GIGLIO

Annual & Consolidated Financial Statements as of 31 December 2022

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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 € 4,393,604
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 and Chief Executive Officer
Anna Lezzi	Executive Board Member
Sara Armella	Independent Member
Francesco Gesualdi	Independent Member
Carlo Micchi	Member

Board of Statutory Auditors

Giorgio Mosci	Chairman
Lucia Tacchino	Standing Auditor
Marco Centore	Statutory Auditor
Chiara Cosatti	Alternate Auditor
Gianluca Fantini	Alternate Auditor

Internal Control, Risk and Related-Parties Committee

Francesco Gesualdi	Chairman
Sara Armella.	

Appointment and Remuneration Committee

Sara Armella	Chairwoman
Francesco Gesualdi	

Executive Officer for Financial Reporting
Carlo Micchi

Independent Auditor
BDO Italia S.p.A.

*The Board of Directors and the Board of Statutory Auditors shall expire upon the approval of 2023 Financial Statements. The Shareholders' Meeting, on 9 December 2021, appointed BDO Italia S.p.A. as its official Auditor for the 2021-2029 period.

1. Introduction

Giglio Group is engaged in the e-commerce of high-end fashion products, in the design products' sector and in the food segment. The Group's mission is to provide technological support to a growing number of prime brands (in all categories served) in their business transformation towards digital omni-channel strategies worldwide.

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, thanks to its "engagement & marketing automation" division, the Group can now offer evolved digital solutions that allow its customer base both to improve the performances of their own e-commerce website and to open up new B2B and B2C sales processes, or to new national and international markets, by gaining the loyalty of their clients, boosting and digitalising the direct sales force and incentivising and rewarding trades.

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 inevitable evolution of the relationship between brands and their clients, which is not set in stone anymore. Moreover, in the fashion sector, this relationship is not only linked with the change of the collections season after season, but it is also continually moving according to the different digital touchpoints, which, by changing quickly and by offering a more and more sophisticated supply range, bring about a continuous interaction between brands and clients on a global scale.

THE BUSINESS MODEL AND ITS STRENGHTS

Giglio is conceived as a Digital Enabler for brands capable of offering them a presence in the digital and selective distribution worlds by interconnecting through its omni-channel technologies all of its sales channels, thus aiming to become a fully outsourcing Omni-channel Platform for fashion, design and food brands.

With the launch of design sales and the penetration in the food sector, Giglio Group boasts a unique, high-standing customer base and a complete and innovative range of business and digital services for its brands and their consumers, along with a proprietary omni-channel infrastructure called "Terashop" serving Italian and European excellence in their respective categories and connecting them to the new frontiers of digital sales and interconnected selective channels worldwide.

Giglio boasts its own directly integrated and integrable platform featuring the most popular e-commerce solutions adopted by brands worldwide, as well as major technological partnership that, together with the Company's know-how, make it a pivotal business and technological key-partner for brands' strategies.

Particularly in the Fashion sector, 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 their current distribution strategy:

- Physical Retail. According to the Group's philosophy, the physical retail must represent the physical lifestyle of the brand, in order to boost its popularity. Giglio Group's omni-channel technology can significantly improve the business and loyalty effectiveness of the physical retail through "click & collect" service, by recording loyalty on the sales point, by favouring products' return and exchange in the store, by providing in-store support for products available online via its "kiosk", reserved only for sales point, and via other "drive-to-store" technologies, as well as by digitally identifying the user in the store with marketing automation technologies.
- E-commerce. The first sales' pillar within the online world, and a consolidated strength for Giglio Group. Now part of all brands' DNA, the e-commerce offers a maximum catalogue range, an increasingly customised relationship with the clients, who can receive to-the-point information and offers thanks to the CRM technology amplified by the marketing automation software. 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) and Marketplace. E-tailers represent the main share of online sales worldwide, with main physical department stores generating more than half of their revenues on their own online channels. The Marketplace channel amplifies the international online distribution of brands by increasing the customers' brand awareness and, in turn, the digital sales. Giglio Group's technological and business partnership can face the challenge to keep the brands' desired positioning and to correctly manage the in-season distribution, the specials sales and off-season goods within the high variety of digital supply now available on the market. More specifically, Giglio has accrued a significant experience in managing off-season hoods on main digital channels worldwide.
- International Distribution and Travel Retail. A paramount channel for brands' presence on an international level, but also for increasing their sales and expanding their popularity with international consumers. Giglio Group aims at increasing brands' sales via all of the international channels in which its proprietary omni-channel technology can allow for an interaction between the physical and digital retail, also during leisure travels.

Essentially, Giglio Group's mission is to lead brands through their sales transformation by activating the best combination of sales channels and economic model, accompanying its partner brands along the process in order to obtain a 100% sell-through rate for every season through the correct balancing of national and international physical channels with proprietary or third-party digital channels such as marketplaces.

In 2022, the Company operated with a full focus on the international distribution and e-commerce businesses. E-Commerce Outsourcing S.r.l. is an e-commerce company that invested predominantly in omni-channel technologies in Italy, and its platform allows to provide to brands and end customers a complete purchase experience by interconnecting physical and digital retail in all of the users' interaction touchpoints. By integrating Giglio Group's and E-Commerce Outsourcing S.r.l.'s technologies and know-how, 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, as well as B2B and B2E websites.

Moreover, E-Commerce Outsourcing S.r.l.'s acquisition strengthened the Group's technical organisation thanks to the introduction of highly-specialised e-commerce experts in its workforce.

Moreover, following the purchase of Salotto di Brera S.r.l., which took place on 12 January 2021, the Group has become a reference player in the international distribution in the selective and exclusive travel retail channel, in which Salotto di Brera has built strong business relations over the years with main cruise lines, touristic and diplomatic airports, duty-free chain stores, touristic ports and NATO bases.

In January 2022, the new Giglio Meta Business Unit was launched, dedicated to the development of Metaverase and NFT projects and capable of ensuring the creation of the entire development process of a project, from the specific business sector analysis to the launch of NFTs on the market, besides producing multimedia, three-dimensional contents capable of engaging the user in a virtual experience unique in each Metaverse.

THE REFERENCE MARKET

According to a survey made by Fondazione Altagamma in 2022, in collaboration with various analysts, and called "Altagamma Consensus 2023", 2022 was a record-breaking year for the luxury market, which exceeded pre-pandemic levels.

Looking ahead to 2023, a solid growth is expected for the sector, albeit the market's performance may be influenced by factors such as the increase in energy costs, the growing inflation, the lack of raw materials, the geopolitical tensions and the drop in purchasing power for some consumers' groups. The recovery and increase of tourist flows on a global scale, together with the consumption's rebound, will counterbalance the inflationary increase and the current uncertainty expected for 2023.

Overall, a 5% (Europe and North America) and 9% (Asia) increase in the annual consumption in the various markets is expected.

The distribution segment will record higher increases in both the physical and digital retail, which will allow for the brands to strengthen their omni-channel strategy. The expected growth for the digital and physical retail will be of 8% and 7%, respectively. The digital wholesale will grow by 5.5%, while the physical one by 3.5%.

With regard to 2023, McKinsey & Company's report "The State of Fashion 2023" expects a relatively slow growth in sales for the fashion market, ranging between 2-3% and characterised by a reduction in the European market (1-4% expected decrease) and a growth in China (2-7%) and in the United Stated of America (1-6%). These forecasts are affected by inflation.
Moreover, the new data regulation will open up a new chapter in the history of digital marketing, considering that the client targeting will become less efficient and more expensive. Brands will have to embrace more creative campaigns and new channels such as retail media networks and the metaverse in order to obtain a greater return on marketing costs and to gather precious data that may be used to deepen clients' relations.

Group's Outlook on Luxury Goods Market

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 Group's objective for 2023 is to link a global customer base directly with high-end, medium-sized fashion brands, that is, Italian excellencies that have yet to reach a global positioning and that, due to their size and the need to redesign their strategies, are showing the need to access new market segments by making use of an international business and technological partner such as Giglio Group.
Giglio Group envisages to continue strengthening its positioning in the reference market, i.e. as digital enabler of companies' business transformation through digital, logistic, marketing and international relationships' services 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. For 2023, the Company expects an increase in revenues caused by the annual growth of its current clients' portfolio, mainly due to the increased recovery of the market against 2023, to the increase in features that Terashop is constantly releasing to its clients in order to improve their revenues and to the duty-free market's recovery.
Furthermore, Giglio Group extended the supply of its services also to adjacent business areas, with specific focus on the design, retail chain stores and food industries, offering its omni-channel platform to the main players of each segment, so that it can be integrated with physical sales points and the main reference marketplaces of those sectors.

Giglio Group is intensifying its efforts to increase its productive capacity in order to create more and more projects for e-commerce platforms, also by integrating the experience of a travel retail consumer, so as to face the astounding increase in demand for these goods via online sales.

2. Group's Business and Structure

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

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

The Company is involved both in B2C and B2B operations. The integration between the two 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 business model, managed by the subsidiaries Ibox SA and E-Commerce Outsourcing S.r.l. (the digital core of the group), consists in providing digital services for the management of monobrand websites for Fashion, Design and Food customers, as well as in offering integrated digital services aimed at improving the overall performances. Terashop is a unique technological platform capable of managing the mono-brand website, the omni-channel marketing requested by the sales points, 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.

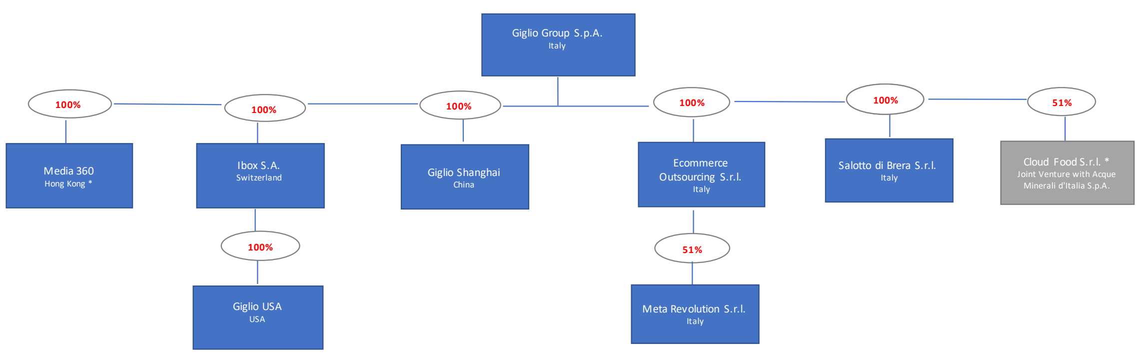
The B2B model, on the other hand, aims at facilitating brands' indirect online sales on behalf of major e-commerce platforms around the world, offering an additional distribution to physical networks.

On 15 January 2021, Giglio Group S.p.A. purchased the company Salotto di Brera S.r.l., engaged in B2B supplies for fashion, food and jewellery goods for cruise ships and duty-free stores in ports,

airports and NATO bases.

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

The Group corporate structure is reported below:



** Company being divested*

It is noted that on 7 March 2022, the company "Meta Revolution S.r.l." was established, with headquarters in Milan, Piazza Generale Armando Diaz, 6. The company's object is the development, production and marketing of high-tech, innovative products or services. The share capital of Meta Revolution S.r.l. amounts to € 120,000, of which 51% subscribed and paid-up on 04 March 2022 by E-Commerce Outsourcing S.r.l. (for a total of € 0.15 thousand) and 49% subscribed by Blockchain Accelerator S.r.l.. As of 31 December 2022, the company is in the start-up phase.

On 21 December 2022, the Board of Directors resolved to transfer its investments in Media 360 Hong Kong and Cloudfood S.r.l., which are currently neither active nor productive.

On 27 December 2022, the transfer of the investment in Giglio USA LLC from Giglio Group S.p.A. to its subsidiary IBOX SA was completed within the context of the group's reorganisation in national and foreign areas.

3. Financial Highlights as of 31 December 2022

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 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.

Total Financial Debt (also Net Financial Debt): determined according to the provisions set forth in Consob Communication no. 6064293 of 28 July 2006 and in conformity with the Reference Note no. 5/21 issued by Consob on 29 April 2021 with regard to the ESMA32-382-1138 Orientation of 4 March 2021, by subtracting from cash and cash equivalents and from other current financial assets short/medium/long-term financial payables, trade payables and other medium/long-term debts.

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

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

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

Gross Margin: 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 costs.

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 2022

The main balance sheet figures of the Group as of 31 December 2022 are specified below:

(Euro thousands)	31.12.2022	31.12.2021	Change
Intangible Assets	15,436	16,230	(794)
Property, Plant and Equipment	456	1,070	(614)
Financial Fixed Assets	247	238	9
Total Fixed Assets	**16,139**	**17,538**	**(1,399)**
Inventories	1,559	2,238	(679)
Trade receivables	10,134	9,928	206
Trade payables	(11,957)	(10,931)	(1,026)
Operating/Commercial Working Capital	**(264)**	**1,235**	**(1,499)**
Other current assets and liabilities	(3,329)	(3,939)	610
Net Working Capital	**(3,593)**	**(2,704)**	**(889)**
Provisions for risks and charges	(365)	(746)	381
Deferred tax assets and liabilities	875	757	118
Other non-current liabilities	-	-	-
Net Invested Capital	**13,057**	**14,846**	**(1,789)**
Total Net Invested Capital	**13,057**	**14,846**	**(1,789)**
Equity	**4,317**	**2,296**	**2,021**
Minority interest in equity	**(43)**	**-**	**-**
Net financial debt*	**(17,331)**	**(17,142)**	**(189)**
Total Sources	**(13,057)**	**(14,846)**	**1,789**

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

** The "Other assets" was restated in light of the change in net financial debt that, in the new ESMA32-382-1138 scheme of 4 March 2021, does not provide for the inclusion of current financial receivables.

The Net Invested Capital of the Group as of 31 December 2022, equal to € 13 million, is mainly comprised of Net Fixed Assets of € 16.1 million, of Net Working Capital totalling € -3.6 million and of the Provisions for risks and charges, which mainly includes the Provisions for employee benefits.

Property, Plant and Equipment (which include also the right-of-use on existing leases) amount to € 456,000 (€ 1 million as of 31 December 2021).

Intangible Assets, equal to € 15.4 million (€ 16.2 million as of 31 December 2021), are mainly ascribable to the goodwill for the acquisition of Giglio Fashion, of the IBOX Group, of E-Commerce Outsourcing S.r.l. an of Salotto di Brera. The dropping change mainly refers to the period's amortisations, net of the increases for capitalised development costs borne entirely for the implementation and integration of IT platforms.

Financial Fixed Assets, equal to € 0.2 million, are mainly ascribable to the guarantee deposits paid relating to rental contracts for the buildings at Milan and Rome.

As of 31 December 2022, the Group's Net Financial Debt amounts to € -17.3 million, in line with 31 December 2021.

As already mentioned before, the schedule of the net financial debt was reported in accordance to the Reference Note no. 5/21 issued by Consob on 29 April 2021 with regard to ESMA's Orientation related to the disclosures obligations that, starting from 5 May 2021, changed the references provided for in Communication no. DEM/6064293 of 28 July 2006 as far as the net financial position is concerned.

The following table shows the Company's net financial debt in detail:

	(Euro thousands)	31.12.2022	31.12.2021	Change
A	Cash and cash equivalents	1,794	2,474	(680)
B	Cash and cash equivalents			-
C	Other current financial assets	2	2	(0)
D	**Cash & cash equivalents (A)+(B)+(C)**	**1,796**	**2,476**	**(680)**
AND	Current financial liabilities	(2,881)	(2,132)	(749)
	of which with Related Parties	*(732)*	*(16)*	*(716)*
F	Current part of the non-current financial liabilities	(5,268)	(3,784)	(1,484)
G	**Current financial liabilities (E)+(F)**	**(8,149)**	**(5,916)**	**(2,233)**
H	**Net current financial liabilities (G) - (D)**	**(6,353)**	**(3,439)**	**(2,913)**
I	Non-current financial liabilities	(7,896)	(8,933)	1,037
	of which with Related Parties		*(626)*	*626*
J	Debt instruments	(3,005)	(3,695)	690
K	Non-current trade and other payables	(76)	(1,076)	1,000
L	**Non-current financial liabilities (I)+(J)+(K)**	**(10,977)**	**(13,703)**	**2,726**
M	**Total financial liabilities (H)+(L)**	**(17,331)**	**(17,142)**	**(189)**

The Group's Net Financial Debt amounts to € -17.3 million, in line with 31 December 2021.

More specifically, the changes that affected the Net Financial Debt can be ascribed to the following factors:

E. Current financial liabilities: The increase is ascribable to the restatement from non-current to current portion of the payable with Meridiana Holding S.p.A., expiring in 2023.

F. Current portion of non-current liabilities: This account also recorded an increase in the current portion of the new loans made by Salotto di Brera and E-Commerce Outsourcing during the year, as well as in the non-current portion of the older loans.

I. Non-current financial liabilities: The non-current Financial Debt shows a drop mainly caused by the restatement of the debt with Meridiana Holding S.p.A.. expiring in 2023 to the current portion, as well as by the drop in the liabilities related to leasing agreements.

J. Debt instruments: As of 31 December 2022, the non-current Financial Debt includes the long-term share of the EBB S.r.l. bond.

K. Non-current trade and other payables: The decrease is due to the fact that, in the previous year, the account used to include the non-current portion of the payable with Vertice Trescientos Sesenta Grados S.A. and Squirrel Capital S.L.U, whose remainder as of 31 December 2022 was restated among current liabilities, due to its expiration in 2023.

As of 31 December 2022, the net financial debt records, amongst its current and non-current 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 29 December 2022, SACE, as guarantor of the bond, gave its consent to the bondholder EBB S.r.l. to grant the waiver related to the non-compliance with the "Leverage Ratio" and "Gearing Ratio" financial parameters with regard to the test date of 31 December 2022. On 7 April 2023, EBB S.r.l. ratified the waiver granted by SACE on 29 December 2022.

Consolidated Financial Activity Overview as of 31 December 2022

The key consolidated economic highlights are shown below.

(Euro thousands)	31.12.2022	31.12.2021	Change

Revenues from contracts with customers	37,313	38,763	(1,450)
Operating Costs	(33,362)	(34,414)	1,052
Gross Margin	**3,951**	**4,349**	**(398)**
Gross Margin %	**10.6%**	**11.2%**	**(0.6)%**
Payroll expenses	(3,789)	(5,403)	1,614
EBITDA	**162**	**(1,054)**	**1,216**
EBITDA%	**0.4%**	**(2.7)%**	**3.2%**
Non-recurring revenues (charges)	28	0	28
Amortisation, depreciation & write-downs	(1,319)	(2,175)	856
EBIT	**(1,129)**	**(3,229)**	**2,100**
Net financial charges	(1,038)	(1,587)	549
PROFIT BEFORE TAXES	**(2,167)**	**(4,816)**	**2,649**
Income taxes	73	191	(118)
PROFIT FOR THE PERIOD	**(2,094)**	**(4,623)**	**2,529**
RESULT ATTRIBUTABLE TO MINORITY INTERESTS	(16)	0	(16)
GROUP PROFIT/(LOSS)	**(2,078)**	**(4,623)**	**2,545**
EBIT%	**(3.1)%**	**(8.3)%**	**5.2%**
PROFIT FOR THE PERIOD%	**(5.7)%**	**(11.9)%**	**6.2%**

The consolidated revenues, equal to € 37.3 million, dropped by € 1.5 million (-3.8%) if compared to the consolidated figures of the same period for the previous fiscal year (€ 38.8 million).

The drop, if compared to the previous year, is mainly ascribable to:

- The impossibility for Salotto di Brera to continue its operations in Minsk's airport due to the export prohibition of some goods.
- The persistence of the pandemic and of China's strong restrictions.
- The postponement of some activities and of their turnover, which were expected between the end of 2022 and the beginning of 2023.

The revenues include the proceeds of the Loyalty business unit, as mentioned in the "Significant Events During the Year" paragraph below.

Operating and payroll costs dropped respectively by € 1 and € 1.6 million if compared to the previous year, in witness of the current streamlining of structural costs.

The EBITDA showed a positive trend, accounting for € 162,000 (€ -1 million on consolidated figures as of 31 December 2021), ascribable to the complete revisions undertaken with the supply and consulting contracts, as well as to the sales carried out with higher margins.

The Net Profit, amounting to € -2 million, improved if compared to the previous year's € 4.6 million, and this can be ascribed mainly to amortization and fiscal charges.

Parent Company's Consolidated Financial Position as of 31 December 2022

The main balance sheet figures of the Parent Company as of 31 December 2022 are as specified below:

(Euro thousands)	31.12.2022	31.12.2021	Change
Intangible Assets	3,368	3,413	(45)
Property, Plant and Equipment	267	507	(240)
Financial Fixed Assets	12,110	13,577	(1,467)
Total Fixed Assets	**15,745**	**17,497**	**(1,752)**
Inventories	605	1,493	(888)
Trade receivables	6,357	3,784	2,573
Trade payables	(7,906)	(2,974)	(4,932)
Operating/Commercial Working Capital	**(944)**	**2,303**	**(3,247)**
Other current assets and liabilities	(1,716)	(2,429)	713
Net Working Capital	**(2,660)**	**(126)**	**(2,534)**
Provisions for risks and charges	(204)	(276)	72
Deferred tax assets and liabilities	1,010	943	67
Other non-current liabilities	-	-	-
Net Invested Capital	**13,890**	**18,038**	**(4,148)**
Total Net Invested Capital	**13,890**	**18,038**	**(4,148)**
Equity	**(408)**	**(235)**	**(173)**
Minority interest in equity	**-**	**-**	**-**
Net financial liabilities	**(13,482)**	**(17,803)**	**4,321**
Total Sources	**(13,890)**	**(18,038)**	**4,148**

The Net Invested Capital of the Parent Company as of 31 December 2022, equal to € 13.9 million, is mainly comprised of Net Fixed Assets of € 15.7 million (increasing by € 1.8 million if compared to 31 December 2021), of Net Working Capital totalling € -2.6 million (€ -0.1 million as of 31 December 2021) and of the Provisions for risks and charges, which mainly includes the Provisions for employee benefits and deferred tax assets.

Property, Plant and Equipment, equal to € 0.3 million (€ 0.5 million as of 31 December 2021), refers mainly to the investment in fixed assets and activities for right of use.

Intangible Assets, equal to € 3.4 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 to the Consolidated and non-consolidated Financial Statements.

Financial Fixed Assets, equal to € 12.1 million, can mainly be attributed:

- for € 11.3 million, to the investments in subsidiaries, which recorded a € 0.4 million increase due to the increase in share capital of subsidiary E-Commerce Outsourcing S.r.l.;
- for € 0.6 million, to credits in favour of subsidiaries Ibox SA, Giglio USA and Giglio Shanghai, of which Ibox SA's debt recorded a € 1.9 million drop;
- for € 0.2 million, to guarantee deposits.

Parent Company's Operating Overview as of 31 December 2022

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

(Euro thousands)	31.12.2022	31.12.2021	Change
Revenues from contracts with customers	19,726	18,936	790
Operating Costs	(17,905)	(18,857)	952
Gross Margin	**1,821**	**79**	**1,742**
Gross Margin %	**9.2%**	**0.4%**	**8.8%**
Payroll expenses	(1,615)	(2,049)	434
EBITDA	**206**	**(1,970)**	**2,176**
EBITDA%	**1.0%**	**(10.4)%**	**11.4%**
Other operating revenues (costs)	(79)	0	(79)
Non-recurring revenues (charges)	1,050	0	1,050
Amortisation, depreciation & write-downs	(308)	(528)	220
EBIT	**868**	**(2,498)**	**3,366**
Net financial charges	(760)	(905)	145
PROFIT BEFORE TAXES	**108**	**(3,402)**	**3,510**
Income taxes	10	279	(269)
PROFIT FOR THE PERIOD (CONTINUING OPERATIONS)	**119**	**(3,123)**	**3,242**
PROFIT FOR THE PERIOD DISCONTINUED OPERATIONS (adjusted)	**0**	**0**	**0**
PROFIT FOR THE PERIOD	**119**	**(3,123)**	**3,242**
RESULT ATTRIBUTABLE TO MINORITY INTERESTS	0	0	0
GROUP PROFIT/(LOSS)	**119**	**(3,123)**	**3,242**
EBIT%	**(0.9)%**	**(13.2)%**	**12.3%**
PROFIT FOR THE PERIOD%	**(4.7)%**	**(16.5)%**	**11.8%**

Revenues in 2022 amounted to € 19.7 million, increasing if compared to 31 December 2021 (€ 18.9 million). This increase is mainly ascribable to the change of other revenues.

Operating and payroll costs dropped respectively by € 0.9 and € 0.4 million if compared to the previous year, in witness of the current streamlining of structural costs.

The EBITDA showed a positive trend of € 0.2 million (€ -1.9 million as of 31 December 2021), ascribable to a review of the costs carried out by the Company.

The non-recurring revenues, equal to € 1 million, refer to the sale to subsidiary E-Commerce Outsourcing S.r.l. of Ibox.it's URL.

The EBIT, equal to € 0.9 million, is positive. In the previous year, the EBIT (€ -2.5 million) included a € 250,000 write-down of Ibox SA.

The Net Profit amounts to € 119,000, definitely improving if compared to the previous year's negative result (€ -3.1 million).

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, Salotto di Brera S.r.l. 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:

	31 December 2022			
(Euro thousands)	B2B e-commerce	B2C e-commerce	Corporate	Total

Revenues from contracts with customers	26,007	10,582	0	36,590
Other incomes	130	231	146	508
Capitalised costs		215		215
Total revenues	**26,138**	**11,029**	**146**	**37,313**
EBITDA	**2,004**	**1,174**	**(3,016)**	**162**
EBIT	**882**	**273**	**(2,283)**	**(1,129)**
EBT	**834**	**43**	**(3,043)**	**(2,167)**
Profit for the period	**824**	**131**	**(3,033)**	**(2,078)**

By comparison, the results of sectors at 31 December 2021 are as follows:

(Euro thousands)	**B2B e-commerce**	**B2C e-commerce**	**Corporate**	**Total**
Revenues from contracts with customers	25,349	12,965	0	38,314
Other incomes	11	132	4	147
Capitalised costs		302		302
Total revenues	**25,361**	**13,399**	**4**	**38,763**
EBITDA	**1,680**	**462**	**(3,196)**	**(1,054)**
EBIT	**1,669**	**(1,423)**	**(3,474)**	**(3,228)**
EBT	**1,645**	**(2,081)**	**(4,379)**	**(4,815)**
Profit for the period	**1,573**	**(2,097)**	**(4,100)**	**(4,623)**

The B2B sector recorded a revenues' increase if compared to 2021, also thanks to the new agreements signed with new clients over the course of the final quarter.

The B2C sector, on the other hand, includes the Loyalty business unit's transfer, which took place in H1. The decrease on the previous year can be ascribed to the loss of some brands over the final quarter, which had an effect on the turnover, albeit with reduced margins.

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, during the Black Firday and the Christmas periods.

6. Human resources

The Group workforce, at 31 December 2022, totalled 60 employees of which 56 in Italy, 2 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 2022 and 31 December 2021.

31 December 2022	31 December 2021
Italy 56	**Italy** 89
Switzerland 2 (IBox)	**Switzerland** 6 (IBox)
U.S.A. 1 employee	**U.S.A.** 1 employee
China 1 employee	**China** 1 employee
Total 60 employees	**Total** 97 employees

Employees hired on internship/training contracts are four.

Over the course of 2022, 45 resignations and 8 recruitments were recorded.

7. Investments

Group investments undertaken in 2022, equal to € 273,000, 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.

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 2022, the subsidiary E-Commerce Outsourcing S.r.l. generated capitalised costs, inasmuch as they meet the aforementioned requirements.

These costs, totalling € 0.2 million, have been capitalised among the intangible fixed assets.

9. 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.

10. Number and nominal value of treasury shares and shares or quotas of holding companies purchased or sold by the company in the period

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

11. Significant Events During the Fiscal Year

- On 12 January 2022, Giglio Group S.p.A. (Ticker GG), company listed on the MTA-STAR segment of Borsa Italiana S.p.A., after an year of intense work and important investments, has opened up its new business unit "Giglio Meta" dedicated to Metaverse and NFT projects. According to Chainalysis, in 2021, the global NFT market generated transactions for a value of $ 26.9 billion in cryptocurrencies; with this specialised business unit Giglio has become the_first Italian company completely developed for this futuristic digital segment of the market, also thanks to the experience accrued over these months of study, which is being applied to upcoming projects that will be announced shortly.

- On 26 January 2022, the Board of Directors acknowledged the resignation received on 14 January 2022 by Marco Riccardo Belloni and co-opted Carlo Micchi as new director of the Company.

- On 6 March 2022, the Company reached an agreement for the transfer of its Incentive & Loyalty business unit to Promotica S.p.A.. The operation was concluded upon the disbursement of a down-payment of € 853,000 by Promotica S.p.A. on 4 March 2022, against the full value of the transfer (€ 1,200,000), adjusted to the Net Working Capital as of the closing date.

  On 31 December 2021, the Net Working Capital of the business unit amounted to € -219,000, which led to the preliminary determination of the transfer price at € 981,000; within this value, as specified in the agreements' articles, the post-employment benefit funds' debts of the transferred business unit are included. According to the terms of the contract, the residual price, as determined by the Net Working Capital of 31 December

2021, shall be disbursed as follows: a) € 75,000 within 60 days from the closing date; b) € 75,000 within 90 days from the closing date. The capital gains thus obtained on the transaction amount to € 1,344,000.

The Incentive and Loyalty business branch, object of the transfer, had recorded a turnover of about € 2.4 million in 2021, along with an EBITDA of € 282,000 (EBITDA Margin of about 12%). The transfer is in line with the declared objective of the Company to focus on its core business linked to full-outsourcing e-commerce, digital transformation and new NFT and Metaverse services. The transfer of the Incentive and Loyalty business unit shall facilitate the migration towards the new Group's accounting system, also for the parent company. Moreover, with regard to the new NFT and Metaverse services, it is noted that on 7 March 2022, the company "Meta Revolution S.r.l." was established, with headquarters in Milan, Piazza Generale Armando Diaz, 6.

- On 7 March 2022, the Company subscribed a minutes of conciliation with Vertice Trescientos Sesenta Grados S.A. and Squirrel Capital S.L.U. in front of Milan's Court with regard to the residual debt arising from the Closing Letter of 30 October 2019, unpaid and disputed by the parties. The agreement provides for the payment of € 3,000,000, including interests, to be disbursed by the Company in 15 monthly instalments, starting from March 2022 and ending on 2 May 2023.

- On 28 March 2022, the Company approved the new Industrial Plan 2022-2026, which replaces the Industrial Plan 2021-2025 and its underlying assumptions.

- On 2 April 2022, Carlo Micchi was appointed as CFO and Financial Reporting Officer, replacing outgoing Francesco Barreca.

- On 13 April 2022, the leasing contract for 7Hype business unit was terminated due to its unproductiveness. The transaction entailed the disbursement of € 68,500 due to the early termination of the contract.
- On 30 April 2022, the Ordinary Shareholders' Meeting of Giglio Group S.p.A. met under the chairmanship of Alessandro Giglio and in the presence of notary Marcello Giuliano.

The Meeting (i) having examined the Directors' Report, prepared pursuant to Art. 125-ter of Legislative Decree no. 58 of 24 February 1958; (ii) having examined the Annual and Consolidated Financial Report as of 31 December 2021 and, in particular, the Directors' Report on Operations, the Board of Statutory Auditors' Report and the Auditing Company's Report; (iii) having acknowledged that the Financial Statements of the Company as of 31 December 2021 highlighted a loss for the year of € 3,123,461 which produced -taking into account the existing reserves- a relevant loss of share capital (as of the reporting date, the share capital equals € 4,393,604.40) of more than a third, as per Art. 2446 of the Italian Civil Code, resolved to approve the Financial Statements as of 31 December 2021, closing with a loss of € 3,123,461, thus confirming the decision to carry forward said loss, together with the losses already carried forward in the previous fiscal years, until the fifth following fiscal year (i.e., 2026), pursuant to Art. 6 of the Decree-Law no. 23 of 8 April 2020 as amended and integrated.

- On 8 July 2022, the Parent Company subscribed the capital share increase of its subsidiary E-Commerce Outsourcing S.r.l. for a total amount of € 436,644, thus bringing its Share Capital to € 700,000. The capital share increase was aimed at strengthening the subsidiary's assets.

- On 13 December 2022, subsidiary Salotto di Brera signed and agreement for the rent of a business branch with Gasak S.r.l. within the "Caput Mundi - The Mall" shopping centre located inside the Vatican City. The Mall was opened to the public on 16 March 2023.

- On 21 December 2022, the Board of Directors resolved to transfer its investments in Media 360 Hong Kong and Cloudfood S.r.l., which are currently neither active nor productive. Cloudfood's transfer was completed on 14 February 2023, while Media 360 Hong Kong's one is still being finalised.

- On 27 December 2022, the transfer of the investment in Giglio USA LLC from parent company Giglio Group S.p.A. to its subsidiary IBOX SA was completed within the context of the group's reorganisation in national and foreign areas.

12. Significant Events After the End of the Fiscal Year.

- On 14 February 2023, the transfer of the 51% stake in Cloud Food S.r.l., previously approved by the Board of Directors on 21 December 2022, was completed.

- On 23 February 2023, the Parent Company subscribed the capital share increase of its subsidiary Salotto di Brera S.r.l. for a total amount of € 975,000, thus bringing its Share Capital to € 1 million. The capital share increase was aimed at strengthening the subsidiary's assets.

- On 16 March 2023, the "Caput Mundi The Mall" shopping centre in the Vatican City was opened to the public, where the subsidiary Salotto di Brera S.r.l. signed an agreement for the lease of the business unit with Gasak S.r.l. at the end of 2022.

On 30 March 2023, the Board of Directors approved the new Industrial Plan 2023-2027, which replaces the Industrial Plan 2022-2026 and its underlying assumptions.

13. 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 29 December 2022, SACE, as guarantor of the bond, gave its consent to the bondholder EBB S.r.l. to grant the waiver related to the non-compliance with the "Leverage Ratio" and "Gearing Ratio" financial parameters with regard to the test date of 31 December 2022. On 7 April 2023, EBB S.r.l. ratified the waiver granted by SACE on 29 December 2022.

14. Outlook

Over the last three years, the global context was characterised by a sequence of three extraordinary events: i) the pandemic emergency, ii) the Russian-Ukrainian conflict, with the consequent energy and food crisis and iii) the return of a rising inflation and the end of ultra-expansive monetary policies.

The risks of the global macroeconomic outlooks are still significant and prone to deteriorate. The evolution of the Russian-Ukrainian conflict continues to represent one of the negative factors that may accentuate the slowdown of the world's economic activity. Moreover, the inflation represents a watershed in the various alternative scenarios hypothesised, which range from the most negative one - which foresees a 0.7% global economic growth with a 6.1% inflation - to the most positive one - 2.2% growth in the world's GDP with a 4.6 inflation (source: Oxford Economics, World Economics Prospects Monthly, January 2023).

In addition to this, China's decision to eliminate the so-called "zero-Covid" policy in December 2022 brought about a slowdown in industrial production, logistics services and consumption in that same month before leading to a significant increase in the following ones. There is optimism for the recovery of consumption, which should benefit from the sharp increase in the population's saving rate during the pandemic years, with positive impacts on domestic industries such as hospitality, tourism, textiles and clothing.

In this context, the e-commerce segment benefited from a cultural shift characterised by a constant growth in digital stores, facilitated by the slowdown of the physical retail.

Our B2C -E-Commerce Service Provider Division division is currently under pressure due to the numerous requests of technological updates made by our clients, aimed at increasing both sales and services to final consumers.

This situation calls for a constant investment in new developments for the platforms and for the constant maintenance of the same so as to support growth, also implying 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.

In addition to maintaining solid relationships with the historical customers of the Giglio Group, the strengthening of the marketing activity already begun at the end of 2022 continues, also through the recruitment of qualified personnel, which made it possible in the first three months of the year to reach new significant contracts both from an economic point of view and for the quality of the contractors.

The expansion of the Travel Retail business of Salotto di Brera continues thanks to the organic growth given by the increase in tourism on cruise ships (Leisure Travel) and to the non-organic growth deriving from the growing number of ships reached following the conclusion of framework agreements with the Starboard and Harding groups, which are estimated to double the number of ships served by Salotto di Brera during 2023. The development of the Travel Retail business also continues in the Airports sector (with Vienna and Shenzhen as the next openings) and agreements with eight other airports are expected to be concluded by the end of the year. This is joined by two new agreements which will affect the performance of the business in 2023.

- ✓ The opening inside the Caput Mundi Mall in Vatican City, a destination for tourists and pilgrims, especially in the vicinity of the next Jubilee, of a Salotto di Brera sales space which, right from the first days of its inauguration, in mid-March, has obtained a positive response in terms of sales, which it is believed will increase as the peak tourist period in Rome approaches. An estimated 10,000 people pass through the Mall each day.
- ✓ The subscription of an agreement which involves all the business units of the Group for the creation of a complete service to one of the main companies operating in the transport sector at European level, in detail:
  - Creation of e-commerce site;
  - Production and digital sale of all merchandising;
  - Creation, production and sale of co-branded products with big brands;
  - Agreements with important companies in other sectors for the sale on board of their carriers of the products of the most important brands distributed by Salotto Brera.

In the B2B segment, it is believed that contracts with new distribution customers can be completed, in addition to the signing of contracts with four new leading fashion brands in the world.

The growth of the new business unit, launched in 2022 H2, relating to the production of merchandising for artists and large companies is expected, engaged as it were throughout 2023 in the production and online and on-tour distribution of the merchandising of the "Maneskin" rock band . The company is engaged in advanced negotiations with other artists and companies of the same calibre.

Finally, it should be noted that revenues for the first quarter of 2023 are slightly higher than the budget for the same period approved by the directors.

Going Concern

The Financial Statements of the Group as of 31 December 2022 were drafted in view of the business continuity, on the basis of the assessment made by the Directors (pursuant to IAS 1) regarding the Company's capacity to continue trading as a going concern, taking into account all of the information in their possession regarding the near future (related, but not limited, to at least 12 months).

The Financial Statements as of 31 December 2022 were closed with a loss of € 2,094,000 (of which € 16,000 attributable to minority interests), which led to a net equity of € -4,274,000 (of which € +43,000 attributable to minority interests). It is noted that the EBITDA as of 31 December 2022 amounts to € 162,000, against the figure of the previous year (€ -1,054,000).

On 30 March 2023, the Board of Directors of the Company approved the Industrial Plan 2023-2027. The new Industrial Plan considers a GMV (Gross Merchandise Value - reference value for e-commerce transactions) acceleration at a cumulative growth rate of about 8% (CAGR) both for organic growth - in line with the expectation of the reference market (online sales for luxury fashion) - for new brand acquisitions and for new entrepreneurial initiatives.

During the time span of the Plan, the objective is a linear revenues increase , with a sustainable profitability (Ebitda/Revenues) on the long term, whose incidence should be of more than 13% in the last year of the plan. The objective is to strike a balance between B2B activities - including the distribution to digital marketplaces (developing strongly as channel for stock disposal and the business of Salotto di Brera (specialised in travel retail within cruise ships and duty-free shops in ports and airports) - and B2C activities, which boast the cutting-edge technological solutions proposed by Terashop's platform (E-Commerce Outsourcing's) integrated and customised also for

IBOX SA's clients, capable of dealing with products from all sectors (fashion, design, electronics, DIY and food 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 remeasured financial needs for investments against the previous fiscal years, following the acquisition of the technological expertise of ECO and the internal investments carried out throughout 2020-2022 on the platforms and aimed at providing additional services to partnering brands. The Directors carried out adequate sensitivity analyses on the main hypotheses of the Plan.

It is noted that 2023 budget used by the Directors for assessing the existence of the going concern provides for the generation of a positive cash flow, with economic indicators again positive. This provision, however, also includes some assumptions, whose eventual incomplete implementation (singularly and/or cumulatively), may lead to a reduction of the Plan's results. The main assumptions made by the Directors for the assessment of 2023 cash flow are as follows:

- Commercial and organic growth of the B2C division (9% on Revenues and 6% on GMV), characterised by the immediate payment from users and the deferred payment of goods and services to suppliers; This growth, which shall have an impact on the EBITDA margin, is mainly ascribable to the purchase of new clients, as well as to the improvements made to the platforms, allowing for the production of additional revenues;

- The B2B model, on the other hand, recorded a 10% commercial growth of its Revenues, while still aiming at facilitating brands' indirect online sales on behalf of major e-commerce platforms around the world, offering an additional distribution to physical networks. This growth, which shall have a 12.5% impact on the EBITDA margin, is mainly ascribable to the combined effect of the post-pandemic sales recovery and to the expected growth of Salotto di Brera S.r.l., for 2023 (+15%).

- Processes improvement and consequent costs reduction following the streamlining of the Group's business activities, as well as other saving activities carried out thanks to infra-group synergies (legal costs reduction, payroll reductions, administrative advise cost reductions...);

- 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;

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

2023 budget and 2024-2027 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;

1. Negotiation with banking institutes in order to support the working capital required to foster the e-commerce business and its distribution of fashion goods, as demonstrated by the activation of several financing agreements both in 2022 and in the beginning of 2023. For this purpose, it is noted that, at the beginning of 2023, the subsidiary Salotto di Brera S.r.l. subscribed two financing agreement of € 2.5 million and € 1 million respectively with Banca Progetto, upon the issue of the guarantee from SACE, thus confirming the reliability towards leading credit institutions. The Industrial Plan 2023/2027 takes into account the increased interest rates on payables to credit institutions compared to the contractual rates recorded in the year ended 31 December 2022.

2. Meridiana Holding S.p.A.. reached an agreement with the Company through which the outstanding debt related to the funding granted by the former was converted from USD to EUR at 1:1 exchange rate of 31 August 2022 and the reimbursement of the same was set to be carried out through three quarterly instalments of equal amount, the first of which expired on 15 March 2023 and was duly reimbursed as per plan.

3. On 29 December 2022, SACE, as guarantor of the bond, gave its consent to the bondholder EBB S.r.l. to grant the waiver related to the non-compliance with the "Leverage Ratio" and "Gearing Ratio" financial parameters with regard to the test date of 31 December 2022. The company shall request an extension of the waiver to SACE/EBB Export for the test date of 30 June

2023, and the Directors believe that there is a reasonable expectation that said extension will be approved, given its approval for the previous fiscal years.

4. The Board of Directors of 15 December 2021, as per draft proposal on the agenda *"As of now, a proxy for increase in kind is still active, to be exercised within five years from its resolution (i.e. until 12 November 2025), which allows the administrative bodies to increase the share capital by a maximum amount of € 366,133.70 (10% of the existing capital at the time), plus share premium. To this, a proxy for simplified increases up to 10% of the existing capital as of today shall be available, pursuant to Art. 2441, par. 4, second sentence, that is, also a wider proxy with ordinary procedure."*, resolves to vest the Chairman of the Board of Directors with all powers necessary for carrying out a capital increase.

It is noted that, with regard to the capital increase of the Parent Company Giglio Group S.p.A., the Board of Directors held on 14 September 2022 vested the Chairman with the power to carry out all preparatory activities needed to execute said capital increase. It is believed that this increase can be carried out in the last quarter of 2023, as foreseen in the 2023-2027 budget/plan approved by the directors.

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With the exit from COVID 19, 2023 started with the hope of resuming regular economic/financial activities based on expectations of good economic growth.
Unfortunately, however, as it is known, the general context became once again very complex due to the geopolitical circumstances that characterised 2022 and the first months of 2023, namely the Russian-Ukrainian conflict.
The European Union, as well as the United Kingdom and the United States of America, immediately imposed hefty economic sanctions to the attacking country.
The effects of these sanctions, in turn, generated a significant economic and social impact both for Russia and for NATO's countries.
In Italy, we immediately recorded the increase of raw material's prices, as well as significant difficulties in the supply of some products from the Russian/Ukrainian market that, in the short term, shall lead to a drop in supply and, thus, to a natural increase in value.

Therefore, in light of the above, the direct and indirect impacts that the Russian/Ukrainian conflict may cause to Italian enterprises (according to their sector of engagement) are quite evident, both in terms of materiality of the impact and in terms of positive/negative trends of each supply chain and target market in which they operate, also geographically. The Board of Directors highlights that the Company's activities should not face an economic and financial upheaval capable of threatening the Company's going concern.

However, some slowdowns that occurred during the second half of 2022 should be noted, limited to some customers located in Eastern countries whose orders were postponed to the first half of 2023, the effect of which, compared to the 2022 budget, resulted in revenues down by 15%. However, the Board shall constantly monitor the evolution of the conflict and shall promptly undertake all appropriate actions in order to preserve the Company's going concern.

Despite the aforementioned significant uncertainties, the Directors believe that the results envisaged in the Plan shall be achieved, thus confirming the existence of the assumption of the Company's going concern for at least, but not limited to, twelve months from the reporting date.

Said assessment is obviously arising from a subjective assessment that took into account the likelihood of the occurrence of the events and uncertainties mentioned above.

Lastly, the Directors, aware of the inherent limits of their assessment, ensure that a constant monitoring of the evolution of the factors taken into consideration will be kept, so as to adopt, should the need arise, the necessary adjustments and to provide for, with analogous promptness, the fulfilling of the disclosure obligations to the market.

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: the previous years have been characterised by the COVID-19 pandemic, which had a significant impact on the company.

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 2013-2021 and in 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.

The debt with Meridiana Holding S.p.A., majority shareholder of the Group, granted in USD, was converted to EUR on 31 August 2022 at a 1:1 EUR/USD exchange rate. The loan shall be reimbursed via three quarterly instalments starting form March 2023.

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.

15. 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 Group's consolidated net equity and net result at 31 December 2022 and 31 December 2021:

	Net Equity 31.12.2022	Profit 31.12.2022	Net Equity 31.12.2021	Profit 31.12.2021
Net Equity and Net Result of Giglio Group S.p.A.	**408**	**119**	**235**	**(3,123)**
Net equity of subsidiaries and difference between equity investment value and subsidiaries' equity share	(4,725)	(2,197)	(2,532)	(1,500)
Group Total Net Equity and Result	**(4,317)**	**(2,078)**	**(2,296)**	**(4,623)**

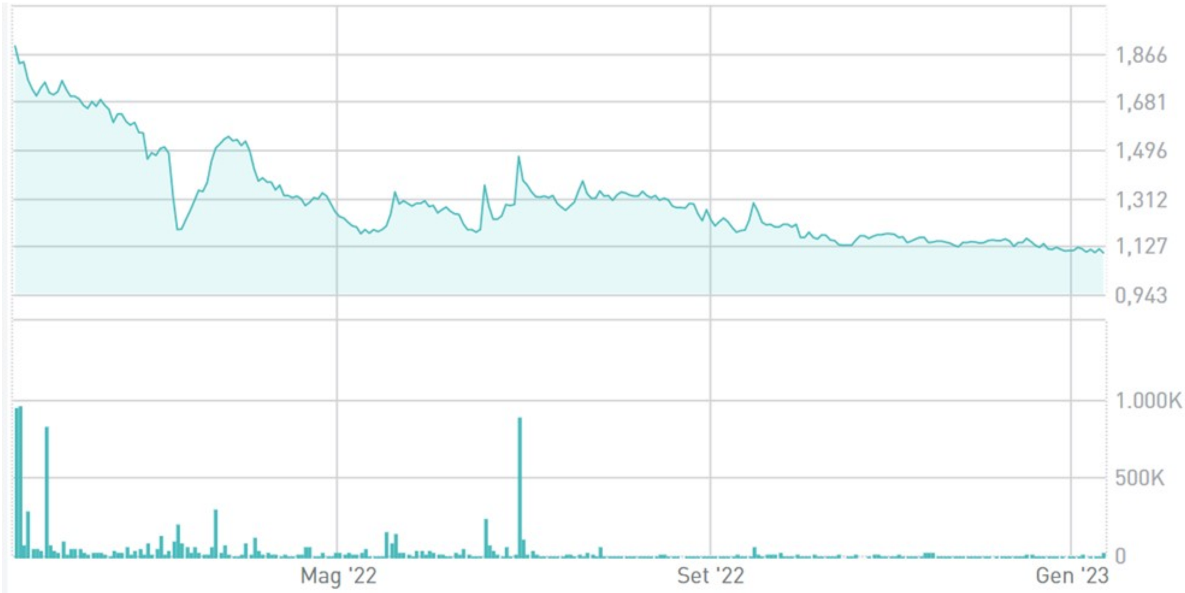
For more information on the changes in Equity, please see the table included in the financial statements, as well as Note 14.

16. 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.

17. Share Performance

The share performance of the Company on the market and volumes traded in 2022 are as follows:



The market capitalisation as at 31 December 2022 resulted equal to € 24.4 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 21,968,022.

The share performance of the Company on the market and volumes traded in 2023 Q1 are as follows:

18. Information on Corporate Governance and Ownership Structure

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

On 11 May 2021, Giglio Group S.p.A. Board of Directors approved the annual Corporate Governance Report (the "Report"), created also as per Art. 123-bis of the Consolidated Financial Act.

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

Corporate Governance

For more information on Corporate Governance, 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's 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).

19. 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 (March 2023) the official data indicates the following significant shareholders:

- 55.66 % of shares held by Meridiana Holding S.p.A..

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.

20. Giglio Group S.p.A.'s Financial Statement as of 31 December 2022 - Resolution Proposal

Dear Shareholders,

On 13 April 2023, the Board of Directors of the Company proposed the following:

The Parent Company's Financial Statements as of 31 December 2022 were closed with a profit of € 119,000, which led to a net equity of € 408,000.

Nevertheless, 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 diminishes within a third of the capital by the following fiscal year.

Said deadline for the losses accrued as of 31 December 2020 and 31 December 2021, shall be postponed to the following fifth fiscal year, pursuant to the provisions set forth in Law no. 178 of 30 December 2020 and in Legislative Decree no. 228 of 30 December 2021 (converted with amendments by Law no. 15 of 25 February 2022), which allows listed companies to temporarily suspend some provisions on capital reductions for losses (such as Art. 2446 and 2-bis), thus postponing to the following fifth fiscal year the obligation to offset the losses.

Milan, 13 April 2023

Board of Directors

The Chairman

GIGLIO GROUP S.p.A.

Registered office in Milan, Piazza Diaz, 6

Share capital: € 4,393,604

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

Registered at Milan Companies Registration Office with no. 07396371002

Consolidated Financial Statement as of 31 December 2022

FINANCIAL STATEMENTS

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

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position (Euro thousands)		31.12.2022	31.12.2021
Non-current assets			
Property, plant & equipment	(1)	205	318
Right-of-use assets	(2)	251	752
Intangible assets	(3)	2,083	2,877
Goodwill	(4)	13,353	13,353
Investments in joint ventures	(5)	5	8
Receivables	(6)	242	231
Deferred tax assets	(7)	1,016	949
Total non-current assets		**17,155**	**18,488**
Current assets			
Inventories	(8)	1,559	2,238
Trade receivables	(9)	10,134	9,928
Financial receivables	(10)	2	2
Tax receivables and deferred tax assets	(11)	2,107	397
Other assets	(12)	1,635	1,848
Cash and cash equivalents	(13)	1,794	2,474
Total current assets		**17,232**	**16,887**
Total Assets		**34,387**	**35,375**
Equity	(14)		
Issued capital		4,394	4,394
Reserves		22,190	22,105
FTA Reserve		4	5
Retained earnings		(28,833)	(24,167)
Foreign Currency Translation reserves		7	(10)
Net profit/(loss)		(2,078)	(4,623)
Total Group Equity		**(4,317)**	**(2,296)**
Minority interest in equity		43	-
Total Net Equity		**(4,274)**	**(2,296)**
Non-current liabilities			
Provisions for risks and charges	(15)	-	73
Post-employment benefit funds	(16)	365	673
Deferred tax liabilities	(17)	141	192
Financial payables (non-current portion)	(18)	10,901	8,933
Other non-current liabilities	(19)	76	1,076
Total non-current liabilities		**11,484**	**10,946**
Current liabilities			
Trade payables	(20)	11,957	10,931
Financial payables (current portion)	(18)	8,150	9,610
Tax payables	(21)	5,420	3,192
Other liabilities	(19)	1,651	2,992
Total current liabilities		**27,177**	**26,725**
Total liabilities and Equity		**34,387**	**35,375**

Consolidated Statement of Profit or Loss

Consolidated Statement of Profit or Loss (Euro thousands)		31.12.2022	31.12.2021
Total revenues from contracts with customers	(22)	**36,590**	**38,242**
Other revenues	(22)	508	219
Capitalised costs	(23)	215	302
Change in inventories		(732)	(29)
Purchase of raw materials, ancillary, consumables and goods	(24)	*(21,433)*	*(22,122)*
Service costs	(25)	*(10,816)*	*(11,674)*
Rent, lease and similar costs	(26)	*(248)*	*(180)*
Operating costs		**(32,496)**	**(33,976)**
Salaries and wages	(27)	*(2,899)*	*(4,285)*
Social security charges	(27)	*(770)*	*(908)*
Post-employment benefits	(27)	*(121)*	*(209)*
Payroll expenses		**(3,789)**	**(5,402)**
Amortisation	(28)	*(870)*	*(1,071)*
Depreciation	(28)	*(340)*	*(456)*
Write-downs	(28)	*(108)*	*(647)*
Amortisation, depreciation & write-downs		**(1,319)**	**(2,174)**
Other operating costs	(29)	*(106)*	*(409)*
Operating profit		**(1,129)**	**(3,227)**
Financial income	(30)	*82*	*73*
Net financial charges	(30)	*(1,121)*	*(1,660)*
Profit before taxes		**(2,167)**	**(4,814)**
Income taxes	(31)	*73*	*191*
Profit for the period		**(2,094)**	**(4,623)**
Of which minority interest		*(16)*	-
Basic and diluted profit from continuing operations		**(0.0953)**	**(0.2104)**
Profit per share – basic and diluted		**(0.0903)**	**(0.2098)**

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income (Euro thousands)		31.12.2022	31.12.2021
Profit for the period		(2,094)	(4,623)
Other comprehensive income			
Other comprehensive income that will be reclassified to profit/(loss) in subsequent periods (net of tax)			
Exchange differences on translation of foreign operations		17	(5)
Total other comprehensive income that may be reclassified to profit/(loss) in subsequent periods (net of tax)		**17**	**(5)**
Other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods (net of tax)			
Actuarial loss on employee benefits obligations	(16)	93	20
Total other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods (net of tax)		**93**	**20**
Total Comprehensive Income for the period		**(1,984)**	**(4,608)**

Consolidated Statement of Changes in Equity

Description *(Euro thousands)*	Issued capital	Reserves	FTA Reserve	Foreign Currency Translation reserves	Retained earnings	Net profit/(loss)	Group's Total	Third Parties	Consolidated Total
31 December 2020 Balance	**4,149**	**20,376**	**4**	**(15)**	**(21,542)**	**(2,647)**	**325**		**325**
Issue of share capital	245						245		245
Share premium reserve		1,717					1,717		1,717
Shareholders contributions to the corporate funds (or assets)		-					-		-
Retained earnings			-		(2,647)	2,647	-		-
IAS 19 Reserve		20					20		20
Exchange rate effect				(5)			(5)		(5)
Giglio TV HK deconsolidation		(8)	1	10	22		25		25
Group profit/(loss)						(4,623)	(4,623)		(4,623)
31 December 2021 Balance	**4,394**	**22,105**	**5**	**(10)**	**(24,167)**	**(4,623)**	**(2,296)**	-	**(2,296)**

Description *(Euro thousands)*	Issued capital	Reserves	FTA Reserve	Foreign Currency Translation reserves	Retained earnings	Net profit/(loss)	Group's Total	Third Parties	Consolidated Total
31 December 2021 Balance	**4,394**	**22,105**	**5**	**(10)**	**(24,167)**	**(4,623)**	**(2,296)**		**(2,296)**
Issue of share capital							-		-
Share premium reserve		-					-		-
Shareholders contributions to the corporate funds (or assets)		-					-		-
Retained earnings			-		(4,623)	4,623	-		-
IAS 19 Reserve		93	-				93		93
Exchange rate effect				17			17		17
Other changes		(7)	(1)		(43)		(51)	59	8
Profit for the period						(2,078)	(2,078)	(16)	(2,094)
31 December 2022 Balance	**4,394**	**22,190**	**4**	**7**	**(28,833)**	**(2,078)**	**(4,317)**	**43**	**(4,274)**

Statement of Cash Flows

Euro thousands		31.12.2022	31.12.2021
Cash flows from operating activities			
Net profit from continuing operations		(2,094)	(4,623)
Net profit from discontinued operations		-	-
Adjustments to reconcile profit before tax to net cash flow:			
Depreciation and impairment of property, plant and equipment	(1)	105	134
Amortisation of right-of-use assets	(2)	235	322
Amortisation and impairment of intangible assets	(3)	870	1,071
Non-cash changes of provisions	(15)/(16)	(381)	(118)
Write-downs/(Revaluations)	(28)	108	647
Net foreign exchange differences	(30)	1,038	1,587
Income taxes	(31)	(73)	(191)
Changes in:			
Inventories	(8)	679	(932)
Trade receivables	(9)	(206)	(251)
Tax receivables	(11)	(1,710)	664
Current financial receivables	(10)	-	-
Other assets	(12)	213	391
Deferred tax liabilities	(17)	(50)	(196)
Trade payables	(20)	1,026	(2,144)
Tax payables	(21)	2,301	264
Right-of-use assets	(2)	266	(121)
IFRS16 financial payables	(18)	(687)	(52)
Other current and non-current liabilities	(19)	(2,341)	832
Change in net working capital		**(509)**	**(1,545)**
Changes in provisions	(15)	-	-
Changes in assets/liabilities held for sale/Discontinued operations		-	-
Cash flow generated from operating activities		**(701)**	**(2,716)**
Interest paid	(30)	(884)	(468)
Income taxes paid	(31)	-	-
Net cash flow generated from operating activities		**(1,585)**	**(3,184)**
Cash flows from investing activities			
Investments in property, plant & equipment	(1)	8	(29)
Investments in intangible assets	(2)	(77)	(865)
Acquisition of Salotto di Brera net of liquidity acquired		-	(1,582)
Changes in other intangible assets	(6)/(7)	(186)	(334)
Increase in investments in joint ventures	(5)	3	-
Change in consolidation scope			
Net cash flow used in investing activities		**(252)**	**(2,810)**
Cash flow from financing activities			
Share capital increase		-	1,961
Change in Shareholders' Equity		116	40
New financing	(18)	3,971	2,000
Repayment of loans	(18)	(3,945)	(636)
Change in financial liabilities	(18)	1,016	19
Net cash flow used in financing activities		**1,158**	**3,384**
Net increase/(decrease) in cash and cash equivalents		**(679)**	**(2,610)**
Cash and cash equivalents at 1 January		2,474	5,085
Cash and cash equivalents at 31 December		1,794	2,474

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 at 31 December 2022 was approved by the Board of Directors on 13 April 2023.

Giglio Group is the leading company for the design, creation and management of high value-added e-commerce platforms in Italy for Fashion, Design, Lifestyle and, more recently, Food and Healthcare sectors. The Company is based in Milan, but it is also present with offices in New York, Rome, Lugano and Genoa.

Thanks to its remarkable expertise, Giglio Group accompanies its customers in the online distribution of their products through a unique platform, starting from the implementation of fully tailor-made and managed monobrand e-store.

Moreover, the Company integrates its business with the dedicated placement on main marketplaces worldwide, ensuring the online management of both new collections and inventories stock.. The uniqueness of a “complete-supply-chain” online service thus ensures a 100% sell-through rate. The Parent Company, Giglio Group S.p.A. established pursuant to the Italian law as listed company with headquarters in Italy, Milan, Piazza Diaz, 6 (MI), is currently listed on the MTA-STAR segment of Borsa Italiana S.p.A.

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 2021 were prepared in accordance with the International Financial Reporting Standards (EU-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 19 July 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, expressed in US Dollars, and of the activities of Giglio Shanghai, expressed in USD and in Chinese Yuan, respectively.

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 2022" 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 accounting estimates

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

The estimates are used to determine the provisions for doubtful 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 Consolidated Statement of Profit or Loss.

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, accessories, goods 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, too, 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 to reach the 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 21 June 2021, the ordinary and extraordinary Shareholders' Meeting took place.

The ordinary Shareholders' Meeting approved the 2021-2028 Stock-Option Plan reserved to the executive directors and/or senior executives of the Company or of its subsidiaries, who shall be identified by the Board of Directors in accordance with the provisions set forth in the regulation of the Stock-Option Plan.

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. 2439, par 2 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 € 180,000.00 in nominal value, through the issue, also in more tranches, of a maximum of no. 900,000.00 ordinary shares without nominal value, to be used only within the scope of the "Stock Option Plan 2021-2028".

The options thus assigned shall be exercised over a three-year vesting period divided in three tranches (up to 30% on the first year, up to 35% on the second year and up to 35% 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 2022 were not met, and that no provision was made necessary.

- <u>Employee Benefits</u>, whose values are based on actuarial estimates; refer to Note 16 for the main actuarial assumptions.

- <u>Goodwill</u>: 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.

- Intangible Rights: the Directors did not identify impairment indicators at the balance sheet date with reference to the value of intangible fixed assets. Further details are available in the notes to the intangible fixed assets. In this regard, it should also be stressed that intangible fixed assets are tested annually for permanent write-downs when there are indications that the carrying amount may not be recovered. When the calculations of the value in use are prepared, Directors must estimate the cash flows expected from the asset or from the cash-generating units and choose an appropriate discount rate so as to calculate the present value of these cash flows. The correct identification of the indicators of the existence of a potential reduction in value as well as the estimates for their determination depends on factors which may vary over time impact upon the valuations and estimates made by the
- Deferred tax assets are recognised to the extent where it is likely there will be adequate future tax profits against which temporary differences or any tax losses can be utilised. In this regard, the Group's management estimates the probable timing and the amount of the future taxable profits.
- Business combinations and valuation of acquired assets and liabilities

In the case of business combinations, the process of allocating the transaction's cost involves estimates and assumptions based on Management's professional judgement and makes it necessary to identify the most suitable methodologies for the valuation of assets acquired and liabilities assumed; The complexity of estimation processes is mitigated by the use, where necessary, of provisional allocation, as permitted by the relevant accounting standard.

- Contingent liabilities

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

E. Segment disclosure

IFRS 8 accounting standard – "Operating Segments" requires the provision of detailed information for each operating segment, understood as being a component of an entity (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, Salotto di Brera S.r.l. and Giglio Shanghai;
2. B2C e-commerce: IBOX SA, E-Commerce Outsourcing S.r.l., Giglio Shanghai and Meta Revolution.
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:

	31 December 2022			
(Euro thousands)	**B2B e-commerce**	**B2C e-commerce**	**Corporate**	**Total**
Revenues from contracts with customers	26,007	10,582	0	36,590
Other incomes	130	231	146	508
Capitalised costs		215		215
Total revenues	**26,138**	**11,029**	**146**	**37,313**
EBITDA	**2,004**	**1,174**	**(3,016)**	**162**
EBIT	**882**	**273**	**(2,283)**	**(1,129)**
EBT	**834**	**43**	**(3,043)**	**(2,167)**
Profit for the period	**824**	**131**	**(3,033)**	**(2,078)**

The results of sectors at 31 December 2021 are as follows:

	31 December 2021			
(Euro thousands)	**E-commerce B2B**	**E-commerce B2C**	**Corporate**	**Total**
Revenues from contracts with customers	25,349	12,965	0	38,314
Other incomes	11	132	4	147
Capitalised costs		302		302

Total revenues	**25,361**	**13,399**	**4**	**38,763**
EBITDA	**1,680**	**462**	**-3,196**	**-1,054**
EBIT	**1,669**	**-1,423**	**-3,474**	**-3,228**
EBT	**1,645**	**-2,081**	**-4,379**	**-4,815**
Profit for the period	**1,573**	**-2,097**	**-4,100**	**-4,623**

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 2021, the Company had an outstanding payable of USD 707,000 in favour of Meridiana Holding S.p.A., its majority shareholder. This payable was converted on 31 August 2022 at a 1:1 EUR/USD exchange rate and shall be reimbursed through three quarterly instalments starting from March 2023.

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 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	Profit/(loss) before taxes
31/12/2022	-3,559	1%	-36
31/12/2022	-3,559	-1%	36

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 2022 and 31 December 2021 is shown below:

(Euro thousands)	**Year ended at 31 December 2022**	**%**	**Year ended at 31 December 2021**	**%**
> 120 days	3,398	*36.04%*	2,045	*23.40%*
90<> 120 days	768	*8.14%*	*144*	*1.60%*
60<> 90 days	-20	*-0.21%*	*294*	*3.40%*
30<> 60 days	186	*1.97%*	*869*	*10.00%*
0<> 30 days	194	*2.06%*	*470*	*5.40%*
Total overdue	***4,527***		***3,823***	
Not overdue	4,903	*51.99%*	*4,905*	*56.20%*
Total gross receivables	**9,430**	***100.00%***	**8,728**	***100.00%***

Provision for doubtful accounts	-1,668	*-1,563*
Inc. provision on overdue 120 days	*-49.09%*	*-76.40%*
Total	**7,761**	**7,165**

The aforementioned accounts refer to the trade receivables of the Group, net of invoices to be issued, suppliers' prepayments, guarantee deposits and other receivables.

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

(Euro thousands)	**Year ended at 31 December 2022**	**%**	**Year ended at 31 December 2021**	**%**
Europe	8,751	*92.80%*	*7,755*	*88.80%*
Asia	36	*0.38%*	*26*	*0.30%*
USA	630	*6.68%*	*941*	*10.80%*
Rest of the world	13	*0.13%*	*6*	*0.10%*
Total gross receivables	**9,430**	***100.00%***	**8,728**	***100.00%***
Provision for doubtful accounts	-1,668		*-1,563*	
Total	**7,761**		**7,165**	

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 2022, the credit lines granted and the relative utilisations were as follows:

Entity	Credit line for invoice advances in Italy and abroad	Used for Italian invoices	Used for foreign invoices	Cash credit facilities	Used	Total Used
Banco BPM	500		440		-	440
Banca Popolare di Sondrio	190	149	40	-	-	189
IFITALIA Factoring - BNL	2,438	14	2,424	-	-	2,438
Unicredit				50	49	-
Total	**3,128**	**163**	**2,904**	**50**	**49**	**3,067**

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. At the end of 2021, the Company had to 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 2021 was postponed to the following fifth fiscal year, pursuant to the provisions set forth in Legislative Decree 228/2021 (the so-called "Decreto Milleproroghe"), transformed into Law no. 15 of 25 February 2022, which extended 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 allowed listed companies to temporarily suspend some provisions on capital reductions for losses (Art. 2446 and 2-bis), thus postponing to the following fifth fiscal year the obligation to offset the losses.

For the management of the capital and of the financial risks, please see paragraph 40, "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 2022. 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 contingent consideration 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%
Salotto di Brera	Italy	**Subsidiary**	100%
Giglio USA	USA	**Subsidiary**	100%
IBOX SA	Switzerland	**Subsidiary**	100%
Giglio (Shanghai) Technology Company Limited	China	**Subsidiary**	100%
Media 360 HK Limited	HK	**Subsidiary**	100%
Meta Revolution S.r.l.	Italy	**Subsidiary**	51%

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 € 4,393,604.40.

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 31%; the shareholder structure is available on the company's website: www.giglio.org.

E-Commerce Outsourcing S.r.l.

Registered Office: Piazza Diaz 6, 20123 Milan

Share capital: € 700,000

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

Salotto di Brera S.r.l.

Registered Office: Piazza Diaz 6, 20123 Milan

Share capital: € 25,000

The company is engaged in B2B supplies for fashion, food and jewellery goods for cruise ships and duty-free stores in ports, airports and NATO bases.

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. via Ibox SA.

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 4,882,000

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.

Media 360 HK Limited

Registered Office: 603 Shung Kwong Comm. Bldg

8 Des Vouex Road West'

Hong Kong

Share capital: HKD 100

The investment in the company will soon be a discontinued operation.

Meta Revolution S.r.l.

Registered Office: Piazza Diaz 6, 20123 Milan

Share capital € 120,000 subscribed and paid-up at 25%..

The company's object is the development, production and marketing of high-tech, innovative products or services in the NFT sector.

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 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 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 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).

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 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). 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.

Accounting standards, amendments and interpretations applied from 1 January 2022

The following amendments are effective for the year starting from 1 January 2022.

- Amendments to IFRS 3 Business Combinations: these amendments are aimed at updating the reference made by IFRS 3 to the Conceptual Framework in the reviewed version, without amending the provisions of IFRS 3's accounting standard.
- Amendments to IAS 16 Property, Plant and Equipment: the amendments are aimed at preventing the deduction from the cost of property, plant and equipment the amount received by the sale of goods produced in the test phase of the asset itself. These sales revenues and the relevant costs shall thus be recorded in the Statement of Profit or Loss.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendments specify that, in the assessment of the eventual onerousness of an agreement, all costs directly ascribable to said agreement must be taken into account. As a consequence, the assessment of the eventual onerousness of an agreement includes not only the incremental costs, but also all other costs that the company cannot avoid due to the subscription of the agreement.
- Annual Improvements 2018-2020: the amendments concerned IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

The Group shall use said practical measure in the future, when they shall be applicable.

Employment data

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

Workforce	31.12.2022	31.12.2021	Change
Executives	1	3	(2)
Managers	10	15	(5)
White-collar	49	79	(30)
Blue-collar	-	-	-
Others	-	-	-
Total	**60**	**97**	**(37)**

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

ACTIVITY

B) Non-current assets

1. Property, plant & equipment

Balance at 31.12.2022 205

Balance at 31.12.2021 318

The breakdown of assets of the Group is illustrated below:

(amount in €/000)

Property, plant & equipment	Plant	Equipment	Furniture & fittings	EDP	Vehicles	Others	Total
Change in Acquisition Cost							
31 December 2021	**1,039**	**122**	**341**	**719**	**12**	**574**	**2,807**
Additions	2	-	3	1	-	-	6
Business Combinations	-	-	-	-	-	-	-
Transfers	(0)	(36)	(70)	(26)	-	(69)	(201)
Exchange differences and Reclassifications	-	-	-	-	-	-	-
Decreases	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
31 December 2022	**1,041**	**87**	**273**	**694**	**12**	**505**	**2,611**
Change in Amortisations							-
31 December 2021	**(1,028)**	**(114)**	**(282)**	**(507)**	**(7)**	**(551)**	**(2,489)**
Depreciations	(6)	(1)	(27)	(56)	(3)	(13)	(106)
Business Combinations	-	-	-	-	-	-	-
Transfers	0	31	63	26	-	68	188
Exchange differences and Reclassifications	-	0	-	-	-	-	0
Decreases	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
31 December 2022	**(1,033)**	**(84)**	**(245)**	**(537)**	**(10)**	**(496)**	**(2,406)**
Net Value as of 31 December 2022	**7**	**2**	**28**	**157**	**1**	**8**	**205**

As of 31 December 2022, Property, Plant and Equipment recorded a net decrease equal to € 113,000, mainly ascribable to the period's amortisations and to the disposal of the assets almost completely written-off. The disposal of the assets refers to equipment, furniture, electronic equipment and other that subsidiary E-Commerce Outsourcing S.r.l. had in its old headquarters in Rho.

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, see Note 4, "Goodwill".

2. Right-of-use assets

Balance at 31.12.2022 251

Balance at 31.12.2021 752

The breakdown of assets of the Group is illustrated below:

(amount in €/000)

Right-of-use assets	Properties	Vehicles	Total
Change in Acquisition Cost			
31 December 2021	**1,144**	**174**	**1,318**
Business Combinations	-	-	-
Additions	-	-	-
Transfers	-	-	-
Increase after IFRS16 adoption	7	57	64
Exchange differences	-	-	-
Decreases	-	-	-
Disposals	(452)	(32)	(484)
31 December 2022	**698**	**199**	**898**
Change in Amortisations			-
31 December 2021	**(515)**	**(51)**	**(566)**
Depreciations	(179)	(56)	(235)
Business Combinations	-	-	-
Transfers	-	-	-
Increase after IFRS16 adoption	-	(2)	(2)
Exchange differences	-	-	-
Decreases	-	-	-
Disposals	132	24	156
31 December 2022	**(562)**	**(85)**	**(647)**
Net Value as of 31 December 2022	**136**	**115**	**251**

As of 31 December 2022, the amortisation of right-to-use assets amount to € 235,000. It is noted the subscription of various agreements which led to the account's increase of € 64,000, as well as to the termination of the leasing contract for the building used by E-Commerce Outsourcing S.r.l., considering that the whole workforce of the Company was moved to the Company's headquarters in Piazza Diaz 6, Milan.

As of 31 December 2022, no impairment indicators were recorded and as such,
the Company did not carry out any impairment test with regard to the right-of-use assets.

3. Intangible assets

Balance at 31.12.2022 2,083

Balance at 31.12.202012,877

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

(amount in €/000)

Intangible Assets	Know-How	Development Activities	Other intangible assets	Total
Change in Acquisition Cost				
31 December 2021	**1,419**	**2,414**	**4,619**	**8,452**
Reclassification capitalised costs			-	-
Additions	-	220	37	258
Business Combinations	-	-	-	-
Transfers	-	-	-	-
Exchange differences and Reclassifications	-	(9)	(1)	(9)
Decreases	(255)	-	-	(255)
Disposals	-	-	-	-
31 December 2022	**1,164**	**2,626**	**4,656**	**8,445**
Change in Amortisations				
31 December 2021	**(573)**	**(806)**	**(4,197)**	**(5,576)**
Depreciations	(225)	(454)	(194)	(873)
Business Combinations	-	-	-	-
Transfers		-	-	-
Exchange differences and Reclassifications		2	0	2
Decreases	85	-	-	85
Disposals		-	-	-
31 December 2022	**(714)**	**(1,258)**	**(4,390)**	**(6,362)**
Net Value as of 31 December 2022	**450**	**1,368**	**266**	**2,083**

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

As of 31 December 2022, an increase of € 258,000 is recorded, mainly related (for € 220,000) to the improvement in the multi-users platforms managed by subsidiary E-Commerce Outsourcing S.r.l..

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.

In accordance with IAS 36, an assessment was made of any impairment indicators with regards to the procedure described in Note 4.

4. Goodwill

Balance at 31.12.2022 13,353

Balance at 31.12.2021 13,353

Goodwill includes:

- € 6,823,000 related to the goodwill arising from the acquisition of the Ibox Group in April 2017;
- € 772,000: related to the merger of IBOX S.r.l. in June 2020;
- € 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.
- € 1,000,000 relating to the acquisition of Salotto di Brera in January 2021.

As of 31 December 2022, on the basis of the impairment tests carried out, no goodwill's write-down is recorded.

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.

At both single and consolidated 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 24%, while the terminal value (TV) was assumed equal to that of the Plan's last year.

The discount rate used for the B2B CGU, with a slightly higher risk profile, is the adjusted WACC of 13.91%; the discount rate used for B2C CGU, on the other hand, is the adjusted WACC of 13.43%.

The 2023-2027 multi-annual Industrial Plan was approved by the Directors on 30 March 2023.

TIER 1

The Tier 1 (consolidated level) shows that, upon a Net Capital Invested of € 14.6 million, the consolidated enterprise value amounts to € 30 million (of which € 5.5 million resulting from the discounting of flows from explicit forecast and € 24.5 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 € 15.9 million) gave positive results against a headroom of € 15.5 million.

TIER 2 – B2C

The Tier 2 of B2C CGU (Business to Consumer) shows that, upon a Net Capital Invested of € 8.6 million, the enterprise value amounts to € 20.4 million (of which € 4.1 million resulting from the discounting of cash flows from explicit forecast and € 16.3 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 € 9.1 million), including € 0.2 million ascribable to IBOX's goodwill and € 2.2 million ascribable to Terashop, gave positive results against a headroom of € 11.8 million.

TIER 2 – B2B

The Tier 2 of B2B CGU (Business to Business) shows that, upon a Net Capital Invested of € 5.9 million, the enterprise value amounts to € 12.3 million (of which € 2.4 million resulting from the discounting of cash flows from explicit forecast and € 9.9 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 € 4.2 million), including € 2.4 million ascribable to Giglio Fashion's goodwill, € 1 million ascribable to Salotto di Brera and € 0.8 million ascribable to IBOX S.r.l.'s merger into Giglio Group S.p.A., gave positive results against a headroom of € 6.4 million.

Sensitivity analysis and stress test

In consideration of the prudential elements entailed in the scenario adopted by the Board of Directors in order to develop the impairment test, the sensitivity analyses were carried out by acting on the revenues' variable, hypothesizing their decrease in a growing manner, i.e. by 10%, 20% and 30%. On the basis of the sensitivity analysis, the consolidated goodwill is stable in the first and second hypothesis, while instead there is a loss in value in the third.

5. Investments in joint ventures

Balance at 31.12.2022 5

Balance at 31.12.2021 8

The account at 31 December 2022 equal to € 5,000 mainly includes the investment consequent to the Joint Venture, together with Acque Minerali Italiane, of the company Cloudfood S.r.l under liquidation in March 2018. This investment (held at 51%) is measured at equity, in accordance with IFRS 11 - Joint Arrangements.

It is noted that the company, as of 31 December 2022, is not operative and no transaction has been carried out with Giglio Group S.p.A..

On 21 December 2022, the Board of Directors, with the Chairman's abstention, resolved to transfer the investment in Cloudfood S.r.l. to Alessandro Giglio.

6. Receivables and other non-current assets

Balance at 31.12.2022 242

Balance at 31.12.2021 231

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

Receivables and non-current assets	31.12.2022	31.12.2021	Change
Guarantee deposits	187	219	(32)
Others	55	12	43
Total	**242**	**231**	**11**

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.

7. Deferred tax assets

Balance at 31.12.2022 1,016

Balance at 31.12.2021 949

The account, equal to € 1,016,000 at 31 December 2022, mainly refers to the deferred taxes calculated on the tax losses of the Parent Company on 2017 (€ 514,000), following which, on a prudent basis, they have not been provisioned, and to the tax effect of the interest expenses exceeding the Company's Gross Operating Income conferable to the consolidated financial statements (€ 437,000).

For more information, see Note 31.

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

8. Inventories

Balance at 31.12.2022 1,559

Balance at 31.12.2021 2,238

The inventories of the Group comprise finished products for sale.

As of 31 December 2022, 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.

The decrease, if compared to 31 December 2021, must be ascribed to a more efficient goods management policy implemented by the Group.

As of 31 December 2022, the obsolescence provision is equal to € 64,000, highlighting that a € 43,000 release was carried out. This provision is mainly ascribable to non-resaleable PPEs that were damaged or non-compliant with the applicable law.

9. Trade receivables

Balance at 31.12.2022 10,134

Balance at 31.12.2021 9,928

The breakdown of the account is as follows:

Trade receivables	31.12.2022	31.12.2021	Change
Trade receivables	10,695	10,159	536
Advances to suppliers	890	1,242	(352)
Guarantee deposits	218	73	145
Other receivables	(1)	18	(19)
Provision for doubtful accounts	(1,668)	(1,564)	(104)
Total	**10,134**	**9,928**	**206**

The Advances to suppliers of B2B e-commerce division relate to advances on orders of the PE and AI 2023 collection.

The geographic breakdown of gross trade receivables at 31 December 2022 and 31 December 2021 are as follows:

(Euro thousands)	**Year ended at 31 December 2022**	**%**	**Year ended at 31 December 2021**	**%**
Europe	8,751	*92.80%*	7,755	*88.80%*
Asia	36	*0.38%*	*26*	*0.30%*
USA	630	*6.68%*	*941*	*10.80%*
Rest of the world	13	*0.13%*	*6*	*0.10%*
Total gross receivables	**9,430**	***100.00%***	**8,728**	***100.00%***
Provision for doubtful accounts	-1,668		*-1,563*	
Total	**7,761**		**7,165**	

The ageing of the gross trade receivables as of 31 December 2022 and 31 December 2021 is shown below:

(Euro thousands)	**Year ended at 31 December 2022**	**%**	**Year ended at 31 December 2021**	**%**
> 120 days	3,398	*36.04%*	2,045	*23.40%*
90<> 120 days	768	*8.14%*	*144*	*1.60%*
60<> 90 days	-20	*-0.21%*	*294*	*3.40%*
30<> 60 days	186	*1.97%*	*869*	*10.00%*
0<> 30 days	194	*2.06%*	*470*	*5.40%*
Total overdue	***4,527***		***3,823***	
Not overdue	4,903	*51.99%*	*4,905*	*56.20%*
Total gross receivables	**9,430**	***100.00%***	**8,728**	***100.00%***
Provision for doubtful accounts	-1,668		*-1,563*	

Inc. provision on overdue 120 days	*-49.09%*	*-76.40%*
Total	**7,761**	**7,165**

The aforementioned accounts are net of invoices to be issued, suppliers' prepayments, guarantee deposits and other receivables.

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

Provision for doubtful accounts (Euro thousand)	
31 December 2021 Balance	**1,564**
Provisions	118
Exchange differences	(8)
Utilisations	(6)
31 December 2022 Balance	**1,668**

The provision for the year amounting to € 118,000 refers to the Giglio Group S.p.A. (€ 2,000), Giglio USA (€ 20,000) and E-Commerce Outsourcing S.r.l. (€ 83,000) and Salotto di Brera (€ 13,000), 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 account 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 31.12.2022 2

Balance at 31.12.2021 2

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.

11. Tax receivables and deferred tax assets

Balance at 31.12.2022 2,107

Balance at 31.12.2021 397

The breakdown of tax receivables is shown below:

Tax receivables	31.12.2022	31.12.2021	Change
IRES	109	109	-
IRAP	24	1	23
Withholding taxes	2	5	(3)
INPS	-	-	-
INAIL	1	1	-
VAT	1,778	154	1,624
Others	193	126	67
Total current tax receivables	**2,107**	**397**	**1,710**

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

The increase refers to the higher Italian VAT receivable of E-Commerce Outsourcing S.r.l., Ibox SA and Salotto di Brera S.r.l., mainly due to exceedance of the mobile ceiling and consequently to greater purchases made with VAT.

12. Other assets and other current receivables

Balance at 31.12.2022 1,635

Balance at 31.12.2021 1,848

Other assets	31.12.2022	31.12.2021	Change
Other assets	21	77	(56)
Prepayments and accrued income	1,614	1,771	(157)
Total	**1,635**	**1,848**	**(213)**

Prepayments and accrued income mainly relate:

- for € 1,160,000 to the subsidiary Ibox SA: they concern the relative installations for the use of management software for the years 2023 and thereafter invoiced in advanced.
- The remainder refers to the costs for discounted services for the share not attributable to the Group.

13. Cash and cash equivalents

Balance at 31.12.2022 1,794

Balance at 31.12.2021 2,474

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

Cash and cash equivalents	31.12.2022	31.12.2021	Change
Bank and short-term deposits	1,787	2,470	(683)
Cash on hand	7	5	2
Total	**1,794**	**2,474**	**(680)**

The changes relate to normal operating events and refer to the changes illustrated in the statement of cash flow. 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 2022 consists of 21,968,022 ordinary shares, without express nominal value.

The changes in 2022 are due to:

- Allocation of the consolidated result at 31 December 2021, equal to € -4.623.000;
- Recognition of IAS 19 actuarial profit equal to € 92,000;
- Recognition of exchange differences equal to € 17,000;
- Consolidated result for the period equals to € -2,158,000.

15. Provisions for risks and charges

Balance at 31.12.2022 0

Balance at 31.12.2021 73

As of 31 December 2021, the account mainly included the provision for returns ascribable to Ibox SA.

16. Post-employment benefit provisions

Balance at 31.12.2022 365

Balance at 31.12.2021 673

As of 31 December 2022, the Post-employment benefit provision amounts to € 365,000, and its movements are as follows:

(Euro thousands)	
Post-employment benefit provision at 31.12.2021	**673**
Business Combinations	-
Provisions 2022	117
Advances/Util.	(296)
Actuarial gains (losses)	(123)
Net Interest	(6)
31 December 2022 Balance	**365**

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

- probability of elimination for death: equal to that of Italy's population in 2021 (source: ISTAT), divided by age and gender;
- 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: 5.9% for 2023, 2.3% for 2024 and 2 % for 2025 (source: "Update of 2021 Economic and Finance Document"); from 2026 onwards, the annual rate of 2 % was hypothesised;
- annual salary increase rate for career development and contract renewals: equal to inflation for all categories and for the entire valuation period;
- probability of request for first advance: 2.5% of seniority from 9 years on;
- maximum number of advances: 1;
- amount of Post-employment benefit advance: 30% of the Post-employment benefit matured.

In relation to the financial assumptions, it should be noted that the discount rate was chosen, taking into account the indications of IAS 19, with reference to the curve at 31.12.2022 of AA securities issued by corporate issuers in the Eurozone and based on the average residual duration of the Post-employment benefit at 31.12.2022; therefore, considering that the average residual duration of the liabilities was equal to 14 years, the annual nominal discount rate assumed in the valuation was 4.2% (1.4% at 31.12.2021).

The sensitivity analysis on the discount rate was applied by using a rate that was respectively lower and higher than 4.2% by half a percentage point. Valuation results based on the rate of 3.7% and 4.9% (Euro thousands) are shown in the table below:

(amount in €/000)	Rate -0.5%	Rate +0.5%
DBO	364.7	319.8

17. Deferred tax liabilities

Balance at 31.12.2022 **141**

Balance at 31.12.2021 **192**

As of 31 December 2021, the deferred tax provision amounts to € 141,000. 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.

18. Current and non-current financial liabilities

Balance at 31.12.2022 **19,051**

Balance at 31.12.2021 **18,543**

The financial liabilities are illustrated in the table below:

Financial payables	31.12.2022	31.12.2021	Change
Current	8,150	9,610	(1,460)
Non-current	10,901	8,933	1,968
Total	**19,051**	**18,543**	**508**

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

Current financial liabilities	31.12.2022	31.12.2021	Change
Loans (current portion)	4,533	3,014	1,519

Total current loans	**4,533**	**3,014**	**1,519**
Advances on invoices/Credit Lines	1,640	1,244	396
Bank overdrafts	447	480	(33)
Earn-out	-	-	-
Rental liabilities	62	392	(330)
EBB bond;	736	4,465	(3,729)
Payables towards related parties	732	16	716
Total	**8,150**	**9,610**	**(1,460)**

The current financial liabilities relate to:

- The short-term portion of unsecured loans;
- The self-liquidating credit lines as advances on invoices;
- The payables for operating leasing resulting from the application of the IFRS 16 accounting standard;
- Current portion of EBB bond;
- Payables to related parties, originally subscribed in USD and later converted into EURO during 2022. For further detail, see note 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	31.12.2022	31.12.2021	Change
Loans	7,693	7,749	(56)
EBB bond;	3,005		3,005
Rental liabilities	203	558	(355)
Payables towards related parties	-	626	(626)
Total	**10,901**	**8,933**	**1,968**

The non-current financial liabilities relate to:

- Long-term unsecured loans;
- EBB bond;
- The payables for operating leasing resulting from the application of the IFRS 16 accounting standard.

With regard to 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 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 29 December 2022, SACE, as guarantor of the bond, gave its consent to the bondholder EBB S.r.l. to grant the waiver related to the non-compliance with the "Leverage Ratio" and "Gearing Ratio" financial parameters with regard to the test date of 31 December 2022. On 7 April 2023, EBB S.r.l. ratified the waiver granted by SACE on 29 December 2022.

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

(Euro thousand)	Value at 01.01.2021	Cash flow	Value at 31.12.2022
Non-current financial liabilities	8,933	(783)	8,150
Current financial liabilities	9,610	1,291	10,901
Total liabilities from financing activities	**18,543**	**508**	**19,051**

The following table summarises the loans of the Group as of 31 December 2022, and highlights the amounts due within and beyond one year (balances as per recalculated plans according to amortised cost):

(Euro thousand)

Bank	Loan amount	Date of subscription	Expiration	Outstanding debt at 31/12/2022	0<>12 months	1 year<>2 years	2 year<>3 years	More than 3 years
INTESA								
Unsecured loan no. 0IC1047064869 - 60 months	1,000	28/06/2017	28/04/2024	274	205	69	0	0
CARIGE								
Loan no. F1227505707, MCC guarantee	550	30/11/2020	31/10/2026	526	134	136	139	117
Banca Popolare di Milano								
Loan no. 04838898 - MCC guarantee	2,000	23/11/2020	23/11/2026	1,446	358	365	373	350
UNICREDIT								
Loan no. 8406426/000	5,000	29/01/2020	30/04/2024	3,328	2,254	1,074	0	0
SACE BOND								
Loan no. I120C590730	5,000	10/04/2019	10/10/2027	3,741	736	741	749	1,515
TOTAL Giglio Group	**13,550**			**9,315**	**3,687**	**2,386**	**1,261**	**1,982**
Deutsche Bank								
Deutsche Bank passive loan	200	07/08/2020	07/08/2025	110	41	41	28	0
Deutsche Bank								
Deutsche Bank SME Trade Flow loan	150	02/03/2022	02/03/2023	150	150	0	0	0
Banca Popolare di Milano								
Banca Progetto loan	1,200	06/04/2022	31/03/2026	1,124	409	316	318	80
Banca Popolare di Milano								
SIMEST loan	150	29/06/2022	29/06/2027	113	19	38	38	19
TOTAL Salotto	**1,700**			**1,496**	**619**	**395**	**384**	**99**
BANCA INTESA								
Unsecured loan no. 06/100/23767 Banca Progetto	2,000	13/08/2021	31/08/2027	1,749	370	352	370	657
Banca Popolare di Milano								
Unsecured loan no. 06/100/29268 Banca Progetto	3,000	21/07/2022	30/06/2030	3,007	512	382	382	1,732
TOTAL E-Commerce	**5,000**			**4,757**	**882**	**734**	**752**	**2,389**
UBS								
Covid19 89E9W Loan	500	26/03/2020	30/09/2027	398	80	80	80	159
TOTAL Ibox SA	**500**			**398**	**80**	**80**	**80**	**159**
	Overall Total			**15,966**	**5,268**	**3,594**	**2,476**	**4,627**

19. Other current and non-current liabilities

Balance at 31.12.2022 1,726

Balance at 31.12.2021 4,068

The Other liabilities are illustrated in the table below:

Other liabilities	31.12.2022	31.12.2021	Change
Current	1,651	2,992	(1,341)
Non-current	76	1,076	(1,000)
Total	**1,726**	**4,068**	**(2,342)**

The Other current liabilities are illustrated in the table below:

Other current liabilities	31.12.2022	31.12.2021	Change
Employee payables	207	410	(203)
Prepayments and accrued expenses	329	213	116
Other payables	1,115	2,369	(1,254)
Total	**1,651**	**2,992**	**(1,341)**

The account "Other payables" mainly includes the residual part of the amounts following the agreement for the transfer of the media area assets of Giglio Group (€ 2.6 million) to Vertice 360, as reported in the Closing Letter signed on 31 October 2019. On 7 March 2022, Giglio Group S.p.A. subscribed the minutes of conciliation between the parties in front of the Court of Milan, in which it undertook to pay, starting from March 2022, an overall amount of € 3 million in 15 instalments (14 of which at the constant value of € 197,000 and the last one at € 247,000 in May 2023).
Deferred income mainly refers to revenues to be recognised in future periods.

The Other non-current liabilities are illustrated in the table below:

Other non-current liabilities	31.12.2022	31.12.2021	Change
Other payables	76	1,076	(1,000)
Total	**76**	**1,076**	**(1,000)**

The previous year, the account was composed mainly by the outstanding payable with Vertice 360, now on current portion as of 31 December 2022.

20. Trade payables

Balance at 31.12.2022 11,957

Balance at 31.12.2021 10,931

Trade payables	31.12.2022	31.12.2021	Change
Customer advances	976	1,667	(691)
Supply of goods and services	10,831	9,103	1,728
Credit notes to be issued	151	161	(10)
Total	**11,957**	**10,931**	**1,026**

The account's change, if compared to 31 December 2021, refers mainly to the balances open toward goods and services suppliers, which recorded a € 1.7 million increase.

The breakdown of trade payables is shown below:

(Euro thousands)	**Year ended at 31 December 2022**	**Year ended at 31 December 2021**
Trade payables	*11,957*	10,931
- of which overdue beyond 60 days	*4,898*	*4,369*
- % overdue payables on total	*41.0%*	*40.0%*

21. Tax payables

Balance at 31.12.2022 5,420

Balance at 31.12.2021 3,192

Tax payables	31.12.2022	31.12.2021	Change
Withholding taxes	377	418	(41)
VAT	289		
Foreign VAT	4,066	2,167	1,899
Income taxes	468	400	68
Social security institutions	220	207	13
Total	**5,420**	**3,192**	**2,228**

Tax payables relate to:

- withholding taxes and taxes related to the normal operating activities of the company for € 377,000;
- VAT payable toward Italy of Giglio Group and Salotto di Brera, for € 282,000;
- VAT accrued by subsidiary Ibox payable to foreign countries in which it performs its business through specific tax representation. Every country in which the Company has a

fiscal presence has its own different deadline, which may on a monthly, two-monthly or three-monthly basis, and on said deadline the payments are carried out;

- Social security institutions for € 220,000;
- National taxes for € 484,000.

NOTES TO THE CONSOLIDATED 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:

	31.12.2022	31.12.2021	Change
Revenues from contracts with customers	36,590	38,242	(1,652)
Other revenues	508	219	289
Total	**37,098**	**38,461**	**(1,363)**

Revenues from sales and services amounted to Euro 37.1 million compared to Euro 38.5 million as of 31 December 2021.

The drop, if compared to the previous year, is mainly ascribable to:

- The impossibility for Salotto di Brera to continue its operations in Minsk's airport due to the export prohibition of some goods.
- The persistence of the pandemic and of China's strong restrictions.
- The postponement of some activities and of their turnover, which were expected between the end of 2022 and the beginning of 2023.

The transfer of the Loyalty business unit, carried out by subsidiary E-Commerce Outsourcing S.r.l. in 2022 Q1, amounted to € 1.3 million.

On 6 March 2022, the Company reached an agreement for the transfer of its Incentive & Loyalty business unit to Promotica S.p.A.. The operation was concluded upon the disbursement of a down-payment of € 853,000 by Promotica S.p.A. on 4 March 2022, against the full value of the transfer (€ 1,200,000), adjusted to the Net Working Capital as of the closing date.

As of 31 December 2021, the Net Working Capital of the business unit amounted to € -219,000, which led to the preliminary determination of the transfer price at € 981,000. Within this value, as specified in the agreements' articles, the post-employment benefit funds' debts of the transferred business unit are included. The residual price, as determined by the Net Working Capital of 31

December 2021, shall be disbursed as follows: a) € 75,000 within 60 days from the closing date; b) € 75,000 within 90 days from the closing date. The capital gains thus obtained on the transaction amount to € 1,344,000.

The Incentive and Loyalty business branch, object of the transfer, had recorded a turnover of about € 2.4 million in 2021, along with an EBITDA of € 282,000 (EBITDA Margin of about 12%). The transfer is in line with the declared objective of the Company to focus on its core business linked to full-outsourcing e-commerce, digital transformation and new NFT and Metaverse services. The transfer of the Incentive and Loyalty business unit shall facilitate the migration towards the new Group's accounting system, also for the parent company, considering the accounting peculiarities arising from managing such business unit.

23. Increases in assets due to own work

The increases in assets due to own work as of 31 December 2022 are in line with the previous year, equalling € 0.2 million, as commented in the Note related to 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:

	31.12.2022	31.12.2021	Change
Costs of goods	21,376	22,079	(703)
Consumables	57	43	14
Total	**21,433**	**22,122**	**(689)**

The account includes the costs incurred by the B2B segment of Giglio Group.

The drop, if compared to the previous year, is related to the drop in revenues and to the Company's policy to make better use of its inventories.

25. Service costs

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

	31.12.2022	31.12.2021	Change
Agents	2,910	2,605	305
Other service costs	215	160	55
Insurance	189	178	11
Bank, postal & collection commissions	692	860	(168)

Directors, statutory auditors and supervisory board fees	463	495	(32)
Consulting	2,901	2,685	216
Administrative costs	855	970	(115)
Customer service	188	291	(103)
Warehousing	475	555	(80)
Maintenance	16	11	5
Advertising, promotions, shows and fairs	65	164	(99)
Cleaning and surveillance	25	28	(3)
Transport & shipping	1,385	2,218	(833)
Utilities	255	243	12
Web marketing	74	123	(49)
Sales representatives	108	88	20
Total	**10,816**	**11,674**	**(858)**

The account principally refers to:

- The B2B division: transport and shipment service costs for € 0.3 million; warehousing costs for € 0.3 million and agents for € 0.5 million;

- The B2C division: agents costs for € 2.4 million, transport and shipping for € 1.1 million, bank commissions for € 0.6 million and customer services for € 0.2 million.

Consulting and administrative/IT costs mainly refer to both the corporate and B2C divisions (Ibox SA and ECO).

The drop in transport and shipping is ascribable, for about € 560,000, to the subsidiary E-Commerce Outsourcing S.r.l. and for about € 200,000 to the subsidiary Giglio USA.

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:

	31.12.2022	31.12.2021	Change
Rental	217	100	117
Hire	24	59	(35)
Operating leases	7	21	(14)
Total	**248**	**180**	**68**

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:

	31.12.2022	31.12.2021	Change
Salaries and wages	2,899	4,285	(1,386)
Social security charges	770	908	(138)
Post-employment benefits	121	209	(88)
Total	**3,790**	**5,402**	**(1,612)**

The payroll expenses decreased, if compared to 31 December 2021, for a total of € 1.6 million following the ongoing streamlining of structural costs.

28. Amortisation, depreciation & write-downs

The breakdown of the account is shown below:

Amortisation, depreciation & write-downs	31.12.2022	31.12.2021	Change
Amortisation intangible fixed assets	870	1,071	(201)
Amortisation tangible fixed assets	340	456	(116)
Write-downs (Revaluations)	108	647	(539)
Total	**1,319**	**2,174**	**(855)**

With regards to account"Amortisation", see Notes in paragraph 1 ("Property, plant & equipment"), 2 ("Right of use assets"), 3 ("Intangible Fixed Assets") and 9 ("Trade receivables") respectively.

29. Other operating costs

The breakdown of the account is shown below:

	31.12.2022	31.12.2021	Change
Other taxes	14	19	(5)
Other charges	41	32	9
Penalties and fines	43	97	(54)
Prior year charges	8	261	(253)
Losses on receivables	-	-	-
Total	**106**	**409**	**(303)**

The drop of the account is ascribable to the smaller number of contingent liabilities and of penalties and fines, if compared to 31 December 2021.

30. Financial income and charges

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

Financial income and charges	31.12.2022	31.12.2021	Change
Interest income on bank accounts	-	3	(3)
Incomes on transfer of securities	-	-	-
Other interest	4	-	4
Exchange gains	78	70	8
Financial income	**82**	**73**	**9**
Interests on current bank accounts	2	51	(48)
Other interests	226	689	(463)
Interests on invoice advances and factoring	51	70	(19)
Interests on mortgage loans	391	266	125
Interests on bond loans	205	281	(76)
Bank charges	133	66	67
SIMEST financial charges	-	-	-
IFRS 16 financial charges	12	29	-
Exchange losses	100	208	(108)
Financial charges	**1,121**	**1,660**	**(539)**
Total	**(1,039)**	**(1,587)**	**548**

The total of "Financial income and charges" as of 31 December 2022 is negative by € -1 million, with an € 549,000 improvement if compared to the previous year.

The reason is mainly attributable to:

- The drop in Other interests, an item which includes the interests related to the application of the amortised cost on mortgages;
- The drop in interest expenses on bank accounts.

31. Income taxes

The breakdown of income taxes is as follows:

Income taxes	31.12.2022	31.12.2021	Change
Current taxes	(96)	(208)	112
Deferred taxes	169	399	(230)
Total	**73**	**191**	**(118)**

Income taxes amount to € 96,000 (€ 208,000 as of 31 December 2021).

The Parent Company Giglio Group, together with the subsidiaries E-Commerce Outsourcing and Salotto di Brera, exercised the option for the National Consolidated Tax Regime, pursuant to Art. 117 and 129 of the TUIR, as set forth in Presidential Decree no. 917 of 22 December 1986.

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

31.12.2022

	Giglio Group	IBOX SA	Giglio USA	Meta	Media 360 HK	Giglio Shanghai	E-Commerce Outsourcing S.r.l.	Salotto di Brera
Pre-tax result	108	-155	32	-32	-5	-46	-536	15
Theoretical tax charge	-30	0	-11	0	0	0	0	-4
Effective tax charge	-73	-5	-18	0	0	0	9	-9
Deferred taxes	83	0	0	0	0	0	22	1
Net result	119	-161	14	-32	-5	-46	-505	7
Theoretical tax rate	27.90%	19.00%	34.00%	16.50%	16.50%	34.00%	27.90%	27.90%
Effective tax rate	67.32%	-3.39%	55.58%	0.00%	0.00%	0.00%	1.72%	58.59%

32. Directors, Statutory Auditors and Audit Firm Remuneration

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
A. Lezzi	25
F.Gesualdi	25
S.Armella	25
M. Belloni (until 14 January 2022)	5
C. Micchi (from 26 January 2022)	20
Total	**300**

Board of Statutory Auditors (Euro thousand)	
G. Mosci	38
L. Tacchino	32
M. Centore	32
Total	**102**

With regards to the remuneration allocated to directors or managers defined as related parties of the Company, see the Annual Report on the Remuneration Policy, drafted pursuant to Art. 123-ter of the CFA and to Art. 84-quater of the Issuers Regulation, which will be made available in accordance with 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 BDO Italia S.p.A. network.

The fees of the independent audit firm were as follows:

(Euro thousands)

Recurring services	Service provider	Recipient	Consideration
Limited legal audit of the Consolidated Financial Statements	BDO Italia S.p.A.	Parent Company	26
Audit of the Annual Financial Statements of Giglio Group S.p.A.	BDO Italia S.p.A.	Parent Company	56
Checking the accounting records and making sure that the management performance is properly recorded on the accounts	BDO Italia S.p.A.	Parent Company	2
Audit of the Consolidated Financial Statements of the Group;	BDO Italia S.p.A.	Parent Company	9
Conformity audits of Consolidated and Statutory Financial Statements with ESEF regulation	BDO Italia S.p.A.	Parent Company	5
Audit of subsidiaries' Reporting Package	BDO Italia S.p.A.	Parent Company	12
Legal audit of Salotto di Brera's Financial Statements	BDO Italia S.p.A.	Salotto di Brera	10
Legal audit of E-Commerce Outsourcing's Financial Statements	BDO Italia S.p.A.	E-Commerce Outsourcing	10
Total services			**130**

Moreover, € 12,000 in revenues for the Supervisory Body are recorded.

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

33. Commitments, guarantees and contingent liabilities

Guarantees

Mr. Alessandro Giglio, reference partner of the holding company Meridiana Holding S.p.A., has provided personal guarantees on some Loans held by the company as of 31 December 2022.

The details are shown below

Commitments and guarantees (Euro thousand)

Entity	Guarantee Value	Amount guaranteed
B.POP Sondrio	900	189

Banco BPM	650	650
UNICREDIT	536	536
Total bank guarantees	**2,086**	**1,376**
EBB bond loan	1,500	1,500
Total guarantees	**3,586**	**2,876**

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.

Following the ordinance of 20 February 2022, the Court ordered Giglio Group to: provide a copy of the invoices received from 2016 to 2021 regarding the clients indicated by the counterparty, a copy of the invoices issued in the same time-frame to the following clients and its stock summaries. The deadline for the provision of such documents was set at 30 May 2022, and the hearing was postponed to 13 July 2022.

Via ordinance of 06 April 2022, the Judge revised the terms previously granted, assigning the deadline of 30 June 2022 for the submission of the documentation requested, thus postponing the hearing to 16 September 2022.

During the hearing of 16 September 2022, the counterparty insisted that the margin linked to the products sold to customers acquired through Servizi Italia be calculated, primarily of the entire linked margin. The request was duly challenged.

In the meantime, contacts have been resumed with the opposing lawyers to attempt a settlement provision and a new proposal has been formulated equal to € 300,000 to be paid in 12 instalments. No response from the counterparty has yet been received on this proposal.

The lawyer representing Giglio Group S.p.A. believes the positive outcome of the lawsuit to be possible. Nonetheless, the Company maintained its recorded debt at € 285,000.

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 as of 31 December 2022 is presented below.

		31.12.2022		31.12.2021	
Consolidated Statement of Financial Position (Euro thousands)		**Carrying amount**	**Fair Value**	**Carrying amount**	**Fair Value**
Non-current assets					
Investments in joint ventures	(5)	5	5	8	8
Receivables	(6)	242	242	231	231
Total non-current assets		**17,155**		**18,488**	
Current assets					
Financial receivables	(10)	2	2	2	2
Cash and cash equivalents	(13)	1,794	1,794	2,474	2,474
Total current assets		**17,232**		**16,887**	
Total Assets		**34,387**		**35,375**	
Non-current liabilities					
Financial payables (non-current portion)	(18)	10,901	10,901	8,933	8,933
Total non-current liabilities		**11,484**		**10,946**	
Current liabilities					
Financial payables	(18)	8,150	8,150	9,610	9,610
Total current liabilities		**27,177**		**26,725**	
Total liabilities and Equity		**34,387**		**35,375**	

Medium-term loan

As of 31 December 2021, the Group reports a net financial debt position of approx. € 17 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 the Group's companies.

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 29 December 2022, SACE, as guarantor of the bond, gave its consent to the bondholder EBB S.r.l. to grant the waiver related to the non-compliance with the "Leverage Ratio" and "Gearing Ratio" financial parameters with regard to the test date of 31 December 2022.

35. Related-parties transactions (Article 2427, paragraph 1, no. 22-bis of the Italian Civil Code)

The Related Parties and their transactions for 2022 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 companies defined as Related Parties, along with their relation with the Company, are reported below:

- Meridiana Holding S.p.A.. is the majority shareholder of the Company, owning 55.66% of its share capital.
- Max Factory S.r.l. is a company fully controlled by Meridiana Holding S.p.A..
- Azo Asia Limited is a company fully controlled by Meridiana Holding S.p.A..
- Azo International OU is a company fully controlled by Meridiana Holding S.p.A..

The following tables report the transactions and balances between the Parent Company and the Related Parties as of 31 December 2022. The data indicated in the following tables are taken from the consolidated financial statements of the Issuer and/or from the general accounting data.

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

Related Party Transactions as of 31 December 2022										
		Trade receivables	**Financial receivables**	**Trade payables**	**Financial payables**	**Sales revenues**	**Operating costs**	**Non-recurring revenues**	**Financial income**	**Financial charges**
A	**Subsidiaries**	1,571	605	4,737	1,148	2,607	2,497	1,050		
B	**Holding companies or subject to joint control**			550	732					90
C	**Related companies**									
D	**Subsidiaries**									
AND	**Joint ventures**									
F	**Senior Executives, of**	-	-	-	-	-	-		-	-

	which:									
	Executive Directors									
	Non-Executive Directors									
	Others									
G	**Other related parties, of which:**	-	-	-	-	-	-		-	-
	Board of Statutory Auditors									
	Joint ventures									
	Close Relatives									
	Others									
	Total (A;B;C;D;E;F;G)	**1,571**	**605**	**5,287**	**1,880**	**2,607**	**2,497**	**1,050**	**-**	**90**

Trade receivables and payables

Receivables/Payables	**Giglio Group**	**Giglio USA**	**Giglio Shanghai**	**Salotto di Brera**	**Media 360 HK**	**E-Commerce Outsourcing**	**IBOX SA**
Giglio Group	-	(18)	-	31	-	13	1,545
E-Commerce Outsourcing	3,508	-	-	100	-		843
Giglio USA	-	-	-	-	-	-	9
Giglio Shanghai	-	-	-	-	-	-	-
Salotto di Brera	1,209	-	-	-	-	-	-
IBOX SA	20	-	-	-	-	1,499	-

Financial receivables and payables

Receivables/Payables	**Giglio Group**	**Giglio USA**	**Giglio Shanghai**	**Salotto di Brera**	**Media 360 HK**	**E-Commerce Outsourcing**	**IBOX SA**
Giglio Group	-	102	40	-	13	-	450
E-Commerce Outsourcing	1,148	-	-	-	-	-	-
Giglio USA	-	-	-	-	-	-	-
Giglio Shanghai	-	-	-	-	-	-	-
Salotto di Brera	-	-	-	-	-	-	-
IBOX SA	-	-	-	-	-	-	-
Metarevolution	-	-	-	-	-	46	-

Commercial revenues and costs

Revenues/Costs	**Giglio Group**	**Giglio USA**	**Giglio Shanghai**	**Salotto di Brera**	**Media 360 HK**	**E-Commerce Outsourcing**	**IBOX SA**
Giglio Group		769		661	-	1,040	136
E-Commerce Outsourcing	35						679
Giglio USA	-						42
Giglio Shanghai	15					50	
Salotto di Brera	2,448						
IBOX SA	-					59	

The nature of the transactions in the above table are as follows: (i) for E-Commerce Outsourcing, Giglio USA, Ibox SA and Salotto di Brera S.r.l., 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; (iii) for Salotto di Brera S.r.l., they refer to the supply of goods.

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 S.p.A., who carried out a financing to the Group. On 20 December 2020, Azo Asia Limited transferred its financial receivables to Meridiana Holding S.p.A.. As of 31 December 2022, the total payable amounted to € 0.7 million.
- AZO International OU Private Limited Company: Estonian registered company, owned by Meridiana Holding S.p.A., which, during 2022, made payments related to commercial transactions for a total of € 550,000.

The remuneration paid in 2022 to the Board of Directors of the Issuer amounted to Euro 300 thousand.

36. Dividends

In line with the approval of the guidelines of the 2023-2027 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)		31.12.2022	of which related parties	31.12.2021	of which related parties
Non-current assets					
Property, plant & equipment	(1)	205		318	
Right-of-use assets	(2)	251		752	
Intangible assets	(3)	2,083		2,877	
Goodwill	(4)	13,353		13,353	
Investments in joint ventures	(5)	5		8	
Receivables	(6)	242		231	
Deferred tax assets	(7)	1,016		949	
Total non-current assets		**17,155**	**-**	**18,488**	**-**
Current assets					
Inventories	(8)	1,559		2,238	
Trade receivables	(9)	10,134		9,928	
Financial receivables	(10)	2		2	
Tax receivables and deferred tax assets	(11)	2,107		397	
Other assets	(12)	1,635		1,848	
Cash and cash equivalents	(13)	1,794		2,474	
Total current assets		**17,232**	**-**	**16,887**	**-**
Total Assets		**34,387**	**-**	**35,375**	**-**
Equity	(14)				
Issued capital		4,394		4,394	
Reserves		22,190		22,105	
FTA Reserve		4		5	
Retained earnings		(28,833)		(24,167)	
Foreign Currency Translation reserves		7		(10)	
Net profit/(loss)		(2,078)		(4,623)	
Total Group Equity		**(4,317)**	**-**	**(2,296)**	**-**
Minority interest in equity		43		-	
Total Net Equity		**(4,274)**	**-**	**(2,296)**	**-**
Non-current liabilities					
Provisions for risks and charges	(15)	-		73	
Post-employment benefit funds	(16)	365		673	
Deferred tax liabilities	(17)	141		192	
Financial payables (non-current portion)	(18)	10,901		8,933	624
Other non-current liabilities	(19)	76		1,076	
Total non-current liabilities		**11,484**	**-**	**10,946**	**624**
Current liabilities					
Trade payables	(20)	11,957	550	10,931	
Financial payables (current portion)	(18)	8,150	732	9,610	
Tax payables	(21)	5,420		3,192	
Other liabilities	(19)	1,651		2,992	
Total current liabilities		**27,177**	**1,282**	**26,725**	**-**
Total liabilities and Equity		**34,387**	**1,282**	**35,375**	**624**

Consolidated Statement of Profit or Loss (Euro thousands)		31.12.2022	of which related parties	of which non recurring	31.12.2021	of which related parties
Total revenues from contracts with customers	(22)	**36,590**			**38,242**	
Other revenues	(22)	508			219	
Capitalised costs	(23)	215			302	
Change in inventories		(732)			(29)	
Purchase of raw materials, ancillary, consumables and goods	(24)	(21,433)			(22,122)	
Service costs	(25)	(10,816)			(11,674)	
Rent, lease and similar costs	(26)	(248)			(180)	
Operating costs		**(32,496)**	**0**	**0**	**(33,976)**	**0**
Salaries and wages	(27)	(2,899)			(4,285)	
Social security charges	(27)	(770)			(908)	
Post-employment benefits	(27)	(121)			(209)	
Payroll expenses		**(3,789)**	**0**	**0**	**(5,402)**	**0**
Amortisation	(28)	(870)			(1,071)	
Depreciation	(28)	(340)			(456)	
Write-downs	(28)	(108)			(647)	
Amortisation, depreciation & write-downs		**(1,319)**	**0**	**0**	**(2,174)**	**0**
Other operating costs	(29)	(106)			(409)	
Operating profit		**(1,129)**	**0**	**0**	**(3,227)**	**0**
Financial income	(30)	82			73	*14*
Net financial charges	(30)	(1,121)	*(90)*		(1,660)	*(54)*
Profit before taxes		**(2,167)**	**(90)**	**0**	**(4,814)**	**(40)**
Income taxes	(31)	73			191	
Profit for the period		**(2,094)**	**(90)**	**0**	**(4,623)**	**(40)**
Of which minority interest		**(16)**			**0**	

40. Going Concern

The Financial Statements of the Group as of 31 December 2022 were drafted in view of the business continuity, on the basis of the assessment made by the Directors (pursuant to IAS 1) regarding the Company's capacity to continue trading as a going concern, taking into account all of the information in their possession regarding the near future (related, but not limited, to at least 12 months).

The Financial Statements as of 31 December 2022 were closed with a loss of € 2,094,000 (of which € 16,000 attributable to minority interests), which led to a net equity of € -4,274,000 (of which € +43,000 attributable to minority interests). It is noted that the EBITDA as of 31 December 2022 amounts to € 162,000, against the figure of the previous year (€ -1,054,000).

On 30 March 2023, the Board of Directors of the Company approved the Industrial Plan 2023-2027. The new Industrial Plan considers a GMV (Gross Merchandise Value - reference value for e-commerce transactions) acceleration at a cumulative growth rate of about 8% (CAGR) both for organic growth - in line with the expectation of the reference market (online sales for luxury fashion) - for new brand acquisitions and for new entrepreneurial initiatives.

During the time span of the Plan, the objective is a linear revenues increase , with a sustainable profitability (Ebitda/Revenues) on the long term, whose incidence should be of more than 13% in the last year of the plan. The objective is to strike a balance between B2B activities - including the distribution to digital marketplaces (developing strongly as channel for stock disposal and the business of Salotto di Brera (specialised in travel retail within cruise ships and duty-free shops in ports and airports) - and B2C activities, which boast the cutting-edge technological solutions proposed by Terashop's platform (E-Commerce Outsourcing's) integrated and customised also for IBOX SA's clients, capable of dealing with products from all sectors (fashion, design, electronics, DIY and food 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 remeasured financial needs for investments against the previous fiscal years, following the acquisition of the technological expertise of ECO and the internal investments carried out throughout 2020-2022 on the platforms and aimed at providing additional services to partnering brands. The Directors carried out adequate sensitivity analyses on the main hypotheses of the Plan.

It is noted that 2023 budget used by the Directors for assessing the existence of the going concern provides for the generation of a positive cash flow, with economic indicators again positive. This provision, however, also includes some assumptions, whose eventual incomplete implementation (singularly and/or cumulatively), may lead to a reduction of the Plan's results. The main assumptions made by the Directors for the assessment of 2023 cash flow are as follows:

- Commercial and organic growth of the B2C division (9% on Revenues and 6% on GMV), characterised by the immediate payment from users and the deferred payment of goods and services to suppliers; This growth, which shall have an impact on the EBITDA margin, is mainly ascribable to the purchase of new clients, as well as to the improvements made to the platforms, allowing for the production of additional revenues;

- The B2B model, on the other hand, recorded a 10% commercial growth of its Revenues, while still aiming at facilitating brands' indirect online sales on behalf of major e-commerce platforms around the world, offering an additional distribution to physical networks. This growth, which shall have a 12.5% impact on the EBITDA margin, is mainly ascribable to the combined effect of the post-pandemic sales recovery and to the expected growth of Salotto di Brera S.r.l., for 2023 (+15%).

- Processes improvement and consequent costs reduction following the streamlining of the Group's business activities, as well as other saving activities carried out thanks to infra-group synergies (legal costs reduction, payroll reductions, administrative advise cost reductions...);

- 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;

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

2023 budget and 2024-2027 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;

1. Negotiation with banking institutes in order to support the working capital required to foster the e-commerce business and its distribution of fashion goods, as demonstrated by the activation of several financing agreements both in 2022 and in the beginning of 2023. For this purpose, it is noted that, at the beginning of 2023, the subsidiary Salotto di Brera S.r.l. subscribed two financing agreement of € 2.5 million and € 1 million respectively with Banca Progetto, upon the issue of the guarantee from SACE, thus confirming the reliability towards leading credit institutions. The Industrial Plan 2023/2027 takes into account the increased interest rates on

payables to credit institutions compared to the contractual rates recorded in the year ended 31 December 2022.

2. Meridiana Holding S.p.A.. reached an agreement with the Company through which the outstanding debt related to the funding granted by the former was converted from USD to EUR at 1:1 exchange rate of 31 August 2022 and the reimbursement of the same was set to be carried out through three quarterly instalments of equal amount, the first of which expired on 15 March 2023 and was duly reimbursed as per plan.

3. On 29 December 2022, SACE, as guarantor of the bond, gave its consent to the bondholder EBB S.r.l. to grant the waiver related to the non-compliance with the "Leverage Ratio" and "Gearing Ratio" financial parameters with regard to the test date of 31 December 2022. The company shall request an extension of the waiver to SACE/EBB Export for the test date of 30 June 2023, and the Directors believe that there is a reasonable expectation that said extension will be approved, given its approval for the previous fiscal years.

4. The Board of Directors of 15 December 2021, as per draft proposal on the agenda *"As of now, a proxy for increase in kind is still active, to be exercised within five years from its resolution (i.e. until 12 November 2025), which allows the administrative bodies to increase the share capital by a maximum amount of € 366,133.70 (10% of the existing capital at the time), plus share premium. To this, a proxy for simplified increases up to 10% of the existing capital as of today shall be available, pursuant to Art. 2441, par. 4, second sentence, that is, also a wider proxy with ordinary procedure."*, resolves to vest the Chairman of the Board of Directors with all powers necessary for carrying out a capital increase.

It is noted that, with regard to the capital increase of the Parent Company Giglio Group S.p.A., the Board of Directors held on 14 September 2022 vested the Chairman with the power to carry out all preparatory activities needed to execute said capital increase. It is believed that this increase can be carried out in the last quarter of 2023, as foreseen in the 2023-2027 budget/plan approved by the directors.

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With the exit from COVID 19, 2023 started with the hope of resuming regular economic/financial activities based on expectations of good economic growth.
Unfortunately, however, as it is known, the general context became once again very complex due to the geopolitical circumstances that characterised 2022 and the first months of 2023, namely the Russian-Ukrainian conflict.
The European Union, as well as the United Kingdom and the United States of America, immediately imposed hefty economic sanctions to the attacking country.
The effects of these sanctions, in turn, generated a significant economic and social impact both for Russia and for NATO's countries.
In Italy, we immediately recorded the increase of raw material's prices, as well as significant difficulties in the supply of some products from the Russian/Ukrainian market that, in the short term, shall lead to a drop in supply and, thus, to a natural increase in value.
Therefore, in light of the above, the direct and indirect impacts that the Russian/Ukrainian conflict may cause to Italian enterprises (according to their sector of engagement) are quite evident, both in terms of materiality of the impact and in terms of positive/negative trends of each supply chain and target market in which they operate, also geographically. The Board of Directors highlights that the Company's activities should not face an economic and financial upheaval capable of threatening the Company's going concern.
However, some slowdowns that occurred during the second half of 2022 should be noted, limited to some customers located in Eastern countries whose orders were postponed to the first half of 2023, the effect of which, compared to the 2022 budget, resulted in revenues down by 15%. However, the Board shall constantly monitor the evolution of the conflict and shall promptly undertake all appropriate actions in order to preserve the Company's going concern.

Despite the aforementioned significant uncertainties, the Directors believe that the results envisaged in the Plan shall be achieved, thus confirming the existence of the assumption of the Company's going concern for at least, but not limited to, twelve months from the reporting date.
Said assessment is obviously arising from a subjective assessment that took into account the likelihood of the occurrence of the events and uncertainties mentioned above.
Lastly, the Directors, aware of the inherent limits of their assessment, ensure that a constant monitoring of the evolution of the factors taken into consideration will be kept, so as to adopt, should the need arise, the necessary adjustments and to provide for, with analogous promptness, the fulfilling of the disclosure obligations to the market.

GIGLIO

GIGLIO GROUP S.p.A.

Registered office in Milan, Piazza Diaz, 6 Milan

Share Capital subscribed and paid-in € 4,393,604

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 2022

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)		31.12.2022	31.12.2021
Non-current assets			
Property, plant & equipment	(1)	54	101
Right-of-use assets	(2)	213	406
Intangible assets	(3)	119	164
Goodwill	(4)	3,249	3,249
Investments in joint ventures	(5)	11,313	10,876
Receivables	(6)	797	2,701
Deferred tax assets	(7)	1,011	944
Total non-current assets		**16,756**	**18,441**
Current assets			
Inventories	(8)	605	1,493
Trade receivables	(9)	6,357	3,784
Financial receivables	(10)	2	2
Tax receivables and deferred tax assets	(11)	263	434
Other assets	(12)	99	232
Cash and cash equivalents	(13)	105	144
Total current assets		**7,431**	**6,088**
Total Assets		**24,187**	**24,529**
Equity	(14)		
Issued capital		4,394	4,394
Reserves		24,049	23,996
Extraordinary reserve		-	-
Listing fees		(541)	(541)
FTA Reserve		4	4
Retained earnings		(27,617)	(24,493)
Foreign Currency Translation reserves		-	-
Net profit/(loss)		119	(3,123)
Total Net Equity		**408**	**235**
Non-current liabilities			
Provisions for risks and charges	(15)	-	-
Post-employment benefit funds	(16)	204	276
Deferred tax liabilities	(17)	1	1
Non-current financial liabilities	(18)	5,812	9,966
Other non-current liabilities	(21)	76	1,076
Total non-current liabilities		**6,093**	**11,318**
Current liabilities			
Trade payables	(19)	7,906	2,974
Current financial liabilities	(18)	7,702	6,907
Tax payables	(20)	921	597
Other current liabilities	(21)	1,156	2,498
Total current liabilities		**17,686**	**12,976**
Total liabilities and Equity		**24,187**	**24,529**

Statement of Profit or Loss and Comprehensive Income

Statement of Profit or Loss (Euro thousands)		31.12.2022	31.12.2021
Total revenues from contracts with customers	(22)	**17,458**	**17,591**
Other revenues	(22)	2,268	1,346
Change in inventories		(888)	(103)
Purchase of raw materials, ancillary, consumables and goods	(23)	*(13,587)*	*(14,680)*
Service costs	(24)	*(3,369)*	*(3,849)*
Rent, lease and similar costs	(25)	*(62)*	*(116)*
Operating costs		**(17,018)**	**(18,646)**
Salaries and wages	(26)	*(1,208)*	*(1,489)*
Social security charges	(26)	*(342)*	*(473)*
Post-employment benefits	(26)	*(65)*	*(87)*
Payroll expenses		**(1,615)**	**(2,049)**
Amortisation	(27)	*(63)*	*(62)*
Depreciation	(27)	*(247)*	*(305)*
Write-downs	(27)	*3*	*(161)*
Amortisation, depreciation & write-downs		**(308)**	**(528)**
Other operating revenues (costs)	(28)	*(79)*	*(108)*
Operating profit		**(182)**	**(2,498)**
Non-recurring revenues (charges)	(29)	*1,050*	*0*
Financial income	(30)	*10*	*459*
Net financial charges	(30)	*(770)*	*(1,364)*
Profit before taxes		**108**	**(3,403)**
Deferred tax assets	(31)	*83*	*255*
Income taxes	(31)	*(73)*	*24*
Profit for the period		**119**	**(3,123)**
Of which minority interest		*0*	-
Basic and diluted profit from continuing operations		**0.0054**	**(0.1947)**
Profit per share – basic and diluted		**0.0079**	**(0.1416)**

Comprehensive Income (Euro thousands)		31.12.2022	31.12.2021
Profit for the period		119	(3,123)
Other comprehensive income			
Other comprehensive income that will 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)	54	12
Total other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods (net of tax)		**54**	**12**
Total Comprehensive Income for the period		**173**	**(3,111)**

Statement of Changes in Equity

Description *(Euro thousands)*	Issued capital	Reserves	FTA Reserve	Other reserves	IAS 19 Reserve	Retained earnings	Net profit/(loss)	T
31 December 2020 Balance	**4,149**	**22,338**	**4**	**(541)**	**(71)**	**(16,074)**	**(8,419)**	
Issue of share capital	244	1,930						
Share premium reserve		(213)						
Charges for share capital increase								
Retained earnings						-	8,419	
2020 suspended losses pursuant Law no. 178 of 30 December 2020 **(1)**						(8,419)		(8
IAS 19 Reserve					12		-	
Exchange rate effect							-	
Other changes	-	-				-	-	
Profit for the period **(1)**							(3,123)	(3
31/12/2021 Balance	**4,393**	**24,055**	**4**	**(541)**	**(59)**	**(24,493)**	**(3,123)**	

Description *(Euro thousands)*	Issued capital	Reserves	FTA Reserve	Other reserves	IAS 19 Reserve	Retained earnings	Net profit/(loss)	Total
31 December 2021 Balance	**4,394**	**24,055**	**4**	**(541)**	**(59)**	**(24,493)**	**(3,123)**	**235**
Issue of share capital								-
Share premium reserve								-
Shareholders contributions to the corporate funds (or assets)								-
Retained earnings							3,123	3,123
2020 suspended losses pursuant Law no. 178 of 30 December 2020 **(1)**								-
2021 suspended losses pursuant Legislative Decree no. 228 of 30 December 2021 **(1)**						(3,123)		(3,123)
IAS 19 Reserve					54			54
Exchange rate effect								-
Other changes							119	119
Profit for the period								-
31 December 2022 Balance	**4,394**	**24,055**	**4**	**(541)**	**(5)**	**(27,616)**	**119**	**408**
of which deferred losses Law no. 178 of 30 December 2020 for fiscal year 2020						(8,419)		
of which deferred losses Legislative Decree no. 228 of 30 December 2021 for fiscal year 2021						(3,123)		

(1) 2020 and 2021 losses are suspended pursuant to Law no. 178 of 30 December 2020 and Legislative Decree no. 228 of 30 December 2021, respectively.

Statement of Cash Flows

Euro thousands	**31.12.2022**	**31.12.2021**
Cash flows from operating activities		
Net profit from continuing operations	119	(3,123)
Net profit from discontinued operations	-	-
Adjustments to reconcile profit before tax to net cash flow:		
Depreciation and impairment of property, plant and equipment	52	211
Amortisation of right-of-use assets	196	95
Amortisation and impairment of intangible assets	63	62
Non-cash changes of provisions	(72)	(113)
Write-downs/(Revaluations)	(3)	161
Net foreign exchange differences	760	905
Income taxes	(10)	(279)
Changes in:		
Inventories	888	103
Trade receivables	(2,573)	623
Tax receivables	171	697
Current financial receivables	-	-
Other assets	133	430
Deferred tax liabilities	-	(131)
Trade payables	4,932	(1,524)
Tax payables	334	392
Right-of-use assets	(3)	8
IFRS16 financial payables	(198)	(132)
Other current and non-current liabilities	(2,341)	553
Change in net working capital	**1,343**	**1,018**
Changes in provisions	-	-
Changes in assets/liabilities held for sale/Discontinued operations	-	-
Cash flow generated from operating activities	**2,448**	**(1,063)**
Interest paid	(676)	(382)
Income taxes paid	-	-
Net cash flow generated from operating activities	**1,772**	**(1,445)**
Cash flows from investing activities		
Investments in property, plant & equipment	(5)	(149)
Investments in intangible assets	(19)	(23)
Acquisition of Salotto di Brera net of liquidity acquired	-	-
Changes in other intangible assets	1,840	(345)
Increase in investments in joint ventures	(437)	(925)
Change in consolidation scope		
Net cash flow used in investing activities	**1,379**	**(1,442)**
Cash flow from financing activities		
Share capital increase	-	1,962
Change in Shareholders' Equity	54	12
New financing	90	1,483
Repayment of loans	(3,219)	(1,065)
Change in financial liabilities	(115)	(501)
Net cash flow used in financing activities	**(3,190)**	**1,891**
Net increase/(decrease) in cash and cash equivalents	**(39)**	**(997)**
Cash and cash equivalents at 1 January	144	1,141
Cash and cash equivalents at 31 December	105	144

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

A. Corporate information

The Company closed fiscal year 2022 with a profit of € 119,000.

Nevertheless, 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 diminishes within a third of the capital by the following fiscal year.

Said deadline for the losses accrued as of 31 December 2020 and 31 December 2021, has been postponed to the following fifth fiscal year, pursuant to the provisions set forth in Law no. 178 of 30 December 2020 and in Legislative Decree no. 228 of 30 December 2021 (converted with amendments by Law no. 15 of 25 February 2022), which allowed listed companies to temporarily suspend some provisions on capital reductions for losses (such as Art. 2446 and 2-bis), thus postponing to the following fifth fiscal year the obligation to offset the losses.

For more information, see the Statement of Changes in Equity and Note 40 "Going Concern".

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

The activities of the company are described in these Explanatory Notes.

The information on transactions of the Company with the other related parties are presented in Note 35.

B. Accounting standards

The financial statements of Giglio Group S.p.A at 31 December 2022 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 2022" 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 note 40. 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 accounting estimates

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

The estimates are used to determine the provisions for doubtful 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 Consolidated 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 Statements, 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 in joint ventures: 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.).

- <u>Payments based on shares or options:</u>

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 to reach the 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 21 June 2021, the ordinary and extraordinary Shareholders' Meeting took place.

The Meeting, in its ordinary call, approved the Stock-Option Plan 2021-2028 reserved to executive directors and/or senior executives within the Company or its subsidiaries,
as these shall be identified by the Board of Directors pursuant to the
regulation of the Stock Option Plan.

The extraordinary Shareholders' Meeting, on the other hand, delegated to the Board of Directors the authority to increase Giglio Group S.p.A. share capital against payment, pursuant to Art. 2439, par 2 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 € 180,000.00 in nominal value, through the issue, also in more tranches, of a maximum of no. 900,000.00 ordinary shares without nominal value, to be used only within the scope of the "Stock Option Plan 2021-2028".

The options thus assigned shall be exercised over a three-year vesting period divided in three tranches (up to 30% on the first year, up to 35% on the second year and up to 35% 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 2022 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: 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 noted that, from the assessments carried out, the need to carry out some goodwill's write-downs did not arise, as better described in Note 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

- Deferred tax assets are recognised to the extent where it is likely there will be adequate future tax profits against which temporary differences or any tax losses can be utilised. In this regard, management estimates the probable timing and the amount of the future taxable profits.
- Contingent liabilities: The company accrues a liability against disputes and risks deriving from legal cases in progress when it is probable that a financial payable will arise and where the amount of the liability may be reasonably estimated. In the case in which a payment is considered possible, but is not yet determinable, such is reported in the explanatory notes.

E. Management of capital and financial risks

Financial risk objectives and criteria

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

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

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

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.

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.

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.

The debt with Meridiana Holding S.p.A., majority shareholder of the Group, granted in USD, was converted to EUR on 31 August 2022 at a 1:1 EUR/USD exchange rate. The loan shall be reimbursed via three quarterly instalments starting form March 2023.

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 due to an adverse variation in interest rates.

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

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

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

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

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

(amount in €/000)

Analysis of sensitivity of interest rate risk on variable rate items	Underlying	Increase/Reduction in underlying interest rates	Profit/(loss) before taxes
31/12/2022	-1,722	1%	-17
31/12/2022	-1,722	-1%	17

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 2022 and 31 December 2021 is shown below:

(Euro thousands)	**Year ended at 31 December 2022**	**%**	**Year ended at 31 December 2021**	**%**
> 90 days	50	*1%*	*79*	*6%*
60<> 90 days	3	*0%*	*14*	*1%*
30<> 60 days	1	*0%*	*0*	*0%*
0<> 30 days	40	*1%*	*12*	*1%*
Total overdue	***94***		***105***	
Not overdue	3,886	*98%*	*1,239*	*92%*
Total gross receivables	**3,980**	***100%***	**1,344**	***100%***
Provision for doubtful accounts	-32		*-35*	
Inc. provision on overdue 90 days	*-63.53%*		*-44.30%*	
Total	**3,948**		**1,309**	

The aforementioned accounts refer to the trade receivables of the Company, net of invoices to be issued, suppliers' prepayments, guarantee deposits and other receivables.

The following table shows the Company's exposition to credit risk (with third parties) per geographical area:

(Euro thousands)	**Year ended at 31 December 2022**	**%**	**Year ended at 31 December 2021**	**%**
Europe	3,974	*99.86%*	1,337	*99.55%*
Asia	1	*0.03%*	*1*	*0.07%*
USA	0	*0.00%*	*0*	*0.00%*
Rest of the world	5	*0.12%*	*5*	*0.37%*
Total gross receivables	**3,980**	***100.00%***	**1,343**	***100.00%***
Provision for doubtful accounts	-32		*-35*	
Total	**3,948**		**1,309**	

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:

% Svalutazione IFRS	SUP_90	61/90GG	31/60 GG	1/30GG	Non scaduto
A (rischio basso)	4,4%	3,4%	2,4%	1,4%	0,2%
B (rischio medio)	5,4%	4,4%	3,4%	2,4%	0,4%
C (rischio alto)	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 2022, the credit lines granted and the relative utilisations were as follows:

Entity	Credit line for invoice advances in Italy and abroad	Used for Italian invoices	Used for foreign invoices	Cash credit facilities	Used	Total Used
Banco BPM	500		440		-	440
Banca Popolare di Sondrio	190	149	40	-	-	189
IFITALIA Factoring - BNL	2,438	14	2,424	-	-	2,438
Unicredit				50	49	-
Total	**3,128**	**163**	**2,904**	**50**	**49**	**3,067**

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. At the end of 2021, the Company had to 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 2021 was postponed to the following fifth fiscal year, pursuant to the provisions set forth in Legislative Decree 228/2021 (the so-called "Decreto Milleproroghe"), transformed into Law no. 15 of 25 February 2022, which extended 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), thus postponing to the following fifth fiscal year the obligation to offset the losses.

For the management of the capital and of the financial risks, please see paragraph 40, "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 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 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).

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 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

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 in joint ventures

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.

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 2022

As required by IAS 8 "Accounting policies, changes in accounting estimates and errors", the impacts of the new accounting standards or of the new interpretations on the consolidated financial statements are reported below.

The following amendments are effective for the year starting from 1 January 2022.

- Amendments to IFRS 3 Business Combinations: these amendments are aimed at updating the reference made by IFRS 3 to the Conceptual Framework in the reviewed version, without amending the provisions of IFRS 3's accounting standard.
- Amendments to IAS 16 Property, Plant and Equipment: the amendments are aimed at preventing the deduction from the cost of property, plant and equipment the amount received by the sale of goods produced in the test phase of the asset itself. These sales revenues and the relevant costs shall thus be recorded in the Statement of Profit or Loss.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendments specify that, in the assessment of the eventual onerousness of an agreement, all costs directly ascribable to said agreement must be taken into account. As a consequence, the assessment of the eventual onerousness of an agreement includes not only the incremental costs, but also all other costs that the company cannot avoid due to the subscription of the agreement.
- Annual Improvements 2018-2020: the amendments concerned IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

The Company shall use said practical measure in the future, when they shall be applicable.

Employment data

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

Workforce	31.12.2022	31.12.2021	Change
Executives	1	2	(1)
Managers	9	8	1
White-collar	17	21	(4)
Blue-collar	-	-	-
Others	-	-	-
Total	**27**	**31**	**(4)**

Over the course of 2020, the workforce lost 4 units.

ACTIVITY

Non-current assets

1. Property, plant & equipment

Balance at 31.12.2022 54

Balance at 31.12.2021 101

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

Property, plant & equipment	Plant	Equipment	Furniture & fittings	EDP	Others	Total
Change in Acquisition Cost						
31 December 2021	**1,035**	**10**	**261**	**203**	**505**	**2,013**
Additions	2	-	3	-	-	5
Business Combinations	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Exchange differences and Reclassifications	-	-	-	-	-	-
Decreases	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
31 December 2022	**1,037**	**10**	**264**	**203**	**505**	**2,018**
Change in Amortisations						-
31 December 2021	**(1,023)**	**(8)**	**(215)**	**(183)**	**(483)**	**(1,913)**
Depreciations	(6)	(0)	(23)	(9)	(13)	(52)
Business Combinations	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Exchange differences and Reclassifications	-	-	-	-	-	-
Decreases	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
31 December 2022	**(1,029)**	**(8)**	**(239)**	**(192)**	**(496)**	**(1,964)**
Net Value as of 31 December 2022	**8**	**2**	**25**	**11**	**8**	**54**

As of 31 December 2022, an € 5,000 increase in the historical cost, of which € 2,000 in the Plants item and € 3,000 in the Furniture one.

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

2. Right-of-use assets

Balance at 31.12.2022 213

Balance at 31.12.2021 406

The following table shows the breakdown of right-of-use assets and the changes in the year:

Right-of-use assets	Properties	Vehicles	Total
Change in Acquisition Cost			
31 December 2021	**691**	**154**	**845**
Business Combinations	-	-	-
Additions	-	-	-

Transfers	-	-	-
Increase after IFRS16 adoption	7	-	7
Exchange differences	-	-	-
Decreases	-	-	-
Disposals	-	(12)	(12)
31 December 2022	**698**	**142**	**840**
Change in Amortisations			-
31 December 2021	**(402)**	**(38)**	**(439)**
Depreciations	(160)	(36)	(196)
Business Combinations	-	-	-
Transfers	-	-	-
Increase after IFRS16 adoption	-	-	-
Exchange differences	-	-	-
Decreases	-	-	-
Disposals	-	8	8
31 December 2022	**(562)**	**(65)**	**(627)**
Net Value as of 31 December 2022	**136**	**77**	**213**

As of 31 December 2022, the changes are mainly ascribable to the period's amortisations, equalling € 196,000.

We also highlight the increase of € 7,000 in assets, relating to the ISTAT revaluation of office leasing agreements, and terminations of leasing agreements for a net value of € 4,000.

As of 31 December 2022, no impairment indicators were recorded and as such,

the Company did not carry out any impairment test with regard to the right-of-use assets.

3. Intangible assets

Balance at 31.12.2022 119

Balance at 31.12.2021 164

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 2021	**3,037**	**3,037**
Reclassification capitalised costs	-	-
Additions	18	18
Business Combinations	-	-
Transfers	-	-
Exchange differences and Reclassifications	-	-
Decreases	-	-
Disposals	-	-
31 December 2022	**3,055**	**3,055**
Change in Amortisations		
31 December 2021	**(2,873)**	**(2,873)**
Depreciations	(63)	(63)

Business Combinations	-	-
Transfers	-	-
Exchange differences and Reclassifications	-	-
Decreases	-	-
Disposals	-	-
31 December 2022	**(2,936)**	**(2,936)**
Net Value as of 31 December 2022	**119**	**119**

Other intangible assets refer to trademarks and software. As of 31 December 2022, the changes of the period refer to increases for € 18,000, mainly ascribable to the acquisition costs for software assets, and to the period's amortisations (€ 63,000).

In accordance with IAS 36, an assessment was made of any impairment indicators with regards to the procedure described in Note 5. "Investments in associates".

4. Goodwill

Balance at 31.12.2022 3,249

Balance at 31.12.2021 3,249

The account, unchanged if compared to the previous fiscal year, includes:

- €2,477,000: related to the acquisition of Giglio Fashion in March 2016.
- € 772,000: related to the merger of IBOX S.r.l. in June 2020.

As of 31 December 2022, on the basis of the impairment tests carried out, no goodwill's write-down is recorded.

The impairment test at Tier-2 level was carried out with regard to the CGUs to which each 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 24%, while the terminal value (TV) was assumed equal to that of the Plan's last year.

The discount rate used for the B2B CGU, with a slightly higher risk profile, is the adjusted WACC of 13.91%; the discount rate used for B2C CGU, on the other hand, is the adjusted WACC of 13.43%.

The 2023-2027 multi-annual Industrial Plan was approved by the Directors on 30 March 2023.

5. Investments in joint ventures

Balance at 31.12.2022 11,313

Balance at 31.12.2021 10,876

The breakdown of the account as of 31 December 2022 is illustrated below:

Investments in joint ventures	31.12.2022	31.12.2021	*Change*
Giglio USA		18	*-18*
IBOX SA	5,887	5,869	*18*
Cloud Food	5	5	*0*
E-Commerce Outsourcing S.r.l.	4,205	3,769	*436*
GIGLIO SHANGHAI TECHNOLOGY CO. LTD	40	40	*0*
Salotto di Brera S.r.l.	1,175	1,175	*0*
Media 360 HK LTD	0	0	*0*
Total	**11,313**	**10,876**	**436**

The change, if compared to the previous year, is related to:

- The increase in the share capital of E-Commerce Outsourcing S.r.l., subscribed for € 436,000, thus bringing the share capital of the subsidiary to € 700,000. The share capital increase was aimed at strengthening the subsidiary's assets.
- The transfer of the investment in Giglio USA to subsidiary Ibox SA, finalised on 27 December 2022. This common control transaction was carried out by adopting the principle of values' continuity, which entails that the value of the investment previously held in Giglio USA has been transferred to the value of the investment held in Ibox SA, thus without having an impact on the result for the year.

A comparison between the value of the investments and the equity of the subsidiaries at 31 December 2022 is illustrated in the table below:

Company	Registered office	Issued capital	% Held	Profit/(loss) at 31/12/2022	Net equity at 31/12/2022	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%	-46	-142	-142	40
IBOX SA	Galleria 1 Via Cantonale, 6928 Manno, Switzerland	4,712	100%	-161	192	192	5,887
Giglio USA ***Indirect investment via Ibox SA***	One Wall Street, 6th Floor BURLINGTON, MA 01803 REPRESENTATIVE OFFICE 111 West 19th Street (6th	18	100%	14	217	217	

	Floor) 10011 New York, NY USA						
E-Commerce Outsourcing S.r.l.	Piazza Diaz 6 20121 Milan Italy	700	100%	-541	160	160	4,205
Media 360	603 Shung Kwong Comm. Bldg 8 Des Vouex Road West' Hong Kong	0	100%	-5	-29	-29	0
Salotto di Brera S.r.l.	Piazza Diaz 6 20121 Milan Italy	25	100%	3	260	260	1,175

As of 31 December 2022, on the basis of the impairment tests carried out, there are no write-downs of the book value of the equity investments.

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 24%, while the terminal value (TV) was determined on the basis of the Plan's last year.

The discount rate used by E-Commerce Outsourcing S.r.l. (Terashop) and Ibox SA with regard to the B2C CGU is the adjusted WACC of 13.43%; for Salotto di Brera S.r.l., which belongs to the B2B CGU, the adjusted WACC of 13.91% was used.

The 2023-2027 multi-annual Industrial Plan was approved by the Directors on 30 March 2023.

Sensitivity analysis and stress test

In consideration of the prudential elements entailed in the scenario adopted by the Board of Directors in order to develop the impairment test, the sensitivity analyses were carried out by acting on the revenues' variable, hypothesizing their decrease in a growing manner, i.e. by 10%, 20% and 30%. Based on the sensitivity analysis, the book value of the equity investments in Ibox and Salotto was not maintained in all three scenarios, while the equity investment in E-commerce Outsourcing (Terashop) would be subject to impairment only in the second and third.

6. Receivables and other non-current assets

Balance at 31.12.2022 797

Balance at 31.12.2021 2,701

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

Receivables and non-current assets	31.12.2022	31.12.2021	Change
Guarantee deposits	182	182	(1)
Inter-company financial receivables	616	2,519	(1,904)

Others	-	-	-
Total	**797**	**2,701**	(1,904)

"Guarantee deposits" include deposits paid relating to rental contracts for the buildings at Milan and Rome.

"Inter-company financial receivables" includes the subordinated claims towards the subsidiary Ibox SA worth € 450,000, the financial receivables from Giglio USA for € 102,000 and the receivables from Giglio Shanghai for € 40,000. The period's change refers to the collection of the amount from Giglio Shanghai and to the reduction of the subordinated claims towards Ibox SA, restated as current assets.

7. Deferred tax assets

Balance at 31.12.2022 1,011

Balance at 31.12.2021 944

The account, equal to € 1,011,000 as of 31 December 2022, mainly refers to the deferred taxes calculated on the tax losses on 2017 (€ 514,000), following which, on a prudent basis, have not been provisioned, and to the tax effect of the interest expenses exceeding the Company's Gross Operating Income (€ 437,000).

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

8. Inventories

Balance at 31.12.2022 605

Balance at 31.12.2021 1,493

The inventories of the company comprise goods for sale.

As of 31 December 2022, 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. As of 31 December 2022, the obsolescence provision is equal to € 64,000, with a € 43,000 drop if compared to the previous year (€ 44,000 for the provision's release and € 1,000 for the year's provision).

This obsolescence provision is mainly ascribable to non-resaleable PPEs that were damaged or non-compliant with the applicable law.

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.

9. Trade receivables

Balance at 31.12.2022 6,358

Balance at 31.12.2021 3,784

The breakdown of the account is as follows:

Trade receivables	31.12.2022	31.12.2021	Change
Trade receivables	5,586	2,638	2,948
Credit notes to be issued			
ICO trade receivables			
Advances to suppliers	803	1,181	(378)
Guarantee deposits not among fixed assets			
Other receivables			
Provision for doubtful accounts	(32)	(35)	3
Total	**6,358**	**3,784**	**2,574**

As of 31 December 2022, the account increased if compared to the previous year.

The change refers to the restatement of receivables with Ibox from non-current assets (€ 1,545,000), to the receivables' reduction with the Group's companies (€ 135,000) and to the receivables' increase with third parties (€ 1,537,000).

The Advances to suppliers of B2B e-commerce division relate to advances on orders of the PE and AI 2023 collection.

The geographic breakdown of gross trade receivable at 31 December 2022 and 31 December 2021, net of intra-group receivables, are as follows:

(Euro thousands)	**Year ended at 31 December 2022**	**%**	**Year ended at 31 December 2021**	**%**
Europe	3,974	*99.86%*	1,337	*99.55%*
Asia	1	*0.03%*	*1*	*0.07%*
USA	0	*0.00%*	*0*	*0.00%*
Rest of the world	5	*0.12%*	*5*	*0.37%*
Total gross receivables	**3,980**	***100.00%***	**1,343**	***100.00%***

Provision for doubtful accounts	-32	*-35*
Total	**3,948**	**1,309**

The ageing of the gross trade receivables at 31 December 2022 and 31 December 2021, net of intra-group deliverables, is shown below:

(Euro thousands)	**Year ended at 31 December 2022**	**%**	**Year ended at 31 December 2021**	**%**
> 90 days	50	*1%*	*79*	*6%*
60<> 90 days	3	*0%*	*14*	*1%*
30<> 60 days	1	*0%*	*0*	*0%*
0<> 30 days	40	*1%*	*12*	*1%*
Total overdue	***94***		***105***	
Not overdue	3,886	*98%*	*1,239*	*92%*
Total gross receivables	**3,980**	***100%***	**1,344**	***100%***
Provision for doubtful accounts	-32		*-35*	
Inc. provision on overdue 90 days	*-63.53%*		*-44.30%*	
Total	**3,948**		**1,309**	

The aforementioned accounts refer to the trade receivables of the Company with third parties, net of invoices to be issued, suppliers' prepayments, guarantee deposits and other receivables.

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

(Euro thousands)

Provision for doubtful accounts	
31 December 2021 Balance	**35**
Provisions	2
Exchange differences	-
Utilisations	(5)
31 December 2022 Balance	**32**

The provision for doubtful accounts underwent a € 3,000 decrease, of which € 5,000 for utilisations and € 2,000 for relevant provisions.

The provision for the year is composed of older write-downs, to which the provision carried out in order to adjust the nominal value of receivables to their estimated realisable value must be added. 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.

10. Financial receivables

Balance at 31.12.2022 2

Balance at 31.12.2021 2

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.

11. Tax receivables

Balance at 31.12.2022 263

Balance at 31.12.2021 434

The breakdown of tax receivables is shown below:

Tax receivables	31.12.2022	31.12.2021	Change
IRES	109	109	-
IRAP	-	-	-
Withholding taxes	2	2	-
INPS	-	-	-
INAIL	-	-	-
VAT	133	131	2
ICO tax receivables	19	193	
Others	-	(1)	1
Total current tax receivables	**263**	**434**	**(171)**

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

The receivables for tax consolidation, equal to € 19,000, refer to the receivables accrued with the subsidiaries Salotto di Brera S.r.l. and E-Commerce Outsourcing S.r.l..

The VAT receivable amounting to € 133,000 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.

12. Other assets and other current receivables

Balance at 31.12.2022 99

Balance at 31.12.2021 232

Other assets	31.12.2022	31.12.2021	Change
Other assets	-	-	-
Prepayments and accrued income	99	232	(133)
Total	**99**	**232**	**(133)**

Prepayments and accrued income mainly refer to payments for the following year 2023.

13. Cash and cash equivalents

Balance at 31.12.2022 105

Balance at 31.12.2021 144

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

Cash and cash equivalents	31.12.2022	31.12.2021	Change
Bank and short-term deposits	104	143	(39)
Cash on hand	1	1	-
Total	**105**	**144**	**(39)**

The changes relate to normal operating events and refer to the changes illustrated in the statement of cash flow. 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 2022 consists of 21,968,022 ordinary shares, without express nominal value.

The changes in 2022 are due to:

- Treatment of losses as of 31 December 2021 (whose effect is postponed to the following fifth year upon adoption of the derogation set forth in Art. 6 of Legislative Decree no. 23 of 8 April 2020), equal to € 3,123,000;
- Recognition of IAS 19 actuarial profit, equal to € 54,000;
- Consolidated result for the period, equal to € 119,000.

15. Provisions for risks and charges

Balance at 31.12.2022 0

Balance at 31.12.2021 0

No provisions for risks and charges were recorded.

16. Post-employment benefit funds

Balance at 31.12.2022 204

Balance at 31.12.2021 276

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

Post-employment benefit provision at 31.12.2021	**276**
Business Combinations	-
Provisions 2022	65
Advances/Util.	(63)
Actuarial gains (losses)	(71)
Net Interest	(3)
31 December 2022 Balance	**204**

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

- probability of elimination for death: equal to that of Italy's population in 2021 (source: ISTAT), divided by age and gender;
- 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: 5.9% for 2023, 2.3% for 2024 and 2 % for 2025 (source: “Update of 2021 Economic and Finance Document”); from 2026 onwards, the annual rate of 2 % was hypothesised;
- annual salary increase rate for career development and contract renewals:
  equal to inflation for all categories and for the entire valuation period;
- probability of request for first advance: 2.5% of seniority from 9 years on;
- maximum number of advances: 1;
- amount of Post-employment benefit advance: 30% of the Post-employment benefit matured.

In relation to the financial assumptions, it should be noted that the discount rate was chosen, taking into account the indications of IAS 19, with reference to the curve at 31.12.2022 of AA securities issued by corporate issuers in the Eurozone and based on the average residual duration of the Post-employment benefit at 31.12.2022. Therefore, considering that the average residual duration of the liabilities was equal to 14 years, the annual nominal discount rate assumed in the valuation was 4.2% (1.4% as of 31 December 2021).

The sensitivity analysis on the discount rate was applied by using a rate that was respectively lower and higher than 4.2% by half a percentage point. Valuation results based on the rate of 3.7% and 4.9% (Euro thousands) are shown in the table below:

	Rate -0.5%	**Rate +0.5%**
DBO	218.1	191.6

17. Deferred tax liabilities

Balance at 31.12.2022 **1**

Balance at 31.12.2021 **1**

No change was recorded in the account during the period.

18. Current and non-current financial liabilities

Balance at 31.12.2022 **13,514**

Balance at 31.12.2021 **16,872**

The financial liabilities are illustrated in the table below:

Financial payables	31.12.2022	31.12.2021	Change
Current	7,702	6,907	795
Non-current	5,812	9,965	(4,153)
Total	**13,514**	**16,872**	**(3,358)**

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

Current financial liabilities	31.12.2022	31.12.2021	Change
Loans (current portion)	2,956	2,702	254
Total current loans	**2,956**	**2,702**	**254**
Advances on invoices/Credit Lines	1,640	1,244	396
Bank overdrafts	448	480	(32)
Rental liabilities	43	212	(169)
EBB bond;	736	770	(34)
Loans from related parties	732	16	716
Loans from subsidiaries	1,148	1,483	(336)
Total	**7,702**	**6,907**	**795**

The current financial liabilities mainly relate to:

- Short-term portion of unsecured loans;
- The self-liquidating credit lines as advances on invoices;
- Current account liabilities;
- Current liabilities share for operating leasing resulting from the application of the IFRS 16 accounting standard;
- Short-term portion of the EBB bond, as described below amongst the non-current financial liabilities;
- Intercompany loans received by subsidiary E-Commerce Outsourcing S.r.l;
- Loans from related parties, originally in USD and then converted into EUR with a 1:1 exchange rate on 31 August 2022. For more information, see Note 35. "Transactions with subsidiaries and related parties".

Current financial liabilities recorded a € 641,000 increase if compared to the previous year. This change mainly refers to the restatement of the related-parties loan from non-current portion (€ 716,000) and to the increase in the short-term portion of the loans and prepayments on invoices and use of credit facilities. The increases, at the same time, were mitigated by a reduction in liabilities from leasing agreements and by the loans to subsidiaries.

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

Non-current financial liabilities	31.12.2022	31.12.2021	Change
Loans	2,621	5,068	(2,447)
EBB bond;	3,005	4,056	(1,051)
Payables to subsidiaries	4	4	-
Rental liabilities	181	211	(29)
Payables towards related parties		626	(626)
Total	**5,812**	**9,965**	**(4,153)**

The non-current financial liabilities relate to:

- Long-term portion of unsecured loans;
- Non-current liabilities share for operating leasing resulting from the application of the IFRS 16 accounting standard;
- Long-term portion of EBB bond.

The reduction in financial liabilities is mainly ascribable to related-parties liabilities, expiring in 2023 and restated in the current portion, and to a drop in the non-current portion of unsecured loans and of the EBB bond.

With regard to 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 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 29 December 2022, SACE, as guarantor of the bond, gave its consent to the bondholder EBB S.r.l. to grant the waiver related to the non-compliance with the "Leverage Ratio" and "Gearing Ratio" financial parameters with regard to the test date of 31 December 2022. On 7 April 2023, EBB S.r.l. ratified the waiver granted by SACE on 29 December 2022.

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 thousands)	Value at 01.01.2021	Cash flow	Value at 31.12.2022
Non-current financial liabilities	9,965	(2,263)	7,702
Current financial liabilities	6,907	(1,095)	5,812
Total liabilities from financing activities	**16,872**	**(3,358)**	**13,514**

The following table summarises the loans of the Giglio Group S.p.A. as of 31 December 2022, and highlights the amounts due within and beyond one year:

(Euro thousands)

Bank	Loan amount	Date of subscription	Expiration	Outstanding debt at 31/12/2022	0<>12 months	1 year<>2 years	2 year<>3 years	More than 3 years
INTESA								
Unsecured loan no. 0IC1047064869 - 60 months	1,000	28/06/2017	30/05/2023	275	206	69	0	0
CARIGE								
Loan no. F1227505707, MCC guarantee	550	30/11/2020	31/10/2026	527	135	136	139	117
Banca Popolare di Milano								
Loan no. 04838898 - MCC guarantee	2,000	23/11/2020	23/11/2026	1,446	358	365	373	350
UNICREDIT								
Loan no. 8406426/000	5,000	29/01/2020	31/07/2023	3,327	2,254	1,073	0	0
SACE BOND								
Loan no. I120C590730	5,000	10/04/2019	10/10/2027	3,741	737	740	749	1,515

TOTAL Giglio Group	13,550			9,316	3,690	2,384	1,261	1,982
	Overall Total			9,316	3,690	2,384	1,261	1,982

19. Trade payables

Balance at 31.12.2022 7,906

Balance at 31.12.2021 2,973

The following table shows a breakdown of the trade payables:

Trade payables	31.12.2022	31.12.2021	Change
Customer advances	2,649	206	2,443
Supply of goods and services	5,257	2,760	2,497
Credit notes to be issued	-	8	(8)
Total	**7,906**	**2,973**	**4,933**

The account recorded a € 4,933,000 increase if compared to the previous year, of which € 2,443,000 for Customer advances and € 2,497,000 for Payables to suppliers, both third-parties and inter-company, for received and not-yet-received invoices.

Customer advances mainly refer to the advance payments received by subsidiary E-Commerce Outsourcing S.r.l. for € 2,067,000 and by the related party Azointernational OU for € 550,000. These advance payments are related to the purchase of goods, in accordance to the Company's regular activities.

The increase in Payables to suppliers of goods and services is related to the increased number of invoices received by third-party suppliers for € 453,000, to the increased number of invoices to be received by third-party suppliers for € 984,00 and to the increased number of payables to inter-company suppliers (both for received and yet-to-be-received invoices) for € 1,228,000.

The breakdown of trade payables is shown below:

(Euro thousands)	**Year ended at 31 December 2022**	**Year ended at 31 December 2021**
Trade payables	*4,023*	2,364
- of which overdue beyond 60 days	*1,482*	*943*
- % overdue payables on total	*36.8%*	*39.9%*

The aforementioned balances refer to third-party and inter-company suppliers' payables net of invoices yet to be received and of clients' advance payments.

20. Tax payables

Balance at 31.12.2022 921

Balance at 31.12.2021 597

Tax payables	31.12.2022	31.12.2021	Change
Withholding taxes	314	360	(46)
VAT	253		
Foreign VAT	75	77	(2)
Income taxes	159	62	97
Social security institutions	120	98	22
Total	**921**	**597**	**324**

Tax payables relate to:

- Withholding taxes and taxes related to the normal operating activities of the company for € 314,000 and € 159,000 respectively;
- Social security institutions for € 120,000;
- VAT payables in Italy for € 253,000 and VAT payables abroad for € 75,000.

21. Other current and non-current liabilities

Balance at 31.12.2022 1,232

Balance at 31.12.2021 3,574

The overall balance is divided as follows between current and non-current liabilities:

Other liabilities	31.12.2022	31.12.2021	Change
Current	1,156	2,498	(1,341)
Non-current	76	1,076	(1,000)
Total	**1,232**	**3,574**	**(2,341)**

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

Other current liabilities	31.12.2022	31.12.2021	Change
Employee payables	74	141	(67)
Prepayments and accrued expenses	51	210	(159)
Other payables	1,031	2,148	(1,117)
Total	**1,156**	**2,498**	**(1,342)**

The account "Employee payables" refers to the annual leaves accrued by employees and not yet used, while the account "Accrued expenses" refers to the revenues pertaining to the following year.

The account "Other payables" includes the residual part of the amounts following the agreement for the transfer of the media area assets of Giglio Group (€ 2.6 million) to Vertice 360, as reported in the Closing Letter signed on 31 October 2019. On 7 March 2022, Giglio Group S.p.A. subscribed the minutes of conciliation between the parties in front of the Court of Milan, in which it undertook to pay, starting from March 2022, an overall amount of € 3 million in 15 instalments (14 of which at the constant value of € 197,000 and the last one at € 247,000 in May 2023).

The non-current portion's breakdown is as follows:

Other non-current liabilities	31.12.2022	31.12.2021	Change
Other payables	76	1,076	(1,000)
Total	**76**	**1,076**	**(1,000)**

The change, if compared to the previous year, is related to the restatement of Vertice 360 payable among other current liabilities.

NOTES TO THE CONSOLIDATED 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:

	31.12.2022	31.12.2021	Change
Revenues from contracts with customers	17,458	17,591	(133)
Other revenues	2,268	1,346	922
Total	**19,726**	**18,937**	**789**

As of 31 December 2022, revenues from contracts with customers amounted to € 19.7 million, increasing if compared to 31 December 2021 (€ 18.9 million).

This increase is mainly due to the other revenues and, more specifically, to the commercial transactions carried out with the Group's companies.

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:

	31.12.2022	31.12.2021	Change
Costs of goods	13,586	14,670	(1,084)
Consumables	1	10	(9)
Total	**13,587**	**14,680**	**(1,093)**

The account includes the costs incurred by the B2B segment of Giglio Group.

The drop, if compared to the previous year, is related - against unchanged revenues - to a higher use of inventories, which recorded a € -888,000 change during the period.

24. Service costs

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

	31.12.2022	31.12.2021	Change
Agents	321	381	(60)
Other service costs	57	90	(33)
Insurance	147	127	20
Bank, postal & collection commissions	85	99	(14)
Directors, statutory auditors and supervisory board fees	405	450	(45)
Consulting	1,403	1,493	(90)
Administrative costs	306	351	(45)
Customer service	-	-	-
Warehousing	300	453	(153)
Maintenance	15	10	5
Advertising, promotions, shows and fairs	3	38	(35)
Cleaning and surveillance	24	19	5
Transport & shipping	156	240	(84)
Utilities	54	61	(7)
Web marketing	-	-	-
Sales representatives	92	34	58
Total	**3,369**	**3,849**	**(480)**

The service costs of € 3.3 million are mainly ascribable to the counselling and the administrative costs referred to the Corporate division, amounting to € 1.4 million and € 0.3 million respectively, to which transport and shipment service costs for € 0.2 million, warehousing costs for € 0.3 million and agents for € 0.3 million must be added.

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:

	31.12.2022	31.12.2021	Change
Rental	52	60	(8)
Hire	4	35	(31)
Operating leases	6	21	(15)
Total	**62**	**116**	**(54)**

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:

	31.12.2022	31.12.2021	Change
Salaries and wages	1,208	1,489	(281)
Social security charges	342	473	(131)
Post-employment benefits	65	87	(22)
Total	**1,615**	**2,049**	**(434)**

Payroll expenses decreased on the previous year due to the reduction in the workforce recorded during the year.

27. Amortisation, depreciation & write-downs

The breakdown of the account is shown below:

	31.12.2022	31.12.2021	Change
Amortisation intangible fixed assets	63	62	1
Amortisation tangible fixed assets	247	305	(58)
Write-downs (Revaluations)	(3)	161	(164)
Total	**308**	**528**	**(220)**

With regards to item "Amortisation", see Notes 1. "Property, plant & equipment", 2. "Right-of-use assets" and 3. "Intangible assets", respectively.
With regard to the "Write-downs", se Note 9. "Trade receivables".

28. Other operating costs

The breakdown of the account is shown below:

	31.12.2022	31.12.2021	Change
Other taxes	6	5	1
Other charges	38	16	22
Penalties and fines	18	18	(0)
Prior year charges	17	69	(52)
Losses on receivables	-	-	-
Total	**79**	**108**	**(29)**

As of 31 December 2022, the account "Other operating costs" includes the payment of fines, different contributions and contingent liabilities recorded during the period.

29. Non-recurring revenues

The item, equalling € 1 million as of 31 December 2022, refers to the capital gains from the sale of Ibox.it URL to subsidiary E-Commerce Outsourcing S.r.l..

30. Financial income and charges

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

	31.12.2022	31.12.2021	Change
Interest income on bank accounts	-	0	(0)
Dividends	-	445	(445)
Other interest	-	3	(3)
Exchange gains	10	12	(2)
Financial income	**10**	**459**	**(449)**
Interests on current bank accounts	1	5	(4)
Other interests	178	686	(508)
Interests on invoice advances and factoring	50	68	(18)
Interests on mortgage loans	230	227	3
Interests on bond loans	205	281	(76)
Bank charges	15	4	11
IFRS 16 financial charges	9	14	(5)
Exchange losses	82	80	2
Financial charges	**770**	**1,364**	**(594)**
Total	**(760)**	**(905)**	**145**

The financial income decreased if compared to the previous year due to the lack of dividends approved and distributed by the subsidiaries throughout the period.

Financial charges dropped by € 594,000 due to lower other interests (amortised-cost interests) and to lower interests on bond loans.

31. Income taxes

The breakdown of the account is shown below:

	31.12.2022	31.12.2021	Change
Current taxes	(73)	24	(97)
Deferred taxes	83	255	(172)
Total	**10**	**279**	**(269)**

Current taxes refer to the IRAP tax for € 64,000, to taxes from previous years for € 6,000 and to consolidation charges for € 3,000.

Deferred taxes represent the change of deferred taxes during the period. These taxes were calculated especially on 2017 tax losses and on interest expenses exceeding the Company's Gross Operating Income ascribable to the tax consolidation of years 2020, 2021 and 2022.

The tax effects for the year are shown below:

(Euro thousands)	31.12.2022	31.12.2021
Pre-tax result	108	(3,403)
Theoretical tax charge	(30)	949
Effective tax charge	(73)	24
Deferred taxes	83	255
Net result	119	(3,123)
Theoretical tax rate	27.90%	27.90%
Effective tax rate	67.32%	0.71%

32. Directors, Statutory Auditors and Audit Firm Remuneration

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
A. Lezzi	25
F. Gesualdi	25
S. Armella	25
M. Belloni (until 14 January 2022)	5
C. Micchi (from 26 January 2022)	20
Total	**300**

Board of Statutory Auditors (Euro thousand)	
G. Mosci	38
L. Tacchino	32
M. Centore	32

Total	**102**

The fees of the independent audit firm were as follows:

(Euro thousands)

Recurring services	Service provider	Recipient	Consideration
Limited legal audit of the Consolidated Financial Statements	BDO Italia S.p.A.	Parent Company	26
Audit of the Annual Financial Statements of Giglio Group S.p.A.	BDO Italia S.p.A.	Parent Company	56
Checking the accounting records and making sure that the management performance is properly recorded on the accounts	BDO Italia S.p.A.	Parent Company	2
Audit of the Consolidated Financial Statements of the Group;	BDO Italia S.p.A.	Parent Company	9
Conformity audits of Consolidated and Statutory Financial Statements with ESEF regulation	BDO Italia S.p.A.	Parent Company	5
Audit of subsidiaries' Reporting Package	BDO Italia S.p.A.	Parent Company	12
Total services			**110**

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

33. Commitments, guarantees and contingent liabilities

Guarantees

Mr. Alessandro Giglio, reference partner of the holding company Meridiana Holding S.p.A., has provided personal guarantees on some Loans held by the company as of 31 December 2022.

The details are shown below:

Commitments and guarantees (Euro thousand)

Entity	Guarantee Value	Amount guaranteed
B.POP Sondrio	900	189
Banco BPM	650	650
UNICREDIT	536	536
Total bank guarantees	**2,086**	**1,376**
EBB bond loan	1,500	1,500
Total guarantees	**3,586**	**2,876**

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.

Following the ordinance of 20 February 2022, the Court ordered Giglio Group to: provide a copy of the invoices received from 2016 to 2021 regarding the clients indicated by the counterparty, a copy of the invoices issued in the same time-frame to the following clients and its stock summaries. The deadline for the provision of such documents was set at 30 May 2022, and the hearing was postponed to 13 July 2022.

Via ordinance of 06 April 2022, the Judge revised the terms previously granted, assigning the deadline of 30 June 2022 for the submission of the documentation requested, thus postponing the hearing to 16 September 2022.

During the hearing of 16 September 2022, the counterparty insisted that the margin linked to the products sold to customers acquired through Servizi Italia be calculated, primarily of the entire linked margin. The request was duly challenged.

In the meantime, contacts have been resumed with the opposing lawyers to attempt a settlement provision and a new proposal has been formulated equal to € 300,000 to be paid in 12 instalments. No response from the counterparty has yet been received on this proposal.

The lawyer representing Giglio Group S.p.A. believes the positive outcome of the lawsuit to be possible. Nonetheless, the Company maintained its recorded debt at € 285,000.

34. 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.

A comparison between the book value and the fair value of financial assets and liabilities as of 31 December 2022 is presented below.

		31.12.2022		31.12.2021	
Consolidated Statement of Financial Position (Euro thousands)		**Carrying amount**	**Fair Value**	**Carrying amount**	**Fair Value**
Non-current assets					
Property, plant & equipment	(1)	54		101	
Right-of-use assets	(2)	213		406	
Other intangible assets	(3)	119		164	
Goodwill	(4)	3,249		3,249	
Investments in joint ventures	(5)	11,313	11,313	10,876	10,876
Receivables	(6)	797	797	2,701	2,701
Deferred tax assets	(7)	1,011		944	
Total non-current assets		**16,756**		**18,441**	
Current assets					
Inventories	(8)	605		1,493	
Trade receivables	(9)	6,357		3,784	
Financial receivables	(10)	2	2	2	2
Tax receivables and deferred tax assets	(11)	263		434	
Other assets	(12)	99	360	232	
Cash and cash equivalents	(13)	105	105	144	144
Total current assets		**7,431**		**6,089**	
Assets held for sale/discontinued operations					
Total Assets		**24,187**		**24,529**	
Equity	(14)				
Issued capital		4,394		4,394	
Reserves		24,049		23,996	
Extraordinary reserve		-		-	
Listing fees		(541)		(541)	
FTA Reserve		4		4	
Retained earnings		(27,617)		(24,493)	
Foreign Currency Translation reserves		-		-	
Net profit/(loss)		119		(3,123)	
Total Group Equity		**408**		**235**	
Minority interest in equity					
Total Net Equity		**408**		**235**	
Non-current liabilities					
Provisions for risks and charges	(15)	-		-	
Post-employment benefit funds	(16)	204		276	
Deferred tax liabilities	(17)	1		1	
Other non-current liabilities		76		1,076	
Financial payables (non-current portion)	(18)	5,812	5,812	9,966	9,966
Total non-current liabilities		**6,093**		**11,319**	
Current liabilities					
Trade payables	(19)	7,906		2,974	
Financial payables	(18)	7,702	7,702	6,907	6,907
Tax payables	(20)	921		597	

Other liabilities	(21)	1,156	2,498
Total current liabilities		**17,686**	**12,976**
Assets held for sale and liabilities directly associated with assets held for sale and discontinued operations			
Total liabilities and Equity		**24,187**	**24,529**

Medium-term loan

As of 31 December 2022, the Company presents a NFD of about € -13.5 million.

Amongst the non-current financial liabilities, the payable for the "EBB Export Programme" bond issued on 2019 and the non-current portion of the medium/long-term unsecured bank loans are included.

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..

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 29 December 2022, SACE, as guarantor of the bond, gave its consent to the bondholder EBB S.r.l. to grant the waiver related to the non-compliance with the "Leverage Ratio" and "Gearing Ratio" financial parameters with regard to the test date of 31 December 2022. On 7 April 2023, EBB S.r.l. ratified the waiver granted by SACE on 29 December 2022.

35. Related-parties transactions (Article 2427, paragraph 1, no. 22-bis of the Italian Civil Code)

The Related Parties and their transactions for 2022 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 companies defined as Related Parties, along with their relation with the Company, are reported below:

- Meridiana Holding S.p.A.. is the majority shareholder of the Company, owning 55.66% of its share capital.
- Max Factory S.r.l. is a company fully controlled by Meridiana Holding S.p.A..
- Azo Asia Limited is a company fully controlled by Meridiana Holding S.p.A..
- Azo International OU is a company fully controlled by Meridiana Holding S.p.A..

The following tables report the transactions and balances with Related Parties at 31 December 2022. The data indicated in the following tables are taken from the financial statements of the Issuer and/or from the general accounting data.

Related Party Transactions as of 31 December 2022

		Trade receivables	Financial receivables	Trade payables	Financial payables	Sales revenues	Operating costs	Non-recurring revenues	Financial income	Financial charges
A	**Subsidiaries**	1,571	605	4,737	1,148	2,607	2,497	1,050		
B	**Holding companies or subject to joint control**			550	732					90
C	**Related companies**									
D	**Subsidiaries**									
AND	**Joint ventures**									
F	**Senior Executives, of which:**	-	-	-	-	-	-		-	-
	Executive Directors									
	Non-Executive Directors									
	Others									
G	**Other related parties, of which:**	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**-**
	Board of Statutory Auditors									
	Joint ventures									
	Close Relatives									
	Others									
	Total (A;B;C;D;E;F;G)	**1,571**	**605**	**5,287**	**1,880**	**2,607**	**2,497**		**-**	**90**

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**	**Salotto di Brera**	**Media 360 HK**	**E-Commerce Outsourcing**	**IBOX SA**
Giglio Group	-	(18)	-	31	-	13	1,545
E-Commerce Outsourcing	3,508	-	-	-	-		-
Giglio USA	-	-	-	-	-	-	-
Giglio Shanghai	-	-	-	-	-	-	-
Salotto di Brera	1,209	-	-	-	-	-	-
IBOX SA	20	-	-	-	-	-	-

Financial receivables and payables

Receivables/Payables	**Giglio Group**	**Giglio USA**	**Giglio Shanghai**	**Salotto di Brera**	**Media 360 HK**	**E-Commerce Outsourcing**	**IBOX SA**

Giglio Group	-	102	40	-	13	-	450
E-Commerce Outsourcing	1,148	-	-	-	-	-	-
Giglio USA	-	-	-	-	-	-	-
Giglio Shanghai	-	-	-	-	-	-	-
Salotto di Brera	-	-	-	-	-	-	-
IBOX SA	-	-	-	-	-	-	-
Metarevolution	-	-	-	-	-	-	-

Commercial revenues and costs

Revenues/Costs	Giglio Group	Giglio USA	Giglio Shanghai	Salotto di Brera	Media 360 HK	E-Commerce Outsourcing	IBOX SA
Giglio Group		769		661	-	1,040	136
E-Commerce Outsourcing	35						-
Giglio USA	-						-
Giglio Shanghai	15					-	
Salotto di Brera	2,448						
IBOX SA	-					-	

Non-recurring revenues

Revenues/Costs	Giglio Group	Giglio USA	Giglio Shanghai	Salotto di Brera	Media 360 HK	E-Commerce Outsourcing	IBOX SA
Giglio Group						1,050	

The nature of the transactions in the above table are as follows: (i) for E-Commerce Outsourcing, Giglio USA, Ibox SA and Salotto di Brera S.r.l., 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; (iii) for Salotto di Brera S.r.l., they refer to the supply of goods.

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 S.p.A., who carried out a financing to the Group. On 20 December 2020, Azo Asia Limited transferred its financial receivables to Meridiana Holding S.p.A.. As of 31 December 2022, the overall debt amounts to € 0.7 million.
- AZO International OU Private Limited Company: Estonian registered company, owned by Meridiana Holding S.p.A., which, during 2022, made payments related to commercial

transactions for a total of € 550,000.

The remuneration paid in 2022 to the Board of Directors of the Issuer amounted to Euro 300 thousand.

36. Dividends

In line with the approval of the guidelines of the 2023-2027 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)		31.12.2022	of which related parties	31.12.2021	of which related parties
Non-current assets					
Property, plant & equipment	(1)	54		101	
Right-of-use assets	(2)	213		406	
Intangible assets	(3)	119		164	
Goodwill	(4)	3,249		3,249	
Investments in joint ventures	(5)	11,313		10,876	
Receivables	(6)	797	*605*	2,701	*2,507*
Deferred tax assets	(7)	1,011		944	
Total non-current assets		**16,756**	**605**	**18,441**	**2,507**
Current assets					
Inventories	(8)	605		1,493	
Trade receivables	(9)	6,357	*1,571*	3,784	*1,392*
Financial receivables	(10)	2		2	
Tax receivables and deferred tax assets	(11)	263		434	
Other assets	(12)	99		232	
Cash and cash equivalents	(13)	105		144	
Total current assets		**7,431**	**1,571**	**6,088**	**1,392**
Total Assets		**24,187**	**2,176**	**24,529**	**3,899**

Equity	(14)				
Issued capital		4,394		4,394	
Reserves		24,049		23,996	
Extraordinary reserve		-		-	
Listing fees		(541)		(541)	
FTA Reserve		4		4	
Retained earnings		(27,617)		(24,493)	
Foreign Currency Translation reserves		-		-	
Net profit/(loss)		119		(3,123)	
Total Net Equity		**408**	**-**	**236**	**-**
Non-current liabilities					
Provisions for risks and charges	(15)	-		-	
Post-employment benefit funds	(16)	204		276	
Deferred tax liabilities	(17)	1		1	
Financial payables (non-current portion)	(18)	5,812		9,966	
Other non-current liabilities	(21)	76		1,076	
Total non-current liabilities		**6,093**	**-**	**11,319**	**-**
Current liabilities					
Trade payables	(20)	7,906	*5,287*	2,974	*75*
Financial payables (current portion)	(18)	7,702	*1,880*	6,907	*2,107*
Tax payables	(21)	921		597	
Other liabilities	(21)	1,156		2,498	
Total current liabilities		**17,686**	**7,167**	**12,976**	**2,182**
Total liabilities and Equity		**24,187**	**7,167**	**24,529**	**2,182**

Statement of Profit or Loss (Euro thousands)		**31.12.2022**	**of which related parties**	**of which non recurring**	**31.12.2021**	**of which related parties**
Total revenues from contracts with customers	(22)	**17,458**	**2,607**		**17,591**	**2,691**
Other revenues	(22)	2,268			1,346	
Capitalised costs	(23)	0			0	
Change in inventories		(888)			(103)	
Purchase of raw materials, ancillary, consumables and goods	(23)	(13,587)	*(2,497)*		(14,680)	*(1,825)*
Service costs	(24)	(3,369)			(3,849)	
Rent, lease and similar costs	(25)	(62)			(116)	
Operating costs		**(17,018)**	**(2,497)**	**0**	**(18,646)**	**(1,825)**
Salaries and wages	(26)	(1,208)			(1,489)	
Social security charges	(26)	(342)			(473)	
Post-employment benefits	(26)	(65)			(87)	
Payroll expenses		**(1,615)**	**0**	**0**	**(2,049)**	**0**
Amortisation	(27)	(63)			(62)	
Depreciation	(27)	(247)			(305)	
Write-downs	(27)	3			(161)	
Amortisation, depreciation & write-downs		**(308)**	**0**	**0**	**(528)**	**0**
Other operating revenues (costs)	(28)	(79)			(108)	
Operating profit		**(182)**	**109**	**0**	**(2,498)**	**866**
Non-recurring revenues (charges)	(29)	1,050	*1,050*	1,050		
Financial income	(30)	10			459	*54*

Net financial charges	(30)	(770)	*(90)*		(1,364)	*(14)*
Profit before taxes		**108**	**1,069**	**1,050**	**(3,403)**	**906**
Income taxes	(31)	10			279	
Profit for the period		**119**	**1,069**	**1,050**	**(3,123)**	**906**

40. 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 2022 are reported below.

Giglio Group's Financial Statements as of 31 December 2022 were closed with a profit of € 119,000, which led to a net equity of € 408,000.

Nevertheless, 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 diminishes within a third of the capital by the following fiscal year.

Said deadline for the losses accrued as of 31 December 2020 and 31 December 2021, has been postponed to the following fifth fiscal year, pursuant to the provisions set forth in Law no. 178 of 30 December 2020 and in Legislative Decree no. 228 of 30 December 2021 (converted with amendments by Law no. 15 of 25 February 2022), which allowed listed companies to temporarily suspend some provisions on capital reductions for losses.

More specifically, the regulation provided for the following:

1. With regard to losses that arose during the fiscal year, before 31 December 2021, the non applicability of Art. 2446, par. 2 and 3, Art. 2447, Art. 2482-bis, par. 4, 5 and 6, and Art. 2482-ter of the Italian Civil Code, as well as the non operability of the dissolution of the company due to share capital reduction or loss, as governed by Art. 2484, par. 1, number 4) and Art. 2545-duodecies of the Italian Civil Code;

2. The postponement to the fifth following fiscal year of the term in which the loss must be diminished by a third, as provided by Art. 2446, par. 2 and Art. 2482-bis, par. 4 of the Italian Civil Code;

3. The following describes the Statement of Changes in Equity, with an highlight of the suspended losses:

Descrizione *(Valori in migliaia di euro)*	Capitale sociale	Riserve	Riserva FTA	Altre Riserve	Riserva IAS19	Risultati portati a nuovo	Utile (perdita) del periodo	Totale
SALDO AL 31 DICEMBRE 2021	**4.394**	**24.055**	**4**	**(541)**	**(59)**	**(24.493)**	**(3.123)**	**235**
Aumento capitale sociale								-
Riserva sovrapprezzo								-
Versamento soci in c/capitale								-
Risultato a nuovo							3.123	3.123
Perdite anno 2020 sospese L. 30 dicembre 2020 n.178								-
Perdite anno 2021 sospese D.L. 30 dicembre 2021 n. 228						(3.123)		(3.123)
Riserva IAS 19					54			54
Effetti cambi								-
Altri movimenti							119	119
Risultato di periodo								-
SALDO AL 31 DICEMBRE 2022	**4.394**	**24.055**	**4**	**(541)**	**(5)**	**(27.616)**	**119**	**408**
di cui perdite in regime di sospensione L. 30 dicembre 2020 n.178 esercizio 2020						(8.419)		
di cui perdite in regime di sospensione D.L. 30 dicembre 2021 n.228 esercizio 2021						(3.123)		

The non operability of the dissolution of the company due to share capital reduction or loss until the date of said Shareholders' Meeting (i.e. 2025 and 2026), as set forth in Art. 2484, par. 1, number 4) and Art. 2545-duodecies of the Italian Civil Code;

4. The specific and separate statement of the losses in the Explanatory Notes, as set forth in par. from 1 to 3. The Industrial Plan 2023-2027, approved on 30 March 2023 by the Board of Directors, provides for the recovery of said losses throughout the whole duration of the plan.

The new Industrial Plan considers a GMV (Gross Merchandise Value - reference value for e-commerce transactions) acceleration at a cumulative growth rate of about 8% (CAGR) 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 a linear revenues increase , with a sustainable profitability (Ebitda/Revenues) on the long term, whose incidence should be of more than 13% in the last year of the plan. The objective is to strike a balance between B2B activities - including the distribution to digital marketplaces (developing strongly as channel for stock disposal and the business of Salotto di Brera (specialised in travel retail within cruise ships and duty-free shops in ports and airports) - and B2C activities, which boast the cutting-edge technological solutions proposed by Terashop's platform (E-Commerce Outsourcing's) integrated and customised also for

IBOX SA's clients, capable of dealing with products from all sectors (fashion, design, electronics, DIY and food 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 remeasured financial needs for investments against the previous fiscal years, following the acquisition of the technological expertise of ECO and the internal investments carried out throughout 2020-2022 on the platforms and aimed at providing additional services to partnering brands. The Directors carried out adequate sensitivity analyses on the main hypotheses of the Plan.

It is noted that 2023 budget used by the Directors for assessing the existence of the going concern provides for the generation of a positive cash flow, with economic indicators again positive. This provision, however, also includes some assumptions, whose eventual incomplete implementation (singularly and/or cumulatively), may lead to a reduction of the Plan's results. The main assumptions made by the Directors for the assessment of 2023 cash flow are as follows:

- Commercial and organic growth of the B2C division (9% on Revenues and 6% on GMV), characterised by the immediate payment from users and the deferred payment of goods and services to suppliers; This growth, which shall have an impact on the EBITDA margin, is mainly ascribable to the purchase of new clients, as well as to the improvements made to the platforms, allowing for the production of additional revenues;

- The B2B model, on the other hand, recorded a 10% commercial growth of its Revenues, while still aiming at facilitating brands' indirect online sales on behalf of major e-commerce platforms around the world, offering an additional distribution to physical networks. This growth, which shall have a 12.5% impact on the EBITDA margin, is mainly ascribable to the combined effect of the post-pandemic sales recovery and to the expected growth of Salotto di Brera S.r.l., for 2023 (+15%).

- Processes improvement and consequent costs reduction following the streamlining of the Group's business activities, as well as other saving activities carried out thanks to infra-group synergies (legal costs reduction, payroll reductions, administrative advise cost reductions...);

- 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;

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

2023 budget and 2024-2027 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;

1. Negotiation with banking institutes in order to support the working capital required to foster the e-commerce business and its distribution of fashion goods, as demonstrated by the activation of several financing agreements both in 2022 and in the beginning of 2023. For this purpose, it is noted that, at the beginning of 2023, the subsidiary Salotto di Brera S.r.l. subscribed two financing agreement of € 2.5 million and € 1 million respectively with Banca Progetto, upon the issue of the guarantee from SACE, thus confirming the reliability towards leading credit institutions. The Industrial Plan 2023/2027 takes into account the increased interest rates on payables to credit institutions compared to the contractual rates recorded in the year ended 31 December 2022.

2. Meridiana Holding S.p.A.. reached an agreement with the Company through which the outstanding debt related to the funding granted by the former was converted from USD to EUR at 1:1 exchange rate of 31 August 2022 and the reimbursement of the same was set to be carried out through three quarterly instalments of equal amount, the first of which expired on 15 March 2023 and was duly reimbursed as per plan.

3. On 29 December 2022, SACE, as guarantor of the bond, gave its consent to the bondholder EBB S.r.l. to grant the waiver related to the non-compliance with the "Leverage Ratio" and "Gearing Ratio" financial parameters with regard to the test date of 31 December 2022. The company shall request an extension of the waiver to SACE/EBB Export for the test date of 30 June

2023, and the Directors believe that there is a reasonable expectation that said extension will be approved, given its approval for the previous fiscal years.

4. The Board of Directors of 15 December 2021, as per draft proposal on the agenda *"As of now, a proxy for increase in kind is still active, to be exercised within five years from its resolution (i.e. until 12 November 2025), which allows the administrative bodies to increase the share capital by a maximum amount of € 366,133.70 (10% of the existing capital at the time), plus share premium. To this, a proxy for simplified increases up to 10% of the existing capital as of today shall be available, pursuant to Art. 2441, par. 4, second sentence, that is, also a wider proxy with ordinary procedure."*, resolves to vest the Chairman of the Board of Directors with all powers necessary for carrying out a capital increase.

It is noted that, with regard to the capital increase of the Parent Company Giglio Group S.p.A., the Board of Directors held on 14 September 2022 vested the Chairman with the power to carry out all preparatory activities needed to execute said capital increase. It is believed that this increase can be carried out in the last quarter of 2023, as foreseen in the 2023-2027 budget/plan approved by the directors.

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With the exit from COVID 19, 2023 started with the hope of resuming regular economic/financial activities based on expectations of good economic growth.

Unfortunately, however, as it is known, the general context became once again very complex due to the geopolitical circumstances that characterised 2022 and the first months of 2023, namely the Russian-Ukrainian conflict.

The European Union, as well as the United Kingdom and the United States of America, immediately imposed hefty economic sanctions to the attacking country.

The effects of these sanctions, in turn, generated a significant economic and social impact both for Russia and for NATO's countries.

In Italy, we immediately recorded the increase of raw material's prices, as well as significant difficulties in the supply of some products from the Russian/Ukrainian market that, in the short term, shall lead to a drop in supply and, thus, to a natural increase in value.

Therefore, in light of the above, the direct and indirect impacts that the Russian/Ukrainian conflict may cause to Italian enterprises (according to their sector of engagement) are quite evident, both in terms of materiality of the impact and in terms of positive/negative trends of each supply chain and target market in which they operate, also geographically. The Board of Directors highlights that the Company's activities should not face an economic and financial upheaval capable of threatening the Company's going concern.

However, some slowdowns that occurred during the second half of 2022 should be noted, limited to some customers located in Eastern countries whose orders were postponed to the first half of 2023, the effect of which, compared to the 2022 budget, resulted in revenues down by 15%. However, the Board shall constantly monitor the evolution of the conflict and shall promptly undertake all appropriate actions in order to preserve the Company's going concern.

Despite the aforementioned significant uncertainties, the Directors believe that the results envisaged in the Plan shall be achieved, thus confirming the existence of the assumption of the Company's going concern for at least, but not limited to, twelve months from the reporting date.

Said assessment is obviously arising from a subjective assessment that took into account the likelihood of the occurrence of the events and uncertainties mentioned above.

Lastly, the Directors, aware of the inherent limits of their assessment, ensure that a constant monitoring of the evolution of the factors taken into consideration will be kept, so as to adopt, should the need arise, the necessary adjustments and to provide for, with analogous promptness, the fulfilling of the disclosure obligations to the market.

41. Allocation Proposal

On 13 April 2023, the Board of Directors of the Company proposed the following:

The Parent Company's Financial Statements as of 31 December 2022 were closed with a profit of € 119,000, which led to a net equity of € 408,000.

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 and 31 December 2021, shall be postponed to the following fifth fiscal year, pursuant to the provisions set forth in Law no. 178 of

30 December 2020 and in Legislative Decree no. 228 of 30 December 2021 (converted with amendments by Law no. 15 of 25 February 2022), which allows listed companies to temporarily suspend some provisions on capital reductions for losses (such as Art. 2446 and 2-bis), thus postponing to the following fifth fiscal year the obligation to offset the losses.

The Board of Directors formulates the following draft proposal:

Dear Shareholders,

The Board of Directors of the Company, taking into account that:

(i) The Financial Statements of Giglio Group S.p.A. as of 31 December 2022 shall be closed with a profit of € 118,670.56.

(ii) The Financial Statements of Giglio Group S.p.A. as of 31 December 2022 records losses carried forward for a total of € -27,616,849.81, of which € -8,419,120 related to 2020 and € -3,123,461 to 2021.

submits to your attention the following draft resolution:

"Giglio Group S.p.A. ordinary Shareholders' Meeting:

- Having assessed the figures of the Financial Statements as of 31 December 2022, with the relative reports presented by the Board of Directors, the Board of Statutory Auditors and the Auditing Company;
- Having taken note of the figures of the Financial Statements as of 31 December 2022, with the relative reports presented by the Board of Directors, the Board of Statutory Auditors and the Auditing Company;

  resolves
- to approve the Financial Statements as of 31 December 2022, closing with a profit of € 118,671, thus confirming the decision to carry forward said profit, together with the losses already carried forward in the previous fiscal years, until the fifth following fiscal year (i.e., 2026), pursuant to Art. 6 of the Decree-Law no. 23 of 8 April 2020 as amended and integrated".