E-MARKET SDIR CERTIFIED

GIGLIO

Annual & Consolidated Financial Statements as of 31 December 2021

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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 appointed by the Shareholders' Meeting on 21 June 2021 and CEO starting from 11 November 2021
Anna Lezzi	Executive Director appointed by the Shareholders' Meeting on 21 June 2021
Sara Armella	Independent Member appointed by the Shareholders' Meeting on 21 June 2021
Francesco Gesualdi	Independent Member appointed by the Shareholders' Meeting on 21 June 2021

Carlo Micchi Board Member co-opted on 26 January 2022

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

Francesco Barreca

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 division provides both a strategic and operational support, by accompanying its customer base in the creation and implementation of loyalty and engagement programmes (by using digital technologies such as marketing automation), thus providing for a complete service, from the identification of the digital behaviour of the user -which, in the event of promotional prize contests, leads to the accrual and management of loyalty points- to the consultancy on the correct tax and legal framework of the promotional prize contests.

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 2021, 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.

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

From 1 March 2021, to complement the proprietary technology of Terashop and its know-how in creating top-standing e-commerce portals and projects, a company branch specialised in marketing automation was leased from 7Hype S.r.l., along with the use of 7Hype's and Marketing Automation Academy's trademarks. The vertical know-how on marketing automation and the international technological partnerships that 7Hype has built over time were inserted in the digital division of the Group, in the "Engagement and Marketing Automation" products category, in order to provided digital services aimed at increasing the performances of e-commerce portals and the digitalisation of B2C and B2B sales strategies of companies.

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.

Lastly, with regard to the Healthcare division that influenced significantly 2020 results and, more specifically, 2020 H1, following the evolution of the pandemic, it experienced a sharp slowdown. The Company's management is currently assessing new prospects for the division in 2022, leveraging on its digital know-how and on its international presence.

THE REFERENCE MARKET

The following considerations arise from the 2021 research called "True-Luxury Global Consumer Insight" signed by the Boston Consulting Group (BCG) in collaboration with the Altagamma

Foundation, that has now reached its eighth edition and represents the most complete and innovative research on "True-Luxury" consumers.

The research was drafted with the aim to provide an exclusive and all-comprehensive outlook on "True-Luxury" consumers: • All luxury categories taken into account: from personal luxury (clothing products, accessories, jewellery, watches, perfumes and cosmetics...) to experiential luxury (hotels, restaurants, wines and liquors...); • Size and relevance of the sample: the research involved more than 12.000 interviewees with an average expenditure on luxury goods of about € 33.000 per year, whose decrease if compared to 2020 is in line with the market's decline caused by Covid-19 pandemic; • Wide geographical coverage: the research includes the 10 countries with the highest level of luxury goods expenditure in the world - United States of America, United Kingdom, Italy, France, Germany, Brazil, China, Japan, South Korean and Russia - with the addition of the United Arab Emirates and Saudi Arabia; Ad hoc advisory committee: composed of more than 20 companies of the luxury sector, the Committee provides recommendations on main trends. Following the harsh stop of 2020 due to the Covid-19 pandemic, which generated a loss for the personal and experiential global luxury market of 22% and 50% respectively, both markets are now in full recovery and it is assessed that 2021 will end with a 20-30% growth for personal luxury and 60-70% one for the experiential luxury, if compared to 2020. This recovery is strongly linked to the positive evolution of the pandemic situation, which is presenting an even better outlook for the future, in particular thanks to the development of a vaccine, which allowed for the governments to launch vaccination campaign and thus progressively relax, if not completely remove, the restrictions. Under these conditions, people can gradually return to go shopping and to travel, thus boosting the sales of luxury goods. Nevertheless, it is assessed that this renewed optimism will not suffice to push the global luxury market to pre-pandemic levels by the end of this year; more specifically, it is assessed that the personal luxury market will close 2021 between -5% and the same market values of 2019, while the experiential market, still suffering from the uncertainty of most travellers, is assessed to close up between -15% and -20% if compared to 2019 figures. Despite the above, however, the progress made wit the global vaccination campaign and the gradual return to a pre-pandemic lifestyle will allow to both markets to recover 2019 levels by the end of 2022; more specifically, the assessment for the personal luxury market are more optimistic, given that they provide for a 2022 closure between 5% and 10% above 2019 market value. Conversely, the experiential market is subject to more conservative projections, that place it between -3% and +3% if compared to pre-pandemic figures.

2021 recovery signals, already evident from the market models, come also from the mouth of the consumers themselves, whose sentiment was measured through Altagamma's survey with the purpose of collecting their feelings for the next 12 months. In general, to the question of expenditure expectations on personal luxury goods for the next year, 35% of the interviewees declared to expect an increase in their consumption within their country of habitual residence, while 24% of the consumers expects an expenditure reduction. On the basis of this data, a 2.5% increase in the average expenditure (€) is expected in the countries of habitual residence, while the projections for expenditure abroad are more pessimistic (an assessed 4.7% drop): only 29% of consumers expects an expenditure increase, while 36% of them is expecting a drop in consumption. With regard to experiential luxury goods, 36% of consumers expect an increase in consumptions within their countries of habitual residence, a figure that soars to 52% for consumptions abroad. These figured are counterbalanced by 25% and 35% respectively of consumers with downward expectations, with consequent projections of expenditure increase that reach a higher level for the consumption abroad (+14.1%) if compared to that in the country of habitual residence (+2.4%). In the current state, as far as personal and experiential luxury goods are concerned, the consumers' sentiment is somehow contrasting, with the former benefiting more from the local expenditure and the latter from the foreign one. Before the COVID-19 emergency, the most substantial consumers' group (the so-called "Other Aspirational") accounted for 62% of the global luxury market in terms of value and for 90% in terms of population, followed suit by the "True Luxury", accounting for 31% of the market value, and "Top Aspirational", accounting for 7%. With the pandemic outbreak, the "Other Aspirational" category suffered particularly, with a loss of almost 20% of its consumers and a decrease in market share form 62% to 55% in value terms. By contrast, the "True-Luxury" category better withstood the shock, thus achieving an increase in market share between 30% and almost 40%. This increase was possible thanks to the two wealthiest consumers categories, the "Beyond Money" and the "Top Absolute", characterised by an annual luxury expenditure of more than € 20,000. Both categories grew by about 17% in value terms, increasing their overall share from 6% to 12%. This boost was strongly facilitated by smart working policies, popular during the pandemic, which allowed these categories to obtain greater flexibility and time, thus promoting an increased expenditure.

Looking ahead, in 2025, it is expected that 30% of the global luxury market's growth - assessed at about € 580 billion (15% CAGR if compared to 2020) - will be generated by "True-Luxury" consumers. About 60% of it, on the other hand, will be coming from the "Other Aspirational" category that, thanks to a 16% expected growth (CAGR) in market value, will raise again their market share to 57%, albeit still below pre-pandemic levels. This increase will be strongly driven by a 30% growth in the number of consumers belonging to this category, boosted in turn by the growing trend of the Chinese middle class to progressively gain interest in the luxury market.

In a general context that sees caution in European luxury goods consumers with regard to domestic expenditure (the expenditure change expectations go from -1% to +1% if compared to the previous year), as well as pessimism with regard to the consumption abroad (with the exception of Germany, that records values around -1%, the other figures reach -5.7% in the United Kingdom and -11% in Italy) for the next 12 months, North American and Chinese consumers stand out for their optimism, serving as possible promoters of the personal luxury goods market's growth in the near future. However, the implications arising from said bullish expectations are different for each territory. On the one hand, Chinese consumers expect to spend 6% more in the coming 12 months if compared to the previous year, counterbalanced by a -5.6% expected consumption abroad. These expectations, together with the intention expressed by 70% of Chinese consumers to repatriate at least half of their luxury goods expenditure even after the end of the healthcare emergency, further strengthens the chance that the expenditure repatriation trend by Chinese consumers, which had begun with the outbreak of the pandemic, may continue in the near future. The share of consumption abroad, assessed at 56% in 2019, is destined to further shrink in the following years and, given the great influence that these consumers have on the global luxury market, the brands may be forced to make investments in order to strengthen their presence on the Chinese territory, thus avoiding the risk to lose the opportunities arising from this scenario. Conversely, North American consumers showed a certain optimism both on local and abroad consumption, with the first one enjoying particularly positive expectations (bringing the expected expenditure difference to +7.7% in the coming year, if compare to the previous one), while the second one record milder expenditure projections (+1.4%). The United States of America thus seem to be ready to recover their importance on the global luxury market, which was partially lost in the previous years, even though the implications for luxury brands, in this case, are not as relevant as in the Asian country, given the substantial continuity with pre-Covid market trends that do not require relevant changes in strategy. In any case, it is assessed that both North American and Chinese consumers will overcome the pre-pandemic estimates in terms of financial impact. More specifically, North Americans are expected to record a +2-3% increase on pre-Covid figures, with an estimated relevance between 19-21% in 2025. For Chinese consumers, the acceleration on the pre-pandemic estimates was quantified at +3-4%, with an expected relevance between 43-45% in 2025.

With regard to categories, the outbreak and propagation of the pandemic throughout the world produced different effects on the different type of goods. More specifically, the best performances in terms of recovery came from Perfumes & Cosmetics and from Leather Goods & Accessories, which showed a high degree of resilience to the pandemic. Consequently, it is assessed that these will be the only two categories that will return to pre-Covid levels by the end of 2021. More specifically, it is assessed that the two categories, having suffered between 2019 and 2020 a 15-25% drop (Perfumes & Cosmetics) and a 10-20% drop (Leather Goods & Accessories), will close 2021 on par with 2019 levels in the worst case scenario, and with +10% in the best one.

The virtualization of luxury goods is a strongly rising market that can constitute a great opportunity for brands in terms of creation of new revenue flows. More specifically, the interactions between brands and consumers through online videogames are a phenomenon that is currently undergoing different evolutions in the various territories of the world. As a matter of fact, the popularity of these initiatives between the consumers is greater in China and in the United States, with about 50% of consumers aware of these initiatives, regardless of their age. Conversely, in Europe and in the rest of the world, the phenomenon is less advanced, with about 3 consumers out of 10 declaring to be aware of this. The research highlights how these initiatives have a high potential both in terms of alternative revenue sources and as marketing tools to support the sales of physical goods: indeed, 55% of consumers who declared to be aware of the existence of online videogames that involve a luxury brand also bought a virtual item within the game and, among them, 86% states to have also purchased the corresponding "non-virtual" version. In addition to this, a further 13% declared to be interested in said purchase in the future. This constitutes a great opportunity for luxury brands that, should they be capable of increasing the popularity of said initiatives, will create an alternative income source and will benefit from a marketing instrument with a high-conversion potential. The fear of a potential negative perception of the consumers with regard to the partnership between brands and videogames providers is completely unfounded, given that the interviewees expressed positive opinions in more than 50% of the cases and negative ones in less than 10% of them. "Non-Fungible Tokens", also known as NFT, that is, those digital certification instruments aimed at ensuring the authenticity of these virtual items, can also be exploited for the development of other applications outside of the gaming sector, such as, for example, the creation of virtual showrooms aimed at selling and showcasing digital items, thus replicating the experience of the physical store in the virtual world.

Last year, 46% of "True-Luxury" consumers finalised their purchases within the store, whit 30% of them stating that they carried out online researches before finalising the purchase. This phenomenon goes to underline the importance, for brands, to provide a seamless sales experience, thus emphasizing the need to redesign the role of each channel with the purpose of creating an ecosystem in which the service points strengthen one another, as well as to satisfy the consumers who are starting to establish a relationship with the brand that is disregarding more and more the single sales channel. More specifically, the physical store will be the one to undergo the greater change in role in light of the gradual switch of their main target from sales generation to experience creation. This will allow clients, even potential ones to relate with the products and the values of the brand, leaving most of the sales conversion work to online channels. This phenomenon became even more important after the pandemic outbreak, which accelerated the online migration and increased the importance of omni-channel experience. As a matter of fact, the luxury market pre-Covid estimates as of 2023 expected a 25% share for offline sales, 55% for omni-channel and the remaining 20% divided between brand-com and multi-brand and platforms; nowadays, the updated estimates show an even smaller importance of the offline channel, expected at 15%, and an increased relevance for omni-channel (at 60%) and brand-com and multi-brand and platform strategies (11% and 14% respectively). In general, if compared to e-commerce, the omni-channel experience generates an even greater value, estimated between +30% and +50% in terms of cross-selling on Click & Collect transactions, from 2 to 3 times in terms of ATV from in-store appointments booked online if compared to the AOV for pure online transactions and, in addition to this, also a minor "cost-to-serve" (e.g., logistic and shipping costs, less returns).

SOCIAL MEDIA BOOST & LIVE COMMERCE (LIVESTREAMING) With ever more direct and digital-centred interactions between brands and consumers, the need to involve clients through different channels and in a differentiated manner is more and more urgent. Consumers purport to develop their opinions and to reach their consumption decisions on luxury goods mainly through digital communications (such as digital magazines, blogs, chats and even e-sports), within the store (e.g. through the salesperson of a store) and through the various brands' websites, thus highlighting once more the importance for luxury brands to reach an excellent omni-channel strategy in order to effectively influence the consumers' decisions. Digitally, one of the most effective tools is the virtual livestream, famous for its capability to activate needs, to create highly interactive shopping experiences, to reach different audiences and to promote an experience with great dynamism. As it is the case with the partnerships between luxury brands and online videogames, virtual livestream have different degrees of penetration according to the territory in which they take place. Once again, the United Stated of America and, even more so, China, lead the market in terms of instrument popularity, with 55% and 73% of consumers respectively who declare to be aware of the use of livestreams by online shopping platforms or physical stores, in contrast with Europe's more modest 30% and an overall average of 46%. On average, livestream sessions prove to have a high-conversion potential, with 70% of the interviewees declaring to have bought something during or after one such stream. Even though their popularity is not the same in all territories, as mentioned above, it is worth noticing that the conversion rate is always high, with the USA reaching a surprising 80%, thus leading the ranking in front of Europe and rest of the world (70%) and China (63%) where, despite the popularity of the instrument, conversion rates remain the lowest. More specifically, the North American livestream market potential was quantified at € 25 billion in 2023.

Following the problems generated by the pandemic, the global luxury market is gradually recovering and it is assessed to recover per-Covid levels by 2022. Considering their relevance on the global market, the renewed optimism of North American consumers towards local and abroad consumption is a brilliant projection for the future. This positive projection is further reinforced by Chinese consumers, even though their consumption models are steering toward the local expenditure, and this financial repatriation may have strong implications for the future, thus potentially forcing brands to strengthen their presence on the Chinese territory in order not to lose big market opportunities. Moreover, the polarization trend between the East and the West, triggered by the pandemic outbreak, may have some implications for the brands, too, since even the consumers seem to suggest that the trend may not be temporary. In this case, brands could find themselves at a crossroads; on the one hand, they can decide to follow a more sober style in order to meet Western tastes, on the other hand, they can follow the Chinese market preferences, thus adopting a more outgoing style. Regardless of the strategic decision, an ever greater focus should be put on the consumer and his/her preferences. Firstly, clients interactions are becoming more and more direct and diversified, and the creation of effective omni-channel ecosystems (together with the customisation of client relations) is becoming a key factor to successfully influence decision-making processes. In this direction, the emerging instruments such as virtual livestreams are proving to be effective in conversing purchase intentions, but their low popularity in markets such as Europe's may require a greater publicity effort on these instruments. Secondly, brands must aim at becoming more and more present in the various moments of the daily life of consumers, now that digital environments represent such a big part of it. In this sense, the virtualization of luxury goods, as it happens with the brands' partnerships with online videogames, is becoming an ever more profitable opportunity, with positive perceptions among the consumers and a great potential both for the creation of new income sources and as a high-conversion potential marketing instrument. Once more, however, the difference in popularity of these instruments between the various territories may be an obstacle that needs to be overcome before accessing the full potential of this opportunity. Ultimately, the new, emerging model to access, or own, luxury goods, must be taken into account. The second-hand market is growing in popularity between the younger generations, that see this model as a possible solution to their budget and product scarcity issues, as well as a way to adopt a more sustainable consumption model. In this sense, it is important to remember that the sustainability issue is acquiring an increasing importance in the consumption behaviours, especially amongst the younger generations, who are ready to punish those brands that do not adopt sustainable practices, thus violating the animals' well-being, providing little to no transparency on the materials used or resorting to unfair employment policies, amongst other things.

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

Starting from 2020 and continuing well into 2021, the COVID-19 pandemic is changing the economic forecasts of whole economy sectors worldwide, which in turn is causing a revision of the turnover for the fashion sector, served by Giglio Group. The company is mainly engaged in the Fashion sector, with some brands in the Luxury sector, that better endured the prolonged uncertainties of the Pandemic, and with other in the Premium sector, that is still subject to uncertainties due to the failure to recover consumptions.

Due to the lockdowns that were enforced by the authorities in various part of the world and to the shutdown of tourism in all of the main markets worldwide, whole fashion distribution chains suffered significant drops in sales due to the decrease in clients. The Luxury sector's online sales stood the test of time, while traditional models of physical stores and malls recorded steep drops in all luxury categories; by way of example, the drop in footwear (12%) was mitigated by sneakers shoes request, the jewellery sector was supported by the Asian demand, which benefited from online sales, while clothing products and watches dropped both by 30%.

With regard to 2022, according to the McKinsey & Company survey "The State of Fashion 2022", this market will experience a growth if compared to 2019 (pre-pandemic year) that shall influence total sales in a non-uniform way from a geographical point of view. This growth will be mainly driven by the United States of America and China. In Europe, the fashion market is currently facing a change of tastes from consumers, partly caused by the ongoing pandemic, who are now looking for a more discreet and comfortable type of luxury goods. The luxury sector faced a strong slowdown in the European continent, reaching -35% in 2020 and between -30% and -20% in 2021, if compared to 2019 figures. With regard to 2022, according to McKinsey & Company's survey, the expected sales shall account for between -15% and -5% if compared to 2019. In light of these changes, the constant monitoring of consumers' tastes and the diversification capacity per geographical area and social tier shall be the main challenges for all e-commerce companies.

Measures taken by the Group during the COVID-19 pandemic

The containment measures adopted worldwide for limiting the spread of COVID-19 -which halted production in different sectors-, and the restriction on travels all had a significant effect on the Group's results as of 2021.

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

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

As far as profit is concerned, the Group's measures aimed at developing, following the lockdown of all non-essential physical stores, an online sales strategy aimed at supporting the brands in recovering from the massive losses of turnover caused by the health emergency.

Overall, the B2B e-commerce sector has suffered from the slowdowns generated by the effects of the pandemic and of the postponement of orders from many clients in Europe and in the United States of America, recording a € 5.7 million drop if compared to 2021 budget.

With regard to the Travel division, in 2021 H2 several retail travel and cruises initiatives opened up again, and for this reason, a positive result for this division is thus recorded by the end of the year.

The B2C e-commerce sector, on the other hand, showed signs of recovery for the online sales of fashion goods, especially starting from 2021 H2, closing the year with a -9.5% performance if compared to the expected budget.

With regard to costs, the activities were focused on the reduction of structural costs and on the renegotiation of multi-annual agreements subscribed before the COVID-19 pandemic, which had to be necessarily re-adapted to the new context. In order to reduce the liquidity risk of the Group, as well as to lower the financial impacts of the pandemic, the Company, in addition to the medium-term loans signed with the Meridiana Group, also started negotiations with some of the major credit institutions in order to make use of the possibility to suspend the payment of the instalments of the outstanding mortgages (so-called moratorium) pursuant to Art. 56 of Legislative Decree 18/2020 ("Heal Italy" decree), renewed by Art. 65 of Legislative Decree 104/2020 (the so-called "August Decree") and extended by Art. 1, par. 248 of the Budget Law 2021 (Law no. 178 of 30 December 2020). Following the latest extension, the suspension terms agreed with the credit institutions in April 2020 and subsequently extended were moved to 31 December 2021.

Future prospects of 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 2022 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 as leader 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 2022, 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 2021, 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, boosted by the easing of pandemic restrictions, which should allow for a recovery of pre-pandemic travel figures.

Furthermore, Giglio Group extended the supply of its services also to adjacent business areas, with specific focus on the design, retail chain stores, food and DYI 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, also as a response to the health emergency and its consequences, 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 Group is engaged both in the B2C and B2B segments. 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.

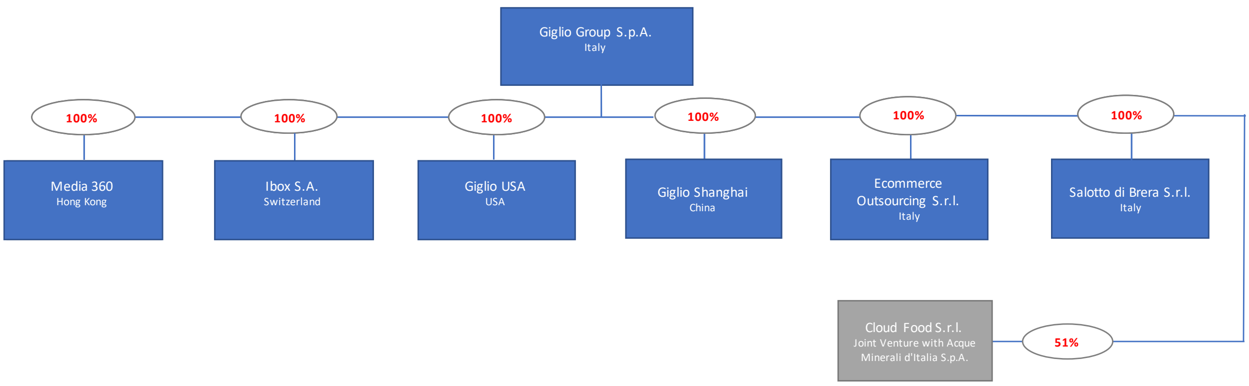
The B2C business model, managed by the subsidiaries Ibox SA and E-Commerce Outsourcing S.r.l. (the digital core of the group, now integrating also 7Hype's activities), consists in providing digital services for the management of monobrand websites for Fashion, Design and Food customers, as well as in 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:



On 8 June 2021, Giglio TV HK transferred its own subsidiary Media 360 HK to Giglio S.p.A..
for 100 HKD (€ 11).
On 30 June 2021, Giglio TV HK was transferred to a third party for a countervalue of 100 HKD (€ 11), with the consequent deconsolidation of the investment.

3. Financial Highlights as of 31 December 2021

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 statement of profit or loss 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 2021

The main Statement of Financial Position figures of the Group as of 31 December 2021 are specified below:

(Euro thousands)	31.12.2021	31.12.2020	Change
Intangible Assets	16,230	15,411	819
Property, Plant and Equipment	1,070	1,356	(286)
Financial Fixed Assets	238	671	(433)
Total Fixed Assets	**17,538**	**17,438**	**100**
Inventories	2,238	1,754	484
Trade receivables	9,928	9,951	(23)
Trade payables	(10,931)	(13,591)	2,660
Operating/Commercial Working Capital	**1,235**	**(1,886)**	**3,121**
Other current assets and liabilities	(3,939)	(3,592)	(347)
Net Working Capital	**(2,704)**	**(5,478)**	**2,774**
Provisions for risks and charges	(746)	(885)	139
Deferred tax assets and liabilities	757	442	315
Net Invested Capital	**14,846**	**11,517**	**3,329**
Total Net Invested Capital	**14,846**	**11,517**	**3,329**
Equity	**2,296**	**(325)**	**2,621**
Net financial liabilities*	**(17,143)**	**(11,192)**	**(5,951)**
Total Sources	**(14,846)**	**(11,517)**	**(3,329)**

* 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 2021, equal to € 14.8 million, is mainly comprised of Net Fixed Assets of € 17.5 million, of Net Working Capital totalling € -2.7 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 € 1.0 million (€ 1.4 million at 31 December 2020).

Intangible Assets, equal to € 16.2 million (€ 15.4 million as of 31 December 2020), 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 movement (net of the period's amortisations) refers to increases for capitalised development costs borne entirely for the implementation and integration of IT platforms and the decrease for the fully-amortised write-downs related to the deconsolidation of Giglio TV's investment. With regard to the purchase of Salotto di Brera S.r.l., which took place on 2021 Q1, the value assessed on the acquisition has been completely allocated at goodwill, and its purchase price allocation, pursuant to IFRS3, was completed during the course of 2021. 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.

The Net Financial Debt amounts to € 17,143,000 as of 31 December 2021, with a € 5,951,000 increase if compared to the previous year.

As already mentioned before, the schedule of the net financial debt was modified 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)	31.12.2021	31.12.2020	Change
A	Cash and cash equivalents	2,474	5,085	(2,611)
B	Cash and cash equivalents			-
C	Other current financial assets	2	2	(0)
D	**Cash & cash equivalents (A)+(B)+(C)**	**2,476**	**5,087**	**(2,611)**
E	Current financial liabilities	(2,132)	(1,745)	(387)
	of which with Related Parties	*(16)*	*(493)*	*477*
F	Current part of the non-current financial liabilities	(3,784)	(2,351)	(1,432)
G	**Current financial liabilities (E)+(F)**	**(5,916)**	**(4,096)**	**(1,819)**
H	**Net current financial liabilities (G) - (D)**	**(3,439)**	**991**	**(4,430)**
I	Non-current financial liabilities	(8,933)	(7,879)	(1,054)
	of which with Related Parties	*(626)*	*(417)*	*(209)*
J	Debt instruments	(3,695)	(4,304)	609
K	Non-current trade and other payables	(1,076)	-	(1,076)
L	**Non-current financial liabilities (I)+(J)+(K)**	**(13,703)**	**(12,183)**	**(1,521)**
M	**Total financial liabilities (H)+(L)**	**(17,143)**	**(11,192)**	**(5,951)**

The Group net financial debt amounts to € -17.1 million, highlighting a decrease on 31 December 2020 (€ -11.2 million) of € 6 million.

More specifically, the change in financial debt can also be ascribed to the following factors:

E. Current financial liabilities The decrease is ascribable to the restatement of short-term liabilities to the long-term liabilities of the whole loan disbursed by Meridiana Holding S.r.l., expiring on 2023, previously refundable via amortisation plan.

F. Current portion of non-current liabilities: The increase is mainly ascribable to the effect of the moratoria, that allowed the Company to halt the payment of its existing instalments until 31 December 2021. This account also recorded an increase for the loan held by Salotto di Brera (capital share of €200,000), the company purchased during 2021 H1, as well as for the new loan of € 2,000,000 subscribed by the subsidiary E-Commerce Outsourcing S.r.l. on 31 August 2021.

I. Non-current financial liabilities: The non-current financial liabilities recorded a deterioration mainly ascribable to the new loan subscribed in 2021 H2 by E-commerce Outsourcing S.r.l. and to Salotto di Brera S.r.l.' new financing.

J. Debt instruments: As of 31 December 2021, the non-current Financial Debt includes the long-term EBB S.r.l. bond.

K. Non-current trade and other payables: The account includes the long-term part of the debt arising from the settlement agreement reached on 7 March 2022 between Vertice Trescientos Sesenta Grados S.A., Squirrel Capital S.L.U. and the company that, following the new amendment introduces by ESMA was restated as net financial liability.

As previously described, the Company obtained the possibility to suspend the payment of the instalments of the outstanding mortgages (so-called moratorium) pursuant to Art. 56 of Legislative Decree 18/2020 ("Heal Italy" decree),
renewed by Art. 65 of the Legislative Decree no. 104/2020 ("August Decree") and extended by Art. 1, par. 248
of the Budget Law 2021 (Law no. 178 of 30 December 2020). Following the last extension, the terms of the suspension
agreed upon with the credit institutions throughout April 2020, and subsequently extended,
were moved to 31 December 2021.

As of 31 December 2021, the net financial debt records, amongst its long-term liabilities, also the financial debt related to the EBB S.r.l. bond. The regulation governing the terms and conditions of said Bond includes also some commitments and limitations borne by the Company, including the financial covenants, which, should they occur, they would entail the loss of the benefit of the term, along with the obligation for the Company to fully reimburse in advance the Bond (the so-called events of major importance).

On 26 July 2021, EBB S.r.l., the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data of 30 June 2021 and 31 December 2021.

The Company requested a new suspension of the application of the thresholds for the financial covenants for 2022 by sending a new extension request to EBB Export S.r.l. on 17 March 2022.

Consolidated Financial Activity Overview as of 31 December 2021

The key consolidated economic highlights are shown below.

Reclassified Consolidated Statement of Profit or Loss

(Euro thousands)	31.12.2021	31.12.2020	Change
Revenues from contracts with customers	38,763	42,286	(3,523)
Operating Costs	(34,414)	(35,213)	799
Gross Margin	**4,349**	**7,073**	**(2,724)**
Gross Margin %	**11.2%**	**16.7%**	**(5.5)%**
Payroll expenses	(5,403)	(5,127)	(276)
EBITDA	**(1,054)**	**1,946**	**(3,000)**
EBITDA%	**(2.7)%**	**4.6%**	**(7.3)%**
Amortisation, depreciation & write-downs	(2,174)	(4,288)	2,114
EBIT	**(3,228)**	**(2,342)**	**(886)**
Net financial charges	(1,587)	(22)	(1,565)
PROFIT BEFORE TAXES	**(4,815)**	**(2,364)**	**(2,451)**
Income taxes	191	(284)	475
PROFIT FOR THE PERIOD (CONTINUING OPERATIONS)	**(4,623)**	**(2,648)**	**(1,975)**
PROFIT FOR THE PERIOD DISCONTINUED OPERATIONS (adjusted)	**0**	**0**	**0**
PROFIT FOR THE PERIOD	**(4,623)**	**(2,647)**	**(1,976)**

EBIT adjusted to non-recurring costs	**(3,228)**	**(2,342)**	**(886)**
EBIT %	**(8.3)%**	**(5.5)%**	**(2.8)%**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS adjusted to non-recurring costs	**(4,623)**	**(2,648)**	**(1,975)**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS adjusted to non-recurring costs %	**(11.9)%**	**(6.3)%**	**(5.7)%**
PROFIT FOR THE PERIOD adjusted to non-recurring costs	**(4,623)**	**(2,647)**	**(1,976)**

PROFIT FOR THE PERIOD%	**(11.9)%**	**(6.3)%**	**(5.7)%**

The **consolidated revenues**, equal to € 38.8 million, dropped by € 3.5 million (-8.3%) if compared to the consolidated figures of the same period for the previous fiscal year (€ 42.3 million). This decrease is mainly ascribable to the following combined effects:

- Consolidation of Salotto di Brera S.r.l. for € 8.6 million of revenues in the B2B sector;
- Lost revenues for € 10.4 million (with a margin of about 25%) with regard to the PPEs sales of 2020 (non-recurrent asset)

The total of operating costs accounts for € 34.4 million (€ 35.2 million consolidated pro-forma figures at 31 December 2020) and is in line with the previous fiscal year.

Payroll costs (€ 5.4 million) present a slight increase (€ 0.3 million) if compared to the previous year due to the combined effect of Salotto di Brera S.r.l.'s acquisition.

The EBITDA, equal to € -1.0 million (€ +1.9 million consolidated figures at 31 December 2020), is deteriorating if compared to the same period of the previous year due to the lost revenues from Giglio Salute division for the supply of PPEs.

The EBIT amounts to € -3.2 million (€ -2.3 million consolidated figures at 31 December 2020 adjusted to non-recurring costs).

It is reported that the EBIT at 31 December 2020 of Euro -8.4 million included write-downs resulting from the impairment tests for Euro -8.9 million.

The Net Profit amounts to € -4.6 million (€ -2.6 million consolidated figures of the same period in the previous fiscal year), mainly due to the deterioration of normal operations.

It is noted that the consolidated results of the previous year were positively influenced by non-recurring assets such as the renegotiation of E-Commerce Outsourcing S.r.l.'s earn-out, equal to € 0.6 million (as provided for by the agreements signed on 24 July 2020), and the foreign currency conversion gain related to the funding in dollars by Meridiana Holding S.r.l. (related party) for € 0.4 million and by Azo Asia Limited (related party) for € 0.1 million.

Parent Company's Consolidated Financial Position as of 31 December 2021

The main Statement of Financial Position figures of the Parent Company as of 31 December 2021 are as specified below:

(Euro thousands)	31.12.2021	31.12.2020	Change
Intangible Assets	3,413	3,452	(39)
Property, Plant and Equipment	507	671	(164)
Financial Fixed Assets	13,577	12,426	1,151
Total Fixed Assets	**17,497**	**16,549**	**948**
Inventories	1,493	1,596	(103)
Trade receivables	3,784	4,568	(784)
Trade payables	(2,974)	(4,498)	1,524
Operating/Commercial Working Capital	**2,303**	**1,666**	**637**
Other current assets and liabilities	(2,429)	(2,193)	(236)
Net Working Capital	**(126)**	**(527)**	**401**
Provisions for risks and charges	(276)	(389)	113
Deferred tax assets and liabilities	943	692	251
Total Net Invested Capital	**18,038**	**16,326**	**1,713**
Equity	**(235)**	**(1,385)**	**1,150**
Net financial liabilities	**(17,803)**	**(14,941)**	**(2,862)**
Total Sources	**(18,038)**	**(16,326)**	**(1,712)**

The Net Invested Capital of the Parent Company as of 31 December 2021, equal to € 18 million, is mainly comprised of Net Fixed Assets of € 17.5 million (increasing by € 0.9 million if compared to 31 December 2020), of Net Working Capital totalling € -0.1 million (€ -0.5 million as of 31 December 2020) and of the Provisions for risks and charges, which mainly includes the Provisions for employee benefits.

Property, Plant and Equipment, equal to € 0.5 million (€ 0.7 million as of 31 December 2020), 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 Financial Statements.

Financial Fixed Assets, equal to € 13.6 million, can mainly be attributed:

- for € 10.9 million, to shareholdings in subsidiaries (the amount increase mainly following the new shareholding purchased during 2021 in Salotto di Brera S.r.l. for € 1.1 million);
- for € 2.5 million, to credits in favour of subsidiaries Ibox SA and Giglio USA;
- for € 0.2 million, to guarantee deposits;
-

Parent Company's Operating Overview as of 31 December 2021

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

(Euro thousands)	31.12.2021	31.12.2020	Change
Revenues from contracts with customers	18,936	29,791	(10,855)
Restatement of eliminations arising from inter-company transactions toward discontinued operations	0	0	0
Revenues from contracts with customers	**18,936**	**29,791**	**(10,855)**
Operating Costs	(18,857)	(26,292)	7,435
Gross Margin	**79**	**3,499**	**(3,420)**
Gross Margin %	**0.4%**	**11.7%**	**(11.3)%**
Payroll expenses	(2,049)	(2,497)	448
EBITDA Adjusted	**(1,970)**	**1,002**	**(2,972)**
EBITDA%	**(10.4)%**	**3.4%**	**(13.8)%**
Non-recurring charges	0	0	0
Amortisation, depreciation & write-downs	(528)	(9,630)	9,102
EBIT	**(2,498)**	**(8,628)**	**6,130**
Net financial charges	(905)	242	(1,147)
PROFIT BEFORE TAXES	**(3,402)**	**(8,386)**	**4,984**
Income taxes	279	(33)	312
PROFIT FOR THE PERIOD (CONTINUING OPERATIONS)	**(3,123)**	**(8,419)**	**5,296**
PROFIT FOR THE PERIOD DISCONTINUED OPERATIONS	**0**	**0**	**0**
PROFIT FOR THE PERIOD	**(3,123)**	**(8,419)**	**5,296**
EBIT adjusted to non-recurring costs	**(2,498)**	**(8,628)**	**6,130**
EBIT adjusted to non-recurring costs %	**(13.2)%**	**(29.0)%**	**15.8%**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS adjusted to non-recurring costs	**(3,123)**	**(8,419)**	**5,296**
NET PROFIT FROM CONTINUING OPERATIONS adjusted to non recurring charges %	**(16.5)%**	**(28.3)%**	**11.8%**
PROFIT FOR THE PERIOD adjusted to non-recurring costs	**(3,123)**	**(8,419)**	**5,296**
PROFIT FOR THE PERIOD adjusted to non-recurring costs %	**(16.5)%**	**(28.3)%**	**11.8%**

Revenues in 2021 amounted to € 18.9 million, decreasing if compared to 31 December 2020 (€ 10.8 million). This decrease is mainly ascribable to the lost revenue on PPEs sales, which had generated € 10.4 million in 2020, during COVID-19 pandemic. The division was discontinued in 2021, upon the conclusion of the market's demand.

The EBITDA, equal to € -1.9 million (€ 1 million adjusted to non-recurring costs in 2020), as commented above with regard to the revenues, the decrease is closely related to the discontinuation of the healthcare sector.

The EBIT amounts to € -2.5 million (€ -8.6 million in 2020), including the write-down of IBOX SA's goodwill, worth € 250,000.

The Net Profit amounts to € -3.1 million (€ -8.4 million consolidated figures of the same period in the previous fiscal year).

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 group results by individual sector (net of inter-company eliminations) 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)**

Over the course of 2020, in response to the COVID-19 emergency and its consequent lockdowns, the Group had immediately diversified its digital strategies, converting part of its e-commerce activities in favour of the distribution of PPE, such as medical masks. Subsequently, over the course of the current fiscal year, the activity was suspended due to the lack of demand from the market.

The decrease in the B2B sector is thus mainly ascribable to the lost revenue on PPEs sales, partially off-set by the revenues of the newly-acquired Salotto di Brera S.r.l. (2021).
At the same time, the digital B2C area closed the tear wit total revenues of € 13.4 million, in line with the revenues of the previous year.

By comparison, the results of sectors at 31 December 2020 are as follows:

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

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

5. Business seasonality

The Group's operations are affected by business seasonality, as reflected in the consolidated results. Specifically,in the e-commerce sector sales volumes are highly concentrated respectively in the first, third and fourth quarters at the winter and summer sales and during the Christmas period, also during the year affected by the COVID-19 emergency.

6. Human resources

The Group workforce, at 31 December 2021, totalled 97 employees of which 89 in Italy, 6 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 2021 and 31 December 2020.

31 December 2021	31 December 2020
Italy 89	**Italy** 74
Switzerland 6 (IBox)	**Switzerland** 7 (IBox)
U.S.A. 1 employee	**U.S.A.** 1 employee
China 1 employee	**China** 1 employee
Total 97 employees	**Total** 83 employees

Employees hired on internship/training contracts are three.

Over the course of 2021, 17 resignations and 22 recruitments were recorded. Moreover, the companies Salotto di Brera (purchased during the fiscal year) and 7Hype (with which a lease agreement for a business unit has been signed) brought in 9 further employees.

7. Investments

Group investments undertaken in 2021, equal to € 989,000, 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. It is noted that, among the increase of intangible fixed assets, the right-of-use assets related to IFRS 16 accounting of the Leasing Contract for 7Hype Business Unit amount to € 255,000.

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 2021, the subsidiary E-Commerce Outsourcing S.r.l. generated capitalised costs, inasmuch as they meet the aforementioned requirements.

These costs, totalling € 0.6 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 2021, Giglio Group S.p.A. signed a binding agreement for the purchase of Salotto Brera - Duty Free S.r.l., a company engaged in a national and international level in the distribution and trading of fashion and food products. Stefania Mariani, who held the totality of the share capital of Salotto di Brera - Duty Free S.r.l., is now part of the team handling the Group's Distribution division, providing her expertise and her experience of more than 20 years in the international distribution sector of fashion, food and luxury products.

The countervalue of the transaction has been agreed as € 1,175,000, including a positive NFP of more than € 450,000 and a total earn-out of € 200,000 to be determined on the basis of the EBITDA recorded over the course of the following two fiscal years.

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

On 3 March 2021, the Board of Directors approved an update to the Industrial Plan 2021-2025. With the new Industrial Plan, the Company updates its previous sales estimates for the future fiscal years, taking also into account the integration of the business carried out by its controlled company, ECO, the newly-acquired Salotto di Brera - Duty Free S.r.l., the integration of the branch of 7Hype, the business prospects in China/Far East due to the effects of the COVID-19 outbreak, as well as the increased importance to the Distribution area on e-commerce platforms worldwide and to marketplaces' new connection services.

On 10 May 2021, the Board of Directors of the Company took note on the following with regard to the Financial Statements as of 31 December 2020:

• "*The Company has reduced 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 (€ 8.4 million), shall be postponed to the following fifth fiscal year, pursuant to the provisions set forth in Art. 6 of Legislative Decree no. 23 of 8 April 2020 (the so-called "Liquidity Decree", converted with amendments in Law no. 40 of 5 June 2020) "Temporary provisions on capital reductions", as amended by Law no. 178 of 30 December 2020, which allows listed companies to temporarily suspend some provisions on capital reductions for losses (Art. 2446 and 2-bis), postponing to the following fifth fiscal year the obligation to offset the losses.*

• *The Board of Directors executed the residual part of the share capital increase already delegated by the Shareholders' Meeting of 12 November 2020, amounting to € 2.2. million.*"

On 8 June 2021, Giglio TV HK transferred its own subsidiary Media 360 HK to Giglio S.p.A. for a countervalue of 100 HKD (€ 11).

On 21 June 2021, the Ordinary and Extraordinary Shareholders' Meeting of Giglio Group S.p.A. met under the chairmanship of Alessandro Giglio and in the presence of notary Marcello Giuliano.

the Ordinary Shareholders' Meeting approved the Annual Financial Report at 31 December 2020, in the terms proposed by the Board of Directors. The Statutory Financial Statements showed a loss for the period of € 8,419,120.00 that, considering the existing reserves, had produced a reduction of the share capital greater than one-third of said capital and is thus relevant pursuant to Art. 2446, par. 1 of the Italian Civil Code; the Shareholders' Meeting subsequently resolved to carry forward said loss, taking into account the Board of Directors' commitment to proceed with the residual part of the proxy for the share capital increase already granted pursuant to Art. 2441, par. 4 of the Italian Civil Code by the Shareholders' Meeting on 12 November 2020 with the emission of a maximum of further 1,221,547 shares by 30 June 2021.

Moreover, the Shareholders' Meeting:

• Appointed the new Board of Directors setting the number of members to 5 and appointing the following new directors:

  o Alessandro Giglio – Chairman of the Board of Directors;
  o Anna Maria Lezzi – Member;
  o Marco Riccardo Belloni – Member;
  o Francesco Gesualdi – Independent Member;
  o Sara Armella – Independent Member.

The Shareholders' Meeting also set a three-year limit to the office of the appointed directors, establishing a total of € 450,000 per year as remuneration for the Board's members.

• Appointed two Statutory Auditors, Giorgio Mosci and Marco Andrea Centore, and an Alternate Auditor, Gianluca Fantini. Due to the withdrawal of a Statutory and of an Alternate Auditor's candidacy, pursuant to Art. 2401, of the Italian Civil Code, the Alternate Auditor Gianluca Fantini became Statutory Auditor, while the Company undertakes to promptly call for a new Shareholders' Meeting in order to integrate the Board of Statutory Auditors. The Meeting resolved on the Chairman's remuneration (€ 38,000 per year) and on the single Statutory Auditors' remuneration (€ 32,000 per year).

• The Board of Directors was authorised to purchase the Company's own shares;

• The adoption of the Stock-Option Plan called "2021-2028 Stock-Option Plan";

• The Board of Directors, pursuant to Art. 2443 of the Italian Civil Code, was vested with the power to increase the share capital of the Company for a period of five years from the Meeting's resolution, upon payment and in separate issues, for a total amount of € 180,000 by issuing a maximum of 900,000 ordinary shares to be used only within the scope of the "2021-2028 Stock-Option Plan".

On 28 June 2021, Giglio Group S.p.A. completed the allocation of no. 1,221,547 ordinary, newly-issued shares, at a price of € 1.78 per share, for a total value of € 2,174,353.66. The value of the capital increase thus amounted to € 244,309.40 in nominal value and € 1,930,044.26 at share premium. Meridiana Holding S.r.l., the majority shareholder of the Company (for more information on the relationship between the Company and Meridiana Holding S.r.l., see Note 35. "Transactions with subsidiaries and related parties"), subscribed no. 485,547 shares, equal to 39.75% of the share capital increase. Meridiana Holding's participation in the transaction shall be deemed as a Related-Parties Transaction of lesser importance. With regard to the Related Parties Transaction of greater/lesser importance, see Chapter 2 of the Disclosure Document drafted pursuant to Art. 5 of the Regulation adopted by CONSOB with resolution no. 17221 of 12 March 2010, available on the authorised storage mechanism **www.emarketstorage.it** as well as on the Company's website at **www.giglio.org** "Corporate Governance - Shareholders' Meetings - Shareholders' Meeting 12 November 2020" section, together with the opinion of the Internal Control, Risks and Related-Parties Committee.

On 30 June 2021, Giglio TV HK was transferred to a third party for a countervalue of 100 HKD (€ 11), with the consequent deconsolidation of the investment.

On 5 August 2021, the subsidiary E-Commerce Outsourcing S.r.l. obtained a € 2 million funding from Banca Progetto in order to support its technological investments. This funding is refundable in 72 monthly instalments starting from 31 March 2022 and ending on 31 August 2027, with an interest rate equal to one-month Euribor increased by a 4.5% spread.

On 11 September 2021, the Board of Directors approved the Interim Condensed Consolidated Financial Statements as of 30 June 2021, which showed a Net Profit negative by 1,976,000, decreasing if compared to 2020 H1 (€ 34,000), with a 37% improvements on 2019 H1 on a like-for-like basis (i.e. unrelated from the extraordinary revenues from the 2020 sales of anti-COVID PPES).

On 11 September 2021, the Company reached an agreement with Meridiana Holding S.r.l., through which the reimbursement of the funding granted by the latter and payable in equal monthly instalments until 30 September 2022, was extended until 31 January 2023 with the payment in one single instalment.

On 21 September 2021, the Ordinary Shareholders' Meeting of the Company, following the waivers by a candidate Standing Auditory and a candidate Alternate Auditor announced by Giglio via press release on 21 June 2021, resolved on the appointment of a Standing Auditor (Lucia Tacchino) and of an Alternate Auditor (Chiara Cosatti) in order to integrate the Board of Statutory Auditors.

On 11 November 2021, the Board of Directors, called for the approval of the Interim Condensed Consolidated Financial Statements as of 30 September 2021, resolved to appoint Alessandro Giglio as CEO of the Company, thus replacing Marco Riccardo Belloni. The outgoing CEO was tasked with the coordination of the Group's extraordinary operations and the management of the offices still held in the subsidiaries.

On 9 December 2021, the Ordinary Shareholders' Meeting of the Company acknowledged the consensual termination of the agreement between the latter and EY S.p.A. (to be inscribed within a context of a more extensive general cost-reduction activity) and appointed BDO Italia S.p.A. as its new official Auditor for the 2021-2029 nine-year period.

12. "Significant Events After the End of 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 € -197,000, which led to the preliminary determination of the transfer price at € 1,003,000; 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.

Within 20 May 2022, E-Commerce Outsourcing S.r.l. shall send to the Buyer a definite accounting statement as of the closing date, on the basis of which the final adjustments on the set price shall be determined.

Moreover, the transfer agreement shall discipline Promotica S.p.A.'s powers to resort to the administrative services offered by E-Commerce Outsourcing S.r.l. for a period of 24 months from the preliminary date (28 February 2022), against a guaranteed minimum remuneration of € 200,000 for the entire duration of the agreement.

The Incentive and Loyalty business branch, object of the transfer, had recorded a turnover of about € 2.4 million in 2020 (last available figure), 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.

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..

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.

On 28 March 2022, the company approved the new Industrial Plan 2022-2026, which replaces the Industrial Plan 2021-2025 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 26 July 2021, EBB S.r.l., the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data of 30 June 2021 and 31 December 2021.

The Company requested a new suspension of the application of the thresholds for the financial covenants with regard to the test dates of 30 June and 31 December 2022. With regard to this point, it is noted that Meridiana Holding, provisionally, committed to safeguard the company in the unlikely event that the waiver is not granted.

14. Outlook

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

the division's chances of growth, which shall operate more and more strategically and selectively with its partnering brands, increasing the number of marketplaces and countries and integrating the processes so as to boost efficiency. The expectations for this division are of being driven by the growth of its clients, albeit more and more demanding, by investing in business development in order to constantly consider new operators and new channels, but also by increasing the product categories in which to operate (fashion sector aside).
From the analyses of 2022 Q1, a substantial increase of the B2B division against the same period of 2021 is recorded, despite a slight drop in 2022 budget. With regard to the B2C division, 2022 Q1 recorded a slight drop in revenues both as far as the actual data of the previous year and the provisional budget data are concerned.

The Company's outlook for 2022 does not include any significant negative impact arising from the military conflict in Ukraine, nor does it provides for relevant changes in the evolution of the healthcare emergency, thus excluding any further discontinuity and slowdowns in its global economic activities.

Going Concern

The Consolidated Financial Statements of the Group as of 31 December 2021 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 Group's Consolidated Financial Statements as of 31 December 2021 were closed with a loss of € 4.623,000, which led to a net equity of € -2,296,000.

On 28 March 2022, the Board of Directors of the Company approved the Industrial Plan 2022-2026. From November 2021, the Company acquired a new commercial management that completely restated its commercial assets, as well as the actual development possibilities of the Group's business. The new Industrial Plan considers a GMV (Gross Merchandise Value) acceleration at a cumulative growth rate of about 10% (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 10% 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 the newly-acquired 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 and 2021 on the platforms. The Directors carried out adequate sensitivity analyses on the main hypotheses of the Plan.

It is noted that 2022 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 2022 cash flow are as follows:

- Commercial and organic growth of the B2C division (3% on Revenues and 10% on GMV), characterised by the immediate payment from users and the deferred payment of goods and services to suppliers; This growth, which shall have a minor impact on the EBITDA margin, is mainly ascribable to the combined effect of the transfer of the Incentive & Loyalty business unit (whose turnover in 2021 amounted to about € 2.4 million, with an EBITDA of about € 0.3 million) and to the acquisition of two new clients during the fiscal year;

- The B2B model, on the other hand, recorded a 20% 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 4% impact on the EBITDA margin, is mainly ascribable to the combined effect of the post-pandemic sales recovery and to the expected growth of the newly-acquired company, Salotto di Brera S.r.l., for 2022 (+30%);

- Processes improvement and consequent costs reduction following the streamlining of the Group's business activities, such as the redetermination of Rome's and Rho's office leases, 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:

2022 budget and 2023-2026 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, more specifically, its distribution of fashion goods, as demonstrated by the activation of several financing agreements both in the half-year and in the following period; for this purpose, it is noted that, at the beginning of 2022, the subsidiary Salotto di Brera S.r.l. subscribed a financing agreement of € 150,000 with Deutsche Bank and is currently on the verge of subscribing another agreement for € 1,200,000 with Banca Progetto, to be resolved upon following the issue of the guarantee from SACE;

2. The shareholder Meridiana Holding S.r.l. reached an agreement with the Company, through which the residual debt related to the loan disbursed to the latter and payable with constant instalments by 30 September 2022 was postponed to 31 January 2023, in a single tranche. This is aimed at allowing the Company to complete its corporate reorganisation plan, thus

postponing to 31 January 2023 the reimbursement cash flows previously set between September 2021 and September 2022.

3. EBB Export S.r.l., subscriber of the bond, has granted (on 26 July 2021) the waiver of the measurement of the financial covenants on 2021 deadlines (i.e. 30 June 2021 and 31 December 2021);

The company requested an extension of the waiver to EBB Export for the test dates of 30 June and 31 December 2022, and the Directors believe that there is a reasonable expectation that said extension will be approved, given its approval for the two previous fiscal years. On 28 March 2022, the majority shareholder Meridiana Holding S.r.l. subscribed a guarantee letter for an amount of € 500,000, to be activated only in the event of EBB's anticipated bond resolution, valid until 31 December 2022 and including a sunset clause in the event that EBB should agree to waive the coming deadlines of 30 June and 31 December 2022;

4. Subscription, via the subsidiary Salotto di Brera S.r.l., on 14 February 2022, of a Financing agreement with SIMEST for a total of € 300,000 (of which € 75,000 as non-repayable contributions) within the context of the "Development of e-commerce for SME in foreign countries" project based on the Resilience and Recovery Fund resources allocated to the Fund 394/81;

5. Execution of a share capital increase, as resolved upon by the Board of Directors on 15 December 2021. *"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 *(i.e., a further 10%)*."

Despite the aforementioned 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.

15. Information and Management of Principal Risks and Uncertainties

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

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

Non-financial risks

Among the internal risks we highlight:

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

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

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

Among the external sources we highlight:

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

Regulations: the company's organisation permits the prompt compliance with stringent regulations especially in the Italian and foreign e-commerce sector which represents a significant level of complication.

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

IT risks: the widespread and growing use of digital identity-SPID, of digital signature and of certified electronic email addresses may increase the risk of digital identity theft as well as the fraudulent use of these identities. Any undue and/or elicit utilisation of such information could result in, among other matters, a violation, attributable to the Issuer and/or to the Group, of the data protection regulation, with possible negative effects on the activities and on the prospects of the Issuer and/or of the Group, as well as on the equity and financial situation of the Issuer and/or of the Group. During the years 2013-2019 and the current year, there were no information system attacks nor, to the knowledge of the company, any occurrences of embezzlement of data and/or sensitive information. Where the Group is unable to adopt technological controls in order to meet these possible risks they may be liable for economic and financial damages incurred by third parties with negative effects on the economic, financial and equity situation of the Group.

Financial risks

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

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

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

Currency risk

The Company prepares its financial data in Euro and, in relation to its business model, incurs the majority of its costs in Euro. The business model adopted permits the company to reduce to the minimum the risks related to changes in exchange rates.

As of 31 December 2021, the Company has an outstanding debt of USD 707,000 in favour of Meridiana Holding S.r.l, a company fully-owned by the majority shareholder Meridiana Holding S.r.l. (related party), disbursed to the parent company, Giglio Group S.p.A., aimed at facing the financial commitments of the Group, which shall be reimbursed in 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.

16. Reconciliation of Group net equity and net result

The table below reports the reconciliation between the net equity and net result of the parent company and the consolidated net equity and net result at 31 December 2021 and 31 December 2020:

(Euro thousands)	**Net Equity 31.12.2021**	**Profit 31.12.2021**	**Net Equity 31.12.2020**	**Profit 31.12.2020**
Net Equity and Net Result of Giglio Group S.p.A.	**235**	**(3,123)**	**1,385**	**(8,419)**
Net equity of subsidiaries and difference between equity investment value and subsidiaries' equity share	(2,531)	(1,500)	(1,060)	5,772
Group Total Net Equity and Result	**(2,296)**	**(4,623)**	**325**	**(2,647)**

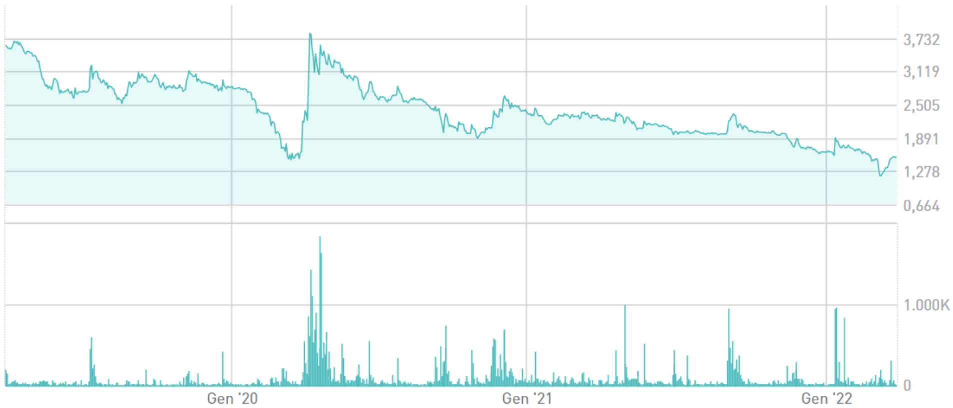
For more information on the changes in Equity, please see the table included in the financial statements, as well as Note 12.

17. 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.

18. Share Performance

The share performance of the Company on the market and volumes traded in 2021 are as follows:



The market capitalisation as at 31 December 2021 resulted equal to € 35.9 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 21,969,022.

The share performance of the Company on the market and volumes traded in 2022 Q1 are as follows:

19. Information on Corporate Governance and Ownership Structure

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

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 the Corporate Governance, see the Corporate Governance Report, created pursuant to Art. 123-bis of the CFA and approved by the Company's Board of Directors together with the Company's Financial Statements available in its registered office as well as on the Group's Website (www.giglio.org – Corporate Governance section).

Main characteristics of the internal control and risk management system

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

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

20. 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 2022) the official data indicates the following significant shareholders:

- 55.66% of shares held by Meridiana Holding S.r.l. (company held 99% by Mr Alessandro Giglio and 1% by Ms Yue Zhao);

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

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

21. Giglio Group S.p.A.'s Financial Statements as of 31 December 2021 - Resolution Proposal

Dear Shareholders,

On 30 March 2022, the Board of Directors of the Company proposed the following:

The Parent Company's Financial Statements as of 31 December 2021 were closed with a loss of € 3,123,000, which led to a net equity of € 235,000.

Hence, the Company has reduced 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.

Such 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"), converted into Law no. 15 of 25 February 2022, which extended the provision 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.

Milan, 30 March 2022

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 2021

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

These consolidated financial statements of Giglio Group S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815.

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position (Euro thousands)		31.12.2021	31.12.2020
Non-current assets			
Property, plant & equipment	(1)	318	404
Right-of-use assets	(2)	752	952
Intangible assets	(3)	2,877	3,058
Goodwill	(4)	13,353	12,353
Investments in joint ventures	(5)	8	8
Receivables	(6)	231	663
Deferred tax assets	(7)	949	829
Total non-current assets		**18,488**	**18,267**
Current assets			
Inventories	(8)	2,238	1,754
Trade receivables	(9)	9,928	9,951
Financial receivables	(10)	2	2
Tax receivables	(11)	397	1,061
Other assets	(12)	1,848	2,310
Cash and cash equivalents	(13)	2,474	5,085
Total current assets		**16,887**	**20,163**
Total Assets		**35,375**	**38,430**
Equity	(14)		
Issued capital		4,394	4,149
Reserves		22,105	20,376
FTA Reserve		5	4
Retained earnings		(24,167)	(21,542)
Foreign Currency Translation reserves		(10)	(15)
Net profit		(4,623)	(2,647)
Total Group Equity		**(2,296)**	**325**
Minority interest in equity		-	-
Total Net Equity		**(2,296)**	**325**
Non-current liabilities			
Provisions for risks and charges	(15)	73	155
Post-employment benefit funds	(16)	673	730
Deferred tax liabilities	(17)	192	387
Financial payables (non-current portion)	(18)	8,933	12,183
Other non-current liabilities	(19)	1,076	-
Total non-current liabilities		**10,947**	**13,455**
Current liabilities			
Trade payables	(20)	10,931	13,591
Financial payables (current portion)	(18)	9,610	4,096
Tax payables	(21)	3,192	3,219
Other liabilities	(19)	2,992	3,744
Total current liabilities		**26,725**	**24,650**
Total liabilities and Equity		**35,375**	**38,430**

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Consolidated Statement of Profit or Loss

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Consolidated Statement of Profit or Loss (Euro thousands)		31.12.2021	31.12.2020
Total revenues from contracts with customers	(22)	**38,242**	**41,291**
Other revenues	(22)	219	696
Capitalised costs	(23)	302	298
Change in inventories		(29)	(158)
Purchase of raw materials, ancillary, consumables and goods	(24)	*(22,122)*	*(22,384)*
Service costs	(25)	*(11,674)*	*(12,334)*
Rent, lease and similar costs	(26)	*(180)*	*(93)*
Operating costs		**(33,976)**	**(34,811)**
Salaries and wages	(27)	*(4,285)*	*(3,978)*
Social security charges	(27)	*(908)*	*(931)*
Post-employment benefits	(27)	*(209)*	*(217)*
Payroll expenses		**(5,402)**	**(5,126)**
Amortisation	(28)	*(1,071)*	*(1,048)*
Depreciation	(28)	*(456)*	*(828)*
Write-downs	(28)	*(647)*	*(2,411)*
Amortisation, depreciation & write-downs		**(2,174)**	**(4,287)**
Other operating costs	(29)	*(409)*	*(244)*
Operating profit		**(3,227)**	**(2,341)**
Financial income	(30)	*73*	*1,542*
Net financial charges	(30)	*(1,660)*	*(1,564)*
Profit before taxes		**(4,814)**	**(2,363)**
Income taxes	(31)	*191*	*(284)*
Profit for the period (continuing operations)		**(4,623)**	**(2,647)**
Of which minority interest		**-**	**-**
Basic and diluted profit from continuing operations		**(0.2104)**	**(0.1276)**
Profit per share – basic and diluted		**(0.2098)**	**(0.1269)**

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income (Euro thousands)		31.12.2021	31.12.2020
Profit for the period		(4,623)	(2,647)
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		(5)	(19)
Total other comprehensive income that may be reclassified to profit/(loss) in subsequent periods (net of tax)		**(5)**	**(19)**
Other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods (net of tax)			
Actuarial loss on employee benefits obligations	(16)	20	36
Total other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods (net of tax)		**20**	**36**
Total Comprehensive Income for the period		**(4,608)**	**(2,631)**

Consolidated Statement of Changes in Equity

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

* The item "Loss for the period" reported in the reference period has been restated following the completion of the "Purchase Price Allocation" related to the purchase of E-Commerce Outsourcing S.r.l..

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

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Consolidated Statement of Cash Flows

Euro thousands		31.12.2021	31.12.2020
Cash flows from operating activities			
Net profit from continuing operations		(4,623)	(2,647)
Net profit from discontinued operations		-	-
Adjustments to reconcile profit before tax to net cash flow:			
Depreciation and impairment of property, plant and equipment	(1)	134	162
Amortisation of right-of-use assets	(2)	322	666
Amortisation and impairment of intangible assets	(3)	1,071	1,048
Non-cash changes of provisions	(15)/(16)	(118)	(50)
Write-downs/(Revaluations)	(28)	647	2,411
Net foreign exchange differences	(30)	1,587	22
Income taxes	(31)	(191)	284
Changes in:			
Inventories	(8)	(932)	108
Trade receivables	(9)	(251)	2,229
Tax receivables	(11)	664	5,306
Current financial receivables	(10)	-	3,521
Other assets	(12)	391	(84)
Deferred tax liabilities	(17)	(196)	70
Trade payables	(20)	(2,144)	(7,032)
Tax payables	(21)	264	(1,173)
Right-of-use assets	(2)	(121)	285
IFRS16 financial payables	(18)	(52)	(892)
Other current and non-current liabilities	(19)	832	(528)
Change in net working capital		**(1,545)**	**1,810**
Changes in provisions	(15)	-	-
Changes in assets/liabilities held for sale/Discontinued operations		-	-
Cash flow generated from operating activities		**(2,716)**	**3,706**
Interest paid	(30)	(468)	(347)
Income taxes paid	(31)	-	-
Net cash flow generated from operating activities		**(3,184)**	**3,359**
Cash flows from investing activities			
Investments in property, plant & equipment	(1)	(29)	(184)
Investments in intangible assets	(2)	(865)	(502)
Acquisition of Salotto di Brera net of liquidity acquired		(1,582)	-
Changes in other intangible assets	(6);(7)	(334)	126
Increase in investments in joint ventures	(5)	-	(1)
Change in consolidation scope		-	-
Net cash flow used in investing activities		**(2,810)**	**(561)**
Cash flow from financing activities			
Share capital increase		1,961	3,069
Change in Shareholders' Equity		40	15
New financing	(18)	2,000	8,450
Repayment of loans	(18)	(636)	(4,170)
Change in financial liabilities	(18)	19	(8,067)
Net cash flow used in financing activities		**3,384**	**(703)**
Net increase/(decrease) in cash and cash equivalents		**(2,610)**	**2,095**
Cash and cash equivalents at 1 January		5,085	2,991
Cash and cash equivalents at 31 December		2,474	5,085

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 2021 was approved by the Board of Directors on 30 March 2022.

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 its "complete-supply-chain" online service 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 (MN), 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 Chinese Yuan.

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

The main accounting standards and policies utilised to prepare the consolidated financial statements are described below. The policies are in line with those utilised for the preparation of the comparative financial statements, with the exception of newly-adopted policies, which should be consulted in the "Accounting standards, amendments and interpretations in force from 01 January 2021" paragraph.

The consolidated financial statements were prepared in accordance with the historical cost criterion on a going-concern basis, as the Directors verified the absence of financial, operating or other indicators which may suggest difficulties with regards to the Group's capacity to meet its obligations in the foreseeable future and in particular in the next 12 months. In particular the Giglio Group adopted international accounting standards from the year 2015, with transition date to IFRS at 1 January 2014.

C. Basis of presentation

The consolidated financial statements are comprised of the Statement of Financial Position, the Statement of Profit or Loss and Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and the Explanatory Notes.

In particular:

- in the Statement of Financial Position, the current and non-current assets and liabilities are shown separately;

- in the Statement of Comprehensive Income, the analysis of the costs is based on their nature;
- for the Statement of Cash Flows, the indirect method is used.

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

An asset is considered current where:

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

All other assets are classified as non-current.

A liability is considered current where:

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

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

D. Discretional valuations and significant accounting estimates also in the light of COVID-19 effects

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

The estimates are used to determine the provisions for doubtful accounts, depreciation and amortisation, write-downs, employee benefits, income taxes and other provisions. The estimates and assumptions are periodically reviewed and the effects of any variation are reflected in the 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 and accessories and inventories of finished products:

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

- Provision for doubtful accounts:

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

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

More specifically, expected credit losses are determined on the basis of the product between: (i) the exposure to the counterpart net of relevant mitigating guarantees (so called Exposure At Default or EAD); (ii) the chance that the counterpart does not comply with its payment obligation (so called Probability of Default or PD); (iii) the estimate, in percentage, of the quantity of credit that shall not be recovered in case of default (Loss Given Default or LGD), defined on the basis of previous experiences (historical series of recovery capacity) and of the possible recovery actions to be undertaken (e.g. out-of-court proceedings, litigations, etc.).

- Payments based on shares or options:

The cost of work includes, consistently to the substantial nature of the compensation, the cost of the incentive stock option plan. The incentive cost is determined with regards to the fair value of the financial instruments assigned and to the intended number of shares/options to be assigned;

the pertinent share is determined pro-rata temporis over the vesting period, i.e. during the period between the grant date and the assignment date. The fair value shares/options underlying the incentive plan is determine on grant date taking into account the forecasts regarding the achievement of performance parameters associated with market conditions, and cannot be adjusted in the following fiscal years; if obtaining the benefit is linked to conditions other than the market's, the forecast regarding these conditions is reflected by adjusting over the vesting period the number of shares that shall be assigned. At the end of the vesting period, in the event that the plan does not assign shares to the beneficiaries due to the failure 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 2021 were not met, and that no provision was made necessary.

It is noted that the objectives related to 2021 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;

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

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

- Contingent liabilities:

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

E. Segment disclosure

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

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

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

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

1. B2B e-commerce: Giglio Group Spa, Giglio USA, 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:

(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 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 has an outstanding debt of USD 707,000 in favour of Meridiana Holding S.r.l., a company fully-owned by

Meridiana Holding S.r.l.. See Note 35. "Transactions with subsidiaries and related parties" for more information on the transaction.

Interest rate risk

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

The interest rate risk may be classified in:

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

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

Giglio Group S.p.A. is primarily exposed to flow risk, or cash flow risk,

namely the risk of an increase in financial costs 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 December 2021	(17,574)	+1%	176
31 December 2021	(17,574)	-1%	(176)

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 2021 and 31 December 2020 is shown below:

(Euro thousands)	**Year ended at 31 December 2021**	**%**	**Year ended at 31 December 2020**	**%**
> 120 days	2,045	*23.4 %*	1,474	*20.4 %*
90<> 120 days	*144*	*1.6 %*	*582*	*8.1 %*
60<> 90 days	*294*	*3.4 %*	*269*	*3.7 %*
30<> 60 days	*869*	*10.0 %*	*323*	*4.5 %*
0<> 30 days	*470*	*5.4 %*	*1,048*	*14.5 %*
Total overdue	***3,823***	***0***	***3,695***	***51.1 %***
Not overdue	*4,905*	*56.2 %*	*3,536*	*48.9 %*
Total gross receivables	**8,728**	***100.0 %***	**7,231**	***100.0 %***
Provision for doubtful accounts	*(1,563)*		*(1,393)*	
Inc. provision on overdue 120 days	*(76.4)%*		*(94.5)%*	
Total	**7,165**		**5,838**	

By applying the Expected Credit Losses method (hereinafter, the ECL) as combination between the age of the receivables and the creditors' riskiness, in 2021, we recorded that the lesser the risk, the greater the receivables' age, thus implying a lower impact of the doubtful debt provisions on overdue payables (>120 days).

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

(Euro thousands)	**Year ended at 31 December 2021**	**%**	**Year ended at 31 December 2020**	**%**
Europe	7,755	*88.8 %*	6,098	*84.3 %*
Asia	*26*	*0.3 %*	*190*	*2.6 %*
USA	*941*	*10.8 %*	*915*	*12.7 %*
Rest of the world	*6*	*0.1 %*	*29*	*0.4 %*
Total gross receivables	**8,728**	***100.0%***	**7,231**	***100.0 %***
Provision for doubtful accounts	*(1,563)*		*(1,393)*	
Total	**7,165**		**5,838**	

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.

<u>Liquidity risk</u>

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 2021, 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	1,050	91	654	20	-	745
Banca Popolare di Sondrio	190	111	40	-	-	151
IFITALIA Factoring - BNL	5,950		1,797	-	-	1,797
Unicredit				50	38	-
Total	**7,190**	**202**	**2,491**	**70**	**38**	**2,693**

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 has reduced 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.

Such 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, "Valuation of Going Concern".

ACCOUNTING POLICIES AND ASSESSMENT CRITERIA

Consolidation principles

The consolidated financial statements include the financial statements of Giglio Group S.p.A and its subsidiaries as of 31 December 2021. 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%

Companies consolidated under the line-by-line method:

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

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

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

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

E-Commerce Outsourcing S.r.l.

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

Share capital: € 37,500

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

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.

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

IBOX SA

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

Share capital: CHF 1,882,000

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

GIGLIO (Shanghai) TECNOLOGY LIMITED COMPANY

Registered Office: Shanghai International Finance Center

Century Avenue 8

Room 874, Level 8, Tower II

Shanghai, 200120

Share Capital € 40,000

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

Media 360 HK Limited

Registered Office: 603 Shung Kwong Comm. Bldg

8 Des Vouex Road West'

Hong Kong

Share capital: HKD 100

The company, fully owned by Giglio TV HK Limited, was established in execution of the transfer agreement for the Media assets to Vertice 360. For further information on the law suit against Vertice 360, see Note 33. "Commitments, guarantees and contingent liabilities".

Business Combinations

	Fair value recognised upon acquisition
Assets	
Properties, plants and machineries (Note 1)	21
Intangible assets (Note 3)	4
Deferred tax assets (Note 7)	1
Inventories (Note 8)	447
Trade receivables (Note 9)	273
Cash and cash equivalents (Note 13)	764
	1,511
Liabilities	
Trade and other payables (Note 15)	1,135
Financial payables (Note 18)	184
Post-employment benefit funds (Note 16)	17
	1,336
Total net identifiable assets at Fair Value	**175**
Goodwill arising on acquisition (Note 4)	1,000
Consideration of the acquisition	**1,175**

The acquisition of the shareholding in Salotto di Brera S.r.l. has been recorded pursuant to IFRS 3, by applying the so-called "purchase method", by determining the assets and liabilities acquired at their fair value.

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

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

The overall amount of € 1.7 million cannot be allocated and, as such, it shall be fully recorded to goodwill. Moreover, in the statements closed at 31 December 2021, the appreciation of the two earn-outs was not completed, as in both cases the conditions were not met.

The € 1 million goodwill includes the value of the expected synergies arising from the purchase of an customer base active in the reference sectors, as well as from the expansions of the Group's B2B sector activities also to the Duty Free market.

Consideration of the acquisition	
Price for the acquisition of Salotto di Brera's shares	1,175
Total consideration	**1,175**

From the acquisition date, Salotto di Brera S.r.l. contributed to revenues of the Group for € 8.6 million and to the pre-tax net profit of the Group for € 0.2 million.

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 statement of profit or loss or in the statement of profit or loss are recorded, respectively in the comprehensive statement of profit or loss 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 statement of profit or loss or separate statement of profit or loss are translated at the exchange rate at the date of the transaction. The exchange differences from the translation are recorded in the comprehensive statement of profit or loss. On the sale of a net investment in a foreign operation, the items in the comprehensive statement of profit or loss 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 statement of profit or loss, such taxes are recorded to the same account.

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

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

Employee benefits

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

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

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

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

The accounting of defined benefit plans involves the following steps:

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

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

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

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

Provisions for risks and charges

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

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

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

Revenues from contracts with customers

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

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

Costs

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

Financial income and charges

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

Earnings per share

Earnings per share – basic

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

Earnings per share - diluted

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

Non-current assets held for sale

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

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

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

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

A disposal group qualifies as discontinued operation if it is:

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

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

Payments based on shares or options

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

Giglio TV HK deconsolidation

On 30 June 2021, Giglio TV HK was transferred to a third party for a countervalue of 100 HKD (€ 11), with the consequent deconsolidation of the investment.

Accounting standards, amendments and interpretations applied from 1 January 2021

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; these standards were applied for the first time by the Group starting from 1 January.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IAS 16

The amendments include the temporary relief of the requirements with regard to the effects on the accounts when the interest rate offered on the interbank market (IBOR) is replaced by a substantially risk-free alternative rate (Risk-Free Rate - RFR).

The amendments include the following considerations:

• The possibility to treat changes in contractual terms (or of changes in cash flows required directly by the reform) as changes of a variable interest rate, equivalent to the movement of an interest rate on the market;

• The possibility to apply the changes required by the IBOR reform in the context of the designation of the hedging and of the hedging documents without having to discontinue the hedging relationship;

• A practical measure that provides temporary relief to entities when it comes to respecting the requirements of separate identification upon designation of an RFR as hedging for a risk component.

These amendments had no impact on the Group's Consolidated Financial Statements.

Conceptual Framework for Financial Reporting issued on 29 March 2018

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

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

Amendment to IFRS 16 COVID-19 Related Rent Concessions

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

The amendments were applicable to the financial statements whose accounting period begins from 1 June 2020 or after. Earlier adoption was permitted.

On 31 March 2021, the IASB issued the "COVID-19-related rent concessions beyond 30 June 2021" amendment, which extended the practical measure's usability period from 30 June 2021 to 30 June 2022. This amendment is effective from the fiscal years starting from 1 April 2021. An early application is allowed, also for those financial statements whose publication has not been authorised yet as of 31 March 2021.

The Company decided not to adopt the practical device which allows to disregard the requirements set forth in IFRS 16 on the accounting effects of the contractual amendments for the reduction of leasing fees granted by lessors as a direct consequence of COVID-19 pandemic.

Employment data

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

Workforce	31.12.2021	31.12.2020	Change
Executives	3	3	-
Managers	15	14	1
White-collar	79	66	13
Blue-collar	-	-	-
Others	-	-	-
Total	**97**	**83**	**14**

Throughout the fiscal year, new employees were hired in order to strengthen the sales and development business functions (staff), as well as to replace the roles left vacant from some of the resigning employees.

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

ASSETS

B) Non-current assets

1. Property, plant & equipment

Balance at 31.12.2021 318

Balance at 31.12.2020 404

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 2020	**3,544**	**122**	**331**	**803**		**574**	**5,375**
Additions	-	-	-	29	-	1	30
Business Combinations	1	-	10	8	12	-	31
Transfers	-	-	-	-	-	-	-
Exchange differences and Reclassifications	-	0	-	-	-	-	0
Decreases	-	-	-	(122)	-	-	(122)
Decreases for Giglio TV deconsolidation	(2,506)						(2,506)
Disposals	-	-	-	-	-	-	-
31 December 2021	**1,039**	**122**	**341**	**718**	**12**	**575**	**2,808**
Change in Amortisations							-
31 December 2020	**(3,523)**	**(109)**	**(248)**	**(570)**	**-**	**(521)**	**(4,971)**
Depreciations	(10)	(5)	(32)	(56)	(3)	(30)	(136)
Business Combinations	(1)	-	(2)	(3)	(4)	-	(10)
Decreases for Giglio TV deconsolidation	2,506						2,506
Decreases	-	-	-	122	-	-	122
Disposals	-	-	-	-	-	-	-
31 December 2021	**(1,027)**	**(114)**	**(282)**	**(507)**	**(7)**	**(551)**	**(2,488)**
Net Value as of 31 December 2021	**12**	**8**	**59**	**211**	**4**	**25**	**318**

As of 31 December 2021, Property, Plant and Equipment recorded a net decrease equal to € 86,000, mainly ascribable to the period's amortisations. Moreover, the disposal of servers related to the B2C division is highlighted, whose historical cost amounted to € 122,000, and the purchase of new servers in 2020 Q4.

The purchase of Salotto di Brera accounted for a net increase in Property, Plant and Equipment of € 21,000.

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 31.12.2021 752

Balance at 31.12.2020 952

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 2020	**2,355**	**256**	**2,610**
Business Combinations	-	-	-
Additions	98	154	252
Transfers	-	-	-
Exchange differences	-	-	-
Decreases	(1,309)	(235)	(1,544)
Disposals	-	-	-
31 December 2021	**1,144**	**174**	**1,318**
Change in Amortisations			-
31 December 2020	**(1,533)**	**(125)**	**(1,658)**
Depreciations	(258)	(63)	(322)
Business Combinations	-	-	-
Transfers	-	-	-
Exchange differences	-	-	-
Decreases	1,277	137	1,413
Disposals	-	-	-
31 December 2021	**(515)**	**(51)**	**(566)**
Net Value as of 31 December 2021	**629**	**123**	**752**

As of 31 December 2021, the amortisation of right-to-use assets amount to € 322,000, highlighting the subscription of various agreements which led to the account's increase of € 252,000, as well as to the termination of car leasing contracts whose value, not yet amortised, amounted to € 99,000.

Moreover, the current leasing agreement with Max Factory (company belonging to Meridiana Holding's group)

were extended upon hearing the favourable opinion of the Related-Parties Committee. More specifically, for the lease of Rome's headquarters, the fees paid in 2021 H1 are spread on 2021 and 2022, without any additional disbursement, while for Genoa's headquarters the agreement expiring on 31 December 2021 has been renewed free of charge until 31 December 2023.

As of 31 December 2021, 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 31.12.2021 2,877

Balance at 31.12.2020 3,058

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 2020	**1,164**	**1,841**	**4,810**	**7,815**
Reclassification capitalised costs			-	-
Additions	255	593	70	918
Business Combinations	-	-	10	10
Transfers	-	-	-	-
Exchange differences and Reclassifications	-	10	3	13
Decreases	-	-	(45)	(45)
Decreases for Giglio TV deconsolidation	-	(30)	(231)	(260)
Disposals	-	-	-	-
31 December 2021	**1,419**	**2,414**	**4,618**	**8,451**
Change in Amortisations				
31 December 2020	**(263)**	**(408)**	**(4,086)**	**(4,757)**
Depreciations	(310)	(426)	(335)	(1,071)
Business Combinations	-	-	(6)	(6)
Transfers		-	-	-
Exchange differences and Reclassifications		(1)	(0)	(1)
Decreases		-	-	-
Decreases for Giglio TV deconsolidation	-	30	231	260
Disposals		-	-	-
31 December 2021	**(573)**	**(805)**	**(4,197)**	**(5,575)**

Net Value as of 31 December 2021	**846**	**1,609**	**421**	**2,877**

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

As of 31 December 2021, additions equal to € 918,000 are recorded, ascribable by € 255,000 to the accounting of the lease of 7Hype's business unit

via the application of IFRS16 standards and the allocation of the reference intangible fixed asset to the Know-How. The other additions

mainly concern the acquisition costs for software assets and internal development costs (€ 593,000) for the implementation of the IT platform designed to manage the online sales in the e-commerce B2C and B2B2C division's context were recorded.

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

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 31.12.2021 13,353

Balance at 31.12.2020 12,353

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. The overall amount of € 1.7 million cannot be allocated and, as such, it shall be fully recorded to goodwill. Moreover, in the statements closed at 31 December 2021, the appreciation of the two earn-outs was not completed, as in both cases the conditions were not met.

As of 31 December 2021, on the basis of the impairment tests carried out, no goodwill's write-down is recorded. The Board of Directors, in order to carry out a more conservative estimate, preferred to adopt the explicit cash flows of 4 out of 5 years of plan (FY23-25) as criterion to calculate the terminal value, thus excluding the results of the last year (FY26). On the other hand, all considerations on working capital and perpetual growth were maintained.

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

Both at single CGU level and at consolidated level, the Unlevered Free Cash Flow (UFCF) of explicit forecast were determined using Plan balance-sheet data and exempting the Ebit with a theoretical taxation of 24%, while the terminal value (TV) was calculated as the average of UFCFs of the explicit forecast period of the last two forecast years instead of the operating cash flow of the last explicit forecast year.

The discount rate applied was the adjusted WACC at 13.01%.

The 2022-2026 multi-annual Industrial Plan was approved by the Directors on 28 March 2022.

TIER 1

The Tier 1 (consolidated level) shows that, upon a Net Capital Invested of € 15.9 million, the consolidated enterprise value amounts to € 20.7 million (of which € 3.1 million resulting from the discounting of flows from explicit forecast and € 17.6 million from the terminal value).

Subsequently, the Tier 1 (verification of the value of use of the fixed assets recorded in the consolidated financial statement at about € 17.7 million) gave positive results against a headroom of € 4.8 million.

TIER 2 – B2C

The Tier 2 of B2C CGU (Business to Consumer) shows that, upon a Net Capital Invested of € 9.5 million, the enterprise value amounts to € 14.6 million (of which € 2.1 million resulting from the discounting of cash flows from explicit forecast and € 12.5 million from the terminal value).

Subsequently, the Tier 2 of B2C CGU (verification of the value of use of the goodwill recorded in the consolidated financial statement at about € 9.9 million), including € 0.2 million ascribable to IBOX's goodwill and € 3.2 million ascribable to Terashop, gave positive results against a headroom of € 5 million.

TIER 2 – B2B

The Tier 2 of B2B CGU (Business to Business) shows that, upon a Net Capital Invested of € 5.8 million, the enterprise value amounts to € 5.8 million (of which € 0.7 million resulting from the discounting of cash flows from explicit forecast and € 5 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 € -7 thousands.

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 2.5%, 5% and 10%. On the basis of the sensitivity analysis, it is noted that, despite a general stability of the consolidated goodwill for first two sensitivity scenarios, the third one would lead to its own debasement. With regard to the CGUs' goodwill, the B2C CGU shows a goodwill stability in all three sensitivity scenarios; conversely, the B2B CGU shows debasements in all scenarios.

5. Investments in joint ventures

Balance at 31.12.2021 8

Balance at 31.12.2020 8

The account at 31 December 2021 equal to € 8,000 mainly includes the investment consequent to the Joint Venture, together with Acque Minerali Italiane, of the company Cloud Food S.r.l under liquidation in March 2018. This investment (held at 51%) is measured at equity, in accordance with IFRS 11 - Joint Arrangements. At the reporting date, the company exclusively reports a share capital of € 10,000. It is noted that the company, as of 31 December 2021, is not operative and no transaction has been carried out with Giglio Group S.p.A..

6. Receivables and other non-current assets

Balance at 31.12.2021 231

Balance at 31.12.2020 663

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

Receivables and non-current assets	31.12.2021	31.12.2020	Change
Guarantee deposits	219	210	9
Others	12	453	(441)
Total	**231**	**663**	**(432)**

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;

In the previous fiscal year, "Others" referred mainly to the long-term portion of the credit resulting from the transfer to GM Comunicazione S.r.l., finalised on 20 December 2018, of the authorisation to supply audiovisual media services associated to channel 65 of the digital terrestrial. Said credit, in the current fiscal year, is totally classified as short-term.

7. Deferred tax assets

Balance at 31.12.2021 974

Balance at 31.12.2020 829

The account, equal to € 974,000 at 31 December 2021, 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, have not been provisioned, and to the tax effect of the interest expenses exceeding the Company's Gross Operating Income for 2020 and 2021 (€ 296,000).

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

8. Inventories

Balance at 31.12.2021 2,238

Balance at 31.12.2020 1,754

The inventories of the Group comprise finished products for sale.

As of 31 December 2021, 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 increase on 31 December 2020 is mainly ascribable to the business combination of the company Salotto di Brera, purchased over the course of the fiscal year, holds goods in containment stock with duty-free stores and on board of cruise ships. The stock value as of 31 December 2021 amounted to € 302,000.

As of 31 December 2021, the obsolescence provision is equal to € 107,000 and a further provision (€ 54,000) was made during 2021, 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 provision shown above, please refer to Note D. "Discretional valuations and significant accounting estimates", also in light of COVID-19 impacts.

9. Trade receivables

Balance at 31.12.2021 9,928

Balance at 31.12.2020 9,951

The breakdown of the account is as follows:

Trade receivables	31.12.2021	31.12.2020	Change
Trade receivables	10,159	9,566	593
Advances to suppliers	1,242	1,662	(420)
Guarantee deposits	73	73	(0)
Other receivables	18	43	(25)
Provision for doubtful accounts	(1,564)	(1,393)	(171)
Total	**9,928**	**9,951**	**(23)**

The Advances to suppliers of B2B e-commerce division relate to advances on orders of the PE and AI 2022 collection.

The Trade receivables increased following the acquisition of Salotto di Brera S.r.l..

The geographic breakdown of gross trade receivables at 31 December 2021 and 31 December 2020 are as follows:

(Euro thousands)	**Year ended at 31 December 2021**	**%**	**Year ended at 31 December 2020**	**%**
Europe	7,755	*88.8 %*	6,098	*84.3 %*
Asia	*26*	*0.3 %*	*190*	*2.6 %*
USA	*941*	*10.8 %*	*915*	*12.7 %*
Rest of the world	*6*	*0.1 %*	*29*	*0.4 %*
Total gross receivables	**8,728**	***100.0%***	**7,231**	***100.0 %***
Provision for doubtful accounts	*(1,563)*		*(1,393)*	
Total	**7,165**		**5,838**	

The ageing of the gross trade receivables as of 31 December 2021 and 31 December 2020 is shown below:

(Euro thousands)	**Year ended at 31 December 2021**	**%**	**Year ended at 31 December 2020**	**%**
> 120 days	2,045	*23.4 %*	1,474	*20.4 %*
90<> 120 days	*144*	*1.6 %*	*582*	*8.1 %*
60<> 90 days	*294*	*3.4 %*	*269*	*3.7 %*
30<> 60 days	*869*	*10.0 %*	*323*	*4.5 %*
0<> 30 days	*470*	*5.4 %*	*1,048*	*14.5 %*
Total overdue	***3,823***	***0***	***3,695***	***51.1 %***
Not overdue	*4,905*	*56.2 %*	*3,536*	*48.9 %*
Total gross receivables	**8,728**	***100.0 %***	**7,231**	***100.0 %***
Provision for doubtful accounts	*(1,563)*		*(1,393)*	
Inc. provision on overdue 120 days	*(76.4)%*		*(94.5)%*	
Total	**7,165**		**5,838**	

By applying the Expected Credit Losses method (hereinafter, the ECL) as combination between the age of the receivables and the creditors' riskiness, in 2021, we recorded that the lesser the risk, the greater the receivables' age, thus implying a lower impact of the doubtful debt provisions on overdue payables (>120 days).

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

Provision for doubtful accounts (Euro thousand)	
31 December 2020 Balance	**1,393**
Provisions	742
Exchange differences	-
Utilisations	(571)
31 December 2021 Balance	**1,564**

The provision for the year amounting to € 742,000 predominantly refers to the subsidiaries Giglio Group S.p.A. (€ 29,000), Giglio USA (€ 20,000) and E-Commerce Outsourcing S.r.l. (€ 368,000) and IBOX SA (€ 325,000), 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 31.12.2021 2

Balance at 31.12.2020 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 31.12.2021 397

Balance at 31.12.2020 1,061

The breakdown of tax receivables is shown below:

Tax receivables	31.12.2021	31.12.2020	Change
IRES	109	545	(436)
IRAP	1	146	(145)
Withholding taxes	5	3	2
INPS	-	-	-
INAIL	1	-	1

VAT	154	273	(119)
Others	126	94	32
Total current tax receivables	**397**	**1,061**	**(665)**

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

The decrease recorded in the semester is mainly ascribable to minor advances on taxes paid over the period.

12. Other assets and other current receivables

Balance at 31.12.2021 1,848

Balance at 31.12.2020 2,310

Other assets	31.12.2021	31.12.2020	Change
Other assets	77	56	21
Prepayments and accrued income	1,771	2,254	(483)
Total	**1,848**	**2,310**	**(462)**

Prepayments and accrued income mainly relate:

- for € 1,231,000 to the subsidiary Ibox SA: they concern the relative installations for the use of management software for the years 2021 and thereafter invoiced in advanced.
- The remainder refers to the costs for discounted services for the share not attributable to the Group.

The deviation is mainly ascribable to:

- The closure of the long-term portion of the credit resulting from the transfer to GM Comunicazione S.r.l., finalised on 20 December 2018, of the authorisation to supply audiovisual media services associated to channel 65 of the digital terrestrial, for a total amount of € 142,000.
- The closure of the down-payment disbursed on December 2020 for the purchase of a share in Salotto di Brera S.r.l., which was completed on January 2021.

13. Cash and cash equivalents

Balance at 31.12.2021 2,474

Balance at 31.12.2020 5,085

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

Cash and cash equivalents	31.12.2021	31.12.2020	Change
Bank and short-term deposits	2,470	5,081	(2,611)
Cash on hand	5	4	1
Total	**2,474**	**5,085**	**(2,610)**

The changes relate to normal operating events and refer to the changes illustrated in the statement of cash flow. It is noted that last year, cash and cash equivalents included the revenues from the transfer of Vertice 360 shares, which took place on December 2020, for an amount of € 1,440,000 (a non-recurring operation in the following fiscal years). 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 2021 consists of 21,968,022 ordinary shares, without express nominal value.

The changes in 2021 are due to:

- Allocation of the consolidated result at 31 December 2020, equal to € -2,647.000;
- Recognition of IAS 19 actuarial loss equal to € 20,000;
- Capital share increase through private placement of no. 1,221,547 newly-issued ordinary shares, without nominal value, at € 1.78 per share, for a total value of € 2.2 million. The value of the capital increase, fully subscribed, thus amounts to € 0.2 million in nominal value and € 1.9 million at share premium. This amount was revised by € 0.2 million of directly attributable subscription costs. Meridiana Holding S.r.l. subscribed no. 485,547 shares, equal to 39.75% of the capital increase. The participation of Meridiana Holding S.r.l. in the transfer shall be deemed as a Related-Parties Transaction of lesser importance; for further information on the relationship between the Company and Meridiana Holding S.r.l., see Note 35. "Transactions with subsidiaries and related parties"; moreover, with regard to the Related Parties Transaction of greater/lesser importance, see Chapter 2 of the Disclosure Document drafted pursuant to Art. 5 of the Regulation adopted by CONSOB

with resolution no. 17221 of 12 March 2010, available on the authorised storage mechanism www.emarketstorage.it as well as on the Company's website at www.giglio.org "Corporate Governance - Shareholders' Meetings - Shareholders' Meeting 12 November 2020" section, together with the opinion of the Internal Control, Risks and Related-Parties Committee; Share capital increase by payment via Accelerated Book-building procedure of € 1,310,000, of which € 147,000 at nominal value and € 1,163,000 at share premium;

- Recognition of exchange differences equal to €5,000;
- Consolidated result for the period equals to € -4,623,000.

15. Provisions for risks and charges

Balance at 31.12.2021 73

Balance at 31.12.2020 155

As of 31 December 2021, the account mainly includes the provision for returns mainly ascribable to the company
Ibox SA for € 115,000 and the provision for risks allocated by the Parent Company
in order to offset any loss generated by Media 360 HK.

16. Post-employment benefit provisions

Balance at 31.12.2021 673

Balance at 31.12.2020 730

As of 31 December 2021, the Post-employment benefit provision amounts to € 713,000, and its movements are as follows:

(Euro thousands)	
Post-employment benefit provision at 31.12.2020	**730**
Business Combinations	17
2021 Q1 provision	144
Advances/Util.	(98)
Actuarial gains (losses)	(124)
Net Interest	4
31 December 2021 Balance	**673**

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

- probability of elimination for death: ISTAT table 2020 (source ISTAT – 2020 Italian Annual Statistics);
- probability of elimination for invalidity: zero;
- probability of elimination for other reasons (dismissal, departure): equal to 3% per annum for the entire valuation period (taken from the data recorded, as well as experience relating to similar businesses);
- pension expected on the maturity of the first possibility of I.N.P.S. pension established by Article 24 of Law 214/2011 and as provided for by Legislative Decree no. 4 of 2019, hypothesising the workers' exit from the service upon achievement of the first useful right;
- annual inflation rate: 1.6% for 2022, 1.3% for 2023 and 1.5% for 2024 (source: "Update of 2021 Economic and Finance Document"); from 2025 onwards, the annual rate of 1.5% 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 31.12.2021 of AA securities issued by corporate issuers in the Eurozone and based on the average residual duration of the Post-employment benefit at 31.12.2021; therefore, considering that the average residual duration of the liabilities was equal to 16 years, the annual nominal discount rate assumed in the valuation was 1.4% (1% at 31.12.2020).

The sensitivity analysis on the discount rate was applied by using a rate that was respectively lower and higher than 1.4% by half a percentage point. Valuation results based on the rate of 0.9% and 1.9% (Euro thousands) are shown in the table below:

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

Moreover, it is worth noting that the updating of demographic assumptions with respect to 31 December 2020 (concerning only the probability of elimination due to death) produced only a slight effect on actuarial results (€ +0.1 thousand), while the updating of the discount rate (1.4% instead of the 1% adopted at 31 December 2020) resulted in a € 19.4 thousand increase in the DBO.

17. Deferred tax liabilities

Balance at 31.12.2021 **192**

Balance at 31.12.2020 **387**

As of 31 December 2021, the deferred tax provision amounts to € 192,000. 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 31.12.2021 **18,543**

Balance at 31.12.2020 **16,279**

The financial liabilities are illustrated in the table below:

Financial payables	31.12.2021	31.12.2020	Change
Current	5,916	4,096	1,820
Non-current	12,627	12,183	444
Total	**18,543**	**16,279**	**2,264**

Other than reducing the Group's financial debt in absolute terms, 2021 also saw the beginning of a process of debt restructuring in favour of the medium/long-term debt and in favour of Meridiana

(Related Party) with regard to the short-term debt with financial institutions. This allowed, in the first half-year, the Group to invest resources in the supply of PPEs. The Company has started the negotiation with some major credit institutions in order to make use of the possibility to suspend the payments of the instalments of the outstanding mortgages (so-called moratorium) pursuant to Art. 56 of Legislative Decree 18/2020 ("Heal Italy" decree), renewed by Art. 65 of Legislative Decree 104/2020 (the so-called "August Decree") and extended by Art. 1, par. 248 of the Budget Law 2021 (Law no. 178 of 30 December 2020). Following the latest extension, the suspension terms agreed with the credit institutions in April 2020 were moved to 30 June 2021. Therefore, in 2020 the Company benefited, on a cash basis, from minor reimbursements of deferred instalments, for a total of about € 2.7 million. In compliance with the IFRS 9 accounting standard, the so-called “10% test” was carried out on said loans (already recorded according to the amortised cost criteria) in order to assess the materiality or lack thereof of the renegotiation and to identify the resulting accounting effects. Each single test had a positive outcome, hence the liability’s derecognition was not necessary.

Over the last quarter, the related-parties long-term payables was converted to Equity by 80%.

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

Current financial liabilities	31.12.2021	31.12.2020	Change
Loans (current portion)	3,014	1,852	1,162
Total current loans	**3,014**	**1,852**	**1,162**
Advances on invoices/Credit Lines	1,244	824	421
Bank overdrafts	480	2	477
Earn-out	-	12	(12)
Rental liabilities	392	414	(22)
EBB bond	770	500	270
Payables towards related parties	16	493	(477)
Total	**5,916**	**4,096**	**1,819**

The current financial liabilities relate to:

- Short-term portion of unsecured loans;
- The self-liquidating credit lines as advances on invoices;
- The current portion of payables owed to related parties, in USD. For more information, 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	31.12.2021	31.12.2020	Change
Loans	7,749	6,874	875
EBB bond	3,695	4,304	(609)
Rental liabilities	558	587	(30)
Payables towards related parties	626	417	209
Total	**12,627**	**12,183**	**445**

The non-current financial liabilities relate to:

- The long-term unsecured loans;
- EBB bond. On 2 April 2019, the company issued a non-convertible bond of € 5 million in principal, made up of 50 bearer bonds with a denomination per unit of € 100,000.00 each, with the following conditions:
  - Subscribers: the Bond was fully subscribed by the SPV;
  - Listing: the Bonds shall not be listed on any regulated market nor on any MTF;
  - Terms of issue: the Bonds shall be issued in a single tranche;
  - Issue price: the issue price amounts to 100% of the Bonds' nominal value;
  - Interests: the Obligations shall be interest-bearing at the fixed nominal gross annual rate of 4.572%, to be paid with a semi-annual coupon postponed;
  - Legal duration and expiration: the Bonds shall have a legal duration of 8 years and 6 months and the expiration date is set at the last interests' payment date of 2027;
  - Reimbursement: the Bonds shall be redeemed at par, i.e. at 100% of their nominal value, pursuant to the amortisation plan set forth in the regulation, with 13 semi-annual capital instalments, with a grace period of 2 years;
  - On 11 March 2020, EBB S.r.l., the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data (31.12.2019), with retroactive effect at 31 December 2019, since the company was not respecting to that date the parameters set forth in the same covenants.
  - On 26 July 2021, EBB S.r.l., the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to

authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data of 30 June 2021 and 31 December 2021.

- The Company, as per the previous years, requested a new suspension of the application of the thresholds for the financial covenants for 2022 by sending a new waiver request to EBB Export S.r.l. on 17 March 2022. .

- The non-current portion of payables owed to related parties, in USD. For more information, see Note 35. Transactions with subsidiaries and related parties;

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

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

(Euro thousand)	**Value at 01.01.2021**	**Cash flow**	**Value at 31.12.2021**
Non-current financial liabilities	12,183	(2,573)	9,610
Current financial liabilities	4,096	4,837	8,933
Total liabilities from financing activities	**16,279**	**2,264**	**18,543**

The following table summarises the loans of the Giglio Group S.p.A. as of 31 December 2021, and highlights the amounts due within and beyond one year:

(Euro thousands)

Bank	Interest rate	Loan amount	Date of subscription	Outstanding debt at 31/12/2021	Expiration	0<>12 months	1 year<> 2 years	2 year<> 3 years	More than 3 years
INTESA									
Unsecured loan no. 0IC1047064869	Euribor 1 month + 2% spread	1,000	28/06/2017	477	28/04/2024	202	205	69	-
CARIGE									
Loan no. 11597713	1.65%	550	23/11/2020	550	31/10/2026	22	134	137	257
Banco BPM									
Loan no. 11597713	Euribor 1 month + 2.1% spread	2,000	23/11/2020	1,799	23/11/2026	351	358	366	723
UNICREDIT									
Unsecured loan no. 8426426	5.90%	5,000	23/01/2020	5,000	30/04/2024	2,058	1,957	985	-
TOTAL Giglio Group	-	**8,550**		**7,825**		**2,633**	**2,656**	**1,557**	**980**
-	-								
Deutsche Bank	-								
Loan no. 2392069	Euribor 3 month + 2.01% spread	200	07/08/2020	149	07/08/2025	39	40	41	28
TOTAL SALOTTO DI BRERA	-	**200**		**149**		**39**	**40**	**41**	**28**
-	-								
E-Commerce Outsourcing S.r.l.	-								
Loan no. 0610023767	Euribor (Act/360) 1 month + 4.50% spread	2,000	13/08/2021	2,000	31/08/2027	272	340	356	1,031
TOTAL E-COMMERCE		**2,000**		**2,000**		**272**	**340**	**356**	**1,031**
		Overall Total		**9,974**		**2,945**	**3,036**	**1,954**	**2,039**

19. Other current and non-current liabilities

Balance at 31.12.2021 4,068

Balance at 31.12.2020 3,744

The Other liabilities are illustrated in the table below:

Other liabilities	31.12.2021	31.12.2020	Change
Current	2,992	3,744	(752)
Non-current	1,076	-	1,076
Total	**4,068**	**3,744**	**324**

The Other current liabilities are illustrated in the table below:

Other current liabilities	31.12.2021	31.12.2020	Change
Employee payables	410	555	(145)
Prepayments and accrued expenses	212	500	(288)
Other payables	2,369	2,689	(320)
Total	**2,992**	**3,744**	**(752)**

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 non-current share contains the part of Vertice 360 payables to be paid-up after twelve months, pursuant to the aforementioned minutes of conciliation. For more information, see Note 10. "Significant Events After the End of the Fiscal Year".

Other non-current liabilities	31.12.2021	31.12.2020	Change
Other payables	(1,076)	-	(1,076)
Total	**(1,076)**	**-**	**(1,076)**

20. Trade payables

Balance at 31.12.2021 10,931

Balance at 31.12.2020 13,591

Trade payables	31.12.2021	31.12.2020	Change
Customer advances	1,667	682	985
Supply of goods and services	9,103	12,840	(3,737)
Credit notes to be issued	161	69	92
Total	**10,931**	**13,591**	**(2,660)**

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

The breakdown of trade payables is shown below:

(Euro thousands)	**Year ended at 31 December 2021**	**Year ended at 31 December 2020**
Trade payables	10,931	13,582
- of which overdue beyond 60 days	*4,369*	*4,034*
- % overdue payables on total	*40.0%*	*29.7 %*

21. Tax payables

Balance at 31.12.2021 3,192

Balance at 31.12.2020 3,219

Tax payables	31.12.2021	31.12.2020	Change
Withholding taxes	418	261	157
Foreign VAT	2,167	2,176	(9)
Income taxes	400	630	(230)
Social security institutions	207	152	55
Total	**3,192**	**3,219**	**(27)**

Tax payables relate to:

- withholding taxes and taxes related to the normal operating activities of the company for Euro 418 thousand;
- 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 € 207,000;
- National taxes for € 400,000.

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:

	31.12.2021	31.12.2020	Change
Revenues from contracts with customers	38,242	41,291	(3,049)
Other revenues	219	696	(477)
Total	**38,461**	**41,987**	**(3,526)**

As of 31 December 2021 revenues from sales and services amounted to Euro 38.5 million compared to Euro 42 million as of 31 December 2020.

Revenues from contracts with customers both cover the B2B division, where they amount to € 25.4 million, and the B2C division, amounting to € 13,4 million. While in the B2B segment the Group's companies perform the role of Principal, in the B2C segment, the situation to which service is tied is attributable to those who perform the role of Agent, not controlling the assets during the execution of its own performance obligation and, therefore, records costs and revenues on a net basis for revenues deriving from the full outsourced management of the client's e-commerce site. For more information on the revenues' division within the respective segments, see paragraph 4 of the Directors' report.

It is noted that 2020 included revenues for € 10.4 million (with about 25% of margins) related to the turnover of Giglio Salute division, which was created following the outbreak of the COVID-19 pandemic with the purpose of handling PPEs through the Group's e-commerce platforms and its commercial network in China.

23. Increases in assets due to own work

The increases in assets due to own work as of 31 December 2021 are in line with the previous year, equalling € 0.3 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:

	31.12.2021	31.12.2020	Change

Costs of goods	22,079	22,344	(265)
Consumables	43	40	3
Total	**22,122**	**22,384**	**(262)**

The account mainly includes the costs borne by Giglio Group's B2B segment; the increase on the previous fiscal year is mainly ascribable to the inclusion, within the consolidation scope, of the new subsidiary Salotto di Brera Duty Free S.r.l..

25. Service costs

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

	31.12.2021	31.12.2020	Change
Agents	2,605	2,359	246
Other service costs	160	305	(145)
Insurance	178	141	37
Bank, postal & collection commissions	860	1,038	(178)
Directors, statutory auditors and supervisory board fees	495	411	84
Consulting	2,685	2,817	(132)
Administrative costs	970	605	365
Customer service	291	547	(256)
Warehousing	555	481	74
Maintenance	11	22	(11)
Advertising, promotions, shows and fairs	164	151	13
Cleaning and surveillance	28	23	5
Transport & shipping	2,218	2,913	(695)
Utilities	243	233	10
Web marketing	123	210	(87)
Sales representatives	88	78	10
Total	**11,674**	**12,334**	**(660)**

The account principally refers to:

- The B2B division: transport and shipment service costs for € 0.6 million; warehousing costs for € 0.5 million and agents for € 0.4 million;

- The B2C division: agents costs for € 2.2 million, transport and shipping for € 1.65 million, bank commissions for € 0.7 million and customer services for € 0.3 million. The decrease is mainly ascribable to the decrease in transport and shipping costs linked to the end of the PPEs marketing segment, which had generated -besides a € 10.4 million turnover in 2021- also a significant increase in transport costs due to the import of said goods from China.

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

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:

	31.12.2021	31.12.2020	Change
Rental	100	23	77
Hire	59	38	21
Operating leases	21	32	(11)
Total	**180**	**93**	**87**

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:

	31.12.2021	31.12.2021	Change
Salaries and wages	4,285	3,978	307
Social security charges	908	931	(23)
Post-employment benefits	209	217	(8)
Total	**5,402**	**5,126**	**276**

Payroll expenses increase for a total of € 0.3 million if compared to 31 December 2020.

The increase is mainly ascribable to the subsidiary Salotto di Brera Duty Free S.r.l., which was consolidated starting from January 2021.

28. Amortisation, depreciation & write-downs

The breakdown of the account is shown below:

Amortisation, depreciation & write-downs	31.12.2021	31.12.2020	Change
Amortisation intangible fixed assets	1,071	1,048	23
Amortisation tangible fixed assets	456	828	(372)
Write-downs (Revaluations)	647	2,411	(1,764)
Total	**2,174**	**4,287**	**(2,113)**

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:

	31.12.2021	31.12.2020	Change
Other taxes	19	27	(8)
Other charges	32	109	(77)
Penalties and fines	97	82	15
Prior year charges	261	25	236
Losses on receivables	-	-	-
Total	**409**	**244**	**165**

As of 31 December 2021, the account "Other operating costs" is partly due to contingencies recorded over the year.

30. Financial income and charges

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

Financial income and charges	31.12.2021	31.12.2020	Change
Interest income on bank accounts	3	588	(585)
Incomes on transfer of securities	-	333	(333)
Other interest	-	-	-
Exchange gains	70	621	(551)
Financial income	**73**	**1,542**	**(1,469)**
Interests on current bank accounts	50	24	26
Other interests	690	234	456
Interests on invoice advances and factoring	70	80	(10)
Interests on mortgage loans	266	324	(58)
Interests on bond loans	281	263	18
Bank charges	66	109	(43)
SIMEST financial charges	-	20	(20)
IFRS 16 financial charges	29	36	-
Exchange losses	208	289	(81)
Financial charges	**1,660**	**1,564**	**96**
Total	**(1,587)**	**(22)**	**(1,565)**

The total of "Financial income and charges" as of 31 December 2021 is negative by € -1.6 million, presenting a deviation of the same amount if compared to the previous year. The reason is mainly attributable to the financial income of € 600,000 accrued following the unilateral decision to partly waive E-Commerce Outsourcing S.r.l.'s earn-out, of € 581,000 for exchange income mainly calculated on the loan with Meridiana (in USD) and of € 133,000 following the capital gain on the transfer of Vertice 360 securities, concluded in 2020.

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

31. Income taxes

The breakdown of income taxes is as follows:

Income taxes	31.12.2021	31.12.2020	Change
Current taxes	(208)	(270)	62
Deferred taxes	399	(14)	413
Total	**191**	**(284)**	**475**

Income taxes amount to € 0.2 million (€ 0.3 million at 31 December 2020). Over the course of 2020, Giglio Group and its subsidiary E-Commerce Outsourcing S.r.l. entered into an agreement aimed at governing their relationship arising from the exercise of the option for the National Consolidated Tax Regime over the 2020-2022 period, following Art. 117 and 129 of the TUIR, as set forth in Presidential Decree no. 917 of 1986.

The increase in Deferred taxes is mainly ascribable to the increase in interest payables transferable to the consolidated tax regime and deductible from future fiscal years.

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

31.12.2021							
	Giglio Group	IBOX SA	Giglio USA	Media 360 HK	Giglio Shanghai	E-Commerce Outsourcing S.r.l.	Salotto di Brera S.r.l.
Pre-tax result	(3,153)	(577)	71	(14)	(25)	(347)	(172)
Theoretical tax charge	-	-	-	-	-	-	-
Effective tax charge	24	(79)	17	-	-	(82)	(88)
Deferred taxes	255	0	0	-	-	81	0
Net result	(2,873)	(655)	88	(14)	(25)	(347)	(260)
Theoretical tax rate	27.90%	19.00%	34.00%	16.50%	34.00%	27.90%	27.90%
Effective tax rate	-0.77%	13.63%	23.30%	0.00%	0.00%	23.54%	51.49%

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	31
S. Olivotto	15
F.Gesualdi	31
S.Armella	13
M. Belloni	79
Total	**369**

During the course of the year, director S. Olivotto ceased to hold any office in the Company, upon expiration of her contract.

During the course of the year, statutory auditors C. Tundo and M. Mannino terminated their office, while alternate auditor G. Fantini acted temporarily as standing auditor from 21 June 2021 to 20 September 2021.

Board of Statutory Auditors (Euro thousand)

C. Tundo (until 21/06/2021)	13
M. Centore	27
M. Mannino (until 21/06/2021)	10
G. Mosci (from 20/06/2021)	20
G. Fantini (from 21/06/2021 to 20/09/2021)	8
L. Tacchino (from 20/09/2021)	9
Total	**87**

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 auditing of consolidated half-year report	EY S.p.A.	Parent Company	55
Audit of the Annual Financial Statements of Giglio Group S.p.A.	BDO Italia S.p.A.	Parent Company	56
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	11
Total services			**135**

It is noted that on 9 December 2021, the Shareholders' Meeting of the Company appointed BDO Italia S.p.A. as new auditing company of the Group, task previously held by EY S.p.A..

Moreover, € 7,000 in revenues for the Supervisory Body are recorded.

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

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

The company undertook related party transactions (as per Article 2427, paragraph 2, of the Civil Code) in line with market conditions. Financial and operating transactions with the related parties are illustrated in detail in the paragraph 35 below.

33. Commitments, guarantees and contingent liabilities

Guarantees

Mr. Alessandro Giglio, reference partner of the holding company Meridiana Holding S.r.l., has provided personal guarantees on some Loans held by the company as of 31 December 2021.

The details are shown below:

Commitments and guarantees (Euro thousand)

Entity	Guarantee Value	Residual amount guaranteed
B.POP Sondrio	900	152
Banco BPM	650	650

UNICREDIT	536	536
Total bank guarantees	**2,086**	**1,338**
EBB bond loan	1,000	1,000
Total guarantees	**3,086**	**2,338**

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.

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.

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

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

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

- To ascertain and declare the unlawfulness of the Closing Letter of 30 October 2019 due to the incorrect information of the debt items to be borne by Giglio Group hereby reported and to proceed to its amendment, pursuant Art. 1430 of the Italian Civil Code, as explained above;

- Secondarily, to annul the Closing Letter of 30 October 2019, due to a mistake in its subscription, pursuant Art. 1427, 1428, 1429 and 1431 of the Italian Civil Code;
- In alternative, to ascertain and declare the unlawfulness of the Closing Letter, considering the invalidity of Art. 2.4.2 and 7.5 of the Contribution Agreement, for the reasons explained above, pursuant to Art. 1418, 1322 and 1325 of the Italian Civil Code;
- Due to the aforementioned verifications, to ascertain and declare that nothing is owed by Giglio Group to the defendant companies and/or to M3 and M360 Italy, against the sums already paid for, for a total of € €658,979.18;
- To ascertain and declare, in any case, Vertice 360' and Squirrel's breach of contract against Giglio Group, for the aforementioned reasons and, as a consequence, condemn the defendant companies, in the person of their legal representatives, to reimburse the losses incurred and still to be incurred in favour of the complainant company.

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

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

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

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

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

- To ascertain and declare Vertice 360' and Squirrel's breach of contract with Giglio Group, which caused an unjust damage to the latter, quantifiable in € 12,832,000 as damages suffered and loss of profits, in € 341,000 as delays in the transfer of Vertice shares and in € 2,564,000 as receivable of Giglio Group from Nautical Channel Ltd.;
- To completely reject all adversary demands, being groundless and unproven on both facts and points of law, for all the reasons and exceptions reported above;
- To ascertain and declare the unlawfulness of the Closing Letter of 30 October 2019 due to the errors in the debt balance appointed to Giglio Group.

The Judge granted the aforementioned terms for the deposit of supplementary statements and for the articulation of preliminary evidence, adjourning the eventual admission of evidence to the hearing of 14 December 2021. Upon the outcome of said hearing the Court invited both parties to reach a settlement agreement. Subsequently, after a first exchange of settlement proposals, the Parties subscribed a minutes of conciliation during the hearing of 23 February 2022, which provides for the payment of € 3,000,000 in 15 instalments, of which the first 14 shall amount to € 196,666.67 each and the last one to € 246,666.62.

Risk of adverse outcome of legal proceedings: Considering the settlement agreement subscribed by the Parties, the law suit shall be deemed as closed.

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 2021 is presented below.

		31.12.2021		31.12.2020	
Consolidated Statement of Financial Position (Euro thousands)		**Carrying amount**	**Fair Value**	**Carrying amount**	**Fair Value**
Non-current assets					
Investments in joint ventures	(5)	8	8	8	8
Receivables	(6)	231	231	663	663
Total non-current assets		**18,488**		**18,267**	
Current assets					
Financial receivables	(10)	2	2	2	2
Cash and cash equivalents	(13)	2,474	2,474	5,085	5,085
Total current assets		**16,887**		**20,163**	
Total Assets		**35,375**		**38,430**	
Non-current liabilities					
Financial payables (non-current portion)	(18)	8,933	8,933	12,183	12,183
Total non-current liabilities		**10,947**		**13,455**	
Current liabilities					
Financial payables	(18)	9,610	9,610	4,096	4,096
Total current liabilities		**26,725**		**24,650**	
Total liabilities and Equity		**35,375**		**38,430**	

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 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 26 July 2021, EBB S.r.l., the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data of 30 June 2021 and 31 December 2021.

The Company requested a new suspension of the application of the thresholds for the financial covenants for 2022 by sending a new waiver request to EBB Export S.r.l. on 17 March 2022.

35. Transactions with subsidiaries and related parties

The Related Parties and their transactions for 2021 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.r.l. is the majority shareholder of the Company, owning, as of 21 June 2021, 55.66% of its share capital (against the previous 56.6%). Moreover, the share capital of the same company is held at 99% by Alessandro Giglio (Chairman of the Board of Directors of the Company) and at 1% by Yue Zhao.
- Max Factory S.r.l. is a company fully controlled by Meridiana Holding S.r.l..
- Azo Asia Limited is a company fully controlled by Meridiana Holding S.r.l..

The following tables report the transactions and balances with Related Parties at 31 December 2021. The data indicated in the following tables are taken from the consolidated financial statements of the Issuer and/or from the general accounting data.

The account "Other related parties" refers to Meridiana Holding S.r.l. and to Azo Asia Limited.

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 2021

	Trade receivables	Financial receivables	Trade payables	Financial payables	Sales revenues	Operating costs	Financial income	Financial charges

A	**Subsidiaries**	**1,416**	**2,507**	**75**	**1,483**	**2,691**	**1,825**		
B	**Holding companies or subject to joint control**								
C	**Related companies**								
D	**Subsidiaries**								
E	**Joint ventures**								
F	**Senior Executives, of which:**	-	-	-	-	-	-	-	-
	Executive Directors								
	Non-Executive Directors								
	Others								
G	**Other related parties, of which:**	**-**	**-**	**-**	**624**	**-**	**-**	**(54)**	**14**
	Board of Statutory Auditors								
	Joint ventures								
	Close Relatives								
	Others				624			(54)	14
	Total (A;B;C;D;E;F;G)	**1,416**	**2,507**	**75**	**2,108**	**2,691**	**1,825**	**(54)**	**14**

Trade receivables and payables

Receivables/Payables	**Giglio Group**	**Giglio USA**	**Giglio Shanghai**	**Salotto di Brera**	**E-Commerce Outsourcing**	**IBOX SA**
Giglio Group		1,002		77	195	142
E-Commerce Outsourcing	3					4
Giglio USA	-					
Giglio Shanghai						
Salotto di Brera	-					
IBOX SA	72				26	

Financial receivables and payables

Receivables/Payables	**Giglio Group**	**Giglio USA**	**Giglio Shanghai**	**Salotto di Brera**	**E-Commerce Outsourcing**	**IBOX SA**
Giglio Group		102			-	2,405
E-Commerce Outsourcing	1,483					
Giglio USA						
Giglio Shanghai						
Salotto di Brera						
IBOX SA	-					

Commercial revenues and costs

Revenues/Costs	**Giglio Group**	**Giglio USA**	**Giglio Shanghai**	**Salotto di Brera**	**E-Commerce Outsourcing**	**IBOX SA**
Giglio Group		1,741		302	644	4

E-Commerce Outsourcing	2		744
Giglio USA			
Giglio Shanghai	105		
Salotto di Brera	1,716		
IBOX SA	2	52	

The nature of the transactions in the above table are as follows: (i) for E-Commerce Outsourcing, Giglio USA and Ibox SA they refer in general to the recharge of administration costs incurred by the Issuer in the name of and on behalf of the subsidiary companies; (ii) for Giglio USA and Ibox SA they concern also the supply of goods and services.

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

- Max Factory S.r.l.: real estate company owned by Alessandro Giglio who leases to Giglio Group S.p.A. the following buildings:
    - Genoa offices: Palazzo della Meridiana for a total annual cost of € 90,000;
    - Rome offices: Via dei Volsci for a total annual cost of € 49,800.
- AZO Asia limited: company held by Meridiana Holding S.r.l., who carried out a financing to the Group. On 20 December 2020, Azo Asia Limited transferred its financial receivables to Meridiana Holding S.r.l.. As of 31 December 2021, the total payable amounted to € 0.6 million.

The remuneration paid in 2021 to the Board of Directors of the Issuer amounted to Euro 369 thousand.

36. Dividends

In line with the approval of the guidelines of the 2022-2026 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)		31.12.2021	of which related parties	31.12.2020	of which related parties
Non-current assets					
Property, plant & equipment	(1)	318		404	
Right-of-use assets	(2)	752		952	
Intangible assets	(3)	2,877		3,058	
Goodwill	(4)	13,353		12,353	
Investments in joint ventures	(5)	8		8	
Receivables	(6)	231		663	
Deferred tax assets	(7)	949		829	
Total non-current assets		**18,488**	**-**	**18,267**	**-**
Current assets					
Inventories	(8)	2,238		1,754	
Trade receivables	(9)	9,928		9,951	51
Financial receivables	(10)	2		2	
Tax receivables	(11)	397		1,061	
Other assets	(12)	1,848		2,310	
Cash and cash equivalents	(13)	2,474		5,085	
Total current assets		**16,887**	**-**	**20,163**	**51**
Total Assets		**35,375**	**-**	**38,430**	**51**
Equity	(14)				
Issued capital		4,394		4,149	
Reserves		22,105		20,376	
FTA Reserve		5		4	
Retained earnings		(24,167)		(21,542)	
Foreign Currency Translation reserves		(10)		(15)	
Net profit*		(4,623)		(2,647)	
Total Group Equity		**(2,296)**	**-**	**325**	**-**
Minority interest in equity		-		-	
Total Net Equity		**(2,296)**	**-**	**325**	**-**
Non-current liabilities					
Provisions for risks and charges	(15)	73		155	
Post-employment benefit funds	(16)	673		730	
Deferred tax liabilities	(17)	192		387	
Financial payables (non-current portion)	(18)	8,933	624	12,183	
Other non-current liabilities	(19)	1,076			
Total non-current liabilities		**10,947**	**624**	**13,455**	**-**
Current liabilities					
Trade payables	(20)	10,931		13,591	
Financial payables (current portion)	(18)	9,610		4,096	892
Tax payables	(21)	3,192		3,219	
Other liabilities	(19)	2,992		3,744	
Total current liabilities		**26,725**	**-**	**24,650**	**892**
Total liabilities and Equity		**35,375**	**624**	**38,430**	**892**

Consolidated Statement of Profit or Loss (Euro thousands)		31.12.2021	of which related parties	31.12.2020	of which related parties
Total revenues from contracts with customers	(22)	**38,242**		**41,291**	
Other revenues	(22)	219		696	
Capitalised costs	(23)	302		298	
Change in inventories		(29)		(158)	
Purchase of raw materials, ancillary, consumables and goods	(24)	(22,122)		(22,384)	
Service costs	(25)	(11,674)		(12,334)	
Rent, lease and similar costs	(26)	(180)		(93)	
Other operating costs	(29)	(180)		(93)	
Operating costs		**(33,976)**	**0**	**(34,811)**	**0**
Salaries and wages	(27)	(4,285)		(3,978)	
Social security charges	(27)	(908)		(931)	
Post-employment benefits	(27)	(209)		(217)	
Payroll expenses		**(5,402)**	**0**	**(5,126)**	**0**
Amortisation	(28)	(1,071)		(1,048)	
Depreciation	(28)	(456)		(828)	
Write-downs	(28)	(647)		(2,411)	
Amortisation, depreciation & write-downs		**(2,174)**	**0**	**(4,287)**	**0**
Other operating costs	(29)	(409)		(244)	
Operating profit		**(3,227)**	**0**	**(2,341)**	**0**
Financial income	(30)	73	14	1,542	
Net financial charges	(30)	(1,660)	*(54)*	(1,564)	*(71)*
Profit before taxes		**(4,814)**	**(40)**	**(2,363)**	**(71)**
Income taxes	(31)	191		(284)	
Profit for the period		**(4,623)**	**(40)**	**(2,647)**	**(71)**
Of which minority interest		**0**		**0**	
Basic and diluted profit from continuing operations		**(0.2104)**		**(0.1650)**	
Profit per share – basic and diluted		**(0.2873)**		**(0.1269)**	

40. Valuation of Going Concern

The Financial Statements of the Group as of 31 December 2021 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 Group's Financial Statements as of 31 December 2021 were closed with a loss of € 4.623,000, which led to a net equity of € -2,296,000.

The Financial Statements of Giglio Group S.p.A. as of 31 December 2021 highlighted a loss of € 3,123,000, which led to a net equity of € 235,000, thus leading to the conditions set forth in Art. 2446 of the Italian Civil Code.

On 28 March 2022, the Board of Directors of the Company approved the Industrial Plan 2022-2026. From November 2021, the Company acquired a new commercial management that completely restated its commercial assets, as well as the actual development possibilities of the Group's business. The new Industrial Plan considers a GMV (Gross Merchandise Value - reference value for e-commerce transactions) acceleration at a cumulative growth rate of about 10% (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 10% 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 the newly-acquired 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 and 2021 on the platforms. The Directors carried out adequate sensitivity analyses on the main hypotheses of the Plan, also taking into account the cash profile.

It is noted that 2022 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 2022 cash flow are as follows:

- Commercial and organic growth of the B2C division (3% on Revenues and 10% on GMV), characterised by the immediate payment from users and the deferred payment of goods and services to suppliers; This growth, which shall have a minor impact on the EBITDA margin, is mainly ascribable to the combined effect of the transfer of the Incentive & Loyalty business unit (whose turnover in 2021 amounted to about € 2.4 million, with an EBITDA of about € 0.3 million) and to the acquisition of two new clients during the fiscal year;

- The B2B model, on the other hand, recorded a 20% 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 4% impact on the EBITDA margin, is mainly ascribable to the combined effect of the post-pandemic sales recovery and to the expected growth of the newly-acquired company, Salotto di Brera S.r.l., for 2022 (+30%);

- Processes improvement and consequent costs reduction following the streamlining of the Group's business activities, such as the redetermination of Rome's and Rho's office leases, 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:

2022 budget and 2023-2026 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, more specifically, its distribution of fashion goods, as

demonstrated by the activation of several financing agreements both in the half-year and in the following period; for this purpose, it is noted that, at the beginning of 2022, the subsidiary Salotto di Brera S.r.l. subscribed a financing agreement of € 150,000 with Deutsche Bank and is currently on the verge of subscribing another agreement for € 1,200,000 with Banca Progetto, to be resolved upon following the issue of the guarantee from SACE;

2. The shareholder Meridiana Holding S.r.l. reached an agreement with the Company, through which the residual debt related to the loan disbursed to the latter and payable with constant instalments by 30 September 2022 was postponed to 31 January 2023, in a single tranche. This is aimed at allowing the Company to complete its corporate reorganisation plan, thus postponing to 31 January 2023 the reimbursement cash flows previously set between September 2021 and September 2022.

3. EBB Export S.r.l., subscriber of the bond, has granted (on 26 July 2021) the waiver of the measurement of the financial covenants on 2021 deadlines (i.e. 30 June 2021 and 31 December 2021);

The company requested an extension of the waiver to EBB Export for the test dates of 30 June and 31 December 2022, and the Directors believe that there is a reasonable expectation that said extension will be approved, given its approval for the two previous fiscal years. On 28 March 2022, the majority shareholder Meridiana Holding S.r.l. subscribed a guarantee letter for an amount of € 500,000, to be activated only in the event of EBB's anticipated bond resolution, valid until 31 December 2022 and including a sunset clause in the event that EBB should agree to waive the coming deadlines of 30 June and 31 December 2022;

4. Subscription, via the subsidiary Salotto di Brera S.r.l., on 14 February 2022, of a Financing agreement with SIMEST for a total of € 300,000 (of which € 75,000 as non-repayable contributions) within the context of the "Development of e-commerce for SME in foreign countries" project based on the Resilience and Recovery Fund resources allocated to the Fund 394/81;

5. 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.

2022 began with the hope to finally overcome the crisis provoked by COVID-19 and to recover a regular economic/financial activity based on the expectations of a good economic growth.
Unfortunately, however, as it is known, the general context became once again very complex due to the geopolitical circumstances that characterised the first months of the year, 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, 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 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 Group S.p.A.

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

Consolidated financial statements at December 31, 2021

As disclosed by the Directors on page 55, the accompanying consolidated financial statements of Giglio Group S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor’s report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative

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Independent auditor's Report

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

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

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Giglio Group (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021 the consolidated statement of comprehensive income, the consolidated income statement, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree n. 38/'05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report. We are independent of Giglio Group S.p.A. (the "Company") in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Going Concern

We draw attention to note "40. Valuation of going concern" to the consolidated financial statements for the year ended 31 December 2021. The consolidated financial statements of Giglio Group highlights a loss of Euro 4.623 thousand and a net negative equity equal to Euro 2.296 thousand. It is relevant to highlight that the net equity of the Parent company Giglio Group S.p.A. has suffered a significant reduction in relation to the losses made during the year, this has generated the reduction of the same below the thresholds provided for by art.2446 of the Civil Code. On March 28, 2022 the Board of Directors of the parent Company approved the Plan 2022-2026.

The directors prepared the consolidated financial statements on a going concern assumption, although uncertainties existed concerning the achievement of economic and financial targets set by the Plan 2022-2026; that if not entirely achieved, also in terms of individual objectives or actions, would lead to an overall decrease of the results expected from the Plan.

The directors, despite the uncertainties described in the note 40, "Despite the aforementioned 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".

Our opinion is not modified in respect of this matter.

Bari, Bologna, Brescia, Cagliari, Firenze, Genova, Milano, Napoli, Padova, Palermo, Roma, Torino, Verona

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Key audit matters

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

Key audit matter	Audit response
Evaluation of Going Concern assumption PARAGRAPH "NOTE 14 OUTLOOK" OF THE DIRECTORS' REPORT, AND NOTE 40. "VALUATION OF GOING CONCERN" OF THE EXPLANATORY NOTE. During the year ended December 31, 2021, the Group recorded a loss of euro 4.623 thousand, as a result of which the Group Equity, at the same date, is negative for euro 2.296 thousand; net financial debt amounts to euro 17,143 thousand. The financial statements of the Parent Company Giglio Group S.p.A. shows a net equity of euro 235 thousand, occurring the case provided for by art.2446 of the Italian Civil Code. The directors prepared the consolidated financial statements of the Group on a going concern assumption, on the basis of the 2022-2026 Business Plan approved by the Parent Company's Board of Directors on 28 March 2022; this document describes the main assumptions used by management when preparing this Business Plan, as well as the means and the timing deemed necessary to meet the objectives. In consideration of the importance of this document for the preparation of the consolidated financial statements of the Group with regards to the valuations performed by management and their possible impact on future financial years, the valuation of the going concern assumption represents for us a key audit matter.	Our main audit procedures in response to this key audit matter, included, among others: ▪ Understanding of the elements and uncertainties assumed in the going concern assumption by management; ▪ Discussion with management on the elements that led to the loss of the Group during the period 2021; ▪ Understanding and discussion with management on the variances between the Plan 2021-2025 prepared during the previous year and the Plan 2022-2026 adopted to support the going concern assumption in the preparation of the financial statements 2021; ▪ Analysis of the reasonableness of the assumptions used by management on the valuations reflected in the Plan, also by specific discussions and critical insights; ▪ Assessment of the ability of the Parent company, as well as the Group as a whole, to comply with their financial obligations for a period of at least 12 months subsequent to the approval of the financial statements; ▪ Discussion with management obtaining and examining the documentation of commitment to financial support provided by the parent company; ▪ We obtained formal representations from the directors of the Group regarding the existence of the going concern assumption; ▪ We assessed the adequacy of the disclosures included in the explanatory notes and the directors' report.

Valuation of goodwill

NOTE 2 “IMPAIRMENT” and

NOTE 3 “INTANGIBLES”.

The intangibles include goodwill for a total amount of euro 13.353 thousand (that includes euro 6.823 thousand regarding the acquisition of IBOX Group, euro 772 thousand regarding the merger of IBOX S.r.l., euro 2.477 thousand regarding the acquisition of Giglio Fashion, euro 2.281 thousand regarding the acquisition of E-Commerce Outsourcing and euro 1.000 thousand regarding the occurred acquisition of Salotto di Brera).

The recoverable amount of these intangible assets is determined based on the value in use. In particular, the value in use of the CGU is calculated by discounting the expected cash flows of the activities of the B2C (Business to Consumer) and B2B Business to Business sub-group (TIER 2). These calculations were subject to sensitivity and stress tests.

The value in use of the CGU to which these assets are allocated is compared with their financial statements’ value.

The recoverability of goodwill has been a key audit matter in the audit of the consolidated financial statements, due to their relative amount and the degree of subjectivity inherent in the determination of the variables used for the estimation of the value in use.

We have understood and evaluated the internal control system implemented by the Group against the key aspect identified.

Also, with the support of BDO experts, we have:

- Assessed the reasonableness of the main assumptions and hypothesis underlying the directors' forecasts (Plan 2022-2026);
- analysed the impairment procedure used by the directors also with the support of the management’ independent expert involved;
- analysed the variances between the estimates made in previous years and the final data, testing for their reliability and consistency with market trends;
- analysed the impairment tests prepared by the Group with regard to the investments and found their compliance to the applicable accounting standards;
- examined the key assumption underlying the impairment model, specifically those related to the forecasted cash flows, growth rates and discount rates, as well as the terminal value valorisation, also by performing a benchmarking analysis;
- performed, with the help of our experts in evaluation techniques, an independent calculation accompanied by sensitivity analysis in relation to key assumptions; this in order to determine an independent assessment of the recoverability of the goodwill;
- tested the model used for clerical accuracy.

We assessed the adequacy of the disclosures included in the explanatory notes to the financial statements.

Responsibilities of the Directors and those charged with governance for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree n. 38/'05 and, within the terms prescribed by the law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Parent Company Giglio Group S.p.A. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISA Italia, we exercised professional judgment and maintain professional skepticism throughout the audit. We also have:

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

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

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

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

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

We were engaged by the Shareholders meeting of Giglio Group S.p.A. on November 9 2021 to perform the audits of the financial statements and of the consolidated financial statements of the Company of each fiscal year starting from December 31, 2021 to December 31, 2029.

We declare that we did not provide prohibited non-audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements of Giglio Group S.p.A. included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n.537/2014, submitted to those charged with governance.

Reports on other legal and regulatory requirements

Opinion on the compliance to the requirements of Delegated Regulation (EU) 2019/815

The Directors of Giglio Group S.p.A. are responsible for the application of the requirements of Delegated Regulation (EU) 2019/815 of European Commission regarding the regulatory technical standards pertaining the electronic reporting format specifications (ESEF – European Single Electronic Format) (hereinafter the "Delegated Regulation") to the consolidated financial statements, to be included in the Annual financial report.

We have performed the procedures required under audit standard (SA Italia) no. 700B in order to express an opinion on the compliance of the consolidated financial statements to the requirements of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked-up, in all material respects, in compliance to the requirements of Delegated Regulation.

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

The Directors of Giglio Group S.p.A. are responsible for the preparation of the directors' report and of the corporate governance report of Giglio Group S.p.A. as at December 31, 2021, including their consistency with the consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the directors' report and of specific information of the corporate governance report as provided by article 123-bis, paragraph 4, of Legislative Decree n. 58/'98, with the consolidated financial statements of Giglio Group as at December 31, 2021and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the directors report and the above mentioned specific information of the corporate governance report are consistent with the consolidated financial statements of Giglio Group as at December 31, 2021and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, (e), of Legislative Decree n. 39/'10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, April 8, 2022

BDO Italia S.p.A.
Signed by
Claudio Tedoldi
Partner

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 2021

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)		31.12.2021	31.12.2020
Non-current assets			
Property, plant & equipment	(1)	101	162
Right-of-use assets	(2)	406	508
Intangible assets	(3)	164	203
Goodwill	(4)	3,249	3,249
Investments in joint ventures	(5)	10,876	9,951
Receivables	(6)	2,701	2,475
Deferred tax assets	(7)	944	824
Total non-current assets		**18,441**	**17,374**
Current assets			
Inventories	(8)	1,493	1,596
Trade receivables	(9)	3,784	4,568
Financial receivables	(10)	2	2
Tax receivables	(11)	434	1,130
Other assets	(12)	232	662
Cash and cash equivalents	(13)	144	1,141
Total current assets		**6,088**	**9,099**
Total Assets		**24,529**	**26,473**
Equity			
Issued capital	(14)	4,394	4,149
Reserves		23,996	22,267
Extraordinary reserve		-	-
Listing fees		(541)	(541)
FTA Reserve		4	4
Retained earnings		(24,493)	(16,074)
Foreign Currency Translation reserves		-	-
Net profit		(3,123)	(8,419)
Total Net Equity		**235**	**1,385**
Non-current liabilities			
Provisions for risks and charges	(15)	-	60
Post-employment benefit funds	(16)	276	329
Deferred tax liabilities	(17)	1	132
Non-current financial liabilities	(18)	9,966	12,563
Other non-current liabilities	(21)	1,076	
Total non-current liabilities		**11,318**	**13,083**
Current liabilities			
Trade payables	(19)	2,974	4,498
Current financial liabilities	(18)	6,907	4,001
Tax payables	(20)	597	484
Other current liabilities	(21)	2,498	3,021
Total current liabilities		**12,976**	**12,005**
Total liabilities and Equity		**24,529**	**26,473**

Statement of Profit or Loss and Comprehensive Income

Statement of Profit or Loss (Euro thousands)		31.12.2021	31.12.2020
Total revenues from contracts with customers	(22)	**17,591**	**28,346**
Other revenues	(22)	1,346	1,445
Change in inventories		(103)	(101)
Purchase of raw materials, ancillary, consumables and goods	(23)	*(14,680)*	*(21,089)*
Service costs	(24)	*(3,849)*	*(4,780)*
Rent, lease and similar costs	(25)	*(116)*	*(124)*
Operating costs		**(18,646)**	**(25,993)**
Salaries and wages	(26)	*(1,489)*	*(1,818)*
Social security charges	(26)	*(473)*	*(557)*
Post-employment benefits	(26)	*(87)*	*(123)*
Payroll expenses		**(2,049)**	**(2,497)**
Amortisation	(27)	*(62)*	*(60)*
Depreciation	(27)	*(305)*	*(603)*
Write-downs	(27)	*(161)*	*(8,966)*
Amortisation, depreciation & write-downs		**(528)**	**(9,630)**
Other operating costs	(28)	*(108)*	*(198)*
Operating profit		**(2,498)**	**(8,628)**
Financial income	(29)	*459*	*1,527*
Net financial charges	(29)	*(1,364)*	*(1,285)*
Profit before taxes		**(3,403)**	**(8,386)**
Deferred tax assets	(30)	**255**	**(69)**
Income taxes	(30)	**24**	*36*
Profit for the period (continuing operations)		**(3,123)**	**(8,419)**
Of which minority interest		**-**	**-**
Basic and diluted profit from continuing operations		**(0.1947)**	**(0.5249)**
Basic and diluted profit from discontinued operations		**0.0000**	**0.0000**
Profit per share – basic and diluted		**(0.1416)**	**(0.4051)**

STATEMENT OF COMPREHENSIVE INCOME (Euro thousands)		31.12.2021	31.12.2020
Profit for the period		(3,123)	(8,419)
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)	12	14
Total other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods (net of tax)		**12**	**14**
Total Comprehensive Income for the period		**(3,111)**	**(8,405)**
Earnings per share		-0.1416	-0.4051

Statement of Changes in Equity

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

Description *(Euro thousands)*	Issued capital	Reserves	FTA Reserve	Other reserves	IAS 19 Reserve	Retained earnings	Net profit	Total
31 December 2020 Balance	**4,149**	**22,338**	**4**	**(541)**	**(71)**	**(16,074)**	**(8,419)**	**1,385**
Issue of share capital	244	1,930						2,174
Share premium reserve		(213)						(213)
Charges for share capital increase								-
Retained earnings						-	8,419	8,419
2020 suspended losses pursuant Law no. 17 of 30 December 2020 **(1)**						(8,419)		(8,419)
IAS 19 Reserve					12		-	12
Exchange rate effect							-	-
Other changes	-	-				-	-	-
Profit for the period **(1)**							(3,123)	(3,123)
31/12/2021 Balance	**4,393**	**24,055**	**4**	**(541)**	**(59)**	**(24,493)**	**(3,123)**	**235**

(1) 2020 and 2021 losses are suspended pursuant to Law no. 17 of 30 December 2020 as amended and integrated.

<u>Statement of Cash Flows</u>

Euro thousands	31.12.2021	31.12.2020
Cash flows from operating activities		
Net profit from continuing operations	(3,123)	(8,419)
Profit (loss) for the period from discontinued operations	-	-
Adjustments to reconcile profit before tax to net cash flow:		
Depreciation and impairment of property, plant and equipment	211	72
Amortisation of right-of-use assets	95	531
Amortisation and impairment of intangible assets	62	60
Non-cash changes of provisions	(113)	5
Write-downs/(Revaluations)	161	8,966
Net foreign exchange differences	905	(242)
Income taxes	(279)	33
Changes in:		
Inventories	103	101
Trade receivables	623	1,867
Tax receivables	697	1,481
Financial receivables	-	4,427
Other assets	430	17
Deferred tax liabilities	(131)	129
Trade payables	(1,524)	(6,344)
Tax payables	392	(438)
Right-of-use assets	8	589
IFRS16 financial payables	(132)	(1,055)
Other liabilities	553	(472)
Change in net working capital	**1,018**	**302**
Changes in provisions	-	-
Changes in provisions	-	-
Changes in assets/liabilities held for sale/discontinued	-	-
Cash flow generated from operating activities	**(1,063)**	**1,308**
Interest paid	(382)	(347)
Income taxes paid	-	-
Net cash flow generated from operating activities	**(1,445)**	**962**
Cash flows from investing activities		
Investments in property, plant & equipment	(149)	(18)
Investments in intangible assets	(23)	(34)
Ibox S.r.l. merger	-	3,034
Changes in other intangible assets	(345)	481
Change in investments	(925)	(1,670)
Change in goodwill	-	-
Net cash flow used in investing activities	**(1,442)**	**1,793**
Cash flow from financing activities		
Share capital increase	1,962	3,069
Change in Shareholders' Equity	12	14
New financing	1,483	8,450
Repayment of loans	(1,065)	(4,170)
Change in financial liabilities	(501)	(9,204)
Net cash flow used in financing activities	**1,891**	**(1,841)**
Net increase/(decrease) in cash and cash equivalents	**(997)**	**914**
Cash and cash equivalents at 1 January	1,141	229
Cash and cash equivalents at 31 December	144	1,141
	144	1,141

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

A. Corporate information

On 30 March 2022, the Board of Directors of the Company, proposed the following:

The company is currently in the state of a share capital reduction 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.

Such 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"), converted into Law no. 15 of 25 February 2022, which extended the provisions set forth in Art. 1, par. 266 of Law 178/2020, which replaced 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", which allows listed companies to temporarily suspend some provisions on capital reductions for losses (Art. 2446, par. 2), thus postponing to the following fifth fiscal year the obligation to offset the losses.

For more information, see Note 40. "Valuation of 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 26.

B. Accounting standards

The financial statements of Giglio Group S.p.A at 31 December 2021 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 2021" 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 significant accounting estimates

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

The estimates are used to determine the provisions for doubtful 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 2021 were not met, and that no provision was made necessary.

- Employee Benefits, whose values are based on actuarial estimates; refer to Note 16 for the main actuarial assumptions;
- Goodwill: the recoverability of Goodwill is tested annually and, where necessary, also during the year. The allocation of goodwill to CGUs or groups of CGUs and the calculation of the latter's recoverable value involves the assumption of estimates that depend on subjective valuations and factors that may change over time with consequent effects that are also significant with regard to the valuations carried out by the Directors. These valuations are carried out at the level of cash-generating units to which the value of goodwill is attributed and assume the higher of the fair value as the recoverable value, if this is available or calculable, and its value in use obtainable from the long-term plans approved by the Boards of Directors.

It is 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 Directors.

- <u>Deferred tax assets</u> 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.
- <u>Contingent liabilities</u>:

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

E. Management of capital and financial risks

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

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

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

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

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

Financial risks are monitored through an integrated reporting system, which ensures analytical planning of future activities; the company is currently implementing a management control system.

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

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

<u>Market risk</u>

Market risk is the risk that the fair value of the future cash flows of a financial instrument will alter on the basis of market price movements. The market price includes three types of risk: currency risk, interest rate risk and other price risks.

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 has an outstanding debt of USD 707,000 with AZO Asia Limited, a company fully-owned by Meridian Holding S.r.l., aimed at facing the financial commitments of the Group, which shall be reimbursed in 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 December 2021	(14,962)	+1%	150
31 December 2021	(14,962)	-1%	(150)

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 2021 and 31 December 2020 is shown below:

(Euro thousands)	**Year ended at 31 December 2021**	**%**	**Year ended at 31 December 2020**
> 90 days	*79*	*6%*	*874*
60<> 90 days	*14*	*1%*	*0*
30<> 60 days	*0*	*0%*	*0*
0<> 30 days	*12*	*1%*	*101*
Total overdue	***104***	***8%***	***975***
Not overdue	*1,239*	*92%*	*749*
Total gross receivables	***1,344***	***100%***	***1,725***
Provision for doubtful accounts	*-35*		*-479*
Inc. provision on overdue >90 days	*-44.3%*		*-54.8%*
Total	**1,309**		**1,246**

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

(Euro thousands)	**Year ended at 31 December 2021**	**%**	**Year ended at 31 December 2020**	**%**
Europe	1,337	*99.5%*	1,511	*87.6%*
Asia	1	*0.1%*	*185*	*10.7%*
USA	0	*0.0%*	*-0.42924*	*0.0%*
Rest of the world	5	*0.4%*	*29*	*1.7%*
Total gross receivables	**1,344**	***100.0%***	**1,725**	***100.0%***
Provision for doubtful accounts	*-35*		*-479*	
Total	**1,309**		**1,246**	

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 2021, 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	1,050	91	654	20	-	745
Banca Popolare di Sondrio	190	111	40	-	-	151
IFITALIA Factoring - BNL	5,950		1,797	-	-	1,797
Unicredit				50	38	-
Total	**7,190**	**202**	**2,491**	**70**	**38**	**2,693**

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 is in a reduced share capital position by more than a third due to losses, as per Art. 2446, par. 1 of the Italian Civil Code 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.

Such 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, "Valuation of Going Concern".

ACCOUNTING POLICIES AND ASSESSMENT CRITERIA

Translation of accounts in foreign currencies

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

Transactions and balances

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

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

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

F. Fair value measurement

The Company does not have other financial instruments or assets and liabilities measured at fair value.

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

► in the principal market of the asset or liability;

or

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

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

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

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

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

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

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

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

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

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

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

Accounting principles

Property, plant & equipment

Property, plant & equipment, recorded in the financial statements as assets if and only if it is probable future economic benefits will be obtained by the entity and if their cost may be reliably determined, are recorded at historical cost, net of the relative accumulated depreciation and any impairment in value.

In particular, the cost of a tangible fixed asset, acquired from third parties or constructed in-house, includes the directly attributable costs and all the costs necessary for the asset to function for the use for which it was acquired.

The initial value of the asset is increased by the present value of any waste or removal costs of the asset or of site reclamation where the asset is located, where there is a legal or implicit obligation. Against the charges capitalized, a liability will be recorded as a risk provision.

Maintenance expenses and repairs are not capitalised, but recorded in the statement of profit or loss and comprehensive income when incurred.

The costs incurred subsequent to initial recognition - improvements, renovation or expansion, etc. - are recorded under assets if and only if it is probable that future economic benefits will accrue to the company and they are identifiable assets or concern expenses with the purpose of extending the useful life of the assets to which they refer or increase the production capacity or also improve the quality of the products obtained. Where these costs are however similar to maintenance costs, they are recorded in the statement of profit or loss and comprehensive income when incurred.

The depreciation recorded in the statement of profit or loss and comprehensive income has been calculated in consideration of the use, intended purpose and economic-technical duration, on the basis of the residual possible useful life.

The estimated depreciation rates of the assets are as follows:

Plant & machinery:	15%
Equipment:	15%
Server:	12.5%
Furniture and fittings:	15%

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

Leasing

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

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

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

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

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

Intangible assets

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

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

Assets generated internally, with the exception of development costs, are not recorded as intangible assets. The development activity is based on the development of research or other knowledge into a well-defined programme for the production of new products or processes.
The cost of an intangible asset generated internally comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.
After initial recognition, the intangible assets are recorded in the financial statements at cost net of accumulated amortisation, calculated on a straight-line basis over the estimated useful life of the assets, and of the losses for impairments in value. However, if an intangible asset has an indefinite useful life, it is not amortised, but periodically subject to an impairment test.
Amortisation begins when the asset is available for use or when it is in the position and condition necessary for it to operate in the manner intended by company management.
The book value of intangible fixed assets is subject to verification of any loss in value (impairment test) when events or changes occur indicating that the carrying value can no longer be recovered. If there is an indication of this type and where the carrying value exceeds the realisable value, the assets are written down to their realisable value. This value coincides with the higher between the net sales price of the asset and its value in use.
The gains and losses deriving from the elimination of an intangible asset are measured as the difference between the net sales proceeds and the book value of the intangible asset, and are recorded in the statement of profit or loss and comprehensive income in the year in which they are eliminated.

Goodwill

Assets with an indefinite life are not amortised, but subject at least annually to an impairment test on the value recorded in the financial statements. As previously illustrated, goodwill is subject to an impairment test annually or more frequently in the presence of indicators which may give rise to a loss in value.
The impairment test is made with reference to each “Cash Generating Unit” (“CGU”) to which the goodwill is allocated and monitored by management.
A loss in the value of the goodwill is recorded when the recoverable value of the related CGU is lower than the carrying value.

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

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

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

Intangible and tangible assets with definite useful life

For the assets subject to amortisation and depreciation, the presence of any indicators, internally and externally, of a loss in value is assessed at each reporting date. Where these indicators exist, an estimate of the recoverable value of the above-mentioned assets is made, recording any write-down compared to the relative book value in the 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 statement of profit or loss, 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 2021

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; these standards were applied for the first time by the Group starting from 1 January.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IAS 16

The amendments include the temporary relief of the requirements with regard to the effects on the accounts when the interest rate offered on the interbank market (IBOR) is replaced by a substantially risk-free alternative rate (Risk-Free Rate - RFR).

The amendments include the following considerations:

• The possibility to treat changes in contractual terms (or of changes in cash flows required directly by the reform) as changes of a variable interest rate, equivalent to the movement of an interest rate on the market;

• The possibility to apply the changes required by the IBOR reform in the context of the designation of the hedging and of the hedging documents without having to discontinue the hedging relationship;

• A practical measure that provides temporary relief to entities when it comes to respecting the requirements of separate identification upon designation of an RFR as hedging for a risk component.

These amendments had no impact on the Group's Consolidated Financial Statements.

Conceptual Framework for Financial Reporting issued on 29 March 2018

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

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

Amendment to IFRS 16 COVID-19 Related Rent Concessions

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

The amendments were applicable to the financial statements whose accounting period begins from 1 June 2020 or after. Earlier adoption was permitted.

On 31 March 2021, the IASB issued the "COVID-19-related rent concessions beyond 30 June 2021" amendment, which extended the practical measure's usability period from 30 June 2021 to 30 June 2022. This amendment is effective from the fiscal years starting from 1 April 2021. An early application is allowed, also for those financial statements whose publication has not been authorised yet as of 31 March 2021.

The Company decided not to adopt the practical device which allows to disregard the requirements set forth in IFRS 16 on the accounting effects of the contractual amendments for the reduction of leasing fees granted by lessors as a direct consequence of COVID-19 pandemic.

Employment data

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

Workforce	31.12.2021	31.12.2020	Change
Executives	2	2	-
Managers	8	8	-
White-collar	21	27	(6)
Blue-collar	0	0	-
Others	-	-	-
Total	**31**	**37**	**(6)**

Over the course of 2020, the workforce lost 6 units.

ASSETS

C) Non-current assets

1. Property, plant & equipment

Balance at 31.12.2021 101

Balance at 31.12.2020 162

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

(Euro thousands)

Property, plant & equipment	Plant	Equipment	Furniture & fittings	EDP	Others	Total
Change in Acquisition Cost						
31 December 2020	1,035	10	261	194	505	2,005
Additions				8		8

Business Combinations						-
Transfers						-
Reclassifications				1	(1)	-
Decreases						-
Disposals						**-**
30 September 2021	**1,035**	**10**	**261**	**203**	**505**	**2,013**
Change in Amortisations						
31 December 2020	(1,014)	(7)	(193)	(172)	(457)	(1,843)
Depreciations	(9)	(0)	(22)	(11)	(26)	(70)
Business Combinations						-
Transfers						-
Decreases						-
Disposals						**-**
31 December 2021	**(1,023)**	**(8)**	**(215)**	**(183)**	**(483)**	**(1,913)**
Net Value as of 31 December 2021	**12**	**2**	**45**	**20**	**22**	**101**

As of 31 December 2021, an € 8,000 increase in the EDP account is highlighted, to be attributed to the purchase of laptops for the Company's employees.

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 31.12.2021 406

Balance at 31.12.2020 508

(Euro thousands)

Right-of-use assets	Properties	Vehicles	Total
Change in Acquisition Cost			
Net Value as of 31 December 2020	**1,902**	**214**	**2,116**
Business Combinations	-	-	-
Additions	98	4	103
Transfers	-	-	-
Exchange differences	-	-	-
Decreases	(1,309)	(214)	(1,523)
Disposals	-	-	-
31 December 2020	**691**	**154**	**845**
Change in Amortisations	-	-	-
Net Value as of 31 December 2020	**(1,495)**	**(112)**	**(1,608)**
Depreciations	(183)	(53)	(236)
Business Combinations	-	-	-
Transfers	-	-	-
Exchange differences	-	-	-
Decreases	1,277	127	1,404
Disposals	-	-	-

31 December 2021	**(402)**	**(38)**	**(439)**
Net Value as of 31 December 2021	**290**	**116**	**406**

As of 31 December 2021, the amortisation of right-to-use assets amount to € 236,000, highlighting the subscription of various agreements which led to the account's increase of € 103,000, as well as to the termination of car leasing contracts whose value, not yet amortised, amounted to € 87,000. Moreover, the current leasing agreement with Max Factory (company belonging to Meridiana Holding's group) were extended upon hearing the favourable opinion of the Related-Parties Committee. More specifically, for the lease of Rome's headquarters, the fees paid in 2021 H1 are spread on 2021 and 2022, without any additional disbursement, while for Genoa's headquarters the agreement expiring on 31 December 2021 has been renewed free of charge until 31 December 2023.

As of 31 December 2021, 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 31.12.2021 164

Balance at 31.12.2020 203

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

(Euro thousands)

Intangible Assets	Other intangible assets	Total
Change in Acquisition Cost		
31 December 2020	**3,014**	**3,014**
Continuing operations increases	23	-
Discontinued operations increases	-	-
Reclassifications	-	-
Decreases	-	-
Disposals	-	-
31 December 2021	**3,037**	**3,037**
Change in Amortisations		
31 December 2020	**(2,811)**	**(2,811)**
Continuing operations amortisations	(62)	(62)
Discontinued operations amortisations	-	-
Reclassifications	-	-
Decreases	-	-
Disposals	-	-
31 December 2021	**(2,873)**	**(2,873)**

Net Book Value	**164**	**164**

Other intangible assets refer to trademarks and software. As of 31 December 2021, increases of € 23,000 were recorded, mainly concerning the acquisition costs for software assets.

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 31.12.2021 3,249

Balance at 31.12.2020 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 2021, on the basis of the impairment tests carried out, no goodwill's write-down is recorded. The Board of Directors, in order to carry out a more conservative estimate, preferred to adopt the explicit cash flows of 4 out of 5 years of plan (FY23-25) as criterion to calculate the terminal value, thus excluding the results of the last year (FY26).

The application of said amendment to the procedure caused for the write-down of the carrying value of subsidiary IBOX SA by € 250,000. On the other hand, all considerations on working capital and perpetual growth were maintained.

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 calculated as the average of UFCFs of the explicit forecast period of the last two forecast years instead of the operating cash flow of the last explicit forecast year.

The discount rate applied was the adjusted WACC at 13.01%.

The 2022-2026 multi-annual Industrial Plan was approved by the Directors on 28 March 2022.

5. Investments in joint ventures

Balance at 31.12.2021 10,876

Balance at 31.12.2020 9,951

The breakdown of the account as of 31 December 2021 is illustrated below:

(Euro thousands)

Investments in joint ventures	31.12.2021	31.12.2020	*Change*
Giglio USA	18	18	*0*
IBOX SA	5,869	6,119	*-250*
Cloud Food	5	5	*0*
E-Commerce Outsourcing S.r.l.	3,769	3,769	*0*
GIGLIO SHANGHAI TECHNOLOGY CO. LTD	40	40	*0*
Salotto di Brera S.r.l.	1,175	-	*1,175*
Media 360 HK LTD	0	-	*0*
Total	**10,876**	**9,951**	***925***

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

- The purchase of the company Salotto di Brera S.r.l. -a company engaged in B2B supplies for fashion, food and jewellery goods for cruise ships and duty-free stores in ports, airports and NATO bases-, which was purchased for a total amount of € 1,175,000 on 15 January 2021.
- The write-down of € 250,000, arising from the impairment test on the Company's IBOX SA investment that by using explicit cash flows for four years (2022-2025) and excluding 2026, in a prudential scenario, highlighted a lasting loss as of 31 December 2021.

A comparison between the value of the investments and the equity of the subsidiaries at 31 December 2021 is illustrated in the table below:

(Euro thousands)

Company	Registered office	Issued capital	% Held	Profit/(loss) at 31/12/2021	Net equity at 31/12/2021	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%	-29	-101	-101	40
IBOX SA	Galleria 1 Via Cantonale, 6928 Manno, Switzerland	1,700	100%	-582	-2,587	-2,587	5,869

Giglio USA	One Wall Street, 6th Floor BURLINGTON, MA 01803 REPRESENTATIVE OFFICE 111 West 19th Street (6th Floor) 10011 New York, NY USA	18	100%	88	192	192	18
E-Commerce Outsourcing S.r.l.	Via Sesia, 5 20017RHO Italy	38	100%	-356	200	200	3,769
Media 360	603 Shung Kwong Comm. Bldg 8 Des Vouex Road West' Hong Kong	0	100%	-14	-23	-23	0
Salotto di Brera S.r.l.	Piazza Diaz 6 20121 Milan Italy	25	100%	83	261	261	1,175

As of 31 December 2021, on the basis of the impairment tests carried out, a write-down of IBOX SA's investment by € 250,000 was recorded. The Board of Directors, in order to carry out a more conservative estimate, preferred to adopt the explicit cash flows of 4 out of 5 years of plan (FY23-25) as criterion to calculate the terminal value, thus excluding the results of the last year (FY26). On the other hand, all considerations on working capital and perpetual growth were maintained.

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 calculated as the average of the cash flows of the second, third and fourth year of plan (2023-2025). The perpetual growth rate was hypothesised, as a conservative estimate, at 0%.
The discount rate applied was the adjusted WACC at 13.01%.
The 2022-2026 multi-annual Industrial Plan was approved by the Directors on 28 March 2022.

6. Receivables and other non-current assets

Balance at 31.12.2021 2,701

Balance at 31.12.2020 2,475

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

(Euro thousands)

Receivables and non-current assets	31.12.2021	31.12.2020	Change
Guarantee deposits	182	199	(17)
Inter-company financial receivables	2,519	1,833	686
Others	-	443	(443)
Total	**2,701**	**2,475**	**226**

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

The account "Others" changed from € 443,000 to zero due to:

- The closure of the long-term portion of the credit resulting from the transfer to GM Comunicazione S.r.l., finalised on 20 December 2018, of the authorisation to supply audiovisual media services associated to channel 65 of the digital terrestrial, for a total amount of € 142,000.
- The closure of the down-payment disbursed on December 2020 for the purchase of a security in Salotto di Brera S.r.l., which was completed on January 2021.

The account "Inter-company financial receivables" mainly includes the subordinated claims towards the subsidiary IBOX SA worth € 2,405,000.

7. Deferred tax assets

Balance at 31.12.2021 944

Balance at 31.12.2020 824

The account, equal to € 944,000 at 31 December 2021, 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 for 2020 and 2021 (€ 296,000). The deferred tax assets are expected to be reabsorbed by future assessable income deriving from the business plan.

8. Inventories

Balance at 31.12.2021 1,493

Balance at 31.12.2020 1,596

The inventories of the company comprise finished products for sale.

At 31 December 2021, 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 2021, the obsolescence provision is equal to € 107,000 and a further provision (€ 54,000) was made during 2021, 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 31.12.2021 3,784

Balance at 31.12.2020 4,568

The breakdown of the account is as follows:

(Euro thousands)

Trade receivables	31.12.2021	31.12.2020	Change
Trade receivables	2,638	3,425	(787)
Advances to suppliers	1,181	1,622	(441)
Provision for doubtful accounts	(35)	(479)	444
Total	**3,784**	**4,568**	**(784)**

The account is decreasing if compared to 31 December 2021, in line with the turnover's decrease. The Advances to suppliers of B2B e-commerce division relate to advances on orders of the PE and AI 2022 collection.

The geographic breakdown of gross trade receivable at 31 December 2021 and 31 December 2020, net of intra-group receivables, are as follows:

(Euro thousands)	**Year ended at 31 December 2021**	**%**	**Year ended at 31 December 2020**	**%**
Europe	1,337	*99.5%*	1,511	*87.6%*
Asia	1	*0.1%*	*185*	*10.7%*
USA	0	*0.0%*	*-0.42924*	*0.0%*

Rest of the world	5	*0.4%*	*29*	*1.7%*
Total gross receivables	**1,344**	***100.0%***	**1,725**	***100.0%***
Provision for doubtful accounts	*-35*		*-479*	
Total	**1,309**		**1,246**	

The ageing of the gross trade receivables at 31 December 2021 and 31 December 2020, net of intra-group deliverables, is shown below:

(Euro thousands)	**Year ended at 31 December 2021**	**%**	**Year ended at 31 December 2020**
> 90 days	*79*	*6%*	*874*
60<> 90 days	*14*	*1%*	*0*
30<> 60 days	*0*	*0%*	*0*
0<> 30 days	*12*	*1%*	*101*
Total overdue	***104***	***8%***	***975***
Not overdue	*1,239*	*92%*	*749*
Total gross receivables	***1,344***	***100%***	***1,725***
Provision for doubtful accounts	*-35*		*-479*
Inc. provision on overdue >90 days	*-44.3%*		*-54.8%*
Total	**1,309**		**1,246**

By applying the Expected Credit Losses method (hereinafter, the ECL) as combination between the age of the receivables and the creditors' riskiness, in 2021, we recorded that the lesser the risk, the greater the receivables' age, thus implying a lower impact of the doubtful debt provisions on overdue payables (>90 days).

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

(Euro thousands)

Provision for doubtful accounts	
31 December 2020 Balance	**479**
Provisions	28
Utilisations	(420)
Releases	(52)
31 December 2021 Balance	**35**

The use of € 420,000 from the provision for doubtful accounts refers to the writing-off of those receivables that were written down in the previous years and whose recoverability is not deemed possible at the closing of the year. Moreover, the provision decreased also following to a release of € 52,000 related to those receivables that were collected, albeit with a written-down value from the previous year.

The provision for the year, amounting to € 28,000, 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 31.12.2021 2

Balance at 31.12.2020 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 31.12.2021 434

Balance at 31.12.2020 1,130

The breakdown of tax receivables is shown below:

(Euro thousands)

Tax receivables	31.12.2021	31.12.2020	Change
IRES	109	543	*(434)*
IRAP	-	145	*(145)*
Withholding taxes	1	1	-
INPS	-	-	-
INAIL	-	-	-
VAT	131	273	*(142)*
Receivables for tax consolidation	193	168	*25*
Others	-	-	-
Total tax receivables	**434**	**1,130**	***(696)***

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

The receivables for tax consolidation, equal to € 193,000, refer to the receivables accrued with the subsidiaries following the Tax Consolidation Agreement signed on 2 November 2020 with E-Commerce Outsourcing S.r.l..

The VAT receivable amounting to € 109,000, 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 31.12.2021 232

Balance at 31.12.2020 662

(Euro thousands)

Other assets	31.12.2021	31.12.2020	Change
Prepayments and accrued income	232	662	(430)
Total	**232**	**662**	**(430)**

Prepayments and accrued income mainly refer to the costs of 2022 fees, but also to the penalties for the early extinction of Unicredit's loan (unrelated from the period) equalling € 48,000.

13. Cash and cash equivalents

Balance at 31.12.2021 144

Balance at 31.12.2020 1,141

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

(Euro thousands)

Cash and cash equivalents	31.12.2021	31.12.2020	Change
Bank and short-term deposits	143	1,140	(997)
Cash on hand	1	1	-
Total	**144**	**1,141**	**(997)**

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 2021 consists of 21,968,022 ordinary shares, without express nominal value.

The changes in 2021 are due to:

- Loss as of 31 December 2020 (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);
- Capital share increase through private placement of no. 1,221,547 newly-issued ordinary shares, without nominal value, at € 1.78 per share, for a total value of € 2.2 million. The value of the capital increase, fully subscribed, thus amounts to € 0.2 million in nominal value and € 1.9 million at share premium. This amount was revised by € 0.2 million of directly attributable subscription costs. Meridiana Holding S.r.l. subscribed no. 485,547 shares, equal to 39.75% of the capital increase. The participation of Meridiana Holding S.r.l. in the transfer shall be deemed as a Related-Parties Transaction of lesser importance; for further information on the relationship between the Company and Meridiana Holding S.r.l., see Note 35. "Transactions with subsidiaries and related parties";
- Recognition of IAS 19 actuarial loss equal to € 12,000. For more information on the assumptions entertained by the application of IAS 19 accounting standard, see paragraph 9 of the Explanatory Notes;
- Profit of the year negative by € 3,123,000.

15. Provisions for risks and charges

Balance at 31.12.2021

Balance at 31.12.2020 60

The € 60,000 provision carried out on 31 December 2020 in order to hedge the payables of subsidiary Giglio TV Hong Kong was issued during 2021 and, as of 31 December 2021, no further provisions were made.

16. Post-employment benefit funds

Balance at 31.12.2021 276

Balance at 31.12.2020 329

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

(Euro thousands)	
31 December 2020 Balance	**(329)**
Provisions 2021	(87)
Advances/Util.	127
Actuarial gains (losses)	16
Net Interest	(3)
31 December 2021 Balance	**(276)**

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

- probability of elimination for death: ISTAT table 2020 (source ISTAT – 2020 Italian Annual Statistics);
- probability of elimination for invalidity: zero;
- probability of elimination for other reasons (dismissal, departure): equal to 3% per annum for the entire valuation period (taken from the data recorded, as well as experience relating to similar businesses);
- pension expected on the maturity of the first possibility of I.N.P.S. pension established by Article 24 of Law 214/2011 and as provided for by Legislative Decree no. 4 of 2019, hypothesising the workers' exit from the service upon achievement of the first useful right;
- annual inflation rate: 1.6% for 2022, 1.3% for 2023 and 1.5% for 2024 (source: "Update of 2021 Economic and Finance Document"); from 2025 onwards, the annual rate of 1.5% 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 31.12.2021 of AA securities issued by corporate issuers in the Eurozone and based on the average residual duration of the Post-employment benefit at 31.12.2021; therefore, considering that the average residual duration of the liabilities was equal to 16 years, the annual nominal discount rate assumed in the valuation was 1.4% (1% at 31.12.2020).

The sensitivity analysis on the discount rate was applied by using a rate that was respectively lower and higher than 1.4% by half a percentage point. Valuation results based on the rate of 0.9% and 1.9% (Euro thousands) are shown in the table below:

Euro thousands	Rate -0.5%	Rate +0.5%
DBO	300.5	254.2

Moreover, it is worth noting that the updating of demographic assumptions with respect to 31 December 2020 (concerning only the probability of elimination due to death) produced only a slight effect on actuarial results (€ +0.1 thousand), while the updating of the discount rate (1.4% instead of the 1% adopted at 31 December 2020) resulted in a € 19.4 thousand increase in the DBO.

17. Deferred tax liabilities

Balance at 31.12.2021 1

Balance at 31.12.2020 131

As of 31 December 2020, the balance amounted to € 131,000 due to the deferred tax effect from foreign currency conversion gains. This effect did not take place in 2021, given that the Company purchased less goods from abroad, especially following the transfer of its PPEs sales' business.

18. Current and non-current financial liabilities

Balance at 31.12.2021 16,872

Balance at 31.12.2020 16,563

The financial liabilities are illustrated in the table below:

(Euro thousands)

Financial payables	31.12.2021	31.12.2020	Change
Current	6,907	4,001	2,906
Non-current	9,965	12,563	(2,598)
Total	**16,872**	**16,564**	**308**

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

(Euro thousands)

Current financial liabilities	**31.12.2021**	**31.12.2020**	***Change***
Loans (current portion)	2,702	1,852	*850*
Total current loans	**2,702**	**1,852**	***850***
Advances on invoices/Credit Lines	1,244	824	*421*
Bank overdrafts	480	2	*477*
EBB bond	770	500	*270*

Earn-out	-	12	*(12)*
IFRS 16	212	319	*(107)*
Loans from related parties	16	493	*(477)*
Loans from subsidiaries	1,483	-	*1,483*
Total	**6,907**	**4,001**	***2,906***

The current financial liabilities mainly relate to:

- Short-term portion of unsecured loans;
- The self-liquidating credit lines as advances on invoices;
- Intercompany loans received by subsidiary E-Commerce Outsourcing S.r.l. ;
- Short-term portion of the EBB bond, as described below amongst the non-current financial liabilities;
- The current portion of payables owed to related parties, in USD. For more information, see Note 35. "Transactions with subsidiaries and related parties".

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

(Euro thousands)

Non-current financial liabilities	**31.03.2021**	**31.12.2020**	**Change**
Loans	5,068	6,412	(1,344)
EBB bond	4,056	4,304	(248)
Payables to subsidiaries	4	1,194	(1,190)
IFRS 16	211	236	(25)
Payables towards related parties	626	417	209
Total	**9,965**	**12,563**	**(2,598)**

The non-current financial liabilities relate to:

- The long-term unsecured loans;
- The non-current portion of payables owed to related parties, in USD. For more information, see Note 35. "Transactions with subsidiaries and related parties".
- Long-term portion of EBB bond. On 2 April 2019, the company issued a non-convertible bond of € 5 million in principal, made up of 50 bearer bonds with a denomination per unit of € 100,000.00 each, with the following conditions:
  - Subscribers: the Bond was fully subscribed by the SPV;
  - Listing: the Bonds shall not be listed on any regulated market nor on any MTF;
  - Terms of issue: the Bonds shall be issued in a single tranche;
  - Issue price: the issue price amounts to 100% of the Bonds' nominal value;

- Interests: the Obligations shall be interest-bearing at the fixed nominal gross annual rate of 4.572%, to be paid with a semi-annual coupon postponed;
- Legal duration and expiration: the Bonds shall have a legal duration of 8 years and 6 months and the expiration date is set at the last interests' payment date of 2027;
- Reimbursement: the Bonds shall be redeemed at par, i.e. at 100% of their nominal value, pursuant to the amortisation plan set forth in the regulation, with 13 semi-annual capital instalments, with a grace period of 2 years;
- On 30 June 2020, the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data of 30 June 2020 and 31 December 2020. In particular, the bondholder approved the request of the company to allow, by way of derogation form the regulation of the bond, the suspension of the application of the thresholds of the leverage ratio financial parameter and of the gearing ratio financial parameter, only with regard to the Test Date of 30 June 2020 and 31 December 2020. For the purpose of said suspension, EBB Export S.r.l., the bondholder, received from Meridiana Holding S.r.l., majority shareholder of Giglio Group, an indemnity and guarantee deed in its name for an amount of up to € 1 million.

On 26 July 2021, EBB S.r.l., the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data of 30 June 2021 and 31 December 2021.

The Company requested a new suspension of the application of the thresholds for the financial covenants for 2022 by sending a new waiver request to EBB Export S.r.l. on 17 March 2022.

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

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

(Euro thousand)	Value at 01.01.2020	Cash flow	Value at 31.12.2021
Non-current financial liabilities	12,563	2,598	9,965
Current financial liabilities	4,001	-2,906	6,907
Total liabilities from financing activities	**16,564**	**-308**	**16,872**

The following table summarises the loans of the Giglio Group S.p.A. as of 31 December 2021, and highlights the amounts due within and beyond one year:

SITUATION AT 31/12/2021 Company Giglio Group S.p.A. -
(Euro thousands)

Bank	**Interest rate**	**Loan amount**	**Date of subscription**	**Outstanding debt at 31/12/2021**	**Expiration**	**0<>12 months**	**1 year<> 2 years**	**2 year<> 3 years**	**More than 3 years**
INTESA									
Unsecured loan no. 0IC1047064869	Euribor 1 month + 2% spread	1,000	28/06/2017	477	28/04/2024	202	205	69	-
CARIGE									
Loan no. 11597713	1.65% (fixed rate)	550	23/11/2020	550	31/10/2026	22	134	137	257
Banco BPM									
Loan no. 11597713	Euribor 1 month + 2.1% spread	2,000	23/11/2020	1,799	23/11/2026	351	358	366	723
UNICREDIT									
Unsecured loan no. 8426426	5.9% (fixed rate)	5,000	23/01/2020	5,000	30/04/2024	2,058	1,957	985	-
TOTAL Giglio Group	-	**8,550**		**7,825**		**2,633**	**2,656**	**1,557**	**980**
-	-								

		Overall Total		**7,825**	**-**	**2,633**	**2,656**	**1,557**	**980**

19. Trade payables

Balance at 31.12.2021 2,973

Balance at 31.12.2020 4,498

(Euro thousands)

Trade payables	31.12.2021	31.12.2020	Change
Customer advances	206	121	85
Supply of goods and services	2,760	4,281	(1,521)
Credit notes to be issued	8	96	(88)
Total	**2,973**	**4,498**	**(1,524)**

The breakdown of trade payables is shown below:

(Euro thousands)	**Year ended at 31 December 2021**	**Year ended at 31 December 2020**
Trade payables	2,364	4,303
- of which overdue beyond 60 days	*943*	*1,518*
- % overdue payables on total	*39.88%*	*35.29%*

20. Tax payables

Balance at 31.12.2021 597

Balance at 31.12.2020 484

(Euro thousands)

Tax payables	31.12.2021	31.12.2020	Change
Withholding taxes	360	122	238
Foreign VAT	76	76	-
Income taxes	62	191	(129)
Social security institutions	98	95	3
Total	**597**	**484**	**112**

Tax payables relate to:

- withholding taxes and taxes related to the normal operating activities of the company for € 360,000 and € 62,000 respectively;
- Social security institutions for € 98,000.

- VAT accrued before the merger by the Ibox S.r.l., payable to foreign countries in which it performs its business through specific tax representation;

21. Other current and non-current liabilities

Balance at 31.12.2021 3,574

Balance at 31.12.2020 3,021

The Other liabilities are illustrated in the table below:

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

(Euro thousands)

Other current liabilities	31.12.2021	31.12.2020	Change
Employee payables	141	275	(134)
Prepayments and accrued expenses	209	177	32
Other payables	2,147	2,568	(421)
Total	**2,498**	**3,021**	**(523)**

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" 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).

The non-current share contains the part of Vertice 360 payables to be paid-up after twelve months, pursuant to the aforementioned minutes of conciliation. For more information, see Note 10. "Significant Events After the End of the Fiscal Year".

(Euro thousands)

Other non-current liabilities	31.12.2021	31.12.2020	Change
Other payables	(1,076)	-	(1,076)
Total	**(1,076)**	**-**	**(1,076)**

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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:

(Euro thousands)	31.12.2021	31.12.2020	Change
Revenues from contracts with customers	17,591	28,346	(10,755)
Other revenues	1,346	1,445	(99)
Total	**18,937**	**29,791**	**(10,854)**

At 31 December 2021 revenues from sales and services amounted to € 18.9 million , decreasing if compared to € 29.8 million at 31 December 2020. It is noted that 2020 included revenues for € 10.4 million (with about 25% of margins) related to the turnover of Giglio Salute division, which was created following the outbreak of the COVID-19 pandemic with the purpose of handling PPEs through the Group's e-commerce platforms and its commercial network in China.

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

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

(Euro thousands)

Purchase of raw materials, ancillary, consumables and goods	31.12.2021	31.12.2020	*Change*
Costs of goods	14,670	21,068	*(6,398)*
Consumables	10	20	*(10)*
Total	**14,680**	**21,089**	***(6,409)***

The account mainly includes the costs borne by the B2B segment of Giglio Group; the decrease on the previous year is in line with the revenues' decrease.

24. Service costs

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

(Euro thousands)

	31.12.2021	31.12.2020	*Change*
Agents	381	308	*73*
Other service costs	90	277	*(187)*

Insurance	127	114	*13*
Bank, postal & collection commissions	99	137	*(38)*
Directors, statutory auditors and supervisory board fees	450	379	*71*
Consulting	1,493	1,789	*(296)*
Administrative costs	351	415	*(64)*
Warehousing	453	403	*50*
Maintenance	10	19	*(9)*
Advertising, promotions, shows and fairs	38	16	*22*
Cleaning and surveillance	19	14	*5*
Transport & shipping	240	793	*(553)*
Utilities	61	70	*(9)*
Sales representatives	34	45	*(11)*
Total	**3,849**	**4,780**	***(932)***

The service costs of € 3.8 million are mainly ascribable to the counselling and the administrative costs referred to the Corporate division, amounting to € 1.5 million and € 0.3 million respectively, to which transport and shipment service costs for € 0.2 million, warehousing costs for € 0.4 million and agents for € 0.4 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:

(Euro thousands)

	31.12.2021	**31.12.2020**	Change
Rental	60	78	(18)
Hire	35	15	21
Operating leases	21	32	(10)
Total	**116**	**124**	**(8)**

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

26. Payroll expenses

The breakdown of payroll expenses is as follows:

(Euro thousands)

	31.12.2021	**31.12.2020**	Change

Salaries and wages	1,489	1,818	(328)
Social security charges	473	557	(84)
Post-employment benefits	87	123	(35)
Total	**2,049**	**2,497**	**(448)**

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:

(Euro thousands)

Amortisation, depreciation & write-downs	31.12.2021	31.12.2020	Change
Amortisation intangible fixed assets	62	60	2
Amortisation tangible fixed assets	305	603	(298)
Write-downs	161	8,966	(8,805)
Total	**528**	**9,630**	**(9,102)**

With regards to the account "Amortisation", see Notes 1 ("Property, plant & equipment "), 2 ("Intangible Assets") and 5 ("Investments") respectively.

The account "Write-downs" has a positive impact mainly due to the release of provisions for risks off-set in the previous years.

28. Other operating costs

The breakdown of the account is shown below:

(Euro thousands)

	31.12.2021	31.12.2020	Change
Other taxes	5	18	(13)
Other charges	16	17	(1)
Penalties and fines	18	79	(61)
Prior year charges	69	85	(16)
Losses on receivables	-	-	-
Total	**108**	**198**	**(90)**

As of 31 December 2021, the account Other operating costs is partly due to penalties disbursed over the course of 2021, and partly to contingencies recorded over the year.

29. Financial income and charges

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

(Euro thousands)

Financial income and charges	31.12.2021	31.12.2020	Change
Interest income on bank accounts	-	-	-
Incomes on earn-out waiver	-	588	(588)
Dividends	445	-	445
Other interest	3	-	3
Exchange gains	12	606	(594)
Incomes on transfer of securities	-	333	(333)
Financial income	**460**	**1,527**	**(1,067)**
Interests on current bank accounts	4	21	(17)
Other interests	686	230	456
Interests on invoice advances and factoring	68	80	(12)
Interests on mortgage loans	227	510	(283)
Interests on bond loans	281	263	18
Bank charges	4	15	(11)
SIMEST financial charges	-	20	(20)
IFRS 16 financial charges	14	27	(13)
Exchange losses	80	119	(39)
Financial charges	**1,364**	**1,285**	**79**
Total	**(904)**	**242**	**(1,146)**

Financial income decreased if compared to the previous year, despite the dividends distributed in June by subsidiary E-Commerce Outsourcing, amounting to € 445,000.

Financial charges remained virtually unchanged if compared to 31 December 2020.

30. Income taxes

(Euro thousands)

	31.12.2021	**31.12.2020**	**Change**
Current taxes	24	36	(12)
Deferred taxes	255	(69)	324
Total	**279**	**(33)**	**312**

The deferred taxes, worth € 255,000, are calculated on the release of foreign currency conversion gains carried out throughout 2021, while current taxes amount to € 24,000.

The tax effects for the year are shown below:

Taxes (Euro thousands)	31.12.2021	31.12.2020
Pre-tax result	(3,403)	(8,386)
Theoretical tax charge	949	-
Effective tax charge	24	36
Deferred taxes	255	(69)
Net result	(3,123)	(8,419)
Theoretical tax rate	27.9%	27.90%
Effective tax rate	0.7%	0.4%

31. 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	31
S. Olivotto	15
F. Gesualdi	31
S. Armella	13
M. Belloni	79
Total	**369**

During the course of the year, director S. Olivotto ceased to hold any office in the Company, upon expiration of her contract.

During the course of the year, directors C. Tundo and M. Mannino terminated their office, while alternate auditor G. Fantini acted temporarily as standing auditor from 21 June 2021 to 20 September 2021.

Board of Statutory Auditors (Euro thousand)	
C. Tundo (until 21/06/2021)	13
M. Centore	27
M. Mannino (until 21/06/2021)	10
G. Mosci (from 20/06/2021)	20
G. Fantini (from 21/06/2021 to 20/09/2021)	8
L. Tacchino (from 20/09/2021)	9
Total	**87**

The fees of the independent audit firm were as follows:

(Euro thousands)

Recurring services	Service provider	Recipient	Consideration
Limited auditing of consolidated half-year report	EY S.p.A.	Parent Company	55
Audit of the Annual Financial Statements of Giglio Group S.p.A.	BDO Italia S.p.A.	Parent Company	56
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	11
Total services			**137**
Activity related to the capital increase	EY S.p.A.	Parent Company	50
Services other than review (iXBRL)	EY S.p.A.	Parent Company	5
Total other assessment services			**55**

It is noted that on 9 December 2021, the Shareholders' Meeting of the Company appointed BDO Italia S.p.A. as new auditing company of the Group. The task was previously held by EY S.p.A..

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

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

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

Financial and operating transactions with the subsidiaries and the related parties are illustrated in detail in the paragraph 35 below.

33. Commitments, guarantees and contingent liabilities

Guarantees

Mr. Alessandro Giglio, reference partner of the holding company Meridiana Holding S.r.l., has provided personal guarantees on some Loans held by the company as of 31 December 2021.

The details are shown below:

Commitments and guarantees (Euro thousand)

Entity	Guarantee Value	Residual amount guaranteed
B.POP Sondrio	900	152
Banco BPM	650	650
UNICREDIT	536	536
Total bank guarantees	**2,086**	**1,338**
EBB bond loan	1,000	1,000
Total guarantees	**3,086**	**2,338**

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.

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.

Normal lawsuit (dispute): Within the scope of the more detailed agreements signed on July 2019 by Giglio Group, on the one hand, and Vertice 360 SA and Squirrel Capital S.L.U., on the other (the

"Contribution Agreement"), together with the other implementing agreements of the Head of Term defined between the companies, a closing date was set, upon Vertice 360 solicitation, at 31 October 2019.

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

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

- To ascertain an declare the unlawfulness of the Closing Letter of 30 October 2019 due to the incorrect information of the debt items to be borne by Giglio Group hereby reported and to proceed to its amendment, pursuant Art. 1430 of the Italian Civil Code, as explained above;
- Secondarily, to annul the Closing Letter of 30 October 2019, due to a mistake in its subscription, pursuant Art. 1427, 1428, 1429 and 1431 of the Italian Civil Code;
- In alternative, to ascertain and declare the unlawfulness of the Closing Letter, considering the invalidity of Art. 2.4.2 and 7.5 of the Contribution Agreement, for the reasons explained above, pursuant to Art. 1418, 1322 and 1325 of the Italian Civil Code;
- Due to the aforementioned verifications, to ascertain and declare that nothing is owed by Giglio Group to the defendant companies and/or to M3 and M360 Italy, against the sums already paid for, for a total of € €658,979.18;
- To ascertain and declare, in any case, Vertice 360' and Squirrel's breach of contract against Giglio Group, for the aforementioned reasons and, as a consequence, condemn the defendant companies, in the person of their legal representatives, to reimburse the losses incurred and still to be incurred in favour of the complainant company.

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

- To ascertain and declare Giglio's breach of contract, pursuant to the Contribution and Investment Agreement subscribed on 8 July 2019 and to the Closing Letter subscribed on

30 October 2019, as better described above and, as a consequence, to condemn Giglio Group S.p.A., in the person of its legal representative, to disburse € 4,545,000.

- To ascertain and declare the liability for compensation of Giglio Group for breaching the undertaking of transferring the Target Companies for a total amount of € 12.5 million, or, in any case, for the incidental fraud as per Art. 1440 of the Italian Civil Code and/or for violating the representations and warranties of the Contribution and Investment Agreement of 8 July 2019 or, in the alternative, for violating the undertaking of good faith and fair dealing as per Art. 2043 of the Italian Civil Code and, as a consequence, to condemn Giglio to the payment of € 9,523,000.00 to Vertice 360;

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

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

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

- To ascertain and declare Vertice 360' and Squirrel's breach of contract with Giglio Group, which caused an unjust damage to the latter, quantifiable in € 12,832,000 as damages suffered and loss of profits, in € 341,000 as delays in the transfer of Vertice shares and in € 2,564,000 as receivable of Giglio Group from Nautical Channel Ltd.;
- To completely reject all adversary demands, being groundless and unproven on both facts and points of law, for all the reasons and exceptions reported above;
- To ascertain and declare the unlawfulness of the Closing Letter of 30 October 2019 due to the errors in the debt balance appointed to Giglio Group.

The Judge granted the aforementioned terms for the deposit of supplementary statements and for the articulation of preliminary evidence, adjourning the eventual admission of evidence to the hearing of 14 December 2021. Upon the outcome of said hearing the Court invited both parties to reach a settlement agreement. Subsequently, after a first exchange of settlement proposals, the

Parties subscribed a minutes of conciliation during the hearing of 23 February 2022, which provides for the payment of € 3,000,000 in 15 instalments, of which the first 14 shall amount to € 196,666.67 each and the last one to € 246,666.62.

Risk of adverse outcome of legal proceedings: Considering the settlement agreement subscribed by the Parties, the law suit shall be deemed as closed.

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.

With regard to the "EBB Export Programme" bond, the Company requested another suspension of the application of the thresholds for the financial covenants with regard to the Test dates of 30 June 2022 and 31 December 2022.

A comparison between the book value and the fair value of financial assets and liabilities as of 31 December 2021 is presented below.

		31.12.2021		31.12.2020	
Consolidated Statement of Financial Position (Euro thousands)		**Carrying amount**	**Fair Value**	**Carrying amount**	**Fair Value**
Non-current assets					
Property, plant & equipment	(1)	101		1,817	
Right-of-use assets	(2)	406		-	
Intangible assets	(3)	164		217	
of which Distribution rights		-		-	
of which Publishing rights		-		-	
Other intangible assets		164		217	

Goodwill	(4)	3,249		4,084	
Investments in joint ventures	(5)	10,876	10,876	9,951	9,951
Receivables	(6)	2,701	2,701	2,475	-
Deferred tax assets	(7)	944		824	-
Total non-current assets		**18,441**		**17,373**	**-**
				-	-
Current assets				-	-
Inventories	(8)	1,493		1,697	
Trade receivables	(9)	3,784	3,785	4,568	4,568
Financial receivables	(10)	2		4,429	
Tax receivables	(11)	434		1,730	
Other assets	(12)	232		678	
Cash and cash equivalents	(13)	144	144	1,141	1,141
Total current assets		**6,089**		**9,099**	**-**
Assets held for sale/discontinued operations		**-**		**-**	**-**
Total Assets		**24,529**		**26,473**	
				-	-
Equity	(14)				
Issued capital		4,394		3,661	
Reserves		23,996		16,731	
Extraordinary reserve		-		-	
Listing fees		(541)		(541)	
FTA Reserve		4		4	
Retained earnings		(24,493)		(7,172)	
Foreign Currency Translation reserves		-		-	
Net profit		(3,123)		(8,902)	
Total Net Equity		**235**		**3,781**	
Minority interest in equity		-		-	
Total Net Equity		**235**		**3,781**	
Non-current liabilities				-	-
Provisions for risks and charges	(15)	-		-	
Post-employment benefit funds	(16)	276		324	
Deferred tax liabilities	(17)	1		132	-
Financial payables (non-current portion)	(18)	9,965	9,965	12,563	12,563
Other non-current liabilities	(21)	1,076			
Total non-current liabilities		**11,318**		**13,084**	**-**
				-	-
Current liabilities				-	-
Trade payables	(19)	2,974	2,974	4,498	4,498
Financial payables	(18)	6,907	6,907	18,640	18,640
Tax payables	(20)	597		494	
Other current liabilities	(21)	2,498		3,021	-
Total current liabilities		**12,976**		**12,004**	**-**
Liabilities held for sale/discontinued		**-**		**-**	**-**
Total liabilities and Equity		**24,529**		**26,473**	

Medium-term loan

The company reports at 31 December 2021 a net financial debt position of approx. € 15.4 million (for the calculation basis and the reconciliation of the data reference should be made to the specific table in the Directors' Report). The liabilities also include the "EBB Export Programme" bond issued in 2019 and medium/long-term unsecured bank loans.

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

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

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 26 July 2021, EBB S.r.l., the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data of 30 June 2021 and 31 December 2021.

The Company requested a new suspension of the application of the thresholds for the financial covenants for 2022 by sending a new waiver request to EBB Export S.r.l. on 17 March 2022, as it happened in the previous year.

35. Transactions with subsidiaries and related parties

The Related Parties and their transactions for 2021 have been identified by applying the provisions set forth in the Procedure for Transactions with Related Parties ("Related-Parties Procedure"), available on the website www.giglio.org, section "Corporate Governance/Governance System and Rules/Related-Parties Procedure", drafted and applied by the Company pursuant to the Regulation on Transactions with Related Parties adopted with Consob resolution no. 17221 of 12 March 2010, as amended ("Consob Regulation"), as well as pursuant to the provisions set forth in Art. 2427, par. 2 of the Italian Civil Code and to IAS 24 international accounting standard.

The following tables report the transactions and balances with Related Parties at 31 December 2021. The data indicated in the following tables are taken from the consolidated financial statements of the Issuer and/or from the general accounting data.

(Euro thousands)

		Related Party Transactions as of 31 December 2021							
		Trade receivables	**Financial receivables**	**Trade payables**	**Financial payables**	**Sales revenues**	**Operating costs**	**Financial income**	**Financial charges**
A	**Subsidiaries**	**1,392**	**2,507**	**-75**	**-1,483**	**-2,691**	**1,825**		
B	**Holding companies or subject to joint control**								
C	**Related companies**								
D	**Subsidiaries**								
E	**Joint ventures**								
F	**Senior Executives, of which:**	-	-	-	-	-	-	-	-

	Executive Directors								
	Non-Executive Directors								
	Others								
G	**Other related parties, of which:**	**-**	**-**	**-**	**-624**	**-**	**-**	**-54**	**14**
	Board of Statutory Auditors								
	Joint ventures								
	Close Relatives								
	Others				-624	-	-	-54	14
	Total (A;B;C;D;E;F;G)	**1,392**	**2,507**	**-75**	**-2,107**	**-2,691**	**1,825**	**-54**	**14**

The nature of the transactions in the above table are as follows: (i) for E-Commerce Outsourcing, Giglio USA and Ibox SA they refer in general to the recharge of administration costs incurred by the Issuer in the name of and on behalf of the subsidiary companies; (ii) for Giglio USA and Ibox SA they concern also the supply of goods and services.

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

- Max Factory S.r.l.: real estate company owned by Alessandro Giglio who leases to Giglio Group S.p.A. the following buildings:
    - Genoa offices: Palazzo della Meridiana for a total annual cost of € 90,000;
    - Rome offices: Via dei Volsci for a total annual cost of € 49,800.
- AZO Asia limited: company held by Meridiana Holding, who carried out a financing to the Group. As of 31 December 2021, the total payable amounted to € 0.6 million.

The remuneration paid in 2021 to the Board of Directors of the Issuer amounted to Euro 369 thousand.

36. Dividends

In line with the approval of the guidelines of the 2022-2026 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)	31.12.2021	of which related parties	31.12.2020	of which related parties
Non-current assets				
Property, plant & equipment	101		162	
Right-of-use assets	406		508	
Intangible assets	164	-	203	-
Other intangible assets	164		203	
Goodwill	3,249		3,249	
Investments in joint ventures	10,876		9,951	
Receivables	2,701	2,507	2,475	
Deferred tax assets	944		824	
Total non-current assets	**18,441**	**2,507**	**17,374**	**-**
Current assets				
Inventories	1,493		1,596	
Trade and other receivables	3,784	1,392	4,568	
Financial receivables	2		2	
Tax receivables	434		1,130	
Other assets	232		662	
Cash and cash equivalents	144		1,141	
Total current assets	**6,088**	**1,392**	**9,100**	**-**
Assets held for sale/discontinued operations	**-**		**-**	
Total Assets	**24,529**	**3,899**	**26,473**	**-**
Equity				
Issued capital	4,394		4,149	
Reserves	23,995		22,267	
Extraordinary reserve	-		-	
Listing fees	(541)		(541)	
FTA Reserve	4		4	
Retained earnings	(24,493)		(16,074)	
Foreign Currency Translation reserves	-		-	
Net profit	(3,123)		(8,419)	
Total Net Equity	**236**	**-**	**1,385**	**-**
Minority interest in equity	-		-	
Total Net Equity	**236**	**-**	**1,385**	**-**

Non-current liabilities				
Provisions for risks and charges	-		60	
Post-employment benefit funds	276		329	
Deferred tax liabilities	1		132	
Financial payables (non-current portion)	9,966	-	12,563	-
Other non-current liabilities	1,076			
Total non-current liabilities	**11,319**	**-**	**13,084**	**-**
Current liabilities				
Trade and other payables	2,974	75	4,498	
Financial payables (current portion)	6,907	2,107	4,001	892
Tax payables	597		484	
Other current liabilities	2,498		3,021	
Total current liabilities	**12,976**	**2,182**	**12,004**	**892**
Liabilities held for sale/discontinued	**-**		**-**	
Total liabilities and Equity	**24,529**	**2,182**	**26,473**	**892**

Statement of Profit or Loss (Euro thousands)	**31.12.2021**	**of which related parties**	**of which non recurring**	**31.12.2020**	**of which related parties**	**of which non recurring**
Total revenues from contracts with customers	**17,591**	**2,691**		**28,346**		
Other revenues	1,346			1,445		
Change in inventories	(103)			(101)		
Purchase of raw materials, ancillary, consumables and goods	*(14,680)*	*(1,825)*		*(21,089)*		
Service costs	*(3,849)*			*(4,780)*		
Rent, lease and similar costs	*(116)*			*(124)*		
Operating costs	**(18,646)**	**(1,825)**		**(25,993)**	**0**	
Salaries and wages	*(1,489)*			*(1,818)*		
Social security charges	*(473)*			*(557)*		
Post-employment benefits	*(87)*			*(123)*		
Payroll expenses	**(2,049)**	**0**		**(2,498)**	**0**	
Amortisation	*(62)*			*(60)*		
Depreciation	*(305)*			*(603)*		
Write-downs	*(161)*			*(8,966)*		
Amortisation, depreciation & write-downs	**(528)**	**0**		**(9,629)**	**0**	
Other operating costs	*(108)*			*(198)*		
Operating profit	**(2,498)**	**866**		**(8,628)**	**0**	
Financial income	*459*	*54*		*1,527*	*501*	
Net financial charges	*(1,364)*	*(14)*		*(1,285)*	*(168)*	
Profit before taxes	**(3,403)**	**906**		**(8,386)**	**333**	
Income taxes	*279*			*(33)*		
Profit for the period (continuing operations)	**(3,123)**	**906**	**0**	**(8,419)**	**333**	**0**
Profit for the period (discontinued operations)	**0**			**0**		
Profit for the period	**(3,123)**	**906**	**0**	**(8,419)**	**333**	**0**

40. Valuation of Going Concern

Pursuant to IAS 1, the assessments issued by the Directors regarding the existence of the assumption of the Company's going concern for the purpose of drafting the annual financial statements at 31 December 2021 are reported below.

The Financial Statements of Giglio Group S.p.A. as of 31 December 2021 were closed with a loss of € -3,123,000, which led to a net equity of € 235,000, thus leading to the conditions set forth in Art. 2446 of the Italian Civil Code.

Within the context of the emergency corporate measures adopted by the Italian government in order to support national companies, it is noted that the Legislative Decree no. 228/2021 (the so-called "Decreto Milleproroghe"), converted with amendments by Law no. 15 of 25 February 2022, which extended the provisions set forth in Art. 1, par. 266 of Law no. 178/2020 (in replacement of Art. 6 of Law-Decree no. 23 of 8 April 2020 (the so-called "Liquidity Decree", converted with amendments in Law no. 40 of 5 June 2020), amended the temporary regime previously in force and, in response to the new developments of COVID-19 pandemic, further suspended the application of the obligation to adopt corporate measures following share capital reductions caused by operating losses (Art. 2446 and 2447 of the Italian Civil Code) upon the occurrence of some specific conditions provided by the law. More specifically, the current legislation provides for:

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	Alte Riserve	Riserva IAS19	Risultati portati a nuovo	Utile (perdita) del periodo	Totale
SALDO AL 31 DICEMBRE 2020	**4.149**	**22.338**	**4**	**(541)**	**(71)**	**(16.074)**	**(8.419)**	**1.385**
Aumento capitale sociale	244	1.930						2.174
Riserva sovrapprezzo		(213)						(213)
Oneri aumento capitale sociale								0
Risultato a nuovo							8.419	0
Perdite anno 2020 sospese L. 30 dicembre 2020 n.17						(8.419)		0
Riserva IAS 19					12			12
Effetti cambi								0
Altri movimenti								0
Risultato di periodo							(3.123)	(3.123)
SALDO AL 31/12/2021	**4.393**	**24.055**	**4**	**(541)**	**(59)**	**(24.493)**	**(3.123)**	**235**
di cui perdite in regime di sospensione ex art. 6 DL 23/2020 esercizio 2020						8.419		8.419
di cui perdite in regime di sospensione ex art. 6 DL 23/2020 esercizio 2021							3.123	3.123
SALDO AL 31 DICEMBRE 2021 CON SOSPENSIONE PERDITE	**4.393**	**24.055**	**4**	**(541)**	**(59)**	**(16.074)**	**0**	**11.777**

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.

On 28 March 2022, the Board of Directors of the Company approved the Industrial Plan 2022-2026. From November 2021, the Company acquired a new commercial management that completely restated its commercial assets, as well as the actual development possibilities of the Group's business. The new Industrial Plan considers a GMV (Gross Merchandise Value - reference value for e-commerce transactions) acceleration at a cumulative growth rate of about 10% (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 10% 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 the newly-acquired 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 and 2021 on the platforms. The Directors carried out adequate sensitivity analyses on the main hypotheses of the Plan.

It is noted that 2022 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 2022 cash flow are as follows:

- Commercial and organic growth of the B2C division (3% on Revenues and 10% on GMV), characterised by the immediate payment from users and the deferred payment of goods and services to suppliers; This growth, which shall have a minor impact on the EBITDA margin, is mainly ascribable to the combined effect of the transfer of the Incentive & Loyalty business unit (whose turnover in 2021 amounted to about € 2.4 million, with an EBITDA of about € 0.3 million) and to the acquisition of two new clients during the fiscal year;

- The B2B model, on the other hand, recorded a 20% 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 4% impact on the EBITDA margin, is mainly ascribable to the combined effect of the post-pandemic sales recovery and to the expected growth of the newly-acquired company, Salotto di Brera S.r.l., for 2022 (+30%);

- Processes improvement and consequent costs reduction following the streamlining of the Group's business activities, such as the redetermination of Rome's and Rho's office leases, 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:

2022 budget and 2023-2026 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, more specifically, its distribution of fashion goods, as demonstrated by the activation of several financing agreements both in the half-year and in the following period; for this purpose, it is noted that, at the beginning of 2022, the subsidiary Salotto di Brera S.r.l. subscribed a financing agreement of € 150,000 with Deutsche Bank and is currently on the verge of subscribing another agreement for € 1,200,000 with Banca Progetto, to be resolved upon following the issue of the guarantee from SACE;

2. The shareholder Meridiana Holding S.r.l. reached an agreement with the Company, through which the residual debt related to the loan disbursed to the latter and payable with constant instalments by 30 September 2022 was postponed to 31 January 2023, in a single tranche. This is aimed at allowing the Company to complete its corporate reorganisation plan, thus postponing to 31 January 2023 the reimbursement cash flows previously set between September 2021 and September 2022.

3. EBB Export S.r.l., subscriber of the bond, has granted (on 26 July 2021) the waiver of the measurement of the financial covenants on 2021 deadlines (i.e. 30 June 2021 and 31 December 2021);

The company requested an extension of the waiver to EBB Export for the test dates of 30 June and 31 December 2022, and the Directors believe that there is a reasonable expectation that said extension will be approved, given its approval for the two previous fiscal years. On 28 March 2022, the majority shareholder Meridiana Holding S.r.l. subscribed a guarantee letter for an amount of € 500,000, to be activated only in the event of EBB's anticipated bond resolution, valid until 31 December 2022 and including a sunset clause in the event that EBB should agree to waive the coming deadlines of 30 June and 31 December 2022;

4. Subscription, via the subsidiary Salotto di Brera S.r.l., on 14 February 2022, of a Financing agreement with SIMEST for a total of € 300,000 (of which € 75,000 as non-repayable contributions) within the context of the "Development of e-commerce for SME in foreign countries" project based on the Resilience and Recovery Fund resources allocated to the Fund 394/81;

5. 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 (i.e., a further 10%).”*, resolves to vest the Chairman of the Board of Directors with all powers necessary for carrying out a capital increase.

2022 began with the hope to finally overcome the crisis provoked by COVID-19 and to recover a regular economic/financial activity based on the expectations of a good economic growth.
Unfortunately, however, as it is known, the general context became once again very complex due to the geopolitical circumstances that characterised the first months of the year, 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. Only a slight slowdown is reported in March limited to some customers located in Eastern countries whose orders have been postponed in the second half of 2022. Nevertheless, 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 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 30 March 2022, the Board of Directors of the Company proposed the following:

The Parent Company's Financial Statements as of 31 December 2021 were closed with a loss of € 3,123,000, which led to a net equity of € -235,000.

Hence, the Company has reduced 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.

Such 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"), converted 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.

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 2021 shall be closed with a loss of € 3,123,461.

(ii) The Financial Statements of Giglio Group S.p.A. as of 31 December 2021 records losses carried forward for a total of € -24,493,389.01, of which € -8,419,120 related to 2020.

(iii) In line with the resolution adopted by the Shareholders' Meeting of the Company on 9 July 2021, the Board of Directors of the Company shall propose to an Extraordinary Shareholders' Meeting (to be held before the adoption of the resolution on the Financial Statements) to carry forward until the end of the fifth following fiscal year (i.e., 2026) - pursuant to Art. 6 of Decree-Law no. 23 of 8 April 2020 as amended and integrated- the losses pointed out in the aforementioned points (i) and (ii), being the Company in the situation set forth in Art. 2447 of the Italian Civil Code, 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 2021, 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 2021, with the relative reports presented by the Board of Directors, the Board of Statutory Auditors and the Auditing Company;

- Having taken note of the resolution adopted by the Shareholders' Meeting of the Company held today, pursuant to Art. 6 of the Decree-Law no. 23 of 8 April 2020 as amended and integrated,

  resolves

- 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".

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FISCAL YEAR 2021

TO THE SHAREHOLDERS' MEETING PURSUANT TO ART. 153 OF LEGISLATIVE DECREE NO. 58/1998 AND TO ART. 2429, PAR. 2 OF THE ITALIAN CIVIL CODE

Dear Shareholders,

This report is drafted by the Board of Statutory Auditors (hereinafter, also referred to as the "**Board**") currently in charge, in its composition of 21 September 2021, date in which the Shareholders' Meeting integrated the Board appointed on 21 June 2021.

During the fiscal year that ended on 31 December 2021, the Board of Statutory Auditors of Giglio Group S.p.A. (hereinafter referred to as "**Giglio Group**" or the "**Company**"), pursuant to Art. 149 of Legislative Decree 58/1998 (hereinafter also referred to as the "CFA") and to Art. 2403 of the Italian Civil Code, carried out supervisory activities, taking into account the principles of conduct recommended by the Italian Board of Professional Accountants and Auditors and Consob communications regarding corporate controls and activities of the Board of Statutory Auditors (more specifically, communication 20 February 1997, DAC/RM 97001574 and communication DEM 1025564 of 6 April 2001, as integrated with communication DEM/3021582 of 4 April 2003 and communication DEM/6031329 of 7 April 2006), as well as the provisions included in the Corporate Governance Code (hereinafter also referred to as the "**New Code**"), in force from the first fiscal year starting after 31 December 2020 and thus, in the case of Giglio Group, from 1 January 2021.

* * * * * *

With regard to the activities within its competence, during the fiscal year at hand, the Board of Statutory Auditors declares the following:

- to have participated in all Shareholders' Meetings and to all the meetings of the Board of Directors, obtaining by directors, at least on a quarterly basis, adequate information on the general performance of the Group and on its foreseeable evolution, as well as on major transactions, both for size and characteristics, undertaken by the Company and its subsidiaries;

- To have acquired the knowledge needed to perform the verification activity of the observance of the law, of the by-laws, of the principles of sound administration and of the adequacy and operation of the Company's organisation structure, through the acquisition of documents and information from the individuals responsible of the relevant functions and periodic information exchanges with Ernst & Young S.p.A. and, following the consensual termination of the audit engagement resolved by the Shareholders' Meeting of 9 December 2021, also with BDO S.p.A., the new auditor of the Company (the "**Auditing Company**");
- To have participated, through its Chairman and at least another member, to the meetings of the Internal Control, Risk and Related Parties Committee and of the Appointments and Remuneration Committee;
- to have monitored the operation and efficacy of the internal control system and the adequacy of the administrative and accounting system, especially focusing on the latter's reliability to represent management performance;
- to have exchanged promptly with the individuals responsible of the Auditing Company tasked with the statutory audit, pursuant to the CFA and to the Legislative Decree no. 39/2010, relevant data and information for the performance of the respective tasks, pursuant to Art. 150 of the CFA, also through the exam of the results of the work done and the reception of the reports provided for in Art. 14 of Legislative Decree no. 39/2010 and Art. 11 of EU Regulation no. 537/2014. Among the relevant data and information collected, the following are highlighted:
    - (i) BDO S.p.A.'s disclosure of 15 December 2021, through which the Company was informed of the change in the reference partner appointed by the Auditing Company (Claudio Teboldi);
    - (ii) The request made by BDO S.p.A. to the subsidiary E-Commerce Outsourcing S.r.l. ("**ECO**") on 28 March 2022 with regard to the authorisation granted by Banca Progetto, concerning the use of the funds related to the loan of € 2,000,000. Said request was promptly fulfilled by ECO;
- to have received today the additional report, pursuant to Art. 11 of EU Regulation no.

537/2014 that shows the auditing results that the Board of Statutory Auditors shall submit to the Board of Directors, along with any observation;

- to have monitored the efficiency of the internal control system of the Group's subsidiaries and the adequacy of their provisions, also pursuant to Art. 114, par. 2 of the CFA;
- To have acknowledged that the Corporate Governance Report (pursuant to Art. 123-bis of the CFA) and the Annual Report of the Internal Control, Risk and Related Parties Committee were prepared by the relevant bodies within the given deadlines;
- To have acknowledged that the Remuneration Report, pursuant to art. 123-ter of the CFA and Art. 84-ter of the Issuers Regulation, shall be promptly made available within the terms of the law;
- To have acknowledged the request of information issued to the Company by Consob on 4 March 2022, pursuant to Art. 115 of the CFA, with deadline as of 8 April 2022 (against the extension requested by the Company with Consob disclosure of 17 March 2022), whose fulfilment is currently being taken care of by the Company;
- To have monitored the specific implementation modalities of the Corporate Governance Rules adopted by the Company in accordance with the Corporate Governance code;
- to have ascertained the compliance of the internal procedure regarding the Transactions with Related Parties with the principles set forth in the Regulation for Transactions with Related Parties approved by Consob with resolution no. 17221 of 12 March 2010 as amended (hereinafter also referred to as the "**TRP Consob Regulation**"), as well as its observance, pursuant to Art. 4, par. 6 of the same TRP Consob Regulation;
- to have monitored the execution of the formalities concerning the European regulation on Market Abuse (hereinafter also referred to as "**MAR**") and the processing of inside information and the procedures adopted by the Company in their regard;
- to have ascertained the process of corporate information, verifying the Directors' compliance with procedural rules regarding the creation, approval and publication of the financial statements and of the consolidated financial statements;
- to have assessed the adequacy, as far the method is concerned, of the impairment process

implemented in order to assess any eventual loss of value of the goodwill and/or of the assets listed in the financial statement;

- to have verified that the Directors' Report on Operations complied with current regulations and was consistent with the resolutions adopted by the Board of Directors and with the facts represented in the financial statements and in the consolidated financial statements;
- To have acknowledged the consolidated half-yearly report as of 30 June 2021[1], without revealing any observation to be reported, as well as to have ascertained its compliance with the publication modalities set forth by the legislation;
- having acknowledged that, pursuant to Art. 2.2.3, par. 3, letter a) of the Regulation of the markets organised and managed by Borsa Italiana S.p.A., the Company has provided the additional periodic information and the main consolidated figures together with the update on the general management performance on a quarterly basis;
- to have carried out, in the role of Internal Control and Financial Audit Committee, pursuant to Art. 19, par. 1 of Legislative Decree no. 39/10, as amended by Legislative Decree no. 135/16, specific information, monitoring, control and verification functions provided for therein, thus fulfilling the duties and tasks pointed out in the aforementioned regulation.

With regard to the thematic areas related to the global COVID-19 pandemic mentioned in Consob Warning Notice no. 1/21 of 16 February 2021 and no. 4/21 of 15 March 2021, the Board of Statutory Auditors monitored their processing in the 2021 Financial Statements.

With regard to the lasting pandemic, the Board of Statutory Auditors also points out that, despite the emergency situation, it carried out its functions, fulfilling its supervisory duties via remote activities, pursuant to current laws.

These supervisory activities, carried out by the Board of Statutory Auditors according to the aforementioned modalities, uncovered no facts such as to implicate the non-compliance of the law and of the by-laws or to request the execution of notifications to Supervisory Authorities, nor

[1] The report was published after 30 September, provided that the Auditing Company made use of the deadline set forth in Art. 154-ter, par. 2 of the Legislative Decree no. 59/98 (until 30 September) for the Auditing Report.

their mention in this Report.

* * *

The following provides the further instructions requested by Consob communication no. DEM/1025564 of 6 April 2001 as amended.

* * *

I. MOST RELEVANT ECONOMIC, FINANCIAL AND ASSET TRANSACTIONS CARRIED OUT BY THE COMPANY AND ITS SUBSIDIARIES

The most relevant economic, financial and asset transactions carried out by the Company and its subsidiaries were detailed analytically in the Directors' Report and in the financial statements, as well as in the consolidated financial statement, included in the Financial Statements as of 31 December 2021, to which reference is made. Among other things, the Board of Statutory Auditors deems it appropriate to mention the following:

a. **January**, subscription of a binding agreement for the purchase of Salotto di Brera - Duty Free S.r.l. (hereinafter "**Salotto**"), a company engaged in the distribution and marketing of fashion and food products in the duty-free market;
b. **February**, subscription by ECO, a subsidiary of Giglio Group S.p.A., of an agreement with 7Hype S.r.l. (hereinafter "**7Hype**"), aimed at integrating on of 7Hype's business units in its corporate structure, through the lease of the marketing automation division;
c. **March**, update of Industrial Plan 2021-2025 with regard to its previous sales estimates, taking also into account the integration of the business carried out by its controlled company, E-Commerce Outsourcing S.r.l., the newly-acquired Salotto di Brera - Duty Free S.r.l., the integration of the branch of 7Hype, the business prospects in China/Far East due to the effects of the COVID-19 outbreak, as well as the increased importance to the Distribution area on e-commerce platforms worldwide and to marketplaces' new connection services.
d. **June**, execution of a share capital increase (proxy granted on November 2020) with allocation of no. 1,221,547 newly-issued ordinary shares, at a price of € 1.78 (overall countervalue of € 2,174,353.66). The increase was subscribed by Meridiana Holding S.r.l., the majority shareholder of the Company, who subscribed 485,547 shares

(39.75% of the increase), but also by other investors for the remaining 736,000 shares. On 28 June 2021, Giglio TV HK was successfully transferred to a third party for a countervalue of 100 HKD (€ 11).

e. **December,** the Board of Directors granted to the CEO the powers to carry out either simplified share capital increases up to 10% of the outstanding capital, pursuant to Art. 2441 of the Italian Civil Code, or ordinary capital increases. A Letter of intent is subscribed, aimed at the potential transfer of the Loyalty business unit by the subsidiary ECO, with potential closing date within February 2022.

Following the end of the fiscal year, the following events also took place, which the Board of Statutory Auditors wishes to highlight:

a. **January**, the aforementioned powers were granted to Marco Riccardo Belloni at the closing date of the negotiations for the transfer of the Loyalty business unit.
b. **March**, on 6 March 2022, ECO 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).
c. **March**, on 7 March 2022, the Company subscribed a minutes of conciliation with Squirrel Media SA (already Vertice 360 SA), pursuant to Art. 185 of the Italian Civil Procedure Code, in front of Milan's Court, for the purpose of settling the current litigation. The settlement provides for Giglio Group S.p.A. to undertake, starting from March 2022, the payment of a total amount of € 3 million in 15 instalments. The decision to arrive to the settlement was assessed by a special Committee, which assessed its viability on the basis of the legal documents made available to it.
d. **March**, on **28 March 2022**, the Board of Directors approved an update to the Industrial Plan 2022-2026.

Based on the information provided by the Company and on data acquired regarding the aforementioned transactions, the Board of Statutory Auditors ascertained their compliance with the Law, the by-laws and the principles of sound administration, making sure that the same were not manifestly imprudent or risky, in potential conflict of interest or in contrast with the resolutions adopted by the Shareholders Meeting or such as to compromise the integrity of the Company's assets.

II. ATYPICAL AND/OR UNUSUAL TRANSACTIONS WITH RELATED PARTIES OR INTRA-GROUP COMPANIES

Throughout its assessment, the Board of Statutory Auditors did not identify any atypical and/or unusual transaction with third parties, with intra-group companies or with other related parties. It is acknowledged that the information reported in the Financial Statements as of 31 December 2021 regarding significant events and transactions and any eventual atypical and/or unusual transaction, including intra-group and with other related parties, is adequate and compliant with the legislative provisions.

III. INFORMATION REGARDING INTRA-GROUP AND RELATED-PARTIES TRANSACTIONS CARRIED OUT BY THE COMPANY AND ITS SUSBSIDIARIES

The characteristics of intra-group and other related-parties transactions carried out by the Company and its subsidiaries during 2021, as well as the individuals involved and the relevant economic effects, are reported in notes 32 and 35 to the Consolidated Financial Statement and to the Financial Statements to which reference is made. It is noted that the Company has regular trading and financial relationships with its subsidiaries and only financial relationships with Meridiana Holding S.p.A.. These relationships consists in transactions falling under the context of ordinary management activities and are carried out in line with market standards. The Board of Statutory Auditors deems adequate the information provided with regard to the aforementioned transactions and assesses that these, on the basis of the data acquired, are appropriate and in line with the Company's business interest.

The Transactions with Related Parts, identified on the basis of international accounting standards and of Consob provisions, are governed by an internal procedure (hereinafter referred to as the "**Procedure**"), updated on 15 December 2021. The Board of Statutory Auditors assessed the Procedure in order to verify its conformity with the TRP Consob Regulation.

For the aforementioned transactions, the Board of Statutory Auditors verified the correct application of the Procedure.

IV. REPORTS OF THE AUDITING COMPANY ISSUED PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREEE NO. 39/2010 AND ART. 10 OF EU REGULATION NO. 537/2014 AND ADDITIONAL REPORT ISSUED PURSUANT TO ART. 11 OF EU REGULATION NO. 537/2014

Today, the Auditing Company issued the aforementioned reports pursuant to Art. 14 of the Legislative Decree no. 39/2010 and Art. 10 of EU Regulation no. 537/2014, through which it certified that:

- The financial statements and the consolidated financial statements of the Group as of 31 December 2021 provide a truthful and correct representation of the asset situation, the economic result and the cash flows of the Company and the Group for the fiscal year at hand, pursuant to the IFRS international accounting standards adopted by the European Union, as well as to the provisions set forth in Art. 9 of Legislative Decree No. 38 of 28 February 2005;
- The audit opinion on the financial statements and on the consolidated financial statements expressed in the aforementioned Reports is in line with what laid out in the Additional Report destined to the Board of Statutory Auditors in its quality of Internal Control and Auditing Committee, drafted pursuant to Art. 11 of EU Regulation no. 537/2014;
- the Directors' Report and some specific information of Art. 123--*bis* of the CFA included in the Corporate Governance Report are consistent with the Company's financial Statement and with the consolidated financial statement of the Group, and were drafted in compliance with the Law.

In the aforementioned Reports of the Auditing Company, emphasis is made on Note 40 of the Financial Statements and on Note 40 of the Consolidated Financial Statements, called "Valuation of going concern", where the Directors' considerations on the adoption of the going concern of the Company for the preparation of the Financial Statements and the Consolidated Financial Statements are described. For both Reports, the Auditing Company states that their opinion is not expressed with significant impact with regard to this aspect.

In brief, the Auditing Company highlights the fact that the Directors, in the aforementioned paragraph, state that the Parent Company, following a loss during the fiscal year, reduced its capital below the limits set forth in Art. 2446 of the Italian Civil Code. On 28 March 2022, the

Board of Directors of the Parent Company approved an update to the Industrial Plan 2022-2026. In this context, the Directors prepared the Financial Statements and the Consolidated Financial Statements with a view to the going concern, despite the uncertainties on the achievement of the economic and financial objectives set forth in the Industrial Plan 2022-2026, whose eventual incomplete implementation would lead to a subsequent reduction of the result of the plan as a whole. Despite the uncertainties described in Note 40, 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. The assessment is also linked to the resolution of 15 December 2021 to grant to the Chairman of the Board of Directors all of the powers needed to proceed with the resolution for the simplified share capital increase, as well as the proxy for a wider capital increase; it is noted that a proxy for increases in kind is still available and exercisable until 12 November 2025, with the limitation of a maximum of € 366,000, plus share premium.

With reference to the declaration set forth in Art. 14, par 2, letter e) of the Legislative Decree no. 39/2010, released on the basis of the knowledge and the understanding of the company and of the relative context acquired during its activity, the Auditing Company had nothing to report.

As far as the so-called key aspects of the financial audit, that is, those elements that, according to the professional opinion of the auditing company are mostly significant in the context of the financial audit of the financial statement at hand, the Auditor identified:

- the assessment of the assumption of going concern;
- the assessment of the goodwills.
- the assessment of the investments;

With regard to these aspects, the Auditing company referred that they have been dealt with within the financial audit and in the formulation of an opinion on the financial statements and on the consolidated financial statements as a whole and that, therefore, there is no need to express a separate opinion on them.

The Auditing Company also issued, on the same date, to the Board of Statutory Auditors as

Internal Control and Financial Audit Committee, the Additional Report, in order to show the auditing results, the inherent elements of the planning and performance of the auditing process with regard to the methodological choices made and the respect of ethical principles, pursuant to Art. 11 of EU Regulation no. 537/2014.

The Board of Statutory Auditors shall inform the Board of Directors of Giglio Group regarding the results of the auditing, issuing as soon as possible its Report, pursuant to Art. 11, together with any observation to be made pursuant to Art. 19 of Legislative Decree no. 39/2010.

The Board of Statutory Auditors, also during its meetings with the Auditing Company, did not receive by the Auditing Company any information on relevant reprehensible facts during the auditing on the financial statements and on the consolidated financial statements.

V. <u>ASSIGNMENTS CONFERRED TO THE AUDITING COMPANY AND TO INDIVIDUALS WITHIN ITS NETWORK</u>

The Board of Directors of Giglio Group S.p.A., in the Meeting of 25 October 2021, assessed the hypothesis of early termination of the audit engagement with EY S.p.A. and, in this context, the former CEO Marco R. Belloni engaged in preliminary contacts with EY S.p.A., which led to a reciprocal exchange that brought forward the intention to proceed with a consensual termination of the existing audit engagement.

Indeed, following EY S.p.A.'s request of 11 October 2021 to increase the audit fees for the Interim Condensed Consolidated Financial Statements as of 30 June 2021, together with the request to restate the time frames and the fees of the original proposal approved by the Company's Meeting of 11 May 2018, the Company replied on 15 October, highlighting, inter alia:

1. The “objectively significant increases, which risk to make overly burdensome the existing agreement”;
2. The “high amount of the requests for additional fees has a significant impact on the existing contractual arrangements”;

and, consequently, the Company decided to undertake a market survey for any eventual *"offer of the same services, on the same efficiency and effectiveness conditions of the auditing as those of the service currently provided, but at a reduced cost, taking into consideration the SME* *nature of the Group"*, thus asking EY S.p.A. to assess and give its consent for a consensual termination of the existing agreement.

Consequently, following the comparative procedure, on 9 December 2021, the Company, upon the reasoned opinion of the Board of Statutory Auditors, resolved to terminate the audit engagement with EY S.p.A. and to appoint BDO S.p.A. as its Auditing Company for the nine-year period 2021-2029.

Over the course of the fiscal year, the Company conferred to EY S.p.A. and to other individuals within its network assignments in favour of Giglio Group for other services, different than the auditing already included in their mandate and, in particular:

- To assess the Internal Control and Risk Management System, in particular for governance issues, for control roles and processes, for the control system related to the Financial Reporting ex Law 262/05 and for the internal auditing and risk management system, in order to compare their structure and functioning against the best practices and the regulatory requirements;
- Opinion on the fair value of the issue of the shares related to the share capital increase of Giglio Group S.p.A. upon payment, pursuant to Art. 2443 of the Italian Civil Code, in separate issues, excluding option rights, pursuant to Art. 2441, par. 4, second sentence of the Italian Civil Code, within the limits of 20% of the existing share capital -as set forth in Art. 44, par. 3 of the Law Decree 76/2020 later converted into Law 120/2020 - through the issue, also in more tranches, of ordinary shares without nominal value, to be offered in subscription to the individuals identified by the Board of Directors - including qualified industrial and/or financial Italian and international investors, and/or current shareholders and collaborators of the Company.

Detailed information on the remunerations paid during the fiscal year and on the pertinent cost of the various tasks carried out - including the ones conferred in 2021 - by the Auditing Company and the individuals within its network in favour of Giglio Group and its subsidiaries can be found in the Company's financial statement, pursuant to Art. 149-duodecies of the Issuers Regulation, and is determined as follows (Euro thousands):

(Euro thousands)

Recurring services	Service provider	Recipient	Consideration
Limited auditing of consolidated half-year report	EY S.p.A.	Parent Company	57
Audit of the Annual Financial Statements of Giglio Group S.p.A.	BDO Italia S.p.A.	Parent Company	56
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	11
Total services			**137**

Other assessment services	Service provider	Recipient	Consideration
Activity related to the capital increase	EY S.p.A.	Parent Company	50
Services other than review (XBRL)	EY S.p.A.	Parent Company	5
Total other assessment services			**55**

The Board of Statutory Auditors, as Internal Control and Financial Audit Committee, complied with the obligations referred to in Art. 19, par. 1, letter e) of Legislative Decree no. 39/2010 (as amended by Legislative Decree no. 135/2016) and Art. 5, par. 4 of EU Regulation no. 537/2014 regarding the prior approval of the aforementioned tasks, verifying their compatibility with current regulations and, more specifically, with the provisions set forth in Art. 17 of Legislative Decree no. 39/2010 as amended - as well as with the prohibitions set forth in Art. 5 of the aforementioned Regulation.

Moreover, the Board of Statutory Auditors:

a) verified and monitored the independence of the Auditing Company, as in charge over time, in compliance with Art. 10, 10-bis 10-ter, 10-quater and 17 of Legislative Decree no. 39/2010 and Art. 6 of EU Regulation no 537/2014, ascertaining the compliance with current relevant regulations and making sure that any task other than the auditing conferred to the company did not generate potential risk for the independence of the auditor nor for the safeguards set forth in Art. 22-ter of Directive 2006/43/EC;

b) examined the transparency report and the Additional Report drafted by the Accounting Company, in compliance with the criteria set forth in EU Regulation no. 537/2014, noting that, on the basis of the acquired information, no critical aspects regarding the independence of the Auditing Company arose;

c) received confirmation in writing, pursuant to Art. 6, par. 2, letter a) of the EU Regulation 537/2014, that the Auditing company, from its appointment until the issue of the declaration, did not individuate any situation capable of compromising its independence, pursuant to Art. 10 and 17 of the Legislative Decree no. 39/2010 and Art. 4 and 5 of EU Regulation no. 537/2014;

d) discussed with the Auditing Company about the risks for its independence and the measures adopted to mitigate them, pursuant to Art. 6, par. 2, letter b) of EU Regulation no. 537/2014.

VI. CLAIMS PURSUANT TO ART. 2408 OF THE CIVIL CODE AND COMPLAINTS BY SHAREHOLDERS OR THIRD PARTIES

During 2018, the Board of Statutory Auditors did not receive any claim nor complaint by shareholders or third parties, pursuant to Art. 2408 of the Civil Code.

VII. OPINIONS AND PRELIMINARY CONSULTATION OF THE BOARD OF STATUTORY AUDITORS

During 2021, the Board of Statutory Auditors expressed its opinion on all the occasions requested by the Board of Directors, also in fulfilment of regulations providing for the preliminary consultation of the Board of Statutory Auditors.

More specifically, it is noted that:

a. On **22 February 2021**, in response to an express request of the Auditing Company, the Board of Statutory Auditors communicated to EY S.p.A. that the obstruction causes related to the Auditing Company's capacity to carry out an assessment of the Internal Control and Risk Management System and, in particular, on the governance aspects, its roles and control processes, on the control system of the financial process as per Law 262/05 and on the risk management and internal auditing system, in order to compare them to the best practices and the current regulations, were not valid.

a. On **12 May 2021**, in response to an express request of the Auditing Company, the Board of Statutory Auditors communicated to EY S.p.A. that the obstruction causes related to the Auditing Company's capacity to carry out all necessary activities for the issue of a fair value analysis on the value of the shares issued for a share capital increase upon payment, to be executed pursuant to Art. 2443 of the Italian Civil Code, in separate issues, without option rights, as provided fro by Art. 2441, par. 4, second sentence of the Italian Civil Code, were not valid.

b. On **8 November 2021**, the Board of Statutory Auditors issued its opinion on the early consensual termination of the auditing engagement between Giglio Group S.p.A. and EY S.p.A. and the following reasoned proposal for the new assignment of the task.

c. The Board of Directors of **11 November 2021** acknowledged that Carlo Micchi, at the time Financial Reporting Officer and CFO of the Company,could not dedicate the necessary time and resources to the performance of both offices and, due to personal reasons, he had to resign from his offices. In the same meeting, the Chairman of the Board of Directors informed all present shareholders that Francesco Barreca, already responsible for the preparation of the consolidated financial statements of the Company, was the most suited person to replace Carlo Micchi, having also shared such information with the members of the Board of Statutory Auditors. The Chairman thus proposed to appoint Francesco Barreca as new Financial Reporting Officer and CEO of the Company that, having acknowledged the resignation of Carlo Micchi and upon hearing the favourable opinion of the Board of Statutory Auditors, resolved on the appointment.

   Francesco Barreca accepted the office appointed to him and proved to meet the legal requirements for said office.

Following the end of the fiscal year and to the reporting date, it is noted that the Board of Statutory Auditors had to express its opinion on the following events or circumstances, as required by the current legislation:

b. On **26 January 2022**, the Board, pursuant to Art. 20.1 of the By-laws, approved the resolution of the Board of Directors and co-opted Carlo Micchi in substitution of the outgoing member Marco Riccardo Belloni.

c. On **2 April 2022**, the Board of Directors, acknowledging the resignation of the Financial Reporting Officer, Francesco Barreca, and upon hearing the opinions of the Appointments and Remuneration Committee and of the Board of Statutory Auditors, appointed Carlo Micchi, who already acted as non-executive director.

It is also noted that the Board of Statutory Auditors is called to express its observations on the Report of Financial Position of the Company, that the Board of Directors of Giglio Group S.p.A. will have to prepare pursuant to Art. 2446 of the Italian Civil Code, to be submitted to the Shareholders' Meeting so as to take the appropriate relevant measures.

VIII. FREQUENCY AND NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS, OF INTRA-BOARD COMMITTEES AND OF THE BOARD OF STATUTORY AUDITORS

On 21 June 2021, the mandate of the Board of Statutory Auditors appointed by the Shareholders' Meeting on 11 May 2018 for 2018-2020 (and, as such, until the approval of the Financial Statements as of 31 December 2020) expired. The Board in charge until the ordinary Shareholders' Meeting of 21 June 2021 was thus composed:

Name and Surname	**Office**	**Term: From**
Cristian Tundo	Chairman	11 May 2018
Monica Mannino	Statutory Auditor	11 May 2018
Marco Andrea Centore	Statutory Auditor	11 May 2018
Cristina Quarleri	Alternate Auditor	11 May 2018
Stefano Mattioli	Alternate Auditor	11 May 2018

On the occasion of the Shareholders' Meeting of 21 June 2021, a single slate was presented by shareholder Meridiana Holding S.r.l. [the majority shareholder of the company with 56.6% of its share capital (no. 11,740,912 shares)].

As announced to the market on the same date, Meridiana Holding S.r.l. announced the waiver of two candidates for the office of statutory and auditor and alternate auditor. On 21 June 2021, the Shareholders' Meeting thus appointed two statutory auditors, Giorgio Mosci and Marco Andrea Centore, and one alternate auditor, Gianluca Fantini (later appointed as statutory auditor following the aforementioned waivers). The Company committed to promptly call a new Shareholders' Meeting for the purpose of integrating the Board of Statutory Auditors, in compliance with the gender equality principles set forth in Art. 148, par. 1-bis of the Legislative Decree no. 58/1998.

The Ordinary Shareholders' Meeting of 21 September 2021 - upon the candidacy proposed by shareholder Meridiana Holding S.r.l. (55.68% of Giglio Group's share capital)- thus appointed Lucia Tacchino as statutory auditor and Chiara Cosatti as alternate auditor.

As at the date of this Report, the Board of Statutory Auditors is composed as follows:

Name and Surname	**Office**	**Term: From**
Giorgio Mosci	Chairman	21 June 2021
Marco Andrea Centore	Statutory Auditor	21 June 2021
Lucia Tacchino	Statutory Auditor	21 September 2021
Gianluca Fantini	Alternate Auditor	21 June 2021
Chiara Cosatti	Alternate Auditor	21 September 2021

In general, for the purpose of acquiring instrumental information for the performance of its supervisory tasks, the Board of Statutory Auditors, during the fiscal year 2020, held 18 meetings, of which:

- 9 meetings of the Board of Statutory Auditors, until 21 June 2021;
- 4 meetings from 22 June to 21 September 2021;
- 5 meetings until 31 December 2021.

The activities carried out in these meetings can be found in the relevant minutes, which include also all meetings with insiders, managers and auditing companies. Moreover, the Board of Statutory Auditors, as in charge over time, participated in the Shareholders' Meetings held on 21 January, 21 September and 9 November, as well as in all 22 meetings of the Company's Board of Directors, in the 21 meetings of the Internal Control, Risk and Related Parties Committee and in the 7 meetings of the Appointments and Remuneration Committee.

In 2022, the Board of Statutory Auditors met 7 times and participated in all the meetings of the Company's bodies and intra-board committees held until the date of this Report. More specifically, the Board of Statutory Auditors participated to: 9 meetings of the Board of Directors, 7 meetings of the Internal Control, Risk and Related Parties Committee and 2 meetings of the Appointments and Remuneration Committee.

IX. SUPERVISION ON COMPLIANCE WITH LAW, BY-LAWS AND PRINCIPLES OF SOUND ADMINISTRATION

The Board of Statutory Auditors supervised on the compliance with law, by-laws and principles of sound administration, making sure, for the part under its responsibility, that resolved and implemented operations were compliant with the aforementioned rules and principles, as well as inspired by the principles of economic rationality and were not manifestly imprudent or risky, in potential conflict of interest or in contrast with the resolutions adopted by the Shareholders Meeting or such as to compromise the integrity of the Company's assets.

In any event, the Company is currently following its effort to align itself with the best practices requested of companies listed in the MTA, STAR segment market, in which it was admitted on March 2018.

X. SUPERVISION ON ADEQUACY OF THE COMPANY'S AND THE GROUP'S ORGANISATION STRUCTURE

The supervision on the adequacy of the Company's and Group's organisation structure was carried out through the knowledge of the administrative and organisation structure of the Company and via the data and information exchange with various managers of the Company, with the Internal Auditor and with the Auditing Company.

1. The Company's and Group's organisation structure is managed, until 11 November 2021, by the Chairman and the CEO, and is implemented via a system of internal proxies appointed to the individuals identified as responsible for various departments and business

units and entailing adequate authorities in line with the appointed responsibilities. Consequently, on 11 November 2021, the Company resolved to appoint Alessandro Giglio as CEO of the Company and, in turn, also to substitute the proxies already granted to him, granting instead -and in accordance with the By-laws and within the limits set forth in Art. 2381 of the Italian Civil Code- until the expiration of the current Board of Directors and, as such, until the approval of 2023 Financial Statements, the proxies and tasks hereby highlighted and divided into categories, including the legal representation of the Company: Chairmanship and Management, Commercial Agreements' Powers, Banking and Financial Powers, Disputes and Lawsuits Powers, HR Management Powers, GDPR Powers, Employer's Powers (Legislative Decree no. 81/2008), Other Powers.

2. On 15 December 2021, the new "operational" organisational chart was presented to the Board of Directors; in it, the different hierarchies with regard to the CEO and the Group are described. More specifically, a Management Committee was created, composed of 7 managers (i.e. CFO, CTO, LEGAL, MARKETING, TREASURY, DIGITAL STRATEGY, LOGISTICS), to whom the following business units refer to: Travel Retail, Distribution, Market Automation, E-commerce and Loyalty.

In light of the verification carried out, the organisation structure of the Company is deemed quite adequate with regard to the object, the characteristics, the size of the company and the shortcoming highlighted over time. However, the new structure implemented for the reorganisation of the corporate functions and processes briefly mentioned above has yet to become fully operational, also due to the limited amount of time available and to the great turnover of these months.

XI. <u>SUPERVISION ON ADEQUACY AND EFFICIENCY OF THE INTERNAL CONTROL SYSTEM AND ON ADEQUACY AND RELIABILITY OF THE ADMINISTRATIVE AND ACCOUNTING SYSTEM</u>

With regard to the supervision on the adequacy and efficiency of the internal control system, also pursuant to Art. 19 of Legislative Decree no. 39/2010, the Board of Statutory Auditors met periodically with the Internal Auditor (Mazars Italia S.p.A.) and other corporate functions and, through the participation of at least one of its members, with the relevant meetings of the Internal Control, Risk and Related Parties Committee and the Supervisory Body established pursuant to the organisation model set forth in Legislative Decree no. 231/2001 adopted by the Company (the "**Model 231**").

The guidelines of the Internal Control and Risk Management System were defined by the Board of Directors, with the help of the Internal Control, Risk and Related Parties Committee. The Board of Directors also assesses, at least once a year, its own adequacy and correct operation, with the support of the Internal Auditor and of the Internal Control, Risk and Related Parties Committee.

To this purpose, it is reminded that, upon listing on the MTA market, the opportunity to amend some corporate procedures had arisen, for which the Company had provided for a detailed action plan, foreseeing the update of the procedures et forth in Law 262 of 2005 and the adoption of a new management, accounting and administrative reporting system. Between the end of 2020 and January 2021, Giglio Group had completed a significant part of said plan. From the monitoring activities of 2020 and until today, it is noted, on the one hand, that the necessary improvement highlighted above have been achieved and, on the other hand, that new needs of significant actions have arisen, as explained hereinafter, also by the Internal Auditor and the Internal Control, Risks and Related-Parties Committee.

<u>Achievement of Improvement Areas</u>

To this purpose, the following are mentioned:

- With regard to the Compliance area, the follow-up activities of the recommendations and remedial actions related to the Regulation 679/2016 (GDPR) and to the conformity of the administrative/accounting processes as per Legislative Decree no. 262/05 were concluded. More specifically, the follow-up highlighted the following updates:

  With regard to <u>Regulation 679/2016</u>:

  - *The Registry for the processing of personal data of Giglio Group S.p.A. was correctly updated, if compared to the results highlighted in 2021 H1;*
  - *ECO's Registry for the processing of personal data was currently updated, both as far as the Registry of the Responsible for the processing of personal data and the Registry of the Data Controller are concerned;*
  - *IBOX SA's Registry for the processing of personal data was currently updated, both as far as the Registry of the Responsible for the processing of personal data and the*

Registry of the Data Controller are concerned;

- *The privacy organisational chart related to the Parent Company Giglio Group S.p.A. and its subsidiaries was defined;*
- *The "Privacy Committee" was established, with the task to manage all privacy fulfilments and to resolve any potential data breach; the committee is composed of the responsible of the legal department, the system administrator, the responsible of the e-commerce division, the responsible of the General Services' function and the DPO;*
- *The "Personal data security breach log" registry was created for the Parent Company and its subsidiaries;*
- *The assessment of eventual insurance policies in order to face any "cyber risk" was assessed for subsidiaries IBOX SA and E-Commerce Outsourcing S.r.l..*

With regard to the administrative/accounting processes as per Legislative Decree no. 262/05, the adequacy of the compensating controls carried out by each function were assessed, focusing on the Parent Company and on subsidiaries IBOX SA and ECO".

Main areas of further intervention

Albeit recording the aforementioned improvements, there still are significant areas of further intervention, some of which came to the fore following the auditing requested by the Board of Statutory Auditors.

To this purpose, the following are mentioned:

- Treasury function, upon the Board of Statutory Auditors' initiative, the internal auditor has carried out some assessment, which resulted in the discovery of some factors of significant impact on the Internal Control and Risk Management System. Following the assessment, the Internal Control, Risks and Related-Parties Committee suggested some remedial actions, in part already initiated by the Company and in part still under execution, such as;
  - *To define a frequency for the reconciliation of bank accounts;*
  - *To use a schedule for all payments, limiting their discretion only to exceptional cases related to business needs;*
  - *To insert a systemic block in order to prevent the risk of double payment of invoices already paid-up upon receiving the pro forma invoice.*

- 679/2016 Regulation, completion of the implementation of the procedures set forth in the GDPR Privacy policy and, more specifically;

  - *Insert a Digital Strategist within the Privacy Committee in order to ensure privacy-related adjustments (e.g. in case of regulatory updates and/or new projects of the Group);*
  - *Carry out a vulnerability assessment and a penetration test for the Parent Company on the systems containing and processing personal data as emerged during the audits of 2020);*
  - *Finalise the formalisation of the Disaster Recovery and Business Continuity procedures which, as of today, are substantiated by consolidated practices (as emerged during the audits of 2020);*
  - *Finish the map of the company devices of the Group and their encryption (as emerged during the audits of 2020).*
- Accounting/administrative procedures pursuant to Law 262/2005, specific actions aimed at a better training of the functions involved and a better formalisation of the controls carried out are necessary and, more specifically:

  - *The adjustment of the administrative/accounting and management reporting systems and their procedures to the new application platform;*
  - *The update of the operating procedures set forth in Law 262/05.*

Meanwhile, and with specific reference to the data reported in the annual financial statement and in the interim reports, for foreign subsidiaries, the Company has put in place compensatory control procedures in order to assess the results of the aforementioned documents.

AS mentioned above, the Company has adopted the Model 231, which, together with Giglio Group's Code of Ethics, is aimed at preventing relevant offences in accordance with the Decree and, consequently, the Company's administrative liability.

The Supervisory Body supervised on the operation and compliance of the Model 231 - of which it assessed the suitability pursuant to Legislative Decree no. 231/2001 - monitoring the evolution of the relevant regulation, the implementation of personnel training initiatives, as well as the compliance with the Protocols by their recipients, also through verifications carried out with the support of the Internal Auditor. The model has been updated with the resolution of the Board on 7 October 2020. From the Reports of the first and second half-year, the following assessments are acknowledged:

- Update of Model 231, with new offences introduced by the regulation (Financial Interests Protection Directive), and consequent risk assessment related to tax offences, as well as risk assessment and forecast of a specific special part dedicated to smuggling offences;
- Assessments on accesses, inspections and assessments from Public Authorities;
- Assessments on licensing requests and authorisations;
- Assessments on the relationships and fulfilments with and toward guarantors and supervisory authorities;
- Assessments on the process of marketing of goods;
- Assessments on legal disputes;
- Assessments on the process of waste management;
- Assessments on the process of preparation and approval of 2020 Financial Statements;
- Assessments by the Internal Auditor;
- Assessments on the introduction of clause 231 in agreements and/or purchase orders;
- Assessments of the dispatch of disclosure 231 to suppliers and its acceptance;
- Management of third-parties relations;
- Management of press releases;
- Approval Process of Financial Statements.
- Management of IT systems and IT security;
- Management of accounting and tax fulfilments;
- Information Flows' system;
- Reporting on the writ of summons addressed to the Board of Directors and its controlled companies (including GIglio Group S.p.A), for the alleged abuse of money performed by Meridiana Holding S.r.l. for a share capital increase;
- Training;

- Adoption of procedures;
- Whistleblowing.

Moreover, the Supervisory Body highlighted the following needs:

- To proceed with the assessment of the integrity of the Board's members for the preventive protection against money-laundering and corruption offences amongst privates, through the acquisition of a certificate issued by the Chamber of Commerce and the online verification of any information related to the client companies, the legal representatives and the shareholders with regard to any involvement in court proceedings.
- To ensure the compliance with the principles of segregation of duties and responsibilities via the introduction of an authorisation level by a third party who may ensure an independent and conflict-of-interest-free analysis and who does not occupy a subordinate position to the CEO, given that the procedure does not provide for such control protocol. Moreover, it is noted that, upon the identification of said third party, the procedure must be updated;
- To implement the information flows' system as per model provided for by the new Legal Affairs Officer, hopefully by 2022.

The Supervisory Body monitored the ongoing adoption and implementation of procedures; on this point, the Board recommends to proceed in this direction so as to formalise those internal procedures that may better govern those processes still managed by practices.

Moreover, with the Board of Directors' resolution of 10 September 2018, the Company established the role of Data Protection Officer (DPO), starting from that date an adjustment procedure to European Regulation 2016/679. To this purpose, it is noted that the Data Protection Office (DPO), in the last report, ratified the existence of the minimum measures laid down, as well as the resolution of some criticalities, while, as of today, some fulfilments that the DPO recommended to follow as soon as possible are still under Giglio Group's responsibility. More specifically, in the IT context, the DPO recommends to carry out a vulnerability assessment and a penetration test on those systems where personal data are kept or processed, other than a formalisation of the existing disaster recovery and business continuity procedures.

The DPO also recommends to finalise the mapping of all corporate devices at Group level, as well as the encryption of the same devices. The DPO disclosed that, throughout 2021, the GDPR and data protection training activities were not carried out due to the unavailability of the resources involved and, as such, the courses of 2021 shall be rescheduled along the ones planned for 2022.

With regard to the subsidiary E-Commerce Outsourcing S.r.l., the DPO recommends to update the notice of variation of DPO's contact details according to the online procedure of the Italian Data Protection Authority, by digitally signing it via the Company's legal representative.

As far internal dealing is concerned, without prejudice to the obligations related to the market abuse regulation, the Company regulated the obligation of refraining from executing transaction on financial instruments issued by the same and listed on regulated markets, pursuant to EU Regulation no. 596/2014 regarding market abuses, as amended by Regulation (EU) 2019/2115 of the European Parliament and of the Council of the European Union of 27 November 2019, applying the obligation to abstain in the thirty days previous to the approval of periodic financial reports (in particular, the draft Financial Statements, the Half-yearly Report and the Interim Reports).

With regard to 2021, the Board of Directors, on 11 February 2021, approved the updated internal dealing procedure, upon favourable opinion of the Internal Control, Risk and Related-Parties Committee, pursuant to the regulations established by Regulation (EU) 2019/2115 of the European Parliament and of the Council of the European Union of 27 November 2019, and shall be in force starting from 20 February 2021.

In light of the above, the Board of Statutory Auditors believes that there are no elements that suggest that the Internal Control and Risk Management System is not sufficiently adequate, highlighting, nevertheless, the need to complete, as soon as possible, those remedies that would remove the aforementioned shortcomings. More specifically, it is fundamental to implement, also in light of the new corporate structure -as recently and completely renewed-, the setup and actual functioning of internal information flows, also in order to ensure the actual adequacy of the Company's organisational structure.

With regard to the supervision on the adequacy and reliability of the administrative/accounting system in correctly representing the managing facts, the Board of Statutory Auditors confirms to have carried it out by examining corporate documents and analysing the results provided by the Auditing Company. The Financial Reporting Officer was jointly vested with the functions established by law and adequate powers and means to perform the tasks of his competence. Moreover, the CEO, through the Financial Reporting Officer, shall enforce the "Accounting Control Model pursuant to Law no. 262/2005", aimed at defining the guidelines to be applied to Giglio Group with regards to the obligations arising from Art. 154-bis of the CFA concerning the creation of corporate accounting documents and consequent certification requirements. To this purpose, it is noted that, at the beginning of 2021, the company completed the formalisation of the administrative/accounting procedures set forth in Legislative Decree no. 262/2005, while the same procedures must now be implemented on the strategic subsidiaries.

With regard to the administrative/accounting activities, it is reminded that, with specific reference to the figures of the Financial Statements and the Interim Reports,, the Company has put in place compensative control procedures on the subsidiaries of Giglio Group, as a result of which no relevant financial or economic impacts arose on the figures exposed in the Financial Statements as of 2021. Moreover, the need for a better formalisation of the controls carried out was mentioned by many parties.

The Board of Statutory Auditors monitored, for the part under its responsibility, the procedures related to the impairment process of the Consolidated and Annual Financial Statements. These procedures were elaborated by relying on the support of a highly-qualified independent expert, and were formalised in conformity with the accounting principle IAS 36, with resolution adopted by the Board of Directors on 11 February 2021.

The recoverability analysis for assets and goodwill values was carried out with the support of the same independent expert who elaborated the procedure and, then, was definitely approved by the Board of Directors on 16 March 2022. For a more complete description of the methods and assumptions applied, see the note to the consolidated and annual financial statements.

The Impairment procedure was assessed by the Board of Statutory Auditors and consequently approved by the Board of Directors.

The Board of Statutory Auditors monitored the financial reporting process, also through the acquisition of information form the Company's management.

XII. SUPERVISION ON ADEQUACY OF INSTRUCTIONS IMPARTED BY THE COMPANY TO ITS SUBSIDIARIES

The Board of Statutory Auditors supervised on the adequacy of the instructions imparted by the Company to its subsidiaries pursuant to Art. 114, par. 2 of the CFA, ascertaining, on the bass of the information provided by the Company, the suitability to provide necessary information to comply with communication obligations provided by the Law, taking into account also the structure of the Group and the governance models of the subsidiaries.

XIII. MONITORING OF PROCESSES ADOPTED TO ENSURE THE CONCRETE IMPLEMENTATION OF THE CORPORATE GOVERNANCE RULES SET FORTH IN THE CORPORATE GOVERNANCE CODE

With regard to the monitoring of processes adopted to ensure the concrete implementation of the corporate governance rules set forth in the applicable Corporate Governance Code, as already applicable, the Board of Statutory Auditors carried out this activity with the support of the Legal and Corporate Affairs Office of the Company.

The Board of Directors of the Company:

- Was composed of 5 members, of which 2 independent, in accordance with the gender-equality regulations (of the 5 members, 3 were men and 2 were women); Despite the substitution of an independent directors, which took place upon the Shareholders' Meeting for the renewal of corporate offices of 21 June 2021, the number and gender of the Board's members remained unchanged.

With regard to the Board of Directors, it is noted that the same carried out an assessment of its size, composition and functioning, as well as that of its Committees.

Lastly, as far as the procedure adopted by the Board of Directors to ensure the independence of its directors is concerned, the Board of Statutory Auditors carried out all assessments within its jurisdiction, ascertaining the correct application of the criteria and procedures for the certification of independence requirements, pursuant to the Law and the Corporate Governance Code and the compliance with the composition requirements of the administrative body as a whole. To this purpose, it is noted that the Board of Directors made use of the support of an external advisor (Mazars Italia S.p.A.).

Ultimately, the Board of Statutory Auditors informs to have verified the existence, on behalf of the members of the Board itself, of the independence requirements required by current regulations, giving notice to the Company's Board of Directors.

In compliance with the norm of conduct Q.1.1 issued by the Italian Board of Professional Accountants and Auditors for listed companies, the Board of Statutory Auditors carried out its own assessment, relying on the support of an external advisor in order to assess the existence and permanence of the suitability requirements of its members and the correctness and efficacy of its operation. The result of the assessment was positive. The self-assessment report of the Board of Statutory Auditors has been submitted to the Board of Directors of 30 March 2021.

Moreover, the Board of Statutory Auditors has adopted the recommendation of the new Corporate Governance Code which requires to declare own interests or those of third parties in specific transaction submitted to the Board of Directors. During 2021, no situation arose for which the members of the Board of Statutory Auditors had to declare own interests or those of third parties.

As far as the establishment of intra-board committees is concerned, it is noted that, within Giglio Group's Board of Directors, the following Committees are established:

- Internal Control, Risk and Related Parties Committee, with consulting and proposing functions, reporting to the Board of Directors at least once every six months on the activities carried out and on the adequacy and effectiveness of the internal control and risk management system, which is also the recipient of the role and functions that the TRP Consob Regulation ascribes to the Committee composed of mostly independent directors; this committee is composed of 2 non-executive directors, both independent, and met 21 times in 2021 and 7 times in 2022;

- Appointments and Remuneration Committee, composed of non-executive and independent directors, which met 7 times in 2021 and 2 times in 2022.

For more information on the Company's Corporate Governance, the Board of Statutory Auditors makes reference to the Corporate Governance Report, on which the Board has no observations to make.

XIV. EXAM OF REMUNERATION REPORT AND VERIFICATION OF CONFOMRITY WITH LEGAL AND STATUTORY REQUIREMENTS

As of the reporting date, the Board of Directors has not approved yet the Remuneration Report, and so the Board of Statutory Auditors reserves its right to assess it as soon as it will be made available and to refer to the Shareholders' Meeting with regard to its conformity with the legislative and regulatory provisions, as well as with the clarity and completeness of its information.

XV. MONITORING OF COMPLIANCE WITH LAWS REGARDING THE CREATION OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP, THE RESPECTIVE EXPLANATORY NOTES AND THE DIRECTORS' REPORT

Ultimately, the Board of Statutory Auditors carried out its own verification on the compliance of the creation of the annual and consolidated financial statements of the Group at 31 December 2021, of the respective explanatory notes and of the accompanying Directors' Report with the Law, directly and with the support of heads of functions, as well as through the information obtained by the Accounting Company. More specifically, the Board of Statutory Auditors, based on the controls exercised and on the information provided by the Company, within the limits of its competence pursuant to Art. 149 of the CFA, acknowledges that the annual and consolidated financial statements of Giglio Group at 31 December 2021 have been drafted in compliance with the provisions of Law regulating their creation and setting, as well as with the International Financial Reporting Standards issued by the International Accounting Standards Board according to the text published by the Official Journal of the European Communities.

The annual and consolidated financial statements are integrated by the required statements of compliance undersigned by the CEO and the Financial Reporting Officer.

XVI. <u>INDICATION OF ANY OBSERVATION AND PROPOSAL TO BE SUBMITTED OT THE SHAREHOLDERS' MEETING PURSUANT TO ART. 153 OF LEGISLATIVE DECREE NO. 58/1998</u>

In light of the above, as overview to the supervisory activity carried out over the course of the fiscal year, and taking into account the emphasis made by the Auditing Company on the note concerning the Going Concern (par. 40 in the Financial Statements and par. 40 of the Consolidated Financial Statements as of 31 December 2021), as mentioned in the par. 4 of this Report, the Board of Statutory Auditors did not find any specific criticality, omission or inappropriate conduct or irregularity, and has no observations nor proposals to submit to the Shareholders' Meeting pursuant to Art. 153 of the Legislative Decree no. 58/1998, within the limits of its jurisdiction, finding no impediment to the approval of the resolution proposals formulated by the Board of Directors to the Meeting.

* * *

Pursuant to Art. 144-quinquiesdecies of the Issuers Regulation, approved by Consob with resolution no. 11971/99 as amended and integrated, the list of tasks of the members of the Board of Supervisory Auditors in the Company referred to in Book V, Title V, Chapters V, VI and VII of the Civil Code is published, on the above assumptions, by Consob on its own Website (www.consob.it).

Milan, 08 April 2022

The Board of Statutory Auditors

Giorgio Mosci Chairman

Lucia Tacchino Standing Auditor

Marco Andrea Centore Statutory Auditor

Giglio Group S.p.A.

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

Financial statements at December 31, 2021

As disclosed by the Directors on page 55, the accompanying financial statements of Giglio Group S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative

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Viale Abruzzi, 94
20131 Milano

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

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

Report on the financial statements

Opinion

We have audited the financial statements of Giglio Group S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2021, the income statement, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended; and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements give a true and fair view of the financial position of the Company as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree N0. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Going Concern

We draw attention to note "40. Valuation of going concern" to the financial statements for the year ended 31 December 2021. The financial statements of Giglio Group S.p.A. highlights a loss of Euro 3.123 thousand and a net equity equal to Euro 235 thousand. It is relevant to highlight that the net equity of Giglio Group S.p.A. has suffered a significant reduction in relation to the losses made during the year, this has generated the reduction of the same below the thresholds provided for by art.2446 of the Civil Code. On March 28 2022 the Board of Directors of the Parent Company approved the Plan 2022-2026.

The directors prepared the financial statements on a going concern assumption, although uncertainties existed concerning the achievement of economic and financial targets set by the Plan 2022-2026; that if not entirely achieved, also in terms of individual objectives or actions, would lead to an overall decrease of the results expected from the Plan.

The directors, despite the uncertainties described in the note 40, "Despite the aforementioned 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". This assessment is also linked to the resolution of 15 December 20211, to grant to the Chairman of the Board of Directors all the powers necessary to proceed with the resolution of a simplified capital increase and the delegation of powers to increase capital in a wider procedure; whereas currently a proxy for increases in kind is still open until 12 November 2025 to increase the share capital for a maximum amount of € 366 thousand in addition to the premium.

Our opinion is not modified in respect of this matter.

Key audit matters

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

Key audit matter	Audit response
Evaluation of Going Concern assumption PARAGRAPH "NOTE 14 OUTLOOK" OF THE DIRECTORS' REPORT, AND NOTE 40. "VALUATION OF GOING CONCERN" OF THE EXPLANATORY NOTE. During the year ended December 31, 2021, Giglio Group S.p.A. recorded a loss of euro 3,123 thousand, as a result of which Equity, at the same date, was reduced to euro 235 thousand; while net financial debt amounts to euro 17,803 thousand. The financial statements of the Parent Company Giglio Group S.p.A. shows a net equity of euro 235 thousand, occurring the case provided for by art.2446 of the Italian Civil Code. The directors prepared the financial statements on a going concern assumption, on the basis of the 2022-2026 Business Plan approved by the Company's Board of Directors on 28 March 2022; this document describes the main assumptions used by management when preparing this Business Plan, as well as the means and the timing deemed necessary to meet the objectives. In consideration of the importance of this document for the preparation of the financial statements of the Company with regards to the valuations performed by management and their possible impact on future financial years, the valuation of the going concern assumption represents for us a key audit matter.	Our main audit procedures in response to this key audit matter, included, among others: ▪ Understanding of the elements and uncertainties assumed in the going concern assumption by management; ▪ Discussion with management on the elements that led to the loss of Giglio Group S.p.A. during the period 2021; ▪ Understanding and discussion with management on the variances between the Plan 2021-2025 prepared during the previous year and the Plan 2022-2026 adopted to support the going concern assumption in the preparation of the financial statements 2021; ▪ Analysis of the reasonableness of the assumptions used by management on the valuations reflected in the Plan, also by specific discussions and critical insights; ▪ Assessment of the ability of the company, as well as the Group as a whole, to comply with their financial obligations for a period of at least 12 months subsequent to the approval of the financial statements; ▪ Discussion with management obtaining and examining the documentation of commitment to financial support provided by the parent company; ▪ We obtained formal representations from the directors of the Group regarding the existence of the going concern assumption; ▪ We assessed the adequacy of the disclosures included in the explanatory notes and the directors' report.

Valuation of goodwill

NOTE 2 “IMPAIRMENT” and

NOTE 3 “INTANGIBLES”.

The intangibles include goodwill for a total amount of euro 3.249 thousand (that includes euro 2.477 thousand regarding the acquisition of Giglio Fashion, and euro 772 thousand regarding the merger of IBOX S.r.l.).

The recoverable amount of these intangible assets is determined based on the value in use. In particular, the value in use of the CGU is calculated by discounting the expected cash flows of the activities of the B2C (Business to Consumer) and B2B Business to Business sub-group (TIER 2). These calculations were the subject of sensitivity and stress tests.

The value in use of the CGU to which these assets are allocated is compared with their financial statements’ value.

The recoverability of goodwill has been a key audit matter in the audit of the consolidated financial statements, due to their relative amount and the degree of subjectivity inherent in the determination of the variables used for the estimation of the value in use.

We have understood and evaluated the internal control system implemented by the Company against the key aspect identified.

Also, with the support of BDO experts, we have:

- Assessed the reasonableness of the main assumptions and hypothesis underlying the directors' forecasts (Plan 2022-2026);
- analysed the impairment procedure used by the directors also with the support of the management’ independent expert involved;
- analysed the variances between the estimates made in previous years and the final data, testing for their reliability and consistency with market trends;
- analysed the impairment tests prepared by the Company with regard to the investments and found their compliance to the applicable accounting standards;
- examined the key assumption underlying the impairment model, specifically those related to the forecasted cash flows, growth rates and discount rates, as well as the terminal value valorisation, also by performing a benchmarking analysis;
- performed, with the help of our experts in evaluation techniques, an independent calculation accompanied by sensitivity analysis in relation to key assumptions; this in order to determine an independent assessment of the recoverability of the goodwill;
- tested the model used for clerical accuracy.

We assessed the adequacy of the disclosures included in the explanatory notes to the financial statements.

Key audit matter	Audit response
Valuation of investments *NOTE 3 "INVESTMENTS IN subsidiaries" AND* *NOTE 27 "valuation of financial assets"*	
The investments are recorded in financial statements for a total amount of euro 10.876 thousand and refer to subsidiaries. Among the subsidiaries, IBOX SA, ECommerce Outsourcing S.r.l. and Salotto di Brera S.r.l. have significant differentials between the carrying amount in the company financial statements and the equity share. Directors test investments at least annually for the existence of impairment indicators and if one or more of these indicators exist, test for impairment the investments. During the period closed at December 31, 2021 the company adjusted the total amount of investments for an impairment loss of Euro 250 thousand referred to the investment in IBOX S.A.. The valuation of investments represented a key audit matter in the audit of the annual financial statements, due to its relative amount, the complexity of the processes involved and the level of judgement required for the determination of the assumptions used in the estimate of the recoverable amount.	We have identified and understood the relevant controls implemented by the Company on the valuation process of investments and how its prepared the recoverable amount of this item. ▪ We have examined the variations occurred during the period, for the more significant components. ▪ We tested for compliance with the applicable accounting standards the classification and the accounting treatment. ▪ We obtained and examined the draft financial statements for the period ended December 31, 2021 of all investment entities, for whom we have performed directly either an audit, or a limited review, depending on their significance. ▪ For the investment in Salotto di Brera S.r.l., for which another auditor was engaged for the audit, we obtained the opinion on the financial statements for the period ended December 31, 2021. ▪ We compared the value of investments with the percentage of equity owned by the Company and assessed the need for allocation of an equity loss fund. With reference to the impairment test, with the support of BDO experts, we have: ▪ Assessed the reasonableness of the main assumptions and hypothesis underlying the directors' forecasts; ▪ analysed the variances between the estimates made in previous years and the final data, testing for their reliability and consistency with market trends; ▪ analysed the impairment tests prepared by the Company with regard to the investments and found their compliance to the applicable accounting standards; ▪ examined the key assumption underlying the impairment model, specifically those related to the forecasted cash flows, growth rates and discount rates, as well as the "terminal value" valorisation; ▪ tested the model used for clerical accuracy. We assessed the adequacy of the disclosures included in the explanatory notes to the financial statements.

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

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree N0. 38/05 and, within the terms provide by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISA Italia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also have:

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

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

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

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

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

We were engaged by the shareholders meeting of Giglio Group S.p.A. on November 9 2021 to perform the audits of the financial statements of each fiscal year starting from December 31, 2021 to December 31, 2029.

We declare that we did not provide prohibited non audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the company in conducting the audit.

We confirm that the opinion on the financial statements included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n.537/2014, submitted to those charged with governance.

Reports on other legal and regulatory requirements

Opinion on the compliance to the requirements of Delegated Regulation (EU) 2019/815

The Directors of Giglio Group S.p.A. are responsible for the application of the requirements of Delegated Regulation (EU) 2019/815 of European Commission regarding the regulatory technical standards pertaining the electronic reporting format specifications (ESEF – European Single Electronic Format) (hereinafter the "Delegated Regulation") to the financial statements, to be included in the Annual financial report.

We have performed the procedures required under audit standard (SA Italia) no. 700B in order to express an opinion on the compliance of the financial statements to the requirements of the Delegated Regulation.

In our opinion, the financial statements have been prepared in XHTML format in compliance to the requirements of Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, (e), of Legislative Decree n. 39/10 and of article 123-bis paragraph 4 of Legislative Decree n. 58/98.

The Directors of Giglio Group S.p.A. are responsible for the preparation of the directors' report and of the corporate governance report of Giglio Group S.p.A. as at December 31, 2021 including their consistency with the financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the directors'report and of specific information of the corporate governance report as provided by article 123-bis, paragraph. 4, of Legislative Decree n. 58/98, with the financial statements of Giglio Group S.p.A. as at December 31, 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the directors'report and the above mentioned specific information of the corporate governance report are consistent with the financial statements of Giglio Group S.p.A. as at December 31, 2021 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, (e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, April 8, 2022

BDO Italia S.p.A.
Signed by
Claudio Tedoldi
Partner