reduction in value as well as the estimates for their determination depends on factors which may vary over time impact upon the valuations and estimates made by the Directors.

- Deferred tax assets are recognised to the extent where it is likely there will be adequate future tax profits against which temporary differences or any tax losses can be utilised. In this regard, the Group's management estimates the probable timing and the amount of the future taxable profits.
- Business combinations and valuation of acquired assets and liabilities:

In the case of business combinations, the process of allocating the transaction's cost involves estimates and assumptions based on Management's professional judgment and makes it necessary to identify the most suitable methodologies for the valuation of assets acquired and liabilities assumed; these particularly include the valuation of acquired rights and properties and of other identifiable intangible assets. Moreover, in the case of acquisitions, management's estimates and assumptions extend to the valuation of liabilities for contingent consideration (IBOX Group). The complexity of estimation processes is mitigated by the use, where necessary, of provisional allocation, as permitted by the relevant accounting standard.

Contingent liabilities:

The Group recognises a liability for disputes and risks arising from ongoing legal cases when it considers it probable that a financial outlay will occur and when the liability amount can be reasonably estimated. In the case in which a payment is considered possible, but is not yet determinable, such is reported in the explanatory notes.

E. Segment disclosure

IFRS 8 accounting standard – "Operating Segments" requires the provision of detailed information for each operating segment, understood as being a component of an entity whose operating results are periodically reviewed by top management for the purposes of adopting decisions concerning resource allocation and performance assessment.

The Group identified two business areas (Business Units) after segmenting its activities with reference to the types of products, production processes and target markets:

1. Media
2. E-commerce

The companies within the two business units are as follows:

1. Media: Giglio Group Spa with the divisions M3 and Giglio Group; Nautical Channel; Giglio TV;
2. E-commerce: Giglio Group Spa with the Giglio Fashion division; Ibox Group; Giglio USA; Giglio Shanghai.

The individual sector results (net of inter-company eliminations) are as follows:

2017				
(Euro thousands)	**Media**	**E-commerce**	**Adjustment**	**Total**
Total revenues	**18,296**	**60,520**	**0**	**78,816**
EBITDA Adjusted	**4,972**	**3,595**	**0**	**8,567**
Listing and non-recurring costs	0	0	(1,747)	(1,747)
EBITDA reported	**4,972**	**3,595**	**(1,747)**	**6,820**
EBIT	**(1,013)**	**3,461**	**(1,747)**	**702**
EBT	**(1,633)**	**3,457**	**(1,747)**	**78**
Net profit/(loss)	**(1,376)**	**3,166**	**(1,747)**	**43**

2016				
(Euro thousands)	**Media**	**E-commerce**	**Adjustment**	**Total**
Total revenues	**16,343**	**18,118**		**34,461**
EBITDA Adjusted	**5,880**	**1,954**	-	**7,834**
Non-recurring charges			(593)	(593)
EBITDA reported	**5,880**	**1,954**	**(593)**	**7,241**
EBIT	**1,116**	**1,842**	**(593)**	**2,365**
EBT	**623**	**1,849**	**(593)**	**1,878**
Net profit	**69**	**1,849**		**1,325**

Regional segment assets and liabilities at December 31, 2017 and December 31, 2016 are shown in the table below.

December 31, 2017					
(Euro thousands)	**Media**	**E-commerce**	**Unallocated assets/liabilities**	**Adjustments and eliminations**	**Total**
Segment assets	38,270	31,557	-	(14,677)	55,150
Segment assets not allocated	-	-	22,253	0	22,253
Total liabilities	**38,270**	**31,557**	**22,253**	**(14,677)**	**77,402**
Segment liabilities	23,894	30,436	-	(13,452)	40,878
Segment liabilities not allocated	-	-	19,832	0	19,832
Total assets	**23,894**	**30,436**	**19,832**	**(13,452)**	**60,710**

December 31, 2016					
(Euro thousands)	**Media**	**E-commerce**	**Unallocated assets/liabilities**	**Adjustments and eliminations**	**Total**
Segment assets	33,458	9,248	-	(6,823)	35,883
Segment assets not allocated	-	-	9,869	-	9,869
Total liabilities	**33,458**	**9,248**	**9,869**	**(6,823)**	**45,753**
Segment liabilities	19,597	6,928	-	(4,923)	21,602
Segment liabilities not allocated	-	-	11,366	-	11,366

Total assets	**19,597**	**6,928**	**11,366**	**(4,923)**	**32,967**

The segment assets and liabilities not allocated relate to some accounts of the parent company which due to their nature may not be divided between the various business units. A list of the most significant accounts at December 31, 2017 are listed below:

- Assets not allocated: goodwill of Euro 4.1 million (Euro 4.1 million at December 31, 2016) relating to the Giglio Fashion division, investments of Euro 7.4 million (Euro 1.8 million at December 31, 2016), cash and cash equivalents of Euro 3.1 million (Euro 1.5 million at December 31, 2016), tax receivables and deferred tax assets of Euro 4.6 million (Euro 1.4 million at December 31, 2016);
- Liabilities not allocated: financial payables of Euro 18.9 million (Euro 10.5 million at December 31, 2016), tax payables and deferred tax liabilities of Euro 0.6 million (Euro 0.8 million at December 31, 2016).

F. Management of capital and financial risks

<u>Financial risk objectives and criteria</u>

Group financial liabilities include loans and bank loans, trade payables, trade and other payables and financial guarantees. The main objective of these liabilities is to fund Group operations. The Group has financial and other receivables, trade and non-trade receivables, cash and cash equivalents and short-term deposits which directly stem from operations.

the Group is exposed to market risk, credit risk and liquidity risk. Management of the Group is responsible for the management of these risks;

The Board of Directors reviews and approves the management policies of each of the risks illustrated below.

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

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.

Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will alter on the basis of market price movements. The market price includes three types of risk: currency risk, interest rate risk and other price risks. Considering the Group’s business sector, other price risks such as, for example, the price risk on securities (equity risk) and the commodity price risk do not arise.

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 reduce to the minimum the risks related to changes in exchange rates.

Interest Rate Risk

The fluctuations in market interest rates impact on the level of net financial charges and on the market value of the financial assets and liabilities.

The interest rate risk may be classified in:

- flow risk, which refers to variability in the amounts of interest receivable and payable that are collected and paid as a result of movements in the levels of market interest rates;

- price risk, relates to the sensitivity of the market value of assets and liabilities to changes in the level of interest rates (refers to fixed-rate assets or liabilities).

Giglio Group S.p.A. is primarily exposed to flow risk, or cash flow risk, namely the risk of an increase in financial costs in the income statement due to an adverse variation in interest rates.

The company utilises external financial resources in the form of bank debt at variable interest rates.

Variations in market interest rates only influence the cost of loans and the return on amounts invested and, therefore, on the level of financial charges and income for the company and not their fair value.

A large part of the interest-bearing debt position is represented by variable rate and short-term loans.

The cost of bank debt is linked to the market rate for the period (generally Euribor/Libor for the period or the reference rate on the interbank market specific to the currency in which the loan is denominated) plus a spread that depends on the type of credit line used.

The table below shows the sensitivity analysis of the interest rate on variable rate items.

(Euro thousand)

Analysis of sensitivity of interest rate risk on variable rate items	**Underlying**	**Increase/Reduction in underlying interest rates**	**Profit/(loss) before taxes**
December 31, 2017	(13,313)	+1%	(54)
December 31, 2017	(13,313)	-1%	211

Credit risk

Credit risk is the risk that a counterparty does not fulfil its obligations relating to a financial instrument or a commercial contract, resulting therefore in a financial loss. The Group is exposed to credit risks deriving from operations (particularly with regards to trade receivables and credit notes) and financing activities, including deposits at banks and financial institutions.

Payment terms for key clients that dictate terms and conditions make it necessary for the company to primarily finance working capital through bank debt, especially for self-liquidating lines. The need to finance working capital entails different types of charges for the company, which is mainly interest payable on loans.

The risk of non-collection is managed by the Giglio Group through a series of commercial policies and internal procedures which, on the one hand, reduce the exposure risk on clients, and on the other monitors the receipts in order to take adequate and timely corrective action.

All companies carry out a specific assessment for each position in order to assess the recoverability of each individual receivable.

As regards the valuation of receivables in interim and year-end closures, the Group CFO, together with the managers of each company or division, performs an analysis of overdue receivables for each position, the progress status of recovery procedures and a proposal for doubtful debt provision. the doubtful debt provision is, therefore, determined through:

a) Identification of the overdue receivable amounts by category;

b) Analysis of individual positions also taking the collection times by company into account and any feedback from legal advisers responsible for debt collection;

c) Write-down of receivables considered to be non-recoverable, including through the support of external legal advisers.

The operational management of receivables encompasses a series of activities such as the monitoring of receivables, sending reminders for payment and the suspension of supplies and/or the commencement of debt recovery activities, including through the use of external legal advisers.

In the light of analyses performed, only trade receivables recorded in the financial statements with an aging of over 120 days present risks of impairment since collection terms, especially pertaining to the media segment, are characterised by more deferred collection terms. Detailed information is available in section 7 "Trade and other receivables".

Liquidity risk

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.

At December 31, 2017 the credit lines granted and the relative utilisations were as follows:

Entity	Credit line for invoice advances Italy	Used	Credit line for invoice advances Overseas	Used	Cash credit facilities	Used	Total credit lines	Total Used
MPS	-	-	-	-	15	-	15	-
IFITALIA Factoring - BNL	5,950	3.556			0		5,950	3.556
Banco Popolare	300		100	25	20		420	25
Banca Popolare di Milano	650	441					650	441
Banca Sella			200	119			200	119
CREDEM	500	217					500	217
Banca Popolare di Sondrio	150	73					150	73
FACTORIT - Banca Popolare di Sondrio	300	67					300	67
CREDIMI - CREVAL	1,050	146					1,050	146
UNICREDIT	5000	4719			50		5,050	4,719
CARIPARMA	1500	1500					1,500	1,500
BNL	20	58					20	58
BANCA INTESA HONG KONG			200	200			200	200
UNIPOL	200		100		10		310	0
Total	15,620	10,777	600	344	95	0	16,315	11,121

Reference should also be made to the table in paragraph 14. Current and non-current financial payables.

ACCOUNTING POLICIES

Consolidation principles

The consolidated financial statements include the financial statements of Giglio Group S.p.A and its subsidiaries at December 31, 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:

- the power over the investment entity (or holds valid rights which confer it the current capacity to control the significant activities of the investment entity);
- the 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 or 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 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.

<u>Consolidation scope</u>

Information on subsidiaries:

The consolidated financial statements of the Group include:

<u>Consolidation scope</u>

Giglio Group S.p.A.	Italy	**Parent company**	
Nautical Channel Ltd	UK	**Subsidiary**	100%
Giglio TV	HK	**Subsidiary**	100%
Giglio USA	USA	**Subsidiary**	100%
IBOX SA	Switzerland	**Subsidiary**	100%
Giglio (Shanghai) Technology Company Limited	China	**Associates**	100%
IBOX SRL	Italy	**Associates**	100%
Evolve USA	USA	**Subsidiary**	100%

Companies consolidated under the line-by-line method:

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

Registered office Piazza Diaz No. 6, Milan and operational and administration offices Via dei Volsci No. 163, Rome – Share capital Euro 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 March 20, 2018, the Company has been listed on the STAR segment of the Italian Stock Exchange, with a free float of approx. 35%: 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 (Shanghai) TECNOLOGY LIMITED COMPANY

Registered office: Shanghai International Finance Center

Century Avenue 8

Room 874, Level 8, Tower II

Shanghai, 200120

Share Capital Euro 40 thousand

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.

Fair value measurement

At each reporting date the Group measures at fair value the earn-out liability arising on the Giglio Fashion acquisition, present as residual debt at December 31, 2017 and which will be fully settled at the beginning of 2018.
The Group currently 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 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 in the same fair value hierarchical level 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 financial liability of Euro 402 thousand is recorded (i.e. the earn-out liability) which was previously measured at fair value categorised at level 3. At December 31, 2017, this liability is no longer subject to changes as this date represents the

last observable period for the achievement of the contractually agreed upon parameter and the amount now refers to a definitive liability representing a payable at December 31, 2017.
This payment was redetermined at December 31, 2017 compared to the value estimated at December 31, 2016 (after Euro 1 million paid in the previous year) recording Euro 334 thousand in addition to Euro 166 already recorded in the financial statements, for a total of Euro 402 thousand, based on the updated expected results relating to the contractual targets.

Accounting policies

Property, plant & equipment

Property, plant & equipment, recorded in the financial statements as assets if and only if it is probable future economic benefits will be obtained by the entity and if their cost may be reliably determined, are recorded at historical cost, net of the relative accumulated depreciation and any impairment in value.
In particular, the cost of a tangible fixed asset, acquired from third parties or constructed in-house, includes the directly attributable costs and all the costs necessary for the asset to function for the use for which it was acquired.
The initial value of the asset is increased by the present value of any waste or removal costs of the asset or of site reclamation where the asset is located, where there is a legal or implicit obligation. Against the charges capitalized, a liability will be recorded as a risk provision.
Maintenance expenses and repairs are not capitalised, but recorded in the income statement when incurred.
The costs incurred subsequent to initial recognition - improvements, renovation or expansion, etc. - are recorded under assets if and only if it is probable that future economic benefits will accrue to the company and they are identifiable assets or concern expenses with the purpose of extending the useful life of the assets to which they refer or increase the production capacity or also improve the quality of the products obtained. Where these costs are however similar to maintenance costs, they are recorded in the income statement when incurred.
The depreciation recorded in the income statement has been calculated in consideration of the use, intended purpose and economic-technical duration, on the basis of the residual possible useful life.
The estimated depreciation rates of the assets are as follows:

plant & machinery:	15%
equipment:	15%
Server:	12.5%
furniture and fittings:	15%

The book value of tangible fixed assets is subject to verification of any loss in value when events or changes occur indicating that the carrying value can no longer be recovered. If there is an indication of this type and in the case where the carrying value exceeds the realisable value, the assets or the cash generating units are written down to their realisable value, which coincides with the higher between the net sales price of the asset and its value in use. In defining value in use, expected future cash flows are discounted by using a pre-tax rate that reflects the current market assessment of the time value of money compared to the time and specific risks of the asset. For assets that do not generate independent cash flows, realisable value is calculated in relation to the cash generating unit pertaining to such assets.

Leasing

The definition of a contractual agreement as a leasing operation (or containing a leasing operation) is based on the substance of the agreement and requires an assessment of whether the agreement depends on the utilisation of one or more specific assets or whether the agreement transfers the right to the utilisation of this asset. The verification that an agreement is a lease is made at the beginning of the agreement.

A leasing contract is classified as a finance lease or an operating lease at the beginning of the lease. A lease contract that substantially transfers to the Group all the risks and rewards of ownership of the asset leased is classified as a finance lease.

Finance leases are capitalised at the commencement date of the lease at fair value of the leased asset or, if lower, at the present value of the lease payments. The lease payments are divided between a capital portion and an interest portion in order to obtain a constant interest rate on the residual balance of the payable. Financial charges are recorded in the income statement.

Leased assets are depreciated over their estimated useful life. However, where there does not exist reasonable certainty that the Group will obtain ownership of the asset at the end of the contract, the asset is

depreciated over the shorter period between the estimated useful life of the asset and the duration of the lease contract.

An operating lease is a leasing contract which does not qualify as a finance lease. The operating lease payments are recorded in the income statement on a straight-line basis over the duration of the contract.

Intangible assets

Intangible assets, capitalised only if they relate to identifiable assets which generate future economic benefits, are initially recorded at purchase cost, increased for any accessory charges and those direct costs necessary for their utilisation. However, assets acquired through business combinations are recognised at their fair value at the acquisition date.

If the payment for the purchase of the asset is deferred beyond the normal credit payment terms, its cost is represented by the equivalent cash price: the difference between this value and the total payment is recorded as financial charges over the period of the deferred payment.

Assets generated internally, with the exception of development costs, are not recorded as intangible assets. The development activity is based on the development of research or other knowledge into a well-defined programme for the production of new products or processes.

The cost of an intangible asset generated internally comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

After initial recognition, the intangible assets are recorded in the financial statements at cost net of accumulated amortisation, calculated on a straight-line basis over the estimated useful life of the assets, and of the losses for impairments in value. However, if an intangible asset has an indefinite useful life, it is not amortised, but periodically subject to an impairment test.

Amortisation begins when the asset is available for use or when it is in the position and condition necessary for it to operate in the manner intended by company management.

The TV rights, which constitute the library of the company, are amortised over 5 years.

The book value of intangible fixed assets is subject to verification of any loss in value (impairment test) when events or changes occur indicating that the carrying value can no longer be recovered. If there is an indication of this type and where the carrying value exceeds the realisable value, the assets are written down to their realisable value. This value coincides with the higher between the net sales price of the asset and its value in use.

The gains and losses deriving from the elimination of an intangible asset are measured as the difference between the net sales proceeds and the book value of the intangible asset and are recorded in the income statement in the year in which they are eliminated.

Goodwill

Assets with an indefinite life are not amortised, but subject at least annually to an impairment test on the value recorded in the financial statements. As previously illustrated, goodwill is subject to an impairment test annually or more frequently in the presence of indicators which may give rise to a loss in value.

The impairment test is made with reference to each “Cash Generating Unit” (“CGU”) to which the goodwill is allocated and monitored by management.

A loss in the value of the goodwill is recorded when the recoverable value of the related CGU is lower than the carrying value.

The recoverable value is the higher between the fair value of the CGU, less costs to sell, and its value in use - this latter the present value of the estimated future revenues for the assets within the CGU. In defining the value in use, the expected future cash flows are discounted utilising a pre-tax rate that reflects the current market assessment of the time value of money, and the specific risks of the asset. When the loss in value deriving from the Impairment test is higher than the value of the goodwill allocated to the CGU, the residual amount is allocated to the assets included in the CGU in proportion to their carrying value. This allocation has as a minimum, the higher between:

i. the fair value of the asset less selling costs;
ii. the value in use, as defined above;
iii. zero.

The original value of the goodwill may not be restated where the reasons for the loss in value no longer exist.

Intangible and tangible assets with definite useful life

For the assets subject to amortisation and depreciation, the presence of any indicators, internally and externally, of a loss in value is assessed at each reporting date. Where these indicators exist, an estimate of the recoverable value of the above-mentioned assets is made, recording any write-down compared to the relative book value in the income statement. The recoverable value of an asset is the higher between the fair value, less costs to sell, and its value in use, where this latter is the present value of the estimated future cash flows for this asset. In defining the value in use, the expected future cash flows are discounted utilising a pre-tax rate that reflects the current market assessment of the time value of money, and the specific risks of the asset. For an asset that does not generate independent cash flows, the recoverable value is determined in relation to the cash generating unit to which the asset belongs. A loss in value is recognised in the income statement when the carrying value of the asset, or of the relative CGU to which it is allocated, is higher than its recoverable value. The loss in value of CGU's is firstly attributed to the reduction in the carrying value of any goodwill allocated and, thereafter, to a reduction of other assets, in proportion to their carrying value and to the extent of the relative recoverable value. When the reasons for the write-down no longer exist, the book value of the asset is restated through the income statement, up to the value at which the asset would be recorded if no write-down had taken place and amortisation or depreciation had been recorded.

Financial assets and receivables

The Group classifies financial assets in the following categories:

- loans and receivables;
- held-to-maturity financial assets;
- Available-for-sale financial assets.

Management determines the classification on initial recognition in the financial statements.

Loans and receivables: This category includes assets not represented by derivative instruments and not listed on an active market, for which fixed or determinable payments are expected. These assets are initially recognised at fair value, including transaction costs, and are subsequently measured at amortised cost on the basis of the effective interest rate. When there is an indication of a loss in value, the asset is reduced to the value of the discounted future cash flows obtainable; the loss in value determined through an impairment test is recorded in the income statement.

When, in subsequent periods, the reasons for the write-down no longer exist, the value of the asset is restated up to the value deriving from the application of the amortised cost as if no impairment had been applied. These assets are classified as current assets, except for the portion with maturity beyond 12 months, which are included in non-current assets.

Held-to-maturity investments These assets, measured at amortised cost, are those, other than derivative instruments, held until a pre-fixed maturity and for which the Group has the full intention and capacity to maintain in portfolio until maturity. Those with a contractual maturity within 12 months are classified under current assets. When there is an indication of a loss in value, the asset is reduced to the value of the discounted future cash flows obtainable; the loss in value determined through an impairment test is recorded in the income statement. When, in subsequent periods, the reasons for the write-down no longer exist, the value of the asset is restated up to the value deriving from the application of the amortised cost as if no impairment had been applied.

Inventories

Inventories are measured at the lower between cost, calculated as per the FIFO method, and net realisable value. Net realisable value is the selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. The inventories of the Ibox Group were measured at purchase cost which corresponds to the sales price (Ibox SA profit derives from a commission on sales). The valuation method therefore approximates FIFO and the difference between the method utilised and FIFO is not significant.

Cash and cash equivalents

This comprise cash, bank deposits and accounts held at other credit institutions for current operations, postal current accounts and other equivalent values as well as investments with maturity within three months of the acquisition date. Cash and cash equivalents are measured at fair value which, normally, coincides with their nominal value.

Transaction cost related to the issue of equity instruments

Transaction costs related to the issue of an equity instrument are recorded as a decrease (net of any related tax benefit) of the share premium reserve, generated by the same operation, to the extent of marginal costs directly attributable to the equity operation which otherwise would have been avoided. The costs of an equity operation which are abandoned are recorded in the income statement.

Listing costs not related to the issue of new shares are recorded in the income statement.

Where the listing involves both the sale of existing shares, and the issue of new shares, the costs directly attributable to the issue of new shares are recorded as a reduction of the share premium reserve and the costs directly attributable to the listing of the existing shares are recorded in the income statement. The costs relating to both operations are recorded as a reduction of the share premium reserve in relation to the proportion between the shares issued and the existing shares and the remainder recorded in the income statement.

Payables and other financial liabilities

Payables and other financial liabilities are initially recognised at fair value less transaction costs: thereafter they are measured at amortised cost, using the effective interest rate. When there is a change in the expected cash flows, the value of the liabilities is recalculated to reflect this change, based on the new present value of the expected cash flows and on the effective interest rate initially determined. Payables and other liabilities are classified as current liabilities, except where the Group has the contractual right to settle its obligations at least beyond 12 months from the reporting date or of the interim financial statements.

Income taxes

The Group tax charge is based on current taxes and deferred taxes. Where relating to components recognised to income and charges recorded to net equity within the other items of the comprehensive income statement, such taxes are recorded to the same account.

Current taxes are calculated based on tax regulations in force at the financial reporting date; any risks concerning different interpretations of positive or negative income components, or any disputes with tax authorities, are recorded in the income statement along with the relative provisions in the financial statements.

Deferred taxes are calculated on the timing differences arising between the book value of the assets and of liabilities and their value for tax purposes, as well as on tax losses. The valuation of deferred tax assets and liabilities is carried out applying the expected tax rate when the temporary differences will reverse; this valuation is made on the basis of the current tax regulations or those substantially in force at the reporting date. Deferred tax assets, including those deriving from tax losses, are recorded only when it is probable that sufficient assessable income will be generated in the future for their recovery.

Employee benefits

The short-term employee benefits, due within 12 months from the reporting date, are recorded at cost and as a liability for an amount equal to the non-discounted value as this should be paid to the employee in exchange for work performed. The long-term benefits, for example contributions to be paid beyond 12 months from the reporting date, are recorded as a liability for an amount equal to the present value of the benefit at the reporting date.

Post-employment benefits such as pension or life assurance benefits, are divided between defined contribution plans and defined benefit plans, depending on the economic nature of the plan. For defined contribution plans, the legal or implied obligation of an entity is limited to the amount of contributions to be paid: consequently, the actuarial risk and the investment risk is borne by the employee. For defined benefit plans, the obligation of the entity concerns the granting and assurance of the agreed employee plans: consequently, the actuarial and investment risk is borne by the company.

Based on IAS 19, the Post-employment benefit is classified under defined benefit plans.

For defined contribution plans, the company records the contributions due as liabilities and as a cost. Where these contributions are not due entirely within twelve months from the end of the year in which the employee has undertaken the relative work, these are discounted utilising the yield on government securities.

The accounting of defined benefit plans involves the following steps:

- calculation, with the use of actuarial techniques, of a realistic estimate of the amount of the benefit which the employees have matured for their services in the current and previous years. This requires the determination of what percentage of the benefit is attributable to the current year and previous years, as well as estimates on demographic variables – e.g. the turnover of employees - financial variables – e.g. future salary increases - which will impact the cost of the benefits;
- discounting these benefits using the projected unit credit method in order to determine the present value of the defined benefit obligation and the current service cost, utilising as a discount rate the yield on government securities;
- calculation of the present value of any plan assets;
- determine the amount of the actuarial gains and losses;
- determine the profit and loss resulting from any modifications or settlements of the plan.

The amount recorded as a liability for defined benefits is represented by the present value of the obligation at the reporting date, net of the present value of the plan assets, where existing. The cost to be recognised to the income statement is based on:

- the pension cost relating to current employment service;
- the interest cost;
- the actuarial gain or loss;
- the expected yield on plan assets, where existing.

The indemnities at the end of employment are recorded as liabilities and costs when the company is obliged to interrupt the employment of an employee or a group of employees before the normal retirement age or is obliged to pay compensation at the end of employment following a proposal for the payment of voluntary leaving incentives.

Provisions for risks and charges

The provisions for risks and charges are recorded when, at the reporting date, a legal or implicit obligation exists towards a third party, that derives from a past event, and a payment of resources is probable in order to satisfy the obligation and this amount can be reliably estimated.

This amount represents the present value, where the time value of money is significant, of the best estimate of the expenses requested to settle the obligation. The rate used in the determination of the present value of the liability reflects the current market value and includes the further effects relating to the specific risk associated to each liability. Changes in estimates are reflected in the income statement in the period in which they occur.
Where the Group is subject to risks for which the liability is only possible, these risks are described in the present Explanatory Notes and no provision is accrued.

Revenues

Revenues are recorded in accordance with the probability that the Group will receive economic benefits and the amount can be determined reliably, independent of the collection date. Revenues are reported at the fair value of the amount received or to be received, taking into account the contractual payment terms and excluding taxes and customs duties. The Group, having concluded that it acts on its own behalf in all sales contracts as it is the primary debtor, has discretion on the pricing policy and in addition is exposed to inventory and credit risk.
For the recognition of revenues, the following specific criteria must be complied with:
Sale of goods
Revenues are recognised when the company has transferred to the acquirer all of the significant risks and rewards connected to the ownership of the asset, generally the shipping date of the goods based on the contractual "incoterm" clauses.
The revenues are measured at the fair value of the amount received or to be received, net of returns and premiums, commercial discounts and volume reductions.

Costs

Costs are recorded when relating to goods and services sold or consumed in the year or when there is no future utility.

Financial income and charges

Interest is recorded on an accruals basis utilising the effective interest method, which is the rate which exactly discounts the future receipts, estimated over the expected life of the financial instrument or a shorter period, where necessary, compared to the net book value of the financial asset.

Earnings per share

Earnings per share – basic

The basic earnings per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares.

Earnings per share - diluted

The diluted earnings per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares. In order to calculate the diluted earnings per share, the average weighted number of shares outstanding is adjusted assuming the exercise of all the rights which have potential dilution effect, while the result of the Group is adjusted to take into account the effects, net of income taxes, of the exercise of these rights.

Accounting standards, amendments and interpretations applied from January 1, 2017

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group from January 1, 2017:

Amendment to IAS 12 - Recognition of deferred tax assets for unrealised losses

The document provides clarifications on the recognition of deferred tax assets on unrealised losses on the occurrence of certain circumstances and on estimates of assessable income for future years. The adoption of these amendments, applicable from January 1, 2017, did not impact the Annual Financial Report disclosure.

Amendment to IAS 7 - Statement of Cash Flows: *Disclosure Initiative*

The document provides clarifications to improve disclosure on financial liabilities. In particular, the amendments require the provision of disclosure which enables readers of the financial statements to understand the changes to liabilities following funding operations. The adoption of these amendments, applicable from January 1, 2017, did not significantly impact the Annual Financial Report disclosure. For further information, reference should be made to paragraph 14. Current and non-current financial payables.

Accounting standards, amendments and interpretations approved by the EU and applicable from January 1, 2017

IFRS 15 Revenue from Contracts with Customers

The standard, issued by the IASB in May 2014, amended in April 2016 and approved by the European Commission in September 2016, introduces a framework which establishes whether, when and to what extent revenue will be recognised. IFRS 15 is applicable from January 1, 2018; advanced application is permitted. The standard introduces a single general model to establish whether, when and to what extent to recognise revenue. IFRS 15 replaces the criteria for the recognition of revenue under IAS 18 Revenue, IAS 11 Construction contracts and IFRS 13 Customer loyalty programmes.

On first application, IFRS 15 must be applied retroactively. A number of simplifications are however permitted ("practical expedients"), in addition to an alternative approach ("cumulative effect approach") which avoids the restatement of periods presented for comparative disclosure; in this latter case, the effects from the application of the new standard must be recognised to the initial equity of the period of first application of IFRS 15. With the amendment of April 2016, the IASB clarified a number of provisions and at the same time additional simplifications, in order to reduce costs and the complexity for those applying the new standard for the first time.

The Giglio Group, which will adopt IFRS from January 1, 2018 with the cumulative effect approach has estimated the effects of initial application of the standard on the consolidated financial statements. The estimate of these effects is based on the assessments made to date and summarised below.

In particular, the Group initiated a project broken down into separate phases to assess the potential impacts on the financial statements from application of the new standard and to introduce the relative IT system and financial disclosure internal control system measures required. The initial phase of the project involved the mapping of the revenue flows, the recognition methods, the internal organisation of asset cycle administrative processes and a sample analysis of contracts producing the main revenue flows. On conclusion of this phase, a number of issues which may be impacted by the new IFRS 15 were highlighted.

The analysis carried out on the effects of IFRS 15's first application on the consolidated financial statements led to results that are substantially limited to a different representation of costs/revenues, due to the evaluation of the principal/agent role, without any consequences on the Group's shareholders' equity at January 1, 2018.

While not recognising the effects on the opening shareholders' equity as at January 1, 2018 an estimate of the associated reclassification effect on income statement items at December 31, 2017 was still quantified. As discussed, this different representation is related to the e-commerce sector and specifically to the B2C sector. The Group analysed contractual obligations, concluding that the situation to which service is tied is attributable to those who perform the role of Agent, not controlling the performance obligation and, therefore, must record costs and revenues on a net basis for revenues deriving from the full outsourced management of the client's e-commerce site.
This is due mainly to the fact that compared to the previous guide, some parameters have been eliminated or modified and the new standard is based on the Performance Obligation's control concept. In particular, the new IFRS 15 subordinates the recognition of revenue according to a "Gross" exposure to the existence of "control'' on the goods or services provided by the entity prior to their transfer to the end customer, regardless of the transfer of risks and benefits referred to in the previously applicable IAS 18.

The real effects from the adoption of the standard at January 1, 2018 may change as:

- The Group has not yet completed the verification and assessment of the controls on the new IT systems; and
- The new calculation criteria may change until the presentation of the first Group consolidated financial statements which include the date of initial application.

At December 31, 2017 the above-mentioned reclassification was estimated as approx. Euro 29 million lower revenues.

IFRS 9 – Financial instruments

The document incorporates the results of the IASB project to replace IAS 39:

- introduces new criteria for the classification and measurement of financial assets and liabilities (together with the measurement of the non-significant adjustments of the financial liabilities);
- The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model, utilising supporting information, available without unreasonable charges or effort, which includes historic, current and projected figures;

- introduces a new hedge accounting model (increase in the types of transactions eligible for hedge accounting, changes in the accounting method of forward contracts and options when included in a hedge accounting relationship, change in the effectiveness test).

The new standard must be applied for financial statements beginning on or after January 1, 2018.

The analyses performed by the Group did not result in any impacts on the new criteria for the classification and valuation of financial assets and liabilities, nor as regards the new hedge accounting model. On the other hand, as regards the application of the expected losses method to calculate losses on receivables, the directors, based on the analyses performed, determined an estimated negative impact on the initial shareholders' equity at January 1, 2018, amounting to approximately Euro 70 thousand (gross of the relative tax effect). This resulted from the new standard's application and necessitated the calculation of a write-down of trade receivables, even if not overdue, based on expected or possible future losses.

Directors adopted a procedure and calculation grid that takes a forward-looking view based on historical experience in order to determine the amount of expected losses based on the new standard.

The Group will adopt IFRS 9 as from January 1, 2018, availing itself of the exemption from restating the comparative information of previous financial years in relation to classification and valuation changes and impairment. The differences in the carrying amounts of financial assets and liabilities resulting from the IFRS 9's adoption will be recognised in the retained earnings of January 1, 2018.

With reference to other financial assets of a non-commercial nature valued at amortised cost, a change in creditworthiness does not seem to have emerged with respect to the initial recognition. It is believed that there will be no probability of default in the next 12 months.

IFRS 16 – Leases

The standard, published by the IASB in January 2016, proposes substantial changes to the accounting treatment of leasing agreements in the lessee's financial statements, which must recognise the assets and liabilities deriving from contracts, without distinction between operating and financial leases, in the statement of financial position. The new standard provides a new definition of leases and introduces a criterion based on control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying essential differences: the identification of the asset, the right of replacement of the asset, the right to obtain substantially all the economic benefits from the use of the asset and the right to use the asset underlying the contract.

The IASB expects that the standard will be applied for years commencing from January 1, 2019. Advance application is permitted for entities applying IFRS 15 Revenue from Contracts with Customers.

The Group is undertaking analysis to define and assess the potential effects from application of IFRS 16 on the consolidated financial statements.

Accounting standards, amendments and interpretations not yet approved by the EU and applicable from January 1, 2017

At the date of these restated consolidated financial statements, the relevant bodies of the European Union have not yet concluded the process necessary for the implementation of the amendments and standards described below.

- Amendment to IFRS 2 "Classification and measurement of share-based payment transactions (published on June 20, 2016) which contains clarifications upon the recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, on the classification of share-based payments with characteristics of net settlement and the recognition of the amendments to the terms and conditions of a share-based payment which changes the classification from cash-settled to equity-settled. These changes will be applied from January 1, 2018. The directors are currently assessing the possible effects from the introduction of these amendments on the Group consolidated financial statements but at present there are no share-based payment plans.
- Document "Annual Improvements to IFRSs: 2014-2016 Cycle", published on December 8, 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard) which partially integrates the pre-existing standards. The majority of changes will be applied from January 1, 2018. The Directors do not expect these amendments to have a significant impact on the Group consolidated financial statements.
- Interpretation IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (published on December 8, 2016). The interpretation provides guidelines for transactions in foreign currencies where advances or non-monetary payments on account are recorded in the financial

statements, before the recognition of the relative asset, cost or revenue. This document provides indications on how an entity should determine the date of a transaction, and consequently, the exchange rate to be utilised concerning operations in foreign currencies concerning payments made or received in advance. IFRIC 22 is applicable from January 1, 2018.The directors do not expect these amendments to have a significant impact on the Group consolidated financial statements.

- On June 7, 2017, the IASB published the interpretative document IFRIC 23 – Uncertainty over Income Tax Treatments. The document deals with uncertainties on the tax treatment to be adopted for income taxes.

It establishes that uncertainties in the calculation of tax liabilities or assets are reflected in the financial statements only where it is probable that the entity will pay or recover the amount in question. In addition, the document does not contain any new disclosure obligations, but underlines that an entity should establish whether it will be necessary to provide information on considerations made by management and the relative uncertainty concerning the accounting of income taxes, in accordance with IAS 1.

The new interpretation applies from January 1, 2019, although early application is permitted. The Directors are currently assessing the possible effects from the introduction of this interpretation on the Group consolidated financial statements.

- Amendment to IFRS 9 “Prepayment Features with Negative Compensation (published on October 12, 2017). This document specifies that instruments which provide for an advance repayment could comply with the “SPPI” test also in the case where the “reasonable additional compensation” to be paid in the event of advance repayment is a “negative compensation” for the lender. The amendment applies from January 1, 2019, although early application is permitted. Currently the directors do not expect any impacts from the introduction of these amendments.
- Amendment to IAS 19 “Plan Amendment, Curtailment or Settlement”, published on February 7, 2018. This document clarifies how pension charges should be calculated on an amendment to the defined benefit plan. The amendment is applied from January 1, 2019. The directors are currently assessing the possible effects from the introduction of these amendments on the Group consolidated financial statements.

- Document “Annual Improvements to IFRSs 2015-2017 Cycle”, published on December 12, 2017 (among which IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Remeasurement of previously held interest in a joint operation, IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity, IAS 23 Borrowing costs Disclosure of Interests in Other Entities – Borrowing costs eligible for capitalisation) which include the amendments to some standards within the annual improvement process. The amendments are applicable from January 1, 2019, although advance application is permitted. The directors are currently assessing the possible effects from the introduction of these amendments on the Group consolidated financial statements.

Workforce

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

Workforce	31.12.2017	31.12.2016	Changes
Executives	3	-	3
Managers	7	3	4
White-collar	58	27	31
Blue-collar	-	-	-
Others	-	1	-1
Total	**68**	**31**	**37**

The workforce increased during the year following the acquisition of the employees of the Ibox SA Group (formerly Evolve Service S.A.)

There were no resignations in the year.

The amounts in the Financial Statements and Explanatory Notes are in Euro except where indicated otherwise.

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.

The consideration of 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".

In accordance with international accounting standards at December 31, 2017 the company carried out the Purchase Price Allocation in respect of the acquisition of the above-mentioned Group.

The above transaction meets the business definition proposed by IFRS 3. In fact, within the transferred assets and liabilities it is possible to identify:

- Inputs such as, *inter alia*, contracts with leading fashion brands through which the Ibox Group provides its online store management services and platforms, IT systems and qualified staff through which they are conveyed;
- Processes, represented by operational, organisational and administrative procedures that enable the fulfilment of contracts with customers;
- Outputs, consisting of returns from payments made as a result of services provided.

Moreover, the control of the business thus defined passes from one entity to another (in this case in point, from Tessilform S.p.A. to Giglio Group). Consequently, the transaction meets the requirements needed to be defined as a business combination.

In the identified business combination, Giglio Group is configured as the Ibox Group's acquiring party. This conclusion is determined by the following considerations:

- Giglio Group has the power to control important activities for the development of Ibox through, for example, the exercise of the right to vote (100%);
- As a result of the transaction, Giglio Group is exposed to the risks and benefits arising from the activity carried out by the Ibox Group;
- Giglio Group is capable of influencing returns through the definition of operational strategies and the individuals responsible for their implementation.

Business combination effects are effective as from April 27, 2017 (the date of the stake's transfer), which can therefore be identified as the acquisition date for the purpose of exercising the PPA.

As a result of the possibility afforded by IFRS 3, the allocation of the transferred amount was carried out at the date of December 31, 2017 based on available information at the transaction date. The exercise therefore falls within the permitted timeframe of one year from the date of acquisition. This allocation has retroactive effects starting from the same date of acquisition.

At the date of acquisition, shareholders' equity items recorded in the Ibox Group financial statements are expressive of their fair value. The exercise of re-expressing shareholders' equity at fair value did not lead to the identification of intangible assets not previously recorded in the financial statements.

As a result, following the PPA carried out with the assistance of a leading external consultancy firm, the full difference emerging between the fair value of the net assets and the amount transferred, amounting to approximately Euro 7,583 thousand, is recognised as goodwill in the acquirer's assets.

The fair value of the Ibox Group's identifiable assets and liabilities at the date of acquisition is shown below:

(Euro thousands)	Fair value on acquisitions
Fixed assets	471
Inventories	1,209
Trade receivables	3,137
Other receivables	6,617
Financial receivables	195
Cash and cash equivalents	1,832
Total assets	**13,460**
Trade payables	8,748
Other payables	5,742
Provisions	21
Financial payables	1,123
Total liabilities	**15,633**
Total net identifiable assets at Fair Value	**(2,173)**
Goodwill arising from the acquisition	7,583
Consideration of the acquisition	**5,410**

It should be noted that the same external consultancy firm supported the company in carrying out the impairment test on the goodwill, emerging from the acquisition, with positive results. Further details are available in the dedicated section in the Notes to the Financial Statements.

ASSETS

B) Non-current assets

1. Property, plant & equipment

Balance 31.12.2017 6,829

Balance 31.12.2016 6,965

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
Change in Historical Cost							
December 31, 2016	**16,131**	**63**	**197**	**278**	**327**	**112**	**17,109**
Change in consolidation scope	*164*	*72*	*124*	*37*	-	*6*	*403*
Increases	868	30	9	28	250	247	1,431
of which change in consolidation scope	5						5
Decreases	-	-	-	(4)	-	-	(4)
December 31, 2017	**17,163**	**165**	**330**	**338**	**577**	**365**	**18,939**
Change in Depreciation							-
December 31, 2016	**(9,286)**	**(44)**	**(156)**	**(248)**	**(314)**	**(96)**	**(10,144)**
Change in consolidation scope	*(39)*	*(60)*	*(43)*	*(31)*	-	*(1)*	*(174)*
Depreciation in year	(1,666)	(15)	(29)	(20)	(52)	(11)	(1,792)
of which change in consolidation scope	*(14)*	*(10)*	*(17)*	*(4)*	-	*(1)*	(46)
Decreases	-						-
December 31, 2017	**(10,990)**	**(119)**	**(227)**	**(298)**	**(366)**	**(108)**	**(12,110)**
Net Value December 31, 2017	**6,173**	**46**	**103**	**40**	**211**	**257**	**6,829**

At December 31, 2017 the account increased Euro 1,431 thousand mainly due to specific plant (antennas) acquired by the Mthree division for the enhancement of the two teleports at Rome and San Giuliano Milanese.

The company at the reporting date did not identify any impairment indicators relating to the above-mentioned tangible fixed assets.

2. Intangible assets

Balance at 31.12.2017. 10,926

Balance 31.12.2016 8,710

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

Intangible assets	Publishing rights	Other intangible assets	Total
Change in Historical Cost			
December 31, 2016	**15,605**	**3,363**	**18,969**
Change in consolidation scope	-	*445*	*445*
Increases	5,926	135	6,061
of which change in consolidation scope	-	115	115
Decreases	(1)	(6)	(8)
December 31, 2017	**21,529**	**3,937**	**25,466**
Change in Amortisation	(7,178)	(3,081)	(10,259)
Change in consolidation scope	-	*(335)*	*(335)*
Amortisation in year	(3,778)	(168)	(3,947)
of which change in consolidation scope	-	*(100)*	(100)
Decreases	-	-	-
December 31, 2017	**(10,956)**	**(3,584)**	**(14,541)**
Net Value December 31, 2017	**10,573**	**353**	**10,926**

In the period the Group (Nautical Channel and Giglio TV) undertook investments in distribution rights and Dubbing costs amounting to Euro 5.6 million representing in particular the dubbing costs to readapt Chinese content.

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

Other intangible fixed assets refer to trademarks and software.

In accordance with IAS 36, an assessment was made of any impairment indicators relating to intangible assets. At December 31, 2017 no impairment indicators existed and consequently an impairment test was not carried out relating to the above-mentioned intangible fixed assets.

3. Goodwill

Balance at 31.12.2017	**11,718**
Balance at 31.12.2016	**4,134**

Goodwill includes:

- Euro 7,583 thousand relating to the goodwill arising from the acquisition of the Ibox Group described above in the section "Business combination";
- 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.

At December 31, 2017 no loss was recorded based on the impairment test carried out.

Giglio Fashion Impairment test

The impairment test was carried out with reference to the cash-generating unit ("CGU") to which it was allocated. The reference CGU is Giglio Fashion.

The calculation of the value in use was based on the discounting of the CGU’s forecast data ("UDCF Method") taken from the Business Plan FY 18-19. This was discounted by using a 9.6% WACC calculated analytically according to a CAPM approach on the basis of market data as at December 31, 2017, taken from a list of comparable companies in the e-commerce sector. The CGU’s forecast data (Business Plan FY 18-19) were calculated by considering forecasts in terms of revenue, EBITDA and operating cash flows from the business plans whose guidelines were approved by the Board of Directors of Giglio Group S.p.A. on February 1, 2018.

To calculate the Terminal Value, the free cash flow from operations (“FCFO”) was estimated through the following main assumptions: (i) growth in revenues equal to the Eurozone g-rate (2.5%), (ii) EBIT margin of the last business plan year and (iii) notional taxes estimated through the application of a 27.9% rate.

Based on the above parameters, the Recoverable Amount of goodwill is Euro 24,292 thousand against Net Invested Capital of Euro 2,454 thousand at the same date.

The company also carried out a sensitivity analysis on the above-mentioned assumptions (growth rate variations, "g", equal to +/-0.2% and WACC variations of +/- 0.5%), used to calculate the recoverable value. This was undertaken in light of the results which, in the Directors’ opinion, do not generate a surplus of the carrying value over the recoverable value in the presence of reasonable variations in the key assumptions.

Impairment test of goodwill emerging from the acquisition of the Ibox Group

An impairment test was carried out on the Ibox Group’s goodwill in order to verify that the goodwill recognised effectively represents the benefits arising from the assets acquired in the business combination (as defined in IFRS 3).

The impairment test was carried out with reference to the cash-generating unit ("CGU") to which it was allocated. The Ibox Group is the reference CGU.

The calculation of the value in use was based on the discounting of the CGU’s forecast data ("UDCF Method") taken from the Business Plan FY 18-19 and discounted by using a 7.3% WACC. The CGU’s forecast data (Business Plan FY 18-19) were calculated by considering forecasts in terms of revenue, EBITDA and operating cash flows from the business plans whose guidelines were approved by the Board of Directors of Giglio Group S.p.A. on February 1, 2018.

To calculate the Terminal Value, the free cash flow from operations (“FCFO”) was estimated through the following main assumptions: (i) growth in revenues equal to the Eurozone g-rate (2.5%), (ii) EBIT margin of the last business plan year and (iii) notional taxes estimated through the application of a 17.8% rate.

Based on the above parameters, the Recoverable Amount of goodwill is Euro 18,816 thousand against Net Invested Capital of Euro -207 thousand at the same date.

The company also carried out a sensitivity analysis on the above-mentioned assumptions (growth rate variations, "g", equal to +/-0.2% and WACC variations of +/- 0.5%), used to calculate the recoverable value. This was undertaken in light of the results which, in the Directors’ opinion, do not generate a surplus of the carrying value over the recoverable value in the presence of reasonable variations in the key assumptions.

4. Investments

Balance at 31.12.2017	**150**
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, in accordance with IFRS 11 Joint Arrangements.

5. Receivables and other non-current assets

Balance at 31.12.2017 142

Balance at 31.12.2016 140

Receivables and other non-current assets comprise financial receivables, as illustrated in the table below.

	31.12.2017				
Receivables and non-current assets	Giglio Group	Ibox SA Group	Total	31.12.2016	Change
Guarantee deposits	137	5	142	138	4
Other	-	-	-	2	(2)
Total	137	5	142	140	2

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 31.12.2017 6,729

Balance at 31.12.2016 2,769

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 USA subsidiary and to the subsidiary Ibox SA.

At December 31, 2017 inventories were measured using FIFO.

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 Ibox SA, within the B2C 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 December 31 no further provision was made to the obsolescence provision (Euro 129 thousand) as the risk of unsold items was considered insignificant.

For a better understanding of the calculation methods used for the write-down provisions shown above, please refer to Note D. Discretional valuations and significant accounting estimates.

7. Trade and other receivables

Balance at 31.12.2017 **20,926**

Balance at 31.12.2016 **18,889**

The breakdown of the account is as follows:

	31.12.2017					
Trade receivables	Giglio Group	Ibox Group	SA Subsidiaries	Total	31.12.2016	Change
Trade receivables	7,526	6,165	7,295	20,985	17,572	3,413
Advances to suppliers	628	16	-	644	1,043	(399)
Guarantee deposits	627	110	-	737	568	169
Other receivables	491	178	-	668	491	178
Doubtful debt provision	(1,143)	(944)	(22)	(2,109)	(785)	(1,324)
Total	**8,129**	**5,524**	**7,273**	**20,926**	**18,889**	**2,037**

The increase in customer receivables compared to December 31, 2016 is mainly attributable to the change in the consolidation scope following the acquisition of the Ibox Group.

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

The supplier advances of the Giglio Fashion division relate to advances on orders of the PE and AI 2018 collection.

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

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

The geographic breakdown of gross trade receivable at December 31, 2017 and December 31, 2016 are as follows:

(in Euro thousands)	**Year ended December 31, 2017**	**%**	**Year ended December 31, 2016**	**%**
Europe	11,286	*67.3%*	13,752	*87.7%*
Asia	*4,657*	*27.8%*	*1,214*	*7.7%*
USA	*445*	*2.7%*	*210*	*1.3%*
Rest of the world	*382*	*2.3%*	*509*	*3.2%*

Total gross receivables	**16,770**	***100.0%***	**15,685**	***100.0%***
Doubtful debt provision	*(2,109)*		(784)	
Total	**14,661**		**14,901**	

The ageing of the gross trade receivables at December 31, 2017 and December 31, 2016 is shown below:

(in Euro thousands)	**Year ended December 31, 2017**	**%**	**Year ended December 31, 2016**	**%**
> 120 days	4,242	*25.3%*	4,193	*26.7%*
90<> 120 days	*1,771*	*10.6%*	*93*	*0.6%*
60<> 90 days	*688*	*4.1%*	*239*	*1.5%*
30<> 60 days	*1,186*	*7.1%*	*632*	*4.0%*
0<> 30 days	*1,191*	*7.1%*	*1,504*	*9.6%*
Total overdue	***9,078***	***54.1%***	***6,661***	***42.5%***
Not overdue	*7,692*	*45.9%*	*9,024*	*57.5%*
Total gross receivables	**16,770**	***100.0%***	**15,685**	***100.0%***
Doubtful debt provision	*(2,109)*		(784)	
Inc. provision on overdue 120 days	*(49.7)%*		*(18.7)%*	
Total	**14,661**		**14,901**	

The changes in the doubtful debt provision are as follows:

Doubtful debt provision	
Balance at December 31, 2016	**785**
Provisions	380
Utilisations	-
Change in consolidation scope	944
Balance at December 31, 2017	**2,109**

The provision for the year amounting to Euro 380 thousand predominantly refers to Giglio Group Spa (Euro 358 thousand), in order to adjust the nominal value of receivables to their estimated realisable value.

As already highlighted in Note F. Management of capital and financial risks on credit risk, the Group carries out a specific assessment of receivable positions. In the light of analyses performed, only trade receivables recorded in the financial statements with an aging of over 120 days present risks of impairment since collection terms, especially pertaining to the media segment, are characterised by more deferred collection terms but in line with market practice.
Further details on the applied methodology may be viewed in this section.

8. Tax receivables

Balance at 31.12.2017 **10,763**

Balance at 31.12.2016 **1,798**

The breakdown of tax receivables is shown below:

	31.12.2017					
Tax receivables	Giglio Group	Ibox SA Group	Subsidiaries	Total	31.12.2016	Change
Deferred tax assets (non-current)	925	16	-	941	347	594
Total deferred tax assets	**925**	**16**	-	**941**	**347**	**594**
IRES	398	-	-	398	-	398
IRAP	130	-	-	130	-	130
Withholding taxes	11	0	-	11	12	(1)
INPS	3	-	-	3	3	-
INAIL	2	-	-	2	2	-
VAT	3,133	6,123	-	9,256	1,434	7,822
Other	3	19	2	23	-	23
Total current tax receivables	**3,679**	**6,142**	**2**	**9,822**	**1,450**	**8,372**
Total current tax receivables	**4,604**	**6,158**	**2**	**10,763**	**1,798**	**8,966**

The account includes deferred assets amounting to Euro 941 thousand mainly relating to deferred tax assets calculated on the tax losses of the parent company (Euro 515 thousand), to the tax effect of the IPO costs in 2015 (Euro 74 thousand) and to the tax effect of the write-down of receivables (Euro 224 thousand).
At December 31, 2017, a portion of deferred tax assets (Euro 149 thousand) were reclassified for better classification under the item non-current deferred tax assets. This reclassification was also made for the comparative figures at December 31, 2016.

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 6,123 thousand of the Ibox Group relates to the 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 at 31.12.2017 **3,010**

Balance at 31.12.2016 **532**

	31.12.2017					
Other assets	Giglio Group	Ibox SA Group	Subsidiaries	Total	31.12.2016	Change
Other receivables	12	36	8	56	31	25
Prepayments/Accrued income	1,380	1,574	-	2,954	501	2,453
Total	**1,392**	**1,610**	**8**	**3,010**	**532**	**2,478**

Prepayments and accrued income mainly relate to:

- the Mthree division for Euro 1,281 thousand: concerns costs related to after the end of the year on the Eutelsat contract;
- the Ibox Group for Euro 1,281 thousand: concerns the relative installations for the use of management software for the years 2019 and thereafter invoiced in advanced.

10. Cash and cash equivalents

Balance 31.12.2017 **6,209**

Balance 31.12.2016 **1,817**

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

	31.12.2017					
Cash and cash equivalents	Giglio Group	Ibox SA Group	Subsidiaries	Total	31.12.2016	Change
Bank and postal deposits	3,096	2,363	745	6,204	1,812	4,392
Cash in hand and similar	4	1	-	5	5	(0)
Total	3,100	2,364	745	6,209	1,817	4,392

The changes relate to normal operating events and refer to the changes illustrated in the cash flow statement. There are no limitations to the free use of the funds or costs related to their use.

LIABILITIES

11. Shareholders' Equity

The share capital at December 31, 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 for the year.

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

Balance 31.12.2017	**864**
Balance 31.12.2016	**283**

At December 31, 2017 the provision for risks and charges mainly refers to the Post-employment benefit provision which amounts to Euro 447 thousand.

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

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

(Euro thousands)	
Post-employment benefit provision at 1.1.2017	**283**
Change in consolidation scope	97
Provisions 2017	58
Advances/Util.	(51)
Actuarial gains (losses)	55
Net Interest	5
Balance at December 31, 2017	**447**

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

- probability of elimination for death: ISTAT table 2016 (source ISTAT – 2017 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: 1.3% for 2018, 1.4% for 2019 and 1.5% for 2020 (source: *"2017 Economic and Finance Document"*); from 2021 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 9 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 31.12.2017 of AA securities issued by corporate issuers in the Eurozone and based on the average residual duration of the Post-employment benefit at 31.12.2017; therefore, considering that the average residual duration of the liabilities was equal to 17 years, the annual nominal discount rate assumed in the valuation was 2.1% (1.8% at 31.12.2016). The sensitivity analysis on the discount rate was applied by using a rate that was respectively lower and higher than 2.1% by half a percentage point.

Valuation results based on the rate of 1.6% and 2.6% (in thousands of euro) are shown in the table below:

(amount in €/000)	Rate 1.6%	Rate 2.6%
DBO	380.0	321.9

Moreover, it is worth noting that the updating of demographic assumptions with respect to 31/12/2016 (concerning only the probability of elimination due to death) did not have any effect on actuarial results, while the updating of the discount rate (2.1% instead of the 1.8% adopted at 31/12/2016) resulted in a decrease of Euro 18 thousand in the DBO.

13. Deferred tax liabilities

Balance at 31.12.2017	**282**
Balance at 31.12.2016	**366**

At December 31, 2017 the balance amounted to Euro 282 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 at 31.12.2017	**20,965**
Balance at 31.12.2016	**12,054**

The financial payables are illustrated in the table below:

	31.12.2017					
Financial payables	Giglio Group	Ibox Group	SA Subsidiaries	Total	31.12.2016	Change
Current	(11,513)	(25)	(225)	(11,763)	(4,418)	(7,345)
Non-current	(6,728)	(1,000)	(1,473)	(9,201)	(7,636)	(1,566)
Total	**(18,241)**	**(1,026)**	**(1,698)**	**(20,965)**	**(12,054)**	**(8,911)**

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

Current financial payables	**31.12.2017**	**31.12.2016**	**Change**
Loans (current portion)	(2,239)	(1,907)	(332)
Total current loans	**(2,239)**	**(1,907)**	**(332)**
Advances on invoices/Credit Lines	(7,304)	(1,289)	(6,015)
Bank overdrafts	(10)	-	(10)
Earn-out (current portion)	(500)	(1,000)	500
Finance Leases	(23)	-	(23)
Minibond	(438)	-	(438)
Bond loan	(1,000)	-	(1,000)
Total Giglio Group	**(11,513)**	**(4,196)**	**(7,317)**
Giglio TV advance line	(200)	(200)	-
Bank overdraft IBOX Group	(25)	-	(25)
Bank overdrafts	(25)	(22)	(3)
Total	**(11,763)**	**(4,418)**	**(7,345)**

The current financial payables relate to:

- the self-liquidating credit lines as advances on invoices.
- the payable for the current portion of the 2016 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 500 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 maximum amount contractually. An amount of Euro 334 thousand was recorded as cost in the year 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	31.12.2017	31.12.2016	Change
Loans	(3,560)	(2,484)	(1,077)
Total non-current loans	**(3,560)**	**(2,484)**	**(1,077)**
Minibond	(3,098)	(3,516)	419
Finance Leases	(71)	-	(71)
Earn-out	-	(166)	166
Total Giglio Group	**(6,728)**	**(6,166)**	**(563)**
Liability acquired minority share G-TV	(1,470)	(1,470)	-
Other	(3)	-	
Total Subsidiaries	**(1,473)**	**(1,470)**	**(3)**
Other	(0)	-	(0)
Payables to Tessilform	(1,000)	-	(1,000)
Total Ibox SA Group	**(1,000)**	-	**(1,000)**
Total	**(9,201)**	**(7,636)**	**(1,566)**

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 million which 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, with 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.

In accordance with the latest amendments to IAS 7, the following table shows the variations in liabilities recorded in the balance sheet, whose cash effects are recorded in the cash flow statement as cash flows from financing activities.

(amount in €/000)	Value at 01.01.17	Cashflow	Change in consolidation scope	Value at 31.12.17
Non-current financial payables	7,636	566	1,000	9,201
Current financial payables	4,418	6,921	424	11,763
Total liabilities from financing activities	**12,054**	**7,487**	**1,424**	**20,965**

The following table summarises the loans of the Giglio Group S.p.A. at December 31, 2017 and highlights the amounts due within and beyond one year:

SITUAZIONE AL 31/12/2017 società giglio group spa
(Valori in Euro migliaia)

Banca	Importo del finanziamento	data di sottoscrizione	Residuo al 31/12/2017	Scadenza	Cap. esi. dal 01/01/2017 al 31/12/2018	Capitale esigibile entro la scadenza
BANCA DI SONDRIO						
Mutuo Chiro n. 076/1111534	1.500,0	07/04/2009	79	31/10/2018	79	-
Mutuo Ipotecario n. 076/1124006	370,0	22/09/2013	101	31/03/2019	79	22
Mutuo Chiro n. 076/1086086, garanzia CNA	500,0	31/01/2012	27	31/01/2018	27	-
Mutuo Chiro garantito da MCC	1.200,0	30/09/2015	686	30/09/2020	242	444
INTESA						
Mutuo Chiro n. 0IC1047064869	1.000,0	28/06/2017	904	28/06/2022	195	709
MONTE PASCHI DI SIENA						
Mutuo Chiro n. 741677580/60 garanzia CDP e SACE	500,0	29/10/2014	200	31/12/2019	100	100
BANCA POP. NOVARA E VERONA						
Mutuo Chiro n.1065/472981 garanzia CDP	100,0	18/02/2015	9	31/03/2018	9	-
Mutuo Chiro n.03528422	500,0	30/01/2017	412	31/01/2022	98	315
Mutuo Chiro n.03709516	200,0	24/06/2017	151	30/06/2019	100	51
BANCA POP di BERGAMO						
Mutuo N. 004/01141252 garanzia MCC	300,0	17/06/2015	56	17/06/2018	56	-
Mutuo N. 004/01187014 mutuo chiro	600,0	29/07/2016	418	29/07/2020	149	269
CREDEM						
Mutuo N.052/7059285 garanzia MCC	700,0	21/06/2016	440	21/06/2020	175	265
CARIGE						
Finanziamento 36 mesi	500,0	02/08/2017	446	31/08/2020	165	281
BPM						
Finanziamento N.6026098	1.500,0	16/10/2017	1.500	31/08/2020	394	1.106
CREDEM						
Mutuo n. 7020946	800,0	12/11/2015	247	12/11/2018	247	-
CREVAL						
Mutuo n.61482	500,0	09/04/2015	122	31/10/2018	122	-
INTESA						
Mutuo Chiro n. 0194073132771	100,0	28/02/2014	2	31/01/2018	2	-
	Totale complessivo		**5.799**		**2.239**	**3.560**

15. Trade payables

Balance at 31.12.2017 **33,728**

Balance at 31.12.2016 **18,311**

Trade payables	31.12.2017 Giglio Group	Ibox SA Group	Subsidiaries	Total	31.12.2016	Change
Customer advances	(90)	-	-	(90)	(117)	28
Supply of goods and services	(14,109)	(14,606)	(3,292)	(32,007)	(16,552)	(15,455)
Credit notes to be issued	(610)	(3)	-	(613)	(617)	4
Contribution credit notes to be issued	(476)	-	-	(476)	(491)	14
Guarantee deposits	(543)	-	-	(543)	(534)	(9)
Other trade payables	-	-	-	-	-	-
Total	**(15,828)**	**(14,608)**	**(3,292)**	**(33,728)**	**(18,311)**	**(15,418)**

The increase in payables to suppliers is due to the change in the consolidation scope following the acquisition of the Ibox SA Group.

The breakdown of trade payables is shown below:

(in Euro thousands)	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Trade payables	(32,007)	(16,552)
- of which overdue beyond 60 days	*(10,634)*	*(6,945)*
- % overdue payables on total	*33.2%*	*42.0%*

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 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. The payment conditions applied reflect business practice in the sector.

16. Tax payables

Balance at 31.12.2017 **3,581**

Balance at 31.12.2016 **1,338**

	31.12.2017					
Tax payables	Giglio Group	Ibox SA Group	Subsidiaries	Total	31.12.2016	Change
Withholding taxes	(95)	(12)	-	(108)	(115)	7
VAT	-	(2,276)	-	(2,276)	(363)	(1,914)
Income taxes	(222)	(114)	(720)	(1,056)	(812)	(244)
Social security institutions	(88)	(52)	-	(141)	(48)	(92)
Total	**(405)**	**(2,455)**	**(720)**	**(3,581)**	**(1,338)**	**(2,243)**

Tax payables relate to:

- withholding taxes and taxes related to the normal operating activities of the company for Euro 108 thousand;
- VAT accrued by the Ibox SA Group payable to foreign countries in which it performs its business through specific tax representation;
- social security institutions for Euro 141 thousand.

17. Other current liabilities

Balance 31.12.2017 **1,291**

Balance 31.12.2016 **616**

	31.12.2017					
Other current liabilities	Giglio Group	Ibox SA Group	Subsidiaries	Total	31.12.2016	Change
Employee payables	(364)	(105)	(6)	(475)	(209)	(267)
Accrued expenses	(387)	(329)	-	(716)	(408)	(308)
Other payables	(3)	(51)	(45)	(100)	(0)	(100)
Total	**(754)**	**(485)**	**(52)**	**(1,291)**	**(616)**	**(675)**

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.

NOTES TO THE INCOME STATEMENT

18. Revenues

The breakdown of the value of production and the changes in the individual accounts compared to the previous year are illustrated below:

	2017					
	Giglio Group	Ibox SA Group	Subsidiaries	Total	2016	Change
Revenues from sales and services	29,282	38,295	10,454	78,031	34,315	43,716
Other revenues	195	590	-	785	146	640
Total	**29,477**	**38,885**	**10,454**	**78,816**	**34,461**	**44,355**

In 2017 revenues from sales and services amounted to Euro 78.8 million compared to Euro 34.4 million in 2016. The increase is principally due to:

- the contribution of the Giglio Fashion division for the entire year 2017 compared to 10 months in 2016 (the Giglio Fashion division contributed to the results in 2016 from the acquisition date, March 14, 2016);
- the entry of the Evolve Group from the acquisition date (April 27, 2017).

Relating to the subsidiaries the revenues increased for Giglio TV for an amount of Euro 1.6 million thanks to the greater revenue on the advertising campaigns with China International, the Chinese advertising concessionaire and to the penetration of the company on the Indonesian market following the agreement signed with the Group PT Media Nusantara Citra Tbk. The revenues of the Nautical Channel were in line with the previous year.

Relating to Giglio USA revenues increased approx. Euro 1.7 thousand; this increase results from the contribution for the entire year compared to the previous year (the subsidiary was incorporated in May 2016).

19. Purchase of raw materials, ancillary, consumables and goods

The breakdown of raw materials, ancillary, consumables and goods and the changes compared to the previous year are shown below:

	Giglio Group and subsidiaries	Ibox SA Group	Total	2016	Change
Costs of goods purchases	(18,158)	(31,460)	(49,618)	(14,816)	(34,801)
Consumables	(69)	-	(69)	(80)	11
Total	**(18,227)**	**(31,460)**	**(49,686)**	**(14,896)**	**(34,791)**

The account includes the costs incurred by the B2B division of Giglio Group and the B2C division of the Ibox SA Group. The increase in raw material costs is directly related to the increase in revenues previously commented upon and the change in the consolidation scope following the acquisition of the Ibox SA Group.

20. Service costs

The breakdown of services costs and the changes compared to the previous year are shown below:

	2017					
	Giglio Group	Ibox SA Group	Subsidiaries	Total	2016	Change
Agents	(43)	(2,906)	-	(2,949)	(252)	(2,697)
Other service costs	(43)	(22)	(25)	(90)	(66)	(23)
Insurance	(136)	(47)	(4)	(187)	(158)	(29)
Bank, postal & collection commissions	(172)	(524)	(8)	(704)	(23)	(681)
Directors, statutory auditors and supervisory board fees	(539)	-	-	(539)	(654)	114
Consulting	(2,762)	(769)	(232)	(3,763)	(1,197)	(2,566)
Editorial production costs	(61)	-	(535)	(596)	(111)	(485)
Administrative costs	(86)	(486)	(333)	(905)	(159)	(746)
Customer service	-	(425)	-	(425)	-	(425)
Warehousing	(345)	-	-	(345)	(231)	(113)
Maintenance	(60)	(5)	-	(65)	(42)	(23)
Advertising, promotions, shows and fairs	(666)	(136)	-	(802)	(641)	(162)
Cleaning and surveillance	(20)	(3)	-	(23)	(14)	(9)
Transmission and teleport	(6,777)	-	-	(6,777)	(4,993)	(1,784)
Transport & shipping	(165)	(945)	-	(1,110)	(134)	(976)
Utilities	(186)	(32)	(6)	(223)	(175)	(49)
Web marketing	-	(230)	-	(230)	-	-
Sales representatives	(212)	(104)	(32)	(349)	(133)	(215)
Total	**(12,274)**	**(6,634)**	**(1,174)**	**(20,082)**	**(8,982)**	**(11,100)**

The account principally refers to:

- Giglio Group: transmission and teleport service costs for Euro 6.8 million in the Mthree Satcom division; consultancy costs, of which Euro 1.7 million relating to the translisting process commented upon in the Directors' Report;
- Ibox SA Group: agent costs for Euro 2.9 million and shipping transport costs for Euro 0.9 million.

21. Rent, lease and similar costs

The breakdown of rent, lease and similar costs and the changes compared to the previous year are shown below:

	2017					
	Giglio Group	Ibox SA Group	Subsidiaries	Total	2016	Change
Rental	(544)	(192)	(29)	(764)	(505)	(259)
Hire	(75)	(38)	-	(113)	(66)	(47)
Operating leases	(22)	(9)	-	(31)	(19)	(12)
Total	**(641)**	**(239)**	**(29)**	**(908)**	**(590)**	**(318)**

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 transactions with related parties.

In relation to the above-mentioned rental contracts the minimum lease instalments due amount to approx. Euro 1.8 million.

22. Personnel expense

The breakdown of personnel costs is as follows:

	2017					
	Giglio Group	Ibox SA Group	Subsidiaries	Total	2016	Change
Wages and salaries	(1,536)	(802)	(114)	(2,453)	(1,068)	(1,385)
Social security charges	(467)	(202)	(10)	(678)	(298)	(380)
Post-employment benefits	(64)	(14)	-	(77)	(61)	(16)
Total	**(2,067)**	**(1,017)**	**(124)**	**(3,208)**	**(1,427)**	**(1,782)**

Personnel expense increased in 2017 for a total of Euro 1,782 thousand due to the contribution of the Evolve Group but also the increase in the workforce of Giglio Group S.p.A. in 2017.

23. Amortisation, depreciation & write-downs

The breakdown of the account is shown below:

Amortization, depreciation & write-downs	2017 Giglio Group	Ibox SA Group	Subsidiaries	Total	2016	Change
Amortisation	(803)	(73)	(3,070)	(3,947)	(29,134)	25,187
Depreciation	(1,159)	(46)	(588)	(1,792)	(18,334)	16,541
Write-downs	(358)	-	(22)	(380)	(1,288)	908
Total	**(2,320)**	**(119)**	**(3,680)**	**(6,119)**	**(48,755)**	**42,637**

The increase in amortisation and depreciation is strictly related to the increase in investments. For further information reference should be made to Note 1 - Property, plant and equipment and Note 2 Intangible Assets.

The write-downs include the doubtful debt provision commented upon in note 7 Trade and other receivables.

24. Other operating costs

The breakdown of the account is shown below:

	2017 Giglio Group	Ibox SA Group	Subsidiaries	Total	2016	Change
Other taxes	(32)	(1)	-	(33)	(26)	(7)
Other charges	(6)	(22)	-	(28)	(18)	(10)
Penalties and fines	(7)	-	-	(7)	(11)	4
Prior year charges	(222)	(109)	(18)	(349)	(441)	92
Losses on receivables	-	-	-	-	(149)	149
Earn out	(334)	-	-	(334)	-	(334)
Total	**(600)**	**(132)**	**(18)**	**(751)**	**(644)**	**(107)**

Other operating costs in 2017 include Euro 334 thousand relating to the earn-out previously commented upon.

25. Financial income and expenses

The breakdown of financial income and expenses compared to the previous year is shown below.

Financial income and expenses	2017 Giglio Group	Ibox SA Group	Subsidiaries	Total	2016	Change
Interest income on bank accounts	1	-	22	23	9	15
Other interest	4	-	-	4	21	(17)
Exchange gains	6	114	-	120	7	112
Financial income	**11**	**114**	**22**	**146**	**37**	**110**
Interest on current bank accounts	(9)	(12)	(11)	(32)	(17)	(15)
Other interest	(19)	-	-	(19)	(25)	6
Interest on invoice advances and factoring	(22)	-	-	(22)	(28)	6
Interest on mortgage loans	(157)	-	-	(157)	(131)	(26)
Interest on bond loans	(223)	-	-	(223)	(162)	(61)
Bank charges	(164)	(30)	-	(194)	(93)	(101)
SIMEST financial charges	(62)	-	-	(62)	(43)	(19)
Exchange losses	(8)	(55)	-	(63)	(23)	(39)
Financial expenses	**(663)**	**(97)**	**(11)**	**(770)**	**(523)**	**(248)**
Total	**(652)**	**17**	**11**	**(624)**	**(486)**	**(138)**

Financial charges increased on the previous year due to the lending charges (Minibond, bond and new loans granted in 2017) and a higher debt exposure during the year recording, however, a lower cost in percentage terms.

26. Income taxes

The breakdown of income taxes is as follows:

	2017					
Income taxes	**Giglio Group**	**Ibox SA Group**	**Subsidiaries**	**Total**	**2016**	**Change**
Current taxes	-	(245)	(439)	(684)	(720)	36
Deferred taxes	651	(16)	15	650	166	484
Total	**651**	**(261)**	**(424)**	**(34)**	**(554)**	**519**

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 in the parent company which amounted to Euro 651 thousand and commented upon in the section “tax receivables”.

The breakdown of income taxes in the year are shown below:

	2017							
	Giglio Group	Ibox SA	Evolve USA	Ibox S.r.l.	Nautical Channel	Giglio USA	Giglio TV	Giglio Shanghai
Pre-tax result	(3,030)	406	(70)	475	128	130	2,122	(82)
Theoretical tax charge	-	(77)	-	(132)	(31)	(44)	(509)	-
Effective tax charge	-	(6)	(1)	(239)	(59)	(30)	(350)	-
Deferred taxes	651	-	-	(16)	15	-	-	-
Net result	(2,379)	400	(71)	220	84	100	1,772	(82)
Theoretical tax rate	27.9%	19.0%	34.0%	27.9%	24.0%	34.0%	24.0%	24.0%
Effective tax rate	0%	1%	1%	50%	46%	23%	16%	0%

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

Board of Directors (Euro thousand)	
A. Giglio	180
C. Frigato	20
A. Lezzi	10
G. Mosci	20
Y. Zhao	10
M. Mancini *	-
G. Capellini	20
Total	**260**

** With reference to the previous table the Director Massimo Mancini waived his directors' fees as he holds the position of General Manager of the company.*

Board of Statutory Auditors (Euro thousand)	
C. Tundo	20
M. Centore	15
M. Mannino	15
Total	**50**

The fees of the independent audit firm were as follows:

(Euro thousands)	Recipient	Consideration
EY S.p.A.	Parent Company	71
EY	Subsidiaries	53
Other services*		230
Total		**354**

* Other services relate to the translisting, 2017 interim accounts audit and the pro-forma data.

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

27. 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 and the related parties are illustrated in detail in the paragraph below.

28. 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 December 31, 2017.

The details are shown below:

Commitments and guarantees (Euro thousand)

Entity	Guarantee Value	Residual amount guaranteed
MPS	1,048	200
B.POP Sondrio	3,470	1,296
B.POP Sondrio	1,500	79
Banca Sella	246	124
B. POP. Novara	650	597
FACTORIT	360	68
UNICREDIT	536	536
UNIPOL	330	-
Total	**8,140**	**2,900**

Contingent liabilities

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

29. 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.

For further information reference should be made to paragraph F. Capital and financial risk management.
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 December 31, 2017 a net financial debt position of approx. Euro 14.7 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 Issuer has undertaken a number of loan contracts and, a significant part of these loans contain only internal cross default clauses, negative covenants and acceleration events on the non-compliance by the Group of some disclosure obligations or prior authorisation to undertake certain transactions. The loan contracts of the Issuer do not include external cost default clauses nor obligations to comply with specific financial covenants (these latter apply only to the 2016-2022 bond loan).

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.

Note 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%.

The above-mentioned covenants were complied with at December 31, 2017.

29. Transactions with subsidiaries and related parties

The following table reports the transactions and balances with Related Parties at December 31, 2017. The data indicated in the following tables are taken from the consolidated financial statements of the Issuer and/or from the general accounting data.

The transactions undertaken between the Issuer and the Related Parties were identified based on the criteria defined in IAS 24.

Trade receivables and payables

Receivables/Payables	Giglio Group	Nautical Channel	Giglio USA	Giglio TV	Giglio Shanghai	IBOX SA	IBOX SRL	Evolve USA
Giglio Group		3,110	1,347	2,535			19	
Nautical Channel	877							
Giglio USA	46							
Giglio TV					8			
Giglio Shanghai								
IBOX SA								
IBOX SRL								
Evolve USA								

Financial receivables and payables

Receivables/Payables	Giglio Group	Nautical Channel	Giglio USA	Giglio TV	Giglio Shanghai	IBOX SA	IBOX SRL	Evolve USA
Giglio Group		180	102	894		1,821		
Nautical Channel								
Giglio USA								
Giglio TV	210				42			
Giglio Shanghai								
IBOX SA								83
IBOX SRL	500					1,678		
Evolve USA								

Commercial revenues and costs

Receivables/Payables	Giglio Group	Nautical Channel	Giglio USA	Giglio TV	Giglio Shanghai	IBOX SA	IBOX SRL	Evolve USA
Giglio Group		722	1,458	877				
Nautical Channel								
Giglio USA	118							
Giglio TV								
Giglio Shanghai								
IBOX SA								30
IBOX SRL								
Evolve USA								

The nature of the transactions in the above table are as follows: (i) for Giglio TV, Giglio Shanghai and Nautical Channel they refer in general to the recharge of administration costs incurred by the Issuer in the name of and on behalf of the subsidiary companies; (ii) for Giglio USA, Evolve USA and Ibox SA they concern on the other hand the supply of goods and services.

The transactions with Related Parties, pursuant to Article 2427, paragraph 1, No. 22-*bis* of the Civil Code, were undertaken with the following parties:

- China System S.r.l.: company owned by Yue Zaho, director and wife of Alessandro Giglio and which provides consultancy services to the Group for the Chinese market. The transactions with China System are based on a service supply contract with the company China System S.r.l., signed on January 4, 2016. The supplier has marketing experience providing consultancy to companies to launch client products on local markets. In this specific case China System assists the company in the analysis and review of publishing, editorial and journalistic content which Giglio Group utilises for its travel lifestyle, fashion, food, living and wellness television programmes. In particular China System verifies content suitability to Chinese culture and the correctness of the translations, in addition to necessary assistance for programmes to receive the broadcasting authorisations from the relevant sector bodies. In 2017 the services provided amounted to Euro 135,000. The contract is for one year and was tacitly renewed. After the third consecutive year there are no automatic renewals.

- D-mobile Lab: company controlled by Buongiorno S.p.A., shareholder of Giglio Group S.p.A., which undertook transactions with the Group. At December 31, 2017, the total payable amounted to Euro 80 thousand.
- Max Factory S.r.l.: real estate company owned by Alessandro Giglio who leases to Giglio Group S.p.A. the following buildings:
    - Genoa offices: Palazzo della Meridiana for a total annual cost of Euro 175 thousand
    - Rome offices: Via dei Volsci for a total annual cost of Euro 200 thousand

The remuneration paid in 2017 to the Board of Directors of the Issuer amounted to Euro 226 thousand.

31. Dividends

In line with the approval of the guidelines of the 2017-2019 plan, the Board approved the adoption of a long-term policy on dividend distribution decided on a year-by-year basis in accordance with the results reported. As pre-announced, the distribution of dividends may occur at the end of 2018 once the company has further strengthened its financial structure. Consequently, the 2016 result will be entirely allocated to Reserves.

32. 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.

33. Diluted earnings per share

There are no significant dilution effects

34. 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, including 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.

GIGLIO GROUP S.p.A.

Registered office in Milan, Piazza Diaz, 6 Milan

Share capital: Euro 3,208,050

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

Milan Companies Registration Office 07396371002

2017 Separate Financial statements

FINANCIAL STATEMENTS

- Balance sheet
- Consolidated Income Statement and Comprehensive Income Statement
- Cash Flow Statement
- Statement of changes in Shareholders' Equity
- Explanatory Notes

Balance sheet

Balance Sheet (Euro thousands)		31.12.2017	31.12.2016
Non-current assets			
Property, plant & equipment	(1)	5,175	4,911
Intangible assets	(2)	1,403	1,938
of which Distribution rights		-	-
of which Publishing rights		1,303	1,803
Other intangible assets		100	135
Goodwill	(3)	4,134	4,134
Equity investments	(4)	7,419	1,859
Receivables	(5)	3,135	1,153
Deferred tax assets	(8)	925	347
Total non-current assets		**22,192**	**14,343**
Current assets			
Inventories	(6)	3,685	2,332
Trade and other receivables	(7)	15,140	20,074
Financial receivables		-	-
Tax receivables	(8)	3,679	1,450
Other assets	(9)	1,392	532
Cash and cash equivalents	(10)	3,100	1,450
Total current assets		**26,995**	**25,838**
Total Assets		**49,187**	**40,181**
Shareholders' Equity	(11)		
Share capital		3,208	2,964
Reserves		11,374	7,750
Extraordinary reserve		-	-
Listing charges		(541)	(541)
FTA Reserve		4	4
Retained earnings		46	(96)
Translation reserve		-	-
Net profit/(loss)		(2,379)	141
Total Shareholders' Equity		**11,712**	**10,222**
Non-current liabilities			
Provisions for risks and charges	(12)	349	283
Deferred tax liabilities	(13)	265	351
Financial payables (non-current portion)	(14)	7,438	6,376
Total non-current liabilities		**8,052**	**7,009**
Current liabilities			
Trade and other payables	(15)	16,751	17,204
Financial payables (current portion)	(14)	11,513	4,196
Tax payables	(16)	405	932
Other liabilities	(17)	754	616
Total current liabilities		**29,423**	**22,949**
Total liabilities and shareholders' equity		**49,187**	**40,181**

Income Statement

Income statement (Euro thousand)		2017	2016
Total revenues	(18)	**32,354**	**29,220**
Other revenues	(18)	195	146
Change in inventories		1,353	(681)
Purchase of raw materials, ancillary, consumables and goods	(19)	*(18,379)*	*(14,568)*
Service costs	(20)	*(12,274)*	*(8,617)*
Rent, lease and similar costs	(21)	*(641)*	*(560)*
Operating costs		**(31,293)**	**(23,744)**
Salaries and wages	(22)	*(1,536)*	*(951)*
Social security charges	(22)	*(467)*	*(289)*
Post-employment benefits	(22)	*(64)*	*(61)*
Personnel expense		**(2,067)**	**(1,301)**
Amortisation	(23)	*(803)*	*(750)*
Depreciation	(23)	**(1,159)**	**(1,280)**
Doubtful debt provision	(23)	*(358)*	*(129)*
Amortisation, depreciation & write-downs		**(2,320)**	**(2,159)**
Other operating costs	(24)	*(600)*	*(545)*
Operating profit/(loss)		**(2,378)**	**936**
Financial income	(25)	11	30
Net financial expenses	(25)	(663)	(523)
Profit/(loss) before taxes		**(3,030)**	**443**
Income taxes	(26)	651	(302)
Net Profit/(Loss)		**(2,379)**	**141**
Earnings per share – basic and diluted		**(0.1509)**	**0.0069**

Comprehensive Income Statement

COMPREHENSIVE INCOME STATEMENT (Euro thousands)		2017	2016
Net Profit/(Loss)		(2,379)	141
Other comprehensive income items			
Other comprehensive items which may be subsequently reclassified to profit/(loss) for the year net of income taxes.		-	-
Total other comprehensive items which may be subsequently reclassified to profit/(loss) for the year net of income taxes		-	-
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	(12)	(42)	(39)
Total other comprehensive items which may not be subsequently reclassified to profit/(loss) for the year net of income taxes		**(42)**	**(39)**
Total comprehensive income/(expense)		**(2,421)**	**102**

Statement of changes in Shareholders' Equity

Description (in Euro) Note 11	Share capital	Reserves	FTA Reserve	Listing charges	IAS 19 Reserve	Retained earnings	Net result	Total
DECEMBER 31, 2015	2,832	5,382	4	(477)	-	(25)	39	7,755
Share capital increase	200							200
Share premium reserve		2,300						2,300
Retained earnings		39					(39)	-
Allocation of profit incorporated companies						20		20
IAS 19 Reserve					(39)			(39)
Listing charges				(64)				(64)
Other changes	(68)	68				(91)		(91)
Group profit/(loss)							141	141
DECEMBER 31, 2016	2,964	7,789	4	(541)	(39)	(96)	141	10,222

Description (in Euro) Note 11	Share capital	Reserves	FTA Reserve	Translation reserve	IAS 19 Reserve	Retained earnings	Net result	Total
DECEMBER 31, 2016	2,964	7,789	4	(541)	(39)	(96)	141	10,222
Share capital increase Evolve transaction	244							244
Share premium reserve Evolve Transaction		3,666						3,666
Allocation of prior year profit						141	(141)	-
IAS 19 Reserve					(42)			(42)
Exchange rate effect								-
Group profit/(loss)							(2,379)	(2,379)
DECEMBER 31, 2017	3,208	11,455	4	(541)	(81)	45	(2,379)	11,712

CASH FLOW STATEMENT

Euro thousands		31.12.2017	31.12.2016
Cash flows from operating activities			
Net profit/(loss)		(2,379)	141
Adjustments for:			
Depreciation	(1)	1,159	1,280
Amortisation	(2)	803	750
Write-downs/(Revaluations)	(23)	358	129
Net financial charges/(income)	(25)	652	493
Income taxes	(26)	(651)	302
Changes in:			
Inventories	(6)	(1,353)	703
Trade receivables	(7)	4,934	(12,033)
Tax receivables	(8)	(2,229)	5
Other assets	(9)	(860)	(560)
Deferred tax liabilities	(13)	(86)	-
Trade payables	(15)	(454)	8,861
Tax payables	(16)	(527)	(127)
Other liabilities	(17)	138	943
Change in net working capital		**(436)**	**(2,208)**
Change in reserves	(12)	66	173
Cash flow generated from operating activities		**(428)**	**1,060**
Interest paid	(25)	(652)	(493)
Income taxes paid	(26)	651	(302)
Cash flow generated from operating activities		**(429)**	**265**
Cash flows from investing activities			
Investments in property, plant & equipment	(1)	(1,423)	(3,770)
Investments in intangible assets	(2)	(268)	(416)
Acquisition Evolve Group net of liquidity acquired		558	-
Acquisition Giglio Fashion net of liquidity acquired		-	(1,409)
Other intangible assets	(5); (8)	(2,918)	1,956
Increase equity investments	(4)	(1,650)	-
Change in consolidation scope			
Cash flow absorbed from investing activities		**(5,700)**	**(3,639)**
Cash flow from financing activities			
Other changes in Net Equity		(42)	-
New financing	(14)	3,700	5,018
Repayment of loans	(14)	(2,004)	(1,730)
Change in financial debt	(14)	6,126	1,130
Other changes		-	23
Cash flow absorbed from financing activities		**7,780**	**4,441**
Net increase/(decrease) in cash and cash equivalents		**1,650**	**1,067**
Cash and cash equivalents at January 1		1,450	382
Cash and cash equivalents at December 31		3,100	1,450

EXPLANATORY NOTES

GENERAL INFORMATION

A. General information

The publication of the financial statements of Giglio Group S.p.A. (the Company) for the period ended December 31, 2017 was approved by the Board of Directors on March 29, 2018.

The registered office of Giglio Group S.p.A. is Piazza Diaz No. 6, Milan.

The activities of the company are described in these Explanatory Notes. The information on transactions of the Company with the other related parties are presented in Note 26.

B. Accounting standards

The financial statements of Giglio Group S.p.A at December 31, 2017 were prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

EU-IFRS includes all “International Financial Reporting Standards”, all “International Accounting Standards” (IAS), all interpretations of the International Reporting Interpretations Committee (IFRIC), previously called “Standing Interpretations Committee” (SIC) which, at the approval date of the Financial Statements, were endorsed by the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and European Council of July 19, 2002. The EU-IFRS were applied consistently for all the periods presented in the present document.

The financial statements comprise the income statement, the comprehensive income statement, the balance sheet, the cash flow statement and the statement of changes in shareholders’ equity (all stated in Euro thousands) and these explanatory notes.

The financial statements are presented in Euro and all the amounts are rounded to the nearest thousandth, unless otherwise specified.

The Euro is the functional and presentation currency of the Company and that in which the majority of operations are conducted.

The financial statements provide comparative figures from the previous year.

The main accounting standards and policies utilised to prepare the financial statements are described below. The policies are in line with those utilised for the preparation of the comparative financial statements.

the financial statements were prepared in accordance with the historical cost criterion on a going-concern basis, as the Directors verified the absence of financial, operating or other indicators which may suggest difficulties with regards to the Company's capacity to meet its obligations in the foreseeable future and in particular in the next 12 months. In particular the Company adopted international accounting standards from the year 2014, with transition date to IFRS at January 1, 2014.

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 are classified as current or non-current.

An asset is considered current where:

- it is expected to be realised, or is intended for sale or consumption, in the normal operating cycle;
- it is held principally for trading;
- It is expected to be realised within twelve months from the balance sheet 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 balance sheet date.

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

D. Discretional valuations and significant accounting estimates

The preparation of the 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 are used to determine the provisions for doubtful debts, depreciation and amortisation, write-downs, employee benefits, income taxes and other provisions. The estimates and assumptions are periodically reviewed and the effects of any variation are reflected in the Income Statement.

The principal data subject to estimates refer to:

- <u>Equity Investments:</u> the investments in subsidiaries, associates sand joint ventures are recognised at purchase cost, reduced for losses in accordance with IAS 36.

These costs are periodically reviewed in order to identify any impairment indicators which may indicate that their recoverable value is lower than the carrying amount. Where the reasons for prior year write-downs no longer exist the carrying amount of the investment is restated through the income statement. The company did not note any impairment indicators.

- <u>Provision for inventory write-down of raw materials and accessories and inventories of finished products</u>; since the Company deals with products that are influenced by market trends and fashion, product inventories may be subject to impairment. In particular, the provision for inventory write-down of finished products reflects management’s estimate on the impairment losses expected on the products of various seasonal collections in stock, taking into account the ability to sell them through the various distribution channels in which the Group operates. Indicatively, write-down assumptions provide for devaluation percentages that increase according to the aging of the products purchased (it should be noted that the Group deals with both in-season and off-season collections and distributes them among the most important digital retailers in the world) in such a way as to reflect the decrease in selling prices and the reduction in the probability of their sale over time. Underpinning the calculation of this percentage is a statistical analysis on the variation of the aging product in stock and a constancy assessment of the percentages in use over time. If a change in available information is noted, percentages are re-analysed and possibly adjusted.

- Doubtful debt provision:

Through the aging list and based on the collection of receivables and the assessments provided by the Legal Department, management carefully assesses the status of receivables and overdue receivables and carries out a recoverability analysis; these estimates could also be found to be incorrect since they are subject to a natural degree of uncertainty;

- Employee Benefits, whose values are based on actuarial estimates; refer to Note 12 for the main actuarial assumptions;

- Goodwill: the recoverability of Goodwill is tested annually and, where necessary, also during the year. The allocation of goodwill to CGUs or groups of CGUs and the calculation of the latter's recoverable value involves the assumption of estimates that depend on subjective valuations and factors that may change over time with consequent effects that are also significant with regard to the valuations carried out by the Directors. These valuations are carried out at the level of cash-generating units to which the value of goodwill is attributed and assume the higher of the fair value as the recoverable value, if this is available or calculable, and its value in use obtainable from the long-term plans approved by the Boards of Directors.

It is worth nothing that the valuations carried out in the periods used for comparison have confirmed the recoverability of the carrying value, as better described in Note 3;

- Intangible rights: the Directors did not indicate any potential impairment problems regarding the carrying amount of intangible assets. In this regard, it should also be stressed that intangible fixed assets, with particular reference to the Group's library, are tested annually for permanent write-downs when there are indications that the carrying amount may not be recovered. When the calculations of the value in use are prepared, Directors must estimate the cash flows expected from the asset or from the cash-generating units and choose an appropriate discount rate so as to calculate the present value of these cash flows. The correct identification of the indicators of the existence of a potential reduction in value as well as the estimates for their determination depends on factors which may vary over time impact upon the valuations and estimates made by the Directors.

- Deferred tax assets are recognised to the extent where it is likely there will be adequate future tax profits against which temporary differences or any tax losses can be utilised. In this regard, management estimates the probable timing and the amount of the future taxable profits.

Contingent liabilities:

The company accrues a liability against disputes and risks deriving from legal cases in progress when it is probable that a financial payable will arise and where the amount of the liability may be reasonably estimated. In the case in which a payment is considered possible, but is not yet determinable, such is reported in the explanatory notes.

E. Management of capital and financial risks

Financial risk objectives and criteria

Financial liabilities of the Company, other than derivatives, include loans and bank loans, trade payables, trade and other payables and financial guarantees. The main objective of these liabilities is to fund Company operations. The Company has financial and other receivables, trade and non-trade receivables, cash and cash equivalents and short-term deposits which directly stem from operations.

The Company is exposed to market risk, credit risk and liquidity risk. Management is responsible for the management of these risks;

The Board of Directors reviews and approves the management policies of each of the risks illustrated below.

In the choice of financing and investing operations the company adopted prudent criteria and limited risk and no operations were taken of a speculative nature.

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 Giglio Group S.p.A are exposed are illustrated below.

Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will alter on the basis of market price movements. The market price includes three types of risk: currency risk, interest rate risk and other price risks. Considering the Group's business sector, other price risks such as, for example, the price risk on securities (equity risk) and the commodity price risk do not arise.

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 reduce to the minimum the risks related to changes in exchange rates.

Interest Rate Risk

The fluctuations in market interest rates impact on the level of net financial charges and on the market value of the financial assets and liabilities.

The interest rate risk may be classified in:

- flow risk, which refers to variability in the amounts of interest receivable and payable that are collected and paid as a result of movements in the levels of market interest rates;

- price risk, relates to the sensitivity of the market value of assets and liabilities to changes in the level of interest rates (refers to fixed-rate assets or liabilities).

Giglio Group S.p.A. is primarily exposed to flow risk, or cash flow risk, namely the risk of an increase in financial costs in the income statement due to an adverse variation in interest rates.

The company utilises external financial resources in the form of bank debt at variable interest rates.

Variations in market interest rates only influence the cost of loans and the return on amounts invested and, therefore, on the level of financial charges and income for the company and not their fair value.

A large part of the interest-bearing debt position is represented by variable rate and short-term loans.

The cost of bank debt is linked to the market rate for the period (generally Euribor/Libor for the period or the reference rate on the interbank market specific to the currency in which the loan is denominated) plus a spread that depends on the type of credit line used.

The table below shows the sensitivity analysis of the interest rate on variable rate items.

(amount in €/000)

Analysis of sensitivity of interest rate risk on variable rate items	Underlying	Increase/Reduction in underlying interest rates	Pre-tax result
December 31, 2017	(13,113)	+1%	(3,162)
December 31, 2017	(13,113)	-1%	(2,899)

Credit risk

Credit risk is the risk that a counterparty does not fulfil its obligations relating to a financial instrument or a commercial contract, resulting therefore in a financial loss. The Group is exposed to credit risks deriving from operations (particularly with regards to trade receivables and credit notes) and financing activities, including deposits at banks and financial institutions.

Payment terms for key clients that dictate terms and conditions make it necessary for the company to primarily finance working capital through bank debt, especially for self-liquidating lines. The need to finance working capital entails different types of charges for the company, which is mainly interest payable on loans.

The risk of non-collection is managed by the Giglio Group through a series of commercial policies and internal procedures which, on the one hand, reduce the exposure risk on clients, and on the other monitors the receipts in order to take adequate and timely corrective action.

All companies carry out a specific assessment for each position in order to assess the recoverability of each individual receivable.

As regards the valuation of receivables in interim and year-end closures, the Group CFO, together with the managers of each division, performs an analysis of overdue receivables for each position, the progress status of recovery procedures and a proposal for doubtful debt provision. the doubtful debt provision is, therefore, determined through:

a) Identification of the overdue receivable amounts by category;

b) Analysis of individual positions also taking the collection times by company into account and any feedback from legal advisers responsible for debt collection;

c) Write-down of receivables considered to be non-recoverable, including through the support of external legal advisers.

The operational management of receivables encompasses a series of activities such as the monitoring of receivables, sending reminders for payment and the suspension of supplies and/or the commencement of debt recovery activities, including through the use of external legal advisers.

Liquidity risk

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.

At December 31, 2017 the credit lines granted and the relative utilisations were as follows:

Entity	Credit line for invoice advances Italy	Used	Credit line for invoice advances Overseas	Used	Cash credit facilities	Used	Total credit lines	Total Used
MPS	-	-	-	-	15	-	15	-
IFITALIA Factoring - BNL	5,950	3.556			0		5,950	3.556
Banco Popolare	300		100	25	20		420	25
Banca Popolare di Milano	650	441					650	441
Banca Sella			200	119			200	119
CREDEM	500	217					500	217
Banca Popolare di Sondrio	150	73					150	73
FACTORIT - Banca Popolare di Sondrio	300	67					300	67
CREDIMI - CREVAL	1,050	146					1,050	146
UNICREDIT	5000	4719			50		5,050	4,719
CARIPARMA	1500	1500					1,500	1,500
BNL	20	58					20	58
BANCA INTESA HONG KONG			200	200			200	200
UNIPOL	200		100		10		310	0
Total	15,620	10,777	600	344	95	0	16,315	11,121

ACCOUNTING POLICIES

Translation of accounts in foreign currencies

The Separate Financial Statements are presented in Euro, which is the operational currency of the Company.

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).

F. Fair value measurement

At each reporting date the Company measures at fair value the earn-out liability arising on the Giglio Fashion acquisition, present as residual debt at December 31, 2017 and which will be fully settled at the beginning of 2018.

The Company 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 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 December 31, 2017 compared to the value estimated at December 31, 2016 (after Euro 1 million paid in the previous year) recording Euro 334 in addition to Euro 166 already recorded in the financial statements, for a total of Euro 402, based on the updated expected results relating to the contractual targets, which report better results compared to those available at the time of the estimate of the fair value made in 2016.

Accounting policies

Property, plant & equipment

Property, plant & equipment, recorded in the financial statements as assets if and only if it is probable future economic benefits will be obtained by the entity and if their cost may be reliably

determined, are recorded at historical cost, net of the relative accumulated depreciation and any impairment in value.
In particular, the cost of a tangible fixed asset, acquired from third parties or constructed in-house, includes the directly attributable costs and all the costs necessary for the asset to function for the use for which it was acquired.
The initial value of the asset is increased by the present value of any waste or removal costs of the asset or of site reclamation where the asset is located, where there is a legal or implicit obligation. Against the charges capitalized, a liability will be recorded as a risk provision.
Maintenance expenses and repairs are not capitalised, but recorded in the income statement when incurred.
The costs incurred subsequent to initial recognition - improvements, renovation or expansion, etc. - are recorded under assets if and only if it is probable that future economic benefits will accrue to the company and they are identifiable assets or concern expenses with the purpose of extending the useful life of the assets to which they refer or increase the production capacity or also improve the quality of the products obtained. Where these costs are however similar to maintenance costs, they are recorded in the income statement when incurred.
The depreciation recorded in the income statement has been calculated in consideration of the use, intended purpose and economic-technical duration, on the basis of the residual possible useful life.
The estimated depreciation rates of the assets are as follows:

plant & machinery:	15%
equipment:	15%
Server:	12.5%
furniture and fittings:	15%

The book value of tangible fixed assets is subject to verification of any loss in value when events or changes occur indicating that the carrying value can no longer be recovered. If there is an indication of this type and in the case where the carrying value exceeds the realisable value, the assets or the cash generating units are written down to their realisable value, which coincides with the higher between the net sales price of the asset and its value in use. In defining value in use, expected future cash flows are discounted by using a pre-tax rate that reflects the current market assessment of the time value of money compared to the time and specific risks of the asset. For assets that do not generate independent cash flows, realisable value is calculated in relation to the cash generating unit pertaining to such assets.

Leasing

The definition of a contractual agreement as a leasing operation (or containing a leasing operation) is based on the substance of the agreement and requires an assessment of whether the agreement depends on the utilisation of one or more specific assets or whether the agreement transfers the right to the utilisation of this asset. The verification that an agreement is a lease is made at the beginning of the agreement.

A leasing contract is classified as a finance lease or an operating lease at the beginning of the lease. A lease contract that substantially transfers to the Company all the risks and rewards of ownership of the asset leased, is classified as a finance lease.

Finance leases are capitalised at the commencement date of the lease at fair value of the leased asset or, if lower, at the present value of the lease payments. The lease payments are divided between a capital portion and an interest portion in order to obtain a constant interest rate on the residual balance of the payable. Financial charges are recorded in the income statement.

Leased assets are depreciated over their estimated useful life. However, where there does not exist reasonable certainty that the Company will obtain ownership of the asset at the end of the contract, the asset is depreciated over the shorter period between the estimated useful life of the asset and the duration of the lease contract.

An operating lease is a leasing contract which does not qualify as a finance lease. The operating lease payments are recorded in the income statement on a straight-line basis over the duration of the contract.

Intangible assets

Intangible assets, capitalised only if they relate to identifiable assets which generate future economic benefits, are initially recorded at purchase cost, increased for any accessory charges and those direct costs necessary for their utilisation. However, assets acquired through business combinations are recognised at their fair value at the acquisition date.

If the payment for the purchase of the asset is deferred beyond the normal credit payment terms, its cost is represented by the equivalent cash price: the difference between this value and the total payment is recorded as financial charges over the period of the deferred payment.

Assets generated internally, with the exception of development costs, are not recorded as intangible assets. The development activity is based on the development of research or other knowledge into a well-defined programme for the production of new products or processes.

The cost of an intangible asset generated internally comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

After initial recognition, the intangible assets are recorded in the financial statements at cost net of accumulated amortisation, calculated on a straight-line basis over the estimated useful life of the assets, and of the losses for impairments in value. However, if an intangible asset has an indefinite useful life, it is not amortised, but periodically subject to an impairment test.

Amortisation begins when the asset is available for use or when it is in the position and condition necessary for it to operate in the manner intended by company management.

The TV rights, which constitute the library of the company, are amortised over 5 years.

The book value of intangible fixed assets is subject to verification of any loss in value (impairment test) when events or changes occur indicating that the carrying value can no longer be recovered. If there is an indication of this type and where the carrying value exceeds the realisable value, the assets are written down to their realisable value. This value coincides with the higher between the net sales price of the asset and its value in use.

The gains and losses deriving from the elimination of an intangible asset are measured as the difference between the net sales proceeds and the book value of the intangible asset, and are recorded in the income statement in the year in which they are eliminated.

Goodwill

Assets with an indefinite life are not amortised, but subject at least annually to an impairment test on the value recorded in the financial statements. As previously illustrated, goodwill is subject to an impairment test annually or more frequently in the presence of indicators which may give rise to a loss in value.

The impairment test is made with reference to each “Cash Generating Unit” (“CGU”) to which the goodwill is allocated and monitored by management.

A loss in the value of the goodwill is recorded when the recoverable value of the related CGU is lower than the carrying value.
The recoverable value is the higher between the fair value of the CGU, less costs to sell, and its value in use - this latter the present value of the estimated future revenues for the assets within the CGU. In defining the value in use, the expected future cash flows are discounted utilising a pre-tax rate that reflects the current market assessment of the time value of money, and the specific risks of the asset. When the loss in value deriving from the Impairment test is higher than the value of the goodwill allocated to the CGU, the residual amount is allocated to the assets included in the CGU in proportion to their carrying value. This allocation has as a minimum, the higher between:

iv. the fair value of the asset less selling costs;
v. the value in use, as defined above;
vi. zero.

The original value of the goodwill may not be restated where the reasons for the loss in value no longer exist.

Intangible and tangible assets with definite useful life

For the assets subject to amortisation and depreciation, the presence of any indicators, internally and externally, of a loss in value is assessed at each reporting date. Where these indicators exist, an estimate of the recoverable value of the above-mentioned assets is made, recording any write-down compared to the relative book value in the income statement. The recoverable value of an asset is the higher between the fair value, less costs to sell, and its value in use, where this latter is the present value of the estimated future cash flows for this asset. In defining the value in use, the expected future cash flows are discounted utilising a pre-tax rate that reflects the current market assessment of the time value of money, and the specific risks of the asset. For an asset that does not generate independent cash flows, the recoverable value is determined in relation to the cash generating unit to which the asset belongs. A loss in value is recognised in the income statement when the carrying value of the asset, or of the relative CGU to which it is allocated, is higher than its recoverable value. The loss in value of CGU's is firstly attributed to the reduction in the carrying value of any goodwill allocated and, thereafter, to a reduction of other assets, in proportion to their carrying value and to the extent of the relative recoverable value. When the reasons for the write-down no longer exist, the book value of the asset is restated through the income statement, up to the value at which the asset would be recorded if no write-down had taken place and amortisation or depreciation had been recorded.

Investments

The investments in subsidiaries, associates and joint ventures are recognised at purchase cost, reduced for losses in accordance with IAS 36.

These costs are periodically reviewed in order to identify any impairment indicators which may indicate that their recoverable value is lower than the carrying amount. Where the reasons for prior year write-downs no longer exist the carrying amount of the investment is restated through the income statement.

Financial assets and receivables

The Company classifies financial assets in the following categories:

- loans and receivables;
- held-to-maturity financial assets;
- Available-for-sale financial assets.

Management determines the classification on initial recognition in the financial statements.

Loans and receivables: This category includes assets not represented by derivative instruments and not listed on an active market, for which fixed or determinable payments are expected. These assets are initially recognised at fair value, including transaction costs, and are subsequently measured at amortised cost on the basis of the effective interest rate. When there is an indication of a loss in value, the asset is reduced to the value of the discounted future cash flows obtainable; the loss in value determined through an impairment test is recorded in the income statement. When, in subsequent periods, the reasons for the write-down no longer exist, the value of the asset is restated up to the value deriving from the application of the amortised cost as if no impairment had been applied. These assets are classified as current assets, except for the portion with maturity beyond 12 months, which are included in non-current assets.

Held-to-maturity investments These assets, measured at amortised cost, are those, other than derivative instruments, held until a pre-fixed maturity and for which the Company has the full intention and capacity to maintain in portfolio until maturity. Those with a contractual maturity within 12 months are classified under current assets. When there is an indication of a loss in value, the asset is reduced to the value of the discounted future cash flows obtainable; the loss in value determined through an impairment test is recorded in the income statement. When, in subsequent periods, the reasons for the write-down no longer exist, the value of the asset is restated up to the value deriving from the application of the amortised cost as if no impairment had been applied.

Inventories

Inventories are measured at the lower between cost, calculated as per the FIFO method, and net realisable value. Net realisable value is the selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale.

Cash and cash equivalents

This comprise cash, bank deposits and accounts held at other credit institutions for current operations, postal current accounts and other equivalent values as well as investments with maturity within three months of the acquisition date. Cash and cash equivalents are measured at fair value which, normally, coincides with their nominal value.

Transaction cost related to the issue of equity instruments

Transaction costs related to the issue of an equity instrument are recorded as a decrease (net of any related tax benefit) of the share premium reserve, generated by the same operation, to the extent of marginal costs directly attributable to the equity operation which otherwise would have been avoided. The costs of an equity operation which are abandoned are recorded in the income statement.

Listing costs not related to the issue of new shares are recorded in the income statement.

Where the listing involves both the sale of existing shares, and the issue of new shares, the costs directly attributable to the issue of new shares are recorded as a reduction of the share premium reserve and the costs directly attributable to the listing of the existing shares are recorded in the income statement. The costs relating to both operations are recorded as a reduction of the share premium reserve in relation to the proportion between the shares issued and the existing shares and the remainder recorded in the income statement.

Payables and other financial liabilities

Payables and other financial liabilities are initially recognised at fair value less transaction costs: thereafter they are measured at amortised cost, using the effective interest rate. When there is a change in the expected cash flows, the value of the liabilities is recalculated to reflect this change, based on the new present value of the expected cash flows and on the effective interest rate initially determined. Payables and other liabilities are classified as current liabilities, except where the Company has the contractual right to settle its obligations at least beyond 12 months from the reporting date or of the interim financial statements.

Income taxes

The Company tax charge is based on current taxes and deferred taxes. Where relating to components recognised to income and charges recorded to net equity within the other items of the comprehensive income statement, such taxes are recorded to the same account.

Current taxes are calculated based on tax regulations in force at the financial reporting date; any risks concerning different interpretations of positive or negative income components, or any disputes with tax authorities, are recorded in the income statement along with the relative provisions in the financial statements.

Deferred taxes are calculated on the timing differences arising between the book value of the assets and of liabilities and their value for tax purposes, as well as on tax losses. The valuation of deferred tax assets and liabilities is carried out applying the expected tax rate when the temporary differences will reverse; this valuation is made on the basis of the current tax regulations or those substantially in force at the reporting date. Deferred tax assets, including those deriving from tax losses, are recorded only when it is probable that sufficient assessable income will be generated in the future for their recovery.

Employee benefits

The short-term employee benefits, due within 12 months from the reporting date, are recorded at cost and as a liability for an amount equal to the non-discounted value as this should be paid to the employee in exchange for work performed. The long-term benefits, for example contributions to be paid beyond 12 months from the reporting date, are recorded as a liability for an amount equal to the present value of the benefit at the reporting date.

Post-employment benefits such as pension or life assurance benefits, are divided between defined contribution plans and defined benefit plans, depending on the economic nature of the plan. For defined contribution plans, the legal or implied obligation of an entity is limited to the amount of contributions to be paid: consequently, the actuarial risk and the investment risk is borne by the employee. For defined benefit plans, the obligation of the entity concerns the granting and assurance of the agreed employee plans: consequently, the actuarial and investment risk is borne by the company.

Based on IAS 19, the Post-employment benefit is classified under defined benefit plans.

For defined contribution plans, the company records the contributions due as liabilities and as a cost. Where these contributions are not due entirely within twelve months from the end of the year in which the employee has undertaken the relative work, these are discounted utilising the yield on government securities.

The accounting of defined benefit plans involves the following steps:

- calculation, with the use of actuarial techniques, of a realistic estimate of the amount of the benefit which the employees have matured for their services in the current and previous years. This requires the determination of what percentage of the benefit is attributable to the current year and previous years, as well as estimates on demographic variables – e.g. the turnover of employees - financial variables – e.g. future salary increases - which will impact the cost of the benefits;
- discounting these benefits using the projected unit credit method in order to determine the present value of the defined benefit obligation and the current service cost, utilising as a discount rate the yield on government securities;
- calculation of the present value of any plan assets;
- determine the amount of the actuarial gains and losses;
- determine the profit and loss resulting from any modifications or settlements of the plan.

The amount recorded as a liability for defined benefits is represented by the present value of the obligation at the reporting date, net of the present value of the plan assets, where existing. The cost to be recognised to the income statement is based on:

- the pension cost relating to current employment service;
- the interest cost;
- the actuarial gain or loss;
- the expected yield on plan assets, where existing.

The indemnities at the end of employment are recorded as liabilities and costs when the company is obliged to interrupt the employment of an employee or a group of employees before the normal retirement age, or is obliged to pay compensation at the end of employment following a proposal for the payment of voluntary leaving incentives.

Provisions for risks and charges

The provisions for risks and charges are recorded when, at the reporting date, a legal or implicit obligation exists towards a third party, that derives from a past event, and a payment of resources is probable in order to satisfy the obligation and this amount can be reliably estimated.

This amount represents the present value, where the time value of money is significant, of the best estimate of the expenses requested to settle the obligation. The rate used in the determination of the present value of the liability reflects the current market value and includes the further effects relating to the specific risk associated to each liability. Changes in estimates are reflected in the income statement in the period in which they occur.

Where the Company is subject to risks for which the liability is only possible, these risks are described in the present Explanatory Notes and no provision is accrued.

Revenues

The revenues are recorded in accordance with the probability that the Company will receive economic benefits and the amount can be determined reliably, independent of the collection date. Revenues are reported at the fair value of the amount received or to be received, taking into account the contractual payment terms and excluding taxes and customs duties. The Company has concluded that it acts on its own behalf in all sales contracts as it is the primary debtor, has discretion on the pricing policy, and in addition, is exposed to inventory and credit risk.

For the recognition of revenues, the following specific criteria must be complied with:

Sale of goods

Revenues are recognised when the company has transferred to the acquirer all of the significant risks and rewards connected to the ownership of the asset, generally the shipping date of the goods based on the contractual "incoterm" clauses.

The revenues are measured at the fair value of the amount received or to be received, net of returns and premiums, commercial discounts and volume reductions.

Costs

Costs are recorded when relating to goods and services sold or consumed in the year or when there is no future utility.

Financial income and charges

Interest is recorded on an accruals basis utilising the effective interest method, which is the rate which exactly discounts the future receipts, estimated over the expected life of the financial instrument or a shorter period, where necessary, compared to the net book value of the financial asset.

Earnings per share

Earnings per share – basic

The basic earnings per share is calculated by dividing the result of the Company by the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares.

Earnings per share - diluted

The diluted earnings per share is calculated by dividing the result of the Company by the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares. In order to calculate the diluted earnings per share, the average weighted number of shares outstanding is adjusted assuming the exercise of all the rights which have potential dilution effect, while the result of the Group is adjusted to take into account the effects, net of income taxes, of the exercise of these rights.

Accounting standards, amendments and interpretations applied from January 1, 2017

The following IFRS standards, amendments and interpretations were applied for the first time by the Company from January 1, 2017:

Amendment to IAS 12 - Recognition of deferred tax assets for unrealised losses

The document provides clarifications on the recognition of deferred tax assets on unrealised losses on the occurrence of certain circumstances and on estimates of assessable income for future years. The adoption of these amendments, applicable from January 1, 2017, did not impact the Annual Financial Report disclosure.

Amendment to IAS 7 - Statement of Cash Flows: *Disclosure Initiative*

The document provides clarifications to improve disclosure on financial liabilities. In particular, the amendments require the provision of disclosure which enables readers of the financial statements to understand the changes to liabilities following funding operations. The adoption of these amendments, applicable from January 1, 2017, did not significantly impact the Annual Financial Report disclosure. For further information, reference should be made to the cash flow statement.

Accounting standards, amendments and interpretations approved by the EU and applicable from January 1, 2017

IFRS 15 Revenue from Contracts with Customers

The standard, issued by the IASB in May 2014, amended in April 2016 and approved by the European Commission in September 2016, introduces a framework which establishes whether, when and to what extent revenue will be recognised. IFRS 15 is applicable from January 1, 2018; advanced application is permitted. The standard introduces a single general model to establish whether, when and to what extent to recognise revenue. IFRS 15 replaces the criteria for the recognition of revenue under IAS 18 Revenue, IAS 11 Construction contracts and IFRS 13 Customer loyalty programmes.

On first application, IFRS 15 must be applied retroactively. A number of simplifications are however permitted ("practical expedients"), in addition to an alternative approach ("cumulative effect approach") which avoids the restatement of periods presented for comparative disclosure; in this latter case, the effects from the application of the new standard must be recognised to the initial equity of the period of first application of IFRS 15. With the amendment of April 2016, the IASB clarified a number of provisions and at the same time additional simplifications, in order to reduce costs and the complexity for those applying the new standard for the first time.

Giglio Group S.p.A, which will adopt IFRS from January 1, 2018 with the cumulative effect approach has estimated the effects of initial application of the standard on the consolidated financial statements. The estimate of these effects is based on the assessments made to date and summarised below.

In particular, the Company initiated a project broken down into separate phases to assess the potential impacts on the financial statements from application of the new standard and to introduce the relative IT system and financial disclosure internal control system measures required. The initial phase of the project involved the mapping of the revenue flows, the recognition methods, the internal organisation of asset cycle administrative processes and a sample analysis of contracts producing the main revenue flows. On conclusion of this phase, no issues which may be impact by the new IFRS 15 were highlighted.

IFRS 9 – Financial instruments

The document incorporates the results of the IASB project to replace IAS 39:

- introduces new criteria for the classification and measurement of financial assets and liabilities (together with the measurement of the non-significant adjustments of the financial liabilities);
- The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model, utilising supporting information, available without unreasonable charges or effort, which includes historic, current and projected figures;

- introduces a new hedge accounting model (increase in the types of transactions eligible for hedge accounting, changes in the accounting method of forward contracts and options when included in a hedge accounting relationship, change in the effectiveness test).

The new standard must be applied for financial statements beginning on or after January 1, 2018.

The analyses performed by the Company did not result in any impacts on the new criteria for the classification and valuation of financial assets and liabilities, nor as regards the new hedge accounting model. On the other hand, as regards the application of the expected losses method to calculate losses on receivables, the directors, based on the analyses performed, determined an estimated negative impact on the initial shareholders' equity at January 1, 2018, amounting to approximately Euro 70 thousand (gross of the relative tax effect). This resulted from the new standard's application and necessitated the calculation of a write-down of trade receivables, even if not overdue, based on expected or possible future losses.

Directors adopted a procedure and calculation grid that takes a forward-looking view based on historical experience in order to determine the amount of expected losses based on the new standard.

The Company will adopt IFRS 9 as from January 1, 2018, availing itself of the exemption from restating the comparative information of previous financial years in relation to classification and valuation changes and impairment. The differences in the carrying amounts of financial assets and liabilities resulting from the IFRS 9's adoption will be recognised in the retained earnings of January 1, 2018.

With reference to other financial assets of a non-commercial nature valued at amortised cost, a change in creditworthiness does not seem to have emerged with respect to the initial recognition. It is believed that there will be no probability of default in the next 12 months.

IFRS 16 – Leases

The standard, published by the IASB in January 2016, proposes substantial changes to the accounting treatment of leasing agreements in the lessee's financial statements, which must recognise the assets and liabilities deriving from contracts, without distinction between operating and financial leases, in the statement of financial position. The new standard provides a new definition of leases and introduces a criterion based on control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying essential differences:

the identification of the asset, the right of replacement of the asset, the right to obtain substantially all the economic benefits from the use of the asset and the right to use the asset underlying the contract.

The IASB expects that the standard will be applied for years commencing from January 1, 2019. Advance application is permitted for entities applying IFRS 15 Revenue from Contracts with Customers.

The Company is undertaking analysis to define and assess the potential effects from application of IFRS 16 on the consolidated financial statements.

Accounting standards, amendments and interpretations not yet approved by the EU and applicable from January 1, 2017

At the date of these restated financial statements, the relevant bodies of the European Union have not yet concluded the process necessary for the implementation of the amendments and standards described below.

- Amendment to IFRS 2 "Classification and measurement of share-based payment transactions (published on June 20, 2016) which contains clarifications upon the recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, on the classification of share-based payments with characteristics of net settlement and the recognition of the amendments to the terms and conditions of a share-based payment which changes the classification from cash-settled to equity-settled. These changes will be applied from January 1, 2018. The directors are currently assessing the possible effects from the introduction of these amendments on the financial statements but at present there are no share-based payment plans.
- Document "Annual Improvements to IFRSs: 2014-2016 Cycle", published on December 8, 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard) which partially integrates the pre-existing standards. The majority of changes will be applied from January 1, 2018. The Directors do not expect these amendments to have a significant impact on the financial statements.

- Interpretation IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (published on December 8, 2016). The interpretation provides guidelines for transactions in foreign currencies where advances or non-monetary payments on account are recorded in the financial statements, before the recognition of the relative asset, cost or revenue. This document provides indications on how an entity should determine the date of a transaction, and consequently, the exchange rate to be utilised concerning operations in foreign currencies concerning payments made or received in advance. IFRIC 22 is applicable from January 1, 2018.The directors do not expect these amendments to have a significant impact on the financial statements.
- On June 7, 2017, the IASB published the interpretative document IFRIC 23 – Uncertainty over Income Tax Treatments. The document deals with uncertainties on the tax treatment to be adopted for income taxes.

It establishes that uncertainties in the calculation of tax liabilities or assets are reflected in the financial statements only where it is probable that the entity will pay or recover the amount in question. In addition, the document does not contain any new disclosure obligations, but underlines that an entity should establish whether it will be necessary to provide information on considerations made by management and the relative uncertainty concerning the accounting of income taxes, in accordance with IAS 1.

The new interpretation applies from January 1, 2019, although early application is permitted. The directors are currently assessing the possible effects from the introduction of this interpretation on the financial statements.

- Amendment to IFRS 9 “Prepayment Features with Negative Compensation (published on October 12, 2017). This document specifies that instruments which provide for an advance repayment could comply with the “SPPI” test also in the case where the “reasonable additional compensation” to be paid in the event of advance repayment is a “negative compensation” for the lender. The amendment applies from January 1, 2019, although early application is permitted. Currently the directors do not expect any impacts from the introduction of these amendments.

• Amendment to IAS 19 “Plan Amendment, Curtailment or Settlement”, published on February 7, 2018. This document clarifies how pension charges should be calculated on an amendment to the defined benefit plan. The amendment is applied from January 1, 2019. The directors are currently assessing the possible effects from the introduction of these amendments on the financial statements.

• Document “Annual Improvements to IFRSs 2015-2017 Cycle”, published on December 12, 2017 (among which IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Remeasurement of previously held interest in a joint operation, IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity, IAS 23 Borrowing costs Disclosure of Interests in Other Entities – Borrowing costs eligible for capitalisation) which include the amendments to some standards within the annual improvement process. The amendments are applicable from January 1, 2019, although advance application is permitted. The directors are currently assessing the possible effects from the introduction of these amendments on the financial statements.

Workforce

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

Workforce	31.12.2017	31.12.2016	Changes
Executives	3	-	3
Managers	4	3	1
White-collar	34	27	7
Blue-collar	-	-	-
Other	3	1	2
Total	**44**	**31**	**13**

During the year the workforce grew in line with the organisational structure supporting growth in revenues and management of the group.

There were no resignations in the year.

Proposal for the approval of the Annual Accounts and allocation of the result

The Board of Directors meeting of the company on March 29, 2018 proposed the carry forward of the loss for the year 2017.

ASSETS

C) Non-current assets

1. Property, plant & equipment

Balance 31.12.2017 5,175

Balance 31.12.2016 4,911

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

Property, plant & equipment	Plant	Equipment	Furniture & fittings	EDP	Motor vehicles	Other	Total
Change in Historical Cost							
December 31, 2016	**12,743**	**63**	**197**	**264**	**327**	**112**	**13,706**
Increases	864	30	9	28	250	247	1,426
Decreases				(4)		-	(4)
December 31, 2017	**13,606**	**93**	**206**	**288**	**577**	**359**	**15,129**
Change in Depreciation							
December 31, 2016	(7,948)	(44)	(156)	(238)	(314)	(96)	(8,795)
Depreciation in year	(1,066)	(5)	(12)	(13)	(52)	(10)	(1,158)
Decreases							-
December 31, 2017	**(9,014)**	**(49)**	**(168)**	**(251)**	**(366)**	**(106)**	**(9,954)**
Net Value December 31, 2017	**4,592**	**43**	**38**	**37**	**211**	**253**	**5,175**

At December 31, 2017 the account increased Euro 1,426 thousand mainly due to specific plant (antennas) acquired by the Mthree division for the enhancement of the two teleports at Rome and San Giuliano Milanese.

2. Intangible assets

Balance at 31.12.2017 1,403

Balance at 31.12.2016 1,938

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

Intangible assets	Publishing rights	Other intangible assets	Total
Change in Historical Cost			
December 31, 2016	**6,154**	**3,119**	**9,273**
Increases	256	20	276
Decreases	(1)	(6)	(8)
December 31, 2017	**6,408**	**3,133**	**9,541**
Change in Amortisation			
December 31, 2016	**(4,351)**	**(2,984)**	**(7,335)**
Amortisation in year	(754)	(49)	(803)
Decreases	-	-	-
December 31, 2017	**(5,105)**	**(3,033)**	**(8,138)**
Net Value December 31, 2017	**1,303**	**100**	**1,403**

Intangible assets mainly relate to "dubbing" costs of programmes in the Chinese language which the company capitalise based on the useful life calculated as 5 years. In particular the costs capitalised relate to content with long-term usage based on the capacity and effective utilisation of the content.

The increases in the year, amounting to Euro 276 thousand, in the category "Publishing rights" concern capitalisation of costs incurred for the production of television content as assembly and dubbing.

"Other assets" refer to leasehold instalments and management software.

In accordance with IAS 36, an assessment was made of any impairment indicators relating to intangible assets. At December 31, 2017 no impairment indicators existed and consequently an impairment test was not carried out relating to the above-mentioned intangible fixed assets.

3. Goodwill

Balance at 31.12.2017	**4,134**
Balance at 31.12.2016	**4,134**

Goodwill includes:

- 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.

At December 31, 2017 no loss was recorded based on the impairment test carried out.

Giglio Fashion Impairment test

The impairment test was carried out with reference to the cash-generating unit ("CGU") to which it was allocated. The reference CGU is Giglio Fashion.

The calculation of the value in use was based on the discounting of the CGU's forecast data ("UDCF Method") taken from the Business Plan FY 18-19. This was discounted by using a 9.6% WACC calculated analytically according to a CAPM approach on the basis of market data as at December 31, 2017, taken from a list of comparable companies in the e-commerce sector. The CGU's forecast data (Business Plan FY 18-19) were calculated by considering forecasts in terms of revenue, EBITDA and operating cash flows from the business plans whose guidelines were approved by the Board of Directors of Giglio Group S.p.A. on February 1, 2018.

To calculate the Terminal Value, the free cash flow from operations ("FCFO") was estimated through the following main assumptions: (i) growth in revenues equal to the Eurozone g-rate (2.5%), (ii) EBIT margin of the last business plan year and (iii) notional taxes estimated through the application of a 27.9% rate.

Based on the above parameters, the Recoverable Amount of goodwill is Euro 24,292 thousand against Net Invested Capital of Euro 2,454 thousand at the same date.

The company also carried out a sensitivity analysis on the above-mentioned assumptions (growth rate variations, "g", equal to +/-0.2% and WACC variations of +/- 0.5%), used to calculate the recoverable value. This was undertaken in light of the results which, in the Directors' opinion, do not generate a surplus of the carrying value over the recoverable value in the presence of reasonable variations in the key assumptions.

4. Investments

Balance at 31.12.2017 **7,419**

Balance at 31.12.2016 **1,859**

The breakdown of the account at December 31, 2017 is illustrated below:

Equity investments	31.12.2017
Giglio TV HK Ltd	1,530
Nautical Channel	310
Giglio USA	18
IBOX SA	5,410
Class Tv Moda Holding	50
Pegaso Srl	100
Total	**7,419**

The increase compared to the previous year is due to the acquisition of the investments in the companies IBOX SA (100% of the capital) on April 27, 2017, Class TV Moda Holding (50% of the capital) and Pegaso S.r.l. (3% of the capital) in April 2017.

The investment in Pegaso S.r.l and in Class Tv Moda Holding in accordance with IAS 39, reports an insignificant value and is recorded at cost less any losses. A comparison between the value of the investments and the equity of the subsidiaries at December 31, 2017 is illustrated in the table below:

Company	Registered office	Share Capital	% Held	Net Profit/(loss) at December 31, 2017	Net equity at December 31, 2017	Net equity share	Book value
Giglio TV HK Ltd	Room 1501 (659), 15/F, SPA Centre 53-55 Lockhart Road Wanchai HONG KONG	1,530	100%	1,772	4,846	4,846	1,530
Nautical Channel	Farnham Road Slough Berkshire SL2 1BT (UK)	0.005	100%	84	1,433	1,433	310
Giglio USA	One Wall Street, 6th Floor BURLINGTON, MA 01803 REPRESENTATIVE OFFICE 111 West 19th Street (6th Floor) 10011 New York, NY USA	18	100%	18	91	91	18
IBOX SA	Galleria 1 Via Cantonale, 6928 Manno, Switzerland	1,700	100%	400	(1,374)	(1,374)	5,410
Class Tv Moda Holding	Via Burigozzo 5, Milan	20	50%	(1)	100	50	50

In relation to the results of the impairment test concerning the Goodwill arising following the Purchase Price Allocation on the acquisition of the Ibox Group no issues arose on the recoverability of the investment of Giglio Group in Ibox SA. The "Value in use" of the CGU (Ibox Group) is higher than the carrying amount of the investment.

For further details on the impairment test reference should be made to section "3. Goodwill" of the consolidated financial statements.

5. Receivables and other non-current assets

Balance at 31.12.2017 **3,135**

Balance at 31.12.2016 **1,153**

Receivables and other non-current assets comprise financial receivables, as illustrated in the table below.

Financial assets	31.12.2017	31.12.2016	Change
Guarantee deposits	137	137	-
Receivables from subsidiaries	2,998	1,016	1,982
Total	**3,135**	**1,153**	**1,982**

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 31.12.2017 **3,685**

Balance at 31.12.2016 **2,332**

The inventories of the company comprise finished products for sale.

The increase compared to the previous year is due to the higher stock acquired to meet orders received which will be shipped in the following year.

At December 31, 2017 inventories were measured using FIFO.

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.

At December 31 no further provision was made to the obsolescence provision (Euro 129 thousand) as the risk of unsold items was considered insignificant.

For a better understanding of the calculation methods used for the write-down provisions shown above, please refer to Note D. Discretional valuations and significant accounting estimates.

7. Trade and other receivables

Balance at 31.12.2017 **15,140**

Balance at 31.12.2016 **20,074**

The breakdown of the account is as follows:

Trade receivables	31.12.2017	31.12.2016	Change
Trade receivables	14,536	18,757	(4,221)
Advances to suppliers	628	1,043	(415)
Guarantee deposits	627	568	59
Other receivables	491	491	-
Doubtful debt provision	(1,143)	(785)	(358)
Total	**15,140**	**20,074**	**(4,934)**

The decrease in trade receivables compared to the previous year is mainly attributable to the credit recovery policy undertaken by the company and the utilisation of without recourse factoring operations.

The supplier advances of the Giglio Fashion division relate to advances on orders of the 2018 Spring/Summer and Autumn/Winter collections.

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

Other receivables refer, within the M3 division, publishing reimbursements pursuant to the President of the Council of Ministers Legislation No. 250 of August 7, 1990 and thereafter.

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

The geographic breakdown of gross trade receivable at December 31, 2017 and December 31, 2016 are as follows:

(in Euro thousands)	**Year ended December 31, 2017**	**%**	**Year ended December 31, 2016**	**%**
Europe	5,329	*91.5%*	9,500	*93.2%*
Asia	*76*	*1.3%*	*154*	*1.5%*
USA	*35*	*0.6%*	*34*	*0.3%*
Rest of the world	*382*	*6.6%*	*509*	*5.0%*
Total gross receivables	**5,822**	***100.0%***	**10,197**	***100.0%***
Doubtful debt provision	*(1,143)*		(785)	
Total	**4,679**		**9,412**	

The ageing of the gross trade receivables at December 31, 2017 and December 31, 2016 is shown below:

(in Euro thousands)	**Year ended December 31, 2017**	**%**	**Year ended December 31, 2016**	**%**
> 120 days	2,583	*44.4%*	2,928	*28.7%*
90<> 120 days	*400*	*6.9%*	*83*	*0.8%*
60<> 90 days	*303*	*5.2%*	*232*	*2.3%*
30<> 60 days	*607*	*10.4%*	*577*	*5.7%*
0<> 30 days	*309*	*5.3%*	*1,195*	*11.7%*
Total overdue	***4,202***	***72.2%***	***5,015***	***49.2%***
Not overdue	*1,620*	*27.8%*	*5,182*	*50.8%*
Total gross receivables	**5,822**	***100.0%***	**10,197**	***100.0%***
Doubtful debt provision	*(1,143)*		(785)	
Inc. provision on overdue 120 days	*(44.3)%*		*(26.8)%*	
Total	**4,679**		**9,412**	

The changes in the doubtful debt provision are as follows:

Doubtful debt provision	
Balance at December 31, 2016	**785**
Provisions	**358**
Utilisations	-
Balance at December 31, 2017	**1,143**

The provision for the year amounting to Euro 358 thousand refers to the M3 division in order to adjust the nominal value of receivables to their estimated realisable value.

As already highlighted in Note E. Management of capital and financial risks on credit risk, the Company carries out a specific assessment of receivable positions. In the light of analyses performed, only trade receivables recorded in the financial statements with an aging of over 120 days present risks of impairment since collection terms, especially pertaining to the media segment, are characterised by more deferred collection terms.

Further details on the applied methodology may be viewed in this section.

8. Tax receivables

Balance 31.12.2017 **4,604**

Balance at 31.12.2016 **1,798**

The breakdown of tax receivables is shown below:

Tax receivables	31.12.2017	31.12.2016	Change
Deferred tax assets	925	347	578
Total deferred tax assets	**925**	**347**	**578**
IRES	398	-	398
IRAP	130	-	130
Withholding taxes	11	12	(1)
INPS	3	3	-
INAIL	2	2	-
VAT	3,133	1,434	1,699
Other	3	-	3
Total current tax receivables	**3,679**	**1,450**	**2,229**
Total current tax receivables	**4,604**	**1,798**	**2,806**

The account includes deferred assets amounting to Euro 925 thousand mainly relating to deferred tax assets calculated on the tax losses of the parent company (Euro 515 thousand), to the tax effect of the IPO costs in 2015 (Euro 74 thousand) and to the tax effect of the write-down of receivables (Euro 224 thousand).

At December 31, 2017, a portion of deferred tax assets (Euro 149 thousand) were reclassified for better classification under the item non-current deferred tax assets. This reclassification was also made for the comparative figures at December 31, 2016.

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 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 at 31.12.2017 **1,392**

Balance at 31.12.2016 **532**

Other assets	31.12.2017	31.12.2016	Change
Other receivables	12	31	(19)
Prepayments/Accrued income	1,380	501	879
Total	**1,392**	**532**	**860**

Prepayments and accrued income mainly relate to:

- the Mthree division for Euro 1,281 thousand: concerns costs related to after the end of the year on the Eutelsat contract;

10. Cash and cash equivalents

Balance 31.12.2017 **3,100**

Balance 31.12.2016 **1,450**

"Cash and cash equivalents" are illustrated in the table below:

Cash and cash equivalents	31.12.2017	31.12.2016	Change
Bank and postal deposits	3,096	1,445	1,652
Cash in hand and similar	4	5	(1)
Total	**3,100**	**1,450**	**1,650**

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 December 31, 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;
- Profit for the year.

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

Balance 31.12.2017 **349**

Balance 31.12.2016 **283**

At December 31, 2017 the provision for risks and charges mainly refers to the Post-employment benefit provision.

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

(in Euro thousands)	
Post-employment benefit provision at 1.1.2017	**283**
Provisions 2017	57
Advances/Util.	(51)
Actuarial gains (losses)	55
Net Interest	5
Balance at December 31, 2017	**349**

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

- probability of elimination for death: ISTAT table 2016 (source ISTAT – 2017 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: 1.3% for 2018, 1.4% for 2019 and 1.5% for 2020 (source: *"2017 Economic and Finance Document"*); from 2021 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 9 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 31.12.2017 of AA securities issued by corporate issuers in the Eurozone and based on the average residual duration of the Post-employment benefit at 31.122017; therefore, considering that the average residual duration of the liabilities was equal to 17 years, the annual nominal discount rate assumed in the valuation was 2.1% (1.8% at 31.12.2016).

The sensitivity analysis on the discount rate was applied by using a rate that was respectively lower and higher than 2.1% by half a percentage point. Valuation results based on the rate of 1.6% and 2.6% (in thousands of euro) are shown in the table below:

(amount in €/000)	**Rate 1.6%**	**Rate 2.6%**
DBO	380.0	321.9

Moreover, it is worth noting that the updating of demographic assumptions with respect to 31/12/2016 (concerning only the probability of elimination due to death) did not have any effect on actuarial results, while the updating of the discount rate (2.1% instead of the 1.8% adopted at 31/12/2016) resulted in a decrease of Euro 18 thousand in the DBO.

13. Deferred tax liabilities

Balance at 31.12.2017	**264**
Balance at 31.12.2016	**351**

At December 31, 2017 the balance amounted to Euro 264 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 at 31.12.2017 **18,951**

Balance at 31.12.2016 **10,572**

The financial payables are illustrated in the table below:

Financial payables	31.12.2017	31.12.2016	Change
Current	(11,513)	(4,196)	(7,317)
Non-current	(7,438)	(6,376)	(1,063)
Total	**(18,951)**	**(10,572)**	**(8,379)**

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

Current financial payables	**31.12.2017**	**31.12.2016**	**Change**
Loans (current portion)	(2,239)	(1,907)	(332)
Total current loans	**(2,239)**	**(1,907)**	**(332)**
Advances on invoices/Credit Lines	(7,304)	(1,289)	(6,015)
Bank overdrafts	(10)	-	(10)
Earn-out (current portion)	(500)	(1,000)	500
Finance Leases	(23)	-	(23)
Minibond	(438)	-	(438)
Bond loan	(1,000)	-	(1,000)
Total	**(11,513)**	**(4,196)**	**(7,317)**

The current financial payables relate to:

- the self-liquidating credit lines as advances on invoices.
- the payable for the current portion of the 2016 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 500 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 maximum amount contractually. An amount of Euro 334 thousand was recorded as cost in the year 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	31.12.2017	31.12.2016	Change
Loans	(3,560)	(2,484)	(1,077)
Total non-current loans	**(3,560)**	**(2,484)**	**(1,077)**
Minibond	(3,098)	(3,516)	419
Finance Leases	(71)	-	(71)
Earn-out	-	(166)	166
Payables to subsidiaries	(710)	(210)	(500)
Total Giglio Group	**(7,438)**	**(6,376)**	**(1,063)**

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 million which 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, with the conditions:
    - Rate: 5.4%
    - Duration: 6 years
    - Grace period: 2 years
- 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.

In accordance with the latest amendments to IAS 7, the following table shows the variations in liabilities recorded in the balance sheet, whose cash effects are recorded in the cash flow statement as cash flows from financing activities.

(amount in €/000)	Value at 01.01.17	Cashflow	Value at 31.12.17
Non-current financial payables	6,376	1,062	7,438
Current financial payables	4,196	7,317	11,513
Total liabilities from financing activities	**10,572**	**8,379**	**18,951**

The following table summarises the loans of the Giglio Group S.p.A. at December 31, 2017 and highlights the amounts due within and beyond one year:

SITUAZIONE AL 31/12/2017 società giglio group spa
(Valori in Euro migliaia)

Banca	Importo del finanziamento	data di sottoscrizione	Residuo al 31/12/2017	Scadenza	Cap. esi. dal 01/01/2017 al 31/12/2018	Capitale esigibile entro la scadenza
BANCA DI SONDRIO						
Mutuo Chiro n. 076/1111534	1.500,0	07/04/2009	79	31/10/2018	79	-
Mutuo Ipotecario n. 076/1124006	370,0	22/09/2013	101	31/03/2019	79	22
Mutuo Chiro n. 076/1086086, garanzia CNA	500,0	31/01/2012	27	31/01/2018	27	-
Mutuo Chiro garantito da MCC	1.200,0	30/09/2015	686	30/09/2020	242	444
INTESA						
Mutuo Chiro n. 0IC1047064869	1.000,0	28/06/2017	904	28/06/2022	195	709
MONTE PASCHI DI SIENA						
Mutuo Chiro n. 741677580/60 garanzia CDP e SACE	500,0	29/10/2014	200	31/12/2019	100	100
BANCA POP. NOVARA E VERONA						
Mutuo Chiro n.1065/472981 garanzia CDP	100,0	18/02/2015	9	31/03/2018	9	-
Mutuo Chiro n.03528422	500,0	30/01/2017	412	31/01/2022	98	315
Mutuo Chiro n.03709516	200,0	24/06/2017	151	30/06/2019	100	51
BANCA POP di BERGAMO						
Mutuo N. 004/01141252 garanzia MCC	300,0	17/06/2015	56	17/06/2018	56	-
Mutuo N. 004/01187014 mutuo chiro	600,0	29/07/2016	418	29/07/2020	149	269
CREDEM						
Mutuo N.052/7059285 garanzia MCC	700,0	21/06/2016	440	21/06/2020	175	265
CARIGE						
Finanziamento 36 mesi	500,0	02/08/2017	446	31/08/2020	165	281
BPM						
Finanziamento N.6026098	1.500,0	16/10/2017	1.500	31/08/2020	394	1.106
CREDEM						
Mutuo n. 7020946	800,0	12/11/2015	247	12/11/2018	247	-
CREVAL						
Mutuo n.61482	500,0	09/04/2015	122	31/10/2018	122	-
INTESA						
Mutuo Chiro n. 0194073132771	100,0	28/02/2014	2	31/01/2018	2	-
	Totale complessivo		**5.799**		**2.239**	**3.560**

15. Trade payables

Balance at 31.12.2017 16,751

Balance at 31.12.2016 17,204

Trade payables	31.12.2017	31.12.2016	Change
Customer advances	(90)	(117)	27
Supply of goods and services	(15,032)	(15,446)	413
Credit notes to be issued	(610)	(592)	(18)
Contribution credit notes to be issued	(476)	(491)	14
Guarantee deposits	(543)	(535)	(8)
Other trade payables	-	(25)	25
Total	**(16,751)**	**(17,204)**	**453**

The account did not significantly change on the previous year.

The breakdown of trade payables is shown below:

(in Euro thousands)	**Year ended December 31, 2017**	**Year ended December 31, 2016**
Trade payables	(15,032)	(15,446)
- of which overdue beyond 60 days	*(5,022)*	*(6,177)*
- % overdue payables on total	*33.4%*	*40.0%*

The credit notes to be issued relating to the M-Three division concern the Eutelsat client/supplier in relation to the normal management of 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.

16. Tax payables

Balance at 31.12.2017 405

Balance at 31.12.2016 932

Tax payables	31.12.2017	31.12.2016	Change
Withholding taxes	(95)	(115)	20
VAT	-	(363)	363
Income taxes	(222)	(407)	185
Social security institutions	(88)	(48)	(40)
Total	**(405)**	**(932)**	**527**

Tax payables relate to:

- withholding taxes and taxes related to the normal operating activities of the company for Euro 95 thousand;
- for Euro 222 thousand to the instalment amounts requested by the Tax Administration in relation to the Communication of Irregularities relating to the tax years 2009, 2011, 2012, 2013 and 2014, for IRES, IRAP and withholding taxes;
- social security institutions for Euro 88 thousand.

17. Other current liabilities

Balance at 31.12.2017 **754**

Balance 31.12.2016 **616**

Other current liabilities	31.12.2017	31.12.2016	Change
Employee payables	(364)	(209)	(156)
Accrued expenses	(387)	(408)	21
Other payables	(3)	(0)	(3)
Total	**(754)**	**(616)**	**(138)**

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.

NOTES TO THE INCOME STATEMENT

18. Revenues

The breakdown of the value of production and the changes in the individual accounts compared to the previous year are illustrated below:

	31.12.2017	31.12.2016	Change
Revenues from sales and services	32,354	29,220	3,134
Other revenues	195	146	50
Total	**32,550**	**29,366**	**3,184**

In 2017 revenues from sales and services amounted to Euro 32.5 million compared to Euro 29.3 million in 2016. The increase is due to the contribution of the Giglio Fashion division for the entire year 2017 compared to 10 months in 2016 (the Giglio Fashion division contributed to the results in 2016 from the acquisition date, March 14, 2016).

19. Purchase of raw materials, ancillary, consumables and goods

The breakdown of raw materials, ancillary, consumables and goods and the changes compared to the previous year are shown below:

	31.12.2017	31.12.2016	Change
Purchases of goods	(18,310)	(14,489)	(3,821)
Consumables	(69)	(80)	11
Total	**(18,379)**	**(14,568)**	**(3,811)**

The account includes the costs incurred by the B2B division of Giglio Group. The increase in raw material costs is directly related to the increase in revenues previously commented upon.

20. Service costs

The breakdown of services costs and the changes compared to the previous year are shown below:

	2017	2016	Change
Agents	(43)	(252)	209
Other service costs	(43)	(66)	24
Insurance	(136)	(157)	21
Bank, postal & collection commissions	(172)	(21)	(151)
Directors, statutory auditors and supervisory board fees	(539)	(654)	114
Consulting	(2,762)	(1,055)	(1,707)
Editorial production costs	(61)	(17)	(45)
Administrative costs	(86)	(39)	(47)
Customer service	-	-	-
Warehousing	(345)	(231)	(113)
Maintenance	(60)	(42)	(18)
Advertising, promotions, shows and fairs	(666)	(641)	(26)
Cleaning and surveillance	(20)	(14)	(7)
Transmission and teleport	(6,777)	(4,993)	(1,784)
Transport & shipping	(165)	(134)	(31)
Utilities	(186)	(174)	(13)
Web marketing	-	-	-
Sales representatives	(212)	(127)	(85)
Total	**(12,274)**	**(8,617)**	**(3,657)**

The account principally refers to:

- transmission and teleport service costs for Euro 6.8 million in the Mthree Satcom division;
- consultancy costs, of which Euro 1.7 million relating to the translisting process.

21. Rent, lease and similar costs

The breakdown of rent, lease and similar costs and the changes compared to the previous year are shown below:

	2017	2016	Change
Rental	(544)	(475)	(68)
Hire	(75)	(66)	(9)
Operating leases	(22)	(19)	(3)
Total	**(641)**	**(560)**	**(81)**

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 transactions with related parties.

In relation to the above-mentioned rental contracts the minimum lease instalments due amount to approx. Euro 1.8 million.

22. Personnel expense

The breakdown of personnel costs is as follows:

	2017	2016	Change
Wages and salaries	(1,536)	(951)	(585)
Social security charges	(467)	(289)	(178)
Post-employment benefits	(64)	(61)	(3)
Total	**(2,067)**	**(1,301)**	**(766)**

Personnel expense increased in 2017 for a total of Euro 766 thousand due to the increase in the workforce in 2017.

23. Amortisation, depreciation & write-downs

The breakdown of the account is shown below:

Amortization, depreciation & write-downs	31.12.2017	31.12.2017	Change
Amortisation	(803)	(750)	(53)
Depreciation	(1,159)	(1,280)	121
Write-downs	(358)	(129)	(229)
Total	**(2,320)**	**(2,159)**	**(161)**

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.

The write-downs refer exclusively to the doubtful debt provision commented upon in note 7 Trade and other receivables.

24. Other operating costs

The breakdown of the account is shown below:

	31.12.2017	31.12.2016	Change
Other taxes	(32)	(26)	(6)
Other charges	(6)	(18)	12
Penalties and fines	(7)	(11)	4
Prior year charges	(222)	(342)	120
Losses on receivables	-	(149)	149
Earn out	(334)	-	(334)
Total	**(600)**	**(545)**	**(56)**

Other operating costs in 2017 include Euro 334 thousand relating to the earn-out previously commented upon.

25. Financial income and expenses

The breakdown of financial income and expenses compared to the previous year is shown below.

Financial income and expenses	2017	2016	Change
Interest income on bank accounts	1	2	(1)
Other interest	4	21	(17)
Exchange gains	6	7	(1)
Financial income	**11**	**30**	**(19)**
Interest on current bank accounts	(9)	(17)	8
Other interest	(19)	(25)	6
Interest on invoice advances and factoring	(22)	(28)	6
Interest on mortgage loans	(157)	(131)	(26)
Interest on bond loans	(223)	(162)	(61)
Bank charges	(164)	(93)	(71)
SIMEST financial charges	(62)	(43)	(19)
Exchange losses	(8)	(23)	15
Financial expenses	**(663)**	**(523)**	**(140)**
Total	**(652)**	**(493)**	**(159)**

Financial expenses increased on the previous year due to the lending charges (Minibond for the full year, bond and new loans granted in 2017) and a higher debt exposure during the year.

26. Income taxes

Income taxes	2017	2016	Change
Current taxes	-	(469)	469
Deferred taxes	651	166	485
Total	**651**	**(302)**	**953**

The deferred taxes in the year refer to:

- the effect of the deferred tax assets for Euro 564 thousand of which Euro 515 thousand calculated on the tax losses commented upon in Note 8 Tax Receivables;
- the release of the deferred tax liabilities calculated on the allocation of the higher price paid (PPA on fixed assets) deriving from the acquisition of Mthree Satcom and commented upon in Note 13 Deferred tax liabilities.

The tax effects for the year are shown below:

	31.12.2017	31.12.2016
Pre-tax result	(3,030)	444
Theoretical tax charge	-	(139)
Effective tax charge	-	(469)
Deferred taxes	651	166
Net result	(2,379)	141
Theoretical tax rate	27.9%	31%
Effective tax rate	0%	68%

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

Board of Directors (Euro thousand)	
A. Giglio	180
C. Frigato	20
A. Lezzi	10
G. Mosci	20
Y. Zhao	10
M. Mancini *	-
G. Capellini	20
Total	**260**

** With reference to the previous table the Director Massimo Mancini waived his directors' fees as he holds the position of General Manager of the company.*

Board of Statutory Auditors (Euro thousand)	
C. Tundo	20
M. Centore	15
M. Mannino	15
Total	**50**

The fees of the independent audit firm were as follows:

(Euro thousands)	Consideration
EY S.p.A.	61
Other services*	230
Total	**291**

* Other services relate to the translisting, 2017 interim accounts audit and the pro-forma data.

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

27. 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 and the related parties are illustrated in detail in the paragraph 30 below.

28. 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 December 31, 2017.

The details are shown below:

Commitments and guarantees (Euro thousand)

Entity	Guarantee Value	Residual amount guaranteed
MPS	1,048	200
B.POP Sondrio	3,470	1,296
B.POP Sondrio	1,500	79
Banca Sella	246	124
B. POP. Novara	650	597
FACTORIT	360	68
UNICREDIT	536	536
UNIPOL	330	-
Total	**8,140**	**2,900**

Contingent liabilities

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

29. 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.

For further information reference should be made to paragraph E. Capital and financial risk management.

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 June 30, 2017 a net financial debt position of approx. Euro 14.7 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 Issuer has undertaken a number of loan contracts and, a significant part of these loans contain only internal cross default clauses, negative covenants and acceleration events on the non-compliance by the Group of some disclosure obligations or prior authorisation to undertake certain transactions. The loan contracts of the Issuer do not include external cost default clauses nor obligations to comply with specific financial covenants (these latter apply only to the 2016-2022 bond loan).

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.

Note 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.

At December 31, 2017, these covenants were complied with.

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%.

30. Transactions with subsidiaries and related parties

The transactions were as follows:

Trade receivables and payables

Receivables/Payables	Giglio Group	Nautical Channel	Giglio USA	Giglio TV	Giglio Shanghai	IBOX SA	IBOX SRL	Evolve USA
Giglio Group		3,110	1,347	2,535			19	
Nautical Channel	877							
Giglio USA	46							

Financial receivables and payables

Receivables/Payables	Giglio Group	Nautical Channel	Giglio USA	Giglio TV	Giglio Shanghai	IBOX SA	IBOX SRL	Evolve USA
Giglio Group		180	102	894		1,821		
Giglio TV	210							
Giglio Shanghai								
IBOX SRL	500							

Commercial revenues and costs

Receivables/Payables	Giglio Group	Nautical Channel	Giglio USA	Giglio TV	Giglio Shanghai	IBOX SA	IBOX SRL	Evolve USA
Giglio Group		722	1,458	877				
Giglio USA	118							

The nature of the transactions in the above table are as follows: (i) for Giglio TV, Giglio Shanghai and Nautical Channel they refer in general to the recharge of administration costs incurred by the Issuer in the name of and on behalf of the subsidiary companies; (ii) for Giglio USA and Ibox Srl they concern on the other hand the supply of goods and services.

The transactions with Related Parties, pursuant to Article 2427, paragraph 1, No. 22-*bis* of the Civil Code, were undertaken with the following parties:

- China System S.r.l.: company owned by Yue Zaho, director and wife of Alessandro Giglio and which provides consultancy services to the Group for the Chinese market. The transactions with China System are based on a service supply contract with the company China System S.r.l., signed on January 4, 2016. The supplier has marketing experience providing consultancy to companies to launch client products on local markets. In this specific case China System assists the company in the analysis and review of publishing, editorial and journalistic content which Giglio Group utilises for its travel lifestyle, fashion, food, living and wellness television programmes. In particular China System verifies content suitability to Chinese culture and the correctness of the translations, in addition to necessary assistance for programmes to receive the broadcasting authorisations from the relevant sector bodies. In 2017 the services provided amounted to Euro 135,000. The contract is for one year and was tacitly renewed. After the third consecutive year there are no automatic renewals.
- D-mobile Lab: company controlled by Buongiorno S.p.A., shareholder of Giglio Group S.p.A., which undertook transactions with the Group. At December 31, 2017, the total payable amounted to Euro 80 thousand.

- Max Factory S.r.l.: real estate company owned by Alessandro Giglio who leases to Giglio Group S.p.A. the following buildings:
  - Genoa offices: Palazzo della Meridiana for a total annual cost of Euro 175 thousand
  - Rome offices: Via dei Volsci for a total annual cost of Euro 200 thousand

The remuneration paid in 2017 to the Board of Directors of the Issuer amounted to Euro 226 thousand.

31. Dividends

In line with the approval of the guidelines of the 2017-2019 plan, the Board approved the adoption of a long-term policy on dividend distribution decided on a year-by-year basis in accordance with the results reported. As pre-announced, the distribution of dividends may occur at the end of 2018 once the company has further strengthened its financial structure. Consequently, the 2016 result will be entirely allocated to Reserves.

32. 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.

33. Diluted earnings per share

There are no significant dilution effects

34. 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.