2018 Annual & Consolidated Financial Report

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Director’s Report

on the Consolidated Financial Statements as of 31 December 2018

CALL OF ORDINARY AND EXTRAORDINARY SHAREHOLDERS´ MEETING

The shareholders entitled to attend and exercise the voting rights are called to attend the Ordinary and Extraordinary Shareholders' Meeting of Giglio Group S.p.A. (the "**Company**"), at its registered office in Milan, Piazza Diaz 6, on 30 April 2019, at 15.00, in single call, to discuss and resolve upon the following

AGENDA

ORDINARY MEETING

1. 1.1 Financial Statement at 31 December 2018, Director's Report on Operations, Board of Statutory Auditors' Report and the Independent Auditors' Report; resolutions pertaining thereto and resulting therefrom. 1.2 Resolutions regarding the result of the financial period; resolutions pertaining thereto and resulting therefrom.
2. Resolution on the first section of the Remuneration Report, pursuant to Art- 123-*ter*, par. 6 of Legislative Decree no. 58 of 24 February 1998, as amended and integrated; resolutions pertaining thereto and resulting therefrom.
3. Restatement of annual total compensation of the Board of Directors; resolutions pertaining thereto and resulting therefrom.
4. Appointment of two directors pursuant to Art. 2386 of Civil Code; resolutions pertaining thereto and resulting therefrom.
5. Authorisation to purchase and place own shares; resolutions pertaining thereto and resulting therefrom.
6. Amendment to the Stock Option Plan called "Stock Option Plan 2018-2021", approved by the Shareholders' Meeting on 29 October 2018; resolutions pertaining thereto and resulting therefrom.

EXTRAORDINARY MEETING

7. Amendment to the By-laws; resolutions pertaining thereto and resulting therefrom

Information on the share capital

The share capital amounts to Euro 3,208,050.00, entirely subscribed and paid, consisting of 16,040,250 ordinary shares, without nominal value. Each ordinary share has the right to one vote at the Ordinary and Extraordinary Shareholders' Meetings. At the present date, the Company does not hold treasury shares. Information regarding the composition of the share capital are available on the Company's Website at www.giglio.org ("*Investor relations* – Shareholders ID" section).

Right to Attend

The Shareholders' Meeting can be attended, pursuant to Art. 83-*sexies* of Legislative Decree no. 58/1998 as amended (the "**Consolidated Financial Act**"), by those entitled to participate in it and to exercise their voting rights from whom the Company received a notice, issued by an intermediary enabled pursuant to the applicable laws, proving the ownership of the number of shares represented, based on evidence contained in the accounting records as of the end of the seventh market operating day before the date of the Shareholders' Meeting (i.e. 17 April 2019). Those who becomea holder of shares after the 17 April 2019 will not be able to participate or vote at the Meeting. The notice of the enabled intermediary shall be received by the Company within the end of the third market-operating day before the date of the Shareholders' Meeting (i.e. 25 April 2019) or, in any case, before the beginning of the Meetings' works.

Appointment of two directors pursuant to Art. 2386 of Civil Code

With regard to the third item on the agenda, it is noted that, as announced via press releases published on the Company's Website at www.giglio.org, "*Investor Relations*" section, following the resignation of Director Carlo Frigato, occurred on 21 December 2018 and the resignation of Director Graziella Cappellini, occurred on 25 January 2019, the Board of Directors, pursuant to Art. 2386, par. 1 of the Civil Code and Art. 20 of the By-laws, with a resolution approved by the Board of Statutory Auditors, co-opted directors Mr Carlo Micchi on 23 January 2019 and Ms Silvia Olivotto on 4 February 2019.

Pursuant to Art. 2386 of Civil Code, the co-opted directors shall remain in office until the next Shareholders' Meeting. Therefore, the Meeting called on 30 April 2019 shall appoint two directors to integrate the Board of Directors until a number of seven Directors is reached, as set forth in the Meeting of 11 May 2018. Directors appointed by the Meeting shall remain in office until the termination of the term of the other members of the Board of Directors, i.e. until the approval of the Financial Statement at 31 December 2020.

As provided by the law and the Company's By-laws, the Meeting must appoint the Directors in order to ensure the presence of a total minimum number of independent directors, as requested by applicable laws and regulations and in order to ensure gender balance. It is noted that, pursuant to the provisions of Art. 20 of the By-laws, the appointment of Directors shall take place without the application of the slate voting system, but by resolution approved by the majority.

Supplementation of the Agenda and presentation of 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 a 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 in the Agenda. The demand for the information mentioned bellow, should be done within ten days of publication of the present notice (i.e. by 10 April 2019) via written note by the shareholders who make the proposal, together with the appropriate documentation. The documentation must prove the ownership of the shares issued by an enabled intermediary based on accounting records, via registered post sent to the Company's address to the attention of the General Management, or via certified e-mail to be sent to the following address: giglio@arubapec.it. Within the same time limit and with the same modalities, the shareholders who make the proposal must also send to the Board of Directors a report including the motivation of the resolution proposals on the new items introduced by them or of the resolution proposals on items already on the agenda.

The request for supplement the list of items on 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 set forth in Art. 125-*ter*, par.1 of the CFA.

Notice for the supplement to the list of items on the agenda or the presentation of new resolution proposals, as well as of the relative reports drafted by the shareholders who propose them, will be provided according to the same procedures that apply to this notice, at least fifteen days before the day of the Meeting (i.e. 15 April 2019).

Vote by Proxy

Shareholders with the right to attend the Meeting can be represented by thirds via written proxy pursuant to current provisions of law, and shall use the proxy form available on the Company's Website at www.giglio.org ("*Corporate Governance*" section). The proxy can be sent to the

Company via registered letter to the registered office or via certified e-mail to be sent to the following address: giglio@arubapec.it.

If the delegate delivers or sends to the Company, via certified e-mail to giglio@arubapec.it, instead of the original, a copy of the proxy, he/she shall certify under his/her own responsibility, the conformity of the proxy to the original, as well as the identity of the delegating person. Without prejudice to the above, pursuant to current regulations, the delegate shall preserve the original proxy and keep track for one year, starting form the end of the Meetings' works, of any voting instruction received.

Proxy may be granted through a computer-generated document signed in electronic form in accordance with Article 21, par. 2of Legislative Decree no. 82/2005, as amended, or with any equivalent document.

Company's Designated Representative

A proxy may be attributed, together with instructions on voting the resolutions on the agenda, to Computershare S.p.A., as the Company's designated representative pursuant to Art. 135-*undecies* of the CFA, by signing the specific proxy form available on the Company's Website at www.giglio.org ("*Corporate Governance*" section), or at the registered office of the Company or of Computershare S.p.A. in Milan, via Lorenzo Mascheroni 19.

The original proxy and voting instructions should be sent to the register office of the delegated representative by the end of the second market operating day before the date fixed for the Shareholders' Meeting in single call (i.e. by 26 April 2019), and can be revoked within the same time limit. A copy of the proxy may be forwarded in advance to the designated representative within the same time limit, via fax, to +39 02 46776850, or via e-mail to ufficiomilano@pecserviziotitoli.it.

Only proxies containing voting instructions are valid. It is noted that the communication ascertaining the right to attend and vote at the Shareholders' Meeting issued by the Company of the intermediary is necessary also in the case of conferring proxy to the Designated Representative of the Company.

Shares for which full or partial proxy is conferred are calculated for the purpose of determining due constitution of the Shareholders' Meeting. With regard to proposals for which no voting

instructions are given, the shares concerned are not considered in calculating the majority and the percentage of capital required for the resolutions to be carried.

Information concerning conferring proxy to Computershare S.p.A.'s designated representative (which may be contacted via telephone for clarification at +39 02 46776811), is also available within the above-mentioned proxy form.

Questions Regarding Items on the Agenda

Pursuant to Art. 127-*ter* of the CFA, every shareholders with a right to vote can ask questions regarding items on the agenda also before the Meeting, provided that they are made within three days of the date of the Meeting (i.e. 27 April 2019), which shall be answered at the latest during the Meeting, by forwarding the questions via registered letter to the register office in Milan, Piazza Diaz 6, or via certified e-mail to be sent to the following address: giglio@arubapec.it, together with the appropriate communication proving the ownership of the voting right issued by an enabled intermediary.

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. Answers given at the beginning of the Meeting in printed format to every shareholder with voting rights shall be deemed as provided at the Meeting.

Documentation

Documents relating to the Meeting - including the Board of Directors' Explanatory Reports and the resolution proposals on the items of the agenda, the annual financial report, with a specific section including the non-financial statement, together with the annual Corporate Governance and Ownership Structure Report, as well as the Board of Statutory Auditors', the Independent Auditors' and the Remuneration Report- shall be made available to the shareholders and the public, and at the registered office, according to the procedures and time limits laid down by law. The documentation shall also be made available on the Company's Website at www.giglio.org ("*Corporate Governance*" section), as well as at the authorised e-market storage mechanism at www.emarketstorage.com. Shareholders and those with voting rights are entitled to obtain a copy of the aforementioned documentation.

Milan, 30 March 2019

The Chairman of the Board of Directors and CEO

Mr Alessandro Giglio

Company Information

Registered office
Giglio Group S.p.A.
Piazza Diaz 6
Milan 20123

Legal Information
Share Capital subscribed and paid-in €3,208,050,
Economic & Admin. Register No. 1028989 Tax no. 07396371002
Registered at Milan Companies Registration Office with no. 07396371002
Website www.giglio.org

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
Operational office – Piazza della Meridiana 1, Genoa

Corporate Boards

Board of Directors

Alessandro Giglio	Chairman and Chief Executive Officer
Anna Lezzi	Director
Giorgio Mosci	Independent Director
Massimo Mancini	Vice-Chairman and General Manager
Yue Zhao	Director
Carlo Micchi	Executive Director
Silvia Olivotto	Independent Director

Board of Statutory Auditors

Cristian Tundo	Chairman
Monica Mannino	Statutory Auditor
Marco Centore	Statutory Auditor
Stefano Mattioli	Alternate Auditor
Cristina Quarleri	Alternate Auditor

Internal Control, Risk and Related-Parties Committee

Silvia Olivotto	Chairwoman
Giorgio Mosci	

Appointment and Remuneration Committee

Giorgio Mosci	Chairman
Silvia Olivotto	

Independent Audit Firm

EY S.p.A.

1. Introduction

Giglio Group is completely engaged in high-end fashion product e-commerce, breaking ground in developing new ways of engaging customers. Founded in 2003, it is today the first Digital Company who introduced on a global level the integration between Media and e-commerce Platform, revolutionising the online-shopping experience.

The Group offers tailor-made B2B and B2C services to the Luxury Fashion industry, mainly with "Made in Italy" brands, covering the whole supply chain, from the creation of e-commerce platforms to storage management on a global scale. Indeed, Giglio Group is not only a B2C technology platform for the fashion world, but proposes a broad range of services connecting brands on various digital and television platforms with consumers across the globe.

Through the innovative ibox project, Giglio Group operates globally on the digital luxury market, seamlessly connecting brands, e-commerce platforms, physical stores and consumers, who can shop in-store or on various devices, such as smartphones, computers or television. Giglio Group's goal is to redefine how fashion is presented, bought and sold through the use of new technologies, original marketing and innovation.

The innovative and commercial offer of Giglio Group follows and tries to anticipate the changes in the relationship between brands and consumers. New technologies enable the evolution of sales channels, while the products' life-cycle changes and evolves too, forcing brands to shape their offers around the client and its needs. New business opportunities thus open up in the market, and brands must monitor them, if not autonomously, with the support of competent operators. This is the effect of the inevitable evolution of the relationship between brands and consumers. An evolution that has abandoned its unchanging and collection-dependent seasonal nature and taken up a more fluid shape in constant movement, with points of contacts and channels that change rather quickly.

THE BUSINESS MODEL AND ITS STRENGHTS

Giglio is conceived as a Digital Enabler for brands capable of offering them a transversal presence in its sales channel, thus becoming a true E-COMMERCE GATEWAY for fashion brands. Giglio Group is the partner for the management of the entire digital life cycle of the product, as well as sole point of entry for any e-commerce solution of the brans, ensuring a 100% sales rate over the year.

Giglio Group offers an exclusive combination of specialist B2B and B2C services for the Fashion industry, aligning its goals with those of the brand, but also managing the performance and sharing results, both in the design and management stages. The Group also offers e-commerce services compatible with the most common e-commerce solutions, without interfering with the client's technological choices and without demanding any investment for their integrations.
Giglio Group embraces the brands' different needs with regard to their presence in the digital space, offering services that can increase the value of traditional distribution:

- *Physical Retail.* According to the Group's philosophy, the physical retail must strengthen the efficacy of all other sales channels, as well as be involved in additional differentiated services and functionalities (e.g. click & collect, change & return, in-store personal shopper).
- *Physical Wholesale*. Department stores and multi-brand boutiques amplify the «physical» distribution of a brand.
- *E-commerce*. The e-commerce is the first sales pillar within the online market, an existing strength for the Group, and is capable of accounting for about 13% of a brand's total sales (E-commerce B2C Observatory 2018). As of today, it is part of the Group's DNA, boasting the widest possible array of catalogues, a tailored relationship with every client and a direct control on online distribution, from the warehouse to the consumer's doorstep, gathering valuable data on every shopping experience, as well as ensuring significant sales volumes.
- *E-Tailers (or Multi-Brand Stores)*. By maintaining the brand's positioning, they amplify online distribution and brand awareness, increasing digital sales and ensuring an easy geographical penetration.
- *Marketplace*. Giglio Group's true know how is hidden in the innovative strength of its commercial offer for 2019. 2018 was the year of marketplaces and affiliation for the fashion market thanks to the growth of giants such as Farfetch, Lyst, Amazon and Alibaba. It is estimated that 9 out of 10 users, visit at least one marketplace during the purchase consideration phase.

  Any brand that wishes to obtain significant incremental sales must urgently focus on being present in a marketplace. Marketplaces, depending on the geographical area, can account for up to half of total online sales.

- *Destocking*. Another strength of Giglio Group, a consolidated competence that has been growing steadily, introducing new development opportunities and conquering new geographical areas. Destocking is not an occasional activity, but a set of stock planning and distribution services. The goal is optimizing the brand's sales potential through warehouse cleaning or dedicated stock productions' sales. Giglio Group can count on an extensive experience of warehouse value's optimisation, sales increase and geographic penetration of new markets.

Definitely, the Group's mission is to ensure brands with a "100% sell-through rate": thanks to the combination of multiple sales channels and economic models, the Group aims at offering partnering brands a 100% sell-through rate on digital channels.

Upon complete integration, during the first six months of 2018, of the e-commerce companies acquired in the previous fiscal years, the Company completed its transformation from media company to global e-commerce group, identifying assets no longer strategic within the Media segment (transferred with agreements concluded on 11 March 2019) and finding a solution capable of maximising their value. The Group, with a more limited scope, is now focusing its financial and professional resources on the e-commerce sector, deemed extremely promising and with attractive margins.

THE REFERENCE MARKET

The global luxury goods market, which includes the Fashion industry, was estimated to be worth $ 307 billion in 2017 and is expected to hit $ 446 billion by 2025, according to Bain & Company—“Luxury Goods Worldwide (Fall-Winter 2017): The Millennial State of Mind”, with annual growth rates firmly established around 10%. The opportunities are plentiful, especially since most of major luxury brands are careful about the adoption of digital technologies. We are broadening the territorial reach of our services, in particular targeting China and the United States, the most interesting markets experiencing luxury and Made in Italy growth and in which major opportunities are available in terms of satisfying product demand and supporting the digital platform distribution strategies of brands, also through leveraging on our local logistics infrastructure.

Giglio Group sees major market opportunities and seeks to deliver results by tapping immediately into increasing online channel usage, the growing importance of the Millennials and luxury consumer growth in China and the other emerging markets. Suffice it to consider the potential of

WeChat channel in China, with which the Group has sealed a deal during 2018. The Company's objective for 2019 and 2020 is to globally connect consumers directly to high-end fashion suppliers, principally “Made in Italy” brands and those experiencing a degree of difficulty in accessing new market segments, establishing ourselves as a partner for innovation in the luxury segment.

The Group's reference market is not exclusively e-commerce, but rather the crossover between luxury fashion, online commerce, technology and television. The global luxury sector is enormous and features market dynamics and consumer trends that are creating the framework for the sector’s future, including:

- Reference Market. A stable market, largely insulated from economic crises and rapidly expanding in certain regions, with the possibility therefore to work with brands in terms of their medium-term vision. According to Bain, the global luxury goods market hit a record $ 307 billion in 2017, and with a CAGR of 6% between 2010 and 2017, the personal luxury goods market grew across all regions. Bain, in addition, states that the online segment has become a larger share of the overall market, with 27% CAGR since 2010. Giglio Group aims at partnering up with those brands capable of seizing this mighty and constant growth with a relative risk mitigation, reflecting limited investments and set-up costs.
- Stock management. The market is highly fragmented, while inefficiency is a feature of distribution. The luxury ecosystem is dominated by family-owned companies with well-established commercial and distribution relationships based on traditional and consolidated habits; luxury brands maintained close control over their product, its distribution, its marketing and its prices. The largest luxury brands access the market through building directly managed store networks and through the major physical multi stores. However, the result is often a mismatch between supply and demand, with excess or obsolete stock or supply levels falling short of local demand. Emerging brands generally do not have access to the global market and their distribution is limited by their capacity to fund and produce a sufficient amount of products for each local market. They largely rely on wholesale distribution through a network of independent fashion boutiques, while it is through these boutiques that discovered talent and new designers capable of growing and breaking new brands emerge. Consequently, both major and small brand luxury fashion stock is distributed through a highly fragmented

network of vendors. Giglio Group, with a commercial and logistics structure serving the main global e-commerce platforms, can optimise brand stock levels and cover also new regions in a structured way.

- Emergence of e-commerce. Luxury fashion has moved online. According to Bain, global online personal luxury goods' market share in 2017 was approx. 9%, significantly lower than the other online goods categories, such as for example tourist and banking services or electronic products. This is as a result of the prudent approach of the brands in adopting technologies and social network platforms. However, according to Bain, online sales are expected to gain an increasing foothold and reach 25% by 2025. Luxury resellers and brands are becoming increasingly dependent on the online channels, as the drop in physical store traffic is impacting their ability to reach customers through physical stores. As consumers move online, data analysis will become increasingly key to understanding consumer tastes and preferences and to offering a shopping experience which responds much better to the customer. Giglio Group, with its IBox platform, integrates with the main global marketplaces, with television, with the logistics system and can adapt to any online market trend and utilise collated data, sharing it with the brands to put in place a better sales strategy.
- Transition to digital and the social channels. The shift to digital is influencing the way in which the luxury industry and consumers interact. Inspirations and trends have moved from printed monthly fashion magazine content to the social media real-time channels of the main global fashion bloggers, influencers and celebrities. We believe that digital is already changing consumer buying habits. For luxury vendors, digital is radically changing their approach to the market and communication and engagement with the end-consumer. Giglio Group is particularly involved in this trend, involving its own marketing influencer and extensively utilising the social channels to support the digital visibility of the brands with which it works.
- Generational demographic change. As the new generations of global luxury consumers represent a greater share of total volumes, a radical change is taking hold in how luxury purchases are made. According to Bain, online consumers, the Millennial generation and the Z generation represented approx. 85% of luxury fashion growth in 2017 and are expected to make up 45% of luxury fashion purchases by 2025. Furthermore, all these new consumers have entirely differing and new shopping experiences in comparison to

the past, expecting continuous product accessibility and quite quick delivery. Their purchasing decisions are influenced by social media, reading the experiences online of minded people from the market of influencers rather than traditional fashion publishing.

- Emerging markets are driving growth. Luxury fashion demand is becoming truly global. Consumers of luxury fashion have traditionally been located in Europe, the Americas and Japan. According to Bain, Europe and the Americas overall represented nearly two-thirds of global personal luxury market sales in 2016. Over the coming decade, global luxury market growth is expected to be driven significantly by emerging market demand, including from China, the Middle East and Eastern Europe. Giglio Group has a global presence, with excellent commercial coverage in Europe, including Eastern Europe (Romania, Russia, ….) and a growing presence in China and in the Americas. In China, the Giglio Group can rely on its own fashion distribution company, with logistics under its control and a network of relationships with the main marketplaces in the country. In addition, it can develop synergies with its media company, Giglio TV Hong Kong, to promote its T-commerce model alongside the Made in Italy brands.

2. Group's Activities and Structure

Founded in 2003 by Alessandro Giglio, Giglio Group is today an e-commerce 4.0 company capable of promoting and distributing luxury “Made in Italy” commercial brands across the globe. Listed initially on the Italian Stock Exchange AIM Italia market since August 2015, and on the STAR segment since March 2018, the Group operates in 5 continents and in over 70 countries when considering all the countries served by its e-commerce services.

The Group's objective is to create a fully-integrated model both as far as distribution channels and business models are concerned.

The Company is involved both in B2C and B2B operations. The integration between the two business models, Principal (B2B) and Agent (B2C), allows the Group to manage in an optimal way brand's warehouse stock, both on-season and off-season, aiming at a 100% sell-through rate.

The B2C model, managed by I-box digital, the digital core of the Group, consists in providing digital services for managing the Websites of "Made in Italy" Fashion mono-brands, but not only. It is a unique technological platform capable of managing the mono-brand website, the connection with the marketplaces, the integration with payment systems and logistics. Traded

goods belong to the on-season collection of brands, which pay a fee on the sales and with which Giglio Group cooperates in their digital marketing strategy. No specific investment in working capital is needed, and there is no inventory risk.

The B2B model, on the other hand, aims at enabling brands' direct-online sales on major e-commerce platforms around the world, offering an additional distribution to physical networks. The B2B channel benefits from the same Ibox platform used for the B2C.

Within the B2B model, Giglio Group directly manages logistics with the external warehouses, defines resale prices, manages the warehouse with a proved capacity to reduce stocks in a short time and with a high turnover of goods' index. Giglio Group collaborates with client e-commerce platforms on the basis of a defined sales plan which further diminished the risk of unsold items. The difference between brands' payment time, usually at the beginning of the season for stock-booking, and marketplaces collection time, usually 90 days after the end of the season, generates a financial requirement optimised by a careful use of the instruments supporting the working capital.

By the end of 2018, the Group transformed from simple Service Provider to Digital Enabler. If, until 2018, the Group developed more than 100 project for important brands, from the creation and management of e-commerce platforms worldwide to the development of technologies capable to support brands in their wholesale buying and refill activities, today the Group, thanks to a single platform, integrates all the brands' needs with a unique approach.

These are the key factors for the success of the Ibox model, a proprietary technology capable of connecting brands in plug-and-play mode to one or more marketplaces, drawing from more than 200 platforms worldwide.

PROFESSIONALS: numerical and qualitative development, recruitment of professionals with strong international experience and specific skills in digital fashion that share the brand DNA and are capable of building highly tailored strategies, create innovative and complex projects and ensure results over time, always with a win-win approach.

TECHNOLOGIES: by choosing a supplier such a ORACLE, Giglio Group became preferred partner and started a commercial joint venture with SopraSteria, in order to enable any e-commerce platform for its brands;

OPERATIONS: 4 logistical hubs to ensure clients the perfect purchase experience all around the world;

MARKETS: consolidation of geographical coverage and focus on luxury markets (CHINA).

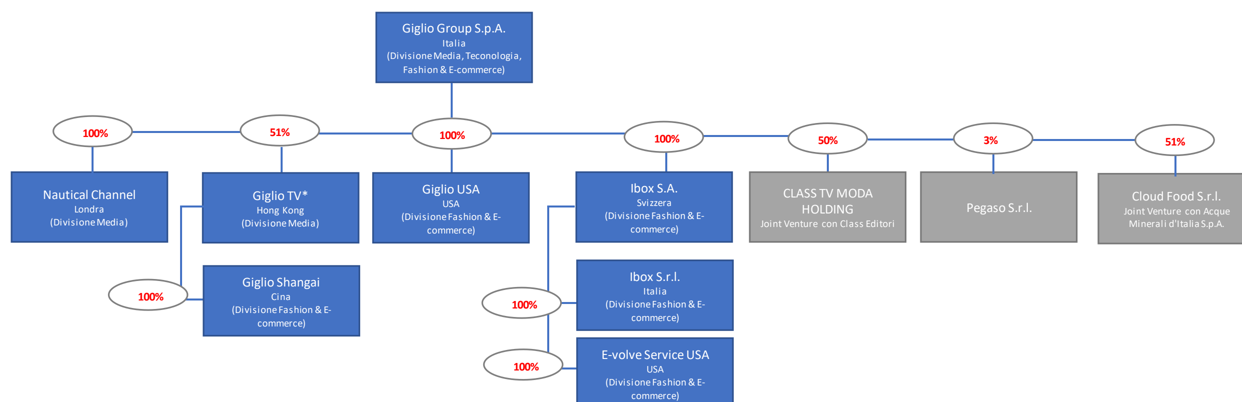
In 2019, Giglio Group is pushing its activities with determination towards China, developing a structure to enable brands' presence in the most important market of the world, where "Made in Italy" brands are not at all present, neither online nor in physical stores. China is the biggest online market worldwide, accounting for 83% of online sales in the whole Asian-Pacific area and for about twice the sales of the USA (*2018 e-commerce: a present that grows and a future that speaks Chinese*, eMarketer, "Worldwide Retail and Ecommerce Sales").

In China, the e-commerce is the standard purchasing method, as well as the most used media by young people and middle classes in secondary cities. 53% of the Chinese population is digitised, meaning that almost 800 million people are capable to instantly connect to an e-store (CeSIF 2018 Annual Report, 16 July 2018, Italy-China Foundation, CeSIF).

Giglio Group acknowledges brand's requests regarding a strategy to be present in that market, thus becoming pole of attraction for luxury companies due to its huge growth potential. Therefore, direct online presence is of the utmost importance: 78% of Chinese consumers gathers information on luxury goods on internet and through mobile apps. Over the last year, 50% of Chinese consumers declared to have increased its online luxury expenses on Chinese websites, and only 41% on international ones (*China and Chinese Consumers in the Global Luxury Market*, 20 September 2017, E-COMMERCE Monitor, Bain & Company China and Chinese Consumers in the Luxury Global Market).

The Group's strategy for the Chinese market can be strengthened and accelerated through the convergence between TV channels, media and e-commerce. Thanks to the strong TV experience of Giglio Group, the brand can be presented on the whole Chinese network (TV, social, marketplace with more than 100 mln viewers) through publishing traditional and digital media in target with positioning (brand-awareness increase) and through the Ibox marketplace, which can immediately convert the offer in product sales (pushing online sales).

The Group corporate structure is reported below:



Group structure at 31\12\2018

* The minority interests equal to 49% held by Simest S.p.A. is classified from minority interests to financiali liabilities, due to the irrevocable obligation to purchase this portion, by Giglio Group S.p.A., as of 30 June 2022.

3. 2018 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 fiscal year of the present 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 Financial Report are as follows:

Operating/trade 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.

ADDED VALUE: the difference between total revenues and operating costs, made up of raw materials, ancillaries and consumables, changes in inventories, service costs and rent, lease and similar costs, adjusted for non-recurring charges.

Non-recurring charges: represented by income items that: (i) result from events or transactions that are not repeated frequently in the ordinary course of the Group's activities, or that result from non-recurrent events or facts; (ii) result from events or transactions which are not representative of the normal course of business.

Analysis of the consolidated statement of financial position and of the financial items at 31 December 2018

On 11 March 2019, Giglio Group signed an agreement with company Vértice Trescientos Sesenta Grados (Vertice 360) for the transfer of the assets of the Group's media area, against a reserved capital increase of € 1,136,363.64, with the issue of no. 1,136,363,636.00 Vertice 360 shares in favour of the Company. The transaction shall be completed on November 2019.

Consequently, in accordance with IFRS 5 accounting standard, the activities concerning discontinued operations and the associated liabilities relating to the media area were classified as "Assets/Liabilities Held for Sale".

It is noted that balance sheet figures at 31 December 2017 were not outlined, pursuant to IFRS 5 accounting standard. Therefore, comparative figures do not represent assets and liabilities allocated and related to the divestment of the media area, and, consequently, the data regarding the previous fiscal year are not directly comparable.

For more information on accounting entries classified among "assets/liabilities held for sale", see paragraph 35 of the Explanatory Notes of the consolidated financial statement.

The main balance sheet figures of the Group at 31 December 2018 are as specified below:

(Euro thousands)	31.12.2018	31.12.2017	Change
Intangible Fixed Assets	12,297	22,644	(10,347)
Tangible Fixed Assets	1,492	6,829	(5,337)
Financial Fixed Assets	1,595	292	1,303
Total Fixes Assets	**15,384**	**29,765**	**(14,381)**
Inventories	5,273	6,729	(1,456)
Commercial credits and other receivables	12,519	20,926	(8,407)

Commercial debts and other receivables	(24,070)	(33,728)	9,658
Operating/Commercial Working Capital	**(6,278)**	**(6,073)**	**(205)**
Other current assets and liabilities	8,177	7,960	217
Net Working Capital	**1,899**	**1,887**	**12**
Provisions for risks and charges	(804)	(864)	60
Deferred tax assets and liabilities	1,171	660	511
Net Invested Capital of Continuing Operations	**17,650**	**31,448**	**(13,798)**
Net Invested Capital of Sales Activities	**9,923**	**-**	**9,923**
Total Net Invested Capital	**27,573**	**31,448**	**(3,875)**
Net Worth	**(8,409)**	**(16,692)**	**8,283**
Net financial position*	**(19,164)**	**(14,756)**	**(4,408)**
Total Sources	**(27,573)**	**(31,448)**	**3,875**

* For the composition of this entry, see the following table.

The Net Invested Capital of the Group at 31 December 2018, equal to € 27.6 million, is principally comprised of Net Fixed Assets of € 15.4 million, of Net Working Capital totalling € 1.9 million and of the Net Invested Capital for sales activities of €10 million.

Tangible Fixed Assets, equal to € 1.5 million, can mainly be attributed to specific plants related to the previous media division, still instrumental for T-commerce development in China.

Intangible Fixed Assets, equal to € 12.3 million, can mainly be attributed to the start-up related to the acquisition of Giglio Fashion and the IBOX Group for an amount of €11.7 million.

Financial Fixed assets, equal to € 1.6 million, can mainly be attributed:

- for € 1 million, to the long-term portion of the credit resulting from the transfer to GM Comunicazione S.r.l., finalised on 20 December 2018, of the authorisation to supply audiovisual media services associated to channel 65 of the digital terrestrial;
- for € 0.3 million, to the fee resulting from the recourse transfer of the VAT receivable, finalised on 27 June 2018 and to be paid upon settlement of existing disputes and charges with the Tax Authority, as set froth by contract.

The net financial debt (determined in accordance with Consob communication No. DEM/6064293 and illustrated below) at 31 December 2018 and 31 December 2017 is as follows:

	(Euro thousands)	31.12.2018	31.12.2017	Change
A.	Cash	2,889	6,209	(3,320)
B.	Bank and postal deposits and cheques	-	-	-
C.	Securities held for trading	-	-	-
D.	**Cash & cash equivalents (A)+(B)+(C)**	**2,889**	**6,209**	**(3,320)**
E.	Current financial receivables	620	-	620
F.	Current bank payables	(8,307)	(7,564)	(743)
G.	Current portion of non-current debt	(6,804)	(2,239)	(4,565)
H.	Other current financial payables	(899)	(1,960)	1,061

I.	**Current financial debt (F)+(G)+(H)**	**(16,009)**	**(11,763)**	**(4,246)**
J.	**Net current financial debt (I) + (E) + (D)**	**(12,501)**	**(5,554)**	**(6,947)**
K.	Non-current bank payables	(2,119)	(3,560)	1,441
L.	Bonds issued	(2,219)	(3,098)	879
M.	Other non-current payables	(2,325)	(2,543)	218
N.	**Non-current financial debt (K)+(L)+(M)**	**(6,663)**	**(9,201)**	**2,538**
O.	**Net financial debt (J)+(N)**	**(19,164)**	**(14,756)**	**(4,408)**

The Group net financial debt amounts to € 19.2 million, highlighting a deterioration on 31 December 2017 (€ 14.8 million) of € 4.4 million. The increase relates principally to the following factors:

Increasing for:

• Lesser liquidity for € 3.3 million;

• Greater overall bank debts for € 3.8 million due to medium-term loans taken out to deal with seasonal orders' volume increase for "distribution" business unities;

Decreasing for:

• Repayment of the first instalment (for € 0.4 million) of the minibond issued in 2016, finalised on September 2018;

• Debt reduction related to the debenture loan of € 1 million signed with Banca Sella in 2017 and repaid in May 2018 and debt reduction for earn-out of € 0.5 million, also repaid in 2018.

In general, the increase in the financial debt relates to the working capital changes in support of e-commerce operations, which, by their inherent nature, require advances of liquidity, in addition to the payment of certain non-recurring costs (e.g. those incurred for the listing transfer).

Analysis of the consolidated statement of profit or loss at 31 December 2018

We report below the consolidated key economic highlights. For improved comparability and therefore a better understanding of Group business dynamics, for the sole purposes of providing consistent disclosure, the results reported in the following table and relating to the fiscal year 2017 were restated retrospectively applying the effects from application of IFRS 15 and IFRS 5.

The effects from application of IFRS 15 exclusively concerned the e-commerce sector and specifically B2C business and concerned a net basis representation of costs/revenues due to a differing assessment of the principal/agent role.

Indeed, 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's goods and, therefore, records costs and revenues on a net basis for revenues deriving from the full-outsourced management of the client's e-commerce site.

These results are due mainly from the fact that, if compared to the previous guidelines, 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.

Also to improve comparison and for better transparency, the following table reports the pro-forma 2017 consolidated figures, concerning the consolidation of the Ibox Group (ex E-volve) from 1 January 2017 and including therefore the Group result preceding consolidation, restated by also retrospectively applying the effects from application of IFRS 15 and IFRS 5.

Furthermore, it is stated that, under the provisions of IFRS 5 accounting standards "Non-current assets held for sale and discontinued operations", the economic results of the media sector were represented as "Discontinued operations". However, it is noted that the separated representation of discontinued operations pursuant to IFRS 5 provisions refers only to third-party relations, without prejudice to the elimination of intra-group relations. In this way, a distortion in the separation of the values between continuing and discontinued operations is determined, which, on an economic level, determines the penalisation of one or the other, more relevant the higher the intra-group economic relations of the discontinued sectors. For the purpose of eliminating said distorting effects, inter-company operations toward discontinued operations have been restored for a better representation of the continuing operations' results.

Reclassified Consolidated Income Statement

	A	B	C	C=A-B	D=A-C
(Euro thousands)	2018	2017*	2017**	Change	Change
Revenues	38,952	30,688	35,320	8,264	3,632
Restatement of eliminations arising from inter-company transactions toward discontinued operations	663	1,599	1,599	(936)	(936)
Adjusted Revenues	**39,615**	**32,287**	**36,919**	**7,328**	**2,696**
Operating Costs	(34,728)	(27,599)	(30,993)	(7,129)	(3,735)
ADDED VALUE	**4,887**	**4,689**	**5,926**	**198**	**(1,039)**
ADDED VALUE%	**12.5%**	**15.3%**	**16.8%**	**(2.7)%**	**(4.2)%**
Personnel expense	(3,653)	(2,326)	(2,922)	(1,327)	(731)
EBITDA Adjusted	**1,234**	**2,363**	**3,004**	**(1,129)**	**(1,770)**
EBITDA%	**3.1%**	**7.3%**	**8.1%**	**(4.2)%**	**(5.0)%**
Non-recurring charges	(892)	(1,747)	(1,747)	855	855
Amortisation, depreciation & write-downs	(340)	(206)	(260)	(134)	(80)
EBIT	**2**	**410**	**997**	**(408)**	**(995)**
Net financial expenses	(1,085)	(580)	(585)	(505)	(500)
PROFIT BEFORE TAXES	**(1,084)**	**(170)**	**412**	**(914)**	**(1,496)**

Income taxes	(116)	274	267	(390)	(383)
NET PROFIT FROM CONTINUING OPERATIONS	**(1,200)**	**103**	**679**	**(1,303)**	**(1,879)**
NET PROFIT FROM DISCONTINUED OPERATIONS	**(7,064)**	**(60)**	**(60)**	**(7,004)**	**(7,004)**
NET PROFIT	**(8,264)**	**43**	**619**	**(8,307)**	**(8,883)**
EBIT adjusted to non recurring charges	**894**	**2,157**	**2,744**	**(1,263)**	**(1,850)**
EBIT adjusted to non recurring charges %	**2.3%**	**6.7%**	**7.4%**	**(4.4)%**	**(5.2)%**
NET PROFIT FROM CONTINUING OPERATIONS adjusted to non-recurring charges	**(308)**	**1,850**	**2,426**	**(2,158)**	**(2,734)**
NET PROFIT FROM CONTINUING OPERATIONS adjusted to non recurring charges %	**(0.8)%**	**5.7%**	**6.6%**	**(6.5)%**	**(7.3)%**
NET PROFIT adjusted to non recurring charges	**(7,372)**	**1,790**	**2,366**	**(9,162)**	**(9,738)**
NET PROFIT adjusted to non recurring charges %	**(18.6)%**	**5.5%**	**6.4%**	**(24.2)%**	**(25.0)%**

* 31 December 2017 consolidated figures restated, applying effects from application of IFRS 15 and IFRS 5 retrospectively.
** 31 December 2017 pro-forma consolidated figures restated, applying effects from application of IFRS 15 retrospectively, in addition to the effect from the acquisition of the Ibox Group.

The consolidated revenues of continuing operations, equal to € 38.9 million, grew by € 3.6 million (+10%) if compared to the consolidated pro-forma figures of the same period for the previous fiscal year (€ 35.3 million).

This increase is due to:

- the B2B e-commerce sector for € 1.8 million (+9% on 31 December 2017 consolidated pro-forma figures), as a result of increased sales volumes for the USA market;
- the B2C e-commerce sector for € 1.8 million (+13% on 31 December 2017 consolidated pro-forma figures), as a result of both increased transactions for managed brands and the acquisition of new brands in the customer base.

Total Operating Costs of continuing operations, net of non-recurring costs, amounts to € 34.7 million (€ 30.9 million consolidated pro-forma figures at 31 December 2017), following the growth in business volumes and with the main increases concerning product acquisition costs, service costs and rent, leases and similar costs.

Personnel costs increased € 0.7 million on the same period of the previous year (2017 consolidated pro-forma figures), principally due to expanded workforce in terms of the business development and sales functions (staff).

The EBITDA of continuing operations normalised to non-recurring costs (€ 0.9 million) and to IFRS 5 effects of € 1.2 million (€ 3 million consolidated pro-forma figures at 31 December 2017) decreased due to the increased employee costs described above, mainly because of the greater

investments in human resources and expenses for the development of the completely new e-commerce platform, to support the expected increase in transactions volume and the integration with global marketplaces, China in particular; of a particularly favourable B2B business line performance in 2017 for some transactions that did not take place with continuity over the course of 2018; of greater central costs in order to adapt to the status of listed international company in the qualified STAR segment of Borsa Italiana.

More specifically, non-recurring charges concern:

- € 0.5 million for the translisting process;
- € 0.4 million of penalties for the failure to provide due notice following the settlement signed in May 2018 with the previous provider of television bandwidth.

The EBIT of continuing operations adjusted to non-recurring costs and to IFRS 5 effects amounts to € 0.9 million (€ 2,7 million consolidated pro-forma figures at 31 December 2017).

The net profit of continuing operations normalised to non-recurring costs and IFRS 5 effects equals € -0.3 million (€ 2.4 million consolidated pro-forma figures at 31 December 2017), decreasing due to the greater financing costs related to new loans taken out during 2018.

More specifically, this result reflects:

- increased financial charges of € 1.1 million (€ 0.6 million consolidated pro-forma figures at 31 December 2017), principally due to increased factoring service costs (beginning in May 2017) and interest on loans obtained subsequent to the first half of 2017.

Analysis of the parent company's statement of financial position and of the financial items at 31 December 2018

As commented in section "Consolidated Balance Sheet at 31 December 2018", in accordance with IFRS 5 accounting standard, the activities concerning discontinued operations and the associated liabilities relating to the media area were classified as "Assets/Liabilities Held for Sale".

It is noted that balance sheet figures at 31 December 2017 were not outlined, pursuant to IFRS 5 accounting standard. Therefore, comparative data do not represent separately assets and liabilities held for sale relating to the media area and, consequently, the data concerning the previous fiscal year are not directly comparable.

For more information on accounting entries classified among "assets/liabilities held for sale", see paragraph 35 of the Explanatory Notes of the financial statement.

The main balance sheet figures of the Parent Company at 31 December 2018 are as specified below:

(Euro thousands)	31.12.2018	31.12.2017	Change
Intangible Fixed Assets	4,230	5,537	(1,307)
Tangible Fixed Assets	261	5,175	(4,914)
Financial Fixed Assets	11,361	10,554	807
Total Fixes Assets	**15,852**	**21,266**	**(5,414)**
Inventories	4,952	3,685	1,267
Commercial credits and other receivables	10,572	15,140	(4,568)
Commercial debts and other receivables	(9,008)	(16,751)	7,743
Operating/Commercial Working Capital	**6,516**	**2,074**	**4,442**
Other current assets and liabilities	2,511	3,911	(1,400)
Net Working Capital	**9,027**	**5,985**	**3,042**
Provisions for risks and charges	(275)	(349)	74
Deferred tax assets and liabilities	1,131	660	471
Net Invested Capital of Continuing Operations	**25,735**	**27,562**	**(1,827)**
Net Invested Capital of Sales Activities	**1,433**	**-**	**1,433**
Total Net Invested Capital	**27,168**	**27,562**	**(394)**
Net Worth	**(6,882)**	**(11,712)**	**4,830**
Net financial position	**(20,286)**	**(15,850)**	**(4,436)**
Total Sources	**(27,168)**	**(27,562)**	**394**

The Net Invested Capital of the Parent Company at 31 December 2018, equal to € 27.2 million, is principally comprised of Net Fixed Assets of € 15.8 million (decreasing on 31 December 2017, by € 5.4 million), of Net Working Capital totalling € 9 million (€ 5.9 million on 31 December 2017) and of the Net Invested Capital for sales activities of € 1.4 million.

Tangible Fixed Assets, equal to € 0.3 million (€ 5.2 million on 31 December 2017), can mainly be attributed to fixed assets in Milan and Rome's offices, as well as electronic equipment and machineries.

Intangible Fixed Assets, equal to € 4.2 million, can mainly be attributed to the start-up related to Giglio Fashion acquisition for € 4.1 million (€ 5.5 million on 31 December 2017, € 4.1 million of which referred to Giglio Fashion and € 1.3 million to publishing rights reclassified in 2018 within Sales Activities).

Financial Fixed Assets, equal to € 11.3 million, can mainly be attributed:

for € 8.4 million, to shareholdings in subsidiaries;

for € 1.4 million, to credits in favour of subsidiaries Giglio TV, Nautical Channel and Giglio USA;

for € 1 million, to the long-term portion of the credit resulting from the transfer to GM Comunicazione S.r.l., finalised on 20 December 2018, of the authorisation to supply audiovisual media services associated to channel 65 of the digital terrestrial;

for € 0.3 million, to the fee resulting from the recourse transfer of the VAT receivable, finalised on 27 June 2018 and to be paid upon settlement of existing disputes and charges with the Tax Authority.

Analysis of the parent company's statement of profit or loss at 31 december 2018

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

(Euro thousands)	2018	2017	Change
Revenues	24,457	22,714	1,743
Restatement of eliminations arising from inter-company transactions toward discontinued operations	663	1,599	(936)
Adjusted Revenues	**25,120**	**24,313**	**807**
Operating Costs	(22,820)	(19,989)	(2,831)
ADDED VALUE	**2,300**	**4,324**	**(2,024)**
ADDED VALUE%	**9.4%**	**19.0%**	**(9.6)%**
Personnel expense	(2,058)	(1,300)	(758)
EBITDA Adjusted	**242**	**3,024**	**(2,782)**
EBITDA%	**1.0%**	**12.4%**	**(11.5)%**
Non-recurring charges	(892)	(1,747)	855
Amortisation, depreciation & write-downs	(136)	(87)	(49)
EBIT	**(786)**	**1,190**	**(1,976)**
Net financial expenses	(878)	(618)	(260)
PROFIT BEFORE TAXES	**(1,664)**	**571**	**(2,235)**
Income taxes	183	564	(381)
NET PROFIT FROM CONTINUING OPERATIONS	**(1,482)**	**1,136**	**(2,618)**
NET PROFIT FROM DISCONTINUED OPERATIONS	**(3,263)**	**(3,515)**	**252**
NET PROFIT	**(4,745)**	**(2,379)**	**(2,366)**
EBIT adjusted to non recurring charges	**106**	**2,937**	**(2,831)**
EBIT adjusted to non recurring charges %	**0.4%**	**12.1%**	**(11.7)%**
NET PROFIT FROM CONTINUING OPERATIONS adjusted to non-recurring charges	**(590)**	**2,883**	**(3,473)**
NET PROFIT FROM CONTINUING OPERATIONS adjusted to non recurring charges %	**(2.3)%**	**11.9%**	**(14.2)%**
NET PROFIT adjusted to non recurring charges	**(3,853)**	**(632)**	**(3,221)**
NET PROFIT adjusted to non recurring charges %	**(15.3)%**	**(2.6)%**	**(12.7)%**

As already commented in the section "2018 Consolidated Operating Overview", it is noted that, in order to eliminate the distorting effects resulting from the application of IFRS 5 accounting standards, inter-company operations toward discontinued operations have been restored for a better representation of the continuing operations' results.

Revenues in 2018 amount to € 24.5 million, increasing on 2017 (€ 22.7 million). The revenue growth is due to the increase in sales volumes related to the B2B e-commerce division.

EBITDA adjusted, adjusted for non-recurring charges, amounts to € 0.2 million (€ 3 million in 2017). The decrease is attributable to the increase in personnel costs (increasing by € 0.8 million

on the previous year) due to the rise in the headcount and the greater impact of operating costs (increasing by € 2.8 million on previous year) related to greater sales volumes and centralised costs incurred while adapting to the status of an international company listed in the qualified STAR segment of Borsa Italiana.
More specifically, non-recurring charges concern:

- € 0.5 million for the translisting process;
- € 0.4 million of penalties for the failure to provide due notice following the settlement signed in May 2018 with the previous provider of television bandwidth.

The EBIT of continuing operations adjusted to non-recurring costs and to IFRS 5 effects amounts to € 0.1 million (€ 2,9 million in 2017).

The Net Profit of continuing operations adjusted to non-recurring costs and IFRS 5 effects equals € -0.6 million (€ 2.9 million in 2017), decreasing due to the greater financing costs related to new loans taken out during 2018.

4. 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 three business areas (Business Units) after segmenting its activities with reference to the types of products, production processes and target markets:

1. B2B e-commerce
2. B2C e-commerce
3. Corporate.

The operating units within the above business units are as follows:

1. B2B e-commerce: Giglio Group Spa, Giglio USA, Giglio TV HK and Giglio Shanghai;
2. B2C e-commerce IBOX Group.
3. Corporate: includes centralised Group functions which can not be assigned to the business units and mainly carried out by Giglio Group S.p.A.

It is noted that, before the Group decided to focus on the e-commerce business only, the operation segments identified by the Company were:

1. Media
2. E-commerce
3. Corporate

As highlighted above, the Media sector is represented, starting from 31 December 2018, as sector held for sale within the following discontinued operations.

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

2018					
(Euro thousands)	**B2B e-commerce**	**B2C e-commerce**	**Corporate**	**Discontinued operations**	**Total**
Revenues	23,452	14,444	16		37,912
Other incomes	25	1,015	0		1,040
Total revenues	**23,476**	**15,460**	**16**	**0**	**38,952**
EBITDA Adjusted	**2,154**	**2,440**	**(4,024)**		**570**
Listing and non-recurring costs	0	0	(892)		(892)
EBIT	**2,089**	**2,236**	**(4,987)**		**(662)**
EBT	**2,102**	**1,993**	**(5,841)**		**(1,747)**
Net Profit from continuing operations	**2,009**	**1,982**	**(5,855)**		**(1,863)**
Net Profit from discontinued operations				**(6,401)**	**(6,401)**
Net Profit					**(8,264)**

The results of sectors at 31 December 2017 are as follows:

2017					
(Euro thousands)	**B2B e-commerce**	**B2C e-commerce**	**Corporate**	**Discontinued operations**	**Total**
Revenues	21,561	38,295			59,856
Other incomes	138	590			728
Total revenues	**21,699**	**38,885**	**0**	**0**	**60,584**
EBITDA Adjusted	**2,771**	**928**	**(2,935)**		**764**
Listing and non-recurring costs	0	0	(1,747)		(1,747)
EBIT	**2,757**	**809**	**(4,755)**		**(1,189)**
EBT	**2,736**	**825**	**(5,330)**		**(1,769)**
Net Profit from continuing operations	**2,706**	**564**	**(4,766)**		**(1,496)**
Net Profit from discontinued operations				**1,539**	**1,539**
Net Profit					**43**

As is previously stated, the highlighted, improved e-commerce sector performances, in comparison to the same period of the previous year, are due to greater foreign market penetration and increased sales volumes driven by customer brands, as well as by the conclusion of the process of reorganization of the productive process and by the recovery of efficiencies.

The Group does not use as an internal control driver the balance sheet data broken down by segment of activity and, consequently, segment assets and liabilities are not presented in this report.

5. Business seasonality

The Group's operations are affected by business seasonality, as reflected in the consolidated results. Specifically, the segment most influenced by seasonal changes is e-commerce, where sales volumes are highly concentrated respectively in the first, third and fourth quarters at the winter and summer sales and during the Christmas period.

6. Human resources

The Group workforce, at 31 December 2018, totalled 84 employees of which 55 in Italy, 23 in Switzerland, 3 in the United States of America, 2 in the United Kingdom and 1 in China.

At 31 December 2018 no employee of the Group was the subject of Temporary Lay-off Schemes or other similar provisions.

The following table illustrates the workforce of the Group for the year ended on 31 December 2018 and 31 December 2017.

31 December 2018	31 December 2017
Italy 55	**Italy** 44
Switzerland 23 (IBox)	**Switzerland** 20 (IBox)
U.S.A. 3 employees	**U.S.A.** 1 employee
United Kingdom 2 employees	**United Kingdom** 2 employees
China 1 employee	**China** 1 employee
Total 84 employees	**Total** 68 employees

Employees hired on temporary contracts are six.

In 2018 there were no resignations.

7. Investments

Group investments undertaken in 2018 refer to tangible and intangible fixed assets and mainly concern:

- the implementation of the IT platform dedicated to the management of online sales within the B2C e-commerce division;
- the implementation of the accounting management with regard to the Parent Company;
- the acquisition of plants, fixed assets and furniture following the setting-up of the new registered office of the Company (Piazza Diaz), finalised in the first months of the year.

8. Significant Events During the Fiscal Year

On 20 March 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.

Meanwhile, on 21 March 2018, Giglio Group presented the new Ibox 65 channel, dedicated to the home and family market (home, food, furniture, design and family) that can be viewed on the digital terrestrial channel 65, an innovative attempt to bring the T-commerce in Italy, launched on 6 June 2018 in the fashion sector on channel LCN68, allowing for the use of the traditional TV media, integrating it with innovative purchase tools (smartphones).

At the end of May 2018, an agreement was signed with WeChat for T-commerce in China - a strategic operation with the number one internet media company in China, created for Italian fashion Brands and allowing them to quickly enter the digital Chinese market and consolidate.

On 27 June 2018, Giglio Group agreed, making use of a leading credit institution, the without recourse factoring of a VAT receivable requested for repayment from the Tax Agency through the 2018 VAT model, referring to financial year 2017. The amount requested for repayment and subject to factoring was € 1.5 million, while the without recourse factoring payment agreed was € 1.4 million, settled as follows:

- € 1.2 million paid on 26 June 2018;
- € 0.3 million to be paid following the settlement of the disputes and charges forwarded by the Tax Agency concerning the tax assessments/settlement notices received in previous years and which the company has been permitted to settle in instalments.

The Board of Directors appointed Mr Massimo Mancini, the Group’s current General Manager, as the new Executive Officer for financial reporting.

In addition, the Board of Directors, with the support of the Appointments and Remuneration Committee and in fulfilment of the commitments undertaken to Borsa Italiana following its listing on the STAR segment of the MTA market, adapted its Remuneration Policy.

In order to put in place a system consistent with the new organisational structure, the Board adapted these criteria to the altered Group structure.

The Remuneration Policy was established following an assessment of the regulatory framework and the principles of the Self-Governance Code and targets the following objectives:

- to attract, maintain and motivate a highly professional management team;
- to ensure an adequate definition of performances;
- to align managerial interests with the creation of value for shareholders over medium/long-term.

On 29 October 2018, the ordinary and extraordinary Shareholders' Meeting took place.

The Meeting, in ordinary session, approved the Stock Option Plan 2018-2021 reserved to executive directors and/or managers with strategic responsibilities, in order to keep high and improve their performance and to contribute to boost the Company and the Group's growth and success.

The extraordinary Meeting delegated to the Board of Directors the authority to increase Giglio Group S.p.A. share capital against payment, pursuant to Art. 2443 of the Civil Code, in separate issues, excluding option rights, pursuant to Art. 2441, par. 8 and as far as applicable - par. 5 of the Civil Code, for a maximum amount of € 138,000.00 in nominal value, through the issue, also in more tranches, of a maximum of no. 690,000.00 ordinary shares without nominal value, to be used only within the scope of the "Stock Option Plan 2018-2021".

Assigned options can be exercised over a three-year vesting period divided into three tranches (up to 20% on the first year, up to 30% on the second year and up to 50% on the third year), and shall mature only upon achievement of the objectives identified in the plan (in terms of performance conditions).

It is noted that 2018 objective were not achieved and, similarly, on the basis of the prospective results referring to the Plan’s objectives, as at 31 December 2018, no provision has been deemed necessary.

Moreover, the extraordinary Meeting approved the five-year proxy proposal of the Board of Directors to increase the share capital against payment,, in separate issues, excluding option right within the 10% limit of the existing share capital through the issue, also in more tranches, of ordinary shares without nominal value, to be offered in subscription to be offered in subscription to the individuals identified by the Board of Directors - including qualified industrial and/or financial investors - on the condition that the issue price of the new shares corresponds to the market value of those already issued and that this is confirmed by a specific report from a statutory auditor or an auditing company.

Over Q4, the Company accelerated the transformation of its business model, moving from a model mainly based on media activities to a model focused entirely on the e-commerce activity, originally in the fashion/design sector and with particular focus on the luxury segment.

This transformation provided:

- an organic growth of the e-commerce segment, through a commercial development that can count on an internal structure of highly-qualified business developers and agents integrated in the fashion and accessories sector, with vast knowledge of those brands that could become potential clients of the Group's services, together with an increase in the connected marketplaces worldwide;
- the transfer of some assets deemed not strategic or not instrumental to the achievement of the Group's objectives, which today focuses on the e-commerce; more specifically, over the last months of 2018, the preliminary procedure for the transfer, first, of the M-Three division, the unit specialised in satellite broadcasts, and, towards the end of the fiscal year, also of Italian TV channels, was activated, beside the optimisation of the Group's efforts in the media area for China.

On 20 December 2018, in the context of the strategic process of focusing on the e-commerce, the Group signed a deal with GM Comunicazione s.r.l., editor for various Italian national TV networks, for the transfer of the authorisation to supply audiovisual media services on national TV channel "IBOX65", associated to number 65 on the digital terrestrial. The total valuation of the channel amounted to € 1.9 million, with a payment of € 200,000.00 + VAT upon subscription of the agreement, € 620,000.00 + VAT of monthly instalments during 2019 and € 1,080,000.00 + VAT to be disbursed in 27 monthly instalments starting from 31 January 2020. The transaction allowed Giglio Group to obtain a substantial capital gain equal to the transfer price, without prejudice to the costs incurred for the transaction.

9. Significant Events After the End of the Fiscal Year

On 5 February 2019, the Company announced the Group's business guidelines approved by the Board of Directors, which anticipated the Industrial Plan, approved on 15 March 2019. The pillars of the Group's new growth strategy, aim at strengthening Ibox and turning the Group into the reference partner for Italian lifestyle brands' online business. In order to further strengthen the B2B business area dedicated to managing the online sales of on-season and off-season collections through the major digital retailers' showcases worldwide, Giglio Group aims at further increasing

the number of collaborations with fashion and lifestyle platforms on a global level, expecting to define new deals with other online platforms, both in order to consolidate the markets where it already operates (such as the USA, Russia, China and Australia) and to expand also in emerging countries such as Latin America, India, United Arab Emirates and Canada. The new strategy envisages the increase of the Group's presence in the Chinese market, producing on its own about 83% of global e-commerce sales, obtaining a widespread presence on the main digital platforms of the Country.

The objective over the next 5 years in China expects an expansion both in terms of agreements with new brands and as far as integrated marketplaces' number is concerned.

On 12 February 2019, the Board of Directors and the Bondholders' Meeting (quorate) approved the amendment of the Regulation of the debenture bond with ISIN code IT0005172157.

For more information, see paragraph 10 of this Report.

On 12 March 2019, the Company announced a transaction that is part and parcel of the new strategic line announced to the public on 5 February 2019, as well as fully consistent with the transfer activities of non-core assets started on November 2018 and with the new Industrial Plan 2019-2023, approved on 15 March 2019 and providing for the focus on the e-commerce, thus substituting the previous one.

Giglio Group, together with **Vértice Trescientos Sesenta Grados**, SA ("Vertice 360"), incorporated under Spanish law and listed on Madrid's main stock exchange market and operating in the digital, cinema and broadcasting sectors, and **Squirrel Capital SLU**, based in Madrid and operating in shareholdings management, signed a contract aimed at transferring to Vertice 360 Giglio Group's assets related to the media area against a reserved capital increase of € 1,136,363.64, with the consequent issue of 1,136,363,636.00 Vertice 360's shares in favour of the Company. The scope of the transfer comprises the television broadcasting activities in Italy (among which the TV channel on the digital terrestrial –LCN 68), the 100% of M-Three Satcom business unit -operating in the satellite broadcast sector with the management of two teleports in Italy-, the company Nautical Channel Ltd -Giglio Group's subsidiary, owner of the thematic TV channel of the same name, visible in 90 Countries and 5 Continents, dedicated to sailing and water sports-, as well as parts of the TV contents and rights destined for China.

Squirrel Capital is the majority shareholder of Vertice 360, with 54.66% of its share capital. It is the most important advertising and audiovisual group in the Spanish market, as well as the only one to provide, through its societies, all-round solutions in the advertising and audiovisual industries.

Squirrel owns Radio R4G and Canal Bom Tv Channel and works actively in the advertising market, operating from Centro Media and Agenzia Creativa, managing exclusively the European advertising planning on all media of the online meta search engines giant TRIVAGO.

Vertice 360, listed on Madrid's stock exchange market ever since 2007, operates on two main business lines: production and distribution of international audiovisual contents.

The value of the transaction was set at about € 12,500,000.00, as estimated total value of the 1,136,363,636.00 shares of Vertice 360 (subscription price of € 0.011 per share) to be issued in favour of Giglio Group.

The Company made use of a primary consulting company that, after verifying the assets of Giglio Group and Vertice 360, assessed that the issue of 1,136,363,636.00 shares of Vertice 360 in exchange to the media activity for € 12,500,000.00 was reasonable for Giglio Group and its shareholders from a valuation point of view. It also defined that the unit price for the activity (€ 12,500,000.00) and Vertice 360 shares (€ 0.011 per share) are reasonable for Giglio Group and its shareholders from a valuation point of view.

The Parties agreed to conclude the final contracts by 30 April 2019 and to close the transaction by 30 November 2019. Vertice 360 is currently undergoing a share capital increase of about € 12 million, which shall be finalised by the date of the Reserved Increase, in full due to the subscription guarantee of the unassigned share capital granted by Squirrel. Indicatively, the Shareholders' Meeting of Vertice 360 for the approval of the Reserved Increase, which shall be held, indicatively by 30 September 2019, shall be called by 31 July 2019.

The transaction is subject to: (i) the assessment of an expert appointed by the Spanish Commercial Register, competent under the Spanish law, confirming the value of Giglio Group's Media Division, defined as a contribution in kind within the Reserved Increase; (ii) the conclusion of the final contracts; (iii) the completion of the Capital Increase; as well as (iv) the completion of all applicable administrative, authorisation and regulatory fulfilments. These conditions can be renounced by the interested Party/ies.

Giglio Group and Vertice 360 agreed to start cooperating in the management of Giglio Group's Media Division and, until the end of the transaction, any decision shall be agreed upon by both Parties within the framework of a committee composed of two members, respectively appointed by Vertice 360 and Giglio Group.

In the context of the transaction, Vertice 360 and Giglio Group, benefiting from their expertise in the Digital, TV and e-commerce sectors, shall work together in order to generate continuous

business and enterprise synergies all over the world. Vertice 360 is focused on the media world and will be able to enhance and improve Giglio Group's media assets, counting on a specific know-how, strong synergies and a particular specialisation in the sector.

By doing so, Giglio Group shall focus entirely on the e-commerce, aiming at maximising the potential of the media area by transferring it to a highly-specialised and professional player of the sector. Despite the transfer of the media area, Giglio Group shall still monitor the digital marketing area, also in collaboration with Vertice, for the commercial video promotion of its brands on Chinese media channels managed by the Group. The local presence in the market shall be fulfilled by the subsidiaries Giglio TV Hong Kong and Giglio Shanghai, that will focus entirely on the commercialisation of goods on their own account (B2B) or on the brands' account (B2C), developing the operational, technological and logistic platform necessary to connect brands to the Country's marketplaces. Among the various services offered to the brand, Giglio Group shall also cater for the production and placement of videos in the Country's main digital channels, on the basis of the strong experience developed so far, as well as by benefiting from the privileged relation with CCTV, Chinese State TV.

The Board of Directors approved the Industrial Plan 2019-2023, which takes into account the effects of the divestment of the media area, excluding it from the perimeter of Giglio Group's operations starting from 2019. With the Industrial Plan 2019-2023, the Company adopts a tool whose strategic objective are focused in the context of the ongoing transformation, recognising the main performance indicators of the e-commerce sector.

Giglio Group represents itself as a real e-commerce player with unique characteristics in the sector, a global presence and specific high skills, well-integrated in its own market context for its relations with "Made in Italy"'s main brands.

Economic and Financial Highlights

2021 Revenues: > € 70 million

2021 EBITDA: > € 9 million

Industrial Highlights

2021 Gross Merchandise Value Growth: € 159 million

By 2021: +30 contractualised brands

The plan assumes the continuous development of the new technological platform that started during 2018, allowing more scalability in terms of manageable transactions and integration velocity of brand systems with marketplace platforms, as well as omnichannels. Moreover, investments are assumed for the development of the Chinese e-commerce platform, in order to support brands and their sales on the marketplaces integrated to the Group's technological structures developed in the Country.

The Industrial Plan considers a GMV (Gross Merchandise Value) acceleration of more than 20% on an annual basis both for organic growth - in line with the expectation of the reference market (online sales for luxury fashion) - and for new brand acquisitions, for which a strong increase s expected from 2019, on the basis of numerous and important ongoing negotiations.

The Industrial Plan considers in a very conservative way the effects of the launch of the commercialisation of the Group's services in China, albeit being aware of the quality of its commercial, technological and marketing proposal and of its superiority if compared to other offers.

The strategic objectives of the Plan define a Group that leads the Italian market and is capable of catering for a relevant share of the online "Made in Italy" market with more than 50 marketplaces integrated on a global scale, as well as of becoming on of the most relevant digital and commercial partners for Made in Italy's luxury in China.

Giglio Group aspires to become partner with more than 80 brands, with at least 50 integrated brands in its Ibox platform and with sales in China three-times higher than 2018, without however incorporating turnovers that might be realised through partnerships with big brands, with which negotiations are continuous.

During the time span of the Plan, the objective is to double revenues, quickly regaining a significant sustainable profitability (Ebitda/Revenues) on the long term, with an incidence of more than 12%.

For the whole duration of the Plan, investment hypotheses are rather cautious, but sufficient to support the technological set-up of the e-commerce platform in China as well as the distribution activity.

The Industrial Plan provides for a strong improvement of the financial profile, counting on the generation of positive cash flows, a strong working capital control to support B2B sales, minor financial needs fro investments than the previous fiscal years and an active management of the

position in equity securities listed that the company receives in exchange for the transfer of the media area within the context of the transaction with Vertice 360.

10. 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 € 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 31 December 2018:

Parameters	**Threshold values for year**
NFP / EBITDA	<=4
NFP / SE	<=2.0
EBITDA / OF	>=5.0

On 12 February 2019, the Board of Directors and the Bondholders' Meeting (quorate) approved the amendment of the Regulation of the debenture bond with ISIN code IT0005172157.

The main amendments to the Regulation concern:

- the inclusion of transfer operations regarding assets related to TV and media area among the operations allowed without prior authorisation from the Bondholders' Meeting;
- the amendment of the amortization plan with the introduction of monthly reimbursement tranches starting from 28 February 2019 until 30 September 2020, new expiry date of the debenture loan;
- the payment of interests on a monthly basis pursuant to the payment dates provided for by the new amortization plan, not withstanding (i) that the annual interest rate for the

debenture bond remains unchanged and (ii) that interests accrued between 10 September 2018 and 27 February 2019 shall be paid on 10 March 2019;

- the definition of financial covenants, specifying that during 2018, any deviation from said covenants shall not produce the effects set forth in the Regulation.

11. Outlook

Giglio Group envisages to continue strengthening its positioning as leader in the reference market, i.e. as digital, logistic and marketing services operator for fashion brands, recording a sales volumes' increase in all geographical areas. The Company expects this performance to be driven by a favourable organic growth, thanks to the positive and consistent e-commerce market's trend on a global scale, other than to the launch of new e-stores, many of which replace competitors, and to the constant focus on the development of connections to new marketplaces. Giglio Group also envisages to record a stead increase of the EBITDA if compared to 2018, thanks to the revenues increase, to the achievement of a wider scale on major markets, to a better operational efficiency, also taking into account the process of media area divestment, which shall take time and resources for its completion. The Company thus reiterates its trust in the achievement of these medium-term objectives as set out in the Industrial Plan 2019-2023, especially in the light of the activity of commercial development which, in the first months of 2019, resulted positive in terms of contacts, negotiations and contracts.

Going concern

In accordance with IAS 1 and in compliance with the requirements of documents no. 2 of 6 February 2009 and no. 4 of 3 March 2000, issued jointly by Banca d'Italia, Consob and Isvap, the Directors' assessments regarding the existence of going concern for the purposes of the creation of 2018 Annual Financial Report are shown below.

The Company closed fiscal year 2018 with a significant loss due mainly to the reorganization of its activities and to the focus on the e-commerce business.

On 15 March 2019, the Board of Directors approved the Industrial Plan 2019-2023, which takes into account the effects of the divestment of the media area, excluding it from the perimeter of Giglio Group's operations. Giglio Group represents itself as a real e-commerce player with unique

characteristics in the sector, a global presence and specific high skills, well-integrated in its own market context for its relations with "Made in Italy"'s main brands. The Plan assumes the continuous development of the implementation of the new technological platform, which began during 2018. Moreover, the development of the Chinese e-commerce platform is expected, in order to support brands and their sales on the marketplaces integrated to the Group's technological structures developed in the Country. The strategic objectives of the Plan define a Group that leads the market and is capable of catering for a relevant share of the online "Made in Italy" market with more than 50 marketplaces integrated on a global scale, as well as the most relevant digital and commercial partners for Made in Italy's luxury in China.

The elaboration of the Plan was based, inter alia, on (i) general, hypothetical and discretional assumptions, and (ii) on a series of discretional estimates and hypotheses regarding the execution, on behalf of Directors, of specific actions to be undertaken over the 2019-2023 period, or concerning future events on which directors can only partially have an impact and that may not take place or vary during the course of the Plan.

The realisation of the objectives and the achievement of the results provided for by the Plan depend, other than from the actual realisation of the volume of revenues outlined, also from the effectiveness of the actions identifies and by their prompt implementation, according to the times and the economic impacts hypothesised.

The Group constantly monitors the performance of the reference markets with regard to the Plan assumptions and the prompt implementation of the envisaged actions, keeping a proactive and constant focus on the containment of costs and on the identification of initiatives aimed at reaching a greater operational efficiency that might mitigate the risk related to the contractualisation of new clients/brands and ensure the achievement of the expected economic results.

As far as the implementation of the Plan is concerned, relevant financial needs to support investments, working capital and debt repayments (expiring in 2019) are envisaged. Under the forecasts, these needs shall be funded, other than by cash flows from operational management, by an imminent issuing of bonds amounting to € 5,000,000.00 and lasting 8.5 years, with a grace period of 2 years, to be subscribed by primary financial operators. Specific reference is made to a non-convertible debenture bond in the context of the "EBB Export Programme" aimed at the retrieval of financial resources for a selected number of companies, for funding and supporting

internationalisation projects of the Issuers' core business. The operation is structured by Finint, Banca Finanziaria Internazionale Group, and envisages the involvement as guarantor of SACE, agency of the Ministry of Economy and Finance encouraging export activities and as Anchor Investor of Cassa Depositi e Prestiti, the most important Italian financial institution controlled by the Italian Ministry of Economy and Finance, which includes among its statutory objectives the support of entrepreneurial initiatives deemed profitable and strategic for the development of the Country.

The Company's Board of Directors resolved on 27 March 2019 on the issue of the debenture bond, and the operation has be finalised with the signature of the contracts between the involved on 2 April 2019. The date of grant of the bond was set on 9 April 2019.

The Operation envisages among its credit enhancement processes, the issuing of a guarantee of first demand by SACE S.p.A. on the fulfilment of the payment obligations on account of share capital an interests resulting from the loan issues floated by the same. For the issuance of the guarantee, the Company shall subscribe a direct agreement with SACE, as well as a contract aimed at governing, inter alia, the terms and conditions for the issue of the SACE Guarantee, the commitments which are informative in nature, the obligations to deliver/surrender and the obligations to indemnify and hold harmless taken by each Issuer in favour of SACE, as well as the terms and conditions for the payment of the premium owed to SACE; as of today, the interest rate on the debenture bond has not been defined yet.

Among the industrial commitments, the obligation to finalise a project to support export activities is included. The financial covenants to be respected throughout the duration of the Debenture Bond shall be two and, more specifically: a) a gearing ratio (ratio between net total debts and net worth) lower than 2 for the whole duration of the Bond, and b) a leverage ratio (ratio between net total debts and Ebitda) lower than: (i) 4.5 in 2019 and 2020 and (ii) 3.5 starting from 2021 and until the Expiration Date. It is noted that on the basis of the results envisaged in the Industrial Plan, these covenants are respected in the years of the Plan.

Simultaneously, the Company is also engaged in the negotiation of medium/long-term funding with the banking system, also consistent with the guidelines of the Industrial Plan 2019-2023, which define a structure of the bank debt with an average financial duration longer than the current one. The Company has the support of its reference shareholder, Meridiana Holding, as in the past, for the finalisation of these operations, in the interest of the Company. More specifically,

the Company is negotiating a medium/long-term funding of up to € 8 million, also in more tranches, with a primary banking institution aimed at streamlining the number of banks, that is by reducing it, and optimising the work with each institution with whom the Company collaborates, comparing it with the degree of intensity of the existing loan relationship.

Furthermore, the Company keeps entertaining uninterrupted ordinary relations with the banking system for credit supply to support the working capital necessary to fuel the e-commerce business and, in particular, the fashion products' distribution.

Finally, the Company the adopted a Board resolution delegating the Board of Directors to increase the share capital against payment up to 10% of the current share capital. More specifically, reference is made to the extraordinary Shareholders' Meeting of 29 October 2018, which approved the five-year proxy proposal of the Board of Directors to increase the share capital against payment,, in separate issues, excluding option right within the 10% limit of the existing share capital, to be offered in subscription to be offered in subscription to the individuals identified by the Board of Directors - including qualified industrial and/or financial investors - on the condition that the issue price of the new shares corresponds to the market value of those already issued and that this is confirmed by a specific report from a statutory auditor or an auditing company. The objective of the eventual activation of this proxy shall be reflected in the interest of the Company to dispose of a greater financial endowment in order to accelerate the development plan, to benefit of any synergy resulting from an industrial partnership with an operator of the reference sector and to make the stock market more liquid.
In light of the above, despite the inevitable uncertainties of the methods of execution of the Industrial Plan 2019-2023 and the retrieval of necessary financial resources for its realisation, the Directors deem it possible to possess financial instruments allowing for the creation of 2018 Annual & Consolidated Financial Report on the assumption of going concern.

12. Information and Management of 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 and foreign e-commerce 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 2013-2018 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.

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.

13. Reconciliation Group net worth and net result

The table below reports the reconciliation between the net equity and net result of the parent company and the consolidated net worth and net result at 31 December 2018 and 31 December 2017:

(Euro thousands)	Net Worth 31.12.2018	Profit 31.12.2018	Net Worth 31.12.2017	Profit 31.12.2017
Net Worth and Net Result of Giglio Group S.p.A.	**6,881**	**(4,745)**	**11,712**	**(2,379)**
Net worth of subsidiaries and difference between equity investment value and subsidiaries' equity share	1,528	(3,519)	4,980	2,422
Group Total Net Worth and Result	**8,409**	**(8,264)**	**16,692**	**43**

14. Relations with Related Parties

In accordance with the Consob Regulation adopted with resolution no. 17221 of 12 March 2010 as amended, Giglio Group S.p.A. adopted a Procedure for Transactions with Related Parties ("Related-Parties Procedure") available on the Company's Website www.giglio.org, section "Corporate Governance/Governance System and Rules/Related-Parties Procedure". For more information on the relations with related parties, see paragraph 30 of the Explanatory Notes.

15. Share Performance

The share performance of the Company on the market and volumes traded in 2018 are as follows:

The market capitalisation at 31 December 2018 equalled € 33.8 million, showing a much greater value if compared to the size of shareholders' equity of the Group resulting from the last approved consolidated balance sheet. As at the same date, outstanding shares amount to 16,040,250.

16. Information on Corporate Governance and Ownership Structure

As per Art. 123-bis of Legislative Decree no. 58/1998 (CFA)

On 15 March 2019, Giglio Group S.p.A. Board of Directors approved the annual Corporate Governance Report (the "Report"), created also as per Art. 123-bis of the Consolidated Financial Act.

The Report includes the description of the Corporate Governance system adopted by Giglio Group S.p.A. (the "Company"), provides information on the ownership structure and on the acceptance of the Corporate Governance Code, shows the main governance practices of the Company and the characteristics of the Internal Control and Risk Management system in relation to the financial reporting process.

Corporate Governance

For more information on the Corporate Governance, see the Corporate Governance Report, created pursuant to Art. 123-bis of the CFA and approved by the Company's Board of Directors together with the Company's Financial Statement

available in its registered office as well as on the Group's Website (www.giglio.org – Corporate Governance section).

Main characteristics of the internal control and risk management system

The Internal Control and Risk Management System of Giglio Group S.p.A. is structured to ensure the achievement of corporate objectives through the identification and management of the Company's main risks, thus contributing to attain efficient and effective corporate operations, reliable financial reporting and conformity with current laws and regulations.

For more information on the Internal Control and Risk Management System, see the Corporate Governance Report, created pursuant to Art. 123-bis of CFA, approved by the Company's Board of Directors together with the Company's Financial Statement and available in its registered office as well as on the Group's Website (www.giglio.org - Corporate Governance section).

17. More Information

Research and development new products

In 2018, no research and development activities were undertaken.

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.

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.

Significant shareholders and shares of the Issuer

At the date of the present financial statements (March 2019) the official data indicates the following significant shareholders:

- 55.67% shares held by Meridiana Holding S.r.l. (company held 99% by Alessandro Giglio and 1% by his wife Yue Zhao);
- DOCOMO Digital Italy S.P.A . which holds 9.91% of the share capital.

Investments held by Directors, Statutory Auditors, and Managers with Strategic Responsibilities

For more information on the investments held by Directors, Statutory Auditors, and Managers with Strategic Responsibilities, see the Remuneration Report created pursuant to Art. 123-ter of the CFA, Art. 84-quater and Annex 3A, scheme 7-bis of Consob Regulation no. 11971/1999 as amended (the "Issuers' Regulation") and to Art. 6 f the Corporate Governance Code, available on the Company's Website www.giglio.org, in the Corporate Governance section.

18. Giglio Group S.p.A. Financial Statement at 31 December 2018 – Resolution proposal

Dear Shareholders,

At the end of our Report, we propose:

1. to approve the 2018 financial statement;
2. with regard to the loss of € 4,744,900, to approve the writing-off of the operating loss by using the reserves amounting to € 8,418,303, net of retained earnings of the previous year.

Milan, 15 March2019

Board of Directors

The Chairman

GIGLIO GROUP S.p.A.

Registered office in Milan, Piazza Diaz, 6 Milan

Share capital: € 3,208,050

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

Registered at Milan Companies Registration Office with no. 07396371002

Consolidated Financial Statements as at 31 december 2018

FINANCIAL STATEMENTS

- Consolidated Statement of Financial Position
- Consolidated Statement of Profit or Loss and Other Comprehensive Income
- Consolidated Statement of Cash Flow
- Consolidated Statement of Changes in Net Equity
- Explanatory Notes to the consolidated financial statements

Consolidated Statement of financial position

Consolidated Statement of financial position (Euro thousands)		31.12.2018	31.12.2017
Non-current assets			
Property, plant & equipment	(1)	1,492	6,829
Intangible assets	(2)	629	10,926
of which Distribution rights		-	-
of which Publishing rights		-	10,573
Other intangible assets		629	353
Goodwill	(3)	11,668	11,718
Equity investments	(4)	5	150
Receivables	(5)	1,590	142
Deferred tax assets	(8)	1,174	941
Total non-current assets		**16,558**	**30,706**
Current assets			
Inventories	(6)	5,273	6,729
Trade and other receivables	(7)	12,519	20,926
Financial receivables		-	-
Tax receivables	(8)	9,949	9,822
Other assets	(9)	2,653	3,010
Cash and cash equivalents	(10)	2,889	6,209
Total current assets		**33,283**	**46,696**
Assets held for sale	(35)	**18,431**	**-**
Total Assets		**68,272**	**77,402**
Shareholders' Equity	(11)		
Share capital		3,208	3,208
Reserves		11,400	11,374
Extraordinary reserve		-	-
Listing charges		(541)	(541)
FTA Reserve		4	4
Retained earnings		2,602	2,609
Translation reserve		-	(5)
Net profit		(8,264)	43
Total Group Shareholders' Equity		**8,409**	**16,692**
Minority interests		-	-
Total Shareholders' Equity		**8,409**	**16,692**
Non-current liabilities			
Provisions for risks and charges	(12)	804	864
Deferred tax liabilities	(13)	3	282
Financial liabilities (non-current portion)	(14)	6,663	9,201
Total non-current liabilities		**7,470**	**10,347**
Current liabilities			
Trade and other payables	(15)	24,070	33,728
Financial liabilities (current portion)	(14)	16,009	11,763
Tax payables	(16)	2,824	3,581
Other liabilities	(17)	982	1,291
Total current liabilities		**43,885**	**50,363**
Assets held for sale and liabilities directly associated with assets held for sale	(35)	**8,508**	**-**
Total liabilities and shareholders' equity		**68,272**	**77,402**

Consolidated Statement of profit or loss and other comprehensive income

Consolidated Statement of profit or loss (Euro thousands)		31.12.2018	31.12.2017
Total revenues	(18)	**37,912**	**59,856**
Other revenues	(18)	1,040	728
Change in inventories		1,493	2,616
Purchase of raw materials, ancillary, consumables and goods	(19)	*(19,735)*	*(49,307)*
Service costs	(20)	*(15,395)*	*(11,123)*
Rent, lease and similar costs	(21)	*(1,029)*	*(785)*
Operating costs		**(36,159)**	**(61,215)**
Salaries and wages	(22)	*(3,101)*	*(1,759)*
Social security charges	(22)	*(541)*	*(490)*
Post-employment benefits	(22)	*(11)*	*(76)*
Personnel expense		**(3,653)**	**(2,325)**
Amortisation	(23)	*(153)*	*(88)*
Depreciation	(23)	*(134)*	*(120)*
Write-downs	(23)	*(53)*	*0*
Amortisation, depreciation & write-downs		**(340)**	**(208)**
Other operating costs	(24)	*(956)*	*(642)*
Operating profit		**(663)**	**(1,190)**
Financial income	(25)	*80*	*137*
Net financial expenses	(25)	*(1,164)*	*(717)*
Profit before taxes		**(1,747)**	**(1,770)**
Income taxes	(26)	*(116)*	*274*
Net Profit from continuing operations		**(1,863)**	**(1,496)**
Net Profit from discontinued operations*	(35)	**(6,401)**	**1,539**
Net Profit		**(8,264)**	**43**
Of which minority interest		-	-
Basic and diluted profit from continuing operations		**(0.1161)**	**(0.1010)**
Basic and diluted profit from discontinued operations		**(0.3991)**	**0.1039**
Net profit per share – basic and diluted		**(0.5177)**	**(0.0002)**

* In compliance with provisions set forth in paragraph 33 of IFRS 5 "Non-current assets held for sale and discontinued operations", the analysis of the net profit of discontinued operations can be shown in the income statement or in the notes, alternatively. The Group chose to show the analysis in the Notes at note 35 "Discontinued operations", to which reference is made.

Consolidated Statement of Other Comprehensive Income

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (Euro thousands)		31.12.2018	31.12.2017
Net Profit		(8,264)	43
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)	(46)	(42)
Total other comprehensive items which may not be subsequently reclassified to profit/(loss) for the year net of income taxes		**(46)**	**(42)**
Consolidated comprehensive profit		**(8,304)**	**(4)**

Consolidated Statement of Changes in Net Equity

Description *(Euro thousands)* Note 11	Share capital	Reserves	FTA Reserve	Translation reserve	IAS 19 Reserve	Retained earnings	Net profit	Total
31 DECEMBER 2016 BALANCE	**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 profit/(loss)							43	43
31 DECEMBER 2017 BALANCE	**3,208**	**10,914**	**4**	**(5)**	**(81)**	**2,609**	**43**	**16,692**

Description *(Euro thousands)* Note 11	Share capital	Reserves	FTA Reserve	Translation reserve	IAS 19 Reserve	Retained earnings	Net profit	Total
31 DECEMBER 2017 BALANCE	**3,208**	**10,914**	**4**	**(5)**	**(81)**	**2,609**	**43**	**16,692**
Effect of first application IFRS 9 and IFRS 15 *(note 7)*						(51)		(51)
01 JANUARY 2018 BALANCE	**3,208**	**10,914**	**4**	**(5)**	**(81)**	**2,558**	**43**	**16,641**
Share capital increase	-							-
Share premium reserve		-						-
Retained earnings						43	(43)	-
IAS 19 Reserve					26			26
Exchange rate effect				5				5
Other changes	-	-				61		61
Group profit/(loss)							(8,264)	(8,264)
31 DECEMBER 2018 BALANCE	**3,208**	**10,914**	**4**	**-**	**(55)**	**2,602**	**(8,264)**	**8,409**

CONSOLIDATED STATEMENT OF CASH FLOW

Euro thousands		31.12.2018	31.12.2017
Cash flows from operating activities			
Profit (loss) for the period of continuing operations		(1,863)	(1,409)
Profit (loss) for the period of discontinued operations	(35)	(6,401)	1,453
Adjustments for:			
Amortisation of tangible assets	(1)	135	120
Amortisation of intangible assets	(2)	153	87
Non-cash changes of provisions		126	584
Write-downs/(Revaluations)	(23)	53	-
Net financial charges/(income)	(25)	1,085	580
Income taxes	(26)	116	(360)
Changes in:			
Inventories	(6)	1,324	(2,564)
Trade receivables	(7)	2,054	742
Tax receivables	(8)	(202)	(5,534)
Other assets	(9)	(933)	(1,525)
Deferred tax liabilities	(13)	(279)	(88)
Trade payables	(15)	(894)	2,896
Tax payables	(16)	(697)	2,214
Other liabilities	(17)	97	729
Change in net working capital		**470**	**(3,130)**
Changes in provisions	(12)	(51)	(51)
Changes in assets/liabilities held for sale	(35)	4,765	(248)
Cash flow generated from operating activities		**(1,412)**	**(2,374)**
Interest paid	(25)	(1,085)	(580)
Income taxes paid	(26)	(116)	360
Net cash flow generated from operating activities		**(2,613)**	**(2,594)**
Cash flows from investing activities			
Investments in property, plant & equipment	(1)	(170)	(225)
Investments in intangible assets	(2)	(456)	(45)
Acquisition Evolve Group net of liquidity acquired		-	558
Acquisition Giglio Fashion net of liquidity acquired		-	-
Other intangible assets	(5);(8)	(1,788)	(740)
Increase equity investments	(4)	(5)	-
Change in consolidation scope			
Net cash flow absorbed by investing activities		**(2,419)**	**(452)**
Cash flow from financing activities			
Share capital increase		-	-
Change in Shareholders' Equity		(20)	(46)
New financing	(14)	6,000	3,200
Repayment of loans	(14)	(3,132)	(1,965)
Change in financial debt	(14)	(1,135)	6,250
Net cash flow absorbed by financing activities		**1,713**	**7,439**
Net increase/(decrease) in cash and cash equivalents		**(3,319)**	**4,393**
Cash and cash equivalents at January 1		6,209	1,817
Cash and cash equivalents at 31 December		2,889	6,209

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

A. Corporate information

The publication of the consolidated financial statements of Giglio Group S.p.A. (the Company) for the period ended 31 December 2018 was approved by the Board of Directors on 15 March 2019.
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 30.

B. Accounting standards

The consolidated financial statements of Giglio Group S.p.A at 31 December 2018 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 net worth (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 E-volve

Service 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, with the exception of newly-adopted policies, which should be consulted in the "Accounting standards, amendments and interpretations in force from 1 January 2018" paragraph.

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 2015, with transition date to IFRS at 1 January 2014.

C. Basis of presentation

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

In particular:

- in the Balance Sheet, the current and non-current assets and liabilities are shown separately;
- in the Comprehensive Income Statement, the analysis of the costs is based on their nature;
- for the Cash Flow Statement, the indirect method is used.

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

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:

- Identification of Cash Generating Unit (CGU); In application of the requirements in "IAS 36 - Impairment of assets", the goodwill recorded in the Group's Consolidated Financial Statement, by virtue of business combination transactions, was assigned to single CGUs or to groups of CGUs that are expected to benefit from this combination. A CGU is the smallest identifiable group of assets that generates a largely independent cash flow. In the process of identification of the aforementioned CGUs, the management kept note of the specific nature of the activity and the business to which it belongs, verifying that the cash flows generated by a group of activities were strictly independent and largely autonomous from the ones resulting from other activities (or

group of activities). The activities included in every CGU were identified also on the basis of the procedures by which the management monitors and manages them.

- Application of requirements for IFRS 5 application; The Group classifies non-current activities and disposal groups as "held for sale" if their book value will be recovered mainly with a sale operation instead of their continued use. The condition for the classification of "held for sale" shall be deemed respected only when the sale at the financial statement date is highly probable and the activity or group to be discontinued is available for immediate sale as is. The actions required to close the sale should point out that it is improbable that any significant change shall occur in the sale or that this might be cancelled. The management must commit to sell, and the sale must be closed within one year from the classification. The management shall include in its assessments all facts and circumstances, including the events that might hinder the disposal plans.
- Measurement of non-current assets' or disposal groups' fair value; The Group classifies non-current assets and disposal groups as held for sale or distribution to the Parent Company's Shareholders if their book value will be recovered mainly through a sales or distribution transaction, instead of with their continuous use. These non-current assets and disposal groups classified as held for sale or distribution to Shareholders are assessed at the lower between the book value and the fair value, net of sales or disposal costs. On 11 March 2019, the Parent Company concluded a transfer agreement with Vértice Trescientos Sesenta Grados, S.A. (Vertice 360) for some assets regarding the media division, classified, where the other conditions are met, in the non-current assets. The value of these assets has been assessed at about € 12.5 million on the basis of a fairness opinion commissioned by the Company to an independent expert. For the purpose of budgeting at 31 December 2018 the non-current assets to be recorded at the lower between the cost and the fair value, the values resulting from the fairness opinion were used as reference for the fair value, as described in detail in paragraph 35 of the Explanatory Notes.
- Assessment of control requirements' existence; Pursuant to the provisions of IFRS 10 accounting standard, control is attained when the Group is exposed or is entitled to variable yields resulting from the relation with its subsidiary and has the capacity, through its power over the subsidiary, to influence its yields. The power is the actual capacity to direct the subsidiaries' relevant activities by virtue of substantial existing rights. The existence of control does not depend exclusively on the possession of the voting rights' majority, but on the substantial rights of the investor on the subsidiary. Consequently, the assessment of the management is requested in order to assess specific situations determining substantial rights that attribute to the Group the

power to direct the subsidiary's relevant activities so much so as to influence its yields. For the purposes of the assessment of the control requirement, the management shall analyse all facts and circumstances, including all agreements with investors, the rights resulting from other contractual agreements and from potential voting rights (call options, warrants, put options assigned to minority shareholders etc.). These facts and circumstances can be particularly relevant in the context of this assessment, especially when the Group holds less than the majority of the subsidiary's voting right, or similar rights. The Group shall reassess the existence of control requirements on a subsidiary when the facts and circumstances point at a variation of one or more of the elements taken into account for the assessment of its existence.

- 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;

The recoverability analysis of commercial credits is undertaken on the basis of the so-called expected credit loss model.

More specifically, expected credit losses are determined on the basis of the product between: (i) the exposure to the counterpart net of relevant mitigating guarantees (so called Exposure At

Default or EAD); (ii) the chance that the counterpart does not comply with its payment obligation (so called Probability of Default or PD); (iii) the estimate, in percentage, of the quantity of credit that shall not be recovered in case of default (Loss Given Default or LGD), defined on the basis of previous experiences (historical series of recovery capacity) and of the possible recovery actions to be undertaken (e.g. out-of-court proceedings, litigations, etc.).

- Payments based on shares or options:

The cost of work includes, consistently to the substantial nature of the compensation, the cost of the incentive stock option plan. The incentive cost is determined with regards to the fair value of the financial instruments assigned and to the intended number of shares/options to be assigned; the pertinent share is determined pro-rata temporis over the vesting period, i.e. during the period between the grant date and the assignment date. The fair value shares/options underlying the incentive plan is determine on grant date taking into account the forecasts regarding the achievement of performance parameters associated with market conditions, and cannot be adjusted in the following fiscal years; if obtaining the benefit is linked to conditions other than the market's, the forecast regarding these conditions is reflected by adjusting over the vesting period the number of shares that shall be assigned. At the end of the vesting period, in the event that the plan does not assign shares to the beneficiaries due to the failure t reach performance conditions, the share of the cost concerning market conditions cannot be reversed into the income statement.
It is specified that on 29 October 2018, the Company held the ordinary and extraordinary Shareholders’ Meeting.

The Meeting, in ordinary session, approved the Stock Option Plan 2018-2021 reserved to Executive Directors and/or Managers with Strategic Responsibilities in order to keep high and improve their performance and to contribute to boost the Company and the Group's growth and success.

The extraordinary Meeting delegated to the Board of Directors the authority to increase Giglio Group S.p.A. share capital against payment, pursuant to Art. 2443 of the Civil Code, in separate issues, excluding option rights, pursuant to Art. 2441, par. 8 and - as far as applicable - par. 5 of the Civil Code, for a maximum amount of € 138,000.00 in nominal value, through the issue, also in more tranches, of a maximum of no. 690,000.00 ordinary shares without nominal value, to be used only within the scope of the "Stock Option Plan 2018-2021".

Assigned options can be exercised over a three-year vesting period divided into three tranches (up to 20% on the first year, up to 30% on the second year and up to 50% on the third year), and shall

mature only upon achievement of the objectives identified in the plan (in terms of performance conditions).

It is noted that 2018 objective were not achieved and, similarly, on the basis of the prospective results referring to the Plan's objectives, as at 31 December 2018, no provision has been deemed necessary.

- 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 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
- 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 judgement and makes it necessary to identify the most suitable methodologies for the valuation of assets acquired and liabilities assumed; 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 three business areas (Business Units) after segmenting its activities with reference to the types of products, production processes and target markets:

4. B2B e-commerce
5. B2C e-commerce
6. Corporate.

The operating units within the above business units are as follows:

4. B2B e-commerce: Giglio Group Spa, Giglio USA, Giglio TV HK and Giglio Shanghai;
5. B2C e-commerce IBOX Group.
6. Corporate: includes centralised Group functions which can not be assigned to the business units and mainly carried out by Giglio Group S.p.A.

It is noted that, before the Group decided to focus on the e-commerce business only, the operation segments identified by the Company were:

1. Media
2. E-commerce
3. Corporate

As highlighted above, the Media sector is represented, starting from 31 December 2018, as sector held for sale within the following discontinued operations.

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

2018					
(Euro thousands)	**B2B e-commerce**	**B2C e-commerce**	**Corporate**	**Discontinued operations**	**Total**
Revenues	23,452	14,444	16		37,912
Other incomes	25	1,015	0		1,040
Total revenues	**23,476**	**15,460**	**16**	**0**	**38,952**
EBITDA Adjusted	**2,154**	**2,440**	**(4,024)**		**570**
Listing and non-recurring costs	0	0	(892)		(892)
EBIT	**2,089**	**2,236**	**(4,987)**		**(662)**
EBT	**2,102**	**1,993**	**(5,841)**		**(1,747)**
Net Profit from continuing operations	**2,009**	**1,982**	**(5,855)**		**(1,863)**
Net Profit from discontinued operations				**(6,401)**	**(6,401)**
Net Profit					**(8,264)**

For a better representation, the results of sectors at 31 December 2017 are as follows:

2017					
(Euro thousands)	**B2B e-commerce**	**B2C e-commerce**	**Corporate**	**Discontinued operations**	**Total**
Revenues	21,561	38,295			59,856
Other incomes	138	590			728
Total revenues	**21,699**	**38,885**	**0**	**0**	**60,584**
EBITDA Adjusted	**2,771**	**928**	**(2,935)**		**764**
Listing and non-recurring costs	0	0	(1,747)		(1,747)
EBIT	**2,757**	**809**	**(4,755)**		**(1,189)**
EBT	**2,736**	**825**	**(5,330)**		**(1,769)**
Net Profit from continuing operations	**2,706**	**564**	**(4,766)**		**(1,496)**
Net Profit from discontinued operations				**1,539**	**1,539**
Net Profit					**43**

As is previously stated, the improved e-commerce sector performances in comparison to the same period of the previous year is due to greater foreign market penetration and increased sales volumes driven by customer brands.

The Group does not use as an internal control driver the balance sheet data broken down by segment of activity and, consequently, segment assets and liabilities are not presented in this report.

F. Management of capital and financial risks

Financial risk objectives and criteria

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. The 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.

Financial risks are monitored through an integrated reporting system aimed at allowing the analytic planning of future activities.

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

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.

(amount in €/000)

Analysis of sensitivity of interest rate risk on variable rate items	**Underlying**	**Increase/Reduction in underlying interest rates**	**Profit/(loss) before taxes**
31 December 2018	(17,230)	+1%	(1,922)
31 December 2018	(17,230)	-1%	(1,572)

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.

2018 figures include the effects of the adoption of IFRS 9.

The Group has availed itself of the option provided in IFRS 9 to not redetermine the comparative information of previous fiscal years, exposing again, solely for completeness purposes, the tables of credit risk
related to the previous fiscal year.

The overall tables cannot be compared directly, since the doubtful debt provision was determined in 2018 with the expected credit losses method, hereinafter the ECL (pursuant to IFRS 9) in substitution to the incurred losses method used in 2017.

The ageing of the gross trade receivables at 31 December 2018 and 31 December 2017 is shown below:

(Euro thousands)	**Year ended at 31 December 2018**	**%**	**Year ended at 31 December 2017**	**%**
> 120 days	2,675	*21.8 %*	4,242	*25.3 %*
90<> 120 days	*652*	*5.3 %*	*1,771*	*10.6 %*
60<> 90 days	*708*	*5.8 %*	*688*	*4.1 %*
30<> 60 days	*1,125*	*9.2 %*	*1,186*	*7.1 %*
0<> 30 days	*1,112*	*9.0 %*	*1,191*	*7.1 %*
Total overdue	***6,273***	***51.0 %***	***9,078***	***54.1 %***
Not overdue	*6,018*	*49.0 %*	*7,692*	*45.9 %*
Total gross receivables	**12,290**	***100.0 %***	**16,770**	***100.0 %***
Doubtful debt provision	*(1,359)*		*(2,109)*	
Inc. provision on overdue 120 days	*(50.8)%*		*(49.7)%*	
Total	**10,931**		**14,661**	

The following table shows the Group's exposition to credit risk per geographical area:

(Euro thousands)	**Year ended at 31 December 2018**	**%**	**Year ended at 31 December 2017**	**%**
Europe	6,675	*54.3 %*	11,286	*67.3 %*
Asia	*5,578*	*45.4 %*	*4,657*	*27.8 %*
USA	*4*	*0.0 %*	*445*	*2.7 %*
Rest of the world	*34*	*0.3 %*	*382*	*2.3 %*
Total gross receivables	**12,290**	***100.0 %***	**16,770**	***100.0 %***
Doubtful debt provision	*(1,359)*		*(2,109)*	
Total	**10,931**		**14,661**	

The doubtful debt provision was determined by elaborating a specific provision matrix.

More specifically, the Group, due to the variety of its clients, identified appropriate groupings and associated to them a specific rating determined on the basis of the Company's experience.

To each rating type, a specific write-down percentage was applied, according to the overdue range, as shown in the following table:

Rating	> 120 days	90<> 120 days	60<> 90 days	30<> 60 days	0<> 30 days	Not overdue
A (low risk)	4.4%	3.4%	2.4%	1.4%	0.4%	0.2%
B (average risk)	5.4%	4.4%	3.4%	2.4%	0.6%	0.4%
C (high risk)	6.4%	5.4%	4.4%	3.4%	0.8%	0.6%

These percentages were later adjusted to take into account the loss given default rate or other specific considerations concerning clients undergoing litigations.

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 31 December 2018 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	11	15	11
IFITALIA Factoring - BNL	5,950	2,595	-	-	-	-	5,950	2,595
Banco Popolare	300	184	100	-	20	16	420	200
Banca Popolare di Milano	650	180	-	420	-	-	650	600
Banca Sella	-	-	200	60	-	-	200	60
Banca Popolare di Sondrio	150	150	-	-	-	-	150	150
FACTORIT - Banca Popolare di Sondrio	300	-	-	-	-	-	300	-
CREDIMI	1,570	1,502	-	-	-	-	1,570	1,502
UNICREDIT	5,000	4,990	-	-	50	-	5,050	4,990
CARIPARMA	1,500	-	-	-	-	-	1,500	-
BNL	-	-	-	-	50	-	50	-
BANCA INTESA HONG KONG	-	-	200	190	-	-	200	190
Total	**15,420**	**9,601**	**500**	**669**	**135**	**27**		**10,298**

	16,055

The Company is currently re-negotiating the credit lines with a primary bank for an amount up to € 8 million.

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

Capital management

For the purposes of the Group's capital management, it has been defined that the capital includes the issued share capital, the share premium reserve and all other share reserve attributable to the Parent Company's shareholders. The Board of Directors' capital management policies envisage maintaining a high capital level in order to preserve the trust of investors, creditors and the market, thus allowing for the future development of activities. The Group manages the capital structure and carries out adjustments on the basis of economic conditions and the requirements of financial covenants. For the purpose of maintaining or amending the capital structure, the Group may intervene on the dividends paid to shareholders, may refund the capital to shareholders or may issue new shares.

The Group manages the capital and financial risks consistent with the structure of the assets.

The objective of the Group is to maintain over time adequate credit rating and levels of capital indicators, consistent with the structure of the assets.

ACCOUNTING POLICIES AND ASSESSMENT CRITERIA

Consolidation principles

The consolidated financial statements include the financial statements of Giglio Group S.p.A and its subsidiaries at 31 December 2018. 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 net worth.

If the Group loses control of a subsidiary, it must eliminate the relative assets (including goodwill), liabilities, minority interests and other net worth 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.

Assets held for sale that are very likely to be sold within the next 12 months, provided that requirements set forth in IFRS 5 are complied with, are classified in accordance with the provisions of this standard and, therefore, once integrally consolidated, all the activities relating to them shall

be classified under a single entry, defined as "Assets held for sale", while the liabilities connected to them are inscribed in a single line of the balance sheet, in the section for liabilities, and their surplus margin is shown in the income statement
under the entry "Profit (loss) from assets held for sale and discontinued operations".

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 IFRS 9 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 Shareholders' Equity, without recording through the income statement.

Consolidation scope

Information on subsidiaries:

The consolidated financial statements of the Group include:

Consolidation scope

Giglio Group S.p.A.	Italy	**Parent company**	
Nautical Channel Ltd	UK	**Subsidiary**	100%
Giglio TV HK*	HK	**Subsidiary**	51%
Giglio USA	USA	**Subsidiary**	100%
IBOX SA	Switzerland	**Subsidiary**	100%
Giglio (Shanghai) Technology Company Limited	China	**Subsidiary**	100%
IBOX SRL	Italy	**Subsidiary**	100%
E-volve Service USA	USA	**Subsidiary**	100%

* The minority interests equal to 49% held by Simest S.p.A. is classified from minority interests to financiali liabilities, due to the irrevocable obligation to purchase this portion, by Giglio Group S.p.A., as of 30 June 2022.

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 € 3,208,050.

More specifically, the Company operates in the e-commerce business line.

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:

Unit 305 – 7,3/F, Laford Centre, 838

Lai Chi Kok Road, Cheung Sha Wan,

Kowloon, Hong Kong

Share capital € 1,530,000, 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 € 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 of € 18,000, 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 € 40,000

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: € 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 are 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

The Group currently does not have other financial instruments or assets and liabilities measured at fair value, other than the ones mentioned with regard to the media sector, for sale, of which more information can be found in paragraph 35.

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.

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 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

Trade receivables and debt securities issued are recorded at the assignment date.

With the exception of trade receivables, which do not include a significant financing component, financial assets are assessed originally at the fair value plus or less, in the event of assets and

liabilities not assessed at FVTPL, the transaction costs attributable to the purchase or issue of the financial asset. On initial recognition, trade receivables without a significant financial component are assessed at their transaction price.

On initial recognition, financial assets are classified according to their assessment: amortised cost; fair value identified in other components of overall income statement (FVOCI) - debt security; FVOCI - share capital; or fair value through profit and loss (FVTPL). Financial assets are not reclassified following their initial recognition, provided that the Group does not change its business model for financial assets management. In this event, all affected financial assets shall be reclassified on the first day of the first fiscal year following the change in business model.

The "Loans and receivables" assessment is carried out with the amortised cost criterion, by recording in the income statement the interests calculated at effective interest rate, by applying a rate that nullifies the sum of current net cash flows values generated by the financial instrument. Losses are recorded in the income statement as a result of value losses or when receivables and lending are eliminated from company accounts. Receivables are subject to impairment and are thus recorded at their fair value through the creation of a specific write-down provision directly deducted from the asset value. Receivables are written down when an objective indication of the probable irrecoverability of the credit arises, as well as on the basis of the Company's experience and of statistical data (expected losses). If, in the following periods, the reasons for the write-downs cease to be, the value of the assets is reversed

up to the value that the asset would have had, taking into account the amortisation, if no write-down 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

Financial liabilities are recorded initially at their fair values, which substantially coincides with amounts collected, net of transaction costs. The management shall determine the classification of financial liabilities according to the criteria set forth in IFRS 9 and IFRS 7 at the time of their first recording.

Following first recording, the liabilities shall be assessed at the amortised cost, as defined by IFRS 9 accounting standard. The "Financial liabilities assessed at amortised cost" assessment is carried out with the amortised cost criterion, by recording in the income statement the interests calculated at effective interest rate, by applying a rate that nullifies the sum of current net cash flows values generated by the financial instrument. In the event of instruments expiring in the following 12 months, nominal value as approximation of the amortised cost is adopted.

Payables and other financial liabilities are initially recognised at fair value net of any directly attributable incidental costs and only after they are measured at amortised cost, using the

effective interest rate criterion. When there is a change in the expected cash flows, the value of the liabilities is recalculated to reflect this change, based on the present value of the new cash flows and on the effective interest rate initially determined.

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 and incomes are recorded net of returns, discounts, bonuses and premiums, as well as of taxes directly connected to the sale of products and the provision of services, pursuant to IFRS 15. More specifically, the revenues of products sales are recorded when the assets are under the buyers' control. That moment, on the basis of most common contractual clauses, coincides with the transfer of the assets.

Revenues regarding the provision of services are recorded on the basis of the effective completion of the service on the reference date of the financial statement, and are represented net of discounts and bonuses.

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.

Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale or for distribution to the company's shareholders if their book value will be recovered mainly with a sale or distribution transaction, instead of their continued use. These non-current assets and disposal groups classified as held for sale or for distribution to shareholders are assessed at the lower between the book value and the fair value, net of sales or disposal costs. Disposal costs are the additional costs directly attributable to disposal, excluding financial costs and taxes.

The condition for the classification of "held for sale" shall be deemed respected only when the sale is highly probable and the activity or group to be discontinued is available for immediate sale as is. The actions required to close the sale should point out that it is improbable that any significant change shall occur in the sale or that this might be cancelled. The management must commit to sell, and the sale must be closed within one year from the classification. Similar considerations are valid also for assets and disposal groups held for sale.

The amortisation of plants, machineries and intangible assets ends when they are classified as "held for sale or distribution to shareholders".

Assets and liabilities classified as held for sale or distribution to shareholders are recorded separately in the current items of the financial statement.

A disposal group qualifies as discontinued operation if it is:

- a component of the Group representing a CGU or a group of CGUs;
- classified as held for sale or distribution to shareholders or it has already been transferred;
- an important autonomous branch of activities or a geographical area of activities.

Assets held for sale are excluded from the result of operating assets and are recorded in the profit/(loss) income statement in single line as net profit/(loss) from discontinued operations.

Payments based on shares or options

The Group recognizes additional benefits to some of it directors, managers, employees, advisor and workers through a equity-settled plans (the "Stock Option Plan"). According to IFRS 2 provision - Payments based on shares -, they must be considered of the "equity settlement" type; therefore, the overall current value of Stock Option at the grant date is recorded in the income statement as cost.

Accounting standards, amendments and interpretations applied from 1 January 2018

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 1 January 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 adopted IFRS 15 from 1 January 2018 with the cumulative effect approach and the effects of initial application of the standard on the consolidated financial statements are described in detail below.

Therefore, the 2017 figures were not restated i.e. they were presented as per IAS 18.

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.

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 assets during the execution of its own performance obligation and, therefore, records 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 control concept during the execution of its own Performance Obligation. 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 (credit risk included) referred to in the previously applicable IAS 18.

The effects from application of IFRS 15 are presented below.

Consolidated Balance Sheet (Euro thousands)	31.12.2018 reported	IFRS adjustments	31.12.2018 without IFRS adjustments
Inventories	5,273	3,318	8,591
Trade and other payables	24,070	3,318	27,388

Consolidated Income Statement (Euro thousands)	31.12.2018 reported	IFRS adjustments	31.12.2018 without IFRS adjustments
Total revenues	**37,912**	52,092	**90,004**
Change in inventories	1,493	448	1,941
Purchase of raw materials, ancillary, consumables and goods	*(19,735)*	(52,539)	*(72,274)*

IFRS 9 – Financial instruments

The document incorporates the results of the IASB project to replace IAS 39: More specifically, IFRS 9:

- 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 Giglio Group adopted IFRS 9 from 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 € 70,000 (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.

The effects from application of IFRS 9 are presented below.

Consolidated Balance Sheet (Euro thousands)	31.12.2017 reported	IFRS adjustments	01.01.2018
Deferred tax assets	941	19	960
Trade and other receivables	20,926	(70)	20,856
Net Worth			
Share capital	3,208		3,208
Reserves	11,374		11,374
Extraordinary reserve	-		-
Listing charges	(541)		(541)
FTA Reserve	4		4
Retained earnings	2,609	(51)	2,558
Translation reserve	(5)		(5)
Net profit	43		43
Total Group Net Worth	**16,692**		**16,641**

Following first application of IFRS 9 at 1 January 2018, the difference emerging was recognised to Shareholders' Equity.

Amendment to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"

In September 2016, the IASB published "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts". The amendments clarify the considerations deriving from application of the

new IFRS 9, before the replacement by the IASB of the current IFRS 4 with the new standard currently under discussion. The standard did not impact the Group consolidated financial statements.

Amendment to IFRS 2 - Classification and Measurement of Share-based Payment Transactions

In June 2016, the IASB published amendments to IFRS 2 "Classification and measurement of share-based payment transactions" 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. The standard did not impact the Group consolidated financial statements.

Amendments to IAS 40 Investment Property: Transfers to Investment Properties

In December 2016, the IASB published the document "Amendments to IAS 40 Transfer of Investment Property". These amendments clarify the transfers of an asset to, or from, investment property. Based on these amendments, an entity must reclassify an asset to, or from, investment property only when the asset complies with or ceases to comply with the definition of "investment property" and there has been a clear change in the utilisation of the asset. This change must be attributable to a specific event and shall not therefore be limited to only a change in intention by management of the entity. The standard did not impact the Group consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB published the "IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration" document. 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. The standard did not impact the Group consolidated financial statements.

Improvements to IFRS: 2014-2016 Cycle

In December 2016, the IASB published the "Annual Improvements to IFRS Standards: 2014-2016 Cycle"; main amendments concern:

- IFRS 1 First-time adoption of International Financial Reporting Standards - The amendments eliminate some exemptions within IFRS 1, as the benefit from these exemptions are no longer applicable.
- IAS 28 - Investments in associates and joint ventures - The amendment clarifies that the option for risk capital investment companies or other similar companies to measure investments in associates and joint ventures valued at fair value through profit or loss (rather than through application of the equity method) is applied for each individual investment on initial recognition.

Accounting standards, amendments and interpretations approved by the EU and applicable from January 1, 2018

Amendment to IFRS 9 Financial Instruments: "Prepayment Features with Negative Compensation"

In October 2017, the IASB published amendments to IFRS 9 Prepayment Features with Negative Compensation. The amendment proposes that financial instruments repaid early, which may give rise to negative offsetting, may apply the amortised cost or fair value through other comprehensive income method depending on the business model adopted. The amendments will be applicable from periods beginning on 1 January 2019.

IFRS 16 – Leases

The standard, published by the IASB in January 2016 and approved by the European Commission on October 2017, replaces IAS 17 standard proposing 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. All contracts included in the leasing definition, with the exception of the contracts regarding low-value assets and leasing lasting less than or 12 months, shall be recorded in the balance sheet as a right of use activity with a corresponding contribution as financial debt. On the other hand, the standard does not include significant amendments for lessors. The policy introduces a criterion based on the right of use of an asset to differentiate between leasing and service contracts, identifying essential differences:

- the identification of the asset in use (i.e. without the right of replacement of the asset by the lessor);
- the right to obtain substantially all the economic benefits from the use of the asset;
- the right to decide how to use the asset and to which end.

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

In the first application, it is possible to use the full retrospective approach (with redefinition of comparative information) or the modified retrospective approach (with cumulative effect of the IFRS 16 adoption, recorded as adjustment of the opening balance of profits recorded on 1 January 2019 without the redefinition of comparative information).

Currently, the Group has completed the analysis of contracts potentially affected by this policy both in Italy and in the other countries where it operates. For the short-term or low-value leases contracts, the Group exercised the right not to apply the recording and assessment provisions set forth in IFRS 16.

The transition method that the Group shall adopt is the aforementioned modified retrospective approach. The Group shall account a financial liability equal to the current value of future remaining payments at the transition date, discounted using for each contract the IBR (Incremental Borrowing Rate) applicable at the transition date, after using the option to determine the right of use equal to the value of the financial liability.

The Group, who will have to adopt the IFRS 16 leasing starting from 1 January 2019, estimated the effect resulting from the first application of this policy on 2018 consolidated financial statement to € 2.9 million of increased financial liabilities and tangible fixed assets. The effect at separate financial statement's level of Giglio Group S.p.A. is estimated at 31 December 2018 at € 2.7 million of increased financial liabilities and tangible fixed assets.

The final effects from the adoption of the standard at 1 January 2019 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.

Accounting standards, amendments and interpretations not yet approved by the EU and applicable from January 1, 2018

IFRS 17 Insurance Contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts which replaces IFRS 4, issued in 2004. The standard has the objective to improve investors' understanding of the exposure to risk, earnings and the financial position of insurers, requiring that all insurance contracts are recorded on a uniform basis, overcoming the problems created within IFRS 4.

The standard is applicable from January 1, 2021, however advance application is permitted.

IFRIC 23 – Uncertainty over income tax treatments

In June 2017, the IASB published interpretation IFRIC 23 – Uncertainty over Income Tax Treatments. The interpretation clarifies the application of the requirements for recognition and measurement established in IAS 12 Income Taxes when uncertainties exist on tax treatment. The amendments will be applicable from periods beginning January 1, 2019, although early application is permitted.

Amendment to IAS 28 Investments in associates: Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9 is applied to long-term receivables from an associate or joint venture which, in substance, are part of the net investment in the associate or joint venture. The amendment in addition establishes that IFRS 9 is applied to these receivables before the application of IAS 28, so that the entity does not take account of any adjustments to long-term interests from application of the above IAS. The amendments will be applicable from periods beginning January 1, 2019, although early application is permitted.

Improvements to IFRS: 2015-2017 Cycle

In December 2017, the IASB published the "Improvements to IFRS: Cycle 2015-2017" document, with the principal amendments concerning:

- **A.** IFRS 3 - Business Combination and IFRS 11 – Joint Arrangements - The amendments to IFRS 3 clarify that when an entity obtains control of a joint operation, it should restate the fair value of the interest that it previously held in this joint operation. The amendments to IFRS 11 clarify that when an entity obtains joint control of a joint operation, the entity does not restate the fair value of the interest previously held in the joint operation.
- **B.** IAS 12 - Income tax consequences of payments on financial instruments classified as equity - The proposed amendments clarify that the entity should recognise any tax effects from the distribution of dividends.
- **C.** IAS 23 - Borrowing costs eligible for capitalisation - The amendments clarify that where loans specifically undertaken for the acquisition and/or construction of an asset remain in place even after the asset is ready for use or sale, these loans cease to be considered specific and therefore are included in the generic loans of the entity for the calculation of the capitalisation rate of the loans.

The amendments will be applicable from periods beginning on 1 January 2019. Earlier application is permitted.

Amendment to IAS 19 - Plan Amendment, Curtailment or Settlement (published in February 2018)

The amendments clarifies how current labour costs and net interest is calculated where there is a change to the defined benefits plan. The amendments will be applicable from periods beginning on 1 January 2019. Earlier application is permitted.

Amendment to IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture" (published on September 11, 2014)

The document was published in order to resolve the current conflict between IAS 28 and IFRS 10 relating to the measurement of the gain or loss from the sale or conferment of a non-monetary asset to a joint venture or associate in exchange for a share of the capital of this latter. Currently, the IASB has suspended the application of this amendment.

Employment data

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

Workforce	31.12.2018	31.12.2017	Change
Executives	4	3	1
Managers	8	7	1
White-collar	72	58	14
Blue-collar	-	-	-
Others	-	-	-
Total	**84**	**68**	**16**

During the fiscal year, the workforce increase by effect of new recruitments aimed at strengthening the business development and sales functions (staff).

There were no resignations in the year.

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

ASSETS

B) Non-current assets

1. Property, plant & equipment

Balance at 31.12.2018 1,492

Balance at 31.12.2017 6,829

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

Tangible Fixed Assets	Plant	Equipment	Furniture & fittings	EDP	Motor vehicles	Others	Total
Change in Historical Cost							
31 December 2017	**17,163**	**165**	**330**	**338**	**577**	**365**	**18,939**
Continuing operations increases	8	3	66	17	-	4	96
Discontinued operations increases	165	9	-	17	-	38	229
Decreases	-	-	-	-	-	-	-
Reclassification for divestments	(13,638)	(95)	(48)	(149)	(452)	(280)	(14,663)
31 December 2018	**3,697**	**82**	**347**	**224**	**125**	**126**	**4,601**
Change in Amortisations							-
31 December 2017	**(10,990)**	**(119)**	**(227)**	**(298)**	**(366)**	**(108)**	**(12,110)**
Continuing operations amortisations	(48)	(3)	(38)	(15)	(29)	(2)	(135)
Discontinued operations amortisations	(1,610)	(6)	(1)	(3)	(34)	(18)	(1,672)
Decreases	-	-	-	-	-	-	-
Reclassification for divestments	10,174	49	48	131	378	28	10,808
31 December 2018	**(2,474)**	**(78)**	**(219)**	**(185)**	**(51)**	**(101)**	**(3,108)**
Net Value 31 December 2018	**1,224**	**4**	**129**	**39**	**73**	**25**	**1,492**

Increases of € 96,000 are reported at 31 December 2018, mainly concerning the purchase of plant and furniture to fit out the new offices (Piazza Diaz) of the company, completed in the initial months of the year.

Divestments refer to the reclassification of part of the assets as assets held for sale, as commented in paragraph 35.

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

2. Intangible assets

Balance at 31.12.2018 629

Balance at 31.12.2017 10,926

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

Intangible Fixed Assets	Publishing rights	Other intangible assets	Total
Change in Historical Cost			
31 December 2017	**21,529**	**3,929**	**25,459**
Continuing operations increases	-	538	538
Discontinued operations increases	6,285	52	6,337
Decreases	-	-	-
Reclassification for divestments	(27,814)	(169)	(27,983)
31 December 2018	**-**	**4,349**	**4,349**
Change in Amortisations			
31 December 2017	**(10,956)**	**(3,584)**	**(14,541)**
Continuing operations amortisations	-	(153)	(153)
Discontinued operations amortisations	(5,825)	(67)	(5,892)
Decreases	-	-	-
Reclassification for divestments	16,780	85	16,865
31 December 2018	**(1)**	**(3,720)**	**(3,721)**
Net Value 31 December 2018	**(1)**	**629**	**629**

Other intangible fixed assets refer to trademarks and software.

Increases of € 538,000 are reported at 31 December 2018, mainly concerning the implementation of the IT platform dedicated to managing online sales for the B2C e-commerce division (equal to € 418,000) and the implementation of the accounting management (equal to € 119,000)with regard to the Parent Company.

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

The overall change is due to the reclassification of part of the assets as assets held for sale, for which paragraph 35 is referred.

In accordance with IAS 36, an assessment was made of any impairment indicators relating to intangible assets. At 31 December 2018, 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 31.12.2018	**11,668**
Balance at 31.12.2017	**11,718**

Goodwill includes:

- € 7,583 thousand relating to the goodwill arising from the acquisition of the Ibox Group in April 2017;

- € 4,084 thousand relating to the acquisition of Giglio Fashion in March 2016.

At 31 December 2018, no loss was recorded based on the impairment test carried out.

The impairment test works on two levels, Tier 1, where the headroom against the Consolidated Net Capital Invested is verified, and Tier 2, where the actual impairment test is executed with regard to the CGUs to which the goodwill is ascribable.

Both at single CGU level and at consolidated level, the Unlevered Free Cash Flow (UFCF) of explicit forecast were determined using Plan balance-sheet data and exempting the Ebit with a theoretical taxation of 27.9%, while the terminal value (TV) was calculated as the average of UFCFs of the explicit forecast period, aligning amortisations to the average Capex level in the five-year period.

The discount rate applied was the adjusted WACC at 15.54%.

The 2019-2023 multi-annual Industrial Plan was approved by the Directors on 15 March 2019.

TIER 1

The Tier 1 (consolidated level) shows that, upon a Net Capital Invested of € 19.1 million, the consolidated enterprise value amounts to € 33 million (of which € 15.5 million resulting from the discounting of flows from explicit forecast and € 17.4 million from the terminal value).

Subsequently, the Tier 1 (verification of the value of use of the goodwill recorded in the consolidated financial statement at about € 11.7 million) gave positive results against a headroom of € 13.9 million.

TIER 2 – B2C

The Tier 2 of B2C CGU (Business to Consumer) shows that, upon a Net Capital Invested of € 7.3 million, the enterprise value amounts to € 24 million (of which € 15.4 million resulting from the discounting of cash flows from explicit forecast and € 8.6 million from the terminal value).

Subsequently, the Tier 2 of B2C CGU (verification of the value of use of the goodwill recorded in the consolidated financial statement at about € 7.6 million) gave positive results against a headroom of € 16.7 million.

TIER 2 – B2B

The Tier 2 of B2B CGU (Business to Business) shows that, upon a Net Capital Invested of € 7.3 million, the enterprise value amounts to € 21.6 million (of which € 8.6 million resulting from the discounting of cash flows from explicit forecast and € 13 million from the terminal value).

Subsequently, the Tier 2 of B2B CGU (verification of the value of use of the goodwill recorded in the consolidated financial statement at about € 4.1 million) gave positive results against a headroom of € 14.3 million.

In comparison with the previous fiscal year, it is noted that the enterprise value used to amount to € 18.6 million (of which € 1.6 million resulting from the discounting of cash flows from explicit forecast and € 16.9 million from the terminal value) and the headroom used to amount to € 18.8 million.

Sensitivity analysis and stress test

The company also carried out a sensitivity analysis on the above-mentioned assumptions, through growth rate variations (G) equal to +/- 0.5% 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.

Furthermore, a stress test was carried out by aligning revenues with the average market growth rate at Tier 1, Tier 2 B2C and Tier 2 B2B levels. The technical sensitivity tables thus obtained highlight how the stress test produces a strong reduction of the headroom, especially at Consolidated Net Capital Invested levels, that, in any event, remain positive, amounting to € 0.8 million.

4. Equity investments

Balance at 31.12.2018	**5**
Balance at 31.12.2017	**150**

The account at 31 December 2018, includes the investment consequent to incorporation, together with Acque Minerali Italiane, of the company Cloud Food Srl in March 2018, equal to € 5,000. This investment is measured at equity, in accordance with IFRS 11 - Joint Arrangements. At the reporting date, the company exclusively reports a share capital of € 10,000.

The decrease compared to the previous fiscal year, equal to € 145,000, refers to the reclassification among the assets held for sale of equity investments in Pegaso Srl (of which the Company holds 3% of its share capital) and Class TV Moda Holding (of which the Company holds 50% of its share capital). For more information, see paragraph 35.

5. Receivables and other non-current assets

Balance at 31.12.2018 **1,590**

Balance at 31.12.2017 **142**

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

Receivables and non-current assets	31.12.2018	31.12.2017	Change
Guarantee deposits	168	142	26
Others	1,422	-	1,422
Total	**1,590**	**142**	**1,448**

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

- Satif S.p.A. for the administrative offices at the Milan headquarters;
- Rfezia Immobiliare Servizi S.p.A. for the Rome offices;
- Interoute S.p.A. for the San Giuliano Milanese (MI) offices.

The item "Others" refers to:

- for € 1 million, to the long-term portion of the credit resulting from the transfer to GM Comunicazione S.r.l., finalised on 20 December 2018, of the authorisation to supply audiovisual media services associated to channel 65 of the digital terrestrial;
- for € 0.3 million, to the fee resulting from the recourse transfer of the VAT receivable, finalised on 27 June 2018 and to be paid upon settlement of existing disputes and charges with the Tax Authority.

6. Inventories

Balance at 31.12.2018 **5,273**

Balance at 31.12.2017 **6,729**

The inventories of the Group comprise finished products for sale.

The 31 December 2017 balance does not incorporate the effects from application of IFRS 15, as stated in the “Accounting standards, amendments and interpretations in force from 1 January 2018” paragraph.

At 31 December 2018 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 31 December 2018, the obsolescence provision is equal to € 148,000 and includes the provision for the year amounting to € 36,000.

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.

7. Trade and other receivables

Balance at 31.12.2018 **12,519**

Balance at 31.12.2017 **20,926**

The breakdown of the account is as follows:

Trade receivables	31.12.2018	31.12.2017	Change
Trade receivables	12,480	20,985	(8,505)
Advances to suppliers	1,142	644	498
Guarantee deposits	111	737	(626)
Other receivables	145	668	(523)
Doubtful debt provision	(1,359)	(2,109)	750
Total	**12,519**	**20,926**	**(8,407)**

The change in the item if compared to 31 December 2017 is due to the reclassifications applied upon application of IFRS 5 accounting standard, equal to € 4.7 million, with reference to media area's assets, as described in detail in paragraph 35.

The supplier advances of B2B e-commerce division relate to advances on orders of the PE and AI 2019 collection.

The geographic breakdown of gross trade receivable at 31 December 2018 and 31 December 2017 are as follows:

(Euro thousands)	**Year ended at 31 December 2018**	**%**	**Year ended at 31 December 2017**	**%**
Europe	6,675	*54.3 %*	11,286	*67.3 %*
Asia	*5,578*	*45.4 %*	*4,657*	*27.8 %*
USA	*4*	*0.0 %*	*445*	*2.7 %*

Rest of the world	*34*	*0.3 %*	*382*	*2.3 %*
Total gross receivables	**12,290**	***100.0 %***	**16,770**	***100.0 %***
Doubtful debt provision	*(1,359)*		*(2,109)*	
Total	**10,931**		**14,661**	

The ageing of the gross trade receivables at 31 December 2018 and 31 December 2017 is shown below:

(Euro thousands)	**Year ended at 31 December 2018**	**%**	**Year ended at 31 December 2017**	**%**
> 120 days	2,675	*21.8 %*	4,242	*25.3 %*
90<> 120 days	*652*	*5.3 %*	*1,771*	*10.6 %*
60<> 90 days	*708*	*5.8 %*	*688*	*4.1 %*
30<> 60 days	*1,125*	*9.2 %*	*1,186*	*7.1 %*
0<> 30 days	*1,112*	*9.0 %*	*1,191*	*7.1 %*
Total overdue	***6,273***	***51.0 %***	***9,078***	***54.1 %***
Not overdue	*6,018*	*49.0 %*	*7,692*	*45.9 %*
Total gross receivables	**12,290**	***100.0 %***	**16,770**	***100.0 %***
Doubtful debt provision	*(1,359)*		*(2,109)*	
Inc. provision on overdue 120 days	*(50.8)%*		*(49.7)%*	
Total	**10,931**		**14,661**	

The changes in the doubtful debt provision are as follows:

Doubtful debt provision	
31 December 2017 Balance	**2,109**
Restatement for first application IFRS 9	70
01 January 2018 Balance	**2,179**
Continuing operations provision	53
Discontinued operations provision	310
Discontinued operations uses	(222)
Releases	-
Changes from assets held for sale	(961)
31 December 2018 Balance	**1,359**

The provision for the year amounting to € 53,000 predominantly refers to the Parent Company, 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 determines the doubtful debt provision through the elaboration of a specific provision matrix. In particular, the Group, due to the variety of its clients, identified appropriate groupings and associated to them a specific rating, applying to them a specific write-down percentage.

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

8. Tax receivables

Balance at 31.12.2018 **11,123**

Balance at 31.12.2017 **10,763**

The breakdown of tax receivables is shown below:

Tax receivables	31.12.2018	31.12.2017	Change
Deferred tax assets	1,174	941	233
Total deferred tax assets	**1,174**	**941**	**233**
IRES	412	398	14
IRAP	131	130	1
Withholding taxes	-	11	(11)
INPS	3	3	-
INAIL	2	2	-
VAT	9,390	9,256	134
Others	11	23	(12)
Total current tax receivables	**9,949**	**9,822**	**126**
Total tax receivables	**11,123**	**10,763**	**359**

This part of the account includes deferred tax assets equal to € 1,174 thousand mainly relating to deferred tax assets calculated on the tax losses of the Parent Company on 2017 (€ 515,000), following which, on a prudent basis, have not been provisioned , to the tax effect of the IPO costs in 2015 (€ 39,000) and to the tax effect of the write-down of receivables (€ 199,000) and of deferred tax assets (€ 191,000) calculated on the write-downs of tangible assets following the transfer of the media area. For more information, see paragraph 35.

The current part of the account includes all the tax receivables for payments on account or credits matured.

The VAT receivable amounting to € 9,390, refers:

- for € 6,713 thousand to the Ibox Group and concerns the Italian VAT 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 recoverability of this receivable is supported by an opinion issued by a respected tax firm and with the 2018 VAT Declaration, tax period 2017, a request for repayment was made to the Tax Agency for an amount of € 3.5 million. The usual inspection activities of the Tax Agency are in progress.
- and for € 2,677 thousand to Giglio Fashion division of the Parent Company, concerning Italian VAT generated by virtue of its nature of habitual exporter.

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 31.12.2018 **2,653**

Balance at 31.12.2017 **3,010**

Other assets	31.12.2018	31.12.2017	Change
Other assets	22	56	(34)
Prepayments and accrued income	2,631	2,954	(323)
Total	**2,653**	**3,010**	**(357)**

Prepayments and accrued income relate:

- for € 1,331 thousand to the Ibox Group: they concern the relative installations for the use of management software for the years 2019 and thereafter invoiced in advanced.
- for € 620,000, to the short-term portion of the credit resulting from the transfer to GM Comunicazione S.r.l., finalised on 20 December 2018, of the authorisation to supply audiovisual media services associated to channel 65 of the digital terrestrial;

10. Cash and cash equivalents

Balance at 31.12.2018 **2,889**

Balance at 31.12.2017 **6,209**

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

Cash and cash equivalents	31.12.2018	31.12.2017	Change
Bank and postal deposits	2,883	6,204	(3,321)
Cash in hand and similar	6	5	1
Total	**2,889**	**6,209**	**(3,320)**

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. Net Worth

The share capital at 31 December 2018 consists of 16,040,250 ordinary shares, without express nominal value.

The changes in 2018 are due to:

- Allocation of the consolidated result at 31 December 2017;
- 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 at 31.12.2018 **804**

Balance at 31.12.2017 **864**

At 31 December 2018 the provision for risks and charges mainly refers to the Post-employment benefit provision which amounts to € 324,000.

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 31.12.2017	**447**
Changes from assets held for sale	(136)
Post-employment benefit provision at 1.1.2018	**311**
Provisions 2018	11
Advances/Util.	(51)
Actuarial gains (losses)	46
Net Interest	7
31 December 2018 Balance	**324**

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

- probability of elimination for death: ISTAT table 2017 (source ISTAT – 2018 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: 1.4% for 2019 and 1.5% for 2020 (source: *"2018 Economic and Finance Document"*); from 2021 onwards, the annual rate of 1.5% was maintained;
- annual salary increase rate for career development and contract renewals: 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 31.12.2018 of AA securities issued by corporate issuers in the Eurozone and based on the average residual duration of the Post-employment benefit at 31.12.2018; therefore, considering that the average residual duration of the liabilities was equal to 18 years, the annual nominal discount rate assumed in the valuation was 2.1% (2.1% at 31.12.2017).

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% (Euro thousands) are shown in the table below:

(amount in €/000)	Rate 1.6%	Rate 2.6%
DBO	517.4	437.6

Moreover, it is worth noting that the updating of demographic assumptions with respect to 31.12.2017 (concerning only the probability of elimination due to death) did not have any effect on actuarial results, while the discount rate adopted at 31 December 2018 is the same as the one adopted at 31 December 2017.

13. Deferred tax liabilities

Balance at 31.12.2018	**3**
Balance at 31.12.2017	**282**

At 31 December 2018, the total payable amounted to € 3,000.

The balance at the previous fiscal year 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.

The change in the item if compared to 31 December 2017 is due to the reclassifications applied upon application of IFRS 5 accounting standard, with reference to media area's assets, as described in detail in paragraph 35.

14. Current and non-current financial liabilities

Balance at 31.12.2018 22,672

Balance at 31.12.2017 20,965

The financial liabilities are illustrated in the table below:

Financial liabilities	31.12.2018	31.12.2017	Change
Current	16,009	11,763	4,246
Non-current	6,663	9,201	(2,538)
Total	**22,672**	**20,965**	**1,708**

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

Current financial liabilities	31.12.2018	31.12.2017	Change
Loans (current portion)	6,804	2,239	4,564
Total current loans	**6,804**	**2,239**	**4,564**
Advances on invoices/Credit Lines	8,285	7,504	782
Bank overdrafts	21	60	(39)
Earn-out (current portion)	-	500	(500)
Finance Leases	24	23	1
Minibond	875	438	438
Bond loan	-	1,000	(1,000)
Total	**16,009**	**11,763**	**4,246**

The current financial liabilities relate to:

- the self-liquidating credit lines as advances on invoices.
- the payable for the current portion of the 2017 earn-out was paid at the beginning of April 2018 to the previous shareholders of Giglio Fashion S.p.A. for € 0.5 million.
- The Banca Sella bond loan of € 1 million was repaid in May 2018.

- The current portion of the Minibond repaid was € 875,000. The Minibond recorded in accordance with the amortised cost criteria of € 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

On 12 February 2019, the Board of Directors and the Bondholders' Meeting (quorate) approved the amendment of the Regulation of the debenture bond with ISIN code IT0005172157. See paragraph 10 of the Directors' Report for more information on main amendments.

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

Non-current financial liabilities	31.12.2018	31.12.2017	Change
Loans	2,119	3,560	(1,441)
Minibond	2,219	3,098	(879)
Finance Leases	47	71	(24)
Earn-out	-	-	-
Liability acquired minority share G-TV	1,470	1,470	-
Others	808	1,003	(195)
Total	**6,663**	**9,201**	**(2,538)**

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

- long-term portion of the Minibond issued in 2016;
- the financial payable for € 0.8 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 € 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 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.

(Euro thousand)	Value at 01.01.18	Cash flow	Discontinued operations change	Value at 31/12/2018
Non-current financial payables	9,201	(2,538)		6,663
Current financial payables	11,763	4,270	(24)	16,009
Total liabilities from financing activities	**20,965**	**1,732**	**(24)**	**22,673**

The following table summarises the loans of the Giglio Group S.p.A. at 31 December 2018 and highlights the amounts due within and beyond one year:

SITUATION AT 31/12/2018 Company Giglio Group S.p.A.
(Euro thousands)

Bank	Interest rate	Loan amount	Date of subscription	Outstanding debt at 31/12/2018	Expiration	0<>12 months	1 year<>2 years	2 year<>3 years	More than 3 years
BANCA DI SONDRIO									
Unsecured loan no. 076/1111534	n/a	1.500,0	07/04/2009	-	31/10/2018	-	-	-	-
Mortgage loan no. 076/1124006	4,65%	370,0	22/09/2013	21	31/03/2019	21	-	-	-
Unsecured loan no. 076/1086086, CNA guarantee	n/a	500,0	31/01/2012	-	31/01/2018	-	-	-	-
Unsecured loan, MCC guarantee	3,50%	1.200,0	30/09/2015	444	30/09/2020	250	194	-	-
INTESA									
Unsecured loan no. 0IC1047064869	Euribor 1 month + 2% spread	1.000,0	28/06/2017	709	28/06/2022	198	202	205	104
MONTE PASCHI DI SIENA									
Unsecured loan no. 741677580/60, CDP and SACE guarantee	5,8%	500,0	29/10/2014	100	31/12/2019	100	-	-	-
BANCA POP. NOVARA E VERONA									
Unsecured loan no. 1065/472981, CDP guarantee	n/a	100,0	18/02/2015	-	31/03/2018	-	-	-	-
Unsecured loan no. 03528422	2,2%	500,0	30/01/2017	314	31/01/2022	100	102	104	8
Unsecured loan no. 03709516	2,2%	200,0	24/06/2017	51	30/06/2019	51	-	-	-
BANCA POP di BERGAMO									
Unsecured loan no. 004/01141252, MCC guarantee	n/a	300,0	17/06/2015	-	17/06/2018	-	-	-	-
Unsecured loan no. 004/01187014	2,1%	600,0	29/07/2016	269	29/07/2020	152	116	-	-
CREDEM									
Unsecured loan no. 052/7059285, MCC guarantee	0,72%	700,0	21/06/2016	265	21/06/2020	176	88	-	-
CARIGE									
36 months loan	2,0%	500,0	02/08/2017	281	31/08/2020	168	114	-	-
BPM									
Loan no. 6026098	Euribor 3 months	1.500,0	16/10/2017	1.106	31/08/2020	599	507	-	-
BNL									
Loan no. 6026098	1,4%	1.500,0	21/02/2018	1.247	21/02/2019	1.247	-	-	-
CARIGE									
Loan no. I120C590730	1,75%	1.500,0	04/06/2018	1.126,1	30/06/2020	750	376	-	-
BANCA INTESA									
Loan	1,25%	3.000,0	27/06/2018	2.991,4	27/12/2019	2.991	-	-	-
CREDEM									
Loan no. 7020946	n/a	800,0	12/11/2015	-	12/11/2018	-	-	-	-
CREVAL									
Loan no. 61482	n/a	500,0	09/04/2015	-	31/10/2018	-	-	-	-
INTESA									
Unsecured loan no. 0194073132771	n/a	100,0	28/02/2014	-	31/01/2018	-	-	-	-
		Overall Total		**8.923**		**6.804**	**1.698**	**309**	**112**

15. Trade payables

Balance at 31.12.2018 **24,070**

Balance at 31.12.2017 **33,728**

Trade payables	31.12.2018	31.12.2017	Change
Customer advances	12	89	(77)
Supply of goods and services	23,934	32,007	(8,073)
Credit notes to be issued	124	613	(489)
Contribution credit notes to be issued	-	476	(476)
Clients guarantee deposits	-	543	(543)
Other trade payables	-	-	-
Total	**24,070**	**33,728**	**(9,658)**

The 31 December 2017 balance does not incorporate the effects from application of IFRS 15, as stated in the "Accounting standards, amendments and interpretations in force from 1 January 2018" paragraph.

The change in the item if compared to 31 December 2017 is due to the reclassifications applied upon application of IFRS 5 accounting standard, with reference to media area's assets, as described in detail in paragraph 35.

The breakdown of trade payables is shown below:

(Euro thousands)	**Year ended at 31 December 2018**	**Year ended at 31 December 2017**
Trade payables	23,934	32,007
- of which overdue beyond 60 days	*3,964*	*10,634*
- % overdue payables on total	*16.6 %*	*33.2 %*

No proceeding or injunctions were recorded.

16. Tax payables

Balance at 31.12.2018 **2,824**

Balance at 31.12.2017 **3,581**

Tax payables	Total	31.12.2017	Change
Withholding taxes	151	108	43
Foreign VAT	1,738	2,276	(538)

Income taxes	719	1,057	(338)
Social security institutions	216	140	76
Total	**2,824**	**3,581**	**(757)**

Tax payables relate to:

- withholding taxes and taxes related to the normal operating activities of the company for € 151,000;
- 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 € 216,000.

17. Other current liabilities

Balance at 31.12.2018 **982**

Balance at 31.12.2017 **1.291**

Other current liabilities	31.12.2018	31.12.2017	Change
Employee payables	416	475	(59)
Prepayments and accrued expenses	476	716	(240)
Other payables	90	100	(10)
Total	**982**	**1,291**	**(309)**

Deferred income mainly refers to revenues to be recognised in future periods.

NOTES TO THE INCOME STATEMENT

As stated in the Directors' Report, the 2017 income statement figures do not reflect the effects from retrospective application of IFRS 15. In addition, the Ibox Group (ex E-volve), with regards to financial year 2017, contributed to the financial results from the acquisition date (April 27, 2017). Therefore, in order to improve comparison and understanding of the results below, that outlined in the "Analysis of the consolidated results for 2018" paragraph should be considered.

Finally, the effects from application of IFRS 15 exclusively concern the e-commerce sector and specifically the B2C business (Ibox Group).

Finally, it is noted that economic data regarding the previous fiscal year, pursuant to provisions set forth in IFRS 5 accounting standards, were restated to reflect the transfer of the media area as commented in the Director's Report and in the Explanatory Notes of this Report.

18. Revenues

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

	31.12.2018	31.12.2017	Change
Revenues from sales and services	37,912	59,856	(21,944)
Other revenues	1,040	728	312
Total	**38,952**	**60,584**	**(21,632)**

At 31 December 2018, revenues from sales and services amounted to € 38.9 million compared to € 60.6 million in 2017. The negative change is due to the application of IFRS 15 accounting standard, adopted starting from 1 January 2018. The revenues from sales and services of 31.12.2017 restated applying the effects from the application of IFRS 15 retrospectively, amount to € 30.7 million, determining an increase of € 8,264 for 2018. Taking into account the effects of the Evolve Group acquisition, 2017 revenues amount to € 35.3 million, determining an increase of €3.632 for 2018.

The increase is principally due to:

- the B2B e-commerce sector for € 1.8 million as a result of increased sales volumes for the USA market;
- the B2C e-commerce sector for € 1.8 million as a result of both increased transactions for managed brands and the acquisition of new brands in the customer base.

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:

Purchase of raw materials, ancillary, consumables and goods	31.12.2018	31.12.2017	Change
Costs of goods	19,670	49,280	(29,610)
Consumables	65	27	38
Total	**19,735**	**49,307**	**(29,572)**

The account includes the costs incurred by the B2B division of Giglio Group. The decrease is due to the effects of the application in 2018 of IFRS 15 accounting standards.

20. Service costs

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

	31.12.2018	31.12.2017	Change
Agents	5,424	2,950	2,474
Other service costs	50	46	4
Insurance	132	144	(12)
Bank, postal & collection commissions	1,137	692	445
Directors, statutory auditors and supervisory board fees	502	535	(33)
Consulting	3,119	3,108	11
Editorial production costs	-	18	(18)
Administrative costs	682	711	(29)
Customer service	588	392	196
Warehousing	530	345	185
Maintenance	7	9	(2)
Advertising, promotions, shows and fairs	428	258	170
Cleaning and surveillance	21	11	10
Transmission and teleport	-	64	(64)
Transport & shipping	2,083	1,261	822
Utilities	144	107	37
Web marketing	314	241	73
Sales representatives	233	231	2
Total	**15,395**	**11,123**	**4,272**

The account principally refers to:

- B2B division: transmission and teleport service costs for € 0.2 million; consultancy costs of € 2 million, of which € 0.5 million relating to the translisting process commented upon in the Directors' Report;
- Ibox SA Group: agent costs for € 5.2 million and shipping transport costs for € 1.5 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:

	31.12.2018	31.12.2017	Change
Rental	830	674	156
Hire	161	91	70
Operating leases	38	20	18
Total	**1,029**	**785**	**244**

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:

- Satif S.p.A. for the administrative offices at the Milan headquarters;
- 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.: for the leasing of 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.
- Tarchini real estate for the offices in Manno (Switzerland).

In relation to the above-mentioned rental contracts the minimum lease instalments due amount to approx. € 2.2 million.

22. Personnel expense

The breakdown of personnel expense is as follows:

	31.12.2018	31.12.2017	Change
Salaries and wages	3,101	1,759	1,342
Social security charges	541	490	51
Post-employment benefits	11	76	(65)
Total	**3,653**	**2,325**	**1,328**

Personnel expense increased in 2018 for a total of € 1,328 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:

Amortisation, depreciation & write-downs	31.12.2018	31.12.2017	Change
Amortisation intangible fixed assets	153	88	65
Amortisation tangible fixed assets	134	120	14
Write-downs	53	-	53
Total	**340**	**208**	**132**

With regards to item "Amortisation", see Notes in paragraph 1 ("Tangible Fixed Assets") and 2 ("Intangible Fixed Assets") respectively.

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:

	31.12.2018	31.12.2017	Change
Other taxes	11	9	2
Other charges	447	28	419
Penalties and fines	74	5	69
Prior year charges	424	266	158
Losses on receivables	-	-	-
Earn out	-	334	(334)
Total	**956**	**642**	**313**

Other operating costs include for 2018 penalties for the failure to provide due notice following the settlement signed in May 2018 with the previous provider of television bandwidth, as commented upon in the Directors' Report.

25. Financial income and expenses

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

Financial income and expenses	31.12.2018	31.12.2017	Change
Interest income on bank accounts	1	1	-
Other interest	1	-	1
Exchange gains	78	136	(58)
Financial income	**80**	**137**	**(57)**
Interest on current bank accounts	15	12	3
Other interest	26	14	12
Interest on invoice advances and factoring	113	22	91
Interest on mortgage loans	326	156	170
Interest on bond loans	200	223	(23)
Bank charges	154	167	(13)
SIMEST financial charges	81	62	19
Exchange losses	249	61	188
Financial expenses	**1,164**	**717**	**447**

Total	(1,084)	(580)	(504)

Financial charges increased on the previous year due to the lending charges (Minibond, bond and new loans granted in 2018) 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:

Income taxes	31.12.2018	31.12.2017	Change
Current taxes	(144)	(275)	131
Deferred taxes	28	549	(521)
Total	**(116)**	**274**	**(390)**

Income taxes amount to € 144,000 (€ 274,000 in 2017). The higher deferred taxes recorded at 31 December 2017 of € 549,000 principally concern those calculated on the tax loss of the parent (€ 515,000).

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

	31.12.2018					
	Giglio Group	IBOX SA	Evolve USA	IBOX S.r.l.	Giglio USA	Giglio Shanghai
Pre-tax result	(2,328)	317	(23)	720	291	(61)
Theoretical tax charge	-	(60)	-	(201)	(99)	-
Effective tax charge	197	(13)	(0)	(235)	(92)	-
Deferred taxes	(14)	24	-	18	-	-
Net result	(2,145)	327	(23)	503	199	(61)
Theoretical tax rate	27.9%	19.0%	34.0%	27.9%	34.0%	24.0%
Effective tax rate	0%	4%	2%	33%	32%	0%

In accordance with the 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	200
C. Micchi	20
A. Lezzi	20
G. Mosci	25
Y. Zhao	10
M. Mancini	20
S. Olivotto	20
Total	**315**

Board of Statutory Auditors (Euro thousand)	
C. Tundo	25
M. Centore	20
M. Mannino	20
Total	**65**

The following table, drafted pursuant to Art. 149-duodecies of Consob's Issuers Regulation, highlights the fees for the audit and other services provided by the same EY S.p.A. or by other companies within its network.

The fees of the independent audit firm were as follows

(Euro thousands)

Service	Service Provider	Recipient	Fees
Financial audit of statutory financial statement and models subscription	EY S.p.A.	Parent Company	55
Financial audit of consolidated financial statement	EY S.p.A.	Parent Company	16
Financial audit limited to the half-yearly consolidated report	EY S.p.A.	Parent Company	34
Financial audit	EY	Subsidiaries	38
Total			**142**

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

Mr Alessandro Giglio has provided personal guarantees on some Loans held by the company at 31 December 2018.

The details are shown below:

Commitments and guarantees (Euro thousand)

Entity	Guarantee Value	Residual amount guaranteed
MPS	1,048	111
B.POP Sondrio	2,470	1,067
Banca Sella	246	62
B. POP. Novara	650	650
FACTORIT	360	204
UNICREDIT	536	536
Total	**5,310**	**2,630**

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.

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.

A comparison between the book value and the fair value of financial assets and liabilities at 31 December 2018 is presented below.

Consolidated Statement of financial position (Euro thousands)	31.12.2018 Carrying amount	31.12.2018 Fair Value	31.12.2017 Carrying amount	31.12.2017 Fair Value
Non-current assets				
Equity investments	5	5	150	150
Receivables	1,590		142	
Deferred tax assets	1,174		941	
Total non-current assets	**16,558**		**30,706**	
Current assets				
Trade and other receivables	12,519	12,519	20,926	20,926
Cash and cash equivalents	2,889	2,889	6,209	6,209
Total current assets	**33,283**		**46,696**	
Assets held for sale	**18,431**		-	
Total Assets	**68,272**		**77,402**	
Non-current liabilities				
Financial liabilities (non-current portion)	6,663	6,663	9,201	9,201
Total non-current liabilities	**7,470**		**10,347**	
Current liabilities				
Trade and other payables	24,070	24,070	33,728	33,728
Financial liabilities (current portion)	16,009	16,009	11,763	11,763
Total current liabilities	**43,885**		**50,363**	
Assets held for sale and liabilities directly associated with assets held for sale	**8,508**		-	
Total liabilities and net worth	**68,272**		**77,402**	

Medium-term loan

The company reports at 31 December 2018 a net financial debt position of approx. € 19.2 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 noncompliance 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.
The parent company Giglio Group S.p.A., in 2016, issued a Minibond called "GIGLIO GROUP S.P.A. – 5.4% 2016-2022" for € 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 31 December 2018:

Parameters	**Threshold values for year**
NFP / EBITDA	<=4
NFP / SE	<=2.0
EBITDA / OF	>=5.0

On 12 February 2019, the Board of Directors and the Bondholders' Meeting (quorate) approved the amendment of the Regulation of the debenture bond with ISIN code IT0005172157.
The main amendments to the Regulation concern:

- the inclusion of transfer operations regarding assets related to TV and media area among the operations allowed without prior authorisation from the Bondholders' Meeting;
- the amendment of the amortization plan with the introduction of monthly reimbursement tranches starting from 28 February 2019 until 30 September 2020, new expiry date of the debenture loan;
- the payment of interests on a monthly basis pursuant to the payment dates provided for by the new amortization plan, not withstanding (i) that the annual interest rate for the

debenture bond remains unchanged and (ii) that interests accrued between 10 September 2018 and 27 February 2019 shall be paid on 10 March 2019;

- the definition of financial covenants, specifying that during 2018, any deviation from said covenants shall not produce the effects set forth in the Regulation.

30. Transactions with subsidiaries and related parties

The following table reports the transactions and balances with Related Parties at 31 December 2018. 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		2,319	1,008	3,033		255	818	
Nautical Channel								
Giglio USA	127							
Giglio TV					15			
Giglio Shanghai								
IBOX SA	131						125	
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	1,119				
Nautical Channel								
Giglio USA								
Giglio TV	210				89			
Giglio Shanghai								
IBOX SA								1,575
IBOX SRL	1,302					1,793		
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		162	2,633	501		422	810	
Nautical Channel								

Giglio USA	84	
Giglio TV		
Giglio Shanghai		
IBOX SA	56	123
IBOX SRL		
Evolve USA		

The nature of the transactions in the above table are as follows: (i) for Giglio TV, Giglio Shanghai, Nautical Channel, Ibox SA and Ibox Srl 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 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 Zhao, 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 2018 the services provided amounted to € 155,000. The contract is for one year and was tacitly renewed. After the third consecutive year there are no automatic renewals.
- Docomo digital Italy: shareholder of Giglio Group S.p.A., which undertook transactions with the Group. At 31 December 2018, the total payable amounted to € 35,000.
- 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 € 175,000;
    - Rome offices: Via dei Volsci for a total annual cost of € 200,000.

The remuneration paid in 2018 to the Board of Directors of the Issuer amounted to € 315,000.

31. Dividends

In line with the approval of the guidelines of the 2019-2023 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, if the capital situation allows it.

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 pursuant to Consob Motion No. 15519 of July 27, 2006

Consolidated Statement of financial position (Euro thousands)	31.12.2018	of which related parties	31.12.2017	of which related parties
Non-current assets				
Property, plant & equipment	1,492		6,829	
Intangible assets	629	-	10,926	-
of which Distribution rights	-		-	
of which Publishing rights	-		10,573	
Other intangible assets	629		353	
Goodwill	11,668		11,718	
Equity investments	5		150	
Receivables	1,590		142	
Deferred tax assets	1,174		941	
Total non-current assets	**16,558**	**-**	**30,706**	**-**
Current assets				
Inventories	5,273		6,729	
Trade and other receivables	12,519		20,926	
Financial receivables	-		-	
Tax receivables	9,949		9,822	
Other assets	2,653		3,010	
Cash and cash equivalents	2,889		6,209	
Total current assets	**33,283**	**-**	**46,696**	**-**
Assets held for sale	**18,431**		**-**	
Total Assets	**68,272**	**-**	**77,402**	**-**
Shareholders' Equity				
Share capital	3,208		3,208	
Reserves	11,400		11,374	
Extraordinary reserve	-		-	
Listing charges	(541)		(541)	
FTA Reserve	4		4	
Retained earnings	2,603		2,609	

Translation reserve	-		(5)	
Net profit	(8,264)		43	
Total Group Shareholders'equity	**8,410**	**-**	**16,692**	**-**
Minority interests	-		-	
Total Shareholders' equity	**8,410**	**-**	**16,692**	**-**
Non-current liabilities				
Provisions for risks and charges	804		864	
Deferred tax liabilities	3		282	
Financial liabilities (non-current portion)	6,663	-	9,201	3,098
Total non-current liabilities	**7,470**	**-**	**10,347**	**3,098**
Current liabilities				
Trade and other payables	24,070	75	33,728	80
Financial liabilities (current portion)	16,009		11,763	438
Tax payables	2,824		3,581	
Other liabilities	982		1,291	
Total current liabilities	**43,885**	**75**	**50,363**	**518**
Assets held for sale and liabilities directly associated with assets held for sale	**8,508**		**-**	
Total liabilities and shareholders' equity	**68,273**	**75**	**77,402**	**3,616**

Consolidated Statement of profit or loss (Euro thousands)	31.12.2018	of which related parties	of which non recurring	31.12.2017	of which related parties	of which non recurring
Total revenues	**37,912**			**59,856**		
Other revenues	1,040			728		
Change in inventories	1,493			2,616		
Purchase of raw materials, ancillary, consumables and goods	*(19,735)*			*(49,307)*		
Service costs	*(15,395)*	*(155)*	*(459)*	*(11,123)*	*(135)*	*(1,413)*
Rent, lease and similar costs	*(1,029)*	*(383)*		*(785)*	*(382)*	
Operating costs	**(36,159)**	**(538)**	**(459)**	**(61,215)**	**(517)**	**(1,413)**
Salaries and wages	*(3,101)*			*(1,759)*		
Social security charges	*(541)*			*(490)*		
Post-employment benefits	*(11)*			*(76)*		
Personnel expense	**(3,653)**	**0**	**0**	**(2,325)**	**0**	**0**
Amortisation	*(153)*			*(88)*		
Depreciation	*(134)*			*(120)*		
Write-downs	*(53)*			*0*		
Amortisation, depreciation & write-downs	**(340)**	**0**	**0**	**(208)**	**0**	**0**
Other operating costs	*(956)*		*(433)*	*(642)*		*(334)*
Operating profit	**(663)**	**(538)**	**(892)**	**(1,190)**	**(517)**	**(1,747)**
Financial income	*80*			*137*		
Net financial expenses	*(1,164)*			*(717)*		
Profit before taxes	**(1,747)**	**(538)**	**(892)**	**(1,770)**	**(517)**	**(1,747)**
Income taxes	*(116)*			*274*		
Net Profit from continuing operations	**(1,863)**	**(538)**	**(892)**	**(1,496)**	**(517)**	**(1,747)**
Net Profit from discontinued operations	**(6,401)**			**1,539**		
Net Profit	**(8,264)**	**(538)**	**(892)**	**43**	**(517)**	**(1,747)**
Of which minority interest	**-**			**-**		
Basic and diluted profit from continuing operations	**(0.1161)**			**(0.1010)**		
Basic and diluted profit from discontinued operations	**(0.3991)**			**0.1039**		
Net profit per share – basic and diluted	**(0.5177)**			**(0.0002)**		

35. Profit/(loss) from assets held for sale and discontinued operations

Media assets' transfer transaction

The Company is undertaking the transfer transaction of some assets of the media division to a company incorporated under Spanish law and listed on Madrid's main stock exchange market, called Vértice Trescientos Sesenta Grados, SA ("Vertice 360"), assessed at € 12.5 million on the basis of a fairness opinion appointed by the Company to an independent expert.

As shown in par. 9 of the Directors' Report, Vertice 360 is a group specialised in the production and broadcasting of TV and cinema productions, as well as of other audiovisual contents. The company is listed on Madrid's stock exchange market ever since 2007. From April 2014 to January 2018, the stock was suspended from trading. In January 2019, Spanish control authorities readmitted the stock in the trading. From March 2018 to September 2018, the shares' price in the market remained constantly on the minimum price allowed by Madrid stock exchange market; subsequently, the minimum price was lowered, and as of today, the market capitalisation amounts to about € 59 million.

The transfer shall take place against a reserved capital increase in favour of Giglio Group, to be completed within 30 November 2019, as determined on 12 March 2019. More specifically, the agreement envisages the issue of a fixed number of 1,136,363,636 new shares in favour of Giglio Group S.p.A. who, on closing date, shall represent no less than 5.95% of Vertice 360's share capital, also taking into account a further capital increase of about € 12 million, currently ongoing, reserved to current shareholders.

For the purpose of reporting the discontinued operation at 31 December 2018, to be entered at the lower of cost and fair value, net of relevant sale costs, the values resulting from the fairness opinion (reference value Euro 12.5 million), as reference for the fair value, were used, deemed that Vertice 360's current market capitalisation and the listed value of its shares, which would have represented a higher fair value, do not reflect already (a) the synergies expected from the transaction, that shall be reflected in the shares' market values on closing date; (b) other factors currently not foreseeable such as the market reaction to these information (the so called "market sentiment"); and (c) the result of the conditions precedent included in the agreement[1], that might have an effect on the share's performance. Therefore, until the market factors these information

[1] The transaction is subject to (i) the assessment of an expert appointed by the Spanish Commercial Register, competent under the Spanish law, confirming the value of Giglio Group's Media Division, defined as a contribution in kind within the Reserved Increase; (ii) the conclusion of the final contracts; (iii) the completion of the Capital Increase; as well as (iv) the completion of all applicable administrative, authorisation and regulatory fulfilments.

in the context of the share negotiation and thus of the listed price, the Directors deemed to base their fair value assessment on level-3 data, consistent with the assessment of the independent expert, with the reasonable expectation, supported by the results of the fairness opinion, that Vertice 360's market capitalisation should increase significantly in the period between 31 December 2018 and the closing date of the transaction.

Regarding the value increase expectation of the shares that Giglio shall purchase in exchange of the area's transfer in November 2019, the Directors assessed the fair value of the assets held for sale taking into account the values resulting from the fairness opinion described above, *determining the total value of Vertice 360's economic capital by using an approach based on the estimate of discounted cash flows (so called income approach). In developing the approach, the Industrial Plan 2019-2023 was used, approved by Vertice 360 on 25 February 2019 and extended for 5 more years in order to include further expansion expectations of the business. It is noted that the values determined upon application of the previous approach integrate a terminal value of about 75% the value of Vertice 360's economic capital. The determination of these provisional data represents an element of uncertainty in the process of the assessment of the sale price of assets held for sale, which could therefore differ, also significantly, from the market value of the block of shares that Giglio Group shall obtain as payment on the closing date.*

Indeed, the shares obtained upon closing date shall be reported, pursuant to IFRS 9, to the market value at that date, and shall be adjusted at every following measuring date, according to the market value's trend, representing the market value with a level 1 fair-value index. It is noted that, if this criterion were to be used in the creation of 2018 Financial Statement, the net value of the assets held for sale would have been equal to about € 4.7 million, thus reducing the Group's net equity at the statement date at about € 2.2 million.

The following is a list unobservable inputs used for the definition of the level-3 fair value, as well as a sensitivity analysis pursuant to IFRS 13 standard:

The Industrial Plan 2019-2028 used for the assessment of Vertice 360 envisaged an equity value of € 198.5 million, obtained by applying a capital cost (WACC) of 8.4% and a perpetual growth rate (G) of 2%. The sensitivity analysis carried out shows the variation of the equity value according to WACC and G rate change, as below:

- Growth at 2% and WACC at 7.8%: the equity value increases to € 224.5 million;
- Growth at 1.8% and WACC at 8.4%: the equity value decreases to € 194.3 million;
- Growth at 1.8% and WACC at 9%: the equity value decreases to € 173.9 million;

A stress test was also carried out, reducing the expected growth of a specific business line to 10% instead of 13% for the period 2024-2027:

- Growth at 2% and WACC at 8.4%: the equity value decreases to € 171.1 million;
- Growth at 1.8% and WACC at 9%: the equity value decreases to € 150.1 million;

The following table summarises the values of the assets held for sale, net of necessary write-downs, as reported in 2018 Financial Statement:

Description (Euro thousands)	Amount before adjustment	Adjustment	Amount at 2018 Financial Statement	Vertice 360 Transfer value
Servers, machinery and other technical assets (virtual set included)	1,350	798	552	552
Media library	548	-	548	548
Equity investments: (i) 3% of Pegaso S.r.l. (ii) 50%ofi Class TV Moda Holding S.p.A.	150	150	-	-
Nautical Channel (equity investment and credits)	4,427	1,627	2,800	2,800
Giglio TV HK publishing rights	9,915	3,915	6,000	6,000
TOTAL	**16,390**	**6,490**	**9,900**	**9,900**

Within the same transfer transaction, other assets concerning the media area are included. On the basis of the value determined by the fairness opinion, their value is higher than the one determined by the cost criterion and cannot be adjusted at 31 December 2018:

Description (Euro thousands)	Carrying value	Transfer value	Theoretic difference
1. Authorisation for supply of media and DTT services pursuant to AGCOM resolution no. 353 of 2011 related to LCN 68. 2. Agreement with Persidera of 12 February 2018 3. Agency agreement for the following TV channels: (i) Class TV Horse (2 May 2017) (ii) Class TV Moda (2 May 2017) (iii) Gambero Rosso (29 May 2017)	-	800	800
100% of M3SATCOM, currently corporate branch of Giglio	22	1,800	1,778
TOTAL	**22**	**2,600**	**2,578**

The adequacy of conferred values shall be assessed by an expert appointed by the Spanish commercial register of companies within July 2019. The assessment is mandatory pursuant to existing Spanish law (similar to existing Italian law) regarding in-kind capital increase through asset contribution.

The application of the policy resulted in overall write-downs of € 6.5 million.

Other assets dismissed

On 20 December 2018, the Group signed a deal with GM Comunicazione s.r.l. for the transfer of the authorisation to supply audiovisual media services on national TV channel "IBOX65", associated to number 65 on the digital terrestrial. The total valuation of the channel amounted to € 1.9 million, with a payment of € 200,000.00 + VAT upon subscription of the agreement, € 620,000.00 + VAT of monthly instalments during 2019 and € 1,080,000.00 + VAT to be disbursed in 27 monthly instalments starting from 31 January 2020.

The Profit of the assets held for sale and sold at 31 December 2018 is negative by € 6.4 million and compares to a positive result of € 1.5 million of the previous fiscal year.

The net write-downs of media area assets are included in the account at 31 December 2018 and amount to € 6.5 million, as commented in the previous paragraph, as well as the capital gain of € 1.9 million resulting from the transfer of channel 65 and the net profits of the media area during the course of 2018, before the classification as divested operation.

In the following tables report the transaction at 31 December 2018 and 2017, as well as the balances of assets held for sale at 31 December 2018.

(Euro thousands)	31.12.2018	31.12.2017
Total revenues	**18,086**	**18,175**
Other revenues	2,106	57
Total revenues	**20,192**	**18,232**
Change in inventories	(108)	24
Purchase of raw materials, ancillary, consumables and goods	*(221)*	*(379)*
Service costs	*(10,363)*	*(8,958)*
Rent, lease and similar costs	*(159)*	*(123)*
Operating costs	**(10,743)**	**(9,460)**
Salaries and wages	*(805)*	*(694)*
Social security charges	*(226)*	*(188)*
Post-employment benefits	*(45)*	*(1)*
Personnel expense	**(1,076)**	**(883)**
Amortisation of intangible assets	*(5,892)*	*(3,861)*
Amortisation of tangible assets	*(1,672)*	*(1,672)*
Write-downs for fair value adjustment	*(6,490)*	*0*
Write-downs	*(360)*	*(380)*
Amortisation, depreciation & write-downs	**(14,414)**	**(5,913)**
Other operating costs	*(262)*	*(109)*
Operating profit	**(6,411)**	**1,891**
Financial income	*5*	*9*
Net financial expenses	*(133)*	*(53)*
Profit before taxes	**(6,539)**	**1,847**
Income taxes	*139*	*(308)*
Net Profit from discontinued operations	**(6,400)**	**1,539**

Of which minority interest	**-**	**-**

(Euro thousands)	31.12.2018
Non-current assets	
Property, plant & equipment	3,006
Intangible assets	9,501
of which Publishing rights	9,407
Other intangible assets	94
Total non-current assets	**12,507**
Current assets	
Inventories	25
Trade and other receivables	4,736
Other assets	1,092
Cash and cash equivalents	71
Total current assets	**5,924**
Total assets held for sale and discontinued operations	**18,431**
Non-current liabilities	
Provisions for risks and charges	200
Deferred tax liabilities	202
Total non-current liabilities	**402**
Current liabilities	
Trade and other payables	7,142
Financial payables (current portion)	22
Tax payables	116
Other liabilities	826
Total current liabilities	**8,106**
Total liabilities held for sale and discontinued operations	**8,508**

36. Assessment of going concern

In accordance with IAS 1 and in compliance with the requirements of documents no. 2 of 6 February 2009 and no. 4 of 3 March 2000, issued jointly by Banca d'Italia, Consob and Isvap, the Directors' assessments regarding the existence of going concern for the purposes of the creation of 2018 Annual Financial Report are shown below.

The Company closed fiscal year 2018 with a significant loss due mainly to the reorganization of its activities and to the focus on the e-commerce business.

On 15 March 2019, the Board of Directors approved the Industrial Plan 2019-2023, which takes into account the effects of the divestment of the media area, excluding it from the perimeter of Giglio Group's operations. Giglio Group represents itself as a real e-commerce player with unique

characteristics in the sector, a global presence and specific high skills, well-integrated in its own market context for its relations with "Made in Italy"'s main brands. The Plan assumes the continuous development of the implementation of the new technological platform, which began during 2018. Moreover, the development of the Chinese e-commerce platform is expected, in order to support brands and their sales on the marketplaces integrated to the Group's technological structures developed in the Country. The strategic objectives of the Plan define a Group that leads the market and is capable of catering for a relevant share of the online "Made in Italy" market with more than 50 marketplaces integrated on a global scale, as well as the most relevant digital and commercial partners for Made in Italy's luxury in China.

The elaboration of the Plan was based, inter alia, on (i) general, hypothetical and discretional assumptions, and (ii) on a series of discretional estimates and hypotheses regarding the execution, on behalf of Directors, of specific actions to be undertaken over the 2019-2023 period, or concerning future events on which directors can only partially have an impact and that may not take place or vary during the course of the Plan.

The realisation of the objectives and the achievement of the results provided for by the Plan depend, other than from the actual realisation of the volume of revenues outlined, also from the effectiveness of the actions identifies and by their prompt implementation, according to the times and the economic impacts hypothesised.

The Group constantly monitors the performance of the reference markets with regard to the Plan assumptions and the prompt implementation of the envisaged actions, keeping a proactive and constant focus on the containment of costs and on the identification of initiatives aimed at reaching a greater operational efficiency that might mitigate the risk related to the contractualisation of new clients/brands and ensure the achievement of the expected economic results.

As far as the implementation of the Plan is concerned, relevant financial needs to support investments, working capital and debt repayments (expiring in 2019) are envisaged. Under the forecasts, these needs shall be funded, other than by cash flows from operational management, by an imminent issuing of bonds amounting to € 5,000,000.00 and lasting 8.5 years, with a grace period of 2 years, to be subscribed by primary financial operators. Specific reference is made to a non-convertible debenture bond in the context of the "EBB Export Programme" aimed at the retrieval of financial resources for a selected number of companies, for funding and supporting

internationalisation projects of the Issuers' core business. The operation is structured by Finint, Banca Finanziaria Internazionale Group, and envisages the involvement as guarantor of SACE, agency of the Ministry of Economy and Finance encouraging export activities and as Anchor Investor of Cassa Depositi e Prestiti, the most important Italian financial institution controlled by the Italian Ministry of Economy and Finance, which includes among its statutory objectives the support of entrepreneurial initiatives deemed profitable and strategic for the development of the Country.

The Company's Board of Directors resolved on 27 March 2019 on the issue of the debenture bond, and the operation has be finalised with the signature of the contracts between the involved on 2 April 2019. The date of grant of the bond was set on 9 April 2019.

The Operation envisages among its credit enhancement processes, the issuing of a guarantee of first demand by SACE S.p.A. as a guarantee for the fulfilment of the payment obligations on account of share capital an interests resulting from the loan issues floated by the same. For the issuance of the guarantee, the Company shall subscribe a direct agreement with SACE, as well as a contract aimed at governing, inter alia, the terms and conditions for the issue of the SACE Guarantee, the commitments which are informative in nature, the obligations to deliver/surrender and the obligations to indemnify and hold harmless taken by each Issuer in favour of SACE, as well as the terms and conditions for the payment of the premium owed to SACE; as of today, the interest rate on the debenture bond has not been defined yet.

Among the industrial commitments, the obligation to finalise a project to support export activities is included. The financial covenants to be respected throughout the duration of the Debenture Bond shall be two and, more specifically: a) a gearing ratio (ratio between net total debts and net worth) lower than 2 for the whole duration of the Bond, and b) a leverage ratio (ratio between net total debts and Ebitda) lower than: (i) 4.5 in 2019 and 2020 and (ii) 3.5 starting from 2021 and until the Expiration Date. It is noted that on the basis of the results envisaged in the Industrial Plan, these covenants are respected in the years of the Plan.

Simultaneously, the Company is also engaged in the negotiation of medium/long-term funding with the banking system, also consistent with the guidelines of the Industrial Plan 2019-2023, which define a structure of the bank debt with an average financial duration longer than the current one. The Company has the support of its reference shareholder, Meridiana Holding, as in the past, for the finalisation of these operations, in the interest of the Company. More specifically,

the Company is negotiating a medium/long-term funding of up to € 8 million, also in more tranches, with a primary banking institution aimed at streamlining the number of banks, that is by reducing it, and optimising the work with each institution with whom the Company collaborates, comparing it with the degree of intensity of the existing loan relationship.

Furthermore, the Company keeps entertaining uninterrupted ordinary relations with the banking system for credit supply to support the working capital necessary to fuel the e-commerce business and, in particular, the fashion products' distribution.

Finally, the Company the adopted a Board resolution delegating the Board of Directors to increase the share capital against payment up to 10% of the current share capital. More specifically, reference is made to the extraordinary Shareholders' Meeting of 29 October 2018, which approved the five-year proxy proposal of the Board of Directors to increase the share capital against payment, in separate issues, excluding option right within the 10% limit of the existing share capital, to be offered in subscription to be offered in subscription to the individuals identified by the Board of Directors - including qualified industrial and/or financial investors - on the condition that the issue price of the new shares corresponds to the market value of those already issued and that this is confirmed by a specific report from a statutory auditor or an auditing company. The objective of the eventual activation of this proxy shall be reflected in the interest of the Company to dispose of a greater financial endowment in order to accelerate the development plan, to benefit of any synergy resulting from an industrial partnership with an operator of the reference sector and to make the stock market more liquid.
In light of the above, despite the inevitable uncertainties of the methods of execution of the Industrial Plan 2019-2023 and the retrieval of necessary financial resources for its realisation, the Directors deem it possible to possess financial instruments allowing for the creation of 2018 Annual & Consolidated Financial Report on the assumption of going concern.

Certification of the consolidated financial statement in accordance with Art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and following amendments and integrations, as well as with Art. 154-bis of Legislative Decree no. 58 of 24 February 1998.

1. The undersigned Alessandro Giglio, as Chief Executive Officer, and Massimo Mancini, as Executive Officer for Financial Reporting of Giglio Group S.p.A., affirm, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998:

   - the consistency in relation to the characteristics of the company;
   - the effective application of the administrative and accounting procedures for the drawing up of the half-year financial statements in the period between January 1 and June 30, 2018.

2. In this context the following key factors are reported:

- the review of the adequacy and effective application of administrative and accounting procedures was carried out in a context of change, taking into account the valorisation of the Company's media area aimed at its disposal. Hence, the review had to take into account the ongoing changes in the structure and activities of the Company;

- the adequacy of the administrative and accounting procedures for the drafting of the consolidated financial statement at 31 December 2018 was assessed on the basis of the methodological regulations defined in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission.

- The analysis carried out upon the listing of the Company had highlighted the adjustment opportunity for some corporate procedures. With regard to these areas of improvement, a detailed action plan has been prepared, providing, inter alia:
  - (i) the update of the procedures set forth in Law no. 262 of 2005: activity established by special appointed counsellor;
  - (ii) the adoption of a new management, accounting, administrative and financial reporting system, to be introduced on April 2019. The system shall allow for the integration of the strategic planning and management control system.

- Pending the complete implementation of the corrective actions provided for in the action plan, compensating control procedures have been established for the verification of the declarations made in the consolidated financial statement at 31 December 2018.

3. Furthermore, it is noted that:

3.1 the consolidated financial balance at 31 December 2018:
   - was prepared in accordance with international accounting standards, recognised in the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and Council, of 19 July 2002;
   - corresponds to the underlying accounting documents and records;

- provides a true and fair view of the financial position, financial performance and cash flows of the issuer and of the other companies in the consolidation scope.

3.2 The Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

15 March 2019

The Chief Executive Officer
Alessandro Giglio

The Financial Reporting Officer
Massimo Mancini

Giglio Group S.p.A.

Consolidated financial statements as at December 31, 2018

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Giglio Group S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Giglio Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, consolidated statement of changes in net equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Giglio Group S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

We draw attention to note 35 "Profit/(loss) from assets held for sale and discontinued operations" paragraph "Media assets' transfer transaction" to the financial statements for the year ended December 31, 2018, which describes the evaluation performed by the directors' of the forecasted transaction for the sale of some assets of the media division to the company Vértice Trescientos Sesenta Grados S.A., listed on the Madrid stock exchange. The directors discuss in such paragraph that the transfer will take place within a reserved capital increase reserved in favor of Giglio Group that, based on the agreement executed on March 11, 2019 (hereinafter, the "Agreement"), will be completed by November 30, 2019. Such Agreement envisages the issue of a fixed number of 1,136,363,636 new shares in favour of Giglio Group S.p.A. that, on the closing date, shall represent no less than 5.95% of Vértice Trescientos Sesenta Grados S.A.'s share capital, also taking into account a further capital increase of about Euro 12 million, currently ongoing, reserved to current shareholders. The directors also discuss that the fair value of assets involved in the transfer has been

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determined in a total amount of Euro 12,5 million based on a fairness opinion provided by an independent expert. In particular the directors, for the valuation of the assets involved in the transaction as of December 31, 2018 accounted for the lower of the cost and the fair value less cost to sell as provided in the applicable accounting standards, referred to the valuation provided in the aforementioned fairness opinion rather than the current market value of the Vértice Trescientos Sesenta Grados S.A.'s shares.
The directors considered how the current market value of the Vértice Trescientos Sesenta Grados S.A.'s shares, which would have represented a higher level as provided in the accounting standard IFRS 13, does not reflect yet (a) the synergies expected from the transaction, that shall be reflected in the shares' market values on closing date, (b) other assumptions currently not foreseeable such as the market reaction to these information (the so called "market sentiment"), and (c) the result of the conditions precedent included in the Agreement that might have an effect on the share's performance. Lastly, the directors highlight that (i) if the aforementioned higher level fair value were to be used in the preparation of the December 31, 2018 financial statements deriving from the current market value of the Vértice Trescientos Sesenta Grados S.A.'s shares, the value of the net assets held for sale would have been estimated in Euro 4,7 million instead of Euro 12,5 million, with a resulting decrease of the company's net equity as at December 31, 2018 from Euro 6,9 million to 2,2 million, and (ii) the shares that will be received at the closing date will be accounted for, according to the applicable accounting standards, at the current market value at closing. Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matters	Audit Responses
Evaluation of Going concern	
For the year ended December 31, 2018 the Company incurred net losses of Euro 8,3 million, mainly related to the negative result of the discontinued operations. Equity and net financial position as at December 31, 2018 amount to Euro 8,4 million and Euro 19,2 million, respectively. The Business Plan 2019-2023 (hereinafter the "Plan") approved by the Board of Directors on March 15, 2019 includes actions aimed at focusing on the e-commerce segment and consolidating the current market position on such segment, in order to achieve improvements in profitability and cash flows over the period covered by the plan.	Our audit procedures in response to this key audit matter included, among others: · assessment of the circumstances that led to the comprehensive loss realized in the year; · assessment of the variances between the financial forecasts included in the previous business plan and those achieved in fiscal year 2018; · understanding of the process and the evaluation performed by the directors for the going concern basis of accounting, and assessment of the key assumptions underlying the Plan approved by the Board of Directors on March 15, 2019;

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The assumptions underlying the Plan and the valuation performed by management on the going concern basis of assessment, related to at least, but not limited to, twelve months after the balance sheet date, are by their nature complex and involve management judgment, in particular with reference to the company ability to meet its financial obligations, and could potentially manifest their effects with different results and timing compared to current forecasts.

In consideration of the judgment involved in forecast activities and their potential implications on the determination of the going concern basis of accounting, we have determined that this area represents a key audit matter.

The section "Going Concern" included in the paragraph "Outlook" of the directors' report, discusses the results achieved in the current fiscal year and the actions undertaken by the directors in order to achieve the financial results required to meet the company obligations as assumed in the Plan.

- assessment of the key assumptions underlying the Plan and sensitivity analyses performed with respect to the forecasted future cash flows;
- sensitivity analysis performed on the fair value to be received for the dismissal of the media assets in order to assess any potential implications on the financial covenant requirements;
- written representations obtained from the directors related to future action plans and their feasibility.

Lastly, we assessed the adequacy of the disclosures included in the directors' report in relation to the key audit matter.

Valuation of Goodwill

As at December 31, 2018 goodwill balance amounts to Euro 11,7 million. The Group performed an impairment test of the Cash Generating Units (CGUs) to which the goodwill is allocated.

The processes and methodologies for assessing and determining the recoverable amount of the identified CGUs, in terms of value in use, are based on assumptions, sometimes complex, that by their nature are based on the directors' judgment, in particular with reference to the forecast of future cash flows, relating to both the period covered by the Group's strategic plan for period 2019-2023 (hereinafter the "Plan"), and the determination of the normalized cash flows underlying the estimate of the terminal value, as well as to the determination of long-term growth and discount rates applied to the forecasted cash flows.

Our audit procedures in response to this key audit matter included, among others:

- assessment of the Group's procedure for the assessment of the recoverability of goodwill, as approved by the Board of Directors on March 5, 2019;
- assessment of the appropriateness of the CGUs identified;
- assessment of the key assumptions underlying the forecasted future cash flows, taking into account forecasted assumptions from external sector sources;
- assessment of the consistency of the forecasted future cash flows, and the determination of long-term growth rates and discount rates.

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In consideration of the judgment required and the complexity of the assumptions used in the estimate of the recoverable amount of goodwill, we have determined that this area represents a key audit matter.

The Group provides disclosures on the recoverability of goodwill, and the related assumptions and sensitivity analyses, in note 3 "Goodwill" and in note "Discretional valuation and significant accounting" of the financial statements.

In performing our audit procedures we also engaged our internal experts in valuation techniques, who performed independent calculation and sensitivity analyses on key assumptions in order to determine the changes that could significantly impact the valuation of recoverable amount.

Lastly, we assessed the adequacy of the disclosures provided in the notes to the financial statements in relation to this key audit matter.

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

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

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Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Giglio Group S.p.A., in the general meeting held on December 1, 2017 , engaged us to perform the audits of the consolidated financial statements for each of the years after the effective translisting on the MTA Market ending December 31, 2018 to December 31, 2026.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company [of the Group] in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Giglio Group S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of the Group as at December 31, 2018, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of the Group as at December 31, 2018 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of the Group as at December 31, 2018 and comply with the applicable laws and regulations.

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

Milan, April 9th, 2019

EY S.p.A.
Signed by: Agostino Longobucco, Partner

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

GIGLIO GROUP S.p.A.

Registered office in Milan, Piazza Diaz, 6 Milan

Share capital: € 3,208,050

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

Registered at Milan Companies Registration Office with no. 07396371002

Separate Financial Statements as at 31 December 2018

FINANCIAL STATEMENTS

- Statement of Financial Position
- Statement of Profit or Loss and Other Comprehensive Income
- Statement of Cash Flow
- Statement of Changes in Net Equity
- Explanatory Notes to the separate financial statements

Statement of financial position

Statement of financial position (Euro thousands)		31.12.2018	31.12.2017
Non-current assets			
Property, plant & equipment	(1)	261	5,175
Intangible assets	(2)	145	1,403
of which Distribution rights		-	-
of which Publishing rights		-	1,303
Other intangible assets		145	100
Goodwill	(3)	4,084	4,134
Equity investments	(4)	8,376	7,419
Receivables	(5)	2,985	3,135
Deferred tax assets	(8)	1,133	925
Total non-current assets		**16,984**	**22,192**
Current assets			
Inventories	(6)	4,952	3,685
Trade and other receivables	(7)	10,572	15,140
Financial receivables		-	-
Tax receivables	(8)	3,422	3,679
Other assets	(9)	774	1,392
Cash and cash equivalents	(10)	800	3,100
Total current assets		**20,520**	**26,995**
Assets held for sale	(35)	**9,617**	**-**
Total Assets		**47,121**	**49,187**
Shareholders' Equity	(11)		
Share capital		3,208	3,208
Reserves		11,340	11,374
Extraordinary reserve		-	-
Listing charges		(541)	(541)
FTA Reserve		4	4
Retained earnings		(2,384)	46
Translation reserve		-	-
Net profit		(4,745)	(2,379)
Total Shareholders' Equity		**6,882**	**11,712**
Non-current liabilities			
Provisions for risks and charges	(12)	275	349
Deferred tax liabilities	(13)	2	265
Financial liabilities (non-current portion)	(14)	5,897	7,438
Total non-current liabilities		**6,174**	**8,052**
Current liabilities			
Trade and other payables	(15)	9,008	16,751
Financial liabilities (current portion)	(14)	15,810	11,513
Tax payables	(16)	480	405
Other liabilities	(17)	584	754
Total current liabilities		**25,882**	**29,423**
Assets held for sale and liabilities directly associated with assets held for sale	(35)	**8,184**	**-**
Total liabilities and net worth		**47,121**	**49,187**

Statement of profit or loss and other comprehensive income

Statement of profit or loss (Euro thousand)		31.12.2018	31.12.2017
Total revenues	(18)	**23,094**	**22,576**
Other revenues	(18)	1,363	138
Change in inventories		1,400	1,329
Purchase of raw materials, ancillary, consumables and goods	(19)	*(19,785)*	*(18,000)*
Service costs	(20)	*(4,230)*	*(4,033)*
Rent, lease and similar costs	(21)	*(637)*	*(522)*
Operating costs		**(24,652)**	**(22,555)**
Salaries and wages	(22)	*(1,756)*	*(950)*
Social security charges	(22)	*(299)*	*(288)*
Post-employment benefits	(22)	*(3)*	*(62)*
Personnel expense		**(2,058)**	**(1,300)**
Amortisation	(23)	*(20)*	*(14)*
Depreciation of property, plant & equip.	(23)	*(63)*	*(74)*
Write-downs	(23)	*(53)*	*0*
Amortisation, depreciation & write-downs		**(136)**	**(88)**
Other operating costs	(24)	*(461)*	*(510)*
Operating profit		**(1,450)**	**(410)**
Financial income	(25)	*11*	*1*
Net financial expenses	(25)	*(889)*	*(620)*
Profit before taxes		**(2,328)**	**(1,029)**
Income taxes	(26)	*183*	*564*
Net Profit from continuing operations		**(2,145)**	**(464)**
Net Profit from discontinued operations*	(35)	**(2,600)**	**(1,915)**
Net Profit		**(4,745)**	**(2,379)**
Of which minority interest		-	-
Basic and diluted profit from continuing operations		**(0.1337)**	**(0.0313)**
Basic and diluted profit from discontinued operations		**(0.1621)**	**(0.1292)**
Net profit per share – basic and diluted		**(0.2987)**	**(0.1634)**

* In compliance with provisions set forth in paragraph 33 of IFRS 5 "Non-current assets held for sale and discontinued operations", the analysis of the net profit of discontinued operations can be shown in the income statement or in the notes, alternatively. The Group chose to show the analysis in the Notes at note 35 "Discontinued operations", to which reference is made.

Statement of Comprehensive Income

STATEMENT OF OTHER COMPREHENSIVE INCOME (Euro thousands)		31.12.2018	31.12.2017
Net Profit		(4,745)	(2,379)
Other comprehensive income items			
Other comprehensive items which may be subsequently reclassified to profit/(loss) for the year net of income taxes.			
Translation Reserve		0	0
Total other comprehensive items which may be subsequently reclassified to profit/(loss) for the year net of income taxes		**0**	**0**
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)	(46)	(42)
Total other comprehensive items which may not be subsequently reclassified to profit/(loss) for the year net of income taxes		**(46)**	**(42)**
Total comprehensive income/(expense)		**(4,791)**	**(2,421)**

Statement of changes in Net Equity

Description *(Euro)* Note 11	Share capital	Reserves	FTA Reserve	Translation reserve	IAS 19 Reserve	Retained earnings	Net profit	Total
31 DECEMBER 2016 BALANCE	**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 profit for the previous year						141	(141)	-
IAS 19 Reserve					(42)			(42)
Exchange rate effect								-
Net profit							(2,379)	(2,379)
31 DECEMBER 2017 BALANCE	**3,208**	**11,455**	**4**	**(541)**	**(81)**	**45**	**(2,379)**	**11,712**

Description *(Euro thousands)* Note 11	Share capital	Reserves	FTA Reserve	Translation reserve	IAS 19 Reserve	Retained earnings	Net profit	Total
31 DECEMBER 2017 BALANCE	**3,208**	**11,455**	**4**	**(541)**	**(81)**	**45**	**(2,379)**	**11,712**
Restatement for first application IFRS 9						(51)		(51)
01 January 2018 BALANCE	**3,208**	**11,455**	**4**	**(541)**	**(81)**	**(6)**	**(2,379)**	**11,660**
Share capital increase	-							-
Share premium reserve		-						-
Retained earnings						(2,379)	2,379	-
IAS 19 Reserve					(34)			(34)
Exchange rate effect				-				-
Other changes	-	-				-		-
Net profit							(4,745)	(4,745)
31 DECEMBER 2018 BALANCE	**3,208**	**11,455**	**4**	**(541)**	**(115)**	**(2,384)**	**(4,745)**	**6,882**

STATEMENT OF CASH FLOW

Euro thousands		31.12.2018	31.12.2017
Cash flows from operating activities			
Profit (loss) for the period of continuing operations		(2,145)	(377)
Profit (loss) for the period of discontinued operations	(35)	(2,600)	(2,002)
Adjustments for:			
Amortisation of tangible assets	(1)	63	74
Amortisation of intangible assets	(2)	20	14
Non-cash changes of provisions		62	148
Write-downs/(Revaluations)	(23)	53	-
Net financial charges/(income)	(25)	878	618
Income taxes	(26)	(183)	(651)
Changes in:			
Inventories	(6)	(1,400)	(1,329)
Trade receivables	(7)	(79)	881
Tax receivables	(8)	181	(2,079)
Other assets	(9)	(664)	85
Deferred tax liabilities	(13)	(263)	(86)
Trade payables	(15)	(502)	907
Tax payables	(16)	75	(442)
Other liabilities	(17)	201	227
Change in net working capital		**(2,451)**	**(1,836)**
Changes in provisions	(12)	-	(51)
Changes in assets/liabilities held for sale	(35)	3,824	1,755
Cash flow generated from operating activities		**(2,479)**	**(2,308)**
Interest paid	(25)	(878)	(618)
Income taxes paid	(26)	183	651
Net cash flow generated from operating activities		**(3,174)**	**(2,275)**
Cash flows from investing activities			
Investments in property, plant & equipment	(1)	(83)	(199)
Investments in intangible assets	(2)	(131)	(6)
Acquisition Evolve Group net of liquidity acquired		-	558
Acquisition Giglio Fashion net of liquidity acquired		-	-
Other intangible assets	(5);(8)	(165)	(2,709)
Increase equity investments	(4)	(1,418)	(1,500)
Change in consolidation scope			
Net cash flow absorbed by investing activities		**(1,797)**	**(3,856)**
Cash flow from financing activities			
Share capital increase		-	-
Change in Shareholders' Equity		(85)	(42)
New financing	(14)	6,000	3,700
Repayment of loans	(14)	(3,132)	(2,004)
Change in financial debt	(14)	(112)	6,126
Net cash flow absorbed by financing activities		**2,671**	**7,780**
Net increase/(decrease) in cash and cash equivalents		**(2,300)**	**1,649**
Cash and cash equivalents at January 1		3,100	1,449
Cash and cash equivalents at 31 December		800	3,100

EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS

GENERAL INFORMATION

A. Corporate information

The publication of the financial statements of Giglio Group S.p.A. (the Company) for the period ended 31 December 2018 was approved by the Board of Directors on 15 March 2019.

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 31 December 2018 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, with the exception of newly-adopted policies, which should be consulted in the "Accounting standards, amendments and interpretations in force from 1 January 2018" paragraph. 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 2015, 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, the Statement of Changes in Equities and the Explanatory Notes.

In particular:

- in the Balance Sheet, the current and non-current assets and liabilities are shown separately;
- in the Comprehensive Income Statement, the analysis of the costs is based on their nature;
- for the Cash Flow Statement, the indirect method is used.

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:

- Identification of Cash Generating Unit (CGU); In application of the requirements in "IAS 36 - Impairment of assets", the goodwill recorded in the Group's Financial Statement, by virtue of business combination transactions, was assigned to single CGUs or to groups of CGUs that are expected to benefit from this combination. A CGU is the smallest identifiable group of assets that generates a largely independent cash flow. In the process of identification of the aforementioned CGUs, the management kept note of the specific nature of the activity and the business to which it belongs, verifying that the cash flows generated by a group of activities were strictly independent and largely autonomous from the ones resulting from other activities (or group of activities). The activities included in every CGU were identified also on the basis of the procedures by which the management monitors and manages them.
- Application of requirements for IFRS 5 application; The Group classifies non-current activities and disposal groups as "held for sale" if their book value will be recovered mainly with a sale operation instead of their continued use. The condition for the classification of "held for sale" shall be deemed respected only when the sale is highly probable and the activity or group to be discontinued is available for immediate sale as is. The actions required to close the sale should point out that it is improbable that any significant change shall occur in the sale or that this might

be cancelled. The management must commit to sell, and the sale must be closed within one year from the classification. The management shall include in its assessments all facts and circumstances, including the events that might hinder the disposal plans.

- Measurement of non-current assets’ or disposal groups’ fair value; The Group classifies non-current assets and disposal groups as held for sale or distribution to the Parent Company’s Shareholders if their book value will be recovered mainly through a sales or distribution transaction, instead of with their continuous use. These non-current assets and disposal groups classified as held for sale or distribution to Shareholders are assessed at the lower between the book value and the fair value, net of sales or disposal costs. On 11 March 2019, the Parent Company concluded a transfer agreement with Vértice Trescientos Sesenta Grados, S.A. (Vertice 360) for some assets regarding the media division, classified, where the other conditions are met, in the non-current assets. The value of these assets has been assessed at about € 12.5 million on the basis of a fairness opinion commissioned by the Company to an independent expert. For the purpose of budgeting at 31 December 2018 the non-current assets to be recorded at the lower between the cost and the fair value, the values resulting from the fairness opinion were used as reference for the fair value, as described in detail in paragraph 35 of the Explanatory Notes
- Assessment of control requirements' existence; Pursuant to the provisions of IFRS 10 accounting standard, control is attained when the Group is exposed or is entitled to variable yields resulting from the relation with its subsidiary and has the capacity, through its power over the subsidiary, to influence its yields. The power is the actual capacity to direct the subsidiaries' relevant activities by virtue of substantial existing rights. The existence of control does not depend exclusively on the possession of the voting rights' majority, but on the substantial rights of the investor on the subsidiary. Consequently, the assessment of the management is requested in order to assess specific situations determining substantial rights that attribute to the Group the power to direct the subsidiary's relevant activities so much so as to influence its yields. For the purposes of the assessment of the control requirement, the management shall analyse all facts and circumstances, including all agreements with investors, the rights resulting from other contractual agreements and from potential voting rights (call options, warrants, put options assigned to minority shareholders etc.). These facts and circumstances can be particularly relevant in the context of this assessment, especially when the Group holds less than the majority of the subsidiary's voting right, or similar rights. The Group shall reassess the existence of control

requirements on a subsidiary when the facts and circumstances point at a variation of one or more of the elements taken into account for the assessment of its existence.

- Equity 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. The company did not note any impairment indicators.

- Provision for inventory write-down of raw materials and accessories and inventories of finished products; 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.

The recoverability analysis of commercial credits is undertaken on the basis of the so-called expected credit loss model.

More specifically, expected credit losses are determined on the basis of the product between: (i) the exposure to the counterpart net of relevant mitigating guarantees (so called Exposure At Default or EAD); (ii) the chance that the counterpart does not comply with its payment obligation

(so called Probability of Default or PD); (iii) the estimate, in percentage, of the quantity of credit that shall not be recovered in case of default (Loss Given Default or LGD), defined on the basis of previous experiences (historical series of recovery capacity) and of the possible recovery actions to be undertaken (e.g. out-of-court proceedings, litigations, etc.).

- Payments based on shares or options:

The cost of work includes, consistently to the substantial nature of the compensation, the cost of the incentive stock option plan. The incentive cost is determined with regards to the fair value of the financial instruments assigned and to the intended number of shares/options to be assigned; the pertinent share is determined pro-rata temporis over the vesting period, i.e. during the period between the grant date and the assignment date. The fair value shares/options underlying the incentive plan is determine on grant date taking into account the forecasts regarding the achievement of performance parameters associated with market conditions, and cannot be adjusted in the following fiscal years; if obtaining the benefit is linked to conditions other than the market's, the forecast regarding these conditions is reflected by adjusting over the vesting period the number of shares that shall be assigned. At the end of the vesting period, in the event that the plan does not assign shares to the beneficiaries due to the failure t reach performance conditions, the share of the cost concerning market conditions cannot be reversed into the income statement.
It is specified that on 29 October 2018, the Company held the ordinary and extraordinary Shareholders' Meeting.
The Meeting, in ordinary session, approved the Stock Option Plan 2018-2021 reserved to Executive Directors and/or Managers with Strategic Responsibilities in order to keep high and improve their performance and to contribute to boost the Company and the Group's growth and success.
The extraordinary Meeting delegated to the Board of Directors the authority to increase Giglio Group S.p.A. share capital against payment, pursuant to Art. 2443 of the Civil Code, in separate issues, excluding option rights, pursuant to Art. 2441, par. 8 and - as far as applicable - par. 5 of the Civil Code, for a maximum amount of € 138,000.00 in nominal value, through the issue, also in more tranches, of a maximum of no. 690,000.00 ordinary shares without nominal value, to be used only within the scope of the "Stock Option Plan 2018-2021".
Assigned options can be exercised over a three-year vesting period divided into three tranches (up to 20% on the first year, up to 30% on the second year and up to 50% on the third year), and shall mature only upon achievement of the objectives identified in the plan (in terms of performance conditions).

It is noted that 2018 objective were not achieved and, similarly, on the basis of the prospective results referring to the Plan's objectives, as at 31 December 2018, no provision has been deemed necessary.

- 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 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

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

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.

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

Financial risks are monitored through an integrated reporting system aimed at allowing the 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.

The financial risks to which Giglio Group S.p.A are exposed are illustrated below.

<u>Market risk</u>

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.

<u>Currency risk</u>

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.

<u>Interest rate risk</u>

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
31 December 2018	(17,030)	+1%	(2,500)
31 December 2018	(17,030)	-1%	(2,156)

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.

2018 figures include the effects of the adoption of IFRS 9.

The Group has availed itself of the option provided in IFRS 9 to not redetermine the comparative information of previous fiscal years, exposing again, solely for completeness purposes, the tables of credit risk

related to the previous fiscal year.

The overall tables cannot be compared directly, since the doubtful debt provision was determined in 2018 with the expected credit losses method, hereinafter the ECL (pursuant to IFRS 9) in substitution to the incurred losses method used in 2017.

The ageing of the gross trade receivables at 31 December 2018 and 31 December 2017 is shown below:

(Euro thousands)	**Year ended at 31 December 2018**	**%**	**Year ended at 31 December 2017**
> 120 days	656	*27.7 %*	2,583
90<> 120 days	*43*	*1.8 %*	*400*
60<> 90 days	*112*	*4.7 %*	*303*
30<> 60 days	*355*	*15.0 %*	*607*
0<> 30 days	*202*	*8.5 %*	*309*
Total overdue	***1,368***	***57.8 %***	***4,202***
Not overdue	*1,000*	*42.2 %*	*1,620*
Total gross receivables	**2,369**	***100.0 %***	**5,822**
Doubtful debt provision	*(415)*		*(1,143)*
Inc. provision on overdue 120 days	*(63.3)%*		*(44.3)%*
Total	**1,953**		**4,679**

The following table shows the Group's exposition to credit risk per geographical area:

(Euro thousands)	**Year ended at 31 December 2018**	**%**	**Year ended at 31 December 2017**	**%**

Europe	2,294	*96.8 %*		5,329	*91.5 %*
Asia	*40*	*1.7 %*		*76*	*1.3 %*
USA	*1*	*0.0 %*		*35*	*0.6 %*
Rest of the world	*34*	*1.4 %*		*382*	*6.6 %*
Total gross receivables	**2,369**	***100.0 %***		**5,822**	***100.0 %***
Doubtful debt provision	*(415)*			*(1,143)*	
Total	**1,954**			**4,679**	

The doubtful debt provision was determined by elaborating a specific provision matrix.

More specifically, the Group, due to the variety of its clients, identified appropriate groupings and associated to them a specific rating determined on the basis of the Company's experience.

To each rating type, a specific write-down percentage was applied, according to the overdue range, as shown in the following table:

Rating	> 120 days	90<> 120 days	60<> 90 days	30<> 60 days	0<> 30 days	Not overdue
A (low risk)	4.4%	3.4%	2.4%	1.4%	0.4%	0.2%
B (average risk)	5.4%	4.4%	3.4%	2.4%	0.6%	0.4%
C (high risk)	6.4%	5.4%	4.4%	3.4%	0.8%	0.6%

These percentages were later adjusted to take into account the loss given default rate or other specific considerations concerning clients undergoing litigations.

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 31 December 2018 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	11	15	11
IFITALIA Factoring - BNL	5,950	2,595	-	-	-	-	5,950	2,595
Banco Popolare	300	184	100	-	20	16	420	200
Banca Popolare di Milano	650	180	-	420	-	-	650	600
Banca Sella	-	-	200	60	-	-	200	60

Banca Popolare di Sondrio	150	150	-	-	-	-	150	150
FACTORIT - Banca Popolare di Sondrio	300	-	-	-	-	-	300	-
CREDIMI	1,570	1,502	-	-	-	-	1,570	1,502
UNICREDIT	5,000	4,990	-	-	50	-	5,050	4,990
CARIPARMA	1,500	-	-	-	-	-	1,500	-
BNL	-	-	-	-	50	-	50	-
BANCA INTESA HONG KONG	-	-	200	190	-	-	200	190
Total	**15,420**	**9,601**	**500**	**669**	**135**	**27**	**16,055**	**10,298**

The Company is currently re-negotiating the credit lines with a primary bank for an amount up to € 8 million.

Capital management

For the purposes of the Group's capital management, it has been defined that the capital includes the issued share capital, the share premium reserve and all other share reserve attributable to the Parent Company's shareholders. The Board of Directors' capital management policies envisage maintaining a high capital level in order to preserve the trust of investors, creditors and the market, thus allowing for the future development of activities. The Group manages the capital structure and carries out adjustments on the basis of economic conditions and the requirements of financial covenants. For the purpose of maintaining or amending the capital structure, the Group may intervene on the dividends paid to shareholders, may refund the capital to shareholders or may issue new shares.

The Group manages the capital and financial risks consistent with the structure of the assets.

The objective of the Group is to maintain over time adequate credit rating and levels of capital indicators, consistent with the structure of the assets.

ACCOUNTING POLICIES AND ASSESSMENT CRITERIA

Translation of accounts in foreign currencies

The financial statements are presented in Euro, which is the Parent Company's functional currency.

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 are 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

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.

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 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 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.

Equity 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

Trade receivables and debt securities issued are recorded at the assignment date.

With the exception of trade receivables, which do not include a significant financing component, financial assets are assessed originally at the fair value plus or less, in the event of assets and liabilities not assessed at FVTPL, the transaction costs attributable to the purchase or issue of the financial asset. On initial recognition, trade receivables without a significant financial component are assessed at their transaction price.
On initial recognition, financial assets are classified according to their assessment: amortised cost; fair value identified in other components of overall income statement (FVOCI) - debt security; FVOCI - share capital; or fair value through profit and loss (FVTPL). Financial assets are not reclassified following their initial recognition, provided that the Group does not change its business model for financial assets management. In this event, all affected financial assets shall be reclassified on the first day of the first fiscal year following the change in business model.
The "Loans and receivables" assessment is carried out with the amortised cost criterion, by recording in the income statement the interests calculated at effective interest rate, by applying a rate that nullifies the sum of current net cash flows values generated by the financial instrument. Losses are recorded in the income statement as a result of value losses or when receivables and lending are eliminated from company accounts. Receivables are subject to impairment and are thus recorded at their fair value through the creation of a specific write-down provision directly deducted from the asset value. Receivables are written down when an objective indication of the probable irrecoverability of the credit arises, as well as on the basis of the Company's experience and of statistical data (expected losses). 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

Financial liabilities are recorded initially at their fair values, which substantially coincides with amounts collected, net of transaction costs. The management shall determine the classification of financial liabilities according to the criteria set forth in IFRS 9 and IFRS 7 at the time of their first recording.

Following first recording, the liabilities shall be assessed at the amortised cost, as defined by IFRS 9 accounting standard. The "Financial liabilities assessed at amortised cost" assessment is carried out with the amortised cost criterion, by recording in the income statement the interests calculated at effective interest rate, by applying a rate that nullifies the sum of current net cash flows values generated by the financial instrument. In the event of instruments expiring in the following 12 months, nominal value as approximation of the amortised cost is adopted.

Payables and other financial liabilities are initially recognised at fair value net of any directly attributable incidental costs and only after they are measured at amortised cost, using the effective interest rate criterion. When there is a change in the expected cash flows, the value of

the liabilities is recalculated to reflect this change, based on the present value of the new cash flows and on the effective interest rate initially determined.

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

Revenues and incomes are recorded net of returns, discounts, bonuses and premiums, as well as of taxes directly connected to the sale of products and the provision of services, pursuant to IFRS 15. More specifically, the revenues of products sales are recorded when the assets are under the buyers' control. That moment, on the basis of most common contractual clauses, coincides with the transfer of the assets.

Revenues regarding the provision of services are recorded on the basis of the effective completion of the service on the reference date of the financial statement, and are represented net of discounts and bonuses.

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.

Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale or for distribution to the company's shareholders if their book value will be recovered mainly with a sale or distribution transaction, instead of their continued use. These non-current assets and disposal groups classified as held for sale or for distribution to shareholders are assessed at the lower between the book value and the fair value, net of sales or disposal costs. Disposal costs are the additional costs directly attributable to disposal, excluding financial costs and taxes.

The condition for the classification of "held for sale" shall be deemed respected only when the sale is highly probable and the activity or group to be discontinued is available for immediate sale as is. The actions required to close the sale should point out that it is improbable that any significant change shall occur in the sale or that this might be cancelled. The management must commit to sell, and the sale must be closed within one year from the classification. Similar considerations are valid also for assets and disposal groups held for sale.

The amortisation of plants, machineries and intangible assets ends when they are classified as "held for sale or distribution to shareholders".

Assets and liabilities classified as held for sale or distribution to shareholders are recorded separately in the current items of the financial statement.

A disposal group qualifies as discontinued operation if it is:

- a component of the Group representing a CGU or a group of CGUs;
- classified as held for sale or distribution to shareholders or it has already been transferred;
- an important autonomous branch of activities or a geographical area of activities.

Assets held for sale are excluded from the result of operating assets and are recorded in the profit/(loss) income statement in single line as net profit/(loss) from discontinued operations.

Payments based on shares or options

The Group recognizes additional benefits to some of it directors, managers, employees, advisor and workers through a equity-settled plans (the "Stock Option Plan"). According to IFRS 2 provision - Payments based on shares -, they must be considered of the "equity settlement" type; therefore, the overall current value of Stock Option at the grant date is recorded in the income statement as cost.

Accounting standards, amendments and interpretations applied from 1 January 2018

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 1 January 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 adopted IFRS 15 from 1 January 2018 with the cumulative effect approach and the effects of initial application of the standard on the financial statements are described in detail below.

Therefore, the 2017 figures were not restated i.e. they were presented as per IAS 18.

The analysis carried out on the effects of IFRS 15 first application on the 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.

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, records 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.

IFRS 9 – Financial instruments

The document incorporates the results of the IASB project to replace IAS 39: More specifically, IFRS 9:

- 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 Company has adopted 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 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 a negative impact on the initial shareholders' equity at January 1, 2018, amounting to approximately € 70,000 (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.

The effects from application of IFRS 9 are presented below.

Balance Sheet (Euro thousands)	31.12.2017 reported	IFRS adjustments	01.01.2018
Deferred tax assets	925	19	944
Trade and other receivables	15,140	(70)	15,070
Net Equity			
Share capital	3,208		3,208
Reserves	11,374		11,374
Extraordinary reserve	-		-
Listing charges	(541)		(541)
FTA Reserve	4		4
Retained earnings	45	(50)	(5)
Translation reserve	-		-
Net profit	(2,379)		(2,379)
Total Net Worth	**11,711**		**11,661**

Following first application of IFRS 9 at 1 January 2018, the difference emerging was recognised to Shareholders' Equity.

Amendment to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"

In September 2016, the IASB published "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts". The amendments clarify the considerations deriving from application of the new IFRS 9, before the replacement by the IASB of the current IFRS 4 with the new standard currently under discussion. The standard did not impact the Group's financial statements.

Amendment to IFRS 2 - Classification and Measurement of Share-based Payment Transactions

In June 2016, the IASB published amendments to IFRS 2 "Classification and measurement of share-based payment transactions" 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. The standard did not impact the Group's financial statements.

Amendments to IAS 40 Investment Property: Transfers to Investment Properties

In December 2016, the IASB published the document "Amendments to IAS 40 Transfer of Investment Property". These amendments clarify the transfers of an asset to, or from, investment property. Based on these amendments, an entity must reclassify an asset to, or from, investment property only when the asset complies with or ceases to comply with the definition of "investment property" and there has been a clear change in the utilisation of the asset. This change must be attributable to a specific event and shall not therefore be limited to only a change in intention by management of the entity. The standard did not impact the Group's financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB published the "IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration" document. 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. The standard did not impact the Group's financial statements.

Improvements to IFRS: 2014-2016 Cycle

In December 2016, the IASB published the "Annual Improvements to IFRS Standards: 2014-2016 Cycle"; main amendments concern:

- IFRS 1 First-time adoption of International Financial Reporting Standards - The amendments eliminate some exemptions within IFRS 1, as the benefit from these exemptions are no longer applicable.
- IAS 28 - Investments in associates and joint ventures - The amendment clarifies that the option for risk capital investment companies or other similar companies to measure investments in associates and joint ventures valued at fair value through profit or loss (rather than through application of the equity method) is applied for each individual investment on initial recognition.

Accounting standards, amendments and interpretations approved by the EU and applicable from January 1, 2018

Amendment to IFRS 9 Financial Instruments: "Prepayment Features with Negative Compensation"

In October 2017, the IASB published amendments to IFRS 9 Prepayment Features with Negative Compensation. The amendment proposes that financial instruments repaid early, which may give rise to negative offsetting, may apply the amortised cost or fair value through other comprehensive income method depending on the business model adopted. The amendments will be applicable from periods beginning on 1 January 2019.

IFRS 16 – Leases

The standard, published by the IASB in January 2016 and approved by the European Commission on October 2017, replaces IAS 17 standard proposing 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. All contracts included in the leasing definition, with the exception of the contracts regarding low-value assets and leasing lasting less than or 12 months, shall be recorded in the balance sheet as a right of use activity with a corresponding contribution as financial debt. On the other hand, the standard does not include significant amendments for lessors. The policy introduces a criterion based on the right of use of an asset to differentiate between leasing and service contracts, identifying essential differences:

- the identification of the asset in use (i.e. without the right of replacement of the asset by the lessor);
- the right to obtain substantially all the economic benefits from the use of the asset;
- the right to decide how to use the asset and to which end.

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

In the first application, it is possible to use the full retrospective approach (with redefinition of comparative information) or the modified retrospective approach (with cumulative effect of the IFRS 16 adoption, recorded as adjustment of the opening balance of profits recorded on 1 January 2019 without the redefinition of comparative information).

Currently, the Group has completed the analysis of contracts potentially affected by this policy both in Italy and in the other countries where it operates. For the short-term or low-value leases contracts, the Group exercised the right not to apply the recording and assessment provisions set forth in IFRS 16.

The transition method that the Group shall adopt is the aforementioned modified retrospective approach. The Group shall account a financial liability equal to the current value of future remaining payments at the transition date, discounted using for each contract the IBR (Incremental Borrowing Rate) applicable at the transition date, after using the option to determine the right of use equal to the value of the financial liability.

The Group, who will have to adopt the IFRS 16 leasing starting from 1 January 2019, estimated the effect resulting from the first application of this policy on 2018 consolidated financial statement to € 2.7 million of increased financial liabilities and tangible fixed assets.

The final effects from the adoption of the standard at 1 January 2019 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 financial statements which include the date of initial application.

Accounting standards, amendments and interpretations not yet approved by the EU and applicable from January 1, 2018

IFRS 17 Insurance Contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts which replaces IFRS 4, issued in 2004. The standard has the objective to improve investors' understanding of the exposure to risk, earnings and the financial position of insurers, requiring that all insurance contracts are recorded on a uniform basis, overcoming the problems created within IFRS 4.

The standard is applicable from January 1, 2021, however advance application is permitted.

IFRIC 23 – Uncertainty over income tax treatments

In June 2017, the IASB published interpretation IFRIC 23 – Uncertainty over Income Tax Treatments. The interpretation clarifies the application of the requirements for recognition and measurement established in IAS 12 Income Taxes when uncertainties exist on tax treatment. The amendments will be applicable from periods beginning January 1, 2019, although early application is permitted.

Amendment to IAS 28 Investments in associates: Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9 is applied to long-term receivables from an associate or joint venture which, in substance, are part of the net investment in the associate or joint venture. The amendment in addition establishes that IFRS 9 is applied to these receivables before the application of IAS 28, so that the entity does not take account of any adjustments to long-term interests from application of the above IAS. The amendments will be applicable from periods beginning January 1, 2019, although early application is permitted.

Improvements to IFRS: 2015-2017 Cycle

In December 2017, the IASB published the "Improvements to IFRS: Cycle 2015-2017" document, with the principal amendments concerning:

G. IFRS 3 - Business Combination and IFRS 11 – Joint Arrangements - The amendments to IFRS 3 clarify that when an entity obtains control of a joint operation, it should restate the fair value of the interest that it previously held in this joint operation. The amendments to IFRS 11 clarify that when an entity obtains joint control of a joint operation, the entity does not restate the fair value of the interest previously held in the joint operation.

H. IAS 12 - Income tax consequences of payments on financial instruments classified as equity - The proposed amendments clarify that the entity should recognise any tax effects from the distribution of dividends.

I. IAS 23 - Borrowing costs eligible for capitalisation - The amendments clarify that where loans specifically undertaken for the acquisition and/or construction of an asset remain in place even after the asset is ready for use or sale, these loans cease to be considered

specific and therefore are included in the generic loans of the entity for the calculation of the capitalisation rate of the loans.

The amendments will be applicable from periods beginning on 1 January 2019. Earlier application is permitted.

Amendment to IAS 19 - Plan Amendment, Curtailment or Settlement (published in February 2018)

The amendments clarifies how current labour costs and net interest is calculated where there is a change to the defined benefits plan. The amendments will be applicable from periods beginning on 1 January 2019. Earlier application is permitted.

Amendment to IFRS 10 and IAS 28 “Sales or Contribution of Assets between an Investor and its Associate or Joint Venture” (published on September 11, 2014)

The document was published in order to resolve the current conflict between IAS 28 and IFRS 10 relating to the measurement of the gain or loss from the sale or conferment of a non-monetary asset to a joint venture or associate in exchange for a share of the capital of this latter. Currently, the IASB has suspended the application of this amendment.

Employment data

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

Workforce	31.12.2018	31.12.2017	Change
Executives	4	3	1
Managers	7	4	3
White-collar	48	34	14
Blue-collar	-	-	-
Others	-	3	-3
Total	**59**	**44**	**15**

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 15 March 2019 proposed the carry forward of the loss for the year 2018.

ASSETS

C) Non-current assets

1. Property, plant & equipment

Balance at 31.12.2018 **261**

Balance at 31.12.2017 **5,175**

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

Tangible Fixed Assets	Plant	Equipment	Furniture & fittings	EDP	Motor vehicles	Others	Total
Change in Historical Cost							
31 December 2017	**13,606**	**93**	**206**	**288**	**577**	**359**	**15,129**
Continuing operations increases	8	3	64	16	-	4	94
Discontinued operations increases	165	9	-	16	-	38	228
Decreases	-	-	-	-	-	-	-
Reclassifications for divestments	(12,755)	(95)	(48)	(134)	(452)	(280)	(13,764)
31 December 2018	**1,023**	**10**	**222**	**186**	**125**	**120**	**1,686**
Change in Amortisations							-
31 December 2017	**(9,014)**	**(49)**	**(168)**	**(251)**	**(366)**	**(106)**	**(9,954)**
Continuing operations amortisations	(2)	(1)	(16)	(14)	(29)	(1)	(63)
Discontinued operations amortisations	(1,257)	(6)	(1)	(3)	(34)	(18)	(1,319)
Decreases	0	-	-	-	-	-	0
Reclassifications for divestments	9,291	49	48	117	378	28	9,911
31 December 2018	**(983)**	**(6)**	**(137)**	**(150)**	**(51)**	**(97)**	**(1,424)**
Net Value 31 December 2018	**41**	**4**	**85**	**36**	**73**	**23**	**261**

Decreases of € 4,914 thousand are reported at 31 December 2018, mainly concerning the reclassification of some assets as discontinued operations, by effect of the transaction described in paragraph 35.

2. Intangible assets

Balance at 31.12.2018 **145**

Balance at 31.12.2017 **1,403**

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

Intangible Fixed Assets	Publishing rights	Other intangible assets	Total
Change in Historical Cost			
31 December 2017	**6,408**	**3,133**	**9,542**
Continuing operations increases	-	120	120

Discontinued operations increases	-	52	52
Decreases	-	-	-
Reclassifications for divestments	(6,408)	(169)	(6,577)
31 December 2018	**-**	**3,136**	**3,136**
Change in Amortisations			
31 December 2017	**(5,105)**	**(3,033)**	**(8,138)**
Continuing operations amortisations	-	(20)	(20)
Discontinued operations amortisations	(755)	(21)	(777)
Decreases	-	-	-
Reclassifications for divestments	5,860	85	5,944
31 December 2018	**-**	**(2,991)**	**(2,991)**
Net Value 31 December 2018	**-**	**145**	**145**

"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 31 December 2018, no impairment indicators existed and consequently an impairment test was not carried out relating to the above-mentioned intangible fixed assets.

Decreases of € 1,258 thousand are reported at 31 December 2018, mainly concerning the reclassification of some assets as discontinued operations, by effect of the transaction described in paragraph 35.

3. Goodwill

Balance at 31.12.2018	**4,084**
Balance at 31.12.2017	**4,134**

The account includes € 4,084 thousand relating to the acquisition of Giglio Fashion in March 2016.

At 31 December 2018, no loss was recorded based on the impairment test carried out.

The impairment test works on two levels, Tier 1, where the headroom against the Consolidated Net Capital Invested is verified, and Tier 2, where the actual impairment test is executed with regard to the CGUs to which the goodwill is ascribable.

Both at single CGU level and at consolidated level, the Unlevered Free Cash Flow (UFCF) of explicit forecast were determined using Plan balance-sheet data and exempting the Ebit with a theoretical taxation of 27.9%, while the terminal value (TV) was calculated as the average of UFCFs of the explicit forecast period, aligning amortisations to the average Capex level in the five-year period.

The discount rate applied was the adjusted WACC at 15.54%.

TIER 1

The Tier 1 (consolidated level) shows that, upon a Net Capital Invested of € 19.1 million, the consolidated enterprise value amounts to € 33 million (of which € 15.5 million resulting from the discounting of flows from explicit forecast and € 17.4 million from the terminal value).

Subsequently, the Tier 1 (verification of the value of use of the goodwill recorded in the consolidated financial statement at about € 11.7 million) gave positive results against a headroom of € 13.9 million.

TIER 2 – B2C

The Tier 2 of B2C CGU (Business to Consumer) shows that, upon a Net Capital Invested of € 7.3 million, the enterprise value amounts to € 24 million (of which € 15.4 million resulting from the discounting of cash flows from explicit forecast and € 8.6 million from the terminal value).

Subsequently, the Tier 2 of B2C CGU (verification of the value of use of the goodwill recorded in the consolidated financial statement at about € 7.6 million) gave positive results against a headroom of € 16.7 million.

TIER 2 – B2B

The Tier 2 of B2B CGU (Business to Business) shows that, upon a Net Capital Invested of € 7.3 million, the enterprise value amounts to € 21.6 million (of which € 8.6 million resulting from the discounting of cash flows from explicit forecast and € 13 million from the terminal value).

Subsequently, the Tier 2 of B2B CGU (verification of the value of use of the goodwill recorded in the consolidated financial statement at about € 4.1 million) gave positive results against a headroom of € 14.3 million.

Sensitivity analysis and stress test

The company also carried out a sensitivity analysis on the above-mentioned assumptions, through growth rate variations (G) equal to +/- 0.5% 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.

Furthermore, a stress test was carried out by aligning revenues with the average market growth rate at Tier 1, Tier 2 B2C and Tier 2 B2B levels. The technical sensitivity tables thus obtained highlight how the stress test produces a strong reduction of the headroom, especially at Consolidated Net Capital Invested levels, that, in any event, remain positive, amounting to € 0.8 million.

4. Investments

Balance at 31.12.2018 **8,376**

Balance at 31.12.2017 **7,419**

The breakdown of the account at 31 December 2018 is illustrated below:

Equity investments	31.12.2018	31.12.2017	Change
Giglio TV HK Ltd	1,530	1,530	-
Nautical Channel	-	310	(310)
Giglio USA	18	18	-
IBOX SA	6,823	5,410	1,412
Cloud Food	5		5
Class Tv Moda Holding	-	50	(50)
Pegaso Srl	-	100	(100)
Total	**8,376**	**7,419**	**957**

The increase compared to the previous year regarding the investments in the companies IBOX SA (whose acquisition of 100% of the capital was finalised on 27 April 2017), is due to the share increase resolved on 5 December 2018.

The decrease in the investments' value of in Nautical Channel (by 100% of its capital), Class TV Moda Holding (by 50% of its capital) and Pegaso S.r.l. (by 3% of its capital) is due to the reclassification of the same among the assets held for sale, since they belong to the scope of the transaction with Vertice 360, as described in paragraph 35.

A comparison between the value of the investments and the equity of the subsidiaries at 31 December 2018 is illustrated in the table below:

Company	Registered office	Share Capital	% Held	Profit/(loss) at 31 December 2018	Net Worth at 31 December 2018	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%	(3,333)	1,513	1,513	1,530
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%	199	301	301	18

IBOX SA	Galleria 1 Via Cantonale, 6928 Manno, Switzerland	1,700	100%	327	427	427	6,823

The assessment process used to calculate the recoverable value of the equity investment held by Giglio Group S.p.A. in Giglio TV HK was developed using the enterprise value resulting from the discounting of unlevered free cash flows of the segments/CGUs B2C (IBOX SA Group) and B2B2C (Giglio TV HL) respectively, on the basis of the identification of the correspondence between the parameters of the segments analysed and the activity carried out by the assessed subsidiaries.

The multi-annual Industrial Plan used was approved by the Directors on 15 March 2019.

The Unlevered Free Cash Flow (UFCF) of explicit forecast were determined using Plan balance-sheet data and exempting the Ebit with a theoretical taxation of 27.9%, while the terminal value (TV) was calculated as the average of UFCFs of the explicit forecast period, aligning amortisations to the average Capex level in the five-year period.

The discount rate applied was the adjusted WACC at 15.54%.

The impairment test carried out on IBOX SA (value equal to € 6.8 million) and Giglio TV HK (value equal to € 1.5 million) on the basis of the equity value calculated with regard to the unlevered free cash flows of segments/CGUs B2C and B2B2C, resulting from the Industrial Plan 2019-2023 and by the Net Financial Position of the Company at 31 December 2018, did not highlight any criticality in the recoverability of the carrying value of equities.

The Company also carried out a sensitivity analysis of the aforementioned relevant hypotheses (growth rate change, “g”, equal to +/- 0.5% and WACC change equal to +/- 0.5%) used for the determination of the recoverable value in light of the results, of which Directors believe that, in the presence of reasonable change in key hypotheses, no excess on carrying value shall be generated on the recoverable value.

5. Receivables and other non-current assets

Balance at 31.12.2018 **2,985**

Balance at 31.12.2017 **3,135**

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

Receivables and non-current assets	31.12.2018	31.12.2017	Change

Guarantee deposits	161	137	24
ICO financial receivables	1,402	-	1,402
Others	1,422	2,998	(1,577)
Total	**2,985**	**3,135**	**(150)**

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

- Satif S.p.A. for the administrative offices at the Milan headquarters;
- Rfezia Immobiliare Servizi S.p.A. for the Rome offices.

The item "Others" refers to:

- for € 1 million, to the long-term portion of the credit resulting from the transfer to GM Comunicazione S.r.l., finalised on 20 December 2018, of the authorisation to supply audiovisual media services associated to channel 65 of the digital terrestrial;
- for € 0.3 million, to the fee resulting from the recourse transfer of the VAT receivable, finalised on 27 June 2018 and to be paid upon settlement of existing disputes and charges with the Tax Authority.

6. Inventories

Balance at 31.12.2018 **4,952**

Balance at 31.12.2017 **3,685**

The inventories of the company comprise finished products for sale.

The 31 December 2017 balance does not incorporate the effects from application of IFRS 15, as stated in the “Accounting standards, amendments and interpretations in force from 1 January 2018” paragraph.

At 31 December 2018 inventories were measured using FIFO.

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.

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 31 December 2018, the obsolescence provision is equal to € 148,000 and includes the provision for the year amounting to € 36,000.

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 31.12.2018 **10,572**

Balance at 31.12.2017 **15,140**

The breakdown of the account is as follows:

Trade receivables	31.12.2018	31.12.2017	Change
Trade receivables	9,846	14,536	(5,707)
Advances to suppliers	1,141	628	513
Guarantee deposits not among fixed assets	-	627	(627)
Other receivables	-	491	(491)
Doubtful debt provision	(415)	(1,143)	728
Total	**10,572**	**15,140**	**(4,568)**

The reduction in the account if compared to 31 December 2017 is due to the amendments applied upon application of IFRS 5 accounting standard, with reference to media area's assets, as described in detail in paragraph 35.

The supplier advances of B2B e-commerce division relate to advances on orders of the PE and AI 2019 collection.

The geographic breakdown of gross trade receivable at 31 December 2018 and 31 December 2017, net of intra-group receivables, are as follows:

(Euro thousands)	**Year ended at 31 December 2018**	**%**	**Year ended at 31 December 2017**
Europe	2,294	*96.8 %*	5,329
Asia	*40*	*1.7 %*	*76*
USA	*1*	*0.0 %*	*35*
Rest of the world	*34*	*1.4 %*	*382*
Total gross receivables	**2,369**	***100.0 %***	**5,822**
Doubtful debt provision	*(415)*		*(1,143)*
Total	**1,954**		**4,679**

The ageing of the gross trade receivables at 31 December 2018 and 31 December 2017, net of intra-group deliverables, is shown below:

(Euro thousands)	**Year ended at 31 December 2018**	**%**	**Year ended at 31 December 2017**
> 120 days	656	*27.7 %*	2,583
90<> 120 days	*43*	*1.8 %*	*400*
60<> 90 days	*112*	*4.7 %*	*303*
30<> 60 days	*355*	*15.0 %*	*607*
0<> 30 days	*202*	*8.5 %*	*309*
Total overdue	***1,368***	***57.8 %***	***4,202***
Not overdue	*1,000*	*42.2 %*	*1,620*
Total gross receivables	**2,369**	***100.0 %***	**5,822**
Doubtful debt provision	*(415)*		*(1,143)*
Inc. provision on overdue 120 days	*(63.3)%*		*(44.3)%*
Total	**1,954**		**4,679**

The changes in the doubtful debt provision are as follows:

Doubtful debt provision (Euro thousand)	
31 December 2017 Balance	**1,143**
Restatement for first application IFRS 9	70
01 January 2018 Balance	**1,213**
Continuing operations provision	53
Discontinued operations provision	310
Discontinued operations uses	(222)
Releases	-
Changes from assets held for sale	(939)
31 December 2018 Balance	**415**

The provision for the year amounting to € 53,000 was carried out 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 determines the doubtful debt provision through the elaboration of a specific provision matrix. In particular, the Group, due to the variety of its clients, identified appropriate groupings and associated to them a specific rating, applying to them a specific write-down percentage.

See the aforementioned Note for more information on the assessment procedure of the account at hand.

8. Tax receivables

Balance at 31.12.2018	**4,555**
Balance at 31.12.2017	**4,604**

The breakdown of tax receivables is shown below:

Tax receivables	31.12.2018	31.12.2017	Change
Deferred tax assets	1,133	925	208
Total deferred tax assets	**1,133**	**925**	**208**
IRES	412	398	14
IRAP	131	130	1
Withholding taxes	-	11	(11)
INPS	3	3	-
INAIL	2	2	-
VAT	2,677	3,133	(456)
Receivables for tax consolidation	197	-	197
Others	1	3	(2)
Total current tax receivables	**3,422**	**3,679**	**(257)**
Total tax receivables	**4,555**	**4,604**	**(49)**

This part of the account includes, in the non-current part, deferred tax assets equal to € 1,133 thousand mainly relating to the tax losses of the Company (€ 515,000) to the tax effect of the IPO costs in 2015 (€ 39,000) and to the tax effect of the write-down of receivables (€ 199,000) and of deferred tax assets (€ 191,000) calculated on the write-downs of tangible assets following the transfer of the media area. For more information, see paragraph 35.

The current part of the account includes all the tax receivables for payments on account or credits matured.

The receivable for tax consolidation of € 197,000 refers to the receivables matured with subsidiaries companies following the tax consolidation agreement concluded on 6 June 2018.

The VAT receivable amounting to € 2,677 thousand, refers to the VAT generated by virtue of Giglio Group S.p.A. nature of habitual exporter, with specific reference to the Giglio Fashion division.

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 31.12.2018 **774**

Balance at 31.12.2017 **1,392**

Other assets	31.12.2018	31.12.2017	Change
Other assets	13	12	1
Prepayments and accrued income	761	1,380	(619)

Total	774	1,392	(618)

Prepayments and accrued income mainly relate to, for € 620,000, to the short-term portion of the credit resulting from the transfer to GM Comunicazione S.r.l., finalised on 20 December 2018, of the authorisation to supply audiovisual media services associated to channel 65 of the digital terrestrial.

10. Cash and cash equivalents

Balance at 31.12.2018 800

Balance at 31.12.2017 3,100

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

Cash and cash equivalents	31.12.2018	31.12.2017	Change
Bank and postal deposits	796	3,096	(2,300)
Cash in hand and similar	3	4	(1)
Total	**800**	**3,100**	**(2,300)**

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

LIABILITIES

11. Net Worth

The share capital at 31 December 2018 consists of 16,040,250 ordinary shares, without express nominal value.

The changes in 2018 are due to:

- Allocation of the consolidated result at 31 December 2017;
- Recognition of actuarial losses - IAS 19;
- Profit for the year.

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

Balance at 31.12.2018	**275**
Balance at 31.12.2017	**349**

At 31 December 2018 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:

(Euro thousands)	
Post-employment benefit provision at 31.12.2017	**349**
Changes from assets held for sale	(136)
Post-employment benefit provision at 1.1.2018	**213**
Provisions 2018	9
Advances/Util.	
Actuarial gains (losses)	46
Net Interest	7
31 December 2018 Balance	**275**

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

- probability of elimination for death: ISTAT table 2017 (source ISTAT – 2018 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: 1.4% for 2019 and 1.5% for 2020 (source: *"2018 Economic and Finance Document"*); from 2021 onwards, the annual rate of 1.5% was maintained;
- annual salary increase rate for career development and contract renewals: 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 31.12.2018 of AA securities issued by corporate issuers in the Eurozone and based on the average residual duration of the Post-employment benefit at 31.12.2018; therefore, considering that the average residual duration of the liabilities was equal to 18 years, the annual nominal discount rate assumed in the valuation was 2.1% (2.1% at 31.12.2017).

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% (Euro thousands) are shown in the table below:

(amount in €/000)	**Rate 1.6%**	**Rate 2.6%**
DBO	517.4	437.6

Moreover, it is worth noting that the updating of demographic assumptions with respect to 31.12.2017 (concerning only the probability of elimination due to death) did not have any effect on actuarial results, while the discount rate adopted at 31 December 2018 is the same as the one adopted at 31 December 2017.

13. Deferred tax liabilities

Balance at 31.12.2018 2

Balance at 31.12.2017 265

The balance at the previous fiscal year 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.

The reduction in the account if compared to 31 December 2017 is due to the amendments applied upon application of IFRS 5 accounting standard, with reference to media area's assets, as described in detail in paragraph 35.

14. Current and non-current financial liabilities

Balance at 31.12.2018 21,707

Balance at 31.12.2017 18,951

The financial payables are illustrated in the table below:

Financial liabilities	31.12.2018	31.12.2017	Change
Current	15,810	11,513	4,297
Non-current	5,897	7,438	(1,541)
Total	**21,707**	**18,951**	**2,756**

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

Current financial liabilities	31.12.2018	31.12.2017	Change
Loans (current portion)	6,804	2,239	4,564
Total current loans	**6,804**	**2,239**	**4,564**
Advances on invoices/Credit Lines	8,086	7,304	782
Bank overdrafts	21	10	12
Earn-out (current portion)	-	500	(500)
Finance Leases	24	23	1
Minibond	875	438	438
Bond loan	-	1,000	(1,000)
Total	**15,810**	**11,513**	**4,297**

The current financial liabilities relate to:

- the self-liquidating credit lines as advances on invoices;
- the payable for the current portion of the 2017 earn-out was paid at the beginning of April 2018 to the previous shareholders of Giglio Fashion S.p.A. for € 0.5 million;

- The Banca Sella bond loan of € 1 million was repaid in May 2018;
- The current portion of the Minibond repaid was € 875,000. The Minibond recorded in accordance with the amortised cost criteria of € 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

On 12 February 2019, the Board of Directors and the Bondholders' Meeting (quorate) approved the amendment of the Regulation of the debenture bond with ISIN code IT0005172157. See paragraph 10 of the Directors' Report for more information on main amendments.

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

Non-current financial liabilities	31.12.2018	31.12.2017	Change
Loans	2,119	3,560	(1,441)
Minibond	2,219	3,098	(879)
Finance Leases	47	71	(24)
Payables to subsidiaries	1,512	710	802
Total	**5,897**	**7,438**	**(1,541)**

In accordance with 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.

(Euro thousand)	Value at 01.01.18	Cash flow	Value at 31/12/2018
Non-current financial payables	7,438	(1,540)	5,898
Current financial payables	11,513	4,296	15,809
Total liabilities from financing activities	**18,951**	**2,756**	**21,707**

The following table summarises the loans of the Giglio Group S.p.A. at 31 December 2018 and highlights the amounts due within and beyond one year:

SITUATION AT 31/12/2018 Company Giglio Group S.p.A.
(Euro thousands)

Bank	Interest rate	Loan amount	Date of subscription	Outstanding debt at 31/12/2018	Expiration	0<>12 months	1 year<>2 years	2 year<>3 years	More than 3 years
BANCA DI SONDRIO									
Unsecured loan no. 076/1111534	n/a	1.500,0	07/04/2009	-	31/10/2018	-	-	-	-
Mortgage loan no. 076/1124006	4,65%	370,0	22/09/2013	21	31/03/2019	21	-	-	-
Unsecured loan no. 076/1086086, CNA guarantee	n/a	500,0	31/01/2012	-	31/01/2018	-	-	-	-
Unsecured loan, MCC guarantee	3,50%	1.200,0	30/09/2015	444	30/09/2020	250	194	-	-
INTESA									
Unsecured loan no. 0IC1047064869	Euribor 1 month + 2% spread	1.000,0	28/06/2017	709	28/06/2022	198	202	205	104
MONTE PASCHI DI SIENA									
Unsecured loan no. 741677580/60, CDP and SACE guarantee	5,8%	500,0	29/10/2014	100	31/12/2019	100	-	-	-
BANCA POP. NOVARA E VERONA									
Unsecured loan no. 1065/472981, CDP guarantee	n/a	100,0	18/02/2015	-	31/03/2018	-	-	-	-
Unsecured loan no. 03528422	2,2%	500,0	30/01/2017	314	31/01/2022	100	102	104	8
Unsecured loan no. 03709516	2,2%	200,0	24/06/2017	51	30/06/2019	51	-	-	-
BANCA POP di BERGAMO									
Unsecured loan no. 004/01141252, MCC guarantee	n/a	300,0	17/06/2015	-	17/06/2018	-	-	-	-
Unsecured loan no. 004/01187014	2,1%	600,0	29/07/2016	269	29/07/2020	152	116	-	-
CREDEM									
Unsecured loan no. 052/7059285, MCC guarantee	0,72%	700,0	21/06/2016	265	21/06/2020	176	88	-	-
CARIGE									
36 months loan	2,0%	500,0	02/08/2017	281	31/08/2020	168	114	-	-
BPM									
Loan no. 6026098	Euribor 3 months	1.500,0	16/10/2017	1.106	31/08/2020	599	507	-	-
BNL									
Loan no. 6026098	1,4%	1.500,0	21/02/2018	1.247	21/02/2019	1.247	-	-	-
CARIGE									
Loan no. I120C590730	1,75%	1.500,0	04/06/2018	1.126,1	30/06/2020	750	376	-	-
BANCA INTESA									
Loan	1,25%	3.000,0	27/06/2018	2.991,4	27/12/2019	2.991	-	-	-
CREDEM									
Loan no. 7020946	n/a	800,0	12/11/2015	-	12/11/2018	-	-	-	-
CREVAL									
Loan no. 61482	n/a	500,0	09/04/2015	-	31/10/2018	-	-	-	-
INTESA									
Unsecured loan no. 0194073132771	n/a	100,0	28/02/2014	-	31/01/2018	-	-	-	-
		Overall Total		**8.923**		**6.804**	**1.698**	**309**	**112**

15. Trade payables

Balance at 31.12.2018 **9.008**

Balance at 31.12.2017 **16,751**

Trade payables	31.12.2018	31.12.2017	Change
Customer advances	12	90	(78)
Supply of goods and services	8,751	15,032	(6,281)
Credit notes to be issued	121	610	(489)
Contribution credit notes to be issued	124	476	(352)
Clients guarantee deposits	-	543	(543)
Other trade payables	-	-	-
Total	**9,008**	**16,751**	**(7,743)**

The 31 December 2017 balance does not incorporate the effects from application of IFRS 15, as stated in the "Accounting standards, amendments and interpretations in force from 1 January 2018" paragraph.

The reduction in the account if compared to 31 December 2017 is due to the amendments applied upon application of IFRS 5 accounting standard, with reference to media area's assets, as described in detail in paragraph 35.

The breakdown of trade payables is shown below:

(Euro thousands)	**Year ended at 31 December 2018**	**Year ended at 31 December 2017**
Trade payables	8,872	15,032
- of which overdue beyond 60 days	*2,804*	*5,945*
- % overdue payables on total	*31.6 %*	*39.5 %*

16. Tax payables

Balance at 31.12.2018 **480**

Balance at 31.12.2017 **405**

Tax payables	31.12.2018	31.12.2017	Change
Withholding taxes	141	95	46
Foreign VAT	-	-	-
Income taxes	142	222	(80)
Social security institutions	197	88	109
Total	**480**	**405**	**75**

Tax payables relate to:

- withholding taxes and taxes related to the normal operating activities of the company for € 141,000 and € 142,000 respectively;
- social security institutions for € 197,000.

17. Other current liabilities

Balance at 31.12.2018 **584**

Balance at 31.12.2017 **754**

Other current liabilities	31.12.2018	31.12.2017	Change
Employee payables	335	364	(29)
Prepayments and accrued expenses	187	387	(200)
Other payables	63	3	60
Total	**584**	**754**	**(170)**

Deferred income mainly refers to revenues to be recognised in future periods.

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:

	31.12.2018	31.12.2017	Change
Revenues from sales and services	23,094	22,576	518
Other revenues	1,363	138	1,225
Total	**24,457**	**22,714**	**1,743**

In 2018 revenues from sales and services amounted to € 23.1 million compared to € 22.6 million in 2017.

The increase with regard to the previous year, equal to € 0.5 million, is due mainly to the increase in sales volumes of the fiscal year.

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:

Purchase of raw materials, ancillary, consumables and goods	Total	31.12.2017	Change
Costs of goods	19,637	17,972	1,665
Consumables	149	28	121
Total	**19,785**	**18,000**	**1,785**

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:

	31.12.2018	31.12.2017	Change
Agents	214	42	172
Other service costs	17	26	(9)
Insurance	83	93	(10)
Bank, postal & collection commissions	148	168	(20)
Directors, statutory auditors and supervisory board fees	498	487	11
Consulting	2,000	2,328	(328)

Editorial production costs	-	-	-
Administrative costs	139	47	92
Customer service	-	-	-
Warehousing	530	345	185
Maintenance	6	4	2
Advertising, promotions, shows and fairs	60	122	(62)
Cleaning and surveillance	20	8	12
Transmission and teleport	-	-	-
Transport & shipping	195	156	39
Utilities	107	73	35
Web marketing	-	-	-
Sales representatives	156	134	23
Intra-group recharges	56	-	56
Total	**4,230**	**4,033**	**198**

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:

	31.12.2018	31.12.2017	Change
Rental	524	458	66
Hire	87	53	34
Operating leases	26	11	15
Total	**637**	**522**	**115**

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:

- Satif S.p.A. for the administrative offices at the Milan headquarters;
- 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.: for the leasing of 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. € 2 million.

22. Personnel expense

The breakdown of personnel expense is as follows:

	31.12.2018	31.12.2017	Change
Salaries and wages	1,756	950	806
Social security charges	299	288	11
Post-employment benefits	3	62	(60)
Total	**2,058**	**1,300**	**758**

Personnel expense increased in 2018 for a total of € 757,000 due to the increase in the workforce in 2017.

23. Amortisation, depreciation & write-downs

The breakdown of the account is shown below:

Amortisation, depreciation & write-downs	31.12.2018	31.12.2017	Change
Amortisation intangible fixed assets	20	14	6
Amortisation tangible fixed assets	63	74	(11)
Write-downs	53	-	53
Total	**136**	**88**	**48**

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:

	31.12.2018	31.12.2017	Change
Other taxes	11	8	3
Other charges	22	6	16
Penalties and fines	62	5	57
Prior year charges	366	157	209
Losses on receivables	-	-	-
Earn out	-	334	(334)
Total	**461**	**510**	**(49)**

Other operating costs in 2017 include € 334,000 relating to the earn-out previously commented upon. Other operating costs include for 2018 penalties for the failure to provide due notice following the settlement signed in May 2018 with the previous provider of television bandwidth, as commented upon in the Directors' Report.

25. Financial income and expenses

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

Financial income and expenses	31.12.2018	31.12.2017	Change
Interest income on bank accounts	1	1	-
Other interest	1	-	1
Exchange gains	9	-	9
Financial income	**11**	**1**	**10**
Interest on current bank accounts	13	9	4
Other interest	26	14	12
Interest on invoice advances and factoring	113	22	91
Interest on mortgage loans	326	156	170
Interest on bond loans	200	223	(23)
Bank charges	103	134	(31)
SIMEST financial charges	81	62	19
Exchange losses	27	-	27
Financial expenses	**889**	**620**	**269**
Total	**(878)**	**(619)**	**279**

Financial charges increased on the previous year due to the lending charges (Minibond, bond and new loans granted in 2018) and a higher debt exposure during the year recording, however, a lower cost in percentage terms.

26. Income taxes

Income taxes	31.12.2018	31.12.2017	Change
Current taxes	197	-	197
Deferred taxes	(14)	564	(578)
Total	**183**	**564**	**(382)**

The income for tax consolidation of € 197,000 refers to the receivables matured with subsidiaries companies following the tax consolidation agreement concluded on 6 June 2018.

The tax effects for the year are shown below:

Taxes (Euro thousands)	31.12.2018	31.12.2017
Pre-tax result	(2,328)	(1,028)
Theoretical tax charge	-	-
Effective tax charge	197	-
Deferred taxes	(14)	564
Net result	(2,145)	(463)
Theoretical tax rate	27.9%	27.9%
Effective tax rate	0%	0%

In accordance with the 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	200
C. Micchi	20
A. Lezzi	20
G. Mosci	25
Y. Zhao	10
M. Mancini	20
S. Olivotto	20
Total	**315**

Board of Statutory Auditors (Euro thousand)	
C. Tundo	25
M. Centore	20
M. Mannino	20
Total	**65**

The fees of the independent audit firm were as follows:

(Euro thousands)

Service	Service Provider	Recipient	Fees
Financial audit of statutory financial statement and models subscription	EY S.p.A.	Parent Company	55
Financial audit of consolidated financial statement	EY S.p.A.	Parent Company	16
Financial audit limited to the half-yearly consolidated report	EY S.p.A.	Parent Company	34
Total			**105**

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

Mr Alessandro Giglio has provided personal guarantees on some Loans held by the company at 31 December 2018.

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.

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.

A comparison between the book value and the fair value of financial assets and liabilities at 31 December 2018 is presented below.

Balance Sheet (Euro thousands)	Carrying amount	Fair Value	Carrying amount	Fair Value
Non-current assets				
Equity investments	8,376	8,376	7,419	7,419
Receivables	2,985	2,985	3,135	3,135
Deferred tax assets	1,133		925	
Total non-current assets	**16,984**		**22,192**	
Current assets				
Trade and other receivables	10,572	10,572	15,140	15,140
Cash and cash equivalents	800	800	3,100	3,100
Total current assets	**20,520**		**26,995**	
Assets held for sale	**9,617**		**-**	
Total Assets	**47,121**		**49,187**	
Non-current liabilities				
Financial liabilities (non-current portion)	5,897	5,897	7,438	7,438
Total non-current liabilities	**6,174**		**8,052**	
Current liabilities				
Trade and other payables	9,008	9,008	16,751	16,751
Financial liabilities (current portion)	15,810	15,810	11,513	11,513
Total current liabilities	**25,882**		**29,423**	
Assets held for sale and liabilities directly associated with assets held for sale	**8,184**		**-**	
Total liabilities and net worth	**47,121**		**49,187**	

Medium-term loan

The company reports at 31 December 2018 a net financial debt position of approx. € 19.2 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 noncompliance

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.
The parent company Giglio Group S.p.A., in 2016, issued a Minibond called "GIGLIO GROUP S.P.A. – 5.4% 2016-2022" for € 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 31 December 2018:

Parameters	**Threshold values for year**
NFP / EBITDA	<=4
NFP / SE	<=2.0
EBITDA / OF	>=5.0

On 12 February 2019, the Board of Directors and the Bondholders' Meeting (quorate) approved the amendment of the Regulation of the debenture bond with ISIN code IT0005172157.

The main amendments to the Regulation concern:

- the inclusion of transfer operations regarding assets related to TV and media area among the operations allowed without prior authorisation from the Bondholders' Meeting;
- the amendment of the amortization plan with the introduction of monthly reimbursement tranches starting from 28 February 2019 until 30 September 2020, new expiry date of the debenture loan;
- the payment of interests on a monthly basis pursuant to the payment dates provided for by the new amortization plan, not withstanding (i) that the annual interest rate for the debenture bond remains unchanged and (ii) that interests accrued between 10 September 2018 and 27 February 2019 shall be paid on 10 March 2019;
- the definition of financial covenants, specifying that during 2018, any deviation from said covenants shall not produce the effects set forth in the Regulation.

30. Transactions with subsidiaries and related parties

The following table reports the transactions and balances with Related Parties at 31 December 2018. 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		2,319	1,008	3,033		255	818	
Nautical Channel								
Giglio USA	127							
Giglio TV					15			
Giglio Shanghai								
IBOX SA	131						125	
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	1,119				
Nautical Channel								
Giglio USA								
Giglio TV	210				89			
Giglio Shanghai								
IBOX SA								1,575
IBOX SRL	1,302					1,793		
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		162	2,633	501		422	810	
Nautical Channel								
Giglio USA	84							
Giglio TV								
Giglio Shanghai								
IBOX SA	56						123	
IBOX SRL								
Evolve USA								

The nature of the transactions in the above table are as follows: (i) for Giglio TV, Giglio Shanghai, Nautical Channel, Ibox SA and Ibox Srl 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 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 Zhao, 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 2018 the services provided amounted to € 155,000. The contract is for one year and was tacitly renewed. After the third consecutive year there are no automatic renewals.

- Docomo digital Italy: shareholder of Giglio Group S.p.A., which undertook transactions with the Group. At 31 December 2018, the total payable amounted to € 35,000.
- 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 € 175,000;
  - Rome offices: Via dei Volsci for a total annual cost of € 200,000.

The remuneration paid in 2018 to the Board of Directors of the Issuer amounted to € 315,000.

31. Dividends

In line with the approval of the guidelines of the 2019-2023 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, if the capital situation allows it.

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 pursuant to Consob Motion No. 15519 of July 27, 2006

Statement of financial position (Euro thousands)	31.12.2018	of which related parties	31.12.2017	of which related parties
Non-current assets				
Property, plant & equipment	261		5,175	
Intangible assets	145	-	1,403	-
of which Distribution rights	-		-	
of which Publishing rights	-		1,303	

Other intangible assets	145		100	
Goodwill	4,084		4,134	
Equity investments	8,376		7,419	
Receivables	2,985		3,135	
Deferred tax assets	1,133		925	
Total non-current assets	**16,984**	**-**	**22,192**	**-**
Current assets				
Inventories	4,952		3,685	
Trade and other receivables	10,572		15,140	
Financial receivables	-		-	
Tax receivables	3,422		3,679	
Other assets	774		1,392	
Cash and cash equivalents	800		3,100	
Total current assets	**20,520**	**-**	**26,995**	**-**
Assets held for sale	**9,617**		**-**	
Total Assets	**47,121**	**-**	**49,187**	**-**
Shareholders' Equity				
Share capital	3,208		3,208	
Reserves	11,340		11,374	
Extraordinary reserve	-		-	
Listing charges	(541)		(541)	
FTA Reserve	4		4	
Retained earnings	(2,384)		46	
Translation reserve	-		-	
Net profit	(4,745)		(2,379)	
Total Shareholders' Equity	**6,882**	**-**	**11,712**	**-**
Non-current liabilities				
Provisions for risks and charges	275		349	
Deferred tax liabilities	2		265	
Financial liabilities (non-current portion)	5,897		7,438	
Total non-current liabilities	**6,174**	**-**	**8,052**	**-**
Current liabilities				
Trade and other payables	9,008	75	16,751	80
Financial liabilities (current portion)	15,810		11,513	438
Tax payables	480		405	
Other liabilities	584		754	
Total current liabilities	**25,882**	**75**	**29,423**	**518**
Assets held for sale and liabilities directly associated with assets held for sale	**8,184**		**-**	
Total liabilities and shareholders' equity	**47,121**	**74**	**49,187**	**518**

Statement of profit or loss (Euro thousand)	31.12.2018	of which related parties	of which non recurring	31.12.2017	of which related parties	of which non recurring
Total revenues	**23,094**			**22,576**		
Other revenues	1,363			138		
Change in inventories	1,400			1,329		
Purchase of raw materials, ancillary, consumables and goods	*(19,785)*			*(18,000)*		
Service costs	*(4,230)*	*(155)*	*(459)*	*(4,033)*	*(135)*	*(1,413)*
Rent, lease and similar costs	*(637)*	*(383)*		*(522)*	*(382)*	
Operating costs	**(24,652)**	**(538)**	**(459)**	**(22,555)**	**(517)**	**(1,413)**
Salaries and wages	*(1,756)*			*(950)*		
Social security charges	*(299)*			*(288)*		
Post-employment benefits	*(3)*			*(62)*		
Personnel expense	**(2,058)**	**0**	**0**	**(1,300)**	**0**	**0**
Amortisation	*(20)*			*(14)*		
Depreciation of property, plant & equip.	*(63)*			*(74)*		
Write-downs	*(53)*			*0*		
Amortisation, depreciation & write-downs	**(136)**	**0**	**0**	**(88)**	**0**	**0**
Other operating costs	*(461)*		*(433)*	*(510)*		*(334)*
Operating profit	**(1,450)**	**(538)**	**(892)**	**(410)**	**(517)**	**(1,747)**
Financial income	*11*			*1*		
Net financial expenses	*(889)*			*(620)*		
Profit before taxes	**(2,328)**	**(538)**	**(892)**	**(1,029)**	**(517)**	**(1,747)**
Income taxes	*183*			*564*		
Net Profit from continuing operations	**(2,145)**	**(538)**	**(892)**	**(464)**	**(517)**	**(1,747)**
Net Profit from discontinued operations	**(2,600)**			**(1,915)**		
Net Profit	**(4,745)**	**(538)**	**(892)**	**(2,379)**	**(517)**	**(1,747)**
Of which minority interest	-			-		
Basic and diluted profit from continuing operations	**(0.1337)**			**(0.0313)**		
Basic and diluted profit from discontinued operations	**(0.1621)**			**(0.1292)**		
Net profit per share – basic and diluted	**(0.2987)**			**(0.1634)**		

35. Profit/(loss) from assets held for sale and discontinued operations

Media assets' transfer transaction

The Company is undertaking the transfer transaction of some assets of the media division to a company incorporated under Spanish law and listed on Madrid's main stock exchange market, called Vértice Trescientos Sesenta Grados, SA ("Vertice 360"), assessed at € 12.5 million on the basis of a fairness opinion appointed by the Company to an independent expert.

As shown in par. 9 of the Directors' Report, Vertice 360 is a group specialised in the production and broadcasting of TV and cinema productions, as well as of other audiovisual contents. The company is listed on Madrid's stock exchange market ever since 2007. From April 2014 to January 2018, the stock

was suspended from trading. In January 2019, Spanish control authorities readmitted the stock in the trading. From March 2018 to September 2018, the shares' price in the market remained constantly on the minimum price allowed by Madrid stock exchange market; subsequently, the minimum price was lowered, and as of today, the market capitalisation amounts to about € 59 million.

The transfer shall take place against a reserved capital increase in favour of Giglio Group, to be completed within 30 November 2019, as determined on 12 March 2019. More specifically, the agreement envisages the issue of a fixed number of 1,136,363,636 new shares in favour of Giglio Group S.p.A. who, on closing date, shall represent no less than 5.95% of Vertice 360's share capital, also taking into account a further capital increase of about € 12 million, currently ongoing, reserved to current shareholders.

For the purpose of reporting the discontinued operation at 31 December 2018, to be entered at the lower of cost and fair value, net of relevant sale costs, the values resulting from the fairness opinion (reference value of Euro 12.5 million), as reference for the fair value, were used, deemed that Vertice 360's current market capitalisation and the listed value of its shares, which would have represented a higher fair value, do not reflect already (a) the synergies expected from the transaction, that shall be reflected in the shares' market values on closing date; (b) other factors currently not foreseeable such as the market reaction to these information (the so called "market sentiment"); and (c) the result of the conditions precedent included in the agreement[2], that might have an effect on the share's performance. Therefore, until the market factors these information in the context of the share negotiation and thus of the listed price, the Directors deemed to base their fair value assessment on level-3 data, consistent with the assessment of the independent expert, with the reasonable expectation, supported by the results of the fairness opinion, that Vertice 360's market capitalisation should increase significantly in the period between 31 December 2018 and the closing date of the transaction.

Regarding the value increase expectation of the shares that Giglio shall purchase in exchange of the area's transfer in November 2019, the Directors assessed the fair value of the assets held for sale

[2] The transaction is subject to (i) the assessment of an expert appointed by the Spanish Commercial Register, competent under the Spanish law, confirming the value of Giglio Group's Media Division, defined as a contribution in kind within the Reserved Increase; (ii) the conclusion of the final contracts; (iii) the completion of the Capital Increase; as well as (iv) the completion of all applicable administrative, authorisation and regulatory fulfilments.

taking into account the values resulting from the fairness opinion described above, *determining the total value of Vertice 360's economic capital by using an approach based on the estimate of discounted cash flows (so called income approach). In developing the approach, the Industrial Plan 2019-2023 was used, approved by Vertice 360 on 25 February 2019 and extended for 5 more years in order to include further expansion expectations of the business. It is noted that the values determined upon application of the previous approach integrate a terminal value of about 75% the value of Vertice 360's economic capital. The determination of these provisional data represents an element of uncertainty in the process of the assessment of the sale price of assets held for sale, which could therefore differ, also significantly, from the market value of the block of shares that Giglio Group shall obtain as payment on the closing date.*

Indeed, the shares obtained upon closing date shall be reported, pursuant to IFRS 9, to the market value at that date, and shall be adjusted at every following measuring date, according to the market value's trend, representing the market value with a level 1 fair-value index. It is noted that, if this criterion were to be used in the creation of 2018 Financial Statement, the net value of the assets held for sale would have been equal to about € 2.3 million, thus reducing the Company's net equity at the statement date at about € 3.6 million, net of intra-group receivables' write-downs by € 1.1 million.

The following is a list unobservable inputs used for the definition of the level-3 fair value, as well as a sensitivity analysis pursuant to IFRS 13 standard:

The Industrial Plan 2019-2028 used for the assessment of Vertice 360 envisaged an equity value of € 198.5 million, obtained by applying a capital cost (WACC) of 8.4% and a perpetual growth rate (G) of 2%. The sensitivity analysis carried out shows the variation of the equity value according to WACC and G rate change, as below:

- Growth at 2% and WACC at 7.8%: the equity value increases to € 224.5 million;
- Growth at 1.8% and WACC at 8.4%: the equity value decreases to € 194.3 million;
- Growth at 1.8% and WACC at 9%: the equity value decreases to € 173.9 million;

A stress test was also carried out, reducing the expected growth of a specific business line to 10% instead of 13% for the period 2024-2027:

- Growth at 2% and WACC at 8.4%: the equity value decreases to € 171.1 million;
- Growth at 1.8% and WACC at 9%: the equity value decreases to € 150.1 million;

The following table summarises the values of the assets held for sale, net of necessary write-downs, as reported in 2018 Financial Statement:

Description (Euro thousands)	Amount before adjustment	Adjustment	Amount at 2018 Financial Statement	Vertice 360 Transfer value
Servers, machinery and other technical assets (virtual set included)	1,350	798	552	552
Media library	548	-	548	548
Equity investments: (i) 3% of Pegaso S.r.l. (ii) 50%ofi Class TV Moda Holding S.p.A.	150	150	-	-
TOTAL	**2,048**	**948**	**1,100**	**1,100**

Within the same transfer transaction, other assets concerning the media area are included. On the basis of the value determined by the fairness opinion, their value is higher than the one determined by the cost criterion and cannot be adjusted at 31 December 2018:

Description (Euro thousands)	Carrying value	Transfer value	Theoretic difference
1. Authorisation for supply of media and DTT services pursuant to AGCOM resolution no. 353 of 2011 related to LCN 68. 2. Agreement with Persidera of 12 February 2018 3. Agency agreement for the following TV channels: (i) Class TV Horse (2 May 2017) (ii) Class TV Moda (2 May 2017) (iii) Gambero Rosso (29 May 2017)	-	800	800
100% of M3SATCOM, currently corporate branch of Giglio	22	1,800	1,778
TOTAL	**22**	**2,600**	**2,578**

The adequacy of conferred values shall be assessed by an expert appointed by the Spanish commercial register of companies within July 2019. The assessment is mandatory pursuant to existing Spanish law (similar to existing Italian law) regarding in-kind capital increase through asset contribution.

The application of the policy resulted in overall write-downs of € 0.9 million, with reference to the Parent Company.

Other assets dismissed

On 20 December 2018, the Group signed a deal with GM Comunicazione s.r.l. for the transfer of the authorisation to supply audiovisual media services on national TV channel "IBOX65", associated to number 65 on the digital terrestrial. The total valuation of the channel amounted to € 1.9 million, with

a payment of € 200,000.00 + VAT upon subscription of the agreement, € 620,000.00 + VAT of monthly instalments during 2019 and € 1,080,000.00 + VAT to be disbursed in 27 monthly instalments starting from 31 January 2020.

The Profit of the assets held for sale and sold at 31 December 2018 is negative by € 2.6 million and compares to a positive result of € 2 million of the previous fiscal year.

The net write-downs of media area assets are included in the account at 31 December 2018 and amount to € 6.5 million, as commented in the previous paragraph, as well as the capital gain of € 1.9 million resulting from the transfer of channel 65 and the net profits of the media area during the course of 2018, before the classification as divested operation.

In the following tables report the transaction at 31 December 2018 and 2017, as well as the balances of assets held for sale at 31 December 2018.

(Euro thousands)	31.12.2018	31.12.2017
Total revenues	12,072	9,836
Change in inventories	(108)	24
Purchase of raw materials, ancillary, consumables and goods	*(222)*	*(379)*
Service costs	*(9,697)*	*(8,241)*
Rent, lease and similar costs	*(153)*	*(119)*
Operating costs	**(10,072)**	**(8,739)**
Salaries and wages	*(700)*	*(586)*
Social security charges	*(217)*	*(179)*
Post-employment benefits	*(45)*	*(1)*
Personnel expense	**(962)**	**(766)**
Amortisation of intangible assets	*(777)*	*(790)*
Amortisation of tangible assets	*(1,319)*	*(1,085)*
Write-downs for fair value adjustment	*(948)*	*(358)*
Write-downs	*(360)*	*0*
Amortisation, depreciation & write-downs	**(3,404)**	**(2,233)**
Other operating costs	*(262)*	*(90)*
Operating profit	**(2,736)**	**(1,968)**
Financial income	*5*	*9*
Net financial expenses	*(121)*	*(43)*
Profit before taxes	**(2,852)**	**(2,002)**
Income taxes	*252*	*86*
Net Profit from discontinued operations	**(2,600)**	**(1,916)**

(Euro thousands)	31.12.2018

Non-current assets	
Property, plant & equipment	3,006
Intangible assets	642
of which Publishing rights	548
Other intangible assets	94
Total non-current assets	**3,958**
Current assets	
Inventories	25
Trade and other receivables	4,550
Other assets	1,085
Cash and cash equivalents	-
Total current assets	**5,660**
Total assets held for sale and discontinued operations	**9,617**
Non-current liabilities	
Provisions for risks and charges	200
Deferred tax liabilities	202
Total non-current liabilities	**402**
Current liabilities	
Trade and other payables	6,967
Tax payables	3
Other liabilities	812
Total current liabilities	**7,782**
Total liabilities held for sale and discontinued operations	**8,184**

36. Assessment of going concern

In accordance with IAS 1 and in compliance with the requirements of documents no. 2 of 6 February 2009 and no. 4 of 3 March 2000, issued jointly by Banca d'Italia, Consob and Isvap, the Directors' assessments regarding the existence of concern for the purposes of the creation of 2018 Annual Financial Report are shown below.

The Company closed fiscal year 2018 with a significant loss due mainly to the reorganization of its activities and to the focus on the e-commerce business.

On 15 March 2019, the Board of Directors approved the Industrial Plan 2019-2023, which takes into account the effects of the divestment of the media area, excluding it from the perimeter of Giglio Group's operations. Giglio Group represents itself as a real e-commerce player with unique characteristics in the sector, a global presence and specific high skills, well-integrated in its own market context for its relations with "Made in Italy"'s main brands. The Plan assumes the continuous

development of the implementation of the new technological platform, which began during 2018. Moreover, the development of the Chinese e-commerce platform is expected, in order to support brands and their sales on the marketplaces integrated to the Group's technological structures developed in the Country. The strategic objectives of the Plan define a Group that leads the market and is capable of catering for a relevant share of the online "Made in Italy" market with more than 50 marketplaces integrated on a global scale, as well as the most relevant digital and commercial partners for Made in Italy's luxury in China.

The elaboration of the Plan was based, inter alia, on (i) general, hypothetical and discretional assumptions, and (ii) on a series of discretional estimates and hypotheses regarding the execution, on behalf of Directors, of specific actions to be undertaken over the 2019-2023 period, or concerning future events on which directors can only partially have an impact and that may not take place or vary during the course of the Plan.

The realisation of the objectives and the achievement of the results provided for by the Plan depend, other than from the actual realisation of the volume of revenues outlined, also from the effectiveness of the actions identifies and by their prompt implementation, according to the times and the economic impacts hypothesised.

The Group constantly monitors the performance of the reference markets with regard to the Plan assumptions and the prompt implementation of the envisaged actions, keeping a proactive and constant focus on the containment of costs and on the identification of initiatives aimed at reaching a greater operational efficiency that might mitigate the risk related to the contractualisation of new clients/brands and ensure the achievement of the expected economic results.

As far as the implementation of the Plan is concerned, relevant financial needs to support investments, working capital and debt repayments (expiring in 2019) are envisaged. Under the forecasts, these needs shall be funded, other than by cash flows from operational management, by an imminent issuing of bonds amounting to € 5,000,000.00 and lasting 8.5 years, with a grace period of 2 years, to be subscribed by primary financial operators. Specific reference is made to a non-convertible debenture bond in the context of the "EBB Export Programme" aimed at the retrieval of financial resources for a selected number of companies, for funding and supporting internationalisation projects of the Issuers' core business. The operation is structured by Finint, Banca Finanziaria

Internazionale Group, and envisages the involvement as guarantor of SACE, agency of the Ministry of Economy and Finance encouraging export activities and as Anchor Investor of Cassa Depositi e Prestiti, the most important Italian financial institution controlled by the Italian Ministry of Economy and Finance, which includes among its statutory objectives the support of entrepreneurial initiatives deemed profitable and strategic for the development of the Country.

The Company's Board of Directors resolved on 27 March 2019 on the issue of the debenture bond, and the operation has be finalised with the signature of the contracts between the involved on 2 April 2019. The date of grant of the bond was set on 9 April 2019.

The Operation envisages among its credit enhancement processes, the issuing of a guarantee of first demand by SACE S.p.A. as a guarantee for the fulfilment of the payment obligations on account of share capital an interests resulting from the loan issues floated by the same. For the issuance of the guarantee, the Company shall subscribe a direct agreement with SACE, as well as a contract aimed at governing, inter alia, the terms and conditions for the issue of the SACE Guarantee, the commitments which are informative in nature, the obligations to deliver/surrender and the obligations to indemnify and hold harmless taken by each Issuer in favour of SACE, as well as the terms and conditions for the payment of the premium owed to SACE; as of today, the interest rate on the debenture bond has not been defined yet.

Among the industrial commitments, the obligation to finalise a project to support export activities is included. The financial covenants to be respected throughout the duration of the Debenture Bond shall be two and, more specifically: a) a gearing ratio (ratio between net total debts and net worth) lower than 2 for the whole duration of the Bond, and b) a leverage ratio (ratio between net total debts and Ebitda) lower than: (i) 4.5 in 2019 and 2020 and (ii) 3.5 starting from 2021 and until the Expiration Date. It is noted that on the basis of the results envisaged in the Industrial Plan, these covenants are respected in the years of the Plan.

Simultaneously, the Company is also engaged in the negotiation of medium/long-term funding with the banking system, also consistent with the guidelines of the Industrial Plan 2019-2023, which define a structure of the bank debt with an average financial duration longer than the current one. The Company has the support of its reference shareholder, Meridiana Holding, as in the past, for the finalisation of these operations, in the interest of the Company. More specifically, the Company is

negotiating a medium/long-term funding of up to € 8 million, also in more tranches, with a primary banking institution aimed at streamlining the number of banks, that is by reducing it, and optimising the work with each institution with whom the Company collaborates, comparing it with the degree of intensity of the existing loan relationship.

Furthermore, the Company keeps entertaining uninterrupted ordinary relations with the banking system for credit supply to support the working capital necessary to fuel the e-commerce business and, in particular, the fashion products' distribution.

Finally, the Company the adopted a Board resolution delegating the Board of Directors to increase the share capital against payment up to 10% of the current share capital. More specifically, reference is made to the extraordinary Shareholders' Meeting of 29 October 2018, which approved the five-year proxy proposal of the Board of Directors to increase the share capital against payment, in separate issues, excluding option right within the 10% limit of the existing share capital, to be offered in subscription to be offered in subscription to the individuals identified by the Board of Directors - including qualified industrial and/or financial investors - on the condition that the issue price of the new shares corresponds to the market value of those already issued and that this is confirmed by a specific report from a statutory auditor or an auditing company. The objective of the eventual activation of this proxy shall be reflected in the interest of the Company to dispose of a greater financial endowment in order to accelerate the development plan, to benefit of any synergy resulting from an industrial partnership with an operator of the reference sector and to make the stock market more liquid.
In light of the above, despite the inevitable uncertainties of the methods of execution of the Industrial Plan 2019-2023 and the retrieval of necessary financial resources for its realisation, the Directors deem it possible to possess financial instruments allowing for the creation of 2018 Annual & Consolidated Financial Report on the assumption of going concern.

37. Allocation proposal

The Board of Directors of Giglio Group S.p.A. proposes, with regard to the loss of € 4,744,900, to approve the writing-off of the operating loss by using the reserves amounting to € 8,418,303, net of

retained earnings of the previous year.

Certification of the financial statement in accordance with Art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and following amendments and integrations, as well as with Art. 154-bis of Legislative Decree no. 58 of 24 February 1998.

4. The undersigned Alessandro Giglio, as Chief Executive Officer, and Massimo Mancini, as Executive Officer for Financial Reporting of Giglio Group S.p.A., affirm, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February 1998:

   - the consistency in relation to the characteristics of the company;
   - the effective application of the administrative and accounting procedures for the drawing up of the half-year financial statements in the period between January 1 and June 30, 2018.

5. In this context the following key factors are reported:

- the review of the adequacy and effective application of administrative and accounting procedures was carried out in a context of change, taking into account the valorisation of the Company's media area aimed at its disposal. Hence, the review had to take into account the ongoing changes in the structure and activities of the Company;

- the adequacy of the administrative and accounting procedures for the drafting of the financial statement at 31 December 2018 was assessed on the basis of the methodological regulations defined in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission.

- The analysis carried out upon the listing of the Company had highlighted the adjustment opportunity for some corporate procedures. With regard to these areas of improvement, a detailed action plan has been prepared, providing, inter alia:
  (iii) the update of the procedures set forth in Law no. 262 of 2005: activity established by special appointed counsellor;
  (iv) the adoption of a new management, accounting, administrative and financial reporting system, to be introduced on April 2019. The system shall allow for the integration of the strategic planning and management control system.

- Pending the complete implementation of the corrective actions provided for in the action plan, compensating control procedures have been established for the verification of the declarations made in the financial statement at 31 December 2018.

6. Furthermore, it is noted that:

6.1 the financial balance at 31 December 2018:
  - was prepared in accordance with international accounting standards, recognised in the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and Council, of 19 July 2002;

- corresponds to the underlying accounting documents and records;
- provides a true and fair view of the financial position, financial performance and cash flows of the issuer and of the other companies in the consolidation scope.

6.2 The Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the issuer and of the companies included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

15 March 2019

The Chief Executive Officer
Alessandro Giglio

The Financial Reporting Officer
Massimo Mancini

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FISCAL YEAR 2018

TO THE SHAREHOLDERS' MEETING PURSUANT TO ART. 153 OF LEGISLATIVE DECREE 58/1998 AND ART. 2429, PAR. 2 OF CIVIL CODE

Dear Shareholders,

During the fiscal year that ended on 31 December 2018, the Board of Statutory Auditors of Giglio Group S.p.A. (hereinafter referred to as the "**Company**"), pursuant to Art. 149 of Legislative Decree no. 58/98 (hereinafter referred to as the "**CFA**") and Art. 2403 of the Civil Code, carried out supervisory activities, taking into account the principles of conduct recommended by the Italian Board of Professional Accountants and Auditors and Consob communications regarding corporate controls and activities of the Board of Statutory Auditors (more specifically, communication 20 February 1997, DAC/RM 97001574 and communication DEM 1025564 of 6 April 2001, as integrated with communication DEM/3021582 of 4 April 2003 and communication DEM/6031329 of 7 April 2006), as well as the provisions included in the last version of the Corporate Governance Code promoted by the Corporate Governance Committee (hereinafter referred to as the "**Corporate Governance Code**").

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With regard to the activities within its competence, during the fiscal year at hand, the Board of Statutory Auditors declares the following:

- to have participated in all Shareholders' Meetings and to all the meetings of the Board of Directors, obtaining by directors, at least on a quarterly basis, adequate information on the general performance of the Group and on its foreseeable evolution, as well as on major transactions, both for size and characteristics, undertaken by the Company and its subsidiaries;
- to have acquired the knowledge needed to perform the verification activity of the observance of the law, of the by-laws, of the principles of sound administration and of the adequacy and operation of the Company's organisation structure, through the acquisition of documents and information from the individuals responsible of the relevant functions

and periodic information exchanges with Ernst & Young S.p.A. (hereinafter referred to as the "**Auditing Company**");

- to have participated, through its Chairman or another member, to the meetings of the Internal Control, Risk and Related Parties Committee and of the Appointments and Remuneration Committee;
- to have monitored the operation and efficacy of the internal control system and the adequacy of the administrative and accounting system, especially focusing on the latter's reliability to represent management performance;
- to have exchanged promptly with the individuals responsible of the Auditing Company tasked with the statutory audit, pursuant to the CFA and the Legislative Decree no. 39/2010, relevant data and information for the performance of the respective tasks, pursuant to Art. 150 of the CFA, also through the exam of the results of the work done and the reception of the reports provided for in Art. 14 of Legislative Decree no. 39/2010 and Art. 11 of EU Regulation no. 537/2014;
- to have received today the additional report, pursuant to Art. 11 of EU Regulation no. 537/2014, which shows the results of the auditing that the Board of Statutory Auditors shall communicate to the Board of Directors, together with any observation;
- to have monitored the efficiency of the internal control system of the Group's subsidiaries and the adequacy of their provisions, also pursuant to Art. 114, par. 2 of the CFA;
- to have acknowledged the creation of the Remuneration Report, pursuant to art. 123-ter of the CFA and Art. 84-ter of the Issuers Regulation, approved by the Board of Directors on 27 March 2019, without revealing any observation to be reported;
- to have monitored the specific implementation modalities of the Corporate Governance Rules adopted by the Company in accordance with the Corporate Governance code;
- to have ascertained the compliance of the internal procedure regarding the Transactions with Related Parties with the principles set forth in the “Regulation governing related party transactions” approved by Consob with resolution no. 17221 of 12 March 2010 as amended (hereinafter referred to as the “**Consob Regulation TRP**”), as well as its

observance, pursuant to Art. 4, par. 6 of the same Consob Regulation TRP;

- to have ascertained the fulfilment of the obligations related to the European law regarding Market Abuses (hereinafter referred to as "**MAR**") and to the processing of inside information, as well as the procedures adopted for this purpose by the Company;
- to have ascertained the process of corporate information, verifying the Directors' compliance with procedural rules regarding the creation, approval and publication of the separate financial statement and of the consolidated financial statement;
- to have assessed the adequacy, as far the method is concerned, of the impairment process implemented in order to ascertain any eventual loss of value of the goodwill and/or of the assets listed in the financial statement;
- to have verified that the Directors' Report on Operations complied with current regulations and was consistent with the resolutions adopted by the Board of Directors and with the facts represented in the financial statement and in the consolidated financial statement;
- to have acknowledged the consolidated half-yearly report at 30 June 2018, without revealing any observation to be reported, as well as to have ascertained its compliance with the publication modalities set forth by the legislation;
- to have acknowledged that, pursuant to Art. 2.2.3, par. 3, letter a) of the Regulation of markets organised and managed by Borsa Italiana S.p.A., the Company has provided periodic additional information and main consolidated financial economic data simultaneously with the updates on the management performance on a quarterly basis;
- to have carried out, in the role of Internal Control and Financial Audit Committee, pursuant to Art. 19, par. 1 of Legislative Decree no. 39/10, as amended by Legislative Decree no. 135/16, specific information, monitoring, control and verification functions provided for therein, thus fulfilling the duties and tasks pointed out in the aforementioned regulation.

These supervisory activities, carried out by the Board of Statutory Auditors according to the aforementioned modalities, uncovered no facts such as to implicate the non-compliance of the law and of the by-laws or to request the notifications to Supervisory Authorities, nor their mention in this Report.

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The following provides the further instructions requested by Consob communication no. DEM/1025564 of 6 April 2001 as amended.

* * *

I. MOST RELEVANT ECONOMIC, FINANCIAL AND ASSET TRANSACTIONS CARRIED OUT BY THE COMPANY AND ITS SUBSIDIARIES

The most relevant economic, financial and asset transactions carried out by the Company and its subsidiaries were detailed analytically in the Directors' Report and in the financial statement, as well as in the consolidated financial statement, included in the Annual Financial Report at 31 December 2018. The Board of Statutory Auditors wishes to highlight that:

a. on 20 March 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.

b. at the end of May 2018, an agreement was signed with WeChat for T-commerce in China - a strategic operation for the Giglio Group with the number one internet media company in China, carried out in order to provide Italian fashion Brands with a service that allows them to quickly enter the digital Chinese market or to consolidate their positioning;

c. on 27 June 2018, the Company concluded the without recourse factoring of a VAT receivable requested for repayment from the Tax Agency through the 2018 VAT model, referring to financial year 2017. The amount requested for repayment and subject to factoring was € 1.5 million, while the without recourse factoring payment agreed was € 1.4 million;

d. on 29 October 2018, the Shareholders' Meeting approved a stock option plan for 2018-2021, reserved for Executive Directors and Managers with Strategic Responsibilities, delegating to the Board of Directors, for five years, the authority to increase Giglio Group S.p.A. share capital against payment, pursuant to Art. 2443 of the Civil Code, in separate issues, excluding option rights, pursuant to Art. 2441, par. 8 and - as far as

applicable - par. 5 of the Civil Code, for a maximum amount of € 138,000.00 in nominal value, through the issue, also in more tranches, of a maximum of no. 690,000.00 ordinary shares, to be used only within the scope of the "Stock Option Plan 2018-2021".

e. on 29 October 2018, the Shareholders' Meeting also approved the five-years proxy proposal of the Board of Directors to increase the Company's share capital against payment, pursuant to Art. 2443 of the Civil Code, in separate issues, excluding option rights, pursuant to Art. 2441, par. 4, second sentence of the Civil Code, within the limits of 10% of the existing share capital, to be offered in subscription to be offered in subscription to the individuals identified by the Board of Directors on the condition that the issue price of the new shares corresponds to the market value of those already issued and that this is confirmed by a specific report from a statutory auditor or an auditing company;

f. on 20 December 2018, the Company transferred to GM Comunicazione S.r.l. the authorisation to supply audiovisual services on channel number 65 of the digital terrestrial (LCN65) for € 1.9 million (plus VAT), with the payment of € 200,000 (plus VAT) upon subscription, € 620,000 (plus VAT) in monthly instalments in 2019 and the remaining € 1,080 thousand (plus VAT) in monthly instalments from January 2020 and March 2022.

Following the end of the fiscal year, the following events also took place, which the Board of Statutory Auditors wishes to mention:

a. on 12 February 2019, the Board of Directors and the Bondholders' Meeting approved the following main amendments of the Regulation of the debenture bond “Giglio Group S.p.A. - 5.4% 2016-2022” in existence:

    1. duration: reduction of the duration of the bond from 10 March 2022 to 30 September 2020;

    2. financial covenants: deactivation for 2018 of any deviation from the agreed covenants, which shall not produce the effects set forth in the Regulation of the debenture bond with regard to that period;

b. on 12 March 2019 the Company signed an agreement with Vertice Trescientos Sesenta Grados SA (company incorporated under Spanish law, hereinafter referred to as "**Vertice**", listed on Madrid's main stock exchange market) and Squirrel Capital S.L.U. (Vertice's majority shareholder), for the transfer to Vertice of the assets concerning Giglio Group's media area, with consequent issue of Vertice shares reserved to Giglio Group. The scope of the transfer comprises the television broadcasting activities in Italy (TV channel on the digital terrestrial –LCN 68), the 100% of M-Three Satcom business unit, the company Nautical Channel Ltd and part of the contents and TV rights destined to China. The transaction shall be completed by 30 November 2019 and entailed the restatement in Giglio Group's financial statements of all transferred assets in the item Assets held for sale or sold;

c. on 27 March 2019, the Board of Directors of the Company resolved to issue non-convertible bonds amounting to € 5,000,000.00, pursuant to Art. 2410 and following of the Civil Code, in the context of the operation "Export Basket Bond Programme", as well as to execute all deeds and sign all contracts for its conclusion. In the implementation of these decisions, on 2 April 2019, the Company issued a debenture bond, composed of 50 bearer bonds with a denomination per unit of € 100,000.00 each. The bond was subscribed by EBB Export S.r.l, a Company for the securitisation of receivables, which financed the payment of the subscription price of the debenture bonds through the issue of asset-backed securities with limited recourse on the debenture bonds, subscribed exclusively by qualified investors such as Cassa Depositi e Prestiti and Banca del Mezzogiorno - Mediocredito Centrale, among the others.

Based on the information provided by the Company and on data acquired regarding the aforementioned transactions, the Board of Statutory Auditors ascertained their compliance with the Law, the by-laws and the principles of sound administration, making sure that the same were not manifestly imprudent or risky, in potential conflict of interest or in contrast with the resolutions adopted by the Shareholders Meeting or such as to compromise the integrity of the Company's assets.

II. ATYPICAL AND/OR UNUSUAL TRANSACTIONS WITH RELATED PARTIES OR INTRA-GROUP COMPANIES

Throughout its assessment, the Board of Statutory Auditors did not identify any atypical and/or unusual transaction with third parties, with intra-group Companies or with other related parties. It is acknowledged that the information reported in the Annual Financial Report at 31 December 2018 regarding significant events and transactions and any eventual atypical and/or unusual transaction, including intra-group and with other related parties, is adequate and compliant with the legislative provisions.

III. INFORMATION REGARDING INTRA-GROUP AND RELATED-PARTIES TRANSACTIONS CARRIED OUT BY THE COMPANY AND ITS SUSBSIDIARIES

The characteristics of intra-group and other related-parties transactions carried out by the Company and its subsidiaries during 2018, as well as the individuals involved and the relevant economic effects, are reported in the note to the consolidated financial statement, on par. 30, and in the note to the financial statement, on par. 30, to which reference is made. It is noted that the Company carries out, on a regular basis, commercial and financial relations with its subsidiaries, consisting in transactions regarding ordinary management activities concluded in line with market practices. The Board of Statutory Auditors deems adequate the information provided with regard to the aforementioned transactions and assesses that these, on the basis of the data acquired, are appropriate and in line with the Company's business interest.

The Transactions with Related Parts, identified on the basis of international accounting standards and of Consob provisions, are governed by an internal procedure (hereinafter referred to as the "**Procedure**"). The Board of Statutory Auditors examined the Procedure and ascertained its conformity with Consob Regulation TRP.

For the aforementioned transactions, the Board of Statutory Auditors verified the correct application of the Procedure.

IV. REPORTS OF THE AUDITING COMPANY ISSUED PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREEE NO. 39/2010 AND ART. 10 OF EU REGULATION NO. 537/2014 AND ADDITIONAL REPORT ISSUED PURSUANT TO ART. 11 OF EU REGULATION NO. 537/2014

On 9 April 2019, the Auditing Company issued the aforementioned reports pursuant to Art. 14 and 16 of the Legislative Decree no. 39/2010 and Art. 10 of EU Regulation no. 537/2014, through which it certified that:

- the financial statement and the consolidated financial statement of the Group at 31 December 2018 provide a truthful and correct representation of the Company’s asset situation at 31 December 2018, the economic result and the cash flows for the fiscal year at hand, pursuant to International Financial Reporting Standards adopted by the European Union, as well as by the provisions promulgated in implementation of Art. 9 of Legislative Decree no. 38 of 28 February 2005;
- the audit opinion on the financial statement and on the consolidated financial statement expressed in the aforementioned Reports is in line with what laid out in the Additional Report for the Board of Statutory Auditors as Internal Control and Financial Audit Committee, drafted pursuant to Art. 11 of EU Regulation no. 537/2014.
- the Directors' Report and some specific information of Art. 123-*bis* of the CFA included in the Corporate Governance Report are consistent with the Company's financial Statement and with the consolidated financial statement of the Group, and were drafted in compliance with the Law.

In the previous Reports of the Auditing Company, a disclosure requirement highlights the note 35 "Profit/(loss) from assets held for sale and discontinued operations" paragraph “Media assets’ transfer transaction” of Explanatory Notes to the Financial Statement and Consolidated Financial Statement at 31 December 2018, where directors' consideration regarding the transfer of assets belonging to the media division to company Vértice Trescientos Sesenta Grados, S.A. are described, and specifies that the opinion expressed on such matter is not qualified.

In summary, the Auditing Company highlights the circumstance in which the directors, in the aforementioned paragraph, highlight that:

- the transfer shall take place with a share increase reserved to Giglio Group S.p.A. that, on the basis of the agreement signed on 11 March 2019, shall be completed by 30 November 2019;
- the agreement envisages the issue of a fixed number of 1,136,363,636 new shares in favour of Giglio Group S.p.A. who, on closing date, shall represent no less than 5.95% of Vertice 360's share capital, also taking into account a further capital increase of about € 12

million, currently ongoing, reserved to current shareholders;

- the assets held for sale have been assessed at € 12.5 million on the basis of a fairness opinion appointed by the Company to an independent expert and that directors, for the purpose of the valuation in the financial statement at 31 December 2018 of the assets held for sale, to be entered at the lower of cost and fair value, net of relevant sale costs, pursuant to applicable accounting standards, used the values resulting from the fairness opinion, as reference for the fair value, instead of the value resulting from the market prices of Vertice 360 shares, deeming that Vertice 360's current market capitalisation and the listed value of its shares, which would have represented a higher fair value as defined by IFRS 13, do not reflect already (a) the synergies expected from the transaction, that shall be reflected in the shares' market values on closing date; (b) other factors currently not foreseeable such as the market reaction to these information (the so called "market sentiment"); and (c) the result of the conditions precedent included in the agreement, that might have an effect on the share's performance;
- in the event that, in the creation of the financial statement at 31 December 2018, the higher fair value was used, resulting from Vertice 360's current market capitalisation and the listed value of its shares, the net amount of the assets held for sale would have been of € 4.7 million, instead of € 12.5 million, with a consequent reduction in the net worth of the Capital at the balance sheet date from about € 6.9 million to € 3.6 million and, lastly, that
- the shares to be received on the closing date shall be recorded, in accordance with the applicable accounting standards, at the listed value on the date of the closing.

With reference to the declaration set forth in Art. 14, par 2, letter e) of the Legislative Decree no. 39/2010, released on the basis of the knowledge and the understanding of the company and of the relative context acquired during its activity, the Auditing Company had nothing to report.

As far as the so-called key aspects of the financial audit, that is, those elements that, according to the professional opinion of the auditing company are mostly significant in the context of the financial audit of the financial statement at hand, the Auditor identified:

- the assessment of the assumption of business continuity;
- the recoverability of the value of the investments;

- the assessment of the goodwill.

With regard to these aspects, the Auditing company referred that they have been dealt with within the financial audit and in the formulation of an opinion on the financial statement as a whole and that, therefore, there is no need to express a separate opinion on them.

The Auditing Company also issued, on the same date, to the Board of Statutory Auditors as Internal Control and Financial Audit Committee, the Additional Report, in order to show the auditing results, the inherent elements of the planning and performance of the auditing process with regard to the methodological choices made and the respect of ethical principles, pursuant to Art. 11 of EU Regulation no. 537/2014.

The Board of Statutory Auditors shall inform the Board of Directors of Giglio Group regarding the results of the auditing, issuing as soon as possible its Report, pursuant to Art. 11, together with any observation to be made pursuant to Art. 19 of Legislative Decree no. 39/2010.

The Board of Statutory Auditors, also during its meetings with the Auditing Company, did not receive by the Auditing Company any information on relevant reprehensible facts during the auditing on the financial statement and on the consolidated financial statement.

V. ASSIGNMENTS CONFERRED TO THE AUDITING COMPANY AND TO INDIVIDUALS WITHIN ITS NETWORK

During 2018, based on the information provided by the Auditing Company, the Company and some of its subsidiaries did not conferred to the Auditing Company nor to individuals within its network and assignment in favour of the Company or of some of its subsidiaries for other services than the auditing of its accounts.

Detailed information on the remunerations paid during the fiscal year and on the pertinent cost of the various tasks carried out - including the ones conferred in 2018 - by the Auditing Company and the individuals within its network in favour of Giglio Group and its subsidiaries can be found in the Company's financial statement, pursuant to Art. 149-duodecies of the Issuers Regulation, and is determined as follows:

Service	**Service provider**	**Recipient**	**Fee (€/000)**
Auditing of statutory financial statement and models subscription	EY S.p.A.	Parent Company	55

Auditing of consolidated financial statement	EY S.p.A.	Parent Company	16
Limited auditing of consolidated half-year report	EY S.p.A.	Parent Company	34
Auditing	EY S.p.A.	Subsidiaries	60
Total			**164**

The Board of Statutory Auditors, as Internal Control and Financial Audit Committee, complied with the obligations referred to in Art. 19, par. 1, letter e) of Legislative Decree no. 39/2010 (as amended by Legislative Decree no. 135/2016) and Art. 5, par. 4 of EU Regulation no. 537/2014 regarding the prior approval of the aforementioned tasks, verifying their compatibility with current regulations and, more specifically, with the provisions set forth in Art. 17 of Legislative Decree no. 39/2010 as amended - as well as with the prohibitions set forth in Art. 5 of the aforementioned Regulation.

Moreover, the Board of Statutory Auditors:

a) verified and monitored the independence of the Auditing Company, in compliance with Art. 10, 10-bis 10-ter, 10-quater and 17 of Legislative Decree no. 39/2010 and Art. 6 of EU Regulation no 537/2014, ascertaining the compliance with current relevant regulations and making sure that any task other than the auditing conferred to the company did not generate potential risk for the independence of the auditor nor for the safeguards set forth in Art. 22-ter of Directive 2006/43/EC;

b) examined the Transparency Report and the Additional Report drafted by the Accounting Company, in compliance with the criteria set forth in EU Regulation no. 537/2014, noting that, on the basis of the acquired information, no critical aspects regarding the independence of the Auditing Company arose;

c) received confirmation in writing, pursuant to Art. 6, par. 2, letter a) of the EU Regulation 537/2014, that the Auditing company, from 1 January 2018 until the issue of the declaration, did not individuate any situation capable of compromising its independence, pursuant to Art. 10 and 17 of the Legislative Decree no. 39/2010 and Art. 4 and 5 of EU Regulation no. 537/2014;

d) discussed with the Auditing Company about the risks for its independence and the

measures adopted to mitigate them, pursuant to Art. 6, par. 2, letter b) of EU Regulation no. 537/2014.

VI. CLAIMS PURSUANT TO ART. 2408 OF THE CIVIL CODE AND COMPLAINTS BY SHAREHOLDERS OR THIRD PARTIES.

During 2018, the Board of Statutory Auditors did not receive any claim nor complaint by shareholders or third parties, pursuant to Art. 2408 of the Civil Code.

VII. OPINIONS AND PRELIMINARY CONSULTATION OF THE BOARD OF STATUTORY AUDITORS

During 2018, the Board of Statutory Auditors expressed its opinion on all the occasions requested by the Board of Directors, also in fulfilment of regulations providing for the preliminary consultation of the Board of Statutory Auditors.

More specifically, it is noted that:

a. on 30 August 2018, the Board of Statutory Auditors expressed a favourable opinion on the appointment of Mr Massimo Mancini as Financial Reporting Officer of Giglio Group;

b. the Board of Statutory Auditors examined, within the context of its competences, the proposals made - prior assessment by the Remuneration Committee - with regard to the variable remunerative structure of Executive Directors and Managers with Strategic Responsibilities and expressed the aforementioned opinion during the meeting. In this regard, it is noted that, as far as managers with strategic responsibilities are concerned, the remuneration system implemented upon proposal of the Remuneration Committee provides for the attribution of compensations divided into a fixed and a variable fee connected to the economic results obtained by the Group and related to specific set objectives, together with the participation in the Company's stock option plans.

Following the end of the fiscal year, and until the date of this Report, it is also noted that:

a. on 23 January 2019, the Board of Statutory Auditors approved the resolution approved by the Board of Directors for the co-optation of Carlo Micchi in substitution of director Carlo Frigato;

b. on 4 February 2019, the Board of Statutory Auditors approved the resolution voted by the Board of Directors for the co-optation of Silvia Olivotto in substitution of director Graziella

Capellini;

c. on 27 March 2019, the Board of Statutory Auditors, pursuant to art. 2412, par. 1 of the Civil Code, acknowledged that currently issued bonds did not exceed overall double the share capital, the statutory reserve and other available reserves.

VIII. FREQUENCY AND NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS, OF INTRA-BOARD COMMITTEES AND OF THE BOARD OF STATUTORY AUDITORS

In general, for the purpose of acquiring instrumental information for the performance of its supervisory tasks, the Board of Statutory Auditors, during the fiscal year, held 13 meetings. The activities carried out in these meetings can be found in the relevant minutes, which include also all meetings with insiders, managers and auditing companies and the plenary meeting of 19 September 2018 between all individuals and functions involved in the Internal Control System of the Company, including the Auditing Company, has been minuted as well, in order to constitute a periodic moment of exchange with regard to the activities carried out by each party in the performance of its office until the date of the meeting. The Board of Statutory Auditors participated in the Shareholders' Meetings held on 11 May and 29 October, as well as in all 12 meetings of the Company's Board of Directors, in the 6 meetings of the Internal Control, Risk and Related Parties Committee and in the 6 meetings of the Appointments and Remuneration Committee.

In 2019, the Board of Statutory Auditors met 4 times and participated in all the meetings of the Board of Directors and of intra-board committees held until the date of this Report. More specifically, the Board of Statutory Auditors participated to: 8 meetings of the Board of Directors, 5 meetings of the Internal Control, Risk and Related Parties Committee and 4 meetings of the Appointments and Remuneration Committee. The Board of Statutory Auditors also participated in the Bondholders' Meeting that took place in the same period.

IX. SUPERVISION ON COMPLIANCE WITH LAW, BY-LAWS AND PRINCIPLES OF SOUND ADMINISTRATION

The Board of Statutory Auditors supervised on the compliance with law, by-laws and principles of sound administration, making sure that, for the part under its competence, resolved and implemented operations were compliant with the aforementioned rules and principles, as well

as inspired by the principles of economic rationality and were not manifestly imprudent or risky, in potential conflict of interest or in contrast with the resolutions adopted by the Shareholders Meeting or such as to compromise the integrity of the Company's assets. According to the Board of Statutory Auditors, the governance instruments and institutions adopted by the Company provide adequate assurance that the principles of sound management are being followed in operating practices.

In any event, the Company is currently changing its structure in order to align itself with the best practices requested of companies listed in the MTA, STAR segment market, in which it was admitted one year ago.

X. SUPERVISION ON ADEQUACY OF THE COMPANY'S AND THE GROUP'S ORGANISATION STRUCTURE

The supervision on the adequacy of the Company's and Group's organisation structure was carried out through the knowledge of the administrative and organisation structure of the Company and via the data and information exchange with various managers of the Company, with the Internal Auditor and with the Auditing Company.

The Company's and Group's organisation structure is managed by the Chairman and the Vice-Chairman, and is implemented via a system of internal proxies appointed to the individuals identified as responsible for various departments and business units and entailing adequate authorities in line with the appointed responsibilities.

In light of the verification carried out, the organisation structure of the Company is deemed adequate with regard to the object, the characteristics and the size of the company. More specifically, it is noted that, over the fiscal year, in the administrative, financial and control context, the Company strengthened the area, also after hearing the Board of Statutory Auditors' suggestion, identifying or inserting some key roles for supervising the correct operation of the management control system.

More specifically, the Company identified or inserted the following roles:

- individual responsible for the consolidated financial statement;
- individual responsible for the financial statement;

- individual responsible for the treasury
- individual responsible for corporate accounting;
- individual responsible for the administration of the subsidiaries.

Moreover, the Board of Statutory Auditors highlights that, as a result of changes occurred during the last months of the year, the Vice-Chairman and General Manager had to take over some corporate functions, ad interim, such as Administration and Finance Director, Financial Reporting Officer and Investor Relator. To this regard, the Board of Statutory Auditors believes that, for the purpose of reaching a more efficient governance system, the Company should promptly insert new professionals and assign them all necessary proxies, functions and responsibilities focus, as of today, on one individual, or redistribute them.

XI. SUPERVISION ON ADEQUACY AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM AND ON ADEQUACY AND EFFECTIVENESS OF THE ADMINISTRATIVE AND ACCOUNTING SYSTEM

With regard to the supervision on the adequacy and effectiveness of the internal control system, also pursuant to Art. 19 of Legislative Decree no. 39/2010, the Board of Statutory Auditors met periodically with the Internal Auditor and other corporate functions and, through the participation of at least one of its members, with the relevant meetings of the Internal Control and Risk Committee and the Supervisory Body established pursuant to the organisation model set forth in Legislative Decree no. 231/2001 adopted by the Company (hereinafter referred to as the "**Model 231**").

The guidelines of the internal control system are defined by the Board of Directors, with the help of the Internal Control, Risk and Related Parties Committee. The Board of Directors also assesses, at least once a year, its own adequacy and correct operation, with the support of the Internal Auditor and of the Internal Control, Risk and Related Parties Committee.

From the supervisory activity carried out, it was found that the internal control system is altogether adequate and effective, even though necessary improvements have been identified in the following contexts:

- compliance with GDPR Privacy obligations (Regulation 679/2016);
- finalisation of the formalisation of internal procedures;

- adjustment of the administrative/accounting and management systems, as well as reporting ones, and their procedures to the application platform under implementation.

In this regard, the Company's management arranged an action plan aimed at:

- updating the procedure set forth in Law 262/2005;
- establishing a new management, accounting and administrative system for the financial reporting (final date on 1 April 2019) that will allow for the integration of the strategic planning and management control system.

Meanwhile, and with specific reference to the data reported in the annual financial statement and in the interim reports, the Company has put in place compensatory control procedures in order to assess the results of the aforementioned documents.

In light of the above, the Board of Statutory Auditors believes that there are no elements that prevent the consideration of the internal control system as altogether sufficiently adequate and effective.

As mentioned above, the Company has adopted the Model 231, which, together with Giglio Group's Code of Ethics, is aimed at preventing relevant offences in accordance with the Decree and, consequently, the Company's administrative liability.

The Supervisory Body supervised on the operation and compliance of the Model 231 - of which it assessed the suitability pursuant to Legislative Decree no. 231/2001 - monitoring the evolution of the relevant regulation, the implementation of personnel training initiatives, as well as the compliance with the Protocols by their recipients, also through verifications carried out with the support of the Internal Auditor.

Moreover, with the Board of Directors' resolution of 10 September 2018, the Company established the role of Data Protection Officer (DPO), starting an adjustment procedure to European Regulation 2016/679.

As far internal dealing is concerned, without prejudice to the obligations related to the market abuse regulation, the Company regulated the obligation of refraining from executing transaction on financial instruments issued by the same and listed on regulated markets, pursuant to EU Regulation no. 596/2014 regarding market abuses, applying the obligation to

abstain in the thirty days previous to the approval of periodic financial reports (in particular, the Financial Statement, the Half-year Report and the Quarterly Report).

With regard to 2018, the Board of Directors carried out, on the basis of the information and evidence gathered, also with the support and the preliminary activity of the Internal Control, Risk and Related Parties Committee, an overall assessment of the adequacy and effectiveness of the internal control and risk management system, finding it overall suitable, with reasonable assurance, for an adequate and efficient management of major identified risks.

As mentioned above, in the opinion of the Board of Statutory Auditors, in light of the information acquired, the internal control and risk management system of the Company is sufficiently adequate, albeit presenting a few deficiencies, already mentioned, that shall be amended in 2019 by the Company.

The Board of Statutory Auditors shall supervise on the implementation of the amendments envisaged, in order to enforce them as early as possible.

The Board of Statutory Auditors also supervised on the adequacy and reliability of the administrative/accounting system in correctly representing its functions, by examining corporate documents and analysing the results provided by the Auditing Company. The Financial Reporting Officer was jointly vested with the functions established by law and adequate powers and means to perform the tasks of his competence. Moreover, the CEO, acting through the Financial Reporting Officer, is vested with the execution of the "Accounting Control Model pursuant to Law no. 262/2005", aimed at defining the guidelines to be applied to Giglio Group with regards to the obligations arising from Art. 154-bis of the CFA concerning the creation of corporate accounting documents and consequent certification requirements. To this regard, it is noted that, during fiscal year 2018, the Group worked in order to adapt the structure of the system to the commitments undertaken with Borsa Italiana during listing, as well as to the recommendations of Law 262/2005.

More specifically, as reported by the Internal Auditor, the Company carried out activities aimed at finalising the implementation of a financial reporting process structured, documented and verified through specific procedural controls, to feed the administrative/accounting system and main accounts closing activities, giving the necessary

support to the certification process of the Financial Reporting Officer.

Upon listing of the Company on the MTA market STAR segment, the main risks of the Company were identified, and in order to mitigate them, a series of actions were put in place aimed at structuring an adequate internal control and risk management system.

As mentioned before, this process is still ongoing and found significant remedy with the acquisition of new resources, as mentioned in par. X, as well as with the implementation of the new management system, as already mentioned.

As far as accounting and administration are concerned, it is reminded that, with specific reference to the data showed in the Financial Statement and in the Interim Report, the Company has put in place supplementary control procedures to verify the information represented in the aforementioned documents.

It is also noted that the procedures concerning the impairment procedure of the financial statement and the consolidated financial statement of 2018 were formalised in accordance with IAS 36 accounting standard, upon resolution of the Board of Directors on 5 March 2019, and that the same have been elaborated relying on the support of an highly-qualified independent expert.

The recoverability analysis for assets and goodwill values was carried out with the support of the same independent expert and was shared by the Board of Directors on 15 March 2019. For a more complete description of the methods and assumptions applied, see the note to the financial statement and the consolidated financial statement.

The impairment procedure, and more specifically its results submitted to the Board of Directors for their approval, were examined by the Board of Statutory Auditors by participating in the Internal Control, Risk and Related Parties Committee, which had previously analysed their methodology.

The Board of Statutory Auditors supervised on the financial reporting process also by making use of information obtained by the Company's management and deemed the administrative and accounting system of the Company adequate and reliable in correctly representing management performances.

To this regard, see paragraph X of this Report for more information on the circumstance by which some administrative, financial and control functions had to be gathered ad interim in the Vice-Chairman and General Manager and on the opportunity, presented by the Board of Statutory Auditors, to provide as early as possible for the stable appointment of new professionals and consequent redistribution of proxies, functions and responsibilities as of today assigned to the Vice-Chairman.

XII. SUPERVISION ON ADEQUACY OF INSTRUCTIONS IMPARTED BY THE COMPANY TO ITS SUBSIDIARIES

The Board of Statutory Auditors supervised on the adequacy of the instructions imparted by the Company to its subsidiaries pursuant to Art. 114, par. 2 of the CFA, ascertaining, on the bass of the information provided by the Company, the suitability to provide necessary information to comply with communication obligations provided by the Law, taking into account also the structure of the Group and the governance models of the subsidiaries.

XIII. MONITORING OF PROCESSES ADOPTED TO ENSURE THE CONCRETE IMPLEMENTATION OF THE CORPORATE GOVERNANCE RULES SET FORTH IN THE CORPORATE GOVERNANCE CODE

As far as the monitoring of processes adopted to ensure the concrete implementation of the corporate governance rules set forth in the applicable Corporate Governance Code (July 2018) is concerned, the Board of Statutory Auditors carried out this activity with the support of the Legal and Corporate Affairs Office of the Company.

The Board of Directors of the Company is currently composed of 7 directors, 2 of which are independent. Its composition respects gender equality rules (of the 7 directors, 4 are men and 3 are women).

In 2019, the Board of Directors carried out a self-assessment of the size, composition and operation of the Board itself and of its Committees, whose results where submitted to the meeting of the Board on 5 March 2019 and are also recalled in the Corporate Governance Report.

As far as the procedure adopted by the Board of Directors to ensure the independence of its directors is concerned, the Board of Statutory Auditors carried out all assessments within its

jurisdiction, ascertaining the correct application of the criteria and procedures for the certification of independence requirements, pursuant to the Law and the Corporate Governance Code and the compliance with the composition requirements of the administrative body as a whole.

Ultimately, the Board of Statutory Auditors verified the existence, on behalf of the members of the Board itself, of the independence requirements required by current regulations, giving notice to the Company's Board of Directors.

In compliance with the norm of conduct Q.1.1 issued by the Italian Board of Professional Accountants and Auditors for listed companies, the Board of Statutory Auditors carried out its own assessment, relying on the support of an external advisor in order to assess the existence and permanence of the suitability requirements of its members and the correctness and efficacy of its operation. The result of the assessment was positive. The self-assessment report of the Board of Statutory Auditors shall be submitted to the Board of Directors.

Moreover, the Board of Statutory Auditors has adopted the recommendation of the Corporate Governance Code which requires to declare own interests or those of third parties in specific transaction submitted to the Board of Directors. During 2018, no situation arose for which the members of the Board of Statutory Auditors had to declare own interests or those of third parties.

As far as the establishment of intra-board committees is concerned, it is noted that, within Giglio Group's Board of Directors, the following Committees are established:

- Internal Control, Risk and Related Parties Committee, with consulting and proposing functions, reporting to the Board of Directors at least once every six months on the activities carried out and on the adequacy and effectiveness of the internal control and risk management system, which is also recipient of the role and the functions that the Consob Regulation TRP attribute to the Committee, composed of 2 directors for the majority independent. The Committee met 6 times in 2018 and 5 times in 2019;
- Appointments and Remuneration Committee, composed of non-executive and independent directors, which met 6 times in 2018 and 4 times in 2019.

See the Corporate Governance Report for more information on the Company's corporate governance on which the Board of Statutory Auditors has no observations to make.

XIV. EXAM OF REMUNERATION REPORT AND VERIFICATION OF CONFOMRITY WITH LEGAL AND STATUTORY REQUIREMENTS

The Board of Statutory Auditors examined the Remuneration Report approved by the Board of Directors on 27 March 2019 upon proposal of the Appointments and Remuneration Committee and verified its conformity with legal and statutory requirements, as well as the clarity and completeness of its information with regard to the remuneration policy adopted by the Company.

XV. MONITORING OF COMPLIANCE WITH LAWS REGARDING THE CREATION OF THE FINANCIAL STATEMENT AND CONSOLIDATED FINANCIAL STATEMENT OF THE GROUP, THE RESPECTIVE EXPLANATORY NOTES AND THE DIRECTORS' REPORT

Ultimately, the Board of Statutory Auditors carried out its own verification on the compliance of the creation of financial statement and consolidated financial statement of the Group at 31 December 2018, of the respective explanatory notes and of the accompanying Directors' Report with the Law, directly and with the support of heads of functions, as well as through the information obtained by the Accounting Company. More specifically, the Board of Statutory Auditors, based on the controls exercised and on the information provided by the Company, within the limits of its competence pursuant to Art. 149 of the CFA, acknowledges that the financial statement and consolidated financial statement of Giglio Group at 31 December 2018 have been drafted in compliance with the provisions of Law regulating their creation and setting, as well as with the International Financial Reporting Standards issued by the International Accounting Standards Board according to the text published by the Official Journal of the European Communities.

The financial statement and consolidated financial statement are integrated by the required statements of compliance undersigned by the CEO and the Financial Reporting Officer.

XVI. INDICATION OF ANY OBSERVATION AND PROPOSAL TO BE SUBMITTED OT THE SHAREHOLDERS' MEETING PURSUANT TO ART. 153 OF LEGISLATIVE DECREE 58/1998

Based on all the aforementioned information, with regard to the supervisory activities carried out during the fiscal year, and taking into account the disclosure requirement with which the Auditing Company highlights note 35, “Profit/(loss) from assets held for sale and discontinued operations” paragraph “Media assets’ transfer transaction” of Explanatory Notes to the Financial Statement and Consolidated Financial Statement at 31 December 2018 (see paragraph IV of this Report), the Board of Statutory Auditors did not uncover any criticality, omission, reprehensible fact or irregularity and has no observations nor proposals to submit to the Shareholders' Meeting pursuant to Art. 153. of Legislative Decree no. 58/1998, within the limits of its jurisdiction, finding no impediment to the approval of the resolution proposals formulated by the Board of Directors to the Meeting.

* * *

Pursuant to Art. 144-quinquiesdecies of the Issuers Regulation, approved by Consob with resolution no. 11971/99 as amended and integrated, the list of tasks of the members of the Board of Supervisory Auditors in the Company referred to in Book V, Title V, Chapters V, VI and VII of the Civil Code is published, on the above assumptions, by Consob on its own Website (www.consob.it).

Milan, 09 April 2019

The Board of Statutory Auditors

Cristian Tundo	Chairman
Monica Mannino	Statutory Auditor
Marco Andrea Centore	Statutory Auditor

Giglio Group S.p.A.

Financial statements as at December 31, 2018

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Giglio Group S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Giglio Group S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss, the statement of other comprehensive income, the statement of changes in net equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 35 "Profit/(loss) from assets held for sale and discontinued operations" paragraph "Media assets' transfer transaction" to the financial statements for the year ended December 31, 2018, which describes the evaluation performed by the directors' of the forecasted transaction for the sale of some assets of the media division to the company Vértice Trescientos Sesenta Grados S.A., listed on the Madrid stock exchange. The directors discuss in such paragraph that the transfer will take place within a reserved capital increase reserved in favor of Giglio Group that, based on the agreement executed on March 11, 2019 (hereinafter, the "Agreement"), will be completed by November 30, 2019. Such Agreement envisages the issue of a fixed number of 1,136,363,636 new shares in favour of Giglio Group S.p.A. that, on the closing date, shall represent no less than 5.95% of Vértice Trescientos Sesenta Grados S.A.'s share capital, also taking into account a further capital increase of about Euro 12 million, currently ongoing, reserved to current shareholders.

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The directors also discuss that the fair value of assets involved in the transfer has been determined in a total amount of Euro 12,5 million based on a fairness opinion provided by an independent expert.In particular the directors, for the valuation of the assets involved in the transaction as of December 31, 2018 accounted for the lower of the cost and the fair value less cost to sell as provided in the applicable accounting standards, referred to the valuation provided in the aforementioned fairness opinion rather than the current market value of the Vértice Trescientos Sesenta Grados S.A.'s shares. The directors considered how the current market value of the Vértice Trescientos Sesenta Grados S.A.'s shares, which would have represented a higher level as provided in the accounting standard IFRS 13, does not reflect yet (a) the synergies expected from the transaction, that shall be reflected in the shares' market values on closing date, (b) other assumptions currently not foreseeable such as the market reaction to these information (the so called "market sentiment"), and (c) the result of the conditions precedent included in the Agreement that might have an effect on the share's performance. Lastly, the directors highlight that (i) if the aforementioned higher level fair value were to be used in the preparation of the December 31, 2018 financial statements deriving from the current market value of the Vértice Trescientos Sesenta Grados S.A.'s shares, the value of the net assets held for sale would have been estimated in Euro 4,7 million instead of Euro 12,5 million, with a resulting decrease of the company's net equity as at December 31, 2018 from Euro 6,9 million to 3,6 million, and (ii) the shares that will be received at the closing date will be accounted for, according to the applicable accounting standards, at the current market value at closing. Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matters	Audit Responses
Evaluation of Going concern	
For the year ended December 31, 2018 the Company incurred net losses of Euro 4,7 million, mainly related to the negative result of the discontinued operations. Equity and net financial position as at December 31, 2018 amount to Euro 6,9 million and Euro 20,3 million, respectively. The Business Plan 2019-2023 (hereinafter the "Plan") approved by the Board of Directors on March 15, 2019 includes actions aimed at focusing on the e-commerce segment and consolidating the current market position on such segment, in order to achieve improvements in profitability and cash flows over the period covered by the plan.	Our audit procedures in response to this key audit matter included, among others: • assessment of the circumstances that led to the comprehensive loss realized in the year; • assessment of the variances between the financial forecasts included in the previous business plan and those achieved in fiscal year 2018; • understanding of the process and the evaluation performed by the directors for the going concern basis of accounting, and assessment of the key assumptions underlying the Plan approved by the Board of Directors on March 15, 2019;

The assumptions underlying the Plan and the valuation performed by management on the going concern basis of assessment, related to at least, but not limited to, twelve months after the balance sheet date, are by their nature complex and involve management judgment, in particular with reference to the company ability to meet its financial obligations, and could potentially manifest their effects with different results and timing compared to current forecasts.

In consideration of the judgment involved in forecast activities and their potential implications on the determination of the going concern basis of accounting, we have determined that this area represents a key audit matter.

The section "Going Concern" included in the paragraph "Outlook" of the directors' report, discusses the results achieved in the current fiscal year and the actions undertaken by the directors in order to achieve the financial results required to meet the company obligations as assumed in the Plan.

- assessment of the key assumptions underlying the Plan and sensitivity analyses performed with respect to the forecasted future cash flows;
- sensitivity analysis performed on the fair value to be received for the dismissal of the media assets in order to assess any potential implications on the financial covenant requirements;
- written representations obtained from the directors related to future action plans and their feasibility.

Lastly, we assessed the adequacy of the disclosures included in the directors' report in relation to the key audit matter.

Valuation of Investments

As at December 31, 2018 the investments balance amount to Euro 8,4 million.

The processes and methodologies for assessing and determining the recoverable amount of the investments, are based on assumptions, sometimes complex, that by their nature are based on the directors' judgment, in particular with reference to the forecast of future cash flows of the subsidiaries, relating to both the period covered by the Group's strategic plan for period 2019-2023 (hereinafter the "Plan"), and the determination of the normalized cash flows underlying the estimate of the terminal value, as well as to the determination of long-term growth and discount rates applied to the forecasted cash flows.

In consideration of the judgment required and the complexity of the assumptions used in the estimate of the recoverable amount of investments, we have determined that this area represents a key audit matter.

Our audit procedures in response to this key audit matter included, among others:

- assessment of the Company's process for assessing the recoverability of the investments;
- assessment of the key assumptions underlying the forecasted future cash flows, taking into account forecasted assumptions from external sector sources;
- assessment of the consistency of the forecasted future cash flows, and the determination of long-term growth rates and discount rates.

In performing our audit procedures we also engaged our internal experts in valuation techniques, who performed independent calculation and sensitivity analyses on key assumptions in order to determine the changes that could significantly impact the valuation of recoverable amount.

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The Group provides disclosures on the recoverability of investments in note 4 "Investments" the financial statements.	Lastly, we assessed the adequacy of the disclosures in the notes to the financial statements in relation to this key audit matter.

Valuation of Goodwill

As at December 31, 2018 goodwill balance amounts to Euro 4,1 million. The Group performed an impairment test of the Cash Generating Unit (CGU) to which the goodwill is allocated. The processes and methodologies for assessing and determining the recoverable amount of the identified CGU, in terms of value in use, are based on assumptions, sometimes complex, that by their nature are based on the directors' judgment, in particular with reference to the forecast of future cash flows, relating to both the period covered by the Group's strategic plan for period 2019-2023 (hereinafter the "Plan"), and the determination of the normalized cash flows underlying the estimate of the terminal value, as well as to the determination of long-term growth and discount rates applied to the forecasted cash flows. In consideration of the judgment required and the complexity of the assumptions used in the estimate of the recoverable amount of goodwill, we have determined that this area represents a key audit matter. The Group provides disclosures on the recoverability of goodwill, and the related assumptions and sensitivity analyses, in note 3 "Goodwill" and in note "Discretional valuation and significant accounting estimates" of the financial statements.	Our audit procedures in response to this key audit matter included, among others: • assessment of the Group's procedure for the assessment of the recoverability of goodwill, as approved by the Board of Directors on March 5, 2019; • assessment of the appropriateness of the CGU identified; • assessment of the key assumptions underlying the forecasted future cash flows, taking into account forecasted assumptions from external sector sources; • assessment of the consistency of the forecasted future cash flows, and the determination of long-term growth rates and discount rates. In performing our audit procedures we also engaged our internal experts in valuation techniques, who performed independent calculation and sensitivity analyses on key assumptions in order to determine the changes that could significantly impact the valuation of recoverable amount. Lastly, we assessed the adequacy of the disclosures provided in the notes to the financial statements in relation to this key audit matter.

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

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

However, future events or conditions may cause the Company to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Giglio Group S.p.A., in the general meeting held on December 1, 2017, engaged us to perform the audits of the financial statements for each of the years after the effective date of translisting on the MTA Market ending December 31, 2018 to December 31, 2026.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company [of the Group] in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Giglio Group S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Giglio Group S.p.A. as at December 31, 2018, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Giglio Group S.p.A. as at December 31, 2018 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Giglio Group S.p.A. as at December 31, 2018 and comply with the applicable laws and regulations.

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

Milan, April 9th 2019

EY S.p.A.
Signed by: Agostino Longobucco, Partner

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