giglio

GROUP S.p.A.

Annual & Consolidated Financial Statements as of 31 December 2020

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Directors’ Report

Company Information

Registered office

Giglio Group S.p.A.
Piazza Diaz 6, 20123 Milan

Legal Information

Share Capital subscribed and paid-in € 4,149,295
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 – Piazza della Meridiana 1, Genoa

Corporate Boards *

Board of Directors

Alessandro Giglio	Chairman
Marco Belloni	Chief Executive Officer co-opted by the Board of Directors on 23 July 2020 and confirmed by the Shareholders' Meeting on 12 November 2020
Anna Lezzi	Executive Board Member
Silvia Olivotto	Independent Member
Francesco Gesualdi	Independent Member co-opted by the Board of Directors on 15 May 2020 and confirmed by the Shareholders' Meeting on 12 November 2020
Giorgio Mosci	Independent Member terminated on 23 July 2020
Massimo Mancini	Vice-chairman and General Manager terminated on 21 March 2020
Yue Zhao	Member terminated on 14 May 2020
Carlo Micchi	Executive Member terminated on 24 March 2020

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
Francesco Gesualdi	Member

Appointment and Remuneration Committee

Francesco Gesualdi	Chairman
Silvia Olivotto	Member

Financial Reporting Officer

Carlo Micchi

Independent Auditor

EY S.p.A.

* The term of office of the Board of Directors and the Board of Statutory Auditors shall end with the approval of 2020 Financial Statements. The term of the Independent Auditor was subscribed for 2017-2025, and shall end on 2026 with the approval of 2025 Financial Statements.

1. Introduction

Giglio Group is engaged in the e-commerce industry of high-end fashion, design and food products, and is now expanding also its commercial offer to the healthcare products' sector. The Group's mission is to make available to its digital users worldwide an increasing number of brands within the aforementioned categories.

Founded on 2003, the Group offers tailor-made B2B and B2C services to various industries, 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, up to brands' connection with major digital marketplaces. 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 platforms with consumers across the globe, having also expanded its activities towards the food, design, electronics, DIY and physical well-being industries. Moreover, the "incentive" division offers digital and cutting-edge solutions that allow the Group's clients to gain access to new national and international markets, gaining the loyalty of their customers, driving direct and indirect sales force, as well as incentivising and rewarding trade. Giglio Group supplies both a strategic and operational support, helping clients create and implement loyalty and engagement programmes, but also by supplying a complete sales spot management service and giving advice on the correct tax and legal framework for promotional events.

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, which has abandoned its unchanging and collection-dependent seasonal nature (as far as Fashion is concerned) and has 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 brands, ensuring a 100% sales rate over the year, regardless of the sales' territory.

With the beginning of sales in the design segment and with the Group's penetration in the food segment, Giglio Group presents boasts a unique customer base and a complete and innovative product range, as well as a needed infrastructure for the Country in order to bridge the gap of national flagship companies in their respective categories with the new frontiers of digital sales worldwide.

The Group's own platforms can be directly integrated, and are compatible, with the most common e-commerce solutions used by brands, without interfering with the client's technological choices and without demanding any investment for their connections.

Particularly in Fashion, but not only, 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), thus becoming the place where clients can experience and physically try out the product.
- *Physical Wholesale*. Department stores and multi-brand boutiques amplify the «physical» distribution of a brand, reaching a much wider group of places and consumers who can browse the extensive online range, albeit presenting a lower offer depth.
- *E-commerce*. The first sales' pillar within the online world, and a consolidated strength for Giglio Group. 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. It is the essential element in the Industrial Plan of major brands, which qualifies the economic sustainability of the brand itself. Moreover, this channel helps accelerating the penetration in new areas,

as well as keeping up the sales performance in the most mature markets, where physical sales are dropping significantly.

- *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 2020.

  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. A presence in these marketplaces is, nowadays, essential both for sales and for the control of parallel online distribution channels that could tarnish the image and the reputation of the brand, as well as pricing dynamics.
- *Destocking*. Another strength of Giglio Group, a consolidated competence that has been growing steadily, introducing new development opportunities and conquering new marketing areas. Destocking is not an occasional activity, but a set of stock planning and distribution services coordinated with the brands themselves and organised in a professional way well in advance. 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, thus helping build a complementary commercial channel to the possibilities of brands' sales managers.

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.

In 2020 and for the first time, the Company operated fully on the e-commerce business. Moreover, 2020 was the first year in which the results of E-Commerce Outsourcing S.r.l. (owner of Terashop's trademark), one of the major suppliers of outsourced e-commerce services, were fully consolidated. Terashop greatly invested in the omni-channel marketing in Italy and its innovative platforms offer both to its brands and its end clients a complete purchase experience. By integrating Giglio Group's and Terashop's platforms, it was possible to expand the Group's activity toward new sectors such as, specifically, GDS, Food and mass retailing, with a chance to apply different business models: online sales with home delivery, products' collection from retail outlets, digital kiosks for in-shop sales, CRM systems, B2B and B2E websites as well as loyalty card systems. Terashop's purchase allowed for the integration of a customer base active in the reference sector with elevated supported trading volumes, thus creating important economies of scale with immediate savings. Moreover, it allowed for the strengthening of its technical organisation, also through the inclusion in its workforce of IT experts highly specialised in the e-commerce sector - key resources in this sector, and usually hard to find with such deep expertise;

THE REFERENCE MARKET

According to Altagamma 2020 Worldwide Luxury Market Monitor, a report drafted by Bain & Company; following the economic crisis triggered by COVID-19 pandemic, in 2020, the luxury goods' market was heavily impacted, declining for the first time ever since 2009, recording a 23% drop and reaching only € 217 billion. 2020 was a year of deep changes worldwide in lifestyles, purchase habits and personal values. Tourism came to a halt and the online purchase of luxury products increased significantly, doubling its market share from 12% in 2019 to 23%.

Luxury Goods' Sales Channels

The change brought forth by COVID-19 global pandemic introduced the presence of online activities in every aspect of our lives. In the luxury market, online sales reached € 49 billion in 2020, as opposed to € 33 billion in 2019, continuing to gain market shares (23% of the market, as opposed to 12% in 2019), now that its clients are more and more influenced and supported by the digital channels also for their physical purchases. Indeed, 75% of luxury transactions was influenced by the online channel, and 20-25% of the purchases was digitally supported. It is estimated that by 2025, almost all luxury goods' purchases will be made online. Asia confirmed its role as a driver for the online luxury market, coming before Europe and the Americas. Accessories are still the main category sold online, ahead of clothing products, while beauty and hard luxury categories (jewels and watches) are in constant growth. Among the channels for online luxury sales, brands' websites gained market shares if compared to the websites of e-tailers and retailers.

The effects of the global crisis triggered by the COVID-19 pandemic

Over 2020, a phenomenon that is still changing the economic forecasts of whole economy sectors worldwide was being recorded, which in turn is causing a revision of the turnover for the fashion sector, served by Giglio Group. On January 2020, the COVID-19 epidemic started to hatch in China, connected to the so-called Coronavirus, before spreading quickly in many areas of the world, Europe and the USA included. Due to the lockdowns that were enforced by the authorities in various part of the world and to the shutdown of tourism in all of the main markets worldwide, whole fashion distribution chains suffered significant drops in sales due to the decrease in clients. Online sales stood the test of time, while traditional models of physical stores and malls recorded steep drops in all luxury categories; by way of example, the drop in footwear (12%) was mitigated by sneakers shoes request, the jewellery sector was supported by the Asian demand, which benefited from online sales, while clothing products and watches dropped both by 30%.

With regard to the fashion sector, according to McKinsey & Company's report "The State of Fashion 2021", fashion companies will record a 90% drop in operating results in 2020, after a 4% increase in 2019. Given the ongoing uncertainty, McKinsey's forecasts for the sector's performance in 2021 focus on two scenarios. The first one, more optimistic, foresees a drop in global fashion sales between 0 and 5% in 2021 if compared to 2019. This should result from the containment of the virus in several geographical areas and from a relatively quick transition to economic recovery. In this scenario, the sector would recover its 2019 activity levels by 2022 Q3. The second scenario would see a 10-15% drop in sales in 2021 if compared to 2019. In this case, the virus would continue to cause the same restrictions experienced in 2020, and fashion sales would recover their 2019 activity levels only in 2023 Q4.

In both scenarios, McKinsey's report foresees that 2021 would still have difficult trading conditions, at least in some geographical areas, and that financial damages, stores closures and job cuts would continue. At the same time, the pandemic would boost the trends that were present before the crisis, i.e., the digital transition of shopping experience and consumers more and more aware of fairness and social justice issues.

Measures taken by the Group during the COVID-19 pandemic

The containment measures adopted worldwide for limiting the spread of COVID-19 -which halted production in different sectors-, the need for PPEs and the restriction on travels all had a significant effect on the Group's results as of 2020.

Giglio Group has promptly adopted containment measures aimed at limiting the negative effects of the pandemic, adapting to the abrupt change in the surrounding economic scenario.

The main objective of the Group was that of safeguarding the safety and the health of its employees by adopting all safety measures introduced by the Italian government and by ensuring the business continuity of the enterprise through the adoption of smart-work logics.

As far as profit is concerned, the Group's measures aimed at: a) converting some of its platforms and logistics lines designed for the fashion sector for the purpose of finding medical masks, thanks to its established infrastructure in China/Far East; b) developing, following the lockdown of all non-essential physical stores, an online sales strategy aimed at supporting the brands in recovering from the massive losses of turnover caused by the health emergency.

Overall, the B2B e-commerce sector has suffered from the slowdowns generated by the effects of the pandemic and of the temporary stop to orders from many clients in Europe and in the United States of America, recording a € 10 million drop if compared to the budget (actual € 28 million instead of budgeted € 38 million). The Giglio Salute division, an integral part of the B2B division, recorded a turnover of € 10.4 million, which allowed for the recovery from the slowdown of the traditional B2B sector.

The B2C e-commerce sector, on the other hand, suffered from the temporary stop to the production and logistics of some clients due to the pandemic during the first lockdown, which brought about the interruption of online sales. Taking into account also the loss of some brands from the customer base and the introduction of new clients within budget forecasts, the segment recovered a € 4 million drop in revenues if compared to the Budget.

As far as costs are concerned, the Group's activities aimed at: a) cutting on costs, such as the request for a rental reduction, were possible, and the withdrawal from a rental contract for one of the two offices in Milan; b) using welfare support provisions.

In order to reduce the liquidity risk of the Group, as well as to lower the financial impacts of the pandemic, the Company, in addition to the medium-term loans signed with the Meridiana Group, also started negotiations with some of the major credit institutions in order to make use of the possibility to suspend the payment of the instalments of the outstanding mortgages (so-called moratorium) pursuant to Art. 56 of Legislative Decree 18/2020 ("Heal Italy" decree), renewed by Art. 65 of Legislative Decree 104/2020 (the so-called "August Decree") and extended by Art. 1, par. 248 of the Budget Law 2021 (Law no. 178 of 30 December 2020). Following the latest extension, the suspension terms agreed with the credit institutions in April 2020 have been moved to 30 June 2021. Therefore, in 2020 the Company benefited, on a cash basis, from minor reimbursements of deferred instalments, for a total of about € 2.7 million. In compliance with the IFRS 9 accounting standard, the so-called “10% test” was carried out on said loans (already recorded according to the amortised cost criteria) in order to assess the materiality or lack thereof of the renegotiation and to identify the resulting accounting effects. Each single test had a positive outcome, hence the liability’s derecognition was not necessary.

Future prospects of luxury goods' market

China has begun to walk again on the path to recovery, and its consumers are ready to strengthen their status of main drivers for the sector, representing an expected 50% of the market by 2025. Online luxury sales increased during the crisis, and the online channel may be able to account for 30% of the market by 2025, with continental China accounting for 28% of the luxury market against the 11% of 2019.

Millenials clients (also known as Generation Y, born between 1980 and 1995) proved to be constant buyers of luxury goods. In 2019, they represented 35% of consumption, and they will probably reach 45% of the market by 2025. Nevertheless, it is the even younger Generation Z that will reshape the industry, potentially reaching 40% of luxury goods consumption by 2035, against the current 4%. In 2019, both generations combined contributed to the growth of the market.

The "Gen Z" clients are the new frontier of tomorrow's luxury market, showing behaviours that distinguish them by other generations. Other than representing a growing portion of the luxury consumption in the Asian markets, they also interact with the brands.

Following the COVID-19, consumers are looking for a more discreet and intimate luxury experience. Trends are diverging: Chinese consumers are more interested in the style and visibility of the brand, whilst western consumers are opting for more sober and simple products. The number of Chinese consumers who buy products with a strong brand recognition increased by about 14%, thus confirming a pre-COVID-19 trend that showed their preference for eccentricity over traditional values. In the western markets, however, the interest in this kind of products dropped by about 9%, showing that consumers are more interested in a more discreet luxury experience, focused also on the quality of the product. By expanding the analysis on the luxury market, the experience-based goods (defined by Bain as artistic goods, luxury cars, private jets and yachts, fine wines and gourmet food) shall be the ones recovering first, before personal luxury goods (clothing products, watches, jewellery, accessories, footwear, etc.).

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, in the Far East and in the other emerging markets. The Company's objective for 2021-2022 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.

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, trying to attract an increased number of brands and aiming at increasing the volumes managed in all geographical areas and the number of marketplaces integrated in its platform. The Company expects an increase in managed brands, despite the not particularly favourable context of the sectors served due to a reduction in consumer confidence.

Furthermore, Giglio Group extended the supply of its services also to adjacent business areas, with specific focus on the design, jewellery, food, DYI and healthcare industries, offering its platform to the main players of each segment, so that it can be integrated with major the reference marketplaces of those sectors.

Giglio Group, also in response to the health emergency and its consequences, is increasing its efforts in an attempt to increase the production capacity of its e-commerce platforms in favour of specific categories (e.g. food) in order to meet the exceptional demand increase of these goods through online sales, due to the consumers' difficulty to access physical stores and to the producer's impossibility to restock said stores. Over the course of 2020, Giglio Group converted some of its platforms and logistics lines designed for the fashion sector, and it also activated a sales channel called Giglio Salute for the purpose of trading PPEs by using its own e-commerce platforms and its own commercial network in China, thus facilitating the PPE supply. In this sense, the agreements signed with trade associations for the supply of PPEs (KN95 - FFP2 - CE masks) to all of their member companies stand out, thus allowing for their operational continuity. The agreements provided for the supply of surgical masks, sanitizing hand gels and other medical equipment useful for companies on the long-term, and only for the health emergency. Moreover, Giglio Group signed a framework agreement with one of the biggest pharmaceutical groups in the world, Sinopharm, for the import/export of sanitary products from and to China, thus giving way to its new business line dedicated to the Healthcare industry.
Giglio Group's structure ensures not only the supply, but also the logistics management, the transport and the customs clearing of the products, making it possible to pay for them on delivery.
Over the course of 2020, PPEs sales volumes amounted to € 10.4 million.

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.

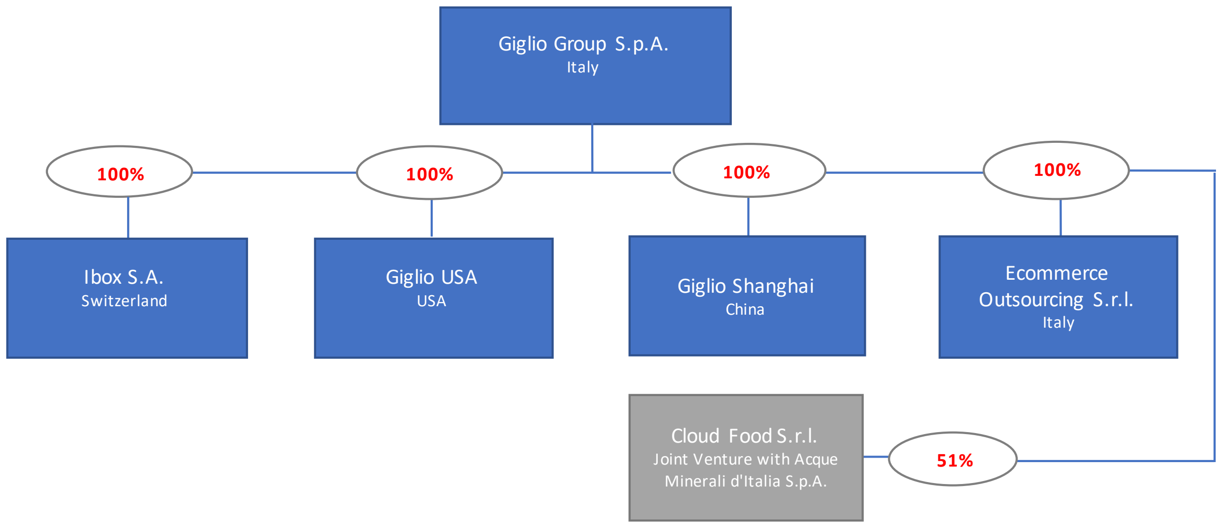
The Company is involved in B2C, B2B and "incentive" operations. The integration between the two main business models, Principal (B2B) and Agent (B2C), allows the Group to manage in an optimal way brand's warehouse stock, both on-season and off-season, aiming at a 100% sell-through rate.

The B2C model, managed by subsidiaries I-box SA, I-box S.r.l. and E-Commerce Outsourcing, the digital core of the Group, consists in providing digital services for managing the Websites of "Made in Italy" Fashion mono-brands. 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 warehouse risk.

The B2B model, on the other hand, aims at facilitating brands' indirect online sales on behalf of major e-commerce platforms around the world, offering an additional distribution to physical networks. The B2B channel uses also the same I-box 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 Group corporate structure is reported below:



As reported herein, during the fiscal year, the Company has implemented a reorganisation of the Parent Company's investments, such as the merger by incorporation of Ibox S.r.l. (e-commerce service provider engaged in the management of the online websites of big Made-in-Italy fashion brands) and the transfer of Giglio (Shanghai) Technology Limited Company (company holding Chinese digital platforms, ICP licenses that allow for the operation on the Chinese web and the authorisations for Shenzhen Free Trade Zone; company responsible for selling products on the Chinese and Korean market, as well as on other Far East markets still under development) from Giglio TV HK Limited to Giglio Group S.p.A..

3. Financial Highlights as of 31 December 2020

Alternative performance indicators

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

These alternative performance indicators exclusively concern historical data of the Group and determined in accordance with those established by the Alternative Performance Indicators Orientations issued by ESMA/2015/1415 and adopted by CONSOB with communication No. 92543 of December 3, 2015. These indicators refer to the performance for the accounting period of the present Interim 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 liabilities: 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 statement of profit or loss 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 costs: 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.

Consolidated Financial Statements Overview as of 31 December 2020

The main balance sheet figures of the Group as of 31 December 2020 are specified below:

(Euro thousands)	31.12.2020	31.12 2019 restated**	Change
Intangible Assets	15,411	17,609	(2,198)
Property, Plant and Equipment	1,356	3,040	(1,684)
Financial Fixed Assets	671	842	(171)
Total Fixed Assets	**17,438**	**21,491**	**(4,053)**
Inventories	1,754	1,861	(107)
Trade receivables	9,951	12,179	(2,228)
Trade payables	(13,591)	(20,623)	7,032
Operating/Commercial Working Capital	**(1,886)**	**(6,583)**	**4,697**

Other current assets and liabilities	(4,072)	(3,773)	(299)
Net Working Capital	**(5,958)**	**(10,356)**	**4,398**
Provisions for risks and charges	(885)	(924)	39
Deferred tax assets and liabilities	442	465	(23)
Total Net Invested Capital	**11,037**	**10,676**	**361**
Equity	**(345)**	**1,633**	**(1,958)**
Net financial liabilities*	**(10,712)**	**(12,309)**	**1,597**
Total Sources	**(11,037)**	**(10,676)**	**(361)**

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

** The items "Intangible Assets", "Deferred tax assets and liabilities" and "Equity" reported in the reference period have been restated following the completion of the "Purchase Price Allocation" related to the purchase of E-commerce Outsourcing S.r.l..

The Net Invested Capital of the Group at 31 December 2020, equal to € 11 million, is mainly comprised of Net Fixed Assets (€ 17.4 million), of Net Working Capital (€ -6 million) and of the Provisions for risks and charges, mainly including the Post-employment benefit provisions.

Property, Plant and Equipment (which include also the right-of-use on existing leases), equal to € 1.4 million (€ 3 million at 31 December 2019).

Intangible Assets, equal to € 15.4 million, are mainly ascribable to the goodwill for the acquisition of Giglio Fashion, of the IBOX Group and of E-Commerce Outsourcing S.r.l.. The movement (net of the period's amortisations) refers to increases for capitalised development costs borne entirely for the implementation and integration of IT platforms and the decrease for the write-down of Giglio Fashion goodwill. With regard to the purchase of E-Commerce Outsourcing S.r.l., which took place on 2019 Q4, the value assessed on the acquisition had been temporarily allocated at goodwill, and its purchase price allocation, pursuant to IFRS3, was completed during the course of 2020. The higher value (€ 3.1 million) of the consideration disbursed for E-commerce Outsourcing S.r.l.'s equity is due for € 1.2 million to the know-how contribution of the company to the Group, that is the skill to design and create e-commerce platforms, while the tax impact is equal to € 0.3 million. The non-allocated goodwill, calculated on a residual basis, amounts to € 2.3 million.

Financial Fixed Assets, equal to € 0.7 million, can mainly be attributed:

- for 0.3 million, to the down-payment disbursed for the purchase of company Salotto Brera - Duty Free S.r.l., which was completed on 12 January 2021;
- for € 0.2 million, to the guarantee deposits paid relating to rental contracts for the buildings at Milan and Rome;
- for € 0.1 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.

The Net Financial Debt at 31 December 2020 and at 31 December 2019 is as follows:

	(Euro thousands)	31.12.2020	31.12.2019	Change
A.	Cash	5,085	2,991	2,094
B.	Bank and short-term deposits and cheques	-	-	-
C.	Securities held for trading	2	3,523	(3,521)
D.	**Cash & cash equivalents (A)+(B)+(C)**	**5,087**	**6,514**	**(1,427)**
E.	Current financial receivables	480	3,980	(3,500)
F.	Current bank payables	(826)	(6,812)	5,986
G.	Current portion of non-current liabilities	(1,851)	(2,456)	605
H.	Current bond	(500)	(4,759)	4,259
I.	Other current financial payables	(919)	(4,990)	4,071
	of which Related Parties	*(493)*	*(400)*	*(93)*
J.	**Current financial liabilities (F)+(G)+(H)**	**(4,096)**	**(19,017)**	**14,921**
K.	**Net current financial liabilities (I) + (E) + (D)**	**1,471**	**(8,524)**	**9,994**
L.	Non-current bank payables	(6,412)	(607)	(5,805)
M.	Non-current bond	(4,304)	-	(4,304)
N.	Other non-current payables	(1,467)	(3,179)	1,712
	of which Related Parties	-	*(1,698)*	*1,698*
O.	**Non-current financial liabilities (K)+(L)+(M)**	**(12,183)**	**(3,786)**	**(8,397)**
P.	**Net financial liabilities (J)+(N)**	**(10,712)**	**(12,309)**	**1,598**

The Group net financial debt amounts to € -10.7 million, highlighting an improvement on 31 December 2019 (€ -12.3 million) of € 1.6 million. The increase relates principally to the following factors:

• Sale of Vertice 360 shares over the course of the fiscal year for € 3.5 million;

• Collection of Tributary Credit in favour of the VAT office for € 3.5 million; Said credit, which was classified among the Current Financial Receivables of the NFD was collected in the first days of January (€ 3.2 million) and February (€ 0.3 million) 2020;

• New funding from UBS to Ibox SA following COVID-19 pandemic for € 0.5 million;

• Renegotiation of funding with Carige and BancoBPM for € 0.5 million;

• Debt repayment to Simest under the exercise of the put option on behalf of Simest itself for the minority quota in Giglio TV for € 1 million;

• Financial debt repayment with related parties Meridiana Holding S.r.l. and Azo Asia Limited for € 1.2 million;

• Paid capital increase for € 0.5 million;

• Repayment of last instalments, for € 1.4 million, of the minibond issued in 2016, and consequent discharge;

• Repayment of outstanding instalments in 2020's first nine months (€ 0.3 million);

• Cancellation of receivable for earn-out for € 1.5 million, of which € 0.6 million for reduction via renegotiation (as per agreements signed on 24 July 2020), € 0.7 million as reimbursement and € 0.2 million converted via capital increase;

• Minor financial debts on leasing related to the effects of the renegotiations in order to obtain contractual resolutions on real estate fees, following the COVID-19 pandemics and to the repayment of rental fees subject to IFRS 16, for € 0.8 million;

• Minor debts for advances on invoices for € 0.8 million.

As described above, the Company had the chance to halt the payments of the instalments of the outstanding mortgages (so-called moratorium) pursuant to Art. 56 of Legislative Decree 18/2020 ("Heal Italy" decree), renewed by Art. 65 of Legislative Decree 104/2020 (the so-called "August Decree") and extended by Art. 1, par. 248 of the Budget Law 2021 (Law no. 178 of 30 December 2020). Following the last extension, the suspension terms agreed upon by the credit institutions in the month of April 2020 shall move to 30 June 2021. Thus, in 2020, the Company shall benefit, on a cash basis, from minor postponed instalments repayment for about € 2.7 million.

The net financial debt recorded at 31 December 2019 amongst its short-term liabilities also the financial debt related to the EBB S.r.l. bond. The regulation governing the terms and conditions of said Bond includes also some commitments and limitations borne by the Company, including the financial covenants, which, should they occur, they would entail the loss of the benefit of the term, along with the obligation for the Company to fully reimburse in advance the Bond (the so-called events of major importance).

On 11 March 2020, the Company formalised with the bondholder the suspension of the application of the aforementioned financial covenants' thresholds with regard to 31 December 2019, with retroactive effect, as announced before the end of the fiscal year by the creditor itself. Moreover, on 30 June 2020, the bondholder resolved to authorise the suspension of the application of the thresholds for the financial covenants with regard to the Test dates of 30.06.2020 and 31.12.2020.

Therefore, in the light of the above, the payment shall be requested by the bondholder only upon the maturities originally agreed upon in the agreement. Nevertheless, in spite of the above, on 31 December 2019, the bond was classified among the short-term liabilities, in formal execution of the provisions set forth in IAS 1, par. 74. Following the suspension of the application of thresholds for the aforementioned financial covenants, as notified before the end of the fiscal year by the creditor itself, the Financial Report as of 31 December 2020 includes again said financial debt among the long-term liabilities.

The Company has requested the suspension of the application of the financial covenants' thresholds with regard to Test Dates 30 June 2021 and 31 December 2021.

Consolidated Financial Activity Overview as of 31 December 2020

The key consolidated economic highlights are shown below.

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 related to the previous fiscal year have been represented as "Discontinued operations".

Reclassified Consolidated Statement of Profit or Loss

(Euro thousands)	31.12.2020	31.12 2019 restated*	Change
Revenues from contracts with customers	42,285	40,208	2,077
Operating Costs	(35,213)	(34,955)	(258)
Gross Margin	**7,072**	**5,253**	**1,819**
Gross Margin %	**16.7%**	**13.1%**	**3.7%**
Payroll expenses	(5,126)	(4,216)	(910)
EBITDA Adjusted	**1,946**	**1,037**	**909**
EBITDA%	**4.6%**	**2.6%**	**2.0%**
Non-recurring costs	0	(1,755)	1,755
Amortisation, depreciation & write-downs	(4,287)	(1,787)	(2,500)
EBIT	**(2,341)**	**(2,505)**	**184**
Net financial charges	(22)	(1,590)	1,568
PROFIT BEFORE TAXES	**(2,363)**	**(4,095)**	**1,732**
Income taxes	(284)	(700)	416
PROFIT FOR THE PERIOD (CONTINUING OPERATIONS)	**(2,647)**	**(4,795)**	**2,148**
PROFIT FOR THE PERIOD DISCONTINUED OPERATIONS (adjusted)	**0**	**(11,028)**	**11,028**
PROFIT FOR THE PERIOD	**(2,647)**	**(15,823)**	**13,176**
			0
EBIT adjusted to non-recurring costs	**(2,341)**	**(750)**	**(1,521)**
EBIT adjusted to non-recurring costs %	**(5.5)%**	**(1.9)%**	**(3.6)%**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS adjusted to non-recurring costs	**(2,647)**	**(3,040)**	**393**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS adjusted to non-recurring costs	**(6.3)%**	**(7.6)%**	**1.3%**
PROFIT FOR THE PERIOD adjusted to non-recurring costs %	**(2,647)**	**(14,068)**	**11,421**
PROFIT FOR THE PERIOD adjusted to non-recurring costs %	**(6.3)%**	**(35.0)%**	**28.7%**

* The items "Amortisation, depreciation & write-downs" and "Income taxes" reported in the reference period have been restated following the completion of the "Purchase Price Allocation" related to the purchase of E-commerce Outsourcing S.r.l..

The consolidated revenues, equal to € 42.3 million, grew by € 2.1 million (+5.2%) if compared to the consolidated figures of the same period for the previous fiscal year (€ 40.2 million). This increase can be mainly ascribed to the consolidation for the full year of subsidiary E-Commerce Outsourcing, purchased on 2019 Q4, and to the launch of the healthcare sector, a non-repetitive activity that generated PPE sales for € 10.4 million with a margin of about 25%.

The total of operating costs accounts for € 35.2 million (€ 35 million consolidated pro-forma figures at 31 December 2019) and is in line with the previous fiscal year.

Payroll costs increased by € 0.9 million on the same period of the previous year, due to the combined effect of the acquisition of E-Commerce Outsourcing S.r.l. and of the costs related to the initiation of a corporate reorganisation plan aimed to focus the Media staff on the e-commerce sector.

The EBITDA, equal to € 2 million (€ 1 million consolidated figures at 31 December 2019 adjusted to non-recurring costs), is growing if compared to the same period of the previous year due to the integration of the newly-purchased E-Commerce Outsourcing S.r.l. and to the implementation of the Giglio Salute division for the supply of PPEs.

The EBIT, equal to -2.3 million (€ -0.7 consolidated figures at 31 December 2019 adjusted to non-recurring costs), is dropping due to the writedown of trade and other receivables and of Giglio Fashion's goodwill for € 1.6 million following the result from the impairment test. For more information, see Par. 4 – Goodwill of the Explanatory Notes.

The Net Profit of the period, equal to € -2.6 (€ -3 million consolidated figures of the same period in the previous fiscal year adjusted to non-recurring costs), was influenced by non-recurring operations such as the renegotiation of E-Commerce Outsourcing S.r.l.'s earn-out, equal to € 0.6 million (as per agreements signed on 24 July 2020), and the foreign currency conversion gain related to the funding in dollars by Meridiana Holding S.r.l. (related party) for € 0.4 million and by Azo Asia Limited (related party) for € 0.1 million.

Parent Company's Consolidated Financial Position as of 31 December 2020

The main balance sheet figures of the Parent Company as of 31 December 2020 are as specified below:

(Euro thousands)	31.12.2020	31.12.2019	Change
Intangible Assets	3,452	4,301	(849)
Property, Plant and Equipment	671	1,817	(1,146)
Financial Fixed Assets	12,426	16,657	(4,231)
Total Fixed Assets	**16,549**	**22,776**	**(6,227)**
Inventories	1,596	1,697	(101)
Commercial receivables	4,568	9,310	(4,742)
Commercial payables	(4,498)	(8,868)	4,370
Operating/Commercial Working Capital	**1,666**	**2,139**	**(473)**
Other current assets and liabilities	(2,193)	(1,578)	(615)
Net Working Capital	**(527)**	**561**	**(1,088)**
Provisions for risks and charges	(389)	(324)	(65)
Deferred tax assets and liabilities	692	760	(68)
Net Invested Capital	**16,326**	**23,773**	**(7,448)**
Net Invested Capital of Sales Activities	**-**	**-**	**-**
Total Net Invested Capital	**16,326**	**23,773**	**(7,448)**
Equity	**(1,385)**	**(3,781)**	**2,396**
Net Financial Debt	**(14,941)**	**(19,992)**	**5,051**
Total Sources	**(16,326)**	**(23,773)**	**7,447**

The Net Invested Capital of the parent company at 31 December 2020, equal to € 16.3 million, is mainly comprised of Net Fixed Assets for € 16.5 million (decreasing by € 6.2 million if compared to 31 December 2019), the Net Working Capital, equal to € -2.1 million (€ 0.6 million in 31 December 2019) and the Provisions for risks and charges, mainly including the Post-employment benefit provisions.

Property, Plant and Equipment, equal to € 0.7 million (€ 1.8 million at 31 December 2019), refers mainly to the investment in fixed assets and activities for right of use.

Intangible Assets, equal to € 3.5 million, mainly refer to the goodwill related to the purchase of Giglio Fashion for € 2.5 million and to the goodwill arising from the merger by incorporation of Ibox S.r.l. for € 0.7 million. For more information see Par. 4 – Goodwill of the Explanatory Notes.

Financial Fixed Assets, equal to € 12.4 million, can mainly be attributed:

- for € 10 million, to shareholdings in subsidiaries (this value decreased mainly due to the write-downs of investments in Giglio TV HK for € 3 million and in Ibox SA for € 0.7 million);
- for € 1.8 million, to credits in favour of subsidiaries Ibox SA and Giglio USA;

- for 0.3 million, to the down-payment disbursed for the purchase of company Salotto Brera - Duty Free S.r.l., which was completed on 12 January 2021;
- for € 0.2 million, to guarantee deposits;

- for € 0.1 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 audio-visual media services associated to channel 65 of the digital terrestrial.

Parent Company's Operating Overview as of 31 December 2020

The financial and economic highlights of Giglio Group S.p.A. are illustrated below:

(Euro thousands)	31.12.2020	31.12.2019	Change
Revenues from contracts with customers	**29,791**	**26,136**	**3,655**
Operating Costs	(26,292)	(23,516)	(2,776)
Gross Margin	**3,499**	**2,620**	**879**
Gross Margin %	**11.7%**	**10.0%**	**1.7%**
Payroll expenses	(2,497)	(2,528)	31
EBITDA Adjusted	**1,002**	**92**	**910**
EBITDA%	**3.4%**	**0.4%**	**3.0%**
Non-recurring charges	0	(1,208)	1,208
Amortisation, depreciation & write-downs	(9,630)	(677)	(8,953)
EBIT	**(8,628)**	**(1,793)**	**(6,835)**
Net financial charges	242	(1,149)	1,391
PROFIT BEFORE TAXES	**(8,386)**	**(2,942)**	**(5,444)**
Income taxes	(33)	(369)	336
PROFIT FOR THE PERIOD (CONTINUING OPERATIONS)	**(8,419)**	**(3,310)**	**(5,109)**
PROFIT FOR THE PERIOD (DISCONTINUED OPERATIONS)	**0**	**(5,592)**	**5,592**
PROFIT FOR THE PERIOD	**(8,419)**	**(8,902)**	**483**
EBIT adjusted to non-recurring costs	**(8,628)**	**(585)**	**(8,043)**
EBIT adjusted to non-recurring costs %	**(29.0)%**	**(2.2)%**	**(26.7)%**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS adjusted to non-recurring costs	**(8,419)**	**(2,102)**	**(6,317)**
NET PROFIT FROM CONTINUING OPERATIONS adjusted to non recurring charges %	**(28.3)%**	**(8.0)%**	**(20.2)%**
NET PROFIT adjusted to non recurring charges	**(8,419)**	**(7,694)**	**(725)**
PROFIT FOR THE PERIOD adjusted to non-recurring costs %	**(28.3)%**	**(29.4)%**	**1.2%**

Revenues in 2020 amounted to € 29.8 million, increasing if compared to 31 December 2019 (€ 26.1 million). This increase is mainly due to the conversion of some of the Group's platforms and logistics lines designed for the fashion sector for the purpose of finding medical masks and thus meet the demand of PPEs generated by COVID-19 pandemic, which in turn generated revenues for € 10.4 million.

The EBITDA, equal to € 1 million (€ 0.1 million adjusted to non-recurring costs in 2019), as commented above with regard to the revenues, the increase is closely related to the launch of the healthcare sector.

The EBIT equals to € 8.6 million (€ -0.6 adjusted to non-recurring costs in 2019).

The Net Profit amounts to € 8.4 (€ -2.1 million consolidated figures of the same period in the previous fiscal year adjusted to non-recurring costs).

4. Segment disclosure

IFRS 8 accounting standard – "Operating Segments" requires the disclosure of detailed information for each segment, understood as being a component of an entity (i) who is capable of carrying out an activity that generates revenues and costs, (ii) whose operating results are periodically reviewed by top management for the purposes of adopting decisions concerning resource allocation and performance assessment, and (iii) for which separate budget information are available.

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 and Giglio Shanghai;
2. B2C e-commerce: IBOX, E-Commerce Outsourcing S.r.l. and Giglio Shanghai;
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.

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

(Euro thousands)	B2B e-commerce	B2C e-commerce	Corporate	Total
Revenues from contracts with customers	28,457	13,314	0	41,772
Other incomes	122	73	20	215
Capitalised costs		298		298
Total revenues	**28,579**	**13,685**	**20**	**42,285**

EBITDA	**4,297**	**1,245**	**(3,595)**	**1,946**
Amortisation, depreciation & write-downs	(1,724)	(714)	(1,850)	(4,287)
EBIT	**2,573**	**531**	**(5,445)**	**(2,341)**
EBT	**2,487**	**358**	**(5,208)**	**(2,363)**
Profit for the period	**2,489**	**105**	**(5,241)**	**(2,647)**

Over the course of 2020, in response to the COVID-19 emergency and its consequent lockdowns, the Group immediately diversified its digital strategies, converting part of its e-commerce activities in favour of the distribution of PPE, such as medical masks. This activity, which began in March, was included in the B2B business line, as the Company took its own position in the market. At the same time, the B2C sector, thanks to the consolidation for a full year of the subsidiary E-Commerce Outsourcing S.r.l., purchased on 2019 Q4, managed to keep its turnover in line with the previous fiscal year, despite the partial trade stop for goods such as clothing products, the severe logistics hardships and the reduced propensity to consume these products by the general public. The decrease affected all managed fashion brands. On the other hand, these minor revenues were partially compensated by the good performance of the food sector, whose volumes -albeit growing-, are still marginal if compared to the ones generated by the fashion sector.

The B2B e-commerce division highlights the write-down for goodwill of Giglio Fashion following the result of the impairment test. For more information, see Par. 4 – Goodwill of the Explanatory Notes.

The table below shows the sectors' results as of 31 December 2019; as highlighted above, the Media sector is represented as sector held for sale within the following discontinued operations.

	2019				
(Euro thousands)	**B2B e-commerce**	**B2C e-commerce**	**Corporate**	**Discontinued operations**	**Total**
Revenues from contracts with customers	24,404	13,332	0		37,737
Other incomes	8	991	10		1,009
Capitalised costs		1,462	(0)		1,462
Total revenues	**24,412**	**15,785**	**10**		**40,208**
EBITDA Adjusted	**1,630**	**3,610**	**(4,204)**		**1,037**
Listing and non-recurring costs			(1,755)		(1,755)
Amortisation, depreciation & write-downs	(530)	(334)	(885)		(1,749)
EBIT	**1,100**	**3,276**	**(6,844)**		**(2,467)**
EBT	**1,062**	**2,874**	**(7,993)**		**(4,057)**
Profit for the period (Continuing Operations)	**1,043**	**2,568**	**(8,380)**		**(4,768)**
Profit for the period (Discontinued operations)				**(11,028)**	**(11,028)**
Profit for the period					**(15,796)**

As commented above, we highlight the increased performance in the B2B e-commerce area if compared to the same period of the previous fiscal year.

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,in the e-commerce sector sales volumes are highly concentrated respectively in the first, third and fourth quarters at the winter and summer sales and during the Christmas period, also during the year affected by the COVID-19 emergency.

6. Human resources

The Group workforce, at 31 December 2020, totalled 83 employees of which 74 in Italy, 7 in Switzerland, 1 in the United States of America and 1 in China.

The following table illustrates the workforce of the Group for the year ended on 31 December 2020 and 31 December 2019.

31 DECEMBER 2020	31 DECEMBER 2019
Italy 74	**Italy** 77
Switzerland 7 (IBox)	**Switzerland** 18 (IBox)
U.S.A. 1 employee	**U.S.A.** 1 employee
China 1 employee	**China** 1 employee
Total 83 employees	**Total** 97 employees

Employees hired on temporary contracts are 4, and interns/trainees are 8.

Over the course of 2020, 20 resignations were recorded.

7. Investments

Group investments undertaken in 2020 refer to tangible and intangible fixed assets. As far as the latter are concerned, over the course of 2020, the subsidiary E-Commerce Outsourcing S.r.l.

incurred in development costs for its e-commerce platform, which were capitalised, against the negotiation of new brands in the pipeline.

The payroll costs incurred by the Group shall be reported in the following paragraph.

8. Research and development new products

The R&D costs include the development costs borne for the creation of I-box's technological platform. The costs have been capitalised only when the following could be proved:

- The technical feasibility to complete the intangible asset so that it can be used or sold;
- The intention to implement the intangible asset to use it or sell it;
- The capability of using or selling the intangible asset;
- The way in which the intangible asset shall generate probable future economic benefits;
- The availability of technical, financial or other resources appropriate to complete the development and use or sell the intangible asset;
- The capability to assess in a reliable way the cost of the intangible asset during its development.

In 2020, the subsidiary E-Commerce Outsourcing S.r.l. generated capitalised costs, inasmuch as they meet the aforementioned requirements.

These costs, totalling € 0.3 million, have been capitalised among the intangible fixed assets.

9. Significant Events During the Fiscal Year

On 20 January 2020, Giglio Group's Extraordinary Shareholders' Meeting resolved on the approval of the project of merger by incorporation of the wholly-controlled company Ibox s.r.l into Giglio Group S.p.A.. The merger project has been drafted jointly by the Incorporating company and the Merged one, pursuant to Art. 2501-ter of the Italian Civil Code, as well as approved by the respective Boards of Directors on 19 December 2019. On 20 January 2020, the project of merger has been approved also by Ibox S.r.l.'s Shareholders' Meeting. The merger is aimed at streamlining the Company structure by reducing management costs regarding its subsidiaries, as well as at centralising part of the business in the parent company. The merger , in implementation of Art. 2501-*quater* of the Italian Civil Code, was carried out using as reference the economic situations and assets as of 30 September 2019, both of the Incorporating and of the Merged Company. The merger deed was drafted on 3 June 2020 and, following the merger by incorporation, the

Company assumed all of the rights and obligations of Ibox S.r.l., continuing all relations that arose before the date of the merger, including those relating to legal proceedings. Pursuant to Art. 2504-bis, par. 3 of the Italian Civil Code, the transactions of the incorporated Ibox S.r.l. are recorded in the financial statements of the incorporating Giglio Group S.p.A. starting from 1 January 2020. The operation bears no weight on the consolidated financial statements.

On 27 January 2020, the company E-Volve Service USA was wound-up. At the time of the winding-up, the company was not operating.

On 6 March 2020, Giglio signed an agreement with Simest S.p.A. (SIMEST), according to which Giglio Group S.p.A. purchased the ownership of the minority share of Giglio Tv Hong Kong shareholding, of which it already held 51% of the shares. The transfer was not yet registered in the Shareholders' Register nor with the competent offices, pursuant to Hong Kong's law.

It is noted that, by agreement, the application of the Italian law is provided, within the Italian jurisdiction in the Courts of Milan and Rome.

It must be pointed out that, also for joint-stock companies, especially in the event of no issue of stock, as allowed by Art. 2346 of the Italian Civil Code, for the transfer of shares' ownership, as well as for the shareholding of a limited company, the consent of both parties is enough, on the basis of the general principle set forth in Art. 1376 of the Italian Civil Code. As confirmed by a recent sentence (Court of Cassation, sec. I, no. 2041 of 26 January 2018), the fulfilment of formalities set forth in Art. 2022, par. 1 of the Italian Civil Code (transfer of sold stocks and necessary registrations in the Shareholders' Register) does not constitute a requirement for the completion of the purchase or for the actual transfer of ownership (for which, as stated above, consent is enough), but concerns only the executive, certification and disclosure stage of the transfer, thus having an impact on the legitimacy of the new shareholder; indeed, the latter cannot exercise any of his/her rights until the aforementioned formalities have been fulfilled.

On the basis of these premises, that is of the validity, effectiveness and execution of the transfer of Giglio TV HK shares held by SIMEST to Giglio Group S.p.A., the transfer between transferor and transferee was completed on 19 March 2020 with SIMEST's acceptance of Giglio Group S.p.A. proposal. Moreover, the relevant agreement, effective for all purposes, was followed by the full disbursement of the consideration by Giglio Group S.p.A..

As of today, due to the notorious political turmoil in Hong Kong and the subsequent COVID-19 pandemic, the Company did not have the chance to register said transfer in the Shareholders' Register nor with Hong Kong's Registration Office. Giglio Group S.p.A. has agreed with SIMEST (who, subsequently, has already released the sureties given by Giglio Group S.p.A. for its obligations towards SIMEST) to proceed, as promptly as possible, to the aforementioned formalities, appointing a local lawyer to support the offices.

On 10 March 2020, the Board of Directors approved an update to the Industrial Plan 2020-2024. With the new Industrial Plan, the Company updates its previous sales estimates for the future fiscal years, taking also into account the integration of the business carried out by its controlled company, ECO, the business prospects in China/Far East due to the effects of the COVID-19 outbreak, as well as the increased importance to the Distribution of products on e-commerce platforms worldwide and to marketplaces' new connection services.

On 11 March 2020, the bondholder of the bond issuing called EBB approved the request of the company, presented on 14 February 2020, to allow, by way of derogation form the regulation of the bond, the suspension of the application of the thresholds of the leverage ratio financial parameter and of the gearing ratio financial parameter, only with regard to the Test Date of 31 December 2019, with retroactive effect. For the purpose of said suspension, EBB Export S.r.l., the bondholder, received from Meridiana Holding, majority shareholder of Giglio Group, an indemnity and guarantee deed in its name for an amount of up to € 1 million.

On 12 March, Giglio Group S.p.A. acquired the direct control of its subsidiary Giglio (Shanghai) Technology company Limited through Giglio TV HK, in order to streamline the chain of control, a preparatory event for the following transfer of the company from Hong Kong, other than a chance to streamline the relations between the Italian and the Chinese companies in the context of the commercial transactions for the development of Chinese activities. On 22 April 2020, with notary deed with index no. 44206 and register no. 25676 of Notary Andrea Fusaro from Genoa, an amendment deed was signed for the authenticated private agreement concerning the transfer of Giglio Shanghai's shareholding between Giglio Group S.p.A. and Giglio TV HK Ltd (authenticated private agreement of 12 March 2020), whose price was erroneously recorded at € 6,398,214.43 instead of € 40,000.

On 21 and 24 March respectively, directors Massimo Mancini and Carlo Micchi resigned from their offices of executive directors.

On 2 April 2020, Giglio Group S.p.A. signed a half-year framework agreement with Confindustria for the supply of PPE (KN95 - FFP2 - CE masks included) to all of its member companies. Confindustria's member companies that can benefit from this agreement with Giglio Group are more than 150,000 on the national territory. The agreement is part of the activities of Confindustria's Emergency Management Programme, in collaboration with the Department of Civil Protection, which allows for a quick and safe customs clearing of the incoming medical products from abroad without the risk of products' requisition. As a matter of fact, the agreement provides for the acquisition of PPE without customs clearing problems, even for those companies that do not carry out public service activities.

On 20 April 2020, Giglio Group S.p.A. signed a framework agreement with Sinopharm, one of the most important pharmaceutical groups worldwide, allowing for the import of PPE such as FFP2 & FFP3 medical masks, sanitising gels, gloves, protectives suits and glasses, as well as for the supply of the innovative testing kits for the detection of Covid-19 antibodies, also known as Sars Cov-2 Antibody Assay kits. The Healthcare B2B and B2C platform of Giglio Group shall continue pursuing its activities regardless of the currently ongoing health emergency, offering a wide range of personal care products, which will become more and more sought-after in the near future. The agreement signed with Sinopham provides also for the export to China of pieces of medical equipment and items produced by Italian industries, thus contributing to their capillary distribution in the Asian market. Giglio Group thus launches its own B2C website at www.gigliosalute.it, where single privates, professionals, craft workers and small business will be able to purchase the main PPE.

On 23 April 2020, the Ordinary and Shareholders' Meeting of Giglio Group S.p.A. met under the chairmanship of Alessandro Giglio and in the presence of notary Aurelio Bonacci. The Ordinary Shareholders' Meeting approved the Annual Financial Report at 31 December 2019, in the terms proposed by the Board of Directors. The Civil Financial Statement showed a loss of € 8,902,417.64, and the Meeting resolved to write off the loss by using available reserves, which, net of results carried forward from the previous financial year, amounted to € 9,022,201.43.

The Ordinary Shareholders' Meeting approved to reduce the number of members of the Board of Directors from seven to five, with consequent reduction of the overall annual remuneration from € 335,000 to € 295,000.

As reported in the Directors' Report as of 31 December 2019, amongst the "Significant Events After the End of the Fiscal Year", in March 2020 and in the following interim reports, in the context of the definitive exit from the Media sector, Giglio Group S.p.A. transferred its full shareholding in Giglio TV Hong Kong to a Chinese industrial group, against a payment of € 3.0 million, equal to the carrying value of the subsidiary, through the subscription of a relevant agreement. The transfer was regulated through the winding-up of the receivable that was due to Giglio Group S.p.A. by Giglio TV.

Upon subscription of the agreement, following a request from the purchaser, on 27 April 2020, the headquarters of Giglio TV and its Company Secretary were changed.

Subsequently, events that, to the reporting date, do not allow for the certain consideration of Giglio TV as external to the Group's scope for accounting purposes took place.

Indeed, as it emerged from in-depth analyses carried out in the first months of 2021 with a view to the Financial Statements' draft – also following the notice of a lawsuit against Giglio TV in 2021 for other reasons, deemed as "frivolous and vexatious" by the Hong Kong lawyer – the purchaser, who was prompted for this purpose also on September 2020, did not fulfil all required formalities, pursuant to local laws, for the registration of the shares' transfer.

The COVID-19 pandemic influenced said fulfilment, provoking in Hong Kong a harsh lockdown which lasted for the whole 2020 and due to which most offices remained closed and, to this day, have yet to recover their normal operation. For the same reason, the offices of the Company's accountants and financial auditors suffered from the same closures. In this context, another element of delay was the critical relationship between China and Hong Kong, which led, in May 2020, to new demonstrations, which cause most offices, transportation and roads to be closed.

Hence, in light of the above, Giglio Group considered, as a conservative measure, with regard to the accounting sphere:

- To consolidate Giglio TV as of 31 December 2020;

- To reduce to zero in Giglio Group's Financial Statements as of 31 December 2020 the value of Giglio TV shareholding (equal to € 3.0 million) and of the receivable due by Giglio TV (equal to € 3.39 million), as well as to reduce the value of the shareholding in Giglio Shanghai by € 160,000. for a total write-down of € 6.56 million. These write-downs take into account also the results of Giglio TV's Financial Statements as of 31 December 2020 and do not have any effect on the Consolidated Financial Statements.

On 30 April 2020, Mr Massimo Mancini resigned from his office of General Manager, thus terminating his employment relation with the Group.

On 14 May 2020, director Yue Zhao resigned from her office of non-executive director.

On 15 May 2020, Mr Francesco Gesualdi was co-opted as new independent director of the Group.

On 18 May, Giglio Group S.p.A. signed an agreement with Confcommercio for the creation of the portal https://confcommercio.gigliosalute.it and the supply of KN95 - FFP2 valveless medical masks to all of its member companies.

With regard to the "EBB Export Programme" bond, on 30 June 2020, the bondholder resolved to authorise the suspension of the application of the thresholds for the financial covenants with regard to the Test dates of 30.06.2020 and 31.12.2020.

On 23 July 2020, Alessandro Giglio, the Group's majority shareholder through Meridiana Holding, announced to the Company his will to renounce to part of his operational powers while retaining his position of Chairman, as well as all of the powers related to the strategic management of the Group. On the same date, Giorgio Mosci resigned from his office, effective immediately. The Board of Directors co-opted Marco Riccardo Belloni as director of the company, vesting him with the powers of the CEO.

On 30 September 2020, the GIGLIO GROUP S.P.A. - 5.4% 2016-2022 BOND, with ISIN code IT0005172157, with nominal value of € 3.5 million, was fully reimbursed.

On 12 November 2020, the Ordinary and Extraordinary Shareholders' Meeting resolved:

1. to appoint two directors, pursuant to Art. 2386 of the Italian Civil Code: Marco Riccardo Belloni and Francesco Gesualdi
2. to vest the Board of Directors, pursuant to Art. 2443 of the Italian Civil Code and to Art. 6.7 of the By-laws, as well as to Art. 44, par. 3 of Decree Law no. 76/2020, converted by Law no. 120/2020, until 30 June 2021, with the power to increase the share capital upon payment, without option rights pursuant to Art. 2441, par. 4, second sentence of the Italian Civil Code, in separate issues pursuant to Art. 2439, par. 2 of the Italian Civil Code, within the limits of 20% (twenty percent) of the existing share capital, through the issue, also in more tranches, of ordinary shares without any nominal value, with the same characteristics of the ordinary shares already issued by the issue date, with regular dividend, to be offered in subscription to entities identified by the Board of Directors - including qualified industrial and/or financial Italian and international investors, and/or current shareholders and collaborators of the Company - possibly also through the conversion of loan payables into risk capital by shareholders, provided that the issue price of the shares corresponds to the market value of those already issued, taking into account the general context and the price at which the institutional investors would be willing to purchase said shares, and that this is confirmed by a specific report from a statutory auditor or an auditing company; moreover, to establish that the issue price of the conversion shares for the capital increase (and their division between share capital and share premium) shall be determined by the Board of Directors, provided that the issue price of the shares corresponds to the market value of those already issued, taking into account the general context and the price at which the institutional investors would be willing to purchase said shares, and that this is confirmed by a specific report from a statutory auditor or an auditing company. The Meeting also resolved to amend Art. 6 of the By-laws.
3. to give authorisation for the Board of Directors, pursuant to Art. 2443 of the Italian Civil Code and to Art. 6.7 of the By-laws, for a period of five years starting from the date of the meeting's resolution (and, hence, until 12 November 2025), to increase the share capital upon payment in separate issues, without option rights pursuant to Art. 2441, par. 4, first sentence, for an amount of € 366,133.70 in principal, to be settled through contributions in kind (more specifically, company's branches, businesses or plants organised for the performance of the activities included in the Company's object, as well as receivables,

investments in joint ventures, listed and not listed financial instruments and/or other assets considered as instrumental by the Board of Directors for the achievement of the Company's object may be object of a contribution on behalf of third parties.), through the issue, also in more tranches of a maximum of 1,830,668.50 ordinary shares without any nominal value, with the same characteristics of the ordinary shares already issued by the issue date, with regular dividend, in accordance with the criteria used to determine the issue price set forth by Art. 2441, par. 6 of the Italian Civil Code; moreover, to establish that the issue price of the conversion shares for the capital increase (and their division between share capital and share premium) shall be determined by the Board of Directors, provided that the issue price of the shares corresponds to value of the Net Equity, also taking into account the performance of the listings over the last six-months period. The Meeting also resolved to amend Art. 6 of the By-laws.

On 22 December 2020, Giglio Group S.p.A. completed the allocation of no. 2,439,790 ordinary, newly-issued shares, at a price of € 1.97 per share, for a total value of € 4,806,386. The value of the capital increase thus amounted to € 487,958 in nominal value and € 4,318,428 at share premium. This is a Transaction of Major Importance with related parties, as Meridiana Holding S.r.l., majority shareholder of the company (for more information on the relationship between the Company and Meridiana Holding S.r.l., see par. 35 - Transactions with subsidiaries and related parties), subscribed, through the conversion of claims, no. 2,097,050 shares, equal to 85.95% of the increase. With regard to the transactions of major importance with related parties, see chapter 2 of the Information Document prepared pursuant to Art. 5 of the Regulation adopted by Consob with resolution no. 17221 on 12 March 2010, available on the authorised storage mechanism www.emarketstorage.it and on the Company's website www.giglio.org in the "Corporate Governance/Shareholders' Meeting/Shareholders' Meeting 12 November 2020", together with the opinion of the Internal Control, Risks and Related-Parties Committee.

Other than Meridiana Holding S.r.l., another qualified shareholder, Antonio Lembo, related party as CEO of E-Commerce Outsourcing S.r.l. (company wholly owned by Giglio Group S.p.A.), joined the increase through the conversion of claims, purchasing no. 81,218 shares. Finally, the capital increase was subscribed by institutional investors for a total of no. 261,522, for a total of € 0.5 million.

10. Significant Events After the End of the Fiscal Year

On 12 January 2021, Giglio Group S.p.A. signed a binding agreement for the purchase of Salotto Brera - Duty Free S.r.l., a company engaged in a national and international level in the distribution and trading of fashion and food products. Stefania Mariani, who held the totality of the share capital of Salotto Vrera - Duty Free S.r.l., will form part of the team handling the Group's Distribution division, providing her expertise and her experience of more than 20 years in the international distribution sector of fashion, food and luxury products.
The countervalue of the transaction has been agreed as € 1,175,000, including a positive NFP of more than € 450,000 and a total earn-out of € 200,000 to be determined on the basis of the EBITDA recorded over the course of the following two fiscal years.

On 23 February 2021, E-Commerce Outsourcing S.r.l., owned by Giglio Group S.p.A., signed an agreement with 7Hype S.r.l. aimed at integrating a branch of 7Hype into its corporate structure. The agreement consists in the 30-month lease contract of a business unit of 7Hype focused solely on marketing automation activities. Upon the conclusion of the lease, E-Commerce Outsourcing S.r.l. will have the right to purchase said business unit. 7Hype is the first Italian company specialised in Marketing Automation activities and operates at an international level through its brands “7Hype – Marketing Automation” and “Marketing Automation Academy”.

On 3 March 2021, the Board of Directors approved an update to its own Industrial Plan 2021-2025. With the new Industrial Plan, the Company updated the previous estimated sales for future fiscal years, taking into account the integration of the business of its subsidiary E-Commerce Outsourcing S.r.l., of the newly-purchased Salotto di Brera S.r.l., the integration of the 7Hype branch, the business prospects in China/Far East also in light of the effects of COVID-19 pandemic, the greater importance of products’ distribution towards e-commerce platforms worldwide and the new connection services with marketplaces.

As noted in Par. 9 - Significant Events During the Fiscal Year, as reported in the Directors’ Report as of 31 December 2019, amongst the “Significant Events After the End of the Fiscal Year”, in March 2020 and in the following interim reports, in the context of the definitive exit from the Media sector, Giglio Group S.p.A. transferred its full shareholding in Giglio TV Hong Kong to a Chinese industrial group, against a payment of € 3.0 million, equal to the carrying value of the subsidiary, through the subscription of a relevant agreement. The transfer was regulated through the winding-up of the receivable that was due to Giglio Group S.p.A. by Giglio TV.

Upon subscription of the agreement, following a request from the purchaser, on 27 April 2020, the headquarters of Giglio TV and its Company Secretary were changed.

Subsequently, events that, to the reporting date, do not allow for the certain consideration of Giglio TV as external to the Group's scope for accounting purposes took place.

Indeed, as it emerged from in-depth analyses carried out in the first months of 2021 with a view to the Financial Statements' draft – also following the notice of a lawsuit against Giglio TV in 2021 for other reasons, deemed as "frivolous and vexatious" by the Hong Kong lawyer – the purchaser, who was prompted for this purpose also on September 2020, did not fulfil all required formalities, pursuant to local laws, for the registration of the shares' transfer.

The COVID-19 pandemic influenced said fulfilment, provoking in Hong Kong a harsh lockdown which lasted for the whole 2020 and due to which most offices remained closed and, to this day, have yet to recover their normal operation. For the same reason, the offices of the Company's accountants and financial auditors suffered from the same closures. In this context, another element of delay was the critical relationship between China and Hong Kong, which led, in May 2020, to new demonstrations, which cause most offices, transportation and roads to be closed. Hence, in light of the above, Giglio Group considered, as a conservative measure, with regard to the accounting sphere:

- To consolidate Giglio TV as of 31 December 2020;
- To reduce to zero in Giglio Group's Financial Statements as of 31 December 2020 the value of Giglio TV shareholding (equal to € 3.0 million) and of the receivable due by Giglio TV (equal to € 3.39 million), as well as to reduce the value of the shareholding in Giglio Shanghai by € 160,000. for a total write-down of € 6.56 million. These write-downs take into account also the results of Giglio TV's Financial Statements as of 31 December 2020 and do not have any effect on the Consolidated Financial Statements.

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

Over the course of 2019, the Parent Company Giglio Group S.p.A. issued a non-convertible bond of € 5 million in principal, made up of 50 bearer bonds with a denomination per unit of € 100,000.00 each.

The issue of the non-convertible Bond took place in the context of the operation"EBB Export Programme", aimed at the retrieval of financial resources by selected Companies for funding and supporting the internationalisation projects of their core businesses.

The main characteristics of the Bond are:

- Aggregate principal amount: equal to € 5 million;
- Subscribers: the Bond was fully subscribed by the SPV;
- Listing: the Bonds shall not be listed on any regulated market nor on any MTF;
- Terms of issue: the Bonds shall be issued in a single tranche;
- Form: the Bonds are bearer bonds issued in book-entry form and centralised at Monte Titoli S.p.A.;
- Issuance Price: the issuance price equals to 100% of the nominal value of the Obligations; - Bonds' minimum value: the minimum value of each Bond amounts to € 100,000;
- Custody and settlement: in case of subsequent negotiation, transfer shall be subscribed only to qualified investors, as per Art. 100 of Legislative Decree no. 58/1998 and Art. 34-ter, par. 1, letter b), of CONSOB Regulation no. 11971/1999, as amended and integrated;
- Interests: the Bond shall bear interest at the fixed nominal gross annual rate of 4.572%, to be paid with a semi-annual coupon postponed until the expiration of the Bond (or, if earlier, until the date in which Bonds shall be fully redeemed).
- Legal duration and expiration: the Bonds shall have a legal duration of 8 years and 6 months and the expiration date is set at the last interests' payment date of 2027;
- Reimbursement: without prejudice to anticipated reimbursement's hypotheses adoptable by the Company or to the occurrence of specific events provided for in the Bond's regulation, adoptable by Bondholders, the Bonds shall be redeemed at par, i.e. at 100% of their nominal value, pursuant to the amortisation plan set forth in the regulation, with 13 semi-annual capital instalments, with a grace period of 2 years;

- Paying agent, Bonds paying agent and bank agent: the functions of paying agent shall be carried out by Securitisation Services S.p.A. whereas the functions of Bonds paying agent and bank agent shall be carried out by Banca Finanziaria Internazionale S.p.A.;
- Tax regime: the Bonds shall be subject to the tax regime set forth in Legislative Decree no. 239 of 1 April 1996, as amended and integrated;
- Applicable law: Bonds issue and contractual obligations deriving by the issue shall be governed solely by the law of the Italian Republic and any dispute arising shall be presented exclusively to the Italian jurisdiction and adjudicated by the exclusive competence of the Court of Milan.

Furthermore, the following credit enhancements were envisaged:

(i) the issue by SACE S.p.A. of an autonomous, first-demand guarantee in favour of the SPV as guarantee of the compliance with the obligations of payment made against the Company's capital and interests deriving from the Bond issued by the same. In the event of non-compliance by the Company with the obligations of payment made against the Company's capital and interests deriving from the Bond, the SPV shall be able to address the non-collection by levying execution on SACE's Guarantee. SACE's Guarantee shall be intended as a public support measure aimed at the development of production activities covered by the counter-guarantee of the Italian State, within the framework of application of Legislative Decree no. 123 of 31 March 1998 ("*Provisions for the optimisation of the public support to the enterprises, as per Art. 4, par. 4, letter c) of Law no. 59 of 15 March 1997*");

(ii) the establishment by the Company of a debt service reserve (the "DSR") on cash collateral in favour of the SPV, amounting to the sum due in the form of interests at the first interests' payment date concerning the Bond: (a) for the purpose of allowing the SPV to promptly comply with its payment obligations with Investors, in the event that the Company fails to promptly comply with its payment obligations in the form of interests concerning the Bond and pending the enforcement of the related SACE's Guarantee; as well as (b) for the purpose of covering the so-called negative carry of the SPV in the event of payment of amounts in principal on the Bond in different dates than the one provided for by the related regulation.

The issue of SACE's Guarantee and the establishment of the cash collateral on the debt service reserve are not incorporated in the securities representing the Bond and, therefore, in case of subsequent negotiation, shall not be negotiated together with the securities.

In compliance with market standards, the regulation governing the Bond's terms and conditions includes, other than the aforementioned elements, also (i) some commitments and limitations borne by the Company, including, by way of example but not limited thereto, financial commitments (the so-called financial covenants), as well as disclosure and industrial commitments and (ii) bondholders safeguards in the case of events detrimental to their interests, which shall activate the acceleration clause and thus oblige the Company to fully redeem the Bond in advance (the so-called events of major importance). The industrial commitments mentioned above include the obligation to finalise the internationalisation project, whose content is attached to the Regulation of the Bond. The financial covenants to be respected throughout the life of the Bond are as follows: a) a gearing ratio, and b) a leverage ratio, as defined by the Regulation of the Bond. In particular: (a) the leverage ratio shall not be greater than: (i) 4.5 for 2019 and 2020 and (ii) 3.5 starting from 2021 and until the expiration of the Bond; and (b) the gearing ratio shall not be greater than 2 for the whole duration of the Bond. On 11 March 2020, EBB S.r.l., the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data (31.12.2019), with retroactive effect at 31 December 2019, since the company was not respecting to that date the parameters set forth in the same covenants. Moreover, on 30 June 2020, the bondholder resolved to authorise the suspension of the application of the thresholds for the financial covenants with regard to the Test data of 30.06.2020 and 31.12.2020.
The Company requested a new suspension of the application of financial covenants’ thresholds with regard to Test Dates 30 June 2021 and 31 December 2021.

12. Outlook

The permanence of risks and uncertainties related to COVID-19 pandemic requires further prudence in facing the near future. Even though, apparently, the e-commerce may seem to be aided by the forced slowdown of physical retail, and the ongoing cultural shift may reasonably lead towards the growth of digital stores (as seen also in the first months of 2021), the fact that the economic system is currently facing an incessant consumption crisis cannot be undervalued. It is evident, then, that the benefit of digital sales increases is not enough to support the decline of the other channels and, as such, productive companies will have to accelerate on the implementation of change, operational streamlining and digitalization processes. In this scenario, out B2C - E-Commerce Service Provider division will inevitably become subject to pressure for the numerous technological updates requested by our clients in order to increase sales and services more than proportionally if compared to an organic channel evolution that should have happened were we in a normal context. This situation, which is obviously going to saturate the productive capacity of the Group, calling for a constant investment to support growth, also implies a constant analysis on the strategic nature of its role with partnering brands (clients), thus becoming more and more a technical and process partner, but also an outsourcing service provider. The challenge the Group has to face in the following months is to remain in line with the requests of its clients, giving them greater attention, and to focus on new projects only in order to build long-term relationship with an elevate added value for the client and the Group both. In this context, the Group shall differentiate between sectors so as to reduce its dependence on the fashion world, thus focusing also in those sectors were business is already operative, such as e-commerce for retail, design, home decor, healthcare and food products. The B2B division, enabler for the marketing of products towards the marketplaces and the international distribution, on the one hand, benefits from the growth of its clients' marketplaces that, in turn, increases its volumes and market share in a quick and constant way, and on the other hand, is subject to a constant pressure on prices brought about by consumers' impoverishment, that leads marketplaces to implement significant promotions in order to keep purchases on a constant basis. Along with said context, the duties applied by the USA in China for import goods further squeeze the division's chances of growth, which shall operate more and more strategically and selectively with its partnering brands, increasing the number of marketplaces and countries and integrating the processes so as to boost efficiency. The expectations for this division are of being driven by the growth of its clients, albeit more and more demanding, by investing in business development in order to constantly consider new operators and new channels, but also by increasing the product categories in which to operate (fashion sector aside).

From the sales analyses of 2021 Q1, a substantial stability of the B2C division and a slowdown of the B2B one were recorded, mainly ascribable to resettlements in goods deliveries to the clients, which are considered to be widely recoverable over the course of the year.

Going Concern

Pursuant to IAS 1, the assessments issued by the Directors regarding the existence of the assumption of the Company's going concern for the purpose of drafting the annual financial statements at 31 December 2020 are reported below.

The Group's Financial Statements as of 31 December 2020 record a Net Equity of € 345,000, including the loss for the period of € 2,627,000.

On 22 December 2020, Giglio Group S.p.A. completed the allocation of no. 2,439,790 ordinary, newly-issued shares, at a price of € 1.97 per share, for a total value of € 4,806,386. The value of the capital increase thus amounted to € 487,958 in nominal value and € 4,318,428 at share premium. Meridiana Holding S.r.l., majority shareholder of the company, subscribed, through the conversion of claims, no. 2,097,050 shares, equal to 85.95% of the increase. Other than Meridiana Holding S.r.l., another qualified shareholder, Antonio Lembo, at the time related party as CEO of E-Commerce Outsourcing S.r.l., joined the increase through the conversion of claims, purchasing no. 81,218 shares.

On 03 March 2021, the Board of Directors of Giglio Group S.p.A. approved the Industrial Plan 2021-2025, which provides for the integration of the business activities of its subsidiary E-Commerce Outsourcing S.r.l. (ECO), acquired at the end of 2019, and of the newly-acquired Salotto di Brera S.r.l., acquired on 15 January 2021.

The Industrial Plan considers a GMV (Gross Merchandise Value - reference value for e-commerce transactions) acceleration at a cumulative growth rate of about 16% both for organic growth - in line with the expectation of the reference market (online sales for luxury fashion) - and for new brand acquisitions.

During the time span of the Plan, the objective is to significantly increase revenues, quickly regaining a significant sustainable profitability (Ebitda/Revenues) on the long term, with an incidence of more than 10% in the last year of the plan. The objective is to obtain a balance between B2B activities -which include both the digital marketplaces' distribution (strongly developing as a stock demobilisation channel, especially in 2021 on the basis of the huge stocks that, due to the COVID-19 crisis, are being accumulated) and the newly-acquired Salotto di Brera, specialised in travel retail supplies (cruise ships on-board sales and duty-free shops in ports and airports)-, and B2C activities, with the advanced technological solutions proposed by ECO's platform, integrated also for Ibox SA's clients, also for product categories outside the reach of the Fashion sector, such as design, electronics, DYI, food and beauty retail.

The Industrial Plan provides for an improvement from a financial and asset point of view, counting on the generation of positive cash flows, a working capital control to support B2B sales and minor financial needs fro investments than the previous fiscal years following the acquisition of the technological expertise of ECO and the internal investments carried out throughout 2020 on the platforms. The Directors carried out adequate sensitivity analyses on the main hypotheses of the Plan, also taking into account the cash profile. Finally, the Directors, with regard to the COVID-19 epidemic that quickly spread to many areas of the world, Europe included, believe that it is extremely hard to make reliable predictions on future developments. For this purpose, a monitoring group has been established, tasked with the objective of monitoring corporate functionality and any eventual criticality.

It is noted that 2021 budget used by the Directors for assessing the existence of the going concern provides for the generation of a positive cash flow against slightly positive economic results. The formulation of said prediction includes, however, some assumptions, whose eventual incomplete implementation (singularly and/or cumulatively) could give rise to a reduction of the plan's results The main assumptions made by the Directors for the assessment of 2021 cash flow are as follows:

1. Significant commercial and organic growth of the B2C division, characterised by the immediate payment from users and the deferred payment of goods and services to suppliers;
2. Increased efficiency of the processes generated and a reduction of the central costs due to the streamlining of the scope of corporate activities, as the disposal of an office in Milan and other saving activities;
3. Better management of the average collection times, mainly due to the potential implementation of the no-recourse factoring mechanism for the receivables arising from the sales of some major clients active in the B2B segment and to the better management of the commercial reliance on behalf of suppliers;
4. As pointed out in the Explanatory Notes regarding the debt owed to Vertice 360 of about € 2.5 million, it is noted that its payment is included in 2021 Plan, in the event of an adverse judicial

outcome, as repayable in the long-term, taking into account a reasonable prediction of settlement of the dispute.

5. 2021 forecast of the possibility to renegotiate some multiannual agreements towards non-strategic suppliers, also by obtaining deferred payments, in continuity with what has been done in the previous years.

With regard to the aforementioned assumptions, the Directors highlight that:

1. 2021 budget and 2022-2025 Plan have been drafted with reference to concrete and specific actions to be undertaken over the course of the whole period of the Plan that, however, due to their inherent nature, include general and hypothetical assumptions, as well as discretionary, related to the usual characteristics of a multiannual plan, and that these actions could be implemented in different times and with different effects than the ones expected, albeit they do not expect, as of now, the failure to implement said plan;
2. Negotiations have been started with current suppliers in order to recover facilitation payments for the company, as well as with main credit institutions in order to gain new 72-months funding guaranteed by MCC, or to renegotiate existing funding with shorter expirations, bringing them to 72 months in order to improve the management of cash flows aimed at debt reimbursement;
3. EBB Export S.r.l., subscriber of the bond, has granted (on 30 June 2020) the waiver of the measurement of the financial covenants on 2020 deadlines (i.e. 30 June 2020 and 31 December 2020); in particular, the bondholder approved the request of the company to allow, by way of derogation form the regulation of the bond, the suspension of the application of the thresholds of the leverage ratio financial parameter and of the gearing ratio financial parameter, only with regard to the Test Date of 30 June 2020 and 31 December 2020. For the purpose of said suspension, EBB Export S.r.l., the bondholder, received from Meridiana Holding S.r.l., majority shareholder of Giglio Group, an indemnity and guarantee deed in its name for an amount of up to € 1 million. The Company requested an extension of the waiver of the test date of 30 June 2021 to EBB Export;
4. With regard to the aforementioned risk connected to the COVID-19 epidemic, the company has been actively working to obtain any economic or financial benefit in order to obtain additional liquidity beside its cash plan, in order to face any criticality that should arise as a consequence of said epidemic; on the other hand, the fashion sector, due to the simultaneous closure of the

brands' stores, can reserve to the Group interesting opportunities by using its unique distribution platform on the national territory for the purpose of facilitating the disposal of the stock that is currently being strongly accumulated with the producers.

The Directors, despite the aforementioned uncertainties, believe that the results set in the Plan will be achieved and consider that a reasonable expectation that the Group and the Parent Company will rely on adequate resources for the progress of their business for at least 12 months from the approval of these Financial Statements exists, thus drafting them in application of the assumption of going concern.

Moreover, the aforementioned also takes into account the Board of Directors' right to exercise the proxy vested to it on 12 November 2020 by the Shareholders' Meeting, aimed at increasing the share capital by issuing a maximum of no. 1,221,547 shares by 30 June 2021, as well as the Board's intention to exercise it. On 28 April 2021, the Board of Directors resolved to exercise the proxy vested to it by the Shareholders' Meeting n 12 November 2020 in order to execute a reserved share capital increase in kind, pursuant to Art. 2443 and 2441, par. 4, second sentence of the Italian Civil Code, within the limits of 6.67% of the pre-existing capital (equalling to the residual part of the proxy, as of the reporting date not yet exercised), for the purpose of strengthening the Company's economic and financial structure.

To this extent, the Company requested and obtained a favourable legal option for the use, also in the event of a relevant situation as per Art 2446, par. 1 of the Italian Civil Code, of the share capital increase already resolved upon, to be performed by 30 June 2021 (as provided by the Meeting's resolution and as prescribed by the emergency regulations set forth in Art. 44, par. 3 of the Legislative Decree no. 76/2020, converted with Law no. 120/2020). The execution of the proxy represents, as far as the Directors are concerned, a suitable and appropriate action for the full development of the Industrial Plan in the specific context mentioned above, and is in line with the reasons that led to the grant of said proxy in the first place (and, mainly, with the need to "find financial resources that could allow, on the one hand, for the strengthening of the Company's economic and financial position and, on the other hand, for the development and growth of the Company"). In the exercise of its proxy, the Company shall follow the procedure set forth in Art. 2446, par. 1 of the Italian Civil Code (not excluded by Art. 6 of the Law Decree no. 23/2020), which calls for the prompt involvement of the Shareholders' Meeting in a merely informational function without imposing an immediate intervention for the writing-off of losses, which the emergency regulation requires only when the loss, higher than a third of the share capital, remains after five fiscal years from the year in which the losses were first recorded.

With regard to the proxy's exercise, the Company recorded the formal commitment of its majority shareholder to subscribe 50% of said capital increase, which, taking into account the market value of the Company's shares in November 2020, would equal to € 1.2 million, to be paid in cash. Moreover, the Board of Directors already contacted a first operator, who followed the Company as specialist in the first months of 2021, in order to support the Company for the preparatory measures and the necessary formalities for the execution of said capital increase.

In light of the majority shareholders' commitment and of the specialist's availability, the Board of Directors considers that the share capital increase will have a positive outcome, thus reconfirming the expectation that both the Group and the Parent Company will be able to rely on adequate resources for carrying forward its business in coherence with the assumption of going concern.

13. 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: 2020 was characterised by the COVID-19 pandemic, which peaked throughout the fiscal year and, as of now, despite the countermeasures adopted by the authorities, it is extremely hard to make reliable projections about the near future.

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 2013-2019 and the current year, 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.

As of 31 December 2020, the Company has an outstanding debt of USD 979,000 in favour of Meridiana Holding S.r.l., a company fully-owned by the majority shareholder Meridiana Holding S.r.l. (related party), disbursed to the parent company, Giglio Group S.p.A., aimed at facing the financial commitments of the Group, which shall be reimbursed by 2022.

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.

14. Reconciliation Group net equity and net result

The table below reports the reconciliation between the net equity and net result of the parent company and the consolidated net equity and net result at 31 December 2020 and 31 December 2019:

(Euro thousands)	Net Equity 31.12.2020	Profit 31.12.2020	Net Equity 31.12.2019	Profit 31.12.2019
Net Equity and Net Result of Giglio Group S.p.A.	**1,385**	**(8,419)**	**3,781**	**(8,902)**
Net equity of subsidiaries and difference between equity investment value and subsidiaries' equity share	(1,060)	5,722	(5,385)	(6,892)
Group Total Net Equity and Result	**325**	**(2,647)**	**(1,604)**	**(15,794)**

For more information on the changes in Equity, please see the table included in the financial statements, as well as Note 12.

15. Relations with Related Parties

In accordance with the Consob Regulation concerning related parties 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". The Company shall update continuously the provisions contained in the Related-Parties Procedure so as to ensure that they are coherent with the regulations in force from time to time, as well as keep up to date the Register of Related Partied Transactions, where related parties shall be identified or removed if no longer applicable.

16. Share Performance

The share performance of the Company on the market and volumes traded in 2020 are as follows:

The market capitalisation as at 31 December 2020 resulted equal to € 49.2 million, thus showing a far superior value to the Shareholders' Equity book value of the Group resulting from the last approved consolidated statement of financial position. At the same date, the outstanding shares are 20,746,475.

The following table shows Giglio Group S.p.A. stock performance in the market, as well as the volumes exchanged in 2021 Q1:

17. Information on Corporate Governance and Ownership Structure

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

On 10 May 2021, Giglio Group S.p.A.'s 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).

18. More Information

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 (May 2021) the official data indicates the following significant shareholders:

- 56.59% of shares held by Meridiana Holding S.r.l. (company held 99% by Mr Alessandro Giglio and 1% by his wife Ms Yue Zhao);

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.

19. Giglio Group S.p.A.'s Financial Statement as of 31 December 2020 - Resolution Proposal

Dear Shareholders,

The Board of Directors of the Company, called on 10 May 2021, resolved on 11 May 2021 upon the following.

The Net Result of the Parent Company equals to € -8.4 million but, net of the write-downs carried out on Giglio TV and due to the uncertainty arising from the Pandemic, it amounts to € 8.9 million.

The aforementioned write-downs are as follows (Euro thousands):

Write-down due to the execution of the impairment test on Giglio Fashion's goodwill following its acquisition	1,607
Write-down due to the execution of the impairment test on the book value of the shareholding in Ibox SA	704
Write-down of the book value of the shareholding in Giglio TV HK	3,000

Write-down of the receivables from Giglio TV HK	3,398
Write-down of the book value of the shareholding in Giglio Shanghai	160
Provisions for risks and doubtful accounts	97
Total write-downs	8,966

The Company is thus recording a reduction of more than a third of its share capital due to losses, as set forth in Art. 2446, par. 1 of the Italian Civil Code. Pursuant to the law, the Shareholders' Meeting must be called "to take appropriate measures", however, the law also provides for the postponement of the measures aimed at offsetting the loss, which are required (as per par. 2 of the same article) only in the event that the loss does not diminishes within a third of the capital by the following fiscal year.

Said deadline for the losses accrued as of 31 December 2020, shall be postponed to the following fifth fiscal year, pursuant to the provisions set forth in Art. 6 of Legislative Decree no. 23 of 8 April 2020 (the so-called "Liquidity Decree", converted with amendments in Law no. 40 of 5 June 2020) "Temporary provisions on capital reductions", as amended by Law no. 178 of 30 December 2020, which allows listed companies to temporarily suspend some provisions on capital reductions for losses (Art. 2446 and 2-bis), postponing to the following fifth fiscal year the obligation to offset the losses.

However, the Board of Directors believes that, in order to strengthen the business of the Group, a prompt share capital increase is needed (to be carried out before 30 June 2021), and as such is planning to exercise its relevant proxy, vested to it pursuant Art. 2441 and 2443, par 4, second sentence of the Italian Civil Code on 12 November 2020 by the Shareholders' Meeting. The proxy has already been exercised, leaving a remaining 6% if compared to the pre-existing capital. Meridiana Holding, the majority shareholder of the Group, irrevocably guaranteed to subscribe up to 50% of any remaining share capital arising from the future share capital increase, identifying Integrae Sim as global coordinator for the operation. Moreover, in the coming days, Meridiana will decide on the terms and conditions for the share capital increase that will be carried out before the end of 2021 H1.

As a consequence, the recorded losses of € 8,914.120 mainly arise from the aforementioned situations, and shall be offset over the course of the following five fiscal years.

Milan, 11 May 2021

Board of Directors

The Chairman

GIGLIO GROUP S.p.A.

Registered office in Milan, Piazza Diaz, 6

Share capital € 4,149,295

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

Registered at Milan Companies Registration Office with no. 07396371002

Consolidated Financial Statement as of 31 December 2020

FINANCIAL STATEMENTS

- Consolidated Statement of Financial Position
- Consolidated Statement of Profit or Loss and Comprehensive Income
- Consolidated Statement of Cash Flow
- Consolidated Statement of Changes in Equity
- Notes to the Consolidated Financial Statements

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position (Euro thousands)		31.12.2020	31.12 2019 restated*
Non-current assets			
Property, plant & equipment	(1)	404	1,137
Right-of-use assets	(2)	952	1,903
Intangible assets	(3)	3,058	3,649
Goodwill	(4)	12,353	13,960
Investments	(5)	8	7
Receivables	(6)	663	835
Deferred tax assets	(7)	829	783
Total non-current assets		**18,267**	**22,274**
Current assets			
Inventories	(8)	1,754	1,861
Trade and other receivables	(9)	9,951	12,179
Financial receivables	(10)	2	3,523
Tax receivables	(11)	1,061	6,367
Other assets	(12)	2,310	2,220
Cash and cash equivalents	(13)	5,085	2,991
Total current assets		**20,163**	**29,141**
Total Assets		**38,430**	**51,415**
Equity	(14)		
Issued capital		4,149	3,661
Reserves		20,376	16,171
FTA Reserve		4	4
Retained earnings		(21,542)	(5,650)
Foreign Currency Translation reserves		(15)	4
Net profit		(2,647)	(15,823)
Total Group Equity		**325**	**(1,633)**
Minority interest in equity		-	-
Total Equity		**325**	**(1,633)**
Non-current liabilities			
Provisions for risks and charges	(15)	155	211
Post-employment benefit funds	(16)	730	713
Deferred tax liabilities	(17)	387	318
Financial payables (non-current portion)	(18)	12,183	3,786
Total non-current liabilities		**13,445**	**5,028**
Current liabilities			
Trade payables	(19)	13,591	20,623
Financial payables (current portion)	(18)	4,096	19,017
Tax payables	(20)	3,219	4,108
Other liabilities	(21)	3,744	4,272
Total current liabilities		**24,650**	**48,020**
Total liabilities and Shareholders’ Equity		**38,430**	**51,415**

* The items "Intangible Assets", "Goodwill", "Net profit" and "Deferred tax liabilities" reported in the reference period have been restated following the completion of the "Purchase Price Allocation" related to the purchase of E-commerce Outsourcing S.r.l..

Consolidated Statement of Profit or Loss

Consolidated Statement of Profit or Loss (Euro thousands)		31.12.2020	31.12 2019 restated*
Total revenues from contracts with customers	(22)	**41,291**	**37,737**
Other revenues	(22)	696	1,009
Capitalised costs	(23)	298	1,462
Change in inventories		(158)	(3,309)
Purchase of raw materials, ancillary, consumables and goods	(24)	*(22,384)*	*(17,421)*
Service costs	(25)	*(12,334)*	*(14,764)*
Rent, lease and similar costs	(26)	*(93)*	*(252)*
Operating costs		**(34,811)**	**(32,437)**
Salaries and wages	(27)	*(3,978)*	*(3,303)*
Social security charges	(27)	*(931)*	*(761)*
Post-employment benefits	(27)	*(217)*	*(151)*
Payroll expenses		**(5,126)**	**(4,215)**
Amortisation	(28)	*(1,048)*	*(512)*
Depreciation	(28)	*(828)*	*(1,295)*
Write-downs	(28)	*(2,411)*	*20*
Amortisation, depreciation & write-downs		**(4,287)**	**(1,787)**
Other operating costs	(29)	*(244)*	*(490)*
Operating profit		**(2,341)**	**(2,030)**
Financial income	(30)	*1,542*	*24*
Net financial charges	(30)	*(1,564)*	*(1,613)*
Profit before taxes		**(2,363)**	**(3,619)**
Income taxes	(31)	*(284)*	*(1,176)*
Profit for the period (continuing operations)		**(2,647)**	**(4,795)**
Profit for the period (discontinued operations)		**0**	**(11,028)**
Profit for the period		**(2,647)**	**(15,823)**
Of which minority interest		**-**	**-**
Basic and diluted profit from continuing operations		**(0.1276)**	**(0.2989)**
Basic and diluted profit from discontinued operations		**0.0000**	**(0.6875)**
Profit per share – basic and diluted		**(0.1268)**	**(0.9849)**

* The items "Amortisation" and "Income taxes" reported in the reference period have been restated following the completion of the "Purchase Price Allocation" related to the purchase of E-commerce Outsourcing S.r.l..

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income (Euro thousands)		31.12.2020	31.12 2019 restated*
Profit for the period		(2,647)	(15,823)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit/(loss) in subsequent periods (net of tax)			
Exchange differences on translation of foreign operations		(19)	4
Total other comprehensive income that may be reclassified to profit/(loss) in subsequent periods (net of tax)		**(19)**	**4**
Other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods (net of tax)			
Actuarial loss on employee benefits obligations	(16)	36	20
Total other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods (net of tax)		**36**	**20**
Total Comprehensive Income for the period		**(2,631)**	**(15,799)**
Of which minority interest		**0**	**0**

Consolidated Statement of Changes in Equity

Description *(Euro thousands)*	Issued capital	Reserves	FTA Reserve	Foreign Currency Translation reserves	Retained earnings	Net profit	Total
Balance at 31 December 2018	**3,208**	**10,859**	**4**	**-**	**2,602**	**(8,264)**	**8,409**
Effect of first application IFRS 16;					(65)		(65)
Balance at 01 January 2019	**3,208**	**10,859**	**4**	**-**	**2,537**	**(8,264)**	**8,344**
Issue of share capital	453						453
Share premium reserve		5,771					5,771
Charges for share capital increase		(410)					(410)
Retained earnings					(8,264)	8,264	-
Nautical Channel exit from consolidation scope					8		8
IAS 19 Reserve		20					20
Exchange rate effect				4			4
Group profit/(loss)						(15,796)	(15,796)
Balance at 31 December 2019	**3,661**	**16,240**	**4**	**4**	**(5,719)**	**(15,796)**	**(1,606)**

Description *(Euro thousands)*	Issued capital	Reserves	FTA Reserve	Foreign Currency Translation reserves	Retained earnings	Net profit	Total
Balance at 31 December 2019	**3,661**	**16,240**	**4**	**4**	**(5,719)**	**(15,796)**	**(1,606)**
E-Commerce Outsourcing PPA adjustment						**(27)**	**(27)**
Balance at 31 December 2019 restated*	**3,661**	**16,240**	**4**	**4**	**(5,719)**	**(15,823)**	**(1,633)**
Issue of share capital	488						488
Share premium reserve		4,100					4,100
Shareholders contributions to the corporate funds (or assets)		-					-
Retained earnings					(15,823)	15,823	-
IAS 19 Reserve		36					36
Exchange rate effect				(19)			(19)
Group profit/(loss)						(2,647)	(2,647)
Balance at 31 December 2020	**4,149**	**20,376**	**4**	**(15)**	**(21,542)**	**(2,647)**	**325**

* The item "Loss for the year" reported in the Financial Statements as of 31 December 2019 has been restated following the completion of the "Purchase Price Allocation" related to the purchase of E-commerce Outsourcing S.r.l..

Consolidated Statement of Cash Flows

Euro thousands		31.12.2020	31.12.2019 restated*
Cash flows from operating activities			
Net profit from continuing operations		(2,647)	(4,768)
Net profit from discontinued operations		-	(11,028)
Adjustments to reconcile profit before tax to net cash flow:			
Depreciation and impairment of property, plant and equipment	(1)	162	526
Amortisation of right-of-use assets	(2)	666	769
Amortisation and impairment of intangible assets	(3)	1,048	475
Non-cash changes of provisions	(15);(16)	(50)	120
Write-downs/(Revaluations)	(28)	2,411	(20)
Net foreign exchange differences	(30)	22	1,590
Income taxes	(31)	284	1,186
Changes in:			
Inventories	(8)	108	3,456
Trade and other receivables	(9)	2,229	2,958
Tax receivables	(11)	5,306	3,851
Current financial receivables	(10)	3,521	(3,449)
Other assets	(12)	(84)	499
Deferred tax liabilities	(17)	70	-
Trade payables	(19)	(7,032)	(5,945)
Tax payables	(20)	(1,173)	(86)
Right-of-use assets	(2)	285	(2,461)
IFRS16 financial payables	(18)	(892)	1,682
Other liabilities	(21)	(528)	2,804
Change in net working capital		**1,810**	**3,309**
Changes in assets/liabilities held for sale/Discontinued operations		-	9,923
Cash flow generated from operating activities		**3,706**	**2,082**
Interest paid	(30)	(347)	(530)
Net cash flow generated from operating activities		**3,359**	**1,552**
Cash flows from investing activities			
Investments in property, plant & equipment	(1)	(184)	(53)
Investments in intangible assets	(2)	(502)	(2,328)
Acquisition of E-Commerce Outsourcing net of cash acquired		-	564
Changes in other intangible assets	(6); (7)	126	1,176
Increase in investments	(5)	(1)	1
Change in consolidation scope			
Net cash flow used in investing activities		**(561)**	**(640)**
Cash flow from financing activities			
Share capital increase	(14)	3,069	3,591
Change in Shareholders' Equity	(14)	15	(33)
New financing	(18)	8,450	8,336
Repayment of loans	(18)	(4,170)	(8,900)
Change in financial liabilities	(18)	(8,067)	(3,805)
Net cash flow used in financing activities		**(703)**	**(811)**
Net increase/(decrease) in cash and cash equivalents		**2,095**	**101**
Cash and cash equivalents at 1 January		2,991	2,889
Cash and cash equivalents at 31 December		5,085	2,991

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 2020 was approved by the Board of Directors on 11 May 2021.

The postponement of the approval of the Financial Statements was due to the delayed reception of the Audit Report for Giglio TV Hong Kong’s Financial Statements. Indeed, as mentioned in the Directors' Report as of 31 December 2019, amongst the "Significant Events After the End of the Fiscal Year", in March 2020, and in the following interim reports, in the context of the definitive exit from the Media sector, Giglio Group S.p.A. transferred its full shareholding in Giglio TV Hong Kong to a Chinese industrial group, against a payment of € 3.0 million.

Following the accounting/administrative assessments carried out over the last months, as reported in the previous Press Release published on 29 March 2021, it emerged that some necessary fulfilments for the registration of the transfer had not been fully completed.

Moreover, other than the time-consuming financial audit of Giglio TV Hong Kong's Financial Statements and the failure to complete the aforementioned fulfilments, COVID-19 pandemics too concurred in delaying the assessment. Indeed, a harsh lockdown was established in Hong Kong for the whole 2020 and most offices remained closed and, to this day, have yet to recover their normal operation. For the same reason, the offices of the Company's accountants and financial auditors suffered from the same closures. In this context, another element of delay was the critical relationship between China and Hong Kong, which led, in May 2020, to new demonstrations, which cause most offices, transportation and roads to be closed.

Hence, the Directors proceeded with the consolidation of Giglio TV Hong Kong as of 31 December 2020.

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 35.

B. Accounting standards

The consolidated financial statements of Giglio Group S.p.A as of 31 December 2020 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 are comprised of the Statement of Financial Position, the Statement of Profit or Loss and Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity (all stated in Euro thousands) and the 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 Giglio USA 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 01 January 2020" 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 Statement of Financial Position, the Statement of Profit or Loss and Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and the Explanatory Notes.

In particular:

- in the Statement of Financial Position, the current and non-current assets and liabilities are shown separately;
- in the Statement of Comprehensive Income, the analysis of the costs is based on their nature;
- for the Statement of Cash Flows, 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 estimates also in the light of COVID-19 effects

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 accounts, 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 statement of profit or loss and comprehensive income.

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.

- 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 ageing 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 ageing 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.

- Provision for doubtful accounts:

Through the ageing 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 statement of profit or loss and comprehensive income.

It is noted that, 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".

The options thus assigned shall be exercised over a three-year vesting period divided in 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 accrue only if the objectives set in the plan are achieved (in terms of performance conditions).

It is noted that the objectives related to 2020 were not met, and that no provision was made necessary.

- Employee Benefits, whose values are based on actuarial estimates; refer to Note 16 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 necessity to carry out some goodwill write-downs emerged from the assessments carried out , as better described in Note 4.

- 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. For more information on the acquisition of E-Commerce Outsourcing S.r.l., see "Business combinations".

- 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 (i) who is capable of carrying out an activity that generates revenues and costs, (ii) whose operating results are periodically reviewed by top management for the purposes of adopting decisions concerning resource allocation and performance assessment, and (iii) for which separate budget information are available.

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 and Giglio Shanghai;
2. B2C e-commerce: IBOX, E-Commerce Outsourcing S.r.l. and Giglio Shanghai;
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.

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

2020 (Euro thousands)	B2B e-commerce	B2C e-commerce	Corporate	Total
Revenues from contracts with customers	28,457	13,314	0	41,772
Other incomes	122	73	20	215
Capitalised costs		298		298
Total revenues	**28,579**	**13,685**	**20**	**42,285**
EBITDA	**4,297**	**1,245**	**(3,595)**	**1,946**
Amortisation, depreciation & write-downs	(1,724)	(714)	(1,850)	(4,287)
EBIT	**2,573**	**531**	**(5,445)**	**(2,341)**
EBT	**2,487**	**358**	**(5,208)**	**(2,363)**
Profit for the period	**2,489**	**105**	**(5,241)**	**(2,647)**

For a better representation, the sectors' results at 31 December 2019 are as follows:

2019 (Euro thousands)	B2B e-commerce	B2C e-commerce	Corporate	Discontinued operations	Total
Revenues from contracts with customers	24,404	13,332	0		37,737
Other incomes	8	991	10		1,009
Capitalised costs		1,462	(0)		1,462
Total revenues	**24,412**	**15,785**	**10**		**40,208**
EBITDA Adjusted	**1,630**	**3,610**	**(4,204)**		**1,037**
Listing and non-recurring costs			(1,755)		(1,755)
Amortisations	(530)	(334)	(885)		(1749)
EBIT	**1,100**	**3,276**	**(6,844)**		**(2,467)**
EBT	**1,062**	**2,874**	**(7,993)**		**(4,057)**
Profit for the period (Continuing Operations)	**1,043**	**2,568**	**(8,380)**		**(4,768)**
Profit for the period (Discontinued operations)				**(11,028)**	**(11,028)**
Profit for the period					**(15,796)**

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, loans from related parties, 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. As of 31 December 2020, the Company has an outstanding debt of USD 1 million in favour of Meridiana Holding S.r.l.. See par. 35 "Transactions with subsidiaries and related parties" for more information on the transaction.

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 statement of profit or loss and comprehensive income 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 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. For more information, see Note 18.

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	Effect on result
31 December 2020	(13,893)	+1%	(139)
31 December 2020	(13,893)	-1%	139

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.

The ageing of the gross trade receivables at 31 December 2020 and 31 December 2019 is shown below:

(Euro thousands)	**Year ended at 31 December 2020**	**%**	**Year ended at 31 December 2019**	**%**
> 120 days	1,474	*20.4 %*	1,014	*12.0 %*
90<> 120 days	*582*	*8.1 %*	*440*	*5.2 %*
60<> 90 days	*269*	*3.7 %*	*374*	*4.4 %*
30<> 60 days	*323*	*4.5 %*	*450*	*5.3 %*
0<> 30 days	*1,048*	*14.5 %*	*909*	*10.7 %*
Total overdue	***3,695***	***51.1 %***	***3,187***	***37.6 %***
Not overdue	*3,536*	*48.9 %*	*5,280*	*62.4 %*
Total gross receivables	**7,231**	***100.0 %***	**8,468**	***100.0 %***
Provision for doubtful accounts	*(1,393)*		*(1,441)*	
Inc. provision on overdue 120 days	*(94.5)%*		*(142.1)%*	
Total	**5,838**		**7,027**	

By applying the ECL, as combination between the age of the receivables and the creditor riskiness, in 2020, to a greater age of the receivables a minor riskiness is coupled, thus entailing a minor impact on the doubtful accounts provision on receivables expired from more than 120 days.

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

(Euro thousands)	**Year ended at 31 December 2020**	**%**	**Year ended at 31 December 2019**	**%**
Europe	6,098	*84.3 %*	7,631	*90.1 %*
Asia	*190*	*2.6 %*	*93*	*1.1 %*
USA	*915*	*12.7 %*	*719*	*8.5 %*
Rest of the world	*29*	*0.4 %*	*25*	*0.3 %*
Total gross receivables	**7,231**	***100.0 %***	**8,468**	***100.0 %***
Provision for doubtful accounts	*(1,393)*		*(1,441)*	
Total	**5,838**		**7,027**	

The provision for doubtful accounts 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	**> 90 days**	**60<> 90 days**	**30<> 60 days**	**0<> 30 days**	**Not overdue**
A (low risk)	4.4%	3.4%	2.4%	1.4%	0.2%
B (average risk)	5.4%	4.4%	3.4%	2.4%	0.4%
C (high risk)	6.4%	5.4%	4.4%	3.4%	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.

As of 31 December 2020, 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
BancoBPM	120	120	930	616	20	-	1,070	736
Banca Popolare di Sondrio	150	46	40	40	-	-	190	86
IFITALIA Factoring - BNL	5,950	919	-	-	-	-	5,950	919
IFIS	100	4	-	-	-	-	100	4
Total	**6,320**	**1,089**	**970**	**656**	**20**	**-**	**7,310**	**1,745**

Reference should also be made to the table in paragraph 18. "Current and non-current financial payables" and to the Explanatory Notes' paragraph pursuant to Art. 2428, par. 3, no. 6-bis of the Italian Civil Code as far as covenants are concerned.

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. As of 31 December 2020, following the aforementioned write-downs, the Company must reduce its capital by more than a third due to losses, as per Art. 2446, par. 1 of the Italian Civil Code. Pursuant to the law, the Shareholders' Meeting must be called "to take appropriate measures", however, the law also provides for the postponement of the measures aimed at offsetting the loss, which are required (as per par. 2 of the same article) only in the event that the loss does not amount to more than a third of the capital by the following fiscal year.

Said deadline for the losses accrued as of 31 December 2020, shall be postponed to the following fifth fiscal year, pursuant to the provisions set forth in Art. 6 of Legislative Decree no. 23 of 8 April 2020 (the so-called "Liquidity Decree", converted with amendments in Law no. 40 of 5 June 2020) "Temporary provisions on capital reductions", as amended by Law no. 178 of 30 December 2020, which allows listed companies to temporarily suspend some provisions on capital reductions for losses (Art. 2446 and 2-bis), postponing to the following fifth fiscal year the obligation to offset the losses.

However, the Board of Directors believes that, in order to strengthen the business of the Group, a prompt share capital increase is needed (to be carried out before 30 June 2021), and as such is planning to exercise its relevant proxy, vested to it pursuant Art. 2441 and 2443, par 4, second sentence of the Italian Civil Code on 12 November 2020 by the Shareholders' Meeting. The proxy has already been exercised, leaving a remaining 6% if compared to the pre-existing capital. Meridiana Holding, the majority shareholder of the Group, irrevocably guaranteed to subscribe up to 50% of any remaining share capital arising from the future share capital increase, identifying Integrae Sim as global coordinator for the operation. Moreover, in the coming days, Meridiana will decide on the terms and conditions for the share capital increase that will be carried out before the end of 2021 H1.

For the management of the capital and of the financial risks, please see paragraph 40, "Valuation of Going Concern".

ACCOUNTING POLICIES AND ASSESSMENT CRITERIA

Consolidation principles

The consolidated financial statements include the financial statements of Giglio Group S.p.A and its subsidiaries as of 31 December 2020. 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 equity.

If the Group loses control of a subsidiary, it must eliminate the relative assets (including goodwill), liabilities, minority interests and other net equity items, while any gain or losses are recorded in the statement of profit or loss and comprehensive income. 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 statement of profit or loss and comprehensive income. Gains and losses realised between consolidated companies and the related tax effects are also eliminated.

Business combinations and goodwill

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

The acquisition costs are expensed in the year and classified under administration expenses. When the group acquires a business, the financial assets acquired or liabilities assumed under the agreement are classified or designated in accordance with the contractual terms, the economic conditions and the other conditions at the acquisition date. Any contingent consideration to be recognised is recorded by the purchaser 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 statement of profit or loss and comprehensive income. 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 statement of profit or loss and comprehensive income. 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 statement of profit or loss and comprehensive income.

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 statement of profit or loss and comprehensive income.

Consolidation scope

Information on subsidiaries:

The consolidated financial statements of the Group include:

Consolidation scope

Giglio Group S.p.A.	Italy	**Parent company**	
E-Commerce Outsourcing	Italy	**Subsidiary**	100%
Giglio USA	USA	**Subsidiary**	100%
IBOX SA	Switzerland	**Subsidiary**	100%
Giglio (Shanghai) Technology Company Limited	China	**Subsidiary**	100%
Giglio TV HK Limited	HK	**Subsidiary**	100%
Media 360 HK Limited	HK	**Subsidiary**	100%

Companies consolidated under the line-by-line method:

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

Registered office Piazza Diaz No. 6, Milan and operational and administration offices Via dei Volsci No. 163, Rome – Share capital subscribed and paid-in € 4,149,295.

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

Since 20 March 2018, the Company has been listed on the STAR segment of the Italian Stock Exchange (MTA market), with a free float of about 43%; the shareholder structure is available on the company's website: www.giglio.org.

E-Commerce Outsourcing S.r.l.

Registered Office: Via Sesia 5, 20017 Rho (MI)

Share capital: € 37,500

The Company is one of the major suppliers of outsourced e-commerce services.

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.

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.

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

The Company holds Chinese digital platforms, the ICP licences that allow it to operate on the Chinese web and the authorisations for Shenzen's Free Trade Zone, as well as being the company of the Group appointed with carrying out sales of the Chinese and Korean market, but also for other markets of the Far East that are still under development.

GIGLIO TV HK Limited

Registered Office: 603 Shung Kwong Comm. Bldg

8 Des Vouex Road West'

Hong Kong

Share capital € 3,000,000, held 100% by Giglio Group S.p.A..

As mentioned in the Directors' Report as of 31 December 2019, amongst the "Significant Events After the End of the Fiscal Year", in March 2020, and in the following interim reports, in the context of the definitive exit from the Media sector, Giglio Group S.p.A. transferred its full shareholding in Giglio TV Hong Kong to a Chinese industrial group, against a payment of € 3.0 million.

Upon subscription of the agreement, following a request from the purchaser, on 27 April 2020, the headquarters of Giglio TV and its Company Secretary were changed.

Subsequently, events that, to the reporting date, do not allow for the certain consideration of Giglio TV as external to the Group’s scope for accounting purposes took place.

Indeed, as it emerged from in-depth analyses carried out in the first months of 2021 with a view to the Financial Statements’ draft – also following the notice of a lawsuit against Giglio TV in 2021 for other reasons, deemed as “frivolous and vexatious” by the Hong Kong lawyer – the purchaser, who was prompted for this purpose also on September 2020, did not fulfil all required formalities, pursuant to local laws, for the registration of the shares’ transfer.

The COVID-19 pandemic influenced said fulfilment, provoking in Hong Kong a harsh lockdown which lasted for the whole 2020 and due to which most offices remained closed and, to this day, have yet to recover their normal operation. For the same reason, the offices of the Company's accountants and financial auditors suffered from the same closures. In this context, another element of delay was the critical relationship between China and Hong Kong, which led, in May 2020, to new demonstrations, which cause most offices, transportation and roads to be closed.

Hence, in light of the aforementioned reasons, the Directors proceeded with the consolidation of Giglio TV as of 31 December 2020.

Media 360 HK Limited

Registered Office: 603 Shung Kwong Comm. Bldg

8 Des Vouex Road West'

Hong Kong

Share capital: HKD 100

The company, wholly owned by Giglio TV HK Limited, was established in execution of the transfer of the Media area to Vertice 306. For more information on the lawsuit with Vertice 360, se par. 35 – Commitments, guarantees and potential liabilities.

Business Combinations

The Company concluded the Purchase Price Allocation related to the acquisition of E-Commerce Outsourcing S.r.l., which took place on 31 October 2019, which was recorded pursuant to IFRS 3, by applying the so-called "purchase method", by determining the assets and liabilities acquired at their fair value.

More specifically, on the basis of this standard, and for the purpose of a correct accounting of the transaction, it is necessary to:

- Determine the overall cost of the acquisition;
- Allocate, on the acquisition date, the cost of the business combination to the assets acquired and liabilities assumed (tangible and intangible), including those that were not recognised previous to the acquisition;
- Recognise the goodwill acquired in the business combination.

The difference between the overall cost of the transaction and the fair value of the assets and liabilities of the subsidiary was temporarily allocated at goodwill. On the basis of IFRS 3 standard, the Company can conclude the Purchase Price Allocation within 12 months from the acquisition.

Consideration of the acquisition	
Issued shares	2,224
Liabilities per contingent consideration	1,545
Total consideration	**3,769**

It is noted that within the acquisition price of € 3,769,000, the recognition of the fair value of the contractual consideration was included, that is of the payment for the residual earn-out, as set forth in the agreements and calculated at € 1,545,000. During the course of 2020, a part of the persons entitled to said consideration signed an agreement with Giglio Group, voluntarily waiving a part of the earn-out amounting to € 600,000, thus generating a financial income in Giglio Group's Statement of Profit or Loss, which had recorded in the financial liabilities the whole amount of € 1,545,000.

In the Financial Statements as of 31 December 2019, a net equity of € 649,000 was set against a contractual consideration of € 3,769,000, thus generating a difference with regard to the net assets assessed at € 3,120,000, temporarily recorded as goodwill.

PPA 31 December2019	
Equity investment	3,769
E-Commerce Outsourcing Net Equity 31 October 2019	(649)
Goodwill arising from operations	**3,120**

Giglio Group S.p.A. relied on the assistance of an external advisor for the identification and assessment of the Intangible Assets within the process of allocating the goodwill in the consolidated financial statements due to the acquisition of E-Commerce Outsourcing S.r.l..

For the purpose of assessing the economic value ascribable to the Know-how, it was considered adequate to use a methodology based on adjusted cash flows, more specifically the Multi-period Excess Earnings Method (MEEM).

The MEEM is based on the hypothesis that an intangible asset may generate cash-flow only together with complementary assets (the so-called contributory assets).

Upon allocation of the goodwill, it was found that the technical skills of E-Commerce Outsourcing S.r.l. represent a key feature ensuring a turnover development for the acquired company, driven by its capacity to implement e-commerce platforms. As such, the amount of € 1,164,000 was recorded as "Know-how" (Intangible asset with finite life). By taking into account the fiscal effect of € 325,000 regarding the tax write-off of future amortisations, the goodwill allocated to intangible assets amounts to € 839,000. The non-allocated goodwill, calculated on a residual basis, amounts to € 2,281,000. The useful life of said asset is assessed to six years from its acquisition, thus ending on 31 October 2024.

Goodwill assessment and calculation		
	Before PPA	**After PPA**
E-Commerce Outsourcing Net Equity as of 31 October 2019 (before PPA)	649	649
Goodwill arising from extraordinary operations	3,120	3,120
Know-how		1,164

Know-how fiscal effect		(325)
E-Commerce Outsourcing Net Equity as of 31 October 2019 (after PPA)	**3,769**	**2,929**
Allocated goodwill		**839**
Non-allocated goodwill		**2,281**

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 statement of profit or loss and comprehensive income 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 statement of profit or loss and comprehensive income, 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 statement of profit or loss and comprehensive income. 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 statement of profit or loss are recorded, respectively in the comprehensive income statement or in the statement of profit or loss).

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 statement of profit or loss and comprehensive income.

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.

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 principles

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 statement of profit or loss and comprehensive income 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 statement of profit or loss and comprehensive income when incurred.

The depreciation recorded in the statement of profit or loss and comprehensive income 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 Property, plant & equipment 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

When signing an agreement, the Group assesses whether this agreement is, or contains, a leasing or not. In other words, whether the agreement gives the right to control the use of a specific asset over a period of time in exchange for a price or not.

As lessee, the Group adopts a unique model for recognising and measuring all leasing, except for the short-term leasing and the leasing of low-value assets. The Group recognises the liabilities related to the payment of the leasing and the right-of-use asset that represents the right to use the asset subject to the agreement.

i) Right-of-use assets

The Group recognises right-of-use assets at the date of beginning of the leasing (i.e., at the date in which the asset is available for use). Right-of-use assets are carried at cost, less any accumulated amortisation and any impairment losses, and are adjusted for any remeasurement of leasing liabilities. The cost of the right-of-use asset includes the amount of recognised leasing liabilities, any initial direct cost borne and leasing payments taken out on the start date or before its beginning, net of any incentives received. The right-of-use assets are amortised at constant rates from the effective date of the end of useful life of the asset consisting in the right of use or, is earlier, of the end of the leasing period, as follows:

- Properties from 4 to 6 years
- Vehicles from 3 to 5 years

If the leasing transfers the ownership of the asset to the lessee upon termination of the leasing period, or if the cost of the asset consisting in the right of use reflects the fact that the lessee will exercise a purchase option, the lessee shall amortise the right-of-use asset from the effective date until the end of useful life of the asset.

ii) Leasing liabilities

On the leasing's start date, the Group recognises the leasing liabilities by measuring them at the present value of the owed lease payments still to be paid on said date. Payments owed include fixed payments (including in-substance fixed payments), net of any leasing incentives to be received, the variable leasing payments depending on an index or a rate and the amounts to be paid as collateral of the residual value. The leasing payments include also the price of the exercise of a purchase option, if there is a reasonable certainty that said option will be exercised by the Group, as well as the leasing termination penalty's payments, if the leasing's duration takes into account the exercise of the option of termination of the leasing on behalf of the Group.

Variable leasing payments that are not subject to an index or a rate are recorded as costs in the period (with the exception of payments incurred for the production of inventories) in which the event or the condition that generated the payment took place.

For the purpose of calculating the present value of owed payments, the Group uses the Incremental Borrowing Rate on the start date if the implicit interest rate cannot be determined easily. After the start dare, the amount of the leasing liability increases in order to take into account the interests on the leasing liability and decreases in order to take into account the payments carried out. Moreover, the book value of leasing payables shall be redetermined in the event of any change to the leasing, or for the revision of the agreements terms for the amendment of payments; it shall also be redetermined in the presence of amendments regarding the assessment of the acquisition option of the asset, or for changes in future payments arising from an amendment in the index or in the rate used for determining such payments.

The Group's leasing liabilities are included in the note "Accounting standards, amendments and interpretations applied from 1 January 2019".

iii) Short-term lease and leasing of low-value assets

The Group applies the exemption of the recognition of short-term leases regarding machineries and equipment (i.e., those leases lasting 12 months or less from the start date and do not contain a purchase option.) Moreover, the Group applied the exemption for leases of low-value assets, with regards to leasing contracts related to office appliances of low value. The fees for short-term leases and low-value assets' leases are recognised as fixed-rate costs for the duration of the lease.

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 statement of profit or loss and comprehensive income 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 statement of profit or loss and comprehensive income. 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 statement of profit or loss and comprehensive income 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 statement of profit or loss and comprehensive income, 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 comprehensive income(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 statement of profit or loss and comprehensive income 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 statement of profit or loss and comprehensive income 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 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 statement of profit or loss and comprehensive income.

Listing costs not related to the issue of new shares are recorded in the statement of profit or loss and comprehensive income.

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 statement of profit or loss and comprehensive income. 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 statement of profit or loss and comprehensive income.

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 statement of profit or loss and comprehensive income 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 statement of profit or loss and comprehensive income 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 statement of profit or loss and comprehensive income 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 statement of profit or loss and comprehensive income 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 from contracts with customers

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 statement of profit or loss and comprehensive income 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 statement of profit or loss and comprehensive income as cost.

Giglio TV HK and Media 360 HK reconsolidation

As reported in the Directors' Report as of 31 December 2019, amongst the "Significant Events After the End of the Fiscal Year", in March 2020 and in the following interim reports, in the context of the definitive exit from the Media sector, Giglio Group S.p.A. transferred its full shareholding in Giglio TV Hong Kong to a Chinese industrial group, against a payment of € 3.0 million, equal to the carrying value of the subsidiary, through the subscription of a relevant agreement. The transfer was regulated through the winding-up of the receivable that was due to Giglio Group S.p.A. by Giglio TV.

Upon subscription of the agreement, following a request from the purchaser, on 27 April 2020, the headquarters of Giglio TV and its Company Secretary were changed.

Subsequently, events that, to the reporting date, do not allow for the certain consideration of Giglio TV as external to the Group's scope for accounting purposes took place.

Indeed, as it emerged from in-depth analyses carried out in the first months of 2021 with a view to the Financial Statements' draft – also following the notice of a lawsuit against Giglio TV in 2021 for other reasons, deemed as "frivolous and vexatious" by the Hong Kong lawyer – the purchaser, who was prompted for this purpose also on September 2020, did not fulfil all required formalities, pursuant to local laws, for the registration of the shares' transfer.

The COVID-19 pandemic influenced said fulfilment, provoking in Hong Kong a harsh lockdown which lasted for the whole 2020 and due to which most offices remained closed and, to this day, have yet to recover their normal operation. For the same reason, the offices of the Company's accountants and financial auditors suffered from the same closures. In this context, another element of delay was the critical relationship between China and Hong Kong, which led, in May 2020, to new demonstrations, which cause most offices, transportation and roads to be closed. Hence, in light of the above, Giglio Group considered, as a conservative measure, with regard to the accounting sphere:

- To consolidate Giglio TV as of 31 December 2020;
- To reduce to zero in Giglio Group's Financial Statements as of 31 December 2020 the value of Giglio TV shareholding (equal to € 3.0 million) and of the receivable due by Giglio TV (equal to € 3.39 million), as well as to reduce the value of the shareholding in Giglio Shanghai by € 160,000. for a total write-down of € 6.56 million. These write-downs take into account also the results of Giglio TV's Financial Statements as of 31 December 2020 and do not have any effect on the Consolidated Financial Statements.

The net effect on the consolidated financial statements as of 31 December 2020 is as follows:

	Giglio TV HK Limited	Media 360 HK
NET EQUITY		
CURRENT ASSETS	**6**	**0**
Liquid assets	6	
TOTAL ASSETS	**6**	**0**
NON-CURRENT LIABILITIES	**0**	**0**
CURRENT LIABILITIES	**30**	**10**
Trade and other payables	30	10
TOTAL LIABILITIES	**30**	**10**
TOTAL NET EQUITY	**(24)**	**(10)**
TOTAL LIABILITIES + NET EQUITY	**6**	**0**

As shown in the table, the adjustments to the Consolidated Financial Statements are not significant.

Accounting standards, amendments and interpretations applied from 1 January 2020

Amendments to IFRS 3: Business definition

IFRS 3 amendments clarify that, in order for an integrated group of activities and assets to be considered a business, they must include at least one input and an underlying process that, together, can contribute significantly in the capacity to create an output. Moreover, it has been clarified that a business can exist without including all of the inputs and the processes required for creating an output. These amendments have had no impact on the Group's consolidated financial statements, but could have an impact on the future fiscal years were the Group to carry out business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest rates' benchmark reform

Amendments to IFRS 9 and IAS 39 provide for a number of practical devices that apply to hedging relationships that are directly affected by the reform of benchmark interest rates. An hedging relationship affected by the reform shall be subject to uncertainties with regard to the timing and entity of the cash flows based on the benchmark interest rate as far as the hedged instrument is concerned. These amendments have no impact on the Group's consolidated financial statements as the Group has no interest rates hedging operation currently in force.

Amendments to IAS 1 and IAS 8: Relevance definition

The amendments provide for a new definition of relevance, in which it is stated that a disclosure can be described as relevant if it is reasonable to assume that its omission, misstatement or concealment could change or influence the decisions that the main users of the financial statements drafted for general purposes takes on the basis of said statements, which provide for financial information regarding the specific entity that drafts said statements.

The relevance depends on the nature or extent of the disclosure, or on both. The entity shall assess whether the disclosure, taken on its own or in combination with other disclosures, is relevant in the context of the financial statements (considered as a whole) or not.

The disclosure is to be intended as concealed if it is disclosed in a way that produces a similar effect as that of the omission or misstatement of said disclosure to the main users of the financial statements.

These amendments have had no impact on the Group's consolidated financial statements, nor will they have any impact thereof.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard and none of the concepts contained therein shall take precedence over the concepts or the requirements of a standard. The aim of the Conceptual Framework is that of supporting IASB in developing accounting standards, helping those who draft them to develop homogeneous accounting policies where no standards can be applied due to specific circumstances, as well as supporting all involved parties in understanding and interpreting said standards.

The revised version of the Conceptual Framework includes some new concepts, provides for updated definitions and recognition criteria for assets and liabilities, as well as it clarifies some important concepts. These amendments had no impact on the Group's consolidated financial statements.

Amendment to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB published an amendment to IFRS 16 standard. The amendment allows a lessee not to apply IFRS 16 requirements on the accounting effects of the contractual amendments for the reduction of leasing fees granted by lessors as a direct consequence of COVID-19 pandemic. This amendment introduces a practical device according to which a lessee may choose not to assess whether the reductions of leasing fees are contractual amendments or not. Any lessee that chooses to use this device, shall account for these reductions as if they were not contractual amendments within the scope of IFRS 16.

The amendments can be applied to the financial statements whose accounting period begins from 1 June 2020 or after. Earlier adoption is permitted. The Company decided not to adopt the practical device which allows to disregard the requirements set forth in IFRS 16 on the accounting effects of the contractual amendments for the reduction of leasing fees granted by lessors as a direct consequence of COVID-19 pandemic.

Employment data

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

Workforce	31.12.2020	31.12.2019	Change
Executives	3	4	(1)
Managers	14	11	3
White-collar	66	82	(16)
Blue-collar	-	-	-
Others	-	-	-
Total	**83**	**97**	**(14)**

Over the course of 2020, 20 resignations were recorded. The new employees were hired in order to strengthen the sales and development business functions (staff), as well as to replace the roles left vacant from some of the resigning employees.

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 31.12.2020 **404**

Balance at 31.12.2019 **1,137**

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

Property, plant & equipment	Plant	Equipment	Furniture & fittings	EDP	Others	Total
Change in Acquisition Cost						
31 December 2019	**3,683**	**122**	**429**	**623**	**537**	**5,394**
Increases	-	-	-	181	3	184
Exchange differences and Reclassifications	-	(0)	-	-	36	35
Decreases	(139)	-	(98)	-	-	(237)
Disposals	-	-	-	-	-	-
31 December 2020	**3,544**	**122**	**331**	**803**	**575**	**5,376**
Change in Amortisations						-
31 December 2019	**(2,873)**	**(103)**	**(308)**	**(510)**	**(463)**	**(4,257)**
Depreciations	(23)	(6)	(38)	(60)	(34)	(162)
Other changes	(766)	-	-	-	-	(766)
Exchange differences and Reclassifications	-	-	-	-	(24)	(24)
Decreases	139	-	98	-	-	237
Disposals	-	-	-	-	-	-
31 December 2020	**(3,523)**	**(109)**	**(248)**	**(570)**	**(520)**	**(4,971)**
Net Book Value 31 December 2020	**21**	**13**	**83**	**233**	**55**	**404**

As of 31 December 2020, net decreases equal to € 733,000 are recorded, mainly ascribable for € 766,000 to the divestiture of servers and other plants by Giglio TV HK.

At the reporting date, the Company did not find any impairment indicator regarding the aforementioned Property, plant & equipment, which were included in the Net Invested Capital of the goodwill impairment test at TIER 1. For more information on the impairment procedure, see par. 4 – Goodwill.

2. Right-of-use assets

Balance at 31.12.2020 **952**

Balance at 31.12.2019 **1,903**

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

Right-of-use assets	Properties	Vehicles	Total
Change in Acquisition Cost			
31 December 2019	**3,734**	**134**	**3,868**
Additions	452	27	479
Exchange differences	(108)	108	-
Decreases	(1,723)	(14)	(1,737)
31 December 2020	**2,355**	**256**	**2,610**
Change in Amortisations			-
31 December 2019	**(1,893)**	**(71)**	**(1,964)**
Depreciations	(599)	(67)	(666)
Decreases	959	14	973
31 December 2020	**(1,533)**	**(125)**	**(1,658)**
Net Book Value 31 December 2020	**822**	**131**	**952**

The COVID-19 pandemic, which broke out during the course of the fiscal year, allowed for the reduction of rental contracts and for the development of smart-work logics, highlighting the possibility to reduce the size of the Company's offices and to terminate rental contracts. It follows that, during 2020, the following two factors were cause for decreases:

- Discounts on current leases in Milan, Genoa and Rome. These discounts were recorded as lease modifications, with consequent alignment of the RoU and of the financial payable.
- The withdrawal from one of the rental contracts of Milan's headquarters, from the contract of Ibox SA's Swiss headquarters and from the one of Giglio USA headquarters. Also in this case, the contractual amendments were recorded as lease modifications, and the RoU was aligned with the payable on the basis of the new duration.

At 31 December 2020, no impairment indicators existed and consequently an impairment test was not carried out relating to the above-mentioned RoU assets.

3. Intangible assets

Balance at 31.12.2020 **3,058**

Balance at 31.12.2019 **3,649**

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

Intangible Assets	Know-How	Development Costs	Development Activities	Other intangible assets	Total
Change in Acquisition Cost					
31 December 2019		**1,463**	**-**	**5,013**	**6,475**
Adjustment on previous year following PPA	1,164				1,164
Adjusted 31 December 2019	**1,164**	**1,463**	**-**	**5,013**	**7,640**
Reclassification capitalised costs		(1,463)	1,463	-	-
Additions			298	204	502
Exchange differences and Reclassifications			81	(118)	(38)
Decreases			-	-	-
Disposals			-	(289)	(289)
31 December 2020	**1,164**	**-**	**1,841**	**4,810**	**7,815**
Change in Amortisations					
31 December 2019			**-**	**(3,953)**	**(3,953)**
Adjustment on previous year following PPA	(38)				
Adjusted 31 December 2019	**(38)**	**-**	**-**	**(3,953)**	**(3,991)**
Depreciations	(225)		(327)	(495)	(1,048)
Exchange differences and Reclassifications			(80)	74	(7)
Decreases			-	-	-
Disposals			-	289	289
31 December 2020	**(263)**	**-**	**(408)**	**(4,086)**	**(4,757)**
Net Book Value 31 December 2020	**901**	**-**	**1,434**	**724**	**3,058**

Other intangible fixed assets refer to trademarks, software and know-how.

Throughout 2020, the Company completed the allocation process for the goodwill of E-Commerce Outsourcing S.r.l.'s acquisition, which took place on 2019 Q4 and whose difference had been temporarily attributed to goodwill and only later allocated with the support of an external expert. Upon allocation of the goodwill, it was found that the technical skills of E-Commerce Outsourcing S.r.l. represent a key feature ensuring a turnover development for the acquired company, driven by its capacity to implement e-commerce platforms. As such, the amount of € 1,164,000 was recorded as "Know-how".

With regard to the useful life, international accounting standards purport that many factors must be considered and, in particular:

- The expected use by the Company;
- The life cycles of the product, different for each business line, or the public information of estimated life cycles for similar business lines;
- The technical, technological or other kind of obsolescence;
- The stability of the company that uses the asset, along with the changes in products' or services' demand supplied by the asset itself;
- The actions expected to be undertaken by the competition or the potential competition;
- The level of maintenance costs required to obtain the economic benefits expected of the asset, as well as the ability of the company to reach said maintenance levels;
- The control period, that is the existence of legal rights or limitations for the asset that limit its use;
- The dependence of the useful life on the useful life of other assets.

By taking into account the aforementioned factors, the useful life of the Know-how was assessed, as a conservative estimate, to 62 months starting from 31 October 2019. For this reason the depreciations related to 2019, equal to € 38 million, were recorded directly into the net equity. In 2020, the depreciations amount to € 225,000.

At 31 December 2020, additions of € 0.5 million, mainly concerning the acquisition costs for software assets (€ 0.2 million) and internal development costs (€ 0.3 million) for the implementation of the IT platform designed to manage the online sales in the e-commerce B2C and B2B2C division's context were recorded.

The development costs on the platform have been amortised starting from 1 January 2020 and for six years on the basis of the assessed useful life for the developed platform, while other intangible fixed assets will be amortised by using a 20% rate, since their reasonable useful life is assessed at 5 years.

Over the course of 2019, following the establishment of subsidiary Media 360 HK, a nominal value of € 2,000,000 worth of TV rights previously inscribed to Giglio TV HK was transferred, as per agreement for the transfer of the Media Arta to Vertice 360. Over the course of 2020, the counterparty collected the TV rights files, which are thus deemed as delivered as of the reporting date.

In accordance with IAS 36, an assessment was made of any impairment indicators relating to existing intangible assets within the scope of the procedure described in par. 4 – Goodwill.

4. Goodwill

Balance at 31.12.2020	**12,353**
Balance at 31.12.2019	**13,960**

Goodwill includes:

- € 7,595,000 related to the goodwill arising from the acquisition of the Ibox Group in April 2017;
- € 2,477,000 related to the acquisition of Giglio Fashion in March 2016.
- € 2,281,000 related to the acquisition of E-Commerce Outsourcing S.r.l. in October 2019. The balance at 31 December 2019 of said amount was adjusted with regard to the one approved in light of the completion of the PPA, from which it was found that the technical skills of E-Commerce Outsourcing S.r.l. represent a key feature ensuring a turnover development for the acquired company, driven by its capacity to implement e-commerce platforms. As such, the amount of € 1,164,000 was recorded as "Know-how" (Intangible asset with finite life). By taking into account the fiscal effect of € 325,000 regarding the tax write-off of future amortisations, the goodwill allocated to intangible assets amounts to € 839,000. The non-allocated goodwill, calculated on a residual basis, amounts to € 2,281,000.

As of 31 December 2020, on the basis of the impairment tests carried out, the writedown of Giglio Fashion's goodwill is recorded, which was calculated, as a conservative estimate, on the basis of a sensitivity analysis that used a revenues' growth rates drop of 10% year on year, with consequent 1% drop of the execution risk that composes the WACC.

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 of the last two forecast years instead of the operating cash flow of the last explicit forecast year.

The discount rate applied was the adjusted WACC at 15.38%.

The 2021-2025 multi-annual Industrial Plan was approved by the Directors on 03 March 2021.

TIER 1

The Tier 1 (consolidated level) shows that, upon a Net Capital Invested of € 13.5 million, the consolidated enterprise value amounts to € 23.4 million (of which € 9.1 million resulting from the discounting of flows from explicit forecast and € 14.3 million from the terminal value).

Subsequently, the Tier 1 (verification of the value of use of the fixed assets recorded in the consolidated financial statement at about € 17.4 million) gave positive results against a headroom of € 9.9 million.

At 31 December 2019, these figures were represented as follows:

The Tier 1 (consolidated level) showed that, upon a Net Capital Invested of € 11.3 million, the consolidated enterprise value amounted to € 44.7 million (of which € 20.3 million resulting from the discounting of flows from explicit forecast and € 24.2 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 € 14.8 million) had given positive results against a headroom of € 33.5 million.

TIER 2 – B2C

The Tier 2 of B2C CGU (Business to Consumer) shows that, upon a Net Capital Invested of € 10.1 million, the enterprise value amounts to € 13.4 million (of which € 5.8 million resulting from the discounting of cash flows from explicit forecast and € 7.6 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 € 9.9 million) gave positive results against a headroom of € 3.4 million, of which € 0.2 ascribable to Ibox goodwill and € 3.2 to Terashop.

At 31 December 2019, these figures were represented as follows:

The Tier 2 of B2C CGU (Business to Consumer) showed that, upon a Net Capital Invested of € 6.8 million, the enterprise value amounted to € 20.6 million (of which € 11.8 million resulting from the discounting of cash flows from explicit forecast and € 8.8 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 € 10.6 million) had given positive results against a headroom of € 13.9 million.

TIER 2 – B2B

The Tier 2 of B2B CGU (Business to Business) shows that, upon a Net Capital Invested of € 5.7 million, the enterprise value amounts to € 5.3 million (of which € 2.5 million resulting from the discounting of cash flows from explicit forecast and € 2.8 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) shows a negative spread of € 0.4 million, forcing the consequent write-down of the goodwill recorded in the Financial Statements as of 31 December 2020.

At 31 December 2019, these figures were represented as follows:

The Tier 2 of B2B CGU (Business to Business) showed that, upon a Net Capital Invested of € 3.7 million, the enterprise value amounted to € 19.3 million (of which € 7.5 million resulting from the discounting of cash flows from explicit forecast and € 11.8 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) had given positive results against a headroom of € 15.6 million.

Sensitivity analysis and stress test

From the sales analyses of 2021 Q1, a substantial stability of the CGU B2C and a slowdown of the CGU B2B were recorded, mainly ascribable to resettlements in goods deliveries to the clients, which are considered to be widely recoverable over the course of the year. Nevertheless, taking into account the B2B sector more specifically, the sensitivity analysis with revenues' growth rates drop of 10% year on year, with consequent 1% drop in execution risk, records for the goodwill a further negative conservative amount of € -1.17 million. As a consequence, the item, related to Giglio Fashion, was written-down of said amount. Overall, the B2B write-downs recorded in the Financial Statements as of 31 December 2020 amount to € 1.6 million (€ 0.4 million for impairment and € 1.17 million for the sensitivity analysis).

5. Investments

Balance at 31.12.2020 **8**

Balance at 31.12.2019 **7**

The account at 31 December 2020 equal to € 8,000 mainly includes the investment consequent to the Joint Venture, together with Acque Minerali Italiane, of the company Cloud Food S.r.l under liquidation in March 2018. This investment (held at 51%) 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. It is noted that the company, as of 31 December 2020, is not operative and no transaction has been carried out with Giglio Group S.p.A..

6. Receivables and other non-current assets

Balance at 31.12.2020 **663**

Balance at 31.12.2019 **835**

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

Receivables and non-current assets	31.12.2020	31.12.2019	Change
Guarantee deposits	210	203	7
Others	453	632	(179)
Total	**663**	**835**	**(172)**

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 "Others" account mainly refers for € 143,000 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,and for € 300,000 to the down-payment disbursed for the acquisition of a participation in the company Salotto di Brera.

7. Deferred tax assets

Balance at 31.12.2020	**829**
Balance at 31.12.2019	**783**

The item, equal to € 829,000 at 31 December 2020, refers mainly to the deferred taxes calculated on the tax losses of the Parent Company on 2017 (€ 514,000), following which, on a prudent basis, have not been provisioned, to the tax effect of the write-down of receivables (€ 101,000).
The deferred tax assets are expected to be reabsorbed by future assessable income deriving from the business plan.

8. Inventories

Balance at 31.12.2020	**1,754**
Balance at 31.12.2019	**1,861**

The inventories of the Group comprise finished products for sale.
At 31 December 2020 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 2020, the obsolescence provision was equal to € 43,000 and no further provision was made. Instead, part of the obsolescence provision (€ 139,000) was released as the risk of unsold items disappeared.
For a better understanding of the calculation methods used for the write-down provision shown above, please refer to Note D. Discretional valuations and significant accounting estimates, also in light of the COVID-19 pandemic.

9. Trade receivables

Balance at 31.12.2020	**9,951**
Balance at 31.12.2019	**12,179**

The breakdown of the account is as follows:

Trade and other receivables	31.12.2020	31.12.2019	Change
Trade receivables	9,566	11,377	(1,811)
Advances to suppliers	1,662	1,931	(269)
Guarantee deposits	73	111	(38)
Other receivables	43	202	(159)
Provision for doubtful accounts	(1,393)	(1,441)	48
Total	**9,951**	**12,179**	**(2,228)**

The supplier advances of B2B e-commerce division relate to advances on orders of the PE and AI 2021 collection.

The geographic breakdown of gross trade receivables at 31 December 2020 and 31 December 2019 are as follows:

(Euro thousands)	**Year ended at 31 December 2020**	**%**	**Year ended at 31 December 2019**	**%**
Europe	6,098	*84.3 %*	7,631	*90.1 %*
Asia	*190*	*2.6 %*	*93*	*1.1 %*
USA	*915*	*12.7 %*	*719*	*8.5 %*
Rest of the world	*29*	*0.4 %*	*25*	*0.3 %*
Total gross receivables	**7,231**	***100.0 %***	**8,468**	***100.0 %***
Provision for doubtful accounts	*(1,393)*		*(1,441)*	
Total	**5,838**		**7,027**	

The ageing of the gross trade receivables at 31 December 2020 and 31 December 2019 is shown below:

(Euro thousands)	**Year ended at 31 December 2020**	**%**	**Year ended at 31 December 2019**	**%**
> 120 days	1,474	*20.4 %*	1,014	*12.0 %*
90<> 120 days	*582*	*8.1 %*	*440*	*5.2 %*
60<> 90 days	*269*	*3.7 %*	*374*	*4.4 %*
30<> 60 days	*323*	*4.5 %*	*450*	*5.3 %*
0<> 30 days	*1,048*	*14.5 %*	*909*	*10.7 %*
Total overdue	***3,695***	***51.1 %***	***3,187***	***37.6 %***
Not overdue	*3,536*	*48.9 %*	*5,280*	*62.4 %*
Total gross receivables	**7,231**	***100.0 %***	**8,468**	***100.0 %***
Provision for doubtful accounts	*(1,393)*		*(1,441)*	

Inc. provision on overdue 120 days	*(94.5)%*	*(142.1)%*
Total	**5,838**	**7,027**

By applying the ECL, as combination between the age of the receivables and the creditor riskiness, in 2020, to a greater age of the receivables a minor riskiness is coupled, thus entailing a minor impact on the doubtful accounts provision on receivables expired from more than 120 days.

The changes in the provision for doubtful accounts are as follows:

Provision for doubtful accounts (Euro thousand)	
Balance at 31 December 2019	**1,441**
Provisions	158
Releases	(206)
31 December 2020 Balance	**1,393**

The provision for the year amounting to € 158,000 predominantly refers to the subsidiaries Giglio USA and E-Commerce Outsourcing S.r.l., 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 provision for doubtful accounts 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, applying to each grouping a specific write-down percentage. Further details on the applied methodology may be viewed in this section.

10. Financial receivables

Balance at 31.12.2020	**2**
Balance at 31.12.2019	**3,523**

The account consists in the countervalue of no. 500 shares of Vértice Trescientos Sesenta Grados SA, Spanish company listed in Madrid's main stock-exchange market. The value at 31 December 2019 refers to the countervalue of no. 1,136,363,620 shares with a level-1 fair value calculated on the stock-exchange market value as of 31 December 2019. The sale of Vértice Trescientos Sesenta Grados SA's shares generated a capital gain of € 133,000 in 2020.

11. Tax receivables and deferred tax assets

Balance at 31.12.2020 **1,061**

Balance at 31.12.2019 **6,367**

The breakdown of tax receivables is shown below:

Tax receivables	31.12.2020	31.12.2019	Change
IRES	545	330	215
IRAP	146	131	15
Withholding taxes	3	2	1
INPS	-	3	(3)
INAIL	-	2	(2)
VAT	273	5,472	(5,199)
Others	94	427	(333)
Total current tax receivables	**1,061**	**6,367**	**(5,306)**

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

The decrease of the year refers mainly to the VAT credit refunds that took place on 15 January 2020 (€ 3.2 million) and on 25 February 2020 (€ 0.3 million).

12. Other assets and other current receivables

Balance at 31.12.2020 **2,310**

Balance at 31.12.2019 **2,220**

Other assets	31.12.2020	31.12.2019	Change
Other assets	56	14	42
Prepayments and accrued income	2,254	2,206	48
Total	**2,310**	**2,220**	**90**

Prepayments and accrued income mainly relate:

- for € 1,435,000 to the subsidiary Ibox SA: they concern the relative installations for the use of management software for the years 2021 and thereafter invoiced in advanced.
- for € 480,000, 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;

13. Cash and cash equivalents

Balance at 31.12.2020 **5,085**

Balance at 31.12.2019 **2,991**

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

Cash and cash equivalents	31.12.2020	31.12.2019	Change
Bank and short-term deposits	5,081	2,986	2,095
Cash on hand	4	5	(1)
Total	**5,085**	**2,991**	**2,094**

The increase in Cash and Cash Equivalents of 2020, if compared to the previous year, is due to the capital increase for € 515,000 and the transfer of Vertice 360 shares that took place in the second half of December 2020 for € 1,440,000. There are no limitations to the free use of the funds or costs related to their use.

LIABILITIES

14. Equity

The share capital at 31 December 2020 consists of 20,746,475 ordinary shares, without express nominal value.

The changes in 2020 are due to:

- Allocation of the consolidated result at 31 December 2019, equal to € -15.796.000;
- Recognition of IAS 19 actuarial loss equal to € 36,000;
- Capital increase via funding conversion by the majority shareholder, Meridiana Holding S.r.l., for € 4,131,000, of which € 419,000 at nominal value and € 3,712,000 at share premium (this is a Transaction of Major Importance with related parties, for more information on the relationship between the Company and Meridiana Holding S.r.l., see par. 35 - Transactions with subsidiaries and related parties; moreover, with regard to the transactions of major importance with related parties, see chapter 2 of the Information Document prepared pursuant to Art. 5 of the Regulation adopted by Consob with resolution no. 17221 on 12 March 2010, available on the authorised storage mechanism www.emarketstorage.it and on the Company’s website www.giglio.org in the “Corporate Governance/Shareholders’ Meeting/Shareholders’ Meeting 12 November 2020”, together

with the opinion of the Internal Control, Risks and Related-Parties Committee.); Funding conversion by Antonio Lembo, related party (CEO of E-Commerce Outsourcing S.r.l.), fro € 160,000, of which € 16,000 at nominal value and € 144,000 at share premium; Paid capital increase through accelerated book-building procedure for € 515,000, of which € 52,000 at nominal value and € 463,000 at share premium;

- Recognition of exchange differences equal to € -20,000;
- Consolidated result for the period equal to € -2.6 million.

15. Provisions for risks and charges

Balance at 31.12.2020	**155**
Balance at 31.12.2019	**211**

As of 31 December 2020, the account mainly includes the provision for returns ascribable to Ibox SA for € 121,000, as well as the risk provision set up by the Parent Company in order to cover any loss generated by Giglio TV HK (€ 24,000) and Media 360 HK (€ 10,000).

16. Post-employment benefit provisions

Balance at 31.12.2020	**730**
Balance at 31.12.2019	**713**

As of 31 December 2020, the Post-employment benefit provision amounts to € 713,000, and its movements are as follows:

(Euro thousands)	
Post-employment benefit provision at 31.12.2019	**713**
Provisions 2020	203
Advances/Util.	(151)
Actuarial gains (losses)	(44)
Net Interest	8
31 December 2020 Balance	**730**

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

- probability of elimination for death: ISTAT table 2019 (source ISTAT – 2020 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 and as provided for by Legislative Decree no. 4 of 2019, hypothesising the workers' exit from the service upon achievement of the first useful right;
- annual inflation rate: 0.6% for 2021, 1.1% for 2022 and 1% for 2023 (source: *"Update of 2020 Economic and Finance Document"*); from 2024 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 as of 31 December 2020 of AA securities issued by corporate issuers in the Eurozone and based on the average residual duration of the Post-employment benefit as of 31 December 2019; therefore, considering that the average residual duration of the liabilities was equal to 16 years, the annual nominal discount rate assumed in the valuation was 1% (1.4% as of 31 December 2019).

The sensitivity analysis on the discount rate was applied by using a rate that was respectively lower and higher than 1% by half a percentage point. Valuation results based on the rate of 0.5% and 1.5% (Euro thousands) are shown in the table below:

(amount in €/000)	Rate -0.5%	Rate +0.5%
DBO	791.2	673.9

Moreover, it is worth noting that the updating of demographic assumptions with respect to 31 December 2019 (concerning only the probability of elimination due to death) produced only a slight effect on actuarial results (€ +0.1 thousand), while the updating of the discount rate (1% instead of the 1.4% adopted at 31 December 2019) resulted in a € 19.5 thousand increase in the DBO.

17. Deferred tax liabilities

Balance at 31.12.2020	**387**
Balance at 31.12.2019	**318**

As of 31 December 2020, the deferred tax provision amounts to € 387,000. This balance mainly includes the tax effect following the application of the PPA on the acquisition of E-Commerce Outsourcing, which took place in October 2019, as described in "Business combinations". The balance at 31 December 2019 of said amount was adjusted with regard to the one approved in light of the completion of the PPA for the goodwill, which took place in 2020.

18. Current and non-current financial liabilities

Balance at 31.12.2020	**16,279**
Balance at 31.12.2019	**22,803**

The financial liabilities are illustrated in the table below:

Financial payables	31.12.2020	31.12.2019	Change
Current	4,096	19,017	(14,921)
Non-current	12,183	3,786	8,397
Total	**16,279**	**22,803**	**(6,524)**

Other than reducing the Group's financial debt in absolute terms, 2020 also saw the beginning of a process of debt restructuring in favour of medium/long-term debts for Meridiana (related party) instead of short-term debts for financial institutions.

The Group started negotiations with some of the major credit institutions in order to make use of the possibility to suspend the payment of the instalments of the outstanding mortgages (so-called moratorium) pursuant to Art. 56 of Legislative Decree 18/2020 ("Heal Italy" decree), renewed by Art. 65 of Legislative Decree 104/2020 (the so-called "August Decree") and extended by Art. 1, par. 248 of the Budget Law 2021 (Law no. 178 of 30 December 2020). Following the latest extension, the suspension terms agreed with the credit institutions in April 2020 have been moved to 30 June 2021. Therefore, in 2020 the Company benefited, on a cash basis, from minor reimbursements of deferred instalments, for a total of about € 2.7 million. In compliance with the IFRS 9 accounting

standard, the so-called “10% test” was carried out on said loans (already recorded according to the amortised cost criteria) in order to assess the materiality or lack thereof of the renegotiation and to identify the resulting accounting effects. Each single test had a positive outcome, hence the liability’s derecognition was not necessary.
This allowed, in the first half-year, the Group to invest resources in the supply of PPEs. Over the last quarter, the related-parties long-term payables was converted to Equity by 80%.

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

Current financial liabilities	31.12.2020	31.12.2019	Change
Loans (current portion)	1,852	2,656	(805)
Total current loans	**1,852**	**2,656**	**(805)**
Advances on invoices/Credit Lines	824	6,603	(5,779)
Bank overdrafts	2	7	(5)
Earn-out	12	1,545	(1,533)
Rental liabilities	414	741	(327)
EBB bond	500	4,759	(4,259)
Minibond	-	1,373	(1,373)
Liability acquired minority share G-TV	-	931	(931)
Payables towards related parties	493	402	91
Total	**4,096**	**19,017**	**(14,921)**

The current financial liabilities relate to:

- Short-term portion of unsecured loans and the "EBB Export Programme" bond;
- The self-liquidating credit lines as advances on invoices;
- Current portion of payables to related-parties in USD. For more information, see par. 35 - Transactions with subsidiaries and related parties.

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

Non-current financial liabilities	31.12.2020	31.12.2019	Change
Loans	6,874	607	6,267
EBB bond	4,304	-	4,304
Rental liabilities	587	1,153	(565)
Payables to related parties	417	1,698	(1,281)
Others	-	328	(328)
Total	**12,183**	**3,786**	**8,397**

The non-current financial liabilities relate to:

- Long-term unsecured loans;
- Non-current portion of payables to related-parties in USD. For more information, see par. 35 - Transactions with subsidiaries and related parties.
- EBB bond. On 2 April 2019, the company issued a non-convertible bond of € 5 million in principal, made up of 50 bearer bonds with a denomination per unit of € 100,000.00 each, with the following conditions:
    - Subscribers: the Bond was fully subscribed by the SPV;
    - Listing: the Bonds shall not be listed on any regulated market nor on any MTF;
    - Terms of issue: the Bonds shall be issued in a single tranche;
    - Issue price: the issue price amounts to 100% of the Bonds' nominal value;
    - Interests: the Obligations shall be interest-bearing at the fixed nominal gross annual rate of 4.572%, to be paid with a semi-annual coupon postponed;
    - Legal duration and expiration: the Bonds shall have a legal duration of 8 years and 6 months and the expiration date is set at the last interests' payment date of 2027;
    - Reimbursement: the Bonds shall be redeemed at par, i.e. at 100% of their nominal value, pursuant to the amortisation plan set forth in the regulation, with 13 semi-annual capital instalments, with a grace period of 2 years;
    - On 11 March 2020, EBB S.r.l., the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data (31.12.2019), with retroactive effect at 31 December 2019, since the company was not respecting to that date the parameters set forth in the same covenants.
    - On 30 June 2020, EBB S.r.l., the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data of 30 June 2020 and 31 December 2020;
    - The Company request a new suspension of the financial covenants thresholds with regard to the test date of 30 June 2021.

Moreover, the financial liabilities also include those payables related to liabilities for operating leasing resulting from the application of the IFRS 16 accounting standard.

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 01.01.2020**	**Cash flow**	**Value at 31.12.2020**
Non-current financial liabilities	2,633	8,962	11,596
Current financial liabilities	18,276	(14,594)	3,682
Total liabilities from financing activities	**20,909**	**(5,632)**	**15,278**

The following table summarises the loans of the Giglio Group S.p.A. as of 31 December 2020 and highlights the amounts due within and beyond one year:

SITUATION AT 31/12/2020
Company Giglio Group S.p.A.
SITUATION AT 31/12/2020
Company Giglio Group S.p.A.
(Euro thousands)

Bank	Interest rate	Loan amount	Date of subscription	Outstanding debt at 31/12/2020	Expiration	0<>12 months	1 year<>2 years	2 year<>3 years	More than 3 years
BANCA DI SONDRIO									
Unsecured loan, MCC guarantee	3.50%	1,200	30/09/2015	65	31/03/2021	65	-	-	-
INTESA									
Unsecured loan no. 0IC1047064869	Euribor 1 month + 2% spread	1,000	28/06/2017	477	28/10/2023	101	204	173	-
BANCA POP di BERGAMO									
Unsecured loan no. 004/01187014	2.1%	600	29/07/2016	78	29/10/2021	78	-	-	-
CREDEM									
Loan no. 052/7059285, MCC guarantee	0.72%	700	21/06/2016	59	21/10/2021	59	-	-	-
CARIGE									
Loan no. 11597713	1.65%	550	23/11/2020	546	31/10/2026	22	134	137	252
BancoBPM									
Loan no. 11597713	Euribor 1 month + 2.1% spread	2,000	23/11/2020	1,991	23/11/2026	201	351	358	1,081
UNICREDIT									
Unsecured loan no. 8426426	5.90%	5,000	23/01/2020	4,954	31/10/2023	942	1,969	2,043	-
TOTAL Giglio Group	-	**11,050**		**8,170**		**1,469**	**2,658**	**2,710**	**1,333**

		Overall Total		**8,170**		**1,469**	**2,658**	**2,710**	**1,333**

19. Trade payables

Balance at 31.12.2020 **13,591**

Balance at 31.12.2019 **20,623**

Trade payables	31.12.2020	31.12.2019	Change
Customer advances	682	1,053	(371)
Supply of goods and services	12,840	19,403	(6,563)
Credit notes to be issued	69	167	(98)
Total	**13,591**	**20,623**	**(7,032)**

The account change if compared to 31 December 2019 must be ascribed to the exploitation of the increased cash and cash equivalents generated during 2020 in order to reduce the indebtedness of current suppliers.

The breakdown of trade payables is shown below:

(Euro thousands)	**Year ended at 31 December 2020**	**Year ended at 31 December 2019**
Trade payables	13,591	20,489
- of which overdue beyond 60 days	*4,034*	*5,080*
- % overdue payables on total	*29.7 %*	*24.8 %*

As of the date of this report, no injunctions have been received.

20. Tax payables

Balance at 31.12.2020 **3,219**

Balance at 31.12.2019 **4,108**

Tax payables	31.12.2020	31.12.2019	Change
Withholding taxes	261	309	(48)
Foreign VAT	2,176	2,257	(81)
Income taxes	630	1,345	(715)
Social security institutions	152	197	(45)
Total	**3,219**	**4,108**	**(889)**

Tax payables relate to:

- withholding taxes and taxes related to the normal operating activities of the company for € 261,000;

- VAT accrued by the consolidated Ibox payable to foreign countries in which it performs its business through specific tax representation. Every country in which the Group has a fiscal representation has a different expiration, which may be of one, two or three months, and on said term, the payments are made.
- social security institutions for € 152,000.

21. Other current liabilities

Balance at 31.12.2020 **3,743**

Balance at 31.12.2019 **4,272**

Other current liabilities	31.12.2020	31.12.2019	Change
Employee payables	555	614	(59)
Prepayments and accrued expenses	500	784	(284)
Other payables	2,688	2,874	(186)
Total	**3,743**	**4,272**	**(529)**

The account "Other payables" comprises the residual part of the payables following the agreement for the transfer of the media area assets of Giglio Group to Vertice 360, reclassified to the Provisions for risks and charges, as described in Note 15. For more information, see Note 33. Commitments, guarantees and contingent liabilities

NOTES TO THE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

22. Revenues from contracts with customers

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

	31.12.2020	31.12.2019	Change
Revenues from sales and services	41,291	37,737	3,554
Other revenues	696	1,009	(313)
Total	**41,987**	**38,746**	**3,241**

At 31 December 2020 revenues from sales and services amounted to Euro 42 million compared to Euro 38.7 million at 31 December 2019.

Revenues from contracts with customers both cover the B2B division, where they amount to € 28.6 million, and the B2C division, amounting to € 13,4 million. While in the B2B segment the Group's companies perform the role of Principal, in the B2C segment, 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. For more information on the revenues' division within the respective segments, see paragraph 4 of the Directors' report.

The revenues include € 10.4 million (with a margin of about 25%) related to the turnover of Giglio Salute division, which was created following the outbreak of the COVID-19 pandemic with the purpose of handling PPEs through the Group's e-commerce platforms and its commercial network in China.

23. Increases in assets due to own work

The capitalised costs are internally generated intangibles assets due to development activities carried forward by Giglio Group employed personnel; at 31 December 2020, those amounted to € 0.3 million, as already reviewed in the context of the dedicated paragraph regarding intangible fixed assets.

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

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

	31.12.2020	31.12.2019	Change
Costs of goods	22,344	17,380	4,964
Consumables	40	41	(1)
Total	**22,384**	**17,421**	**4,963**

The account mainly includes the costs borne by the B2B division of Giglio Group. The increase over the previous fiscal year is mainly due to Gigli Salute division and the subsidiary E-Commerce Outsourcing S.r.l., which had been consolidated only for a quarter in the previous fiscal year.

25. Service costs

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

	31.12.2020	31.12.2019	Change
Agents	2,359	3,595	(1,236)
Other service costs	305	209	96
Insurance	141	139	2
Bank, postal & collection commissions	1,038	1,060	(22)
Directors, statutory auditors and supervisory board fees	411	300	111
Consulting	2,817	3,439	(622)
Administrative costs	605	1,284	(679)
Customer service	547	512	35
Warehousing	481	486	(5)
Maintenance	22	14	8
Advertising, promotions, shows and fairs	151	341	(190)
Cleaning and surveillance	23	39	(16)
Transport & shipping	2,913	2,532	381
Utilities	233	166	67
Web marketing	210	379	(169)
Sales representatives	78	269	(191)
Total	**12,334**	**14,764**	**(2,430)**

The account principally refers to:

- The B2B division: transport and shipment service costs for € 1 million; warehousing costs for € 0.4 million and agents for € 0.3 million;

- The B2C division: agents costs for € 2.1 million, transport and shipping for € 1.8 million, bank commissions for € 0.9 million and customer services for € 0.5 million. The decrease is mainly due to agents commissions, which dropped because connected to some brands whose turnover in turn decreased, offset by the increase of other brands to which no agents commissions are applied; moreover, the COVID-19 pandemic caused the temporary shutdown of the logistics of some brands, bringing to a reduction of the B2C division's activities.

Consulting and administrative/IT costs mainly refer to the corporate and the Ibox Group divisions.

26. Rent, lease and similar costs

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

	31.12.2020	31.12.2019	Change
Rental	23	115	(92)
Hire	38	100	(62)
Operating leases	32	37	(5)
Total	**93**	**252**	**(159)**

The Rent, lease and similar costs refer to the lease of capital goods whose value is less than € 5,000, as well as to rentals whose duration is inferior to 12 months, thus being exempt from the IFRS 16 standard.

27. Payroll expenses

The breakdown of payroll expenses is as follows:

	31.12.2020	31.12.2019	Change
Salaries and wages	3,978	3,303	675
Social security charges	931	761	170
Post-employment benefits	217	151	66
Total	**5,126**	**4,215**	**911**

Payroll expenses increase for a total of € 0.9 million if compared to 31 December 2019.

The increase is mainly due to the subsidiary E-Commerce Outsourcing S.r.l., that had been consolidated only for a quarter in 2019. By taking into account the same scope if compared to 2019, the Group recorded a reduction in payroll expenses of € 440,000.

28. Amortisation, depreciation & write-downs

The breakdown of the account is shown below:

Amortisation, depreciation & write-downs	31.12.2020	31.12.2019	Change
Amortisation intangible assets	1,048	512	536
Amortisation tangible fixed assets	828	1,295	(467)
Write-downs (Revaluations)	2,401	(20)	2,421
Total	**4,277**	**1,787**	**2,490**

With regards to item "Amortisation", see Notes in paragraph 1 ("Property, plant & equipment"), 2 ("Right of use assets")and 3 ("Intangible Fixed Assets") respectively.

The increase in the period is mainly due to the depreciation of the Know-how arising from the PPA related to the acquisition of E-Commerce Outsourcing S.r.l.. The balance at 31 December 2019 of said amount was adjusted with regard to the one approved in light of the completion of the PPA for the goodwill, which took place in 2020, and of the restatement of 2019 balances.

Other than losses on receivables for uncollectible receivables and doubtful accounts provisions, reported in Note 9, "Trade and other receivables", the write-downs include write-down cause by the impairment test on Giglio Fashion's goodwill, recorded in the financial statement following its acquisition for € 1,607,000. For more information, see par. 4 – Goodwill.

29. Other operating costs

The breakdown of the account is shown below:

	31.12.2020	31.12.2019	Change
Other taxes	27	16	11
Other charges	110	390	(280)
Penalties and fines	82	24	58
Prior year charges	25	60	(35)
Total	**244**	**490**	**(246)**

The account "Other operating costs" as of 31 December 2020 is partially due to fees for delays in the payment of VAT in the countries where Ibox SA is represented.

30. Financial income and charges

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

Financial income and charges	31.12.2020	31.12.2019	Change
Interest income on bank accounts	(12)	1	(13)
Incomes arising from waiver of earn-out	600	-	600
Incomes on transfer of securities	333	-	333
Other interest	-	-	-
Exchange gains	621	23	598
Financial income	**1,542**	**24**	**1,518**
Interest payable on current bank accounts	24	8	16
Other interest payable	234	119	115
Interest payable on invoice advances and factoring	80	66	14
Interest payable on mortgage loans	324	492	(168)
	186	2	184
Interest payable on bond loans	263	294	(31)
Bank charges	108	185	(77)
SIMEST financial charges	20	41	(21)
IFRS 16 financial charges	36	52	-
Exchange losses	289	354	(65)
Financial charges	**1,564**	**1,613**	**(49)**
Total	**(22)**	**(1,589)**	**1,567**

The financial incomes increased by € 600,000, if compared to the previous year, following the unilateral waiver of part of the earn-out, as described in the Note "Business combinations"; by € 581,000 for exchange incomes calculated on the funding with the related party Meridiana stipulated in USD and by € 133,000 following the capital gain on the transfer of Vertice 360 securities.

The financial expenses decreased if compared to 31 December 2019, mainly due to the smaller exchange losses regarding the specific asset.

31. Income taxes

The breakdown of income taxes is as follows:

Income taxes	31.12.2020	31.12.2019	Change
Current taxes	(270)	(823)	553
Deferred taxes	(14)	(353)	339
Total	**(284)**	**(1,176)**	**892**

Income taxes amount to € 0.3 million (€ 0.8 million at 31 December 2019). Over the course of 2020, Giglio Group and its subsidiary E-Commerce Outsourcing S.r.l. entered into an agreement aimed at governing their relationship arising from the exercise of the option for the National Consolidated Tax Regime over the 2020-2022 period, following Art. 117 and 129 of the TUIR, as set forth in Presidential Decree no. 917 of 1986.

The change recorded in deferred taxes at 31 December 2019 mainly refers to the release of deferred taxes regarding the obsolescence provision, the deferred taxes regarding the use of the Economic Growth Aid (ACE) allocated in the previous years and the allocation of deferred taxes on unrealised exchange incomes. All negative effects mentioned above are offset by the release of the share of the deferred tax liabilities related to the tax effect of the application of the PPA in the acquisition of E-Commerce Outsourcing S.r.l.. The balance at 31 December 2019 of said amount was adjusted with regard to the one approved in light of the completion of the PPA for the goodwill, which took place in 2020, and of the restatement of 2019 balances.

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

	31.12.2020						
	Giglio Group	IBOX SA	Giglio USA	Giglio TV HK	Media 360 HK	Giglio Shanghai	E-Commerce Outsourcing S.r.l.
Pre-tax result	(8,386)	(1,266)	(220)	1,345	(10)	(25)	764
Theoretical tax charge	-	-	-	222	-	-	(213)
Effective tax charge	36	(104)	2	-	-	-	(204)
Deferred taxes	(69)	(5)	-	-	-	-	(3)
Net result	(8,419)	(1,375)	(219)	1,345	(10)	(25)	557
Theoretical tax rate	27.9%	19.0%	34.0%	16.5%	16.5%	34.0%	27.9%
Effective tax rate	0.4%	-8.2%	0.7%	0.0%	0.0%	0.0%	26.7%

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	5
A. Lezzi	22

G. Mosci	14
Y. Zhao	4
M. Mancini	5
S. Olivotto	36
F. Gesualdi	13
M. Belloni	8
Total	**307**

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

Over the course of the year, C. Micchi, G. Mosci, Y. Zhao and M. Mancini resigned from their offices, while F. Gesualdi and M. Belloni were appointed.

With regard to the remuneration of directors or managers considered to be related-parties of the Company, see the annual Remuneration Policy Report, created pursuant to Art. 123-ter of the CFA and to Art. 84-quarter of the Issuers Regulation, which shall be disclosed pursuant to the law and the By-laws.

The following statement, drafted pursuant to Art. 149-*duodecies* of Consob's Issuer Regulation, highlights the remuneration for the audit services and for other services offered by the same Audit Firm or by companies of the EY S.p.A. network.

The fees of the independent audit firm were as follows:

(Euro thousands)

Recurring services	Service provider	Recipient	Consideration
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./EY Suisse	Subsidiaries	40
Total recurring services			**144**

(Euro thousands)

Other assessment services	Service provider	Recipient	Consideration
Activity related to the reserved capital increase	EY S.p.A.	Parent Company	25
Services other than review	EY S.p.A.	Parent Company	15
Total other assessment services			**40**

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

32. Related party transactions (Article 2427, paragraph 1, no. 22-bis of the Italian 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 related parties are illustrated in detail in the paragraph 35 below.

33. Commitments, guarantees and potential liabilities

Guarantees

Mr. Alessandro Giglio, reference shareholder of majority shareholder Meridiana Holding S.r.l. has provided personal guarantees on some Loans held by the company at 31 December 2020.

The details are shown below:

Commitments and guarantees (Euro thousand)

Entity	Guarantee Value	Residual amount guaranteed
B.POP Sondrio	2,100	151
BancoBPM	650	650
UNICREDIT	536	536
Total	**3,286**	**1,337**

Contingent liabilities

Normal lawsuit (dispute): Through a writ of summons served on 18 February 2020, the company Servizi Italia Ltd sued Giglio Group, asking the Court to: "Verify the termination of the settlement agreement between the Parties on 27 June 2019 and, consequently, to verify the renewal of the agreement entered into between the same Parties on 19 May 2016 and thus to order Giglio Group

S.p.A. to pay to Servizi Italia Ltd the remunerations accrued and to be accrued, pursuant to Art. 5 of the original agreement, at an appropriate and equitable rate in the view of the Court".

The matter originates from a service and trademark licensing agreement entered into between the Parties, by virtue of which Servizi Italia Ltd undertook to supply Giglio Group with consulting advices for streamlining corporate processes and business development, other than the licensing of the trademarks owned by Servizi Italia. All this, against a payment quantified in 50% of the first profit, as defined and determined in Art. 5 of the same Agreement.

Subsequently, the Parties, due to some criticalities recorded in the execution of the Agreement, signed a settlement agreement (Addendum) according to which Giglio Group S.p.A. had to produce and broadcast on all of the TV channel managed by it, three-hundred advertising contents for Servizi Italia, paying also, in payment and satisfaction of the amount owed to Servizi Italia pursuant to Art. 5 of the aforementioned Agreement, the amount of € 120,000 in three consecutive instalments within August 2019.

On 5 August 2019, Giglio contested to Servizi Italia its serious non-performance of the Addendum, specifically for the illegal continuation of use of the trademarks, logos and designations of Giglio Group, with consequent claim of illegal competition and trademark infringement, thus halting the payments.

By letter dated 8 August 2019, the law firm representing Servizi Italia rebuked all claims made by Giglio Group, ordering the Group to pay for the Addendum, which amounted to € 80,000.

By letter dated 4 September 2019, Servizi Italia decided to order to Giglio Group the termination of the Addendum, with the consequent renewal of the Agreement. The Agreement provides for the payment, in favour of Servizi Italia, of an amount to be determined, as a result of Art. 5.1 and 5.2 of the same, of the sales volumes actually achieved and/or of the revenues generated by the advertising contents applied directly thanks to the services offered by Servizi Italia.

Giglio Group appeared in court, arguing the total and/or partial invalidity of the agreement entered between the parties and/or its articles, given the absolute vagueness and/or indeterminability of the subject of the agreement and/or the lack of cause of action and/or, in the alternative, the partial invalidity of the agreement due to the lack of cause of action because of the difference in performances.

The total and/or partial invalidity of the agreement did not move forward, even though the counterparty did not provide any relevant element regarding the effective execution of the activities and services reported in the agreement concerning the strategic-organisational advisory activity. Moreover, the arguments presented for its contribution in defining agreements with the clients mentioned by the same (agreements that, as per communication, in their larger part were never actually completed) were still absolutely general and vague. The lawyer representing Giglio Group S.p.A. believes the positive outcome of the lawsuit to be possible. Nevertheless, the Company kept the debt at € 285,000.

Normal lawsuit (dispute): With a writ of summons notified on 3 November 2020, Chiomenti law firm sued Giglio Group S.p.A. for the payment of € 221,000, plus default interests, as reimbursement for the fees incurred during the performance of its professional activity in favour of Giglio. Chiomenti law firm purports that its professional activity comprised the complex assistance for the legal and strategic planning of the activities aimed at the execution of the agreements subscribed with Vertice 360. For the fulfilment of this task, Chiomenti law firm inferred the agreement of a total amount of € 190,000 with Giglio as fees, plus expenses and ancillary costs. According to the counterparty, also in light of the documents produced, said amount was recognised as due by Giglio, which expressly confirmed the acceptance of the overall quote of Chiomenti, agreeing to a contract payment that, however, was never executed. The lawsuit was listed with the Civil Court of Milan, and the judge set the first hearing at 21 April 2021.

The position was resolved with a settlement, with consequent withdrawal of the proceedings, through the recognition of an amount of € 140,000 in favour of Vertice 360 (including VAT and ancillary costs, plus withholding tax), to be paid in 6 monthly instalments.

Normal lawsuit (dispute): Within the scope of the more detailed agreements signed on July 2019 by Giglio Group, on the one hand, and **Vertice Trescientos Sesenta Grados S.A.** and **Squirrel Capital S.L.U.** on the other hand (the "Contribution Agreement"), together with the other implementing agreements of the Head of Term defined between the companies, a closing date was set, upon Vertice 360's solicitation, on 31 October 2019.

Following the closing, having highlighted that, pursuant to the Contribution Agreement, the Closing Letter could not supersede the Agreement itself, Giglio Group challenged the debt claim, both in its integrations and in its totality. More specifically, Giglio Group challenged the amount due of € 2,037,000.

The disputes outside of court, as of now, did not lead to a solution and thus, Giglio Group is determined to submit a case to the Civil Court of Milan in order to request:

- to ascertain an declare the unlawfulness of the Closing Letter of 30 October 2019 due to the incorrect information of the debt items to be borne by Giglio Group hereby reported and to proceed to its amendment, pursuant Art. 1430 of the Italian Civil Code, as explained above;
- Secondarily, to annul the Closing Letter of 30 October 2019, due to a mistake in its subscription, pursuant Art. 1427, 1428, 1429 and 1431 of the Italian Civil Code;
- In alternative, to ascertain and declare the unlawfulness of the Closing Letter, considering the invalidity of Art. 2.4.2 and 7.5 of the Contribution Agreement, for the reasons explained above, pursuant to Art. 1418, 1322 and 1325 of the Italian Civil Code;
- Due to the aforementioned verifications, to ascertain and declare that nothing is owed by Giglio Group to the defendant companies and/or to M3 and M360 Italy, against the sums already paid for, for a total of € €659,000;
- To ascertain and declare, in any case, Vertice 360' and Squirrel's breach of contract against Giglio Group, for the aforementioned reasons and, as a consequence, condemn the defendant companies, in the person of their legal representatives, to reimburse the losses incurred and still to be incurred in favour of the complainant company.

This being said, during the health emergency and the consequent interruption of all judicial operations, on 29 April 2020, Vertice 360, Squirrel Capital SLU, M-Three Satcom S.r.l., Media 360 Italy Corporate Capital S.r.l., and Nautical Channel Limited notified Giglio Group with a writ of summons that demanded to the court seised:

- To ascertain and declare Giglio's breach of contract, pursuant to the Contribution and Investment Agreement subscribed on 8 July 2019 and to the Closing Letter subscribed on 30 October 2019, as better described above and, as a consequence, to condemn Giglio Group S.p.A., in the person of its legal representative, to disburse € 4,545,000.
- To ascertain and declare the liability for compensation of Giglio Group for breaching the undertaking of transferring the Target Companies for a total amount of € 12.5 million, or, in any case, for the incidental fraud as per Art. 1440 of the Italian Civil Code and/or for violating the representations and warranties of the Contribution and Investment Agreement of 8 July 2019 or, in the alternative, for violating the undertaking of good faith and fair dealing as per Art. 2043 of the Italian Civil Code and, as a consequence, to condemn Giglio to the payment of € 9,523,000.00 to Vertice 360;

State of the dispute: The dispute received the General Registry number 15747/2020, and the judge set the first hearing at 23 February 2021. Giglio appeared in court, objecting and challenging the foundation of the adversary claim and formulating its cross-claim.

The Company challenges Vertice 360's untruthfulness of the share-exchange value declared by V360 to PWC and appraised by the latter, in light of the unreliability of the Industrial Plan and of the further allegations and declarations provided for by its management. With the consequent possibility for Giglio Group to seek compensation from Squirrel and Vertice 360 for the damages equal to the value of the transferred assets (€ 12.5 million), less the stock-exchange value of the shares (about € 3.5 million).

In light of the aforementioned considerations, the Company, in its appearance before judgement, request the Court seised:

- To ascertain and declare Vertice 360' and Squirrel's breach of contract with Giglio Group, which caused an unjust damage to the latter, quantifiable in € 12,832,000 as damages suffered and loss of profits, in € 341,000 as delays in the transfer of Vertice shares and in € 2,564,000 as receivable of Giglio Group from Nautical Channel Ltd.;

- To completely reject all adversary demands, being groundless and unproven on both facts and points of law, for all the reasons and exceptions reported above;

- To ascertain and declare the unlawfulness of the Closing Letter of 30 October 2019 due to the errors in the debt balance appointed to Giglio Group.

The Judge granted the aforementioned terms for the deposit of supplementary statements and for the articulation of preliminary evidence, adjourning the eventual admission of evidence to the hearing of 14 December 2021.

Risk of adverse outcome of legal proceedings: notwithstanding the liabilities recorded in "Other liabilities" with regard to the amounts claimed in the Closing Letter, the content of the adversary's writ of summons still proves to be unfounded.

Indeed, as already objected by Giglio Group with its letter dated 15 May 2020, the claims of lesser value instrumentally brought before the Court by V360 through unfounded depreciations are not only technically unjustified and substantially untruthful, but also judicially inapplicable and groundless.

Additionally, Giglio Group has challenged, as a cross claim, Vertice 360's untruthfulness of the share-exchange value declared by V360 to PWC and appraised by the latter, in light of the unreliability of the Industrial Plan and of the further allegations and declarations provided for by its management. With the consequent possibility for Giglio Group to seek compensation from Squirrel and Vertice 360 for the damages equal to the value of the transferred assets (€ 12.5 million), less the stock-exchange value of the shares (about € 3.5 million).

As of now, the risk of adverse outcome from Vertice 360's claims, also taking into account Giglio Group's cross-claim, can be deemed as **possible**.

34. 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 2020 is presented below.

		31.12.2020		31.12.2019 restated	
Consolidated Statement of Financial Position (Euro thousands)		**Carrying amount**	**Fair Value**	**Carrying amount**	**Fair Value**
Non-current assets					
Investments	(5)	8	8	7	7
Receivables	(6)	663		835	
Total non-current assets		**18,267**		**22,274**	
Current assets					
Financial receivables	(10)	2	2	3,523	3,523
Cash and cash equivalents	(13)	5,085	5,085	2,991	2,991
Total current assets		**20,163**		**29,141**	
Total Assets		**38,430**		**51,415**	
Net Equity	**(14)**				

Total Net Equity		**325**		**(1,633)**	
Non-current liabilities					
Financial payables (non-current portion)	(18)	12,183	12,183	3,786	3,786
Total non-current liabilities		**13,445**		**5,028**	
Current liabilities					
Financial payables	(18)	4,096	4,096	19,017	19,017
Total current liabilities		**24,640**		**48,020**	
Total liabilities and Shareholders' Equity		**38,430**		**51,415**	

Medium-term loan

The company reports at 31 December 2020 a net financial debt position of approx. € 10.6 million (for the calculation basis and the reconciliation of the data reference should be made to the specific table in the Directors' Report). The liabilities also include the "EBB Export Programme" bond issued in 2019 and medium/long-term unsecured bank loans.

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

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 18 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, which was repaid on 30 September 2020.

On 2 April 2019, the company issued a non-convertible bond (EBB Export Programme bond) of € 5 million in principal, made up of 50 bearer bonds with a denomination per unit of € 100,000.00 each, with the following conditions:

- Subscribers: the Bond was fully subscribed by the SPV;
- Listing: the Bonds shall not be listed on any regulated market nor on any MTF;
- Terms of issue: the Bonds shall be issued in a single tranche;
- Issue price: the issue price amounts to 100% of the Bonds' nominal value;
- Interests: the Obligations shall be interest-bearing at the fixed nominal gross annual rate of 4.572%, to be paid with a semi-annual coupon postponed;
- Legal duration and expiration: the Bonds shall have a legal duration of 8 years and 6 months and the expiration date is set at the last interests' payment date of 2027;
- Reimbursement: the Bonds shall be redeemed at par, i.e. at 100% of their nominal value, pursuant to the amortisation plan set forth in the regulation, with 13 semi-annual capital instalments, with a grace period of 2 years;

On 30 June 2020, EBB S.r.l., the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data of 30 June 2020 and 31 December 2020.

35. Transactions with subsidiaries and related parties

The Related Parties and their transactions for 2020 have been identified by applying the provisions set forth in the Procedure for Transactions with Related Parties ("Related-Parties Procedure"), available on the website www.giglio.org, section "Corporate Governance/Governance System and Rules/Related-Parties Procedure", drafted and applied by the Company pursuant to the Regulation on Transactions with Related Parties adopted with Consob resolution no. 17221 of 12 March 2010, as amended ("Consob Regulation"), as well as pursuant to the provisions set forth in Art. 2427, par. 2 of the Italian Civil Code and to IAS 24 international accounting standard.

The following shows the related-parties of the Company and their relationship with it:

- Meridiana Holding S.r.l. is the majority shareholder of the Company, owning, as of the reporting date, 56.59% of the share capital. Moreover, the share capital of the same company is held at 99% by Alessandro Giglio (Chairman of the Board of Directors of the Company) and at 1% by his wife, Yue Zhao;
- Max Factory S.r.l. is a company wholly owned by Meridiana Holding S.r.l.;
- Azo Asia Limited is a company wholly owned by Meridiana Holding S.r.l..

The following tables report the transactions and balances with Related Parties at 31 December 2020. The data indicated in the following tables are taken from the consolidated financial statements of the Issuer and/or from the general accounting data.

Related Party Transactions as of 31 DEcember 2020									
		Trade receivables	**Financial receivables**	**Trade payables**	**Financial payables**	**Sales revenues**	**Operating costs**	**Financial income**	**Financial charges**
A	**Subsidiaries**								
B	**Holding companies or subject to joint control**								
C	**Related companies**								
D	**Subsidiaries**								
E	**Joint ventures**								
F	**Senior Executives, of which:**	-	-	-	-	-	-	-	-
	Executive Directors								
	Non-Executive Directors								
	Others								
G	**Other related parties, of which:**	**-**	**-**	**-**	**-892**	**-**	**-**	**501**	**(168)**
	Board of Statutory Auditors								
	Joint ventures								
	Close Relatives								
	Others				-892			501	(168)
	Total (A;B;C;D;E;F;G)	**1,461**	**1,823**	**66**	**-892**	**2,164**	**20**	**501**	**(168)**

The account "Other related parties" refers to Azo Asia Limited.

With regard to the transactions with subsidiaries, the following table shows their composition for each type of transaction carried out:

Trade receivables and payables

Receivables/Payables	**Giglio Group**	**Giglio USA**	**Giglio Shanghai**	**E-Commerce Outsourcing**	**Giglio TV HK**	**IBOX SA**
Giglio Group		1,109		196		156
E-Commerce Outsourcing	-					262
Giglio USA	-					
Giglio Shanghai						
Giglio TV HK						
IBOX SA	66			58		

Financial receivables and payables

Receivables/Payables	Giglio Group	Giglio USA	Giglio Shanghai	E-Commerce Outsourcing	Giglio TV HK	IBOX SA
Giglio Group		102				1,720
E-Commerce Outsourcing						
Giglio USA						
Giglio Shanghai						
Giglio TV HK						
IBOX SA	1,193					

Commercial revenues and costs

Revenues/Costs	Giglio Group	Giglio USA	Giglio Shanghai	E-Commerce Outsourcing	Giglio TV HK	IBOX SA
Giglio Group		1,016		901		247
E-Commerce Outsourcing	6					398
Giglio USA						
Giglio Shanghai						
Giglio TV HK	3,365					
IBOX SA	14			85		

The nature of the transactions in the above table are as follows: (i) for E-Commerce Outsourcing, Giglio USA and Ibox SA 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 also 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:

- 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 € 90,000;
  - Rome offices: Via dei Volsci for a total annual cost of € 49,800.
- AZO Asia limited: company held by Meridiana Holding, who carried out a financing to the Group. At 31 December 2020, the total payable amounts to € 0.9 million.

The remuneration paid in 2019 to the Board of Directors of the Issuer amounted to € 307,000.

36. Dividends

In line with the approval of the guidelines of the 2020-2024 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.

37. 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.

38. Diluted earnings per share

There are no significant dilution effects.

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

Consolidated Statement of Financial Position (Euro thousands)		31.12.2020	of which related parties	31.12.2019 restated	of which related parties
Non-current assets					
Property, plant & equipment	(1)	404		1,137	
Right-of-use assets	(2)	952		1,903	
Intangible assets*	(3)	3,058	-	3,649	-
Goodwill*	(4)	12,353		13,960	
Investments	(5)	8		7	
Receivables	(6)	663		835	
Deferred tax assets	(7)	829		783	
Total non-current assets		**18,267**	**-**	**22,274**	**-**
Current assets					
Inventories	(8)	1,754		1,861	
Trade receivables	(9)	9,951	51	12,179	35
Financial receivables	(10)	2		3,523	
Tax receivables	(11)	1,061		6,367	
Other assets	(12)	2,310		2,220	89
Cash and cash equivalents	(13)	5,085		2,991	
Total current assets		**20,163**	**51**	**29,141**	**124**
Total Assets		**38,430**	**51**	**51,415**	**124**
Equity	(14)				
Issued capital		4,149		3,661	
Reserves		20,376		16,171	
FTA Reserve		4		4	
Retained earnings		(21,542)		(5,650)	
Foreign Currency Translation reserves		(15)		4	
Net profit*		(2,627)		(15,823)	
Total Group Equity		**325**	**-**	**(1,633)**	**-**
Minority interest in equity		-		-	

Total Equity		**325**	**-**	**(1,633)**	**-**
Non-current liabilities					
Provisions for risks and charges	(15)	155		211	
Post-employment benefit funds	(16)	730		713	
Deferred tax liabilities	(17)	387		318	
Financial payables (non-current portion)	(18)	12,183		3,786	400
Total non-current liabilities		**13,455**	**-**	**5,028**	**400**
Current liabilities					
Trade payables	(19)	13,591		20,623	
Financial payables (current portion)	(18)	4,096	892	19,017	
Tax payables	(20)	3,219		4,108	
Other liabilities	(21)	3,744		4,272	
Total current liabilities		**24,650**	**892**	**48,020**	**-**
Total Equity and liabilities		**38,430**	**892**	**51,415**	**400**

* The items "Intangible Assets", "Goodwill", "Net profit" and "Deferred tax liabilities" reported in the reference period have been restated following the completion of the "Purchase Price Allocation" related to the purchase of E-commerce Outsourcing S.r.l..

Statement of Profit or Loss (Euro thousands)		**31.12.2020**	**of which related parties**	**31.12.2019 restated**	**of which related parties**	**of which non recurring**
Total revenues from contracts with customers	(22)	**41,291**		**37,737**		
Other revenues	(22)	696		1,009		
Capitalised costs	(23)	298		1,462		
Change in inventories		(158)		(3,309)		
Purchase of raw materials, ancillary, consumables and goods	(24)	(22,384)		(17,421)		
Service costs	(25)	(12,334)		(14,764)	*(57)*	*(1,128)*
Rent, lease and similar costs	(26)	(93)		(252)		
Operating costs		**(34,811)**	**0**	**(32,437)**	**(57)**	**(1,128)**
Salaries and wages	(27)	(3,978)		(3,303)		
Social security charges	(27)	(931)		(761)		
Post-employment benefits	(27)	(217)		(151)		
Payroll expenses		**(5,126)**	**0**	**(4,215)**	**0**	**0**
Amortisation	(28)	(1,048)		(512)		
Depreciation	(28)	(828)		(1,295)		
Write-downs	(28)	(2,411)		20		
Amortisation, depreciation & write-downs		**(4,287)**	**0**	**(1,787)**	**0**	**0**
Other operating costs	(29)	(244)		(490)		
Operating profit		**(2,341)**	**0**	**(2,030)**	**(57)**	**(1,128)**
Financial income	(30)	1,542		24		
Net financial charges	(30)	(1,564)	*(71)*	(1,613)		
Profit before taxes		**(2,363)**	**(71)**	**(3,619)**	**(57)**	**(1,128)**
Income taxes	(31)	(284)		(1,176)		
Profit for the period (continuing operations)		**(2,647)**	**(71)**	**(4,795)**	**(57)**	**(1,128)**
Profit for the year (discontinued operations)		**0**		**(11,028)**		
Profit for the period		**(2,647)**	**(71)**	**(15,823)**	**(57)**	**(1,128)**

Of which minority interest	**-**	**-**
Basic and diluted profit from continuing operations	**(0.1650)**	**(0.2989)**
Basic and diluted profit from discontinued operations	**0**	**(0.6875)**
Profit per share – basic and diluted	**(0.1641)**	**(0.9890)**

* The items "Amortisation" and "Income taxes" reported in the reference period have been restated following the completion of the "Purchase Price Allocation" related to the purchase of E-commerce Outsourcing S.r.l..

40. Valuation of Going Concern

Pursuant to IAS 1, the assessments issued by the Directors regarding the existence of the assumption of the Company's going concern for the purpose of drafting the annual financial statements at 31 December 2020 are reported below.

The Group's Financial Statements as of 31 December 2020 record a Net Equity of € 345,000, including the loss for the period of € 2,627,000.

On 22 December 2020, Giglio Group S.p.A. completed the allocation of no. 2,439,790 ordinary, newly-issued shares, at a price of € 1.97 per share, for a total value of € 4,806,386. The value of the capital increase thus amounted to € 487,958 in nominal value and € 4,318,428 at share premium. Meridiana Holding S.r.l., majority shareholder of the company, subscribed, through the conversion of claims, no. 2,097,050 shares, equal to 85.95% of the increase. Other than Meridiana Holding S.r.l., another qualified shareholder, Antonio Lembo, at the time related party as CEO of E-Commerce Outsourcing S.r.l., joined the increase through the conversion of claims, purchasing no. 81,218 shares.

On 03 March 2021, the Board of Directors of Giglio Group S.p.A. approved the Industrial Plan 2021-2025, which provides for the integration of commercial activities of its subsidiary E-Commerce Outsourcing S.r.l. (ECO), acquired at the end of 2019, and of the newly-acquired Salotto di Brera S.r.l., acquired on 15 January 2021.

The Industrial Plan considers a GMV (Gross Merchandise Value - reference value for e-commerce transactions) acceleration at a cumulative growth rate of about 16% both for organic growth - in line with the expectation of the reference market (online sales for luxury fashion) - and for new brand acquisitions.

During the time span of the Plan, the objective is to significantly increase revenues, quickly regaining a significant sustainable profitability (Ebitda/Revenues) on the long term, with an incidence of more than 10% in the last year of the plan. The objective is to obtain a balance between B2B activities -which include both the digital marketplaces' distribution (strongly developing as a stock demobilisation channel, especially in 2021 on the basis of the huge stocks that, due to the COVID-19 crisis, are being accumulated) and the newly-acquired Salotto di Brera, specialised in travel retail supplies (cruise ships on-board sales and duty-free shops in ports and airports)-, and B2C activities, with the advanced technological solutions proposed by ECO's platform, integrated also for Ibox SA’s clients, also for product categories outside the reach of the Fashion sector, such as design, electronics, DYI, food and beauty retail.

The Industrial Plan provides for an improvement from a financial and asset point of view, counting on the generation of positive cash flows, a working capital control to support B2B sales and minor financial needs fro investments than the previous fiscal years following the acquisition of the technological expertise of ECO and the internal investments carried out throughout 2020 on the platforms. The Directors carried out adequate sensitivity analyses on the main hypotheses of the Plan, also taking into account the cash profile. Finally, the Directors, with regard to the COVID-19 epidemic that quickly spread to many areas of the world, Europe included, believe that it is extremely hard to make reliable predictions on future developments. For this purpose, a monitoring group has been established, tasked with the objective of monitoring corporate functionality and any eventual criticality.

1. Significant commercial and organic growth of the B2C division, characterised by the immediate payment from users and the deferred payment of goods and services to suppliers;
2. Increased efficiency of the processes generated and a reduction of the central costs due to the streamlining of the scope of corporate activities, as the disposal of an office in Milan and other saving activities;
3. Better management of the average collection times, mainly due to the potential implementation of the no-recourse factoring mechanism for the receivables arising from the sales of some major clients active in the B2B segment and to the better management of the commercial reliance on behalf of suppliers;
4. As pointed out in the Explanatory Notes regarding the debt owed to Vertice 360 of about € 2.5 million, it is noted that its payment is included in 2021 Plan, in the event of an adverse judicial

outcome, as repayable in the long-term, taking into account a reasonable prediction of settlement of the dispute.

5. 2021 forecast of the possibility to renegotiate some multiannual agreements towards non-strategic suppliers, also by obtaining deferred payments, in continuity with what has been done in the previous years.

With regard to the aforementioned assumptions, the Directors highlight that:

1. 2021 budget and 2022-2025 Plan have been drafted with reference to concrete and specific actions to be undertaken over the course of the whole period of the Plan that, however, due to their inherent nature, include general and hypothetical assumptions, as well as discretionary, related to the usual characteristics of a multiannual plan, and that these actions could be implemented in different times and with different effects than the ones expected, albeit they do not expect, as of now, the failure to implement said plan;

2. Negotiations have been started with current suppliers in order to recover facilitation payments for the company, as well as with main credit institutions in order to gain new 72-months funding guaranteed by MCC, or to renegotiate existing funding with shorter expirations, bringing them to 72 months in order to improve the management of cash flows aimed at debt reimbursement;

3. EBB Export S.r.l., subscriber of the bond, has granted (on 30 June 2020) the waiver of the measurement of the financial covenants on 2020 deadlines (i.e. 30 June 2020 and 31 December 2020); in particular, the bondholder approved the request of the company to allow, by way of derogation form the regulation of the bond, the suspension of the application of the thresholds of the leverage ratio financial parameter and of the gearing ratio financial parameter, only with regard to the Test Date of 30 June 2020 and 31 December 2020. For the purpose of said suspension, EBB Export S.r.l., the bondholder, received from Meridiana Holding S.r.l., majority shareholder of Giglio Group, an indemnity and guarantee deed in its name for an amount of up to € 1 million. The Company requested an extension of the waiver of the test date of 30 June 2021 to EBB Export;

4. With regard to the aforementioned risk connected to the COVID-19 epidemic, the company has been actively working to obtain any economic or financial benefit in order to obtain additional liquidity beside its cash plan, in order to face any criticality that should arise as a consequence of said epidemic; on the other hand, the fashion sector, due to the simultaneous closure of the

brands' stores, can reserve to the Group interesting opportunities by using its unique distribution platform on the national territory for the purpose of facilitating the disposal of the stock that is currently being strongly accumulated with the producers.

The Directors, despite the aforementioned uncertainties, believe that the results set in the Plan will be achieved and consider that a reasonable expectation that the Group and the Parent Company will rely on adequate resources for the progress of their business for at least 12 months from the approval of these Financial Statements exists, thus drafting them in application of the assumption of going concern.

Moreover, the aforementioned also takes into account the Board of Directors' right to exercise the proxy vested to it on 12 November 2020 by the Shareholders' Meeting, aimed at increasing the share capital by issuing a maximum of no. 1,221,547 shares by 30 June 2021, as well as the Board's intention to exercise it; to this purpose, on 28 April 2021, the Board of Directors resolved to exercise the proxy vested to it by the Shareholders' Meeting n 12 November 2020 in order to execute a reserved share capital increase in kind, pursuant to Art. 2443 and 2441, par. 4, second sentence of the Italian Civil Code, within the limits of 6.67% of the pre-existing capital (equalling to the residual part of the proxy, as of the reporting date not yet exercised), for the purpose of strengthening the Company's economic and financial structure.

To this extent, the Company requested and obtained a favourable legal option for the use, also in the event of a relevant situation as per Art 2446, par. 1 of the Italian Civil Code, of the share capital increase already resolved upon, to be performed by 30 June 2021 (as provided by the Meeting's resolution and as prescribed by the emergency regulations set forth in Art. 44, par. 3 of the Legislative Decree no. 76/2020, converted with Law no. 120/2020). The execution of the proxy represents, as far as the Directors are concerned, a suitable and appropriate action for the full development of the Industrial Plan in the specific context mentioned above, and is in line with the reasons that led to the grant of said proxy in the first place (and, mainly, with the need to "find financial resources that could allow, on the one hand, for the strengthening of the Company's economic and financial position and, on the other hand, for the development and growth of the Company"). In the exercise of its proxy, the Company shall follow the procedure set forth in Art. 2446, par. 1 of the Italian Civil Code (not excluded by Art. 6 of the Law Decree no. 23/2020), which calls for the prompt involvement of the Shareholders' Meeting in a merely informational function without imposing an immediate intervention for the writing-off of losses, which the emergency regulation requires only when the loss, higher than a third of the share capital, remains after five fiscal years from the year in which the losses were first recorded.

With regard to the proxy's exercise, the Company recorded the formal commitment of its majority shareholder to subscribe 50% of said capital increase, which, taking into account the market value of the Company's shares in November 2020, would equal to € 1.2 million, to be paid in cash. Moreover, the Board of Directors already contacted a first operator, who followed the Company as specialist in the first months of 2021, in order to support the Company for the preparatory measures and the necessary formalities for the execution of said capital increase.

In light of the majority shareholders' commitment and of the specialist's availability, the Board of Directors considers that the share capital increase will have a positive outcome, thus reconfirming the expectation that both the Group and the Parent Company will be able to rely on adequate resources for carrying forward its business in coherence with the assumption of going concern.

Certification of the Annual Consolidated Financial Statements pursuant to Art. 154-bis of Legislative Decree no. 58 of 24 February 1998.

1. The undersigned Marco Riccardo Belloni, as Chief Executive Officer, and Carlo Micchi, 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 consolidated financial statements as of 31 December 2020.

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

- The assessment of the adequacy and effective application of the administrative and accounting procedures has been carried out in a context of structural change, following the completion of the procedure of expansions of the management reporting mechanism to all of the Group's subsidiaries. Moreover, the Company is completing both the standardisation of the management reporting processes and the adjustment the administrative, accounting and management reporting systems, along with the relevant procedures in line with the new application platform. Hence, the review had to take into account the ongoing changes in the structure and organisational chart of the Company;

- the adequacy of the administrative and accounting procedures for the drafting of the Annual Consolidated Financial Statements 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 remediation plan adopted by the Company for the purpose of updating/adjusting some corporate procedures has been carried out and accelerated over the course of the last months of 2020. The Company finalised the preparation of the administrative and accounting procedures on January 2021, establishing a plan of action for the implementation of the same procedures in the strategic subsidiaries of the Group.

- Pending the complete implementation of the aforementioned plan, compensating control procedures on subsidiaries and companies within the Group have been established, by virtue of which no relevant economic-equity impacts were identified on the declarations made in the Annual Consolidated Financial Statements as of 31 December 2020. Moreover, it is noted that, on the basis of the activities carried out, a better formalisation of the controls carried out is required.

3. Furthermore, it is noted that:

3.1 The annual consolidated financial statements as of 31 December 2020:

- were 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;
- Correspond to the underlying accounting documents and records;
- Provide 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.

11 May 2021

The Chief Executive Officer
Marco Riccardo Belloni

The Financial Reporting Officer
Carlo Micchi

Giglio Group S.p.A.

Consolidated financial statements as at December 31, 2020

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

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

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 S.p.A. (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in 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 31 December 2020, 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 Company 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 "40. Valuation of going concern" to the consolidated financial statements for the year ended 31 December 2020, that describes the evaluation performed by the directors on the going concern basis assumed in preparing the financial statements.

As reported by the directors, the holding company Giglio Group S.p.A., due to the loss incurred in the period, has reduced its share capital below the thresholds provided by article No. 2446 of the Italian Civil Code ("*Codice Civile*"); in this respect, the directors have prepared the consolidated financial statements on the going concern basis although uncertainties existed concerning the achievement of economic and financial targets set by the Plan 2021-2025 ("the Plan"), that if not entirely achieved, also in terms of individual objectives or actions, would lead to an overall decrease of the results expected from the Plan.

The directors, although the abovementioned uncertainties existed, are confident of achieving the targets set by the Plan, having, amongst others, the reasonable expectation that the Group may rely on sufficient financial resources for the continuance of the operating activities for at least 12 months from the approval of the consolidated financial statements, also considering that they have resolved, on April 28, 2021, to exercise the current delegation for a capital increase of 1.221.547 shares, guaranteed by the majority shareholder through a cash contribution for 50% of the amount.

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 Matter	Audit Response
Evaluation of Going Concern	
For the year ended 31 December 2020 the Company incurred net losses of Euro 2,6 million. Equity as at 31 December 2020 amounts to Euro 325 thousand and the net financial position to Euro 10,7 million. The holding company Giglio Group S.p.A., at the same date, triggered the thresholds provided by art. 2446 of Italian Civil Code ("Codice Civile"). The Business Plan 2021-2025 (hereinafter the "Plan") approved by the Board of Directors on March 3, 2021 includes the main assumptions used by management on the going concern basis assessment when preparing the consolidated financial statements, as well as the means and the timing to meet the Group obligations assumed in the Plan. In consideration of the valuation and judgment involved in forecasting 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 note "40. Valuation of going concern" of the consolidated financial statements, 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	Our audit procedures in response to this key audit matter included, among others: • discussion with management on the variances between the financial forecasts included in the previous business plan and those achieved in fiscal year 2020, including the circumstances that led to the comprehensive loss realized in the year; • understanding of the elements and the evaluation performed by the directors on the uncertainties assumed in the going concern basis of accounting; • discussion with the management on the key judgmental assumptions underlying the Plan approved by the Board of Directors on March 3, 2021, with respect to the forecasted cash flows for fiscal year 2021; • assessment of the ability of the Group to comply with its financial obligations within the 12 months subsequent to the approval of the financial statements. Lastly, we assessed the adequacy of the disclosures included in the directors' report in relation to the key audit matter.

meet the company obligations as assumed in the Plan, as well as the information concerning the planned capital increase.

Key Audit Matter	Audit Response
Valuation of Goodwill	
As at 31 December 2020 goodwill balance amounts to Euro 12,4 million. The directors performed an impairment test of the Cash Generating Units (CGUs) to which the goodwill is allocated and recorded in the year an impairment loss on the B2B CGU of Euro 1,6 million. 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 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 and the implementation of the actions aimed at the development of the business within the time frame and objectives assumed in the Plan. 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 "4. Goodwill" and in note "D. Discretional valuations and significant accounting estimates also in the light of COVID-19 effects" to the consolidated the financial statements.	Our audit procedures in response to this key audit matter included, among others: • assessment of the directors' procedures, together with the management's expert involved, for assessing the recoverability of the goodwill; • 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, which led to an impairment loss on the goodwill in the period; • assessment of the consistency of the forecasted future cash flows, and the determination of long-term growth rates and discount rates, included in the Plan approved by the Board of Directors on March 3, 2021. 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 any changes in assumptions 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.

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.

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 1° December 2017, engaged us to perform the audits of the consolidated financial statements for each of the years ending 31 December 2018 to 31 December 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 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 Group Giglio as at 31 December 2020, 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 Group Giglio as at 31 December 2020 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 Group Giglio as at 31 December 2020 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, 11 May 2021

EY S.p.A.
Signed by: Gabriele Grignaffini, Auditor

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 subscribed and paid-in € 4,149,295

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

Registered at Milan Companies Registration Office with no. 07396371002

Website www.giglio.org

Annual Financial Statements as of 31 December 2020

FINANCIAL STATEMENTS

- Statement of Financial Position
- Statement of Profit or Loss and Comprehensive Income
- Statement of Cash Flows
- Statement of Changes in Net Equity
- Explanatory Notes to the Financial Statements

Statement of Financial Position

Statement of Financial Position (Euro thousands)		31.12.2020	31.12.2019
Non-current assets			
Property, plant & equipment	(1)	162	189
Right-of-use assets	(2)	508	1,629
Intangible assets	(3)	203	217
Other intangible assets		*203*	*217*
Goodwill	(4)	3,249	4,084
Investments	(5)	9,951	13,645
Receivables	(6)	2,475	3,012
Deferred tax assets	(7)	824	762
Total non-current assets		**17,374**	**23,538**
Current assets			
Inventories	(8)	1,596	1,697
Trade and other receivables	(9)	4,568	9,310
Financial receivables	(10)	2	4,429
Tax receivables	(11)	1,130	1,730
Other assets	(12)	662	679
Cash and cash equivalents	(13)	1,141	229
Total current assets		**9,099**	**18,074**
Total Assets		**26,473**	**41,612**
Equity			
Issued capital	(14)	4,149	3,661
Reserves		22,267	16,731
Extraordinary reserve		-	-
Listing fees		(541)	(541)
FTA Reserve		4	4
Retained earnings		(16,074)	(7,172)
Foreign Currency Translation reserves		-	-
Net profit		(8,419)	(8,902)
Total Net Equity		**1,385**	**3,781**
Non-current liabilities			
Provisions for risks and charges	(15)	60	-
Post-employment benefit funds	(16)	329	324
Deferred tax liabilities	(17)	132	2
Financial payables	(18)	12,563	6,011
Total non-current liabilities		**13,083**	**6,336**
Current liabilities			
Trade payables	(19)	4,498	8,868
Financial payables	(18)	4,001	18,640
Tax payables	(20)	484	494
Other liabilities	(21)	3,021	3,493
Total current liabilities		**12,005**	**31,495**
Total liabilities and Shareholders' Equity		**26,473**	**41,612**

Statement of Profit or Loss

Statement of Profit or Loss (Euro thousands)		31.12.2020	31.12.2019
Total revenues from contracts with customers	(22)	**28,346**	**23,515**
Other revenues	(22)	1,445	2,621
Change in inventories		(101)	(3,255)
Purchase of raw materials, ancillary, consumables and goods	(23)	*(21,089)*	*(16,916)*
Service costs	(24)	*(4,780)*	*(4,329)*
Rent, lease and similar costs	(25)	*(124)*	*(105)*
Operating costs		**(25,993)**	**(21,349)**
Salaries and wages	(26)	*(1,818)*	*(1,886)*
Social security charges	(26)	*(557)*	*(520)*
Post-employment benefits	(26)	*(123)*	*(122)*
Payroll expenses		**(2,497)**	**(2,528)**
Amortisation	(27)	*(60)*	*(43)*
Depreciation	(27)	*(603)*	*(652)*
Write-downs	(27)	*(8,966)*	*18*
Amortisation, depreciation & write-downs		**(9,630)**	**(677)**
Other operating costs	(28)	*(198)*	*(119)*
Operating profit		**(8,628)**	**(1,792)**
Financial income	(29)	*1,527*	*3*
Net financial charges	(29)	*(1,285)*	*(1,153)*
Profit before taxes		**(8,386)**	**(2,942)**
Deferred tax assets		**(69)**	**(375)**
Income taxes	(30)	*36*	*6*
Profit for the period (continuing operations)		**(8,419)**	**(3,310)**
Net Profit from discontinued operations		**0**	**(5,592)**
Profit for the period		**(8,419)**	**(8,902)**
Of which minority interest		**-**	**-**

Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME (Euro thousands)		31.12.2020	31.12.2019
Profit for the period		(8,419)	(8,902)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit/(loss) in subsequent periods (net of tax)			
Exchange differences on translation of foreign operations		0	0
Total other comprehensive income that may be reclassified to profit/(loss) in subsequent periods (net of tax)		**0**	**0**
Other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods (net of tax)			
Actuarial loss on employee benefits obligations	(16)	14	30
Total other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods (net of tax)		**14**	**30**
Total Comprehensive Income for the period		**(8,405)**	**(8,872)**

Statement of Changes in Equity

Description (Euro thousands) Note 12	Issued capital	Reserves	FTA Reserve	Other reserves	IAS 19 Reserve	Retained earnings	Net profit	Total
Balance at 31 December 2018	**3,208**	**11,455**	**4**	**(541)**	**(116)**	**(2,384)**	**(4,745)**	**6,881**
Restatement for first application IFRS 16						-	43	-
Balance at 01 January 2019	**3,208**	**11,455**	**4**	**(541)**	**(116)**	**(2,384)**	**(4,788)**	**6,881**
Issue of share capital	453							453
Share premium reserve		5,771						5,771
Charges for share capital increase		(409)						(409)
Retained earnings						(4,788)	4,788	-
IAS 19 Reserve					30			30
Net profit							(8,902)	(8,902)
Balance at 31 December 2019	**3,661**	**16,817**	**4**	**(541)**	**(86)**	**(7,172)**	**(8,902)**	**3,781**

Description (Euro thousands)	Issued capital	Reserves	FTA Reserve	Other reserves	IAS 19 Reserve	Retained earnings	Net profit	Total
Balance at 31 December 2019	**3,661**	**16,817**	**4**	**(541)**	**(86)**	**(7,172)**	**(8,902)**	**3,781**
Share capital increase	488	4,318						4,806
IBOX SRL merger surplus		1,421						1,421
Charges for share capital increase		(218)						(218)
Retained earnings						(8,902)	8,902	-
IAS 19 Reserve					14			14
Exchange rate effect								-
Net profit							(8,419)	(8,419)
Balance at 31 December 2020	**4,149**	**22,338**	**4**	**(541)**	**(72)**	**(16,074)**	**(8,419)**	**1,385**

Statement of Cash Flows

Euro thousands	31.12.2020	31.12.2019
Cash flows from operating activities		
Net profit from continuing operations	(8,419)	(3,310)
Profit (loss) for the period from discontinued operations	-	(5,592)
Adjustments to reconcile profit before tax to net cash flow:		
Depreciation and impairment of property, plant and equipment	72	85
Amortisation of right-of-use assets	531	568
Amortisation and impairment of intangible assets	60	43
Non-cash changes of provisions	5	48
Write-downs/(Revaluations)	8,966	(18)

Net foreign exchange differences	(242)	1,149
Income taxes	33	369
Changes in:		
Inventories	101	3,255
Trade and other receivables	1,315	1,261
Tax receivables	1,481	1,692
Financial receivables	4,427	(4,429)
Other assets	17	95
Deferred tax liabilities	129	-
Trade payables	(6,344)	(140)
Tax payables	(438)	(355)
Right-of-use assets	589	(568)
IFRS16 financial payables	(1,055)	-
Other liabilities	(472)	2,908
Change in net working capital	**(250)**	**3,719**
Changes in assets/liabilities held for sale/discontinued	-	1,433
Cash flow generated from operating activities	**756**	**(1,507)**
Interest paid	(347)	(530)
Income taxes paid	-	-
Net cash flow generated from operating activities	**410**	**(2,035)**
Cash flows from investing activities		
Investments in property, plant & equipment	(18)	(1,737)
Investments in intangible assets	(34)	(18)
Ibox S.r.l. merger	3,034	-
Changes in other intangible assets	481	362
Increase in Investments	(1,118)	(1,500)
Net cash flow used in investing activities	**2,345**	**(2,893)**
Cash flow from financing activities		
Share capital increase	3,069	3,591
Change in Shareholders' Equity	14	(13)
New financing	8,450	8,336
Repayment of loans	(4,170)	(8,900)
Change in financial liabilities	(9,204)	1,343
Net cash flow used in financing activities	**(1,841)**	**4,357**
Net increase/(decrease) in cash and cash equivalents	**914**	**(571)**
Cash and cash equivalents at 1 January	229	800
Cash and cash equivalents at 31 December	1,141	229

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

A. Corporate information

The Board of Directors of the Company of 11 May 2021 resolved upon the following.

The Company's capital has been reduced by more than a third due to losses, as per Art. 2446, par. 1 of the Italian Civil Code. Pursuant to the law, the Shareholders' Meeting must be called "to take appropriate measures", however, the law also provides for the postponement of the measures aimed at offsetting the loss, which are required (as per par. 2 of the same article) only in the event that the loss does not amount to more than a third of the capital by the following fiscal year.

Said deadline for the losses accrued as of 31 December 2020, shall be postponed to the following fifth fiscal year, pursuant to the provisions set forth in Art. 6 of Legislative Decree no. 23 of 8 April 2020 (the so-called "Liquidity Decree", converted with amendments in Law no. 40 of 5 June 2020) "Temporary provisions on capital reductions", as amended by Law no. 178 of 30 December 2020, which allows listed companies to temporarily suspend some provisions on capital reductions for losses (Art. 2446 and 2-bis), postponing to the following fifth fiscal year the obligation to offset the losses.

The Board of Directors, however, shall carry out before 30 June 2021 the residual part of the share capital increase authorised by the Shareholders' Meeting on 12 November 2020, believing it to be an adequate operation aimed at favouring the Group's capacity to generate income in the following years. For more information, see par. 39 – Valuation of going concern.

The postponement of the approval of the Financial Statements was due to the delayed reception of the Audit Report for Giglio TV Hong Kong's Financial Statements. Indeed, as mentioned in the Directors' Report as of 31 December 2019, amongst the "Significant Events After the End of the Fiscal Year", in March 2020, and in the following interim reports, in the context of the definitive exit from the Media sector, Giglio Group S.p.A. transferred its full shareholding in Giglio TV Hong Kong to a Chinese industrial group, against a payment of € 3.0 million.

Following the accounting/administrative assessments carried out over the last months, as reported in the previous Press Release published on 29 March 2021, it emerged that some necessary fulfilments for the registration of the transfer had not been fully completed.
Moreover, other than the time-consuming financial audit of Giglio TV Hong Kong's Financial Statements and the failure to complete the aforementioned fulfilments, COVID-19 pandemics too concurred in delaying the assessment. Indeed, a harsh lockdown was established in Hong Kong for the whole 2020 and most offices remained closed and, to this day, have yet to recover their normal operation. For the same reason, the offices of the Company's accountants and financial auditors suffered from the same closures. In this context, another element of delay was the critical relationship between China and Hong Kong, which led, in May 2020, to new demonstrations, which cause most offices, transportation and roads to be closed.

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 par. 25.

B. Accounting standards

The financial statements of Giglio Group S.p.A at 31 December 2020 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 are comprised of the Statement of Financial Position, the Statement of Profit or Loss and Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and the Notes to the Financial Statements.
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 2019" 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. For more information on the going concern, see par. 39. 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 Statement of Financial Position, the Statement of Profit or Loss and Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and the Notes to the Financial Statements.

In particular:

- in the Statement of Financial Position, the current and non-current assets and liabilities are shown separately;
- in the Statement of Comprehensive Income, the analysis of the costs is based on their nature;
- for the Statement of Cash Flows, 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 in light of COVID-19 pandemics

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 accounts, 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 Statement of Profit or Loss.

The principal data subject to estimates refer to:

- <u>Identification of Cash Generating Unit (CGU);</u> 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.

- 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 statement of profit or loss and comprehensive income. The company has carried out an impairment test.

- 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 ageing 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 ageing 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.

- Provision for doubtful accounts:

Through the ageing 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 statement of profit or loss and comprehensive income.

It is noted that, 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".

The options thus assigned shall be exercised over a three-year vesting period divided in 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 accrue only if the objectives set in the plan are achieved (in terms of performance conditions).

It is noted that the objectives related to 2018, 2019 and 2020 were not achieved and, in the same way, on the basis of the prospective results regarding the objectives set in the plan, at 31 December 2020, no provision was made 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, from the assessments carried out, the necessity to carry out some write-downs emerged, as described in par. 4.

- 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, which ensures 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.

<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.

As of 31 December 2020, the Company has an outstanding debt of USD 979,000 with Meridian Holding S.r.l., aimed at facing the financial commitments of the Group, which shall be reimbursed in 2021.

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 profit or loss and comprehensive income 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.

Sensitivity at 31 December 2020

(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 2020	(13,893)	+1%	(8,525)
31 December 2020	(13,893)	-1%	(8,247)

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.

The ageing of the trade receivables (third parties) at 31 December 2020 and 31 December 2019 is shown below:

(Euro thousands)	**Year ended at 31 December 2020**	**%**	**Year ended at 31 December 2019**
> 90 days	*874*	*23.5%*	769
60<> 90 days	*0*	*5.8%*	188
30<> 60 days	*0*	*5.3%*	174
0<> 30 days	*101*	*10.8%*	353
Total overdue	***975***	***45.4%***	**1,484**
Not overdue	*749*	*54.6%*	1,786
Total gross receivables	**1,725**	***100.0%***	**3,270**
Provision for doubtful accounts	*-479*		-484
Inc. provision on overdue >90 days	*-54.8%*		*-62.9%*
Total	**1,246**		**2,786**

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

(Euro thousands)	**Year ended at 31 December 2020**	**%**	**Year ended at 31 December 2019**	**%**
Europe	1,511	*87.6%*	3,159	*96.6%*

Asia	185	*10.7%*	*86*	*2.6%*
USA	0	*0.0%*	*0*	*0.0%*
Rest of the world	29	*1.7%*	*25*	*0.8%*
Total gross receivables	**1,725**	***100.0%***	**3,270**	***100.0%***
Provision for doubtful accounts	*-479*		*-484*	
Total	**1,246**		**2,786**	

The provision for doubtful accounts 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:

% IFRS write-down	> 90 dd	61/90 dd	31/60 dd	1/30 dd	Not expired
A (low risk)	4.4%	3.4%	2.4%	1.4%	0.2%
B (medium risk)	5.4%	4.4%	3.4%	2.4%	0.4%
C (high risk)	6.4%	5.4%	4.4%	3.4%	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.
As of 31 December 2020, 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**
BancoBPM	120	120	930	616	20	-	1,070	736
Banca		46		40	-	-		86

Popolare di Sondrio	150		40				190	
IFITALIA Factoring - BNL	5,950	919	-	-	-	-	5,950	919
IFIS	100	4	-	-	-	-	100	4
Total	**6,320**	**1,089**	**970**	**656**	**20**	**-**	**7,310**	**1,745**

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. As of 31 December 2020, following the aforementioned write-downs, the Company must reduce its capital by more than a third due to losses, as per Art. 2446, par. 1 of the Italian Civil Code. Pursuant to the law, the Shareholders' Meeting must be called "to take appropriate measures", however, the law also provides for the postponement of the measures aimed at offsetting the loss, which are required (as per par. 2 of the same article) only in the event that the loss does not amount to more than a third of the capital by the following fiscal year.

Said deadline for the losses accrued as of 31 December 2020, shall be postponed to the following fifth fiscal year, pursuant to the provisions set forth in Art. 6 of Legislative Decree no. 23 of 8 April 2020 (the so-called "Liquidity Decree", converted with amendments in Law no. 40 of 5 June 2020) "Temporary provisions on capital reductions", as amended by Law no. 178 of 30 December 2020, which allows listed companies to temporarily suspend some provisions on capital reductions for losses (Art. 2446 and 2-bis), postponing to the following fifth fiscal year the obligation to offset the losses.

However, the Board of Directors believes that, in order to strengthen the business of the Group, a prompt share capital increase is needed (to be carried out before 30 June 2021), and as such is planning to exercise its relevant proxy, vested to it pursuant Art. 2441 and 2443, par 4, second sentence of the Italian Civil Code on 12 November 2020 by the Shareholders' Meeting. The proxy has already been exercised, leaving a remaining 6% if compared to the pre-existing capital. Meridiana Holding, the majority shareholder of the Group, irrevocably guaranteed to subscribe up to 50% of any remaining share capital arising from the future share capital increase, identifying

Integrae Sim S.p.A. as global coordinator for the operation. Moreover, Meridiana has already started the process on the terms and conditions for the share capital increase that will be carried out before the end of 2021 H1.

For more information of capital management and financial risks, see par. 40 – Valuation of going concern.

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 statement of profit or loss and comprehensive income, with the exception of monetary items which hedge a net investment in a foreign operation. These differences are recorded in the statement of profit or loss and comprehensive income 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 statement of profit or loss and comprehensive income.

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 statement of profit or loss).

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 principles

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 statement of profit or loss and comprehensive income 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 statement of profit or loss and comprehensive income when incurred.

The depreciation recorded in the statement of profit or loss and comprehensive income 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 Property, plant & equipment 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 statement of profit or loss and comprehensive income.

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 statement of profit or loss and comprehensive income 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 statement of profit or loss and comprehensive income 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 statement of profit or loss and comprehensive income. 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 statement of profit or loss and comprehensive income 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 statement of profit or loss and comprehensive income, up to the value at which the asset would be recorded if no write-down had taken place and amortisation or depreciation had been recorded.

Investments

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

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

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 statement of comprehensive income (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 statement of profit or loss and comprehensive income 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 statement of profit or loss and comprehensive income 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 statement of profit or loss and comprehensive income.

Listing costs not related to the issue of new shares are recorded in the statement of profit or loss and comprehensive income.

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 statement of profit or loss and comprehensive income. 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 statement of profit or loss and comprehensive income.

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 statement of profit or loss and comprehensive income 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 statement of profit or loss and comprehensive income 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 statement of profit or loss and comprehensive income 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 statement of profit or loss and comprehensive income 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 from contracts with customers

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 statement of profit or loss and comprehensive income 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 statement of profit or loss and comprehensive income as cost.

Accounting standards, amendments and interpretations applied from 1 January 2020

Amendments to IFRS 3: Business definition

IFRS 3 amendments clarify that, in order for an integrated group of activities and assets to be considered a business, they must include at least one input and an underlying process that, together, can contribute significantly in the capacity to create an output. Moreover, it has been clarified that a business can exist without including all of the inputs and the processes required for creating an output. These amendments have had no impact on the Group's consolidated financial statements, but could have an impact on the future fiscal years were the Group to carry out business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest rates' benchmark reform

Amendments to IFRS 9 and IAS 39 provide for a number of practical devices that apply to hedging relationships that are directly affected by the reform of benchmark interest rates. An hedging relationship affected by the reform shall be subject to uncertainties with regard to the timing and entity of the cash flows based on the benchmark interest rate as far as the hedged instrument is concerned. These amendments have no impact on the Group's consolidated financial statements as the Group has no interest rates hedging operation currently in force.

Amendments to IAS 1 and IAS 8: Relevance definition

The amendments provide for a new definition of relevance, in which it is stated that a disclosure can be described as relevant if it is reasonable to assume that its omission, misstatement or concealment could change or influence the decisions that the main users of the financial statements drafted for general purposes takes on the basis of said statements, which provide for financial information regarding the specific entity that drafts said statements.

The relevance depends on the nature or extent of the disclosure, or on both. The entity shall assess whether the disclosure, taken on its own or in combination with other disclosures, is relevant in the context of the financial statements (considered as a whole) or not.

The disclosure is to be intended as concealed if it is disclosed in a way that produces a similar effect as that of the omission or misstatement of said disclosure to the main users of the financial statements.

These amendments have had no impact on the Group's consolidated financial statements, nor will they have any impact thereof.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard and none of the concepts contained therein shall take precedence over the concepts or the requirements of a standard. The aim of the Conceptual Framework is that of supporting IASB in developing accounting standards, helping those who draft them to develop homogeneous accounting policies where no standards can be applied due to specific circumstances, as well as supporting all involved parties in understanding and interpreting said standards.

The revised version of the Conceptual Framework includes some new concepts, provides for updated definitions and recognition criteria for assets and liabilities, as well as it clarifies some important concepts. These amendments had no impact on the Group's consolidated financial statements.

Amendment to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB published an amendment to IFRS 16 standard. The amendment allows a lessee not to apply IFRS 16 requirements on the accounting effects of the contractual amendments for the reduction of leasing fees granted by lessors as a direct consequence of COVID-19 pandemic. This amendment introduces a practical device according to which a lessee may choose not to assess whether the reductions of leasing fees are contractual amendments or not. Any lessee that chooses to use this device, shall account for these reductions as if they were not contractual amendments within the scope of IFRS 16.

The amendments can be applied to the financial statements whose accounting period begins from 1 June 2020 or after. Earlier adoption is permitted. The Company decided not to adopt the practical device which allows to disregard the requirements set forth in IFRS 16 on the accounting effects of the contractual amendments for the reduction of leasing fees granted by lessors as a direct consequence of COVID-19 pandemic.

Employment data

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

Workforce	31.12.2020	31.12.2019	Change
Executives	2	3	(1)
Managers	8	6	2
White-collar	27	37	(10)
Blue-collar	-	-	-
Others	-	-	-
Total	**37**	**46**	**(9)**

Over the course of 2020, the workforce lost 8 units.

Description of the effects of COVID-19 pandemic

On 11 May 2021, the Board of Directors of the Company, proposed the following:

The Company intends to make use of the suspension set forth in Art. 6 of Legislative Decree no. 23 of 8 April 2020 (the so-called "Liquidity Decree", converted with amendments in Law no. 40 of 5 June 2020) "Temporary provisions on capital reductions", as amended by Law no. 178 of 30 December 2020, which allows listed companies to temporarily suspend some provisions on capital reductions for losses (Art. 2446 and 2482-bis). The suspension envisages the possibility to postpone up to the following fifth fiscal year the obligation to offset the losses. Art. 6, par. 3 of the Liquidity Decree provides for the prompt call of the Shareholders' Meeting, which, in alternative to the immediate capital reduction and its simultaneous increase to an amount equal or greater to the legal minimum, may resolve to postpone said decisions up to the following fifth year.

ASSETS

B) Non-current assets

1. Property, plant & equipment

Balance at 31.12.2020 162

Balance at 31.12.2019 189

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

(Euro thousands)

Property, plant & equipment	Plant	Equipment	Furniture & fittings	EDP	Vehicles	Others	Total
Change in Acquisition Cost							
31 December 2019	**1,009**	**10**	**234**	**187**	**9**	**461**	**1,910**
Increases	-	-	-	4	-	2	6
Ibox S.r.l. merger	26	-	27	4	-	42	98
Reclassifications	-	-	-	-	-	-	-
Decreases	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
31 December 2020	**1,035**	**10**	**261**	**194**	**9**	**505**	**2,014**
Change in Amortisations	-	-	-	-	-	-	-
31 December 2019	**(988)**	**(7)**	**(159)**	**(159)**	**(9)**	**(399)**	**(1,721)**
Depreciations	(10)	(0)	(23)	(10)	-	(29)	(72)
	-	-	-	-	-	-	-
Ibox S.r.l. merger	(16)	-	(12)	(2)	-	(29)	(59)
Reclassifications	-	-	-	-	-	-	-
Decreases	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
31 December 2020	**(1,014)**	**(7)**	**(193)**	**(172)**	**(9)**	**(457)**	**(1,852)**
Net Book Value	**21**	**3**	**68**	**22**	**-**	**49**	**162**

As of 31 December 2020, the increases recorded mainly refer to the merger of Ibox S.r.l..

As per IAS 36, the eventual existence of impairment indicators was assessed with regard to the procedure described in par. 5 – Investments.

2. Right-of-use assets

Balance at 31.12.2020 508

Balance at 31.12.2019 1,629

The breakdown of the right-of-use assets of the Group is illustrated below:

(Euro thousands)

Right-of-use assets	Properties	Vehicles	Total
Change in Acquisition Cost			
31 December 2019	**2,898**	**120**	**3,018**
Additions	-	-	-
Exchange differences	(108)	108	-
Decreases	(888)	(14)	(901)
31 December 2020	**1,902**	**214**	**2,116**
Change in Amortisations			-
31 December 2019	**(1,319)**	**(70)**	**(1,389)**
Depreciations	(475)	(57)	(531)
Decreases	298	14	312
31 December 2020	**(1,496)**	**(112)**	**(1,608)**
Net Book Value 31 December 2020	**407**	**102**	**508**

The COVID-19 pandemic, which broke out during the course of the fiscal year, allowed for the reduction of rental contracts and for the development of smart-work logics, highlighting the possibility to reduce the size of the Company's offices and to terminate rental contracts. It follows that, during 2020, the following two factors were cause for decreases:

- Discounts on current leases in Milan, Genoa and Rome. These discounts were recorded as lease modifications, with consequent alignment of the RoU and of the financial payable.
- Withdrawal from one of the lease contracts of Milan's headquarters, also in this case the RoU and the debt were aligned on the basis of the new duration.

At 31 December 2020, no impairment indicators existed and consequently an impairment test was not carried out relating to the above-mentioned RoU assets.

3. Intangible assets

Balance at 31.12.2020 203

Balance at 31.12.2019 217

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

Intangible Assets	Other intangible assets	Total
Change in Acquisition Cost		
31 December 2019	**2,968**	**2,968**
Continuing operations increases	47	47
Discontinued operations increases	-	-

Reclassifications	-	-
Decreases	-	-
Disposals	-	-
31 December 2020	**3,014**	**3,014**
Change in Amortisations		
31 December 2019	**(2,751)**	**(2,751)**
Continuing operations amortisations	(60)	(60)
Discontinued operations amortisations	-	-
Reclassifications	-	-
Decreases	-	-
Disposals	-	-
31 December 2020	**(2,811)**	**(2,811)**
Net Book Value	**203**	**203**

Other intangible assets refer to trademarks and software.

As of 31 December 2019, increases of € 47,000 were recorded, mainly concerning the acquisition costs for software assets.

In accordance with IAS 36, an assessment was made of any impairment indicators within the context of the procedure described in par. 5 – Investments.

4. Goodwill

Balance at 31.12.2020	**3,249**
Balance at 31.12.2019	**4,084**

The account includes:

- €2,477,000: related to the acquisition of Giglio Fashion in March 2016. As of 31 December 2020, on the basis of the impairment tests carried out, a goodwill write-down of € 1,607,000 is recorded, calculated by using a conservative sensitivity analysis in which the revenues' growth rate was reduced by 10% year on year, with consequent 1% drop of the execution risk that composes the WACC.
- € 722,000: related to the merger of IBOX S.r.l. in June 2020.

As of 31 December 2020, on the basis of the impairment tests carried out, the write-down of Giglio Fashion's goodwill is recorded, which was calculated, as a conservative estimate, on the basis of a sensitivity analysis that used a revenues' growth rates drop of 10% year on year, with consequent 1% drop of the execution risk that composes the WACC, given that the performance of

the division and the prospects for the current fiscal year suggest a consumption slowdown and thus a drop in estimated cash flows.
The Tier 2 impairment test was carried out with regard to the CGUs which the goodwill is ascribable.
At single CGU 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 of the last two forecast years instead of the operating cash flow of the last explicit forecast year.
The discount rate applied was the adjusted WACC at 15.38%.
The 2021-2025 multi-annual Industrial Plan was approved by the Directors on 03 March 2021.

The Tier 2 of B2B CGU (Business to Business) shows that, upon a Net Capital Invested of € 5.7 million, the enterprise value amounts to € 5.3 million (of which € 2.5 million resulting from the discounting of cash flows from explicit forecast and € 2.8 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) shows a negative spread of € 0.4 million, forcing the consequent write-down of the goodwill recorded in the Financial Statements as of 31 December 2020.
At 31 December 2019, these figures were represented as follows:
The Tier 2 of B2B CGU (Business to Business) showed that, upon a Net Capital Invested of € 3.7 million, the enterprise value amounted to € 19.3 million (of which € 7.5 million resulting from the discounting of cash flows from explicit forecast and € 11.8 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) had given positive results against a headroom of € 15.6 million.

Sensitivity analysis and stress test

A sensitivity analysis of the aforementioned relevant hypothesis was carried out with the reduction of the revenues' growth rates by 10%, 20% and 30% respectively, year on year, with consequent reduction by 1%, 2% and 3% respectively of the execution risk which composes the WACC. On the basis of the sensitivity analysis, it is noted that Tier 2 CGU B2B highlights a progressive erosion of the headroom as the three scenarios show a progressive reduction in the growth rates, reaching a negative headroom in the worst case scenario (30% drop of revenues' growth rates year on year, with consequent 3% drop in execution risk).

From the sales analyses of 2021 Q1, a substantial stability of the CGU B2C and a slowdown of the CGU B2B were recorded, mainly ascribable to resettlements in goods deliveries to the clients, which are considered to be widely recoverable over the course of the year. Nevertheless, taking into account the B2B sector more specifically, the sensitivity analysis with revenues' growth rates drop of 10% year on year, with consequent 1% drop in execution risk, records for the goodwill a further negative amount of € -1.17 million. As a consequence, the item, related to Giglio Fashion, was written-down in order to reflect the aforementioned drop in estimated cash flows. Overall, the B2B write-downs recorded in the Financial Statements as of 31 December 2020 amount to € 1.6 million (€ 0.4 million for impairment and € 1.17 million for the sensitivity analysis).

5. Investments

Balance at 31.12.2020	**9,951**
Balance at 31.12.2019	**13,645**

The breakdown of the account at 31 December 2020 is illustrated below:

(Euro thousands)

Investments	31.12.2020	31.12.2019	*Change*
Giglio TV HK Ltd	0	1,530	*-1,530*
Giglio USA	18	18	-
IBOX SA	6,119	6,823	*-704*
Cloud Food	5	5	-
Terashop - E-Commerce Outsourcing S.r.l.:	3,769	3769	-
IBOX S.r.l.	-	1500	*-1,500*
GIGLIO SHANGHAI TECHNOLOGY CO. LTD	40	-	*40*
Total	**9,951**	**13,645**	***-3,694***

The change, if compared to the previous year, related to investments in:

- **Giglio TV HK Ltd:** on 9 March 2020, Giglio Group S.p.A. purchased the ownership of the minority shareholding in Giglio TV Hong Kong, previously held by SIMEST, for an overall investment of € 1,470,000 thus bringing the value of said shareholding to € 3 million.

Subsequently, the shareholding was fully written down in order to adapt its value to the Net Equity of the subsidiaries' financial statements.

As reported in the Directors' Report as of 31 December 2019, amongst the "Significant Events After the End of the Fiscal Year", in March 2020 and in the following interim reports, in the context of the definitive exit from the Media sector, Giglio Group S.p.A. transferred its full shareholding in Giglio TV Hong Kong to a Chinese industrial group, against a payment of € 3.0 million, equal to the carrying value of the subsidiary, through the subscription of a relevant agreement. The transfer was regulated through the winding-up of the receivable that was due to Giglio Group S.p.A. by Giglio TV.

Upon subscription of the agreement, following a request from the purchaser, on 27 April 2020, the headquarters of Giglio TV and its Company Secretary were changed.

Subsequently, events that, to the reporting date, do not allow for the certain consideration of Giglio TV as external to the Group's scope for accounting purposes took place.

Indeed, as it emerged from in-depth analyses carried out in the first months of 2021 with a view to the Financial Statements' draft – also following the notice of a lawsuit against Giglio TV in 2021 for other reasons, deemed as "frivolous and vexatious" by the Hong Kong lawyer – the purchaser, who was prompted for this purpose also on September 2020, did not fulfil all required formalities, pursuant to local laws, for the registration of the shares' transfer.

The COVID-19 pandemic influenced said fulfilment, provoking in Hong Kong a harsh lockdown which lasted for the whole 2020 and due to which most offices remained closed and, to this day, have yet to recover their normal operation. For the same reason, the offices of the Company's accountants and financial auditors suffered from the same closures. In this context, another element of delay was the critical relationship between China and Hong Kong, which led, in May 2020, to new demonstrations, which cause most offices, transportation and roads to be closed. Hence, in light of the above, Giglio Group considered, as a conservative measure, with regard to the accounting sphere:

- To consolidate Giglio TV as of 31 December 2020;
- To reduce to zero in Giglio Group's Financial Statements as of 31 December 2020 the value of Giglio TV shareholding (equal to € 3.0 million) and of the receivable due by Giglio TV (equal to € 3.39 million), as well as to reduce the value of the shareholding in Giglio Shanghai by € 160,000. for a total write-down of € 6.56 million. These write-downs take

into account also the results of Giglio TV's Financial Statements as of 31 December 2020 and do not have any effect on the Consolidated Financial Statements.

- **GIGLIO SHANGHAI TECHNLOGY CO. LTD**: On 12 March, Giglio Group S.p.A. acquired the direct control of its subsidiary Giglio (Shanghai) Technology company Limited through Giglio TV HK, in order to streamline the chain of control, a preparatory event for the following transfer of the company from Hong Kong, other than a chance to streamline the relations between the Italian and the Chinese companies in the context of the commercial transactions for the development of Chinese activities. On 22 April 2020, with notary deed with index no. 44206 and register no. 25676 of Notary Andrea Fusaro from Genoa, an amendment deed was signed for the authenticated private agreement concerning the transfer of Giglio Shanghai's shareholding between Giglio Group S.p.A. and Giglio TV HK Ltd (authenticated private agreement of 12 March 2020), whose price was erroneously recorded at € 6,398,214.43 instead of € 40,000.

- **Ibox SA:** The impairment test carried out on Ibox SA on the basis of the equity value calculated with regard to the unlevered cash flow data of the B2C CGU arising from the Plan 2021-2025 and to the NFP as of 31 December 2020 was shown to be negative, with a minor value of € 704,000. As a consequence, the Company considered it appropriate to write down the shareholding of said amount, as reported below.

- **Ibox S.r.l.:** On 19 December 2019, Giglio Group's Board of Directors resolved on the approval of the project of merger by incorporation of the wholly-controlled company Ibox s.r.l into Giglio Group S.p.A.. The merger was subscribed on 3 June 2020, with retroactive accounting and fiscal effects starting from 1 January 2020. The incorporation of subsidiaries, not specifically regulated in IFRS 3 Business Combinations, were recorded on the basis of the principle of value continuity, pursuant to the accounting standards and the indications provided by Assirevi in the document Preliminary Interpretative Guidance (PIG) no. 2, "Accounting treatment of mergers in the financial statements", hereinafter also referred to as PIG2. The application of the principle of value continuity does not determine the emersion of higher values to be allocated if compared to the figures of the consolidated financial statements; surpluses/deficits arising from mergers are recorded under Net Equity.

A comparison between the value of the investments and the equity of the subsidiaries at 31 December 2020 is illustrated in the table below:

(Euro thousands)

Company	Registered office	Issued Capital	% Held	Profit/(loss) at 31/12/2020	Net equity at 31/12/2020	Equity share for the period	Book value
GIGLIO SHANGHAI TECHNOLOGY CO. LTD	Shanghai International Finance Center Century Avenue 8 Room 874, Level 8, Tower II Shanghai, 200120	40	100%	-25	-67	-67	40
IBOX SA	Galleria 1 Via Cantonale, 6928 Manno, Switzerland	1,700	100%	-1,375	-2,005	-2,005	6,119
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%	-219	92	92	18
E-Commerce Outsourcing S.r.l.:	Via Sesia, 5 20017RHO Italy	38	100%	557	1,007	1,007	3,769
Giglio TV HK Ltd	Room 1501 (659), 15/F, SPA Centre 53-55 Lockhart Road Wanchai HONG KONG	3,000	100%	1,345	-24	-24	0

The assessment process used to calculate the recoverable value of the equity investment held by Giglio Group S.p.A. in Giglio Shanghai 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 Shanghai) 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 03 March 2021.

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 of the last two forecast years instead of the operating cash flow of the last explicit forecast year.

The discount rate applied was the adjusted WACC at 15.38% and at 18.38% for Giglio Shanghai.

The impairment tests carried out on Ibox SA (€ 6.8 million), Terashop/E-Commerce (€ 3.8 million) and Giglio Shanghai (€ 41,000) on the basis of the equity values calculated with regard to the unlevered cash flows data of B2C and B2B2C CGU segments, arising from the Plan 2021-2025 and the NFP of the Company as of 31 December 2020, (i) with regard to Ibox SA's shareholding, had a negative outcome, with a write-down of -724,000, and (ii) with regard to Terashop and Giglio Shanghai, had a positive outcome, with a headroom of € 6 million and € 7.1 million respectively.

The WACC used for Giglio Shanghai amounted to 2.9%, in addition to the execution risk base, thus bringing the overall risk of the assessment to 18.28%. As of 31 December 2019, the WACC used for the same shareholding amounted to 1%, which went to add to the basic execution risk, bringing the overall risk to 4%.

Moreover, the Company carried out a sensitivity analysis of the relevant hypothesis mentioned above was carried out through the reduction of the growth rate of revenues of 10%, year on year, with consequent reduction of 1% of the execution risk that composes the WACC. The sensitivity analyses carried out highlighted, with specific reference to the shareholding in Ibox SA, a progressive headroom deterioration (already negative in the basic scenario), reaching in the scenario (revenues' growth rates drop of 10% year on year, with consequent 1% drop in execution risk) a spread of € -2.3 million. The Directors deem the scenario recorded in the sensitivity analysis as non-applicable, since both the data from the sales of Q1 and the projections on the whole year confirm the estimates included in the budget plan approved on 03 March 2021 by the Board of Directors.

6. Receivables and other non-current assets

Balance at 31.12.2020 **2,475**

Balance at 31.12.2019 **3,012**

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

(Euro thousands)

Receivables and non-current assets	31.12.2020	31.12.2019	Change
Guarantee deposits	199	193	6
Intercompany financial receivables	1,833	2,190	(357)
Others	443	629	(186)
Total	**2,475**	**3,012**	**(537)**

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 "Others" account mainly refers 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 a total amount of € 443,000.

7. Deferred tax assets

Balance at 31.12.2020 **824**

Balance at 31.12.2019 **762**

The item, equal to € 824,000 at 31 December 2020 (of which € 7,000 from Ibox S.r.l. merger), refers mainly to the deferred taxes calculated on the tax losses on 2017 (€ 514,000), following which, on a prudent basis, have not been provisioned, to the tax effect of the write-down of receivables (€ 37,000). For more information, see par. 17 – Deferred tax assets. The deferred tax assets are expected to be reabsorbed by future assessable income deriving from the business plan.

8. Inventories

Balance at 31.12.2020 **1,596**

Balance at 31.12.2019 **1,696**

The inventories of the company comprise finished products for sale.

At 31 December 2020, 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 2020, the obsolescence provision is equal to € 43,000 and includes the provision for the year amounting to € 35,000.

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 in light of the COVID-19 pandemics.

9. Trade and other receivables

Balance at 31.12.2020 **4,568**

Balance at 31.12.2019 **9,310**

The breakdown of the account is as follows:

(Euro thousands)

Trade and other receivables	31.12.2020	31.12.2019	Change
Trade receivables	3,425	7,898	(4,473)
Advances to suppliers	1,622	1,896	(274)
Guarantee deposits	-	-	-
Other receivables	-	-	-
Provision for doubtful accounts	(479)	(484)	5
Total	**4,568**	**9,310**	**(4,742)**
Of which from Ibox S.r.l. merger	**265**		

The account diminished, if compared to 31 December 2019, as a consequence of a different invoicing time-frame.

The supplier advances of B2B e-commerce division relate to advances on orders of the PE and AI 2020 collection.

The geographic breakdown of gross trade receivable at 31 December 2020 and 31 December 2019, net of intra-group receivables, are as follows:

(Euro thousands)	**Year ended at 31 December 2020**	**%**	**Year ended at 31 December 2019**	**%**
Europe	1,511	*87.6%*	3,159	*96.6%*
Asia	185	*10.7%*	*86*	*2.6%*
USA	0	*0.0%*	*0*	*0.0%*
Rest of the world	29	*1.7%*	*25*	*0.8%*
Total gross receivables	**1,725**	***100.0%***	**3,270**	***100.0%***
Provision for doubtful accounts	*-479*		*-484*	
Total	**1,246**		**2,786**	

The ageing of the gross trade receivables at 31 December 2020 and 31 December 2019, net of intra-group deliverables, is shown below:

(Euro thousands)	**Year ended at 31 December 2020**	**%**	**Year ended at 31 December 2019**
> 90 days	*874*	*23.5%*	769
60<> 90 days	*0*	*5.8%*	188
30<> 60 days	*0*	*5.3%*	174
0<> 30 days	*101*	*10.8%*	353
Total overdue	***975***	***45.4%***	**1,484**
Not overdue	*749*	*54.6%*	1,786
Total gross receivables	**1,725**	***100.0%***	**3,270**
Provision for doubtful accounts	*-479*		-484
Inc. provision on overdue >90 days	*-54.8%*		*-62.9%*
Total	**1,246**		**2,786**

By applying the ECL, as combination between the age of the receivables and the creditor riskiness, in 2020, to a greater age of the receivables a minor riskiness is coupled, thus entailing a minor impact on the doubtful accounts provision on receivables expired from more than 120 days.

The changes in the provision for doubtful accounts are as follows:

(Euro thousands)	**Giglio Group S.p.A.**
Provision for doubtful accounts	

31 December 2019 Balance	**484**
Provisions	37
Business Combinations	1
Discontinued operations uses	-
Releases	(44)
Changes from assets held for sale	-
31 December 2020 Balance	**479**

The provision for the year amounting to € 37,000 was carried out in order to adjust the nominal value of receivables to their estimated realisable value.

As already highlighted in Note E. "Management of capital and financial risks on credit risk", the Company determines the provision for doubtful accounts by elaborating a specific provision matrix. More specifically, the Company, due to the variety of its clients, identified appropriate groupings and associated to them a specific rating, applying to each grouping a specific write-down percentage.

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

Moreover, the Company released the provisions for an amount of € 44,000 related to receivables collected.

10. Financial receivables

Balance at 31.12.2020 2

Balance at 31.12.2019 4,429

The account consists in the countervalue of no. 500 shares of Vértice Trescientos Sesenta Grados SA, Spanish company listed in Madrid's main stock-exchange market. The value at 31 December 2019 refers, for € 2,959,000 to the countervalue of no. Vertice Trescientos Sesenta Grados SA's shares, with a level-1 fair value calculated on the stock-exchange market value as of 31 December 2019, and for € 1,470,000 to receivables with SIMEST related to the purchase of a minority share in Giglio TV Hong Kong. For more information, see par. 5 – Investments.

11. Tax receivables

Balance at 31.12.2020 1,130

Balance at 31.12.2019 1,730

The breakdown of tax receivables is shown below:

(Euro thousands)

Tax receivables	31.12.2020	31.12.2019	Change
IRES	543	318	*225*
IRAP	145	131	*14*
Withholding taxes	1	1	-
INPS	-	3	*(3)*
INAIL	-	2	-
VAT	273	977	*(705)*
Receivables for tax consolidation	168	297	*(129)*
Others	-	1	*(1)*
Total tax receivables	**1,130**	**1,730**	***(599)***
Of which from Ibox S.r.l. merger	**371**		

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

The receivables for tax consolidation, equal to € 168,000, refer to the receivables accrued with the subsidiaries following the Tax Consolidation Agreement signed on 2 November 2020 with E-commerce Outsourcing S.r.l..

The VAT receivable amounting to € 273,000, 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.

In 2020 Q1, the sales of PPEs, subject to VAT until 19 May 2020, generated a VAT payable which eroded the receivables accrued over the previous years The payables accrued over 2020 amounts to € 838,000.

On 3 June 2020, following the merger by incorporation of subsidiary Ibox S.r.l., a VAT receivable of € 634,000 was added, later offset for € 510,000.

12. Other assets and other current receivables

Balance at 31.12.2020 662

Balance at 31.12.2019 679

(Euro thousands)

Other assets	31.12.2020	31.12.2019	Change
Prepayments and accrued income	662	671	(9)
Total	**662**	**679**	**(17)**

Prepayments and accrued income mainly relate to, for € 480,000, 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. The remaining € 190,000 mainly refer to payments for the following year 2021.

13. Cash and cash equivalents

Balance at 31.12.2020 **1,141**

Balance at 31.12.2019 **229**

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

(Euro thousands)

Cash and cash equivalents	31.12.2020	31.12.2019	Change
Bank and short-term deposits	1,140	227	913
Cash on hand	1	2	(1)
Total	**1,141**	**229**	**912**
Of which from Ibox S.r.l. merger	**3**		

The increase in Cash and Cash Equivalents of 2020, if compared to the previous year, is due to the capital increase and the transfer of Vertice 360 shares that took place in the second half of December 2020. There are no limitations to the free use of the funds or costs related to their use.

LIABILITIES

14. Equity

The share capital as of 31 December 2020 consists of 20,746,475 ordinary shares, without express nominal value.

The changes in 2020 are due to:

- Allocation of the result as of 31 December 2019;
- On 22 December 2020, Giglio Group S.p.A. completed the allocation of no. 2,439,790 ordinary, newly-issued shares, at a price of € 1.97 per share, for a total value of € 4,806,386. The value of the capital increase thus amounted to € 487,958 in nominal value and € 4,318,428 at share premium. This is a Transaction of Major Importance with related parties, as Meridiana Holding S.r.l., majority shareholder of the company (for more information on the relationship between the Company and Meridiana Holding S.r.l., see par. 35 - Transactions with subsidiaries and related parties), subscribed, through the conversion of claims, no. 2,097,050 shares, equal to 85.95% of the increase. With regard to the transactions of major importance with related parties, see chapter 2 of the Information Document prepared pursuant to Art. 5 of the Regulation adopted by Consob with resolution no. 17221 on 12 March 2010, available on the authorised storage mechanism www.emarketstorage.it and on the Company's website www.giglio.org in the "Corporate Governance/Shareholders' Meeting/Shareholders' Meeting 12 November 2020", together with the opinion of the Internal Control, Risks and Related-Parties Committee. Other than Meridiana Holding S.r.l., another qualified shareholder, Antonio Lembo, related party as CEO of E-Commerce Outsourcing S.r.l. (company wholly owned by Giglio Group S.p.A.), joined the increase through the conversion of claims, purchasing no. 81,218 shares. The costs incurred for the share capital increase amount to € 218,000, recorded directly under Net Equity.
- Recognition of actuarial losses - IAS 19; For more information on the assumptions entertained by the application of IAS 19 accounting standard, see paragraph 9 of the Explanatory Notes;
- Loss for the year.

15. Provisions for risks and charges

Balance at 31.12.2020	**60**
Balance at 31.12.2019	**-**

The account mainly includes, for € 60,000, Giglio TV Hong Kong debt provisions.

16. Post-employment benefit provisions

Balance at 31.12.2020	**329**
Balance at 31.12.2019	**324**

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

(Euro thousands)	
31 December 2019 Balance	**(324)**
Provisions 2020	(113)
Advances/Util.	93
Actuarial gains (losses)	19
Net Interest	4
31 December 2020 Balance	**(329)**

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

- probability of elimination for death: ISTAT table 2019 (source ISTAT – 2020 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 and as provided for by Legislative Decree no. 4 of 2019, hypothesising the workers' exit from the service upon achievement of the first useful right;
- annual inflation rate: 0.6% for 2021, 1.1% for 2022 and 1% for 2023 (source: *"Update of 2020 Economic and Finance Document"*); from 2024 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 as of 31 December 2020 of AA securities issued by corporate issuers in the Eurozone and based on the average residual duration of the Post-employment benefit as of 31 December 2019; therefore, considering that the average residual duration of the liabilities was equal to 16 years, the annual nominal discount rate assumed in the valuation was 1% (1.4% as of 31 December 2019).

The sensitivity analysis on the discount rate was applied by using a rate that was respectively lower and higher than 1% by half a percentage point. Valuation results based on the rate of 0.5% and 1.5% (Euro thousands) are shown in the table below:

(amount in €/000)	**Rate -0.5%**	**Rate +0.5%**
DBO	791.2	673.9

Moreover, it is worth noting that the updating of demographic assumptions with respect to 31 December 2019 (concerning only the probability of elimination due to death) produced only a slight effect on actuarial results (€ +0.1 thousand), while the updating of the discount rate (1% instead of the 1.4% adopted at 31 December 2019) resulted in a € 19.5 thousand increase in the DBO.

17. Deferred tax liabilities

Balance at 31.12.2020 **131**

Balance at 31.12.2019 **2**

As of 31 December 2020, the total payable amounted to € 131,000 (of which € 2,000 from Ibox S.r.l. merger). The increase is due to the deferred tax effect from foreign currency conversion gains.

18. Current and non-current financial liabilities

Balance at 31.12.2020 **16,563**

Balance at 31.12.2019 **24,651**

The financial liabilities are illustrated in the table below:

(Euro thousands)

Financial payables	31.12.2020	31.12.2019	Change
Current	4,001	18,640	(14,639)
Non-current	12,563	6,011	6,553
Total	**16,564**	**24,651**	**(8,086)**

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

(Euro thousands)

Current financial liabilities	31.12.2020	31.12.2019	Change
Loans (current portion)	1,852	2,456	(605)
Total current loans	**1,852**	**2,456**	**(605)**
Advances on invoices/Credit Lines	824	6,603	(5,779)
Bank overdrafts	2	7	(5)
EBB bond	500	4,759	(4,259)
Earn-out	12	1,545	(1,533)
IFRS 16	319	564	(245)
Loans from related parties	-	402	(402)
Loans from parent company	493	-	493
Bond loan	-	1,373	(1,373)
Liability acquired minority share Giglio TV	-	931	(931)
Total	**4,001**	**18,640**	**(14,639)**

The current financial liabilities relate to:

- Short-term portion of unsecured loans;
- The self-liquidating credit lines as advances on invoices;
- Short-term portion of the EBB bond, as described below amongst the non-current financial liabilities;
- Current portion of payables to Meridiana Holding S.r.l. (previously related to related-parties) in USD. For more information, see par. 35 - Transactions with subsidiaries and related parties.

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

(Euro thousands)

Non-current financial liabilities	31.12.2020	31.12.2019	Change
Loans	6,412	607	5,805
Minibond	-	-	-
EBB bond	4,304	-	4,304
Payables to subsidiaries	1,194	4,358	(3,164)
IFRS 16	236	1,046	(810)
Payables with parent company	417	-	417
Total	**12,563**	**6,011**	**6,553**

The non-current financial liabilities relate to:

- Long-term unsecured loans;
- Non-current portion of payables to the parent company in USD. For more information, see par. 35 - Transactions with subsidiaries and related parties.
- Long-term portion of EBB bond. On 2 April 2019, the company issued a non-convertible bond of € 5 million in principal, made up of 50 bearer bonds with a denomination per unit of € 100,000.00 each, with the following conditions:
    - Subscribers: the Bond was fully subscribed by the SPV;
    - Listing: the Bonds shall not be listed on any regulated market nor on any MTF;
    - Terms of issue: the Bonds shall be issued in a single tranche;
    - Issue price: the issue price amounts to 100% of the Bonds' nominal value;
    - Interests: the Obligations shall be interest-bearing at the fixed nominal gross annual rate of 4.572%, to be paid with a semi-annual coupon postponed;
    - Legal duration and expiration: the Bonds shall have a legal duration of 8 years and 6 months and the expiration date is set at the last interests' payment date of 2027;
    - Reimbursement: the Bonds shall be redeemed at par, i.e. at 100% of their nominal value, pursuant to the amortisation plan set forth in the regulation, with 13 semi-annual capital instalments, with a grace period of 2 years;
    - On 30 June 2020, the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data of 30 June 2020 and 31 December 2020. In particular, the bondholder approved the request of the company to allow, by way of derogation form the regulation of the bond, the suspension of the application of the thresholds of the leverage ratio financial parameter and of the gearing ratio financial parameter, only with regard to the Test Date of 30 June 2020 and 31 December 2020. For the purpose of said suspension, EBB Export S.r.l., the bondholder, received from Meridiana Holding S.r.l., majority shareholder of Giglio Group, an indemnity and guarantee deed in its name for an amount of up to € 1 million;
    - The Company request a new suspension of the financial covenants thresholds with regard to the test date of 30 June 2021.

Moreover, the financial liabilities also include those payables related to liabilities for operating leasing resulting from the application of the IFRS 16 accounting standard.

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

(Euro thousand)	**Value at 01.01.2020**	**Cash flow**	**Value at 31.12.2020**
Non-current financial liabilities	4,965	7,361	12,326
Current financial liabilities	18,076	(14,394)	3,682
Total liabilities from financing activities	**23,041**	**(7,033)**	**16,008**

The following table summarises the loans of the Giglio Group S.p.A. as of 31 December 2020 and highlights the amounts due within and beyond one year:

SITUATION AT 31/12/2020 Company Giglio Group S.p.A.
(Euro thousands)

Bank	Interest rate	Loan amount	Date of subscription	Outstanding debt at 31/12/2020	Expiration	0<>12 months	1 year<>2 years	2 year<>3 years	More than 3 years
BANCA DI SONDRIO									
Unsecured loan, MCC guarantee	3.50%	1,200	30/09/2015	65	31/03/2021	65	-	-	-
INTESA									
Unsecured loan no. 0IC1047064869	Euribor 1 month + 2% spread	1,000	28/06/2017	477	28/10/2023	101	204	173	-
BANCA POP di BERGAMO									
Unsecured loan no. 004/01187014	2.1%	600	29/07/2016	78	29/10/2021	78	-	-	-
CREDEM									
Loan no. 052/7059285, MCC guarantee	0.72%	700	21/06/2016	59	21/10/2021	59	-	-	-
CARIGE									
Loan no. 11597713	1.65%	550	23/11/2020	546	31/10/2026	22	134	137	252
BancoBPM									
Loan no. 11597713	Euribor 1 month + 2.1% spread	2,000	23/11/2020	1,991	23/11/2026	201	351	358	1,081
UNICREDIT									
Unsecured loan no. 8426426	5.90%	5,000	23/01/2020	4,954	31/10/2023	942	1,969	2,043	-
TOTAL Giglio Group	-	**11,050**		**8,170**		**1,469**	**2,658**	**2,710**	**1,333**
		Overall Total		**8,170**		**1,469**	**2,658**	**2,710**	**1,333**

19. Trade payables

Balance at 31.12.2020 **4.498**

Balance at 31.12.2019 **8.868**

(Euro thousands)

Trade payables	31.12.2020	31.12.2019	Change
Customer advances	121	149	(28)
Supply of goods and services	4,281	8,553	(4,272)
Credit notes to be issued	96	166	(70)
Contribution credit notes to be issued	-	-	-
Clients guarantee deposits	-	-	-
Other trade payables	-	-	-
Total	**4,498**	**8,868**	**(4,370)**
Of which from Ibox S.r.l. merger	**48**		

The breakdown of trade payables is shown below:

(Euro thousands)	**Year ended at 31 December 2020**	**Year ended at 31 December 2019**
Trade payables	4,303	8,553
- of which overdue beyond 60 days	*1,518*	*5,130*
- % overdue payables on total	*35.29%*	*60.00%*

20. Tax payables

Balance at 31.12.2020 **484**

Balance at 31.12.2019 **494**

(Euro thousands)

Tax payables	31.12.2020	31.12.2019	Change
Withholding taxes	122	268	(146)
Foreign VAT	76	-	76
Income taxes	191	112	79
Social security institutions	95	114	(19)
Total	**484**	**494**	**(10)**
Of which from Ibox S.r.l. merger	**76**		

Tax payables relate to:

- withholding taxes and taxes related to the normal operating activities of the company for € 122,000 and € 191,000 respectively;
- social security institutions for € 95,000.
- VAT accrued before the merger by the Ibox S.r.l., payable to foreign countries in which it performs its business through specific tax representation;

21. Other current liabilities

Balance at 31.12.2020 **3,021**

Balance at 31.12.2018 **3,493**

(Euro thousands)

Other current liabilities	31.12.2020	31.12.2019	Change
Employee payables	275	407	(132)
Prepayments and accrued expenses	177	191	(14)
Other payables	2,568	2,894	(326)
Total	**3,021**	**3,493**	**(472)**

The account Employee payables refers to contractual agreements with departing employees, that will be liquidated over the course of 2021.

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

The account "Other payables" comprises the residual part of the payables following the agreement for the transfer of the media area assets of Giglio Group to Vertice 360 (€ 2.6 million), as shown in the Closing Letter subscribed on 31 October 2019.

NOTES TO THE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

22. Revenues from contracts with customers

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

(Euro thousands)	31.12.2020	31.12.2019	Change
Revenues from sales and services	28,346	23,515	4,831
Other revenues	1,445	2,621	(1,176)
Total	**29,791**	**26,136**	**3,655**

At 31 December 2020 revenues from sales and services amounted to € 29.8 million , increasing if compared to € 26.1 million at 31 December 2019.

The revenues include € 10.4 million related to the turnover of Giglio Salute division (with a margin of about 25%), which was created following the outbreak of the COVID-19 pandemic with the purpose of handling PPEs through the Group's e-commerce platforms and its commercial network in China.

23. 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:

(Euro thousands)

Purchase of raw materials, ancillary, consumables and goods	31.12.2020	31.12.2019	Change
Costs of goods	21,068	16,882	4,186
Consumables	20	33	(13)
Total	**21,088**	**16,915**	**4,173**

The account mainly includes the costs borne by the B2B segment of Giglio Group; the increase over 2019 is mainly due to the Giglio Salute division.

24. Service costs

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

(Euro thousands)

	31.12.2020	31.12.2019	Change
Agents	308	47	261
Other service costs	277	64	213
Insurance	114	92	22
Bank, postal & collection commissions	137	147	(10)
Directors, statutory auditors and supervisory board fees	379	415	(36)
Consulting	1,789	1,869	(80)
Administrative costs	415	627	(212)
Warehousing	403	476	(73)
Maintenance	19	14	5
Advertising, promotions, shows and fairs	16	23	(7)
Cleaning and surveillance	14	37	(23)
Transport & shipping	793	201	592
Utilities	70	100	(30)
Sales representatives	45	217	(172)
Total	**4,780**	**4,329**	**451**

The service costs of € 4.8 million are mainly ascribable to the counselling and the administrative costs referred to the Corporate division, amounting to € 1.8 million and € 0.4 million respectively, to which transport and shipment service costs for € 0.8 million, warehousing costs for € 0.4 million and agents for € 0.3 million must be added. A significant increase in transport and shipping and in agents' items was recorded, mainly ascribable to the Giglio Salute division, for which more information are provided in par. 22 – Revenues from contracts with customers.

25. Rent, lease and similar costs

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

(Euro thousands)

	31.12.2020	31.12.2019	Change
Rental	78	45	33

Hire	15	25	(10)
Operating leases	32	35	(3)
Total	**124**	**105**	**19**

The Rent, lease and similar costs refer to the lease of capital goods whose value is less than € 5,000, as well as to rentals whose duration is inferior to 12 months, thus being exempt from the IFRS 16 standard.

26. Payroll expenses

The breakdown of payroll expenses is as follows:

(Euro thousands)

	31.12.2020	**31.12.2019**	Change
Salaries and wages	1,818	1,886	(68)
Social security charges	557	520	37
Post-employment benefits	123	122	1
Total	**2,497**	**2,528**	**(31)**

Payroll expenses remained virtually unchanged if compared to 31 December 2019.

27. Amortisation, depreciation & write-downs

The breakdown of the account is shown below:

(Euro thousands)

Amortisation, depreciation & write-downs	31.12.2020	**31.12.2019**	Change
Amortisation intangible assets	60	43	17
Amortisation tangible fixed assets	603	652	(48)
Write-downs	8,966	(18)	8,984
Total	**9,630**	**677**	**8,953**

With regards to item "Amortisation", see Notes in paragraph 1 ("Property, plant & equipment ") and 2 ("Intangible Assets") respectively.

The Write-downs account includes the write-downs mentioned in par. 4 "Goodwill" and par. 5 "Investments", for:

(Euro thousands)	
Write-down due to the execution of the impairment test on Giglio Fashion's goodwill following its acquisition	1,607
Total goodwill write-downs	***1,607***
Write-down due to the execution of the impairment test on the book value of the shareholding in Ibox SA	704
Write-down of the book value of the shareholding in Giglio TV HK	3,000
Write-down of the book value of the shareholding in Giglio Shanghai	160
Total shareholding write-downs	***3,864***
Write-down of the receivables from Giglio TV HK	3,398
Provisions for doubtful trade receivables	37
Total receivables write-downs	***3,435***
Provisions for Giglio TV Hong Kong	60
Total risks and doubtful accounts write-downs	***60***
TOTAL	**8,966**

28. Other operating costs

The breakdown of the account is shown below:

(Euro thousands)	31.12.2020	**31.12.2019**	Change
Other taxes	18	13	5
Other charges	17	16	1
Penalties and fines	79	27	52
Prior year charges	85	64	21
Losses on receivables	-	-	-
Total	**198**	**119**	**79**

As of 31 December 2020, the account Other operating costs is partly due to penalties disbursed over the course of 2020, and partly to contingencies recorded over the year.

29. Financial income and charges

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

(Euro thousands)

Financial income and charges	31.12.2020	31.12.2019	Change
Interest income on bank accounts	-	1	(1)
Incomes on earn-out waiver	588	-	588
Other interest	-	-	-
Exchange gains	606	2	604
Incomes on transfer of securities	333	-	333
Financial income	**1,527**	**3**	**1,524**
Interest payable on current bank accounts	21	-	21
Other interest payable	230	51	179
Interest payable on invoice advances and factoring	80	66	14
Interest payable on mortgage loans	510	489	21
Interest payable on bond loans	263	294	(31)
Bank charges	15	153	(138)
SIMEST financial charges	20	41	(21)
IFRS 16 financial charges	27	46	(19)
Exchange losses	119	12	107
Financial charges	**1,285**	**1,152**	**133**
Total	**242**	**(1,149)**	**1,391**

The financial incomes increased by € 588,000, if compared to the previous year, following the waiver of part of the earn-out; by € 501,000 for exchange incomes calculated on the funding with the related party Meridiana stipulated in USD and by € 333,000 following the capital gain on the transfer of Vertice 360 securities.

Financial charges remained virtually unchanged if compared to 31 December 2019.

30. Income taxes

(Euro thousands)

Income taxes	31.12.2020	31.12.2019	Change
Current taxes	36	6	30
Deferred taxes	(69)	(375)	306
Total	**(33)**	**(369)**	**336**

Income taxes amount to € 36,000 (€ 6,000 as of 31 December 2019), with a tax effect of € 30,000 for taxes from previous years. The deferred taxes recorded in the account are mainly calculated on the release of the doubtful accounts provisions.

The tax effects for the year are shown below:

Taxes (Euro thousands)	31.12.2020	31.12.2019
Pre-tax result	(8,386)	(2,941)
Theoretical tax charge	-	-
Effective tax charge (current)	36	6
Effective tax charge (deferred)	(69)	(372)
Net result	(8,419)	(3,310)
Theoretical tax rate	27.90%	27.90%
Effective tax rate	0.4%	4%

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	5
A. Lezzi	22
G. Mosci	14
Y. Zhao	4
M. Mancini	5
S. Olivotto	36
F. Gesualdi	13
M. Belloni	8
Total	**307**

Over the course of the year, C. Micchi, G. Mosci, Y. Zhao and M. Mancini resigned from their offices, while F. Gesualdi and M. Belloni were appointed.

With regard to the remuneration of directors or managers considered to be related-parties of the Company, see the annual Remuneration Policy Report, created pursuant to Art. 123-ter of the CFA and to Art. 84-quarter of the Issuers Regulation, which shall be disclosed pursuant to the law and the By-laws.

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)

Recurring services	Service provider	Recipient	Consideration
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
Total recurring services			**105**

(Euro thousands)

Non-recurring services	Service provider	Recipient	Consideration
Activity related to the reserved capital increase	EY S.p.A.	Parent Company	25
Services other than review (iXBRL)	EY S.p.A.	Parent Company	15
Total other assessment services			**40**

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

31. Related party transactions (Article 2427, paragraph 1, no. 22-bis of the Italian 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 35 below.

32. Commitments, guarantees and contingent liabilities

Guarantees

Mr. Alessandro Giglio, reference shareholder of majority shareholder Meridiana Holding S.r.l., has provided personal guarantees on some Loans held by the company as of 31 December 2020.

The details are shown below:

Commitments and guarantees (Euro thousand)

Entity	Guarantee Value	Residual amount guaranteed
B.POP Sondrio	2,100	151
BancoBPM	650	650
UNICREDIT	536	536
Total	**3,286**	**1,337**

Contingent liabilities

Normal lawsuit (dispute): Through a writ of summons served on 18 February 2020, the company Servizi Italia Ltd sued Giglio Group, asking the Court to: "Verify the termination of the settlement agreement between the Parties on 27 June 2019 and, consequently, to verify the renewal of the agreement entered into between the same Parties on 19 May 2016 and thus to order Giglio Group S.p.A. to pay to Servizi Italia Ltd the remunerations accrued and to be accrued, pursuant to Art. 5 of the original agreement, at an appropriate and equitable rate in the view of the Court".

The matter originates from a service and trademark licensing agreement entered into between the Parties, by virtue of which Servizi Italia Ltd undertook to supply Giglio Group with consulting advices for streamlining corporate processes and business development, other than the licensing of the trademarks owned by Servizi Italia. All this, against a payment quantified in 50% of the first profit, as defined and determined in Art. 5 of the same Agreement.

Subsequently, the Parties, due to some criticalities recorded in the execution of the Agreement, signed a settlement agreement (Addendum) according to which Giglio Group S.p.A. had to produce and broadcast on all of the TV channel managed by it, three-hundred advertising contents for Servizi Italia, paying also, in payment and satisfaction of the amount owed to Servizi Italia pursuant to Art. 5

of the aforementioned Agreement, the amount of € 120,000 in three consecutive instalments within August 2019.

On 5 August 2019, Giglio contested to Servizi Italia its serious non-performance of the Addendum, specifically for the illegal continuation of use of the trademarks, logos and designations of Giglio Group, with consequent claim of illegal competition and trademark infringement, thus halting the payments.

By letter dated 8 August 2019, the law firm representing Servizi Italia rebuked all claims made by Giglio Group, ordering the Group to pay for the Addendum, which amounted to € 80,000.

By letter dated 4 September 2019, Servizi Italia decided to order to Giglio Group the termination of the Addendum, with the consequent renewal of the Agreement. The Agreement provides for the payment, in favour of Servizi Italia, of an amount to be determined, as a result of Art. 5.1 and 5.2 of the same, of the sales volumes actually achieved and/or of the revenues generated by the advertising contents applied directly thanks to the services offered by Servizi Italia.

Giglio Group appeared in court, arguing the total and/or partial invalidity of the agreement entered between the parties and/or its articles, given the absolute vagueness and/or indeterminability of the subject of the agreement and/or the lack of cause of action and/or, in the alternative, the partial invalidity of the agreement due to the lack of cause of action because of the difference in performances.

The total and/or partial invalidity of the agreement did not move forward, even though the counterparty did not provide any relevant element regarding the effective execution of the activities and services reported in the agreement concerning the strategic-organisational advisory activity. Moreover, the arguments presented for its contribution in defining agreements with the clients mentioned by the same (agreements that, as per communication, in their larger part were never actually completed) were still absolutely general and vague.

The lawyer representing Giglio Group S.p.A. believes the positive outcome of the lawsuit to be possible. Nevertheless, the Company kept the debt at € 285,000.

Normal lawsuit (dispute): With a writ of summons notified on 3 November 2020, Chiomenti law firm sued Giglio Group S.p.A. for the payment of € 221,000, plus default interests, as reimbursement for the fees incurred during the performance of its professional activity in favour of Giglio. Chiomenti law firm purports that its professional activity comprised the complex assistance for the legal and strategic planning of the activities aimed at the execution of the agreements subscribed with Vertice 360. For the fulfilment of this task, Chiomenti law firm inferred the agreement of a total amount of € 190,000 with Giglio as fees, plus expenses and ancillary costs. According to the counterparty, also in light of the documents produced, said amount was recognised as due by Giglio, which expressly confirmed the acceptance of the overall quote of Chiomenti, agreeing to a contract payment that, however, was never executed. The lawsuit was listed with the Civil Court of Milan, and the judge set the first hearing at 21 April 2021.

The position was resolved with a settlement, with consequent withdrawal of the proceedings, through the recognition of an amount of € 140,000 in favour of Vertice 360 (including VAT and ancillary costs, plus withholding tax), to be paid in 6 monthly instalments.

Normal lawsuit (dispute): Within the scope of the more detailed agreements signed on July 2019 by Giglio Group, on the one hand, and Vertice Trescientos Sesenta Grados S.A. and Squirrel Capital S.L.U. on the other hand (the "Contribution Agreement"), together with the other implementing agreements of the Head of Term defined between the companies, a closing date was set, upon Vertice 360's solicitation, on 31 October 2019.

Following the closing, having highlighted that, pursuant to the Contribution Agreement, the Closing Letter could not supersede the Agreement itself, Giglio Group challenged the debt claim, both in its integrations and in its totality. More specifically, Giglio Group challenged the amount due of € 2,037,000.

The disputes outside of court, as of now, did not lead to a solution and thus, Giglio Group is determined to submit a case to the Civil Court of Milan in order to request:

- To ascertain an declare the unlawfulness of the Closing Letter of 30 October 2019 due to the incorrect information of the debt items to be borne by Giglio Group hereby reported and to proceed to its amendment, pursuant Art. 1430 of the Italian Civil Code, as explained above;

- Secondarily,_to annul the Closing Letter of 30 October 2019, due to a mistake in its subscription, pursuant Art. 1427, 1428, 1429 and 1431 of the Italian Civil Code;

- In alternative, to ascertain and declare the unlawfulness of the Closing Letter, considering the invalidity of Art. 2.4.2 and 7.5 of the Contribution Agreement, for the reasons explained above, pursuant to Art. 1418, 1322 and 1325 of the Italian Civil Code;

- Due to the aforementioned verifications, to ascertain and declare that nothing is owed by Giglio Group to the defendant companies and/or to M3 and M360 Italy, against the sums already paid for, for a total of € €659,000;

- To ascertain and declare, in any case, Vertice 360' and Squirrel's breach of contract against Giglio Group, for the aforementioned reasons and, as a consequence, condemn the defendant companies, in the person of their legal representatives, to reimburse the losses incurred and still to be incurred in favour of the complainant company.

This being said, during the health emergency and the consequent interruption of all judicial operations, on 29 April 2020, Vertice 360, Squirrel Capital SLU, M-Three Satcom S.r.l., Media 360 Italy Corporate Capital S.r.l., and Nautical Channel Limited notified Giglio Group with a writ of summons that demanded to the court seised:

- To ascertain and declare Giglio's breach of contract, pursuant to the Contribution and Investment Agreement subscribed on 8 July 2019 and to the Closing Letter subscribed on 30 October 2019, as better described above and, as a consequence, to condemn Giglio Group S.p.A., in the person of its legal representative, to disburse € 4,545,000.
- To ascertain and declare the liability for compensation of Giglio Group for breaching the undertaking of transferring the Target Companies for a total amount of € 12.5 million, or, in any case, for the incidental fraud as per Art. 1440 of the Italian Civil Code and/or for violating the representations and warranties of the Contribution and Investment Agreement of 8 July 2019 or, in the alternative, for violating the undertaking of good faith and fair dealing as per Art. 2043 of the Italian Civil Code and, as a consequence, to condemn Giglio to the payment of € 9,523,000.00 to Vertice 360;

State of the dispute: The dispute received the General Registry number 15747/2020, and the judge set the first hearing at 23 February 2021. Giglio appeared in court, objecting and challenging the foundation of the adversary claim and formulating its cross-claim.

Giglio Group challenges Vertice 360's untruthfulness of the share-exchange value declared by V360 to PWC and appraised by the latter, in light of the unreliability of the Industrial Plan and of the further allegations and declarations provided for by its management. With the consequent possibility for Giglio Group to seek compensation from Squirrel and Vertice 360 for the damages equal to the value of the transferred assets (€ 12.5 million), less the stock-exchange value of the shares (about € 3.5 million).

In light of the aforementioned considerations, Giglio Group, in its appearance before judgement, request the Court seised:

- To ascertain and declare Vertice 360' and Squirrel's breach of contract with Giglio Group, which caused an unjust damage to the latter, quantifiable in € 12,832,000 as damages suffered and loss of profits, in € 341,000 as delays in the transfer of Vertice shares and in € 2,564,000 as receivable of Giglio Group from Nautical Channel Ltd.;

- To completely reject all adversary demands, being groundless and unproven on both facts and points of law, for all the reasons and exceptions reported above;

- To ascertain and declare the unlawfulness of the Closing Letter of 30 October 2019 due to the errors in the debt balance appointed to Giglio Group.

The Judge granted the aforementioned terms for the deposit of supplementary statements and for the articulation of preliminary evidence, adjourning the eventual admission of evidence to the hearing of 14 December 2021.

Risk of adverse outcome of legal proceedings: notwithstanding the liabilities recorded in "Other liabilities" with regard to the amounts claimed in the Closing Letter, the content of the adversary's writ of summons still proves to be unfounded.

Indeed, as already objected by Giglio Group with its letter dated 15 May 2020, the claims of lesser value instrumentally brought before the Court by V360 through unfounded depreciations are not only technically unjustified and substantially untruthful, but also judicially inapplicable and groundless.

Additionally, Giglio Group has challenged, as a cross claim, Vertice 360's untruthfulness of the share-exchange value declared by V360 to PWC and appraised by the latter, in light of the unreliability of the Industrial Plan and of the further allegations and declarations provided for by its management. With the consequent possibility for Giglio Group to seek compensation from Squirrel and Vertice 360 for the damages equal to the value of the transferred assets (€ 12.5 million), less the stock-exchange value of the shares (about € 3.5 million).

As of now, the risk of adverse outcome from Vertice 360's claims, also taking into account Giglio Group's cross-claim, can be deemed as **possible**.

33. Financial risk management - IFRS 7

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 Company has no derivative financial instruments. The book value of the financial assets and liabilities recorded in the financial statements approximates their fair value.

With regard to the “EBB Export Programme” bond, the Company has requested a new suspension of the application of financial covenants thresholds related to the test date of 30 June 2021.

A comparison between the book value and the fair value of financial assets and liabilities as of 31 December 2020 is presented below.

		31.12.2020		31.12.2019	
Consolidated Statement of Financial Position (Euro thousands)		**Carrying amount**	**Fair Value**	**Carrying amount**	**Fair Value**
Non-current assets					
Investments	(5)	9,951	9,951	13,645	13,645
Receivables	(6)	2,475	2,475	3,012	3,012
Deferred tax assets	(7)	824		762	
Total non-current assets		**17,373**		**23,538**	
Current assets					
Trade and other receivables	(9)	4,568	4,569	9,310	9,311
Cash and cash equivalents	(13)	1,141	1,141	229	229
Total current assets		**9,100**		**18,074**	
Assets held for sale/discontinued operations		**-**		**-**	
Total Assets		**26,473**		**41,612**	

Non-current liabilities						
Deferred tax liabilities	(17)	132			2	
Financial payables (non-current portion)	(18)	12,145	12,145		6,011	6,011
Total non-current liabilities		**15,243**			**6,337**	
Current liabilities						
Trade payables	(19)	4,498	4,498		8,868	8,868
Other liabilities	(21)	444			3,493	
Total current liabilities		**9,844**			**31,495**	
Liabilities held for sale/discontinued		**-**			**-**	
Total Equity and liabilities		**26,473**			**41,612**	

Medium-term loan

The company reports at 31 December 2020 a net financial debt position of approx. € 15.4 million (for the calculation basis and the reconciliation of the data reference should be made to the specific table in the Directors' Report). The liabilities also include the "EBB Export Programme" bond issued in 2019 and medium/long-term unsecured bank loans.

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

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 18 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, which was repaid on 30 September 2020.

On 2 April 2019, the company issued a non-convertible bond (EBB Export Programme bond) of € 5 million in principal, made up of 50 bearer bonds with a denomination per unit of € 100,000.00 each, with the following conditions:

- Subscribers: the Bond was fully subscribed by the SPV;
- Listing: the Bonds shall not be listed on any regulated market nor on any MTF;
- Terms of issue: the Bonds shall be issued in a single tranche;
- Issue price: the issue price amounts to 100% of the Bonds' nominal value;
- Interests: the Obligations shall be interest-bearing at the fixed nominal gross annual rate of 4.572%, to be paid with a semi-annual coupon postponed;
- Legal duration and expiration: the Bonds shall have a legal duration of 8 years and 6 months and the expiration date is set at the last interests' payment date of 2027;
- Reimbursement: the Bonds shall be redeemed at par, i.e. at 100% of their nominal value, pursuant to the amortisation plan set forth in the regulation, with 13 semi-annual capital instalments, with a grace period of 2 years;

On 30 June 2020, EBB S.r.l., the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data of 30 June 2020 and 31 December 2020.

34. Transactions with subsidiaries and related parties

The Related Parties and their transactions for 2020 have been identified by applying the provisions set forth in the Procedure for Transactions with Related Parties ("Related-Parties Procedure"), available on the website www.giglio.org, section "Corporate Governance/Governance System and Rules/Related-Parties Procedure", drafted and applied by the Company pursuant to the Regulation on Transactions with Related Parties adopted with Consob resolution no. 17221 of 12 March 2010, as amended ("Consob Regulation"), as well as pursuant to the provisions set forth in Art. 2427, par. 2 of the Italian Civil Code and to IAS 24 international accounting standard.

The following shows the related-parties of the Company and their relationship with it:

- Meridiana Holding S.r.l. is the majority shareholder of the Company, owning, as of the reporting date, 56.59% of the share capital. Moreover, the share capital of the same company is held at 99% by Alessandro Giglio (Chairman of the Board of Directors of the Company) and at 1% by his wife, Yue Zhao;
- Max Factory S.r.l. is a company wholly owned by Meridiana Holding S.r.l.;
- Azo Asia Limited is a company wholly owned by Meridiana Holding S.r.l..

The following tables report the transactions and balances with Related Parties at 31 December 2020. The data indicated in the following tables are taken from the consolidated financial statements of the Issuer and/or from the general accounting data.

(Euro thousands)

Related Party Transactions as of 31 December 2020

		Trade and other receivables	Financial receivables	Trade payables	Financial payables	Sales revenues	Operating costs	Financial income	Financial charges	Write-downs
A	**Subsidiaries**	**1,292**	**1,823**	**66**	**1,193**	**2,164**	**20**			**(8,929)**
B	**Holding companies or subject to joint control**									
C	**Related companies**									
D	**Subsidiaries**									
E	**Joint ventures**									
F	**Senior Executives, of which:**	-	-	-	-	-	-	-	-	
	Executive Directors									
	Non-Executive Directors									
	Others									
G	**Other related parties, of which:**	-	-	-	**(910)**	-	-	**501**	**(186)**	
	Board of Statutory Auditors									
	Joint ventures									
	Close Relatives									

Others				(910)			501	(186)	
Total (A;B;C;D;E;F;G)	**1,292**	**1,823**	**66**	**(2,103)**	**2,164**	**20**	**501**	**(186)**	**(8,929)**

The nature of the transactions in the above table are as follows: (i) for E-Commerce Outsourcing, Giglio USA and Ibox SA 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 also 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:

- 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 € 90,000;
    - Rome offices: Via dei Volsci for a total annual cost of € 49,800.
- AZO Asia Limited: company held by Meridiana Holding, who carried out a financing to the Group. On 20 December 2020, AZO Asia Limited transferred its financial receivable to Meridiana Holding S.r.l. At 31 December 2020, the total payable amounts to € 0.9 million.

The remuneration paid in 2019 to the Board of Directors of the Issuer amounted to € 307,000.

35. Dividends

In line with the approval of the guidelines of the 2021-2025 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.

36. 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.

37. Diluted earnings per share

There are no significant dilution effects.

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

Statement of Financial Position (Euro thousands)	31.12.2020	of which related parties	31/12/2019	of which related parties
Non-current assets				
Property, plant & equipment	162		189	
Right-of-use assets	508		1,629	
Intangible assets	203	-	217	-
Other intangible assets	203		217	
Goodwill	3,249		4,084	
Investments	9,951		13,645	
Receivables	2,475	1,823	3,012	
Deferred tax assets	824		762	
Total non-current assets	**17,374**	**1,823**	**23,538**	**-**
Current assets				
Inventories	1,596		1,696	
Trade and other receivables	4,568	1,292	9,310	35
Financial receivables	2		4,430	
Tax receivables	1,130		1,730	
Other assets	662		679	89
Cash and cash equivalents	1,141		229	
Total current assets	**9,100**	**1,292**	**18,074**	**124**
Assets held for sale/discontinued operations	**-**		**-**	
Total Assets	**26,473**	**3,115**	**41,612**	**124**
Equity				
Issued capital	4,149		3,661	
Reserves	22,267		16,731	
Extraordinary reserve	-		-	
Listing fees	(541)		(541)	
FTA Reserve	4		4	
Retained earnings	(16,074)		(7,172)	
Foreign Currency Translation reserves	-		-	
Net profit	(8,419)		(8,902)	
Total Net Equity	**1,385**	**-**	**3,781**	**-**
Minority interest in equity	-		-	
Total Net Equity	**1,385**	**-**	**3,781**	**-**
Non-current liabilities				
Provisions for risks and charges	60		-	
Post-employment benefit funds	329		324	
Deferred tax liabilities	132		1	
Financial payables (non-current portion)	12,563	417	6,011	-

Total non-current liabilities	**13,084**	**417**	**6,336**	**-**
Current liabilities				
Trade and other payables	4,498	66	8,868	-
Financial payables (current portion)	4,001	1,686	18,640	
Tax payables	484		494	
Other liabilities	3,021		3,493	
Total current liabilities	**12,004**	**1,752**	**31,495**	**-**
Liabilities held for sale/discontinued	**-**		**-**	
Total Equity and liabilities	**26,473**	**2,169**	**41,612**	**-**

Statement of Profit or Loss (Euro thousands)	**31.12.2020**	**of which related parties**	**of which non recurring**	**31.12.2019**	**of which related parties**	**of which non recurring**
Total revenues from contracts with customers	**28,346**	**2,164**		**23,515**		
Other revenues	1,445			2,621		
Change in inventories	(101)			(3,255)		
Purchase of raw materials, ancillary, consumables and goods	*(21,089)*	*(20)*		*(16,916)*		
Service costs	*(4,780)*			*(4,329)*	*(57)*	*(1,128)*
Rent, lease and similar costs	*(124)*			*(105)*		
Operating costs	**(25,993)**	**(20)**		**(21,350)**	**(57)**	**(1,128)**
Salaries and wages	*(1,818)*			*(1,886)*		
Social security charges	*(557)*			*(520)*		
Post-employment benefits	*(123)*			*(122)*		
Payroll expenses	**(2,498)**	**0**		**(2,528)**	**0**	**0**
Amortisation	*(60)*			*(43)*		
Depreciation	*(603)*			*(653)*		
Write-downs	*(8,966)*	*(8,929)*		*18*		
Amortisation, depreciation & write-downs	**(9,629)**	**(8,929)**		**(678)**	**0**	**0**
Other operating costs	*(198)*			*(118)*		*(80)*
Operating profit	**(8,628)**	**(6,452)**		**(1,793)**	**(57)**	**(1,208)**
Financial income	*1,527*	*501*		*3*		
Net financial charges	*(1,285)*	*(168)*		*(1,153)*		
Profit before taxes	**(8,386)**	**(6,452)**		**(2,943)**	**(57)**	**(1,208)**
Income taxes	*(33)*			*(369)*		
Profit for the period (continuing operations)	**(8,419)**	**(6,452)**	**0**	**(3,311)**	**(57)**	**(1,208)**
Profit for the period (discontinued operations)	**0**			**(5,592)**		
Profit for the period	**(8,419)**	**(6,452)**	**0**	**(8,902)**	**(57)**	**(1,208)**
Of which minority interest	**-**			**-**		
Basic and diluted profit from continuing operations	**(0.5248)**			**(0.2064)**		
Basic and diluted profit from discontinued operations	**0.0000**			**(0.3486)**		

Profit per share – basic and diluted	**(0.5240)**	**(0.5521)**

39. Valuation of Going Concern

Pursuant to IAS 1, the assessments issued by the Directors regarding the existence of the assumption of the Company's going concern for the purpose of drafting the annual financial statements at 31 December 2020 are reported below.

The Group's Financial Statements as of 31 December 2020 record a Net Equity of € 345,000, including the loss for the period of € 2,627,000.

On 22 December 2020, Giglio Group S.p.A. completed the allocation of no. 2,439,790 ordinary, newly-issued shares, at a price of € 1.97 per share, for a total value of € 4,806,386. The value of the capital increase thus amounted to € 487,958 in nominal value and € 4,318,428 at share premium. Meridiana Holding S.r.l., majority shareholder of the company, subscribed, through the conversion of claims, no. 2,097,050 shares, equal to 85.95% of the increase. Other than Meridiana Holding S.r.l., another qualified shareholder, Antonio Lembo, at the time related party as CEO of E-Commerce Outsourcing S.r.l., joined the increase through the conversion of claims, purchasing no. 81,218 shares.

On 03 March 2021, the Board of Directors of Giglio Group S.p.A. approved the Industrial Plan 2021-2025, which provides for the integration of commercial activities of its subsidiary E-Commerce Outsourcing S.r.l. (ECO), acquired at the end of 2019, and of the newly-acquired Salotto di Brera S.r.l., acquired on 15 January 2021.

The Industrial Plan considers a GMV (Gross Merchandise Value - reference value for e-commerce transactions) acceleration at a cumulative growth rate of about 16% both for organic growth - in line with the expectation of the reference market (online sales for luxury fashion) - and for new brand acquisitions.

During the time span of the Plan, the objective is to significantly increase revenues, quickly regaining a significant sustainable profitability (Ebitda/Revenues) on the long term, with an incidence of more than 10% in the last year of the plan. The objective is to obtain a balance between B2B activities - which include both the digital marketplaces' distribution (strongly developing as a stock demobilisation channel, especially in 2021 on the basis of the huge stocks that, due to the COVID-19 crisis, are being accumulated) and the newly-acquired Salotto di Brera, specialised in travel retail supplies (cruise ships on-board sales and duty-free shops in ports and airports)-, and B2C activities, with the advanced technological solutions proposed by ECO's platform, integrated also for Ibox SA's clients, also for product categories outside the reach of the Fashion sector, such as design, electronics, DYI, food and beauty retail.

The Industrial Plan provides for an improvement from a financial and asset point of view, counting on the generation of positive cash flows, a working capital control to support B2B sales and minor financial needs for investments than the previous fiscal years following the acquisition of the technological expertise of ECO and the internal investments carried out throughout 2020 on the platforms. The Directors carried out adequate sensitivity analyses on the main hypotheses of the Plan, also taking into account the cash profile. Finally, the Directors, with regard to the COVID-19 epidemic that quickly spread to many areas of the world, Europe included, believe that it is extremely hard to make reliable predictions on future developments. For this purpose, a monitoring group has been established, tasked with the objective of monitoring corporate functionality and any eventual criticality.

1. Significant commercial and organic growth of the B2C division, characterised by the immediate payment from users and the deferred payment of goods and services to suppliers;
2. Increased efficiency of the processes generated and a reduction of the central costs due to the streamlining of the scope of corporate activities, as the disposal of an office in Milan and other saving activities;
3. Better management of the average collection times, mainly due to the potential implementation of the no-recourse factoring mechanism for the receivables arising from the sales of some major clients active in the B2B segment and to the better management of the commercial reliance on behalf of suppliers;
4. As pointed out in the Explanatory Notes regarding the debt owed to Vertice 360 of about € 2.5 million, it is noted that its payment is included in 2021 Plan, in the event of an adverse judicial outcome, as repayable in the long-term, taking into account a reasonable prediction of settlement of the dispute.

5. 2021 forecast of the possibility to renegotiate some multiannual agreements towards non-strategic suppliers, also by obtaining deferred payments, in continuity with what has been done in the previous years.

With regard to the aforementioned assumptions, the Directors highlight that:

1. 2021 budget and 2022-2025 Plan have been drafted with reference to concrete and specific actions to be undertaken over the course of the whole period of the Plan that, however, due to their inherent nature, include general and hypothetical assumptions, as well as discretionary, related to the usual characteristics of a multiannual plan, and that these actions could be implemented in different times and with different effects than the ones expected, albeit they do not expect, as of now, the failure to implement said plan;
2. Negotiations have been started with current suppliers in order to recover facilitation payments for the company, as well as with main credit institutions in order to gain new 72-months funding guaranteed by MCC, or to renegotiate existing funding with shorter expirations, bringing them to 72 months in order to improve the management of cash flows aimed at debt reimbursement;
3. EBB Export S.r.l., subscriber of the bond, has granted (on 30 June 2020) the waiver of the measurement of the financial covenants on 2020 deadlines (i.e. 30 June 2020 and 31 December 2020); in particular, the bondholder approved the request of the company to allow, by way of derogation form the regulation of the bond, the suspension of the application of the thresholds of the leverage ratio financial parameter and of the gearing ratio financial parameter, only with regard to the Test Date of 30 June 2020 and 31 December 2020. For the purpose of said suspension, EBB Export S.r.l., the bondholder, received from Meridiana Holding S.r.l., majority shareholder of Giglio Group, an indemnity and guarantee deed in its name for an amount of up to € 1 million. The Company requested an extension of the waiver of the test date of 30 June 2021 to EBB Export;
4. With regard to the aforementioned risk connected to the COVID-19 epidemic, the company has been actively working to obtain any economic or financial benefit in order to obtain additional liquidity beside its cash plan, in order to face any criticality that should arise as a consequence of said epidemic; on the other hand, the fashion sector, due to the simultaneous closure of the brands' stores, can reserve to the Group interesting opportunities by using its unique distribution platform on

the national territory for the purpose of facilitating the disposal of the stock that is currently being strongly accumulated with the producers.

The Directors, despite the aforementioned uncertainties, believe that the results set in the Plan will be achieved and consider that a reasonable expectation that the Group and the Parent Company will rely on adequate resources for the progress of their business for at least 12 months from the approval of these Financial Statements exists, thus drafting them in application of the assumption of going concern.

Moreover, the aforementioned also takes into account the Board of Directors' right to exercise the proxy vested to it on 12 November 2020 by the Shareholders' Meeting, aimed at increasing the share capital by issuing a maximum of no. 1,221,547 shares by 30 June 2021, as well as the Board's intention to exercise it. On 28 April 2021, the Board of Directors resolved to exercise the proxy vested to it by the Shareholders' Meeting n 12 November 2020 in order to execute a reserved share capital increase in kind, pursuant to Art. 2443 and 2441, par. 4, second sentence of the Italian Civil Code, within the limits of 6.67% of the pre-existing capital (equalling to the residual part of the proxy, as of the reporting date not yet exercised), for the purpose of strengthening the Company's economic and financial structure.

To this extent, the Company requested and obtained a favourable legal option for the use, also in the event of a relevant situation as per Art 2446, par. 1 of the Italian Civil Code, of the share capital increase already resolved upon, to be performed by 30 June 2021 (as provided by the Meeting's resolution and as prescribed by the emergency regulations set forth in Art. 44, par. 3 of the Legislative Decree no. 76/2020, converted with Law no. 120/2020). The execution of the proxy represents, as far as the Directors are concerned, a suitable and appropriate action for the full development of the Industrial Plan in the specific context mentioned above, and is in line with the reasons that led to the grant of said proxy in the first place (and, mainly, with the need to "find financial resources that could allow, on the one hand, for the strengthening of the Company's economic and financial position and, on the other hand, for the development and growth of the Company"). In the exercise of its proxy, the Company shall follow the procedure set forth in Art. 2446, par. 1 of the Italian Civil Code (not excluded by Art. 6 of the Law Decree no. 23/2020), which calls for the prompt involvement of the Shareholders' Meeting in a merely informational function without imposing an immediate intervention for the writing-off of losses, which the emergency regulation requires only when the loss, higher than a third of the share capital, remains after five fiscal years from the year in which the losses were first recorded.

With regard to the proxy's exercise, the Company recorded the formal commitment of its majority shareholder to subscribe 50% of said capital increase, which, taking into account the market value of the Company's shares in November 2020, would equal to about € 1.2 million, to be paid in cash. Moreover, the Board of Directors already contacted a first operator, who followed the Company as specialist in the first months of 2021, in order to support the Company for the preparatory measures and the necessary formalities for the execution of said capital increase.

In light of the majority shareholders' commitment and of the specialist's availability, the Board of Directors considers that the share capital increase will have a positive outcome, thus reconfirming the expectation that both the Group and the Parent Company will be able to rely on adequate resources for carrying forward its business in coherence with the assumption of going concern.

40. Allocation Proposal

On 11 May 2021, the Board of Directors of the Company, proposed the following:

The Net Result of the Parent Company equals to € -8.4 million but, net of the write-downs carried out on Giglio TV and due to the uncertainty arising from the Pandemic, amounting to € 8.9 million, it would amount to € 0.5 million.

The aforementioned write-downs are as follows (Euro thousands):

Write-down due to the execution of the impairment test on Giglio Fashion's goodwill following its acquisition	1,607
Total goodwill write-downs	***1,607***
Write-down due to the execution of the impairment test on the book value of the shareholding in Ibox SA	704
Write-down of the book value of the shareholding in Giglio TV HK	3,000
Write-down of the book value of the shareholding in Giglio Shanghai	160
Total shareholding write-downs	***3,864***
Write-down of the receivables from Giglio TV HK	3,398
Provisions for doubtful trade receivables	37
Total receivables write-downs	***3,435***
Provisions for Giglio TV Hong Kong	60
Total risks and doubtful accounts write-downs	***60***
TOTAL	**8,966**

The Company is thus recording a reduction of more than a third of its share capital due to losses, as set forth in Art. 2446, par. 1 of the Italian Civil Code. Pursuant to the law, the Shareholders' Meeting must be called "to take appropriate measures", however, the law also provides for the postponement of the measures aimed at offsetting the loss, which are required (as per par. 2 of the same article) only in the event that the loss does not diminishes within a third of the capital by the following fiscal year.

Said deadline for the losses accrued as of 31 December 2020, shall be postponed to the following fifth fiscal year, pursuant to the provisions set forth in Art. 6 of Legislative Decree no. 23 of 8 April 2020 (the so-called "Liquidity Decree", converted with amendments in Law no. 40 of 5 June 2020) "Temporary provisions on capital reductions", as amended by Law no. 178 of 30 December 2020, which allows listed companies to temporarily suspend some provisions on capital reductions for losses (Art. 2446 and 2-bis), postponing to the following fifth fiscal year the obligation to offset the losses.

However, the Board of Directors believes that, in order to strengthen the business of the Group, a prompt share capital increase is needed (to be carried out before 30 June 2021), and as such is planning to exercise its relevant proxy, vested to it pursuant Art. 2441 and 2443, par 4, second sentence of the Italian Civil Code on 12 November 2020 by the Shareholders' Meeting. The proxy has already been exercised, leaving a remaining 6% if compared to the pre-existing capital. Meridiana Holding, the majority shareholder of the Group, irrevocably guaranteed to subscribe up to 50% of any remaining share capital arising from the future share capital increase, identifying Integrae Sim as global coordinator for the operation. Moreover, in the coming days, Meridiana will decide on the terms and conditions for the share capital increase that will be carried out before the end of 2021 H1.

As a consequence, the recorded losses of € 8,419.120 mainly arise from the aforementioned situations, and shall be offset over the course of the following five fiscal years.

Certification of the Financial Statements pursuant to Art. 154-bis of Legislative Decree no. 58 of 24 February 1998.

1. The undersigned Marco Riccardo Belloni, as Chief Executive Officer, and Carlo Micchi, 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 financial statements as of 31 December 2020.

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

- The assessment of the adequacy and effective application of the administrative and accounting procedures has been carried out in a context of structural change, following the completion of the procedure of expansions of the management reporting mechanism to all of the Group's subsidiaries. Moreover, the Company is completing both the standardisation of the management reporting processes and the adjustment the administrative, accounting and management reporting systems, along with the relevant procedures in line with the new application platform. Hence, the review had to take into account the ongoing changes in the structure and organisational chart of the Company;

- the adequacy of the administrative and accounting procedures for the drafting of the Financial Statements 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 remediation plan adopted by the Company for the purpose of updating/adjusting some corporate procedures has been carried out and accelerated over the course of the last months of 2020. The Company finalised the preparation of the administrative and accounting procedures on January 2021, establishing a plan of action for the implementation of the same procedures in the strategic subsidiaries of the Group.

- Pending the complete implementation of the aforementioned plan, compensating control procedures on subsidiaries and companies within the Group have been established, by virtue of which no relevant economic-equity impacts were identified on the declarations made in the Annual Financial Statements as of 31 December 2020. Moreover, it is noted that, on the basis of the activities carried out, a better formalisation of the controls carried out is required.

3. Furthermore, it is noted that:

3.1 The annual financial statements as of 31 December 2020:

- were 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;
- Correspond to the underlying accounting documents and records;
- Provide 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.

11 May 2021

The Chief Executive Officer
Marco Riccardo Belloni

The Financial Reporting Officer
Carlo Micchi

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FISCAL YEAR 2020

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 2020, the Board of Statutory Auditors of Giglio Group S.p.A. (hereinafter referred to as "**Giglio Group**" or the "**Company**"), pursuant to Art. 149 of Legislative Decree 58/1998 (hereinafter also referred to as the "CFA") and to Art. 2403 of the Italian 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 (the "**Corporate Governance Code**"), in force until 31 December 2020, and the Corporate Governance Code (hereinafter also referred to as the "**New Code**"), in force from the first fiscal year starting after 31 December 2020 and thus, in the case of Giglio Group, from 1 January 2021.

* * * * * *

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 to 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 that shows the auditing results that the Board of Statutory Auditors shall submit to the Board of Directors, along 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 that the Remuneration Report, pursuant to art. 123-ter of the CFA and Art. 84-ter of the Issuers Regulation, shall be promptly approved by the Board of Directors and made available within the terms of the law;
- to have monitored the specific implementation modalities of the Corporate Governance Rules adopted by the Company in accordance with the Corporate Governance code and, where applicable, with the New Code;
- to have ascertained the compliance of the internal procedure regarding the Transactions with Related Parties with the principles set forth in the Regulation for Transactions with

Related Parties approved by Consob with resolution no. 17221 of 12 March 2010 as amended (hereinafter also referred to as the "**TRP Consob Regulation**"), as well as its observance, pursuant to Art. 4, par. 6 of the same TRP Consob Regulation;

- to have monitored the execution of the formalities concerning the European regulation on Market Abuse (hereinafter also referred to as "**MAR**") and the processing of inside information and the procedures adopted by the Company in their regard;
- to have ascertained the process of corporate information, verifying the Directors' compliance with procedural rules regarding the creation, approval and publication of the financial statements and of the consolidated financial statements;
- to have assessed the adequacy, as far the method is concerned, of the impairment process implemented in order to assess 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 statements and in the consolidated financial statements;
- to have acknowledged the consolidated half-yearly report as of 30 June 2020, without revealing any observation to be reported, as well as to have ascertained its compliance with the publication modalities set forth by the legislation;
- having acknowledged that, pursuant to Art. 2.2.3, par. 3, letter a) of the Regulation of the markets organised and managed by Borsa Italiana S.p.A., the Company has provided the additional periodic information and the main consolidated figures together with the update on the general 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.

With regard to the thematic areas related to the global COVID-19 pandemic mentioned in Consob Warning Notice no. 1/21 of 16 February 2021, the Board of Statutory Auditors monitored their processing in the 2020 Financial Statements, where the Company expressly refers to this pandemic.

With regard to the pandemic, the Board of Statutory Auditors also points out that, despite the emergency situation, it carried out its functions, fulfilling its supervisory duties via remote activities.

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 execution of notifications to Supervisory Authorities, nor their mention in this Report.

* * *

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 statements, as well as in the consolidated financial statement, included in the Financial Statements as of 31 December 2020, to which reference is made. Among other things, the Board of Statutory Auditors deems it appropriate to mention the following:

a. **January**, approval of the project of merger by incorporation of Ibox S.r.l. by Extraordinary Shareholders' Meeting of Giglio Group S.p.A., subsequently executed with merger deed on 3 June 2020;
b. **March**:
    1. Acquisition of the totality of Giglio TV Hong Kong Ltd shareholding by SIMEST, for a total amount of € 1,470,000;
    2. Approval of an update to the Industrial Plan 2020-2024 by the Board of Directors, with the revision of the previous estimates, also taking into account the integration of subsidiary E-Commerce Outsourcing S.r.l., China business prospects (also in light of the effects of COVID-19) and a greater importance to

product distribution towards e-commerce platform worldwide, along with the connection services to the marketplaces;

3. Authorisation from the bondholder of the EBB bond of Giglio's request to suspend the application of the thresholds of financial parameters "Leverage Ratio" and "Gearing Ratio" for the test date of 31 December 2019, with retroactive effect. For the purpose of said suspension, the bondholder, received from Meridiana Holding, majority shareholder of Giglio Group, an indemnity and guarantee deed in its name for an amount of up to € 1 million. Subsequently, the bondholder announced its decision to suspend the application of the financial covenants with regard to test dates 30 June 2020 and 31 December 2020;
4. Execution of some operations aimed at streamlining the Group's structure, with specific reference to Giglio (Shanghai) Technology Company Limited (now fully owned by Giglio Group) and Giglio TV HK (transferred to a Chinese economic group, as detailed in the Financial Statements as of 31 December 2020, to which reference is made);

c. **September**, repayment of "GIGLIO GROUP S.P.A. - 5.4% 2016-2022" bond;
d. **November**, grant of double proxy to the Board of Directors for a Share Capital Increase: the first one, to be executed by 30 June 2021, within the limits of 20% of the pre-existing share capital; the second, to be executed by 12 November 2025, with contribution in kind, within the limits of 10% of the pre-existing share capital;
e. **December**, execution of a share capital increase (the aforementioned first proxy) with allocation of no. 2,439,790 newly-issued ordinary shares, at a price of € 1.97 (overall countervalue of € 4,806,386). The increase was subscribed by Meridiana Holding S.r.l., majority shareholder of the Company (claim conversion for no. 2,097,050 shares, equal to 85.95% of the increase), by Antonio Lembo, CEO of E-Commerce Outsourcing S.r.l. (claim conversion for no. 81,218) and by various investors for the remaining no. 261,522 shares.

Following the end of the fiscal year, the following events also took place, which the Board of Statutory Auditors wishes to highlight:

a. **January**, subscription of a binding agreement for the purchase of Salotto Brera - Duty Free S.r.l., a company engaged in a national and international level in the distribution and trading of fashion and food products;

b. **February,** subscription by E-Commerce Outsourcing S.r.l. subsidiary of Giglio Group S.p.A., of an agreement with 7Hype S.r.l., aimed at integrating a branch of 7Hype into its corporate structure by leasing the branch operating in the marketing automation sector;

c. **March**, update of Industrial Plan 2021-2025 with regard to its previous sales estimates, taking also into account the integration of the business carried out by its controlled company, E-Commerce Outsourcing S.r.l., the newly-acquired Salotto di Brera - Duty Free S.r.l., the integration of the branch of 7Hype, the business prospects in China/Far East due to the effects of the COVID-19 outbreak, as well as the increased importance to the Distribution area on e-commerce platforms worldwide and to marketplaces' new connection services.

Among the events following the end of the fiscal year, the Board wishes to highlight also the analyses carried out in the first months of 2021 with a view to the draft of the Financial Statements - also following the notice of a lawsuit against Giglio TV at the beginning of 2021 for other reasons, from which it arose that, following the transfer of Giglio TV HK, the facts described in the Financial Statements as of 31 December 2020, to which reference is made, took place, causing the Company to conservatively:

- Consolidate Giglio TV as of 31 December 2020;
- Write off the value of Giglio Group shareholding in Giglio TV (€ 3 million) from the Financial Statements as of 31 December 2020, as well as to write off its receivables with Giglio TV (€ 3.4 million), taking into account also the results of Giglio TV's Financial Statements as of 31 December 2020.

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 Financial Statements as of 31 December 2020 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 2020, as well as the individuals involved and the relevant economic effects, are reported in notes 32 and 35 to the Consolidated Financial Statement and to the Financial Statements to which reference is made. It is noted that the Company has regular trading and financial relationships with its subsidiaries and only financial relationships with Meridiana Holding S.p.A.. These relationships consists in transactions falling under the context of ordinary management activities and are carried out in line with market standards. 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 assessed the Procedure in order to verify its conformity with the TRP Consob Regulation.

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 11 May 2021, the Auditing Company issued the aforementioned reports pursuant to Art. 14 of the Legislative Decree no. 39/2010 and Art. 10 of EU Regulation no. 537/2014, through which it certified that:

- The financial statements and the consolidated financial statements of the Group as of 31 December 2020 provide a truthful and correct representation of the asset situation, the economic result and the cash flows of the Company and the Group for the fiscal year at hand, pursuant to the IFRS international accounting standards adopted by the European Union, as well as to the provisions set forth in Art. 9 of Legislative Decree No. 38 of 28 February 2005;
- The audit opinion on the financial statements and on the consolidated financial statements expressed in the aforementioned Reports is in line with what laid out in the Additional Report destined to the Board of Statutory Auditors in its quality of Internal Control and Auditing 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 aforementioned Reports of the Auditing Company, emphasis is made on Note 39 of the Financial Statements and on Note 40 of the Consolidated Financial Statements, called "Valuation of going concern", where the Directors' considerations on the adoption of the going concern of the Company for the preparation of the Financial Statements and the Consolidated Financial Statements are described and, in particular, the main assumptions used for the cash flow estimates of 2021 related to the commitments to which the Company and the Group are exposed. For both Reports, the Auditing Company states that their opinion is not expressed with significant impact with regard to this aspect.

In brief, the Auditing Company highlights the fact that the Directors, in the aforementioned paragraph, state that the Parent Company, following a loss during the fiscal year, reduced its capital below the limits set forth in Art. 2446 of the Italian Civil Code. In this context, the

Directors prepared the Financial Statements and the Consolidated Financial Statements with a view to the going concern, despite the uncertainties on the achievement of the economic and financial objectives set forth in the Industrial Plan 2021-2025, whose eventual incomplete implementation, also of single targets and actions, would lead to a subsequent reduction of the result of the plan as a whole. The Directors, despite the aforementioned uncertainties, are confident that the results of the Plan will be met, having among other things, the reasonable expectation that the Company can rely on adequate financial resources for the continuation of its activities for at least 12 months from the date of approval of the Financial Statements, also taking into account that they have resolved, on 28 April 2021, to exercise the proxy in force for a residual share capital increase of no. 1,221,547, whose subscription has been guaranteed by the majority shareholder to the extent of 50%, via contribution in kind.

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 going concern;
- 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 statements and on the consolidated financial statements 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 statements and on the consolidated financial statements.

V. ASSIGNMENTS CONFERRED TO THE AUDITING COMPANY AND TO INDIVIDUALS WITHIN ITS NETWORK

Over the course of the fiscal year, on the basis of the references made by the Auditing Company, the Company conferred to EY S.p.A. and to other individuals within its network assignments in favour of Giglio Group for other services, different than the auditing already included in their mandate and, in particular:

- Specialised support activities to Giglio Group's think tank within the terms of the assessment of the Company on the financial statements, the general data and accounting information's structure for the reclassification of the mandatory elements of baseline taxonomy, the preliminary identification of the tag standards set forth in ESEF Taxonomy - inlineXBRL;
- Opinion on the fair value of the issue of the shares related to the share capital increase of Giglio Group S.p.A. upon payment, pursuant to Art. 2443 of the Italian Civil Code, in separate issues, excluding option rights, pursuant to Art. 2441, par. 4, second sentence of the Italian Civil Code, within the limits of 20% of the existing share capital -as set forth in Art. 44, par. 3 of the Law Decree 76/2020 later converted into Law 120/2020 - through the issue, also in more tranches, of ordinary shares without nominal value, to be offered in subscription to the individuals identified by the Board of Directors - including qualified industrial and/or financial Italian and international investors, and/or current shareholders and collaborators of the Company.

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 2020 - 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 (Euro thousands):

Recurring services	Service provider	Recipient	Consideration (Euro/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./EY Suisse	Subsidiaries	40
Total recurring services			**144**

(Euro thousands)

Other assessment services	Service provider	Recipient	Consideration
Activity related to the reserved capital increase	EY S.p.A.	Parent Company	25
Services other than review (iXBRL)	EY S.p.A.	Parent Company	15
Total other assessment services			**40**

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 2020 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 2020, 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 **14 May 2020**, the Board of Statutory Auditors approved the resolution approved by the Board of Directors for the co-optation of Francesco Gesualdi in substitution of Yue Zhao;

b. on **15 July 2020**, in response to an express request of the Auditing Company, the Board of Statutory Auditors communicated to EY S.p.A. that the obstruction causes related to the Auditing Company's specialised support activities in favour of the administrative and financial management of Giglio Group in the implementation of the Taxonomy iXBRL to the Financial Statements were not valid;

c. on **23 July 2020**, the Board of Statutory Auditors approved the resolution approved by the

Board of Directors for the co-optation of Marco Riccardo Belloni in substitution of Giorgio Mosci;

d. on **27 October 2020**, in response to an express request of the Auditing Company, the Board of Statutory Auditors communicated to EY S.p.A. that the obstruction causes related to the Auditing Company's capacity to carry out all necessary activities for the issue of a fair value analysis on the value of the shares issued for a share capital increase upon payment, to be executed pursuant to Art. 2443 of the Italian Civil Code, in separate issues, without option rights, as provided fro by Art. 2441, par. 4, second sentence of the Italian Civil Code, were not valid.

Following the end of the fiscal year and to the reporting date, it is noted that the Board of Statutory Auditors had to express its opinion on the following events or circumstances, as required by the current legislation:

a. on **22 February 2021**, in response to an express request of the Auditing Company, the Board of Statutory Auditors communicated to EY S.p.A. that the obstruction causes related to the Auditing Company's capacity to carry out an assessment of the Internal Control and Risk Management System and, in particular, on the governance aspects, its roles and control processes, on the control system of the financial process as per Law 262/05 and on the risk management and internal auditing system, in order to compare them to the best practices and the current regulations, were not valid.

It is also noted that the Board of Statutory Auditors shall be called to express its observations on the Report of Financial Position of the Company, that the Board of Directors of Giglio Group S.p.A. will have to prepare pursuant to Art. 2446 of the Italian Civil Code, to be submitted to the Shareholders' Meeting so as to take the appropriate relevant measures.

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 2020, held 20 meetings. The activities carried out in these meetings were documented in the relevant minutes, which include also all meetings with insiders, managers and auditing companies and the meeting of 13 October 2020 (on the occasion of the annual meeting of the parts) with all individuals and functions involved in the Internal Control and Risk Management System of the Company, including the Auditing Company. Moreover, the Board of Statutory Auditors participated in the Shareholders' Meetings held on 20 January and 12 November, as well as in all 25 meetings of the Company's Board of Directors, in the 25 meetings of the Internal Control, Risk and Related Parties Committee and in the 11 meetings of the Appointments and Remuneration Committee.

In 2021, the Board of Statutory Auditors met 7 times and participated in all the meetings of the Company's bodies and intra-board committees held until the date of this Report. More specifically, the Board of Statutory Auditors participated to: 9 meetings of the Board of Directors, 10 meetings of the Internal Control, Risk and Related Parties Committee and 4 meetings of the Appointments and Remuneration Committee. Furthermore, the Board notes that its actual composition shall terminate its term with the next meeting for the approval of the Financial Statements.

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, for the part under its responsibility, that 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.

In any event, the Company is currently following its effort to align itself with the best practices requested of companies listed in the MTA, STAR segment market, in which it was admitted on March 2018.

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 CEO, 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 assessments carried out, the organisation structure of the Company is deemed sufficiently adequate with regard to the object, the characteristics and the size of the company, albeit with a need to better monitor some functions and to remove some shortfalls, especially in the administrative context, as represented below.

To this purpose, it is useful to remember that the Company is currently reorganising its structure, as started at the end of 2018. This process led to the transfer of the media area and to the focus on the e-commerce one, also through the acquisition of an operator already present on the market. To this purpose, the size, the organisation structure and the business of the Group have changed, also in 2020.

With regard to the organisation structure, it is noted that the termination of the office of General Manager and the separation of the offices of Chairman and CEO took place, the latter on the occasion of the appointment in July 2020 of a new CEO and of the consequent redefinition of the Company's organisation chart, currently under implementation by the CEO.

XI. SUPERVISION ON ADEQUACY AND EFFICIENCY OF THE INTERNAL CONTROL SYSTEM AND ON ADEQUACY AND RELIABILITY OF THE ADMINISTRATIVE AND ACCOUNTING SYSTEM

With regard to the **supervision on the adequacy and efficiency 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, Risk and Related Parties Committee and the Supervisory Body established pursuant to the organisation model set forth in Legislative Decree no. 231/2001 adopted by the Company (the "**Model 231**").

The guidelines of the Internal Control and Risk Management System were 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.

To this purpose, it is reminded that, upon listing on the MTA market, the opportunity to amend some corporate procedures had arisen, for which the Company had provided for a detailed action plan, foreseeing the update of the procedures et forth in Law 262 of 2005 and the adoption of a new management, accounting and administrative reporting system. Between the end of 2020 and January 2021, Giglio Group had completed a significant part of said plan.

From the monitoring activities of 2020 and until today, it is noted, on the one hand, that the necessary improvement highlighted above have been achieved and, on the other hand, that new needs of significant actions have arisen, as explained hereinafter, also by the Internal Auditor and the Internal Control, Risks and Related-Parties Committee.

Achievement of Improvement Areas

To this purpose, the following are mentioned:

- Accounting/administrative procedures set forth in Law 262/2005, the formalisation of the procedures on behalf of the Company has been completed, as approved by the Board of Directors with the favourable opinion of the Internal Control, Risk and Related-Parties Committee;
- Cash-flow management procedure, the cash flow procedure has been arranged and must now be approved by the Board of Directors;
- Management reporting mechanism, the standardisation activities of the process of adoption of the management reporting mechanism are still being carried out;
- Press releases' management procedure, a more timely procedure for the management of press releases has been defined and included in the Procedure for the management and processing of Inside Information, lastly updated in October 2020;
- Organisation model pursuant to Art. 231/2001, as specified below, the Organisation and Management Model has been adapted so as to take into account the new structure of the Group and of the Company, the new organisation chart of the Company and the new

powers' distribution, as well as including a special part related to "Tax offences";

- Procedure for compliance with requirements on Internal Dealing, the procedure has been updated on February 2021 in order to include the latest legislative amendments, upon favourable opinion of the Internal Control, Risk and Related-Parties Committee.

Main areas of further intervention

Albeit recording the aforementioned improvements, there still are significant areas of further intervention, some of which came to the fore following the auditing requested by the Board of Statutory Auditors.

To this purpose, the following are mentioned:

- Treasury function, upon the Board of Statutory Auditors' initiative, the internal auditor has carried out some assessment, which resulted in the discovery of some factors of significant impact on the Internal Control and Risk Management System. Following the assessment, the Internal Control, Risks and Related-Parties Committee suggested some remedial actions, in part already initiated by the Company and in part still under execution;
- 679/2016 Regulation, completion of the implementation of the procedures set forth in the GDPR Privacy policies;
- Accounting/administrative procedures pursuant to Law 262/2005, specific actions aimed at a better training of the functions involved and a better formalisation of the controls carried out are necessary.

Meanwhile, and with specific reference to the data reported in the annual financial statement and in the interim reports, for foreign subsidiaries, the Company has put in place compensatory control procedures in order to assess the results of the aforementioned documents.
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. The model has been updated with the resolution of the Board on 7 October 2020, integrating the following revision/update interventions:

- Update of the sections dedicated to the organisation structure;
- Legislative update and of the list of offences as set forth in the administrative liability regime for legal persons;
- Introduction of a specific part dedicated to the so-called tax offences;
- Review of the special part H, with cancellation of sensitive areas related to the use of intellectual property rights by third parties following the transfer of the media area.

The Supervisory Board has highlighted the need for a new risk assessment following the entry into force of the Legislative Decree no. 75/2020 implementing the so-called Financial Interests Protection Directive (Directive no. 2017/1371), related to the fight against fraud that affects the interests of the European Union.

Moreover, with the Board of Directors' resolution of 10 September 2018, the Company established the role of Data Protection Officer (DPO), starting from that date an adjustment procedure to European Regulation 2016/679. To this purpose, it is noted that the Data Protection Office (DPO), in the last report, ratified the existence of the minimum measures laid down, as well as the resolution of some criticalities, while, as of today, some fulfilments that the DPO recommended to follow by 2021 (vulnerability assessment, penetration test and formalisation of disaster recovery and business continuity procedures) are still under Giglio Group's responsibility.

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 draft Financial Statements, the Half-yearly Report and the Interim Reports).

With regard to 2020, the Board of Directors has carried out, on the basis of the information and evidence gathered, also with the support 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, believing that, for the purpose of ensuring the adequacy of the System, the Company should integrate the suggestions received by the various functions, as well as to put in place the remediation pointed out by the Internal Auditor, by the Financial Reporting Officer and by the director responsible for the Internal Control and Risk Management System.

In light of the above, the Board of Statutory Auditors believes that there are no elements that suggest that the Internal Control and Risk Management System is not sufficiently adequate, highlighting, nevertheless, the need to complete, as soon as possible, those remedies that would remove the aforementioned shortcomings.

With regard to the **supervision on the adequacy and reliability of the administrative/accounting system in correctly representing the managing facts**, the Board of Statutory Auditors confirms to have carried it out 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, through the Financial Reporting Officer, shall enforce 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 purpose, it is noted that, at the beginning of 2021, the company completed the formalisation of the administrative/accounting procedures set forth in Legislative Decree no. 262/2005, while the same procedures must now be implemented on the strategic subsidiaries.

More specifically, as mentioned above and pursuant to the Internal Auditor Report, the Company completed, on January 2021, the formalisation of the administrative/accounting process pursuant to Legislative Decree no. 262/05, reaching a satisfying body of procedures, to be extended now to the strategic subsidiaries.

With regard to the administrative/accounting activities, it is reminded that, with specific reference to the figures of the Financial Statements and the Interim Reports,, the Company has put in place compensative control procedures on the subsidiaries of Giglio Group, as a result of which no relevant financial or economic impacts arose on the figures exposed in the Financial

Statements as of 2020. Moreover, the need for a better formalisation of the controls carried out was mentioned by many parties.

The Board of Statutory Auditors monitored, for the part under its responsibility, the procedures related to the impairment process of the Consolidated and Annual Financial Statements. These procedures were elaborated by relying on the support of a highly-qualified independent expert, and were formalised in conformity with the accounting principle IAS 36, with resolution adopted by the Board of Directors on 22 February 2021.

The recoverability analysis for assets and goodwill values was carried out with the support of the same independent expert who elaborated the procedure and, then, was definitely approved by the Board of Directors on 27 April 2021. For a more complete description of the methods and assumptions applied, see the note to the consolidated and annual financial statements.

The impairment procedure was 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.

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

With regard to the monitoring of processes adopted to ensure the concrete implementation of the corporate governance rules set forth in the applicable Corporate Governance Code, as already applicable, 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:

- until 21 March 2020, was composed of 7 members, of which 2 independent, in accordance with the gender-equality regulations (of the 7 members, 4 were men and 3 were women);
- starting from 24 March 2020, as a result of the resignation of members Massimo Mancini (21 March) and Carlo Micchi (24 March), was composed of 5 members, of which 2 independent, in accordance with the gender-equality regulations (of the 5 members, 3 were men and 2 were women).

This composition was confirmed by the Shareholders' Meeting of 23 April 2020, who shared the proposal to the reduce the number of Board members, considering 5 members as an appropriate number, in consideration of the Group's focus on the e-commerce sector and of the streamlining of the organisation structure, given the Company's management and business needs.

To this purpose, it is reminded that the next Shareholders' Meeting shall also resolve upon the appointment of the new Board of Directors.

With regard to the Board of Directors, it is noted that the same carried out an assessment of its size, composition and functioning, as well as that of its Committees. The results of the self-assessment were presented in the meeting of the Board of Directors of 15 March 2021 and have been restated in the Corporate Governance Report.

Lastly, 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. To this purpose, it is noted that the Board of Directors made use of the support of an external advisor.

Ultimately, the Board of Statutory Auditors informs to have 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 has been submitted to the Board of Directors of 15 March 2021.

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 2020, 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 the recipient of the role and functions that the TRP Consob Regulation ascribes to the Committee composed of mostly independent directors; this committee is composed of 2 non-executive directors, both independent, and met 25 times in 2020 and 10 times in 2021;
- Appointments and Remuneration Committee, composed of non-executive and independent directors, which met 11 times in 2020 and 4 times in 2021.

For more information on the Company's Corporate Governance, the Board of Statutory Auditors makes reference to the Corporate Governance Report, on which the Board has no observations to make.

XIV. EXAM OF REMUNERATION REPORT AND VERIFICATION OF CONFOMRITY WITH LEGAL AND

STATUTORY REQUIREMENTS

As of the reporting date, the Board of Directors has not approved yet the Remuneration Report, and so the Board of Statutory Auditors reserves its right to assess it as soon as it will be made available and to refer to the Shareholders' Meeting with regard to its conformity with the legislative and regulatory provisions, as well as with the clarity and completeness of its information.

XV. MONITORING OF COMPLIANCE WITH LAWS REGARDING THE CREATION OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS 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 the annual and consolidated financial statements of the Group at 31 December 2020, 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 annual and consolidated financial statements of Giglio Group at 31 December 2020 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 annual and consolidated financial statements 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

In light of the above, as overview to the supervisory activity carried out over the course of the fiscal year, and taking into account the emphasis made by the Auditing Company on the note concerning the Going Concern (par. 39 in the Financial Statements and par. 40 of the Consolidated Financial Statements as of 31 December 2020), as mentioned in the par. 4 of this

Report, the Board of Statutory Auditors did not find any specific criticality, omission or inappropriate conduct or irregularity, and has no observations nor proposals to submit to the Shareholders' Meeting pursuant to Art. 153 of the 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.

Finally, it is noted that, as of today, pursuant to the Rules of conduct for listed companies issued by the CNDCEC (National Council of Accountants), the Board of Statutory Auditors has provided the guidelines to the shareholders for the renewal of the control body for the end of its term.

* * *

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, 11 May 2021

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, 2020

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

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

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 31 December 2020, and the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and 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 31 December 2020, 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 Matters

We draw attention to note “39. Valuation of going concern” to the financial statements for the year ended 31 December 2020, that describes the evaluation performed by the directors on the going concern basis assumed in preparing the financial statements.

As reported by the directors, the Company, due to the loss incurred in the period, has reduced its share capital below the thresholds provided by article No. 2446 of the Italian Civil Code (“*Codice Civile*”); in this respect, the directors have prepared the financial statements on the going concern basis although uncertainties existed concerning the achievement of economic and financial targets set by the Plan 2021-2025 (“the Plan”), that if not entirely achieved, also in terms of individual objectives or actions, would lead to an overall decrease of the results expected from the Plan.

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
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The directors, although the abovementioned uncertainties existed, are confident of achieving the targets set by the Plan, having, amongst others, the reasonable expectation that the Company may rely on sufficient financial resources for the continuance of the operating activities for at least 12 months from the approval of the financial statements, also considering that they have resolved, on April 28, 2021, to exercise the current delegation for a capital increase of 1.221.547 shares, guaranteed by the majority shareholder through a cash contribution for 50% of the amount.

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 Matter	Audit Response
Evaluation of Going Concern	
For the year ended 31 December 2020 the Company incurred net losses of Euro 8,4 million. Equity as at 31 December 2020 amounts to Euro 1,4 million and the net financial position to Euro 14,9 million; the Company triggered the thresholds provided by art. 2446 of Italian Civil Code (“Codice Civile”). The Business Plan 2021-2025 (hereinafter the “Plan”) approved by the Board of Directors on March 3, 2021 includes the main assumptions used by management on the going concern basis assessment when preparing the financial statements, as well as the means and the timing to meet the Company obligations assumed in the Plan. In consideration of the valuation and judgment involved in forecasting 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 note “39. Valuation of going concern" of the financial statements, 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, as well as the information concerning the planned capital increase.	Our audit procedures in response to this key audit matter included, among others: • discussion with management on the variances between the financial forecasts included in the previous business plan and those achieved in fiscal year 2020, including the circumstances that led to the comprehensive loss realized in the year; • understanding of the elements and the evaluation performed by the directors on the uncertainties assumed in the going concern basis of accounting; • discussion with the management on the key judgmental assumptions underlying the Plan approved by the Board of Directors on March 3, 2021, with respect to the forecasted cash flows for fiscal year 2021; • assessment of the ability of the Company to comply with their financial obligations within the 12 months subsequent to the approval of the financial statements. Lastly, we assessed the adequacy of the disclosures included in the directors' report in relation to the key audit matter.

Key Audit Matter	Audit Response
Valuation of Investments	
As at 31 December 2020 the investments balance amount to Euro 10 million. The directors evaluate, at least annually, the existence of impairment indicators and perform an impairment test on investments: during the year impairment losses recorded on investments in subsidiaries amounted to Euro 704 thousand. 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 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. The Company provides disclosures on the recoverability of investments in "Note 5. Investments" the financial statements.	Our audit procedures in response to this key audit matter included, among others: • assessment of the directors' procedures, together with the management's expert involved, 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, which led to an impairment loss on the investments in subsidiaries in the period; • 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 any changes in assumptions that could significantly impact the valuation of recoverable amount. Lastly, we assessed the adequacy of the disclosures in the notes to the financial statements in relation to this key audit matter.

Key Audit Matter	Audit Response
Valuation of Goodwill	
As at 31 December 2020 goodwill balance amounts to Euro 3,2 million. The directors performed an impairment test of the Cash Generating Units (CGUs) to which the goodwill is allocated and recorded in the year an impairment loss on the B2B CGU of Euro 1,6 million. 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	Our audit procedures in response to this key audit matter included, among others: • assessment of the directors' procedures, together with the management's expert involved, for assessing the recoverability of the goodwill; • assessment of the appropriateness of the CGUs identified; • assessment of the key assumptions underlying the forecasted future cash flows, taking into account forecasted

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 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 and the implementation of the actions aimed at the development of the business within the time frame and objectives assumed in the Plan.

assumptions from external sector sources, which led to an impairment loss on the goodwill in the period;

- assessment of the consistency of the forecasted future cash flows, and the determination of long-term growth rates and discount rates, included in the Plan approved by the Board of Directors on March 3, 2021.

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 Company provides disclosures on the recoverability of goodwill, and the related assumptions and sensitivity analyses, in note "4. Goodwill" and in note "D. Discretional valuations and significant accounting estimates also in the light of COVID-19 effects" to 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 any changes in assumptions 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 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 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.

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 1° December 2017, engaged us to perform the audits of the financial statements for each of the years ending 31 December 2018 to 31 December 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 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 31 December 2020, 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 31 December 2020 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 31 December 2020 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, 11 May 2021

EY S.p.A.
Signed by: Gabriele Grignaffini, Auditor

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