giglio

GROUP S.p.A.

Half-Year Financial Report
as at 30 June 2018

CONTENTS

Directors' Report

as at 30 June 2018

Company Information

Registered office

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

Legal Information

Share Capital subscribed and paid-in Euro 3,208,050,
Economic & Admin. Register No. 1028989 Tax No. 07396371002
Milan Company's Registration Office 07396371002
Website www.giglio.org

Corporate Boards

Board of Directors

Alessandro Giglio	Chairman and Chief Executive Officer
Anna Lezzi	Director
Giorgio Mosci	Independent Director
Massimo Mancini	Director and General Manager
Yue Zhao	Director
Carlo Frigato	Director
Graziella Capellini	Independent Director

Board of Statutory Auditors

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

Independent Audit Firm

EY S.p.A.

Registered office and Headquarters

Piazza Diaz 6, Milan

Operational headquarters

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

1. Introduction

Giglio Group is mainly engaged in high-end fashion product e-commerce, breaking ground in developing new ways of engaging customers. The company is not only a B2C technology platform for the fashion world, but proposes a broad range of services connecting brands on various digital and television platforms with consumers across the globe.

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

In the first half of 2018, we fully integrated the B2C e-commerce companies acquired in 2017, the Evolve Group, into the Group and shared the company's skill-sets and specific expertise. We are investing in technology, infrastructure, people and relations in order to become the trusted partner for luxury and retailer brands.

The global luxury goods market was estimated to be worth USD 307 billion in 2017 and is expected to hit USD 446 billion by 2025, according to Bain & Company—"Luxury Goods Worldwide (Fall-Winter 2017): The Millennial State of Mind"- although many luxury brands are still reticent to adopt digital technologies. We are broadening the territorial reach of our services, in particular targeting China and the United States, the most interesting markets experiencing luxury and Made in Italy growth and in which major opportunities are available in terms of satisfying product demand and supporting the digital platform distribution strategies of brands, also through leveraging on our local logistics infrastructure. We launched t-commerce in the period, an entirely innovative way to sell products using our expertise and television network through a unique format which brings together brands, marketing and immediate sales to create an engaging shopping experience. Operations have begun in Italy and global expansion is planned in support of the brands working with us.

Giglio Group sees major market opportunities and seeks to deliver results by tapping immediately into increasing online channel usage, the growing importance of the millennials and luxury consumer growth in China and the other emerging markets. Our objective for 2018 and 2019 is to globally connect consumers directly to high-end fashion suppliers, principally "Made in Italy" brands and those experiencing a degree of difficulty in accessing new market segments, establishing ourselves as a partner for innovation in the luxury segment.

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

- **The Market.** A stable market, largely insulated from economic crises and rapidly expanding in certain regions, with the possibility therefore to work with brands in terms of their medium-term vision. According to Bain, the global luxury goods market hit a record USD 307 billion in 2017 and with a CAGR of 6% between 2010 and 2017 the personal luxury goods market grew across all regions. Bain in addition states that the online segment has become a larger share of the overall market, with 27% CAGR since 2010. Giglio Group seeks to become a brand partner tapping into this major and consistent growth.
- **Stock management.** The market is highly fragmented, while inefficiency is a feature of distribution. The luxury ecosystem is dominated by family ownership and well-established relationships, with the luxury brands traditionally maintaining close control over their product, distribution, marketing and prices. The largest luxury brands access the market through building directly managed store networks and through the major physical multi stores. The result however is often a mismatch between supply and demand, with excess or obsolete stock or supply levels falling short of local demand. Emerging brands generally do not have access to the global market and their distribution is limited by their capacity to fund and produce a sufficient amount of products for each local market. They largely rely on wholesale distribution through a network of independent fashion boutiques, while it is through these boutiques that discovered talent and new designers capable of growing and breaking new brands emerge. Consequently, both major and small brand luxury fashion stock is distributed through a highly fragmented network of vendors. Giglio Group, with a commercial and logistics structure serving the main global e-commerce platforms, can optimise brand stock levels and cover also new regions in a structured way.
- **Emergence of e-commerce.** Luxury fashion has moved online. According to Bain, global online personal luxury good market share in 2017 was approx. 9%, significantly lower than the other online goods categories, such as for example tourist and banking services or electronic products. This is as a result of the prudent approach of the brands in adopting technologies and social network platforms. However, according to Bain, online sales are expected to gain an increasing foothold and reach 25% by 2025. Luxury resellers and brands

are becoming increasingly dependent on the online channels, as the drop in physical store traffic is impacting their ability to reach customers through physical stores. As consumers move online, data analysis will become increasingly key to understanding consumer tastes and preferences and to offering a shopping experience which responds much better to the customer. Giglio Group, with its ibox platform, integrates with the main global marketplaces, with television, with the logistics system and can adapt to any online market trend and utilise collated data, sharing it with the brands to put in place a better sales strategy.

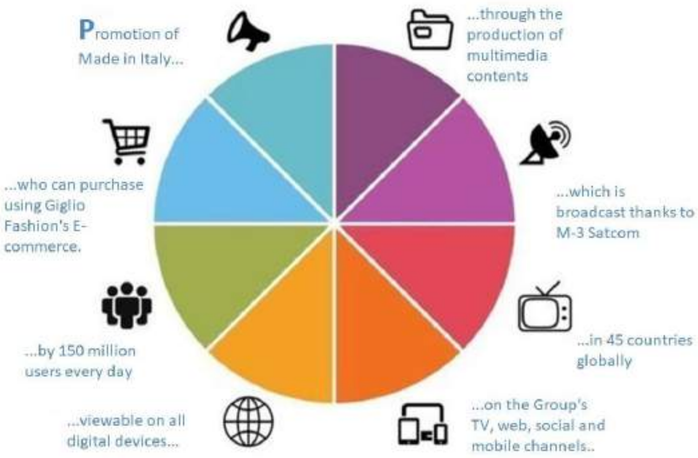
- **Transition to digital and the social channels.** The shift to digital is influencing the way in which the luxury industry and consumers interact. Inspirations and trends have moved from printed monthly fashion magazine content to the social media real-time channels of the main global fashion bloggers, influencers and celebrities. We believe that digital is already changing consumer buying habits. For luxury vendors, digital is radically changing their approach to the market and communication and engagement with the end-consumer. Giglio Group is particularly involved in this trend, involving its own marketing influencer and extensively utilising the social channels to support the digital visibility of the brands with which it works.
- **Generational demographic change.** As the new generations of global luxury consumers represent a greater share of total volumes, a radical change is taking hold in how luxury purchases are made. According to Bain, online consumers, the Millennial generation and the Z generation represented approx. 85% of luxury fashion growth in 2017 and are expected to make up 45% of luxury fashion purchases by 2025. Furthermore, all these new consumers have entirely differing and new shopping experiences in comparison to the past, expecting continuous product accessibility and quite quick delivery. Their purchasing decisions are influenced by social media, reading the experiences online of like-minded people - from the marketing of influencers rather than traditional fashion publishing.
- **Emerging markets are driving growth.** Luxury fashion demand is becoming truly global. Consumers of luxury fashion have traditionally been located in Europe, the Americas and Japan. According to Bain, Europe and the Americas overall represented nearly two-thirds of global personal luxury market sales in 2016. Over
- the coming decade, global luxury market growth is expected to be driven significantly by emerging market demand, including from China, the Middle East and Eastern Europe. Giglio

Group has a global presence, with excellent commercial coverage in Europe, including Eastern Europe (Romania, Russia, ….) and a growing presence in China and in the Americas. In China, the Giglio Group can rely on its own fashion distribution company, with logistics under its control and a network of relationships with the main marketplaces in the country. In addition, it can develop synergies with its media company, Giglio TV Hong Kong, to promote its T-commerce model alongside the Made in Italy brands.

2. Group activities

Founded in 2003 by Alessandro Giglio, Giglio Group is an e-commerce 4.0 company capable of promoting and distributing luxury "Made in Italy" commercial brands across the globe. Listed 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 90 countries when considering all the countries in which its channels are broadcast and the countries it serves through B2C e-commerce services.

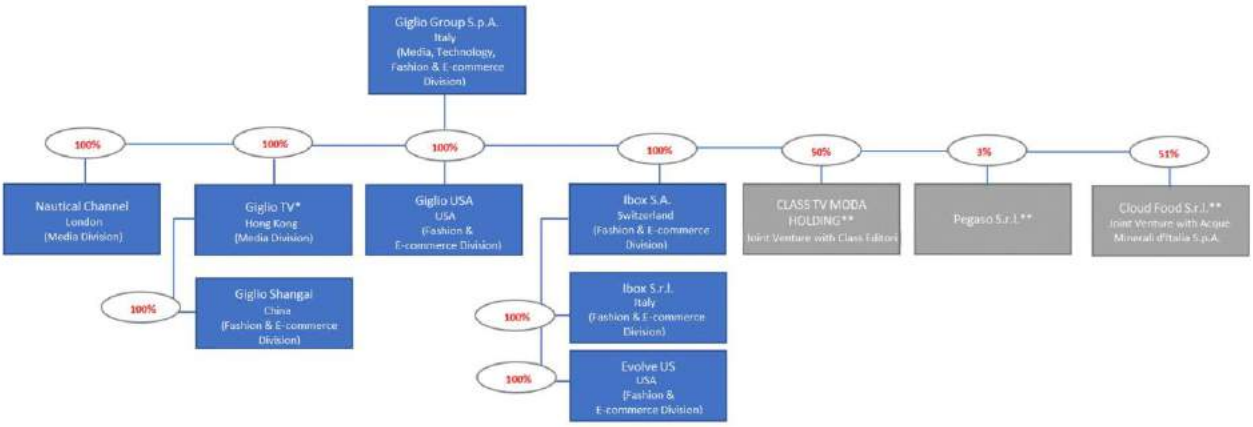
Giglio Group is developing a new generation e-commerce 4.0 channelled to the market under the ibox name by leveraging its global media network, its broadcasting and digital technology expertise and its B2B and B2C online sales experience. The business model proposed by Giglio, currently being implemented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



Integrated model

3. Corporate structure

The Group corporate structure is reported below:



Group structure at 30\06\2018

4. H1 2018 financial highlights

Alternative performance indicators

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

These alternative performance indicators exclusively concern historical data of the Group and determined in accordance with those established by the Alternative Performance Indicators Orientations issued by ESMA/2015/1415 and adopted by CONSOB with communication No. 92543 of December 3, 2015. These indicators refer to the performance for the accounting period of the present Half-Year 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 Half-Year Financial Report are as follows:

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

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

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

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

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

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

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

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

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

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

The Group in fact analysed contractual obligations, concluding that the situation to which service is tied is attributable to those who perform the role of Agent, not controlling the performance obligation and, therefore, records costs and revenues on a net basis for revenues deriving from the full outsourced management of the client's e-commerce site.

This is due mainly to the fact that compared to the previous guide, some parameters have been eliminated or modified and the new standard is based on the Performance Obligation's control concept. In particular, the new IFRS 15 subordinates the recognition of revenue according to a "Gross" exposure to the existence of "control'' on the goods or services provided by the entity prior to their transfer to the end customer, regardless of the transfer of risks and benefits referred to in the previously applicable IAS 18.

In addition, also to improve comparison and for better transparency, the following table reports the pro-forma H1 2017 consolidated figures, as previously presented in the statement filed by the company on the basis of the admission to trading on the Italian Stock Exchange provision received on March 13, 2018, concerning the consolidation of the Ibox Group (ex E-volve) from January 1, 2017 and including therefore the Group result preceding consolidation, restated by also retrospectively applying the effects from application of IFRS 15.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Euro thousands)	30.06.2018	31.12.2017
FIXED ASSETS	32,090	29,765
OPERATING WORKING CAPITAL	(3,917)	(6,073)
NET WORKING CAPITAL	2,096	1,683
NET CAPITAL EMPLOYED	34,185	31,448
SHAREHOLDERS' EQUITY	(16,639)	(16,692)

CONSOLIDATED INCOME STATEMENT (Euro thousands)	H1 2018	H1 2017 *	H1 2017 **	H1 2017 ***
Revenues	27,431	27,503	21,052	25,694
Operating Costs	20,425	22,146	15,694	19,101
ADDED VALUE	**7,006**	**5,358**	**5,358**	**6,592**
ADDED VALUE%	**26%**	**19%**	**25%**	**26%**
Personnel expense	2,170	1,160	1,160	1,756
EBITDA adjusted	**4,837**	**4,198**	**4,198**	**4,836**
EBITDA%	**18%**	**15%**	**20%**	**19%**
Non-recurring charges	892	1,281	1,281	1,281
EBITDA reported	**3,945**	**2,917**	2,917	3,555
Amortisation, depreciation and write-downs	3,275	2,494	2,494	2,548
EBIT	**670**	**423**	**423**	**1,007**
Net financial expenses	459	319	319	324
PROFIT BEFORE TAXES	**211**	**103**	**103**	**683**
Income taxes	210	(53)	(53)	(47)
NET PROFIT	**1**	**156**	**156**	**730**

* Consolidated H1 2017 reported.
** H1 2017 consolidated figures restated, applying effects from application of IFRS 15 retrospectively.
*** H1 2017 Pro-forma consolidated figures restated, applying effects from application of IFRS 15 retrospectively, in addition to the effect from the acquisition of the Evolve Group.

Earnings and financial indicators

The principal earnings and financial indicators for the periods ended June 30, 2018 and 2017 are illustrated in the table below.

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

The principal ratios at consolidated level are illustrated below:

	30.06.2018*	31.12.2017
ROE (Group net result/Group Shareholders' Equity)	(0.67%)	0.3%
ROA (Result before financial charges/Total assets)	1%	1%
ROI (EBIT / net capital employed)	27%	27%

	30.06.2018*	31.12.2017
D/E (Net financial debt/Group Shareholders' Equity)	(1.05)	(0.88)
NFP/EBITDA (Net financial debt/EBITDA)	(1.91)	(1.72)

* Calculated on 12-month rolling figures.

The ROE at June 30, 2018 was negative as impacted by the Group loss in the first half of the present year and e-commerce sector seasonality.

The ratio between the financial debt and EBITDA slightly deteriorated due to the increased exposure of net working capital in support of e-commerce operations due to normal seasonality and in particular in the second quarter.

Consolidated Statement of financial position as at June 30, 2018

The Net Capital Employed at June 30, 2018 amounts to Euro 34.2 million, principally comprised of Net Fixed Assets of Euro 32.1 million (increasing on December 31, 2017 by Euro 2.3 million) and Net Working Capital totalling Euro 2.1 million (Euro 1.6 million at December 31, 2017).

Property, plant and equipment of Euro 6.2 million (Euro 6.8 million at December 31, 2017) principally concern specific Media division plant.

Intangible assets of Euro 25.2 million, of which Euro 11.7 million concerning the goodwill relating to the acquisitions of Giglio Fashion and of Evolve (Euro 22.6 million at December 31, 2017, of which Euro 4.7 million of goodwill concerning Giglio Fashion). The overall change of Euro 2.6 million refers to the capitalisation of the publishing rights, as outlined in paragraph 8 "Investments".

Financial assets of Euro 639 thousand, of which Euro 155 thousand concerning the acquisition of the investments in Pegaso Srl, Class Tv Moda and the incorporation of Cloud Food Srl and Euro 484 thousand principally concerning guarantee deposits.

The net financial debt (determined in accordance with Consob communication No. DEM/6064293 and illustrated below) at June 30, 2018 and December 31, 2017 is as follows:

	(Euro thousands)	30.06.2018	31.12.2017	Change
A.	Cash	7,508	6,209	1,299
B.	Bank and postal deposits and cheques	-	-	-
C.	Securities held for trading	-	-	-
D.	**Cash & cash equivalents (A)+(B)+(C)**	**7,508**	**6,209**	**1,299**
E.	Current financial receivables	-	-	-
F.	Current bank payables	(8,746)	(7,564)	(1,182)
G.	Current portion of non-current debt	(5,402)	(2,239)	(3,163)
H.	Other current financial payables	(898)	(1,960)	1,062
	of which Related Parties	*(875)*	*(438)*	*(438)*
I.	**Current financial debt (F)+(G)+(H)**	**(15,047)**	**(11,763)**	**(3,284)**
J.	**Net current financial debt (I) + (E) + (D)**	**(7,538)**	**(5,554)**	**(1,984)**
K.	Non-current bank payables	(4,809)	(3,560)	(1,249)
L.	Bonds issued	(2,660)	(3,098)	438
	of which Related Parties	*(2,660)*	*(3,098)*	*438*
M.	Other non-current payables	(2,539)	(2,543)	4
N.	**Non-current financial debt (K)+(L)+(M)**	**(10,008)**	**(9,201)**	**(807)**
O.	**Net financial debt (J)+(N)**	**(17,546)**	**(14,756)**	**(2,790)**

The Group net financial debt amounts to Euro 17.5 million, and increase on December 31, 2017 (Euro 14.7 million) of Euro 2.8 million. The increase relates principally to the following factors:

decreases due to:

• Euro 1.2 million of credit lines to support Working Capital expansion due to the seasonal effect of the Fashion division in relation to 2018 Autumn/Winter season orders;

• Higher bank loans of Euro 4.4 million, due to loans granted for Euro 5.5 million, net of repayments in the period of Euro 1.1 million;

• Increase in the short-term portion of the minibond issued in 2016 for Euro 0.4 million, which increased "other current financial payables";

increases due to:

• Greater liquidity for Euro 1.3 million;

• Reduction in the payable for Earn Outs for Euro 0.5 million and of the payable for the bond loan subscribed by Banca Sella in May 2017 of Euro 1 million, repaid in May 2018, which reduced "other current financial payables";

•Reduction in the long-term portion of the minibond issued in 2016 for Euro 0.4 million.

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

<u>H1 2018 Consolidated Operating Overview</u>

H1 2018 revenues amounted to Euro 27.4 million, up approx. Euro 1.7 million (+7%) on the consolidated pro-forma figures for the same period of the previous year (Euro 25.7 million).

This increase is due to:

- The e-commerce sector for Euro 1.3 million (+8% on the H1 2017 consolidated pro-forma figures), as a result of increased sales volumes for the main brands managed;
- The media sector for Euro 0.4 million (+4% on the H1 2017 consolidated pro-forma figures), mainly due to the performances of the subsidiary Giglio TV, thanks to new advertising in Indonesia not present in H1 2017.

Operating Costs, net of non-recurring costs, amounted to Euro 20.4 million (Euro 19.1 million consolidated proforma in H1 2017), following the growth in business volumes and with the main increases concerning product acquisition costs, service costs and rent, leases and similar costs.

Personnel costs increased Euro 0.4 million on the same period of the previous year (H1 2017 consolidated pro-forma figures), principally due to expanded workforce in terms of the business development and sales functions (staff).

EBITDA adjusted for non-recurring charges of Euro 0.9 million, amounted to Euro 4.8 million (H1 2017 consolidated pro-forma result of Euro 4.8 million), in line with the consolidated pro-forma figures for the previous year, with a margin decreasing to 18% from 19% in 2017, due to the transfer from April 2018 from a more strictly television-based model focused on sales revenues and advertising spaces to the mixed model of e-commerce 4.0 (T-commerce), for which the e-commerce revenue contribution increasingly takes precedent.

Non-recurring charges concern:

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

The Group Net Result adjusted by non-recurring costs was a profit of Euro 0.9 million (Euro 2 million adjusted figure for H1 2017 pro-forma). This result was impacted by:

- increased financial charges of Euro 0.5 million (Euro 0.3 million in H1 2017 pro-forma), principally due to increased factoring service costs (beginning in May 2017) and interest on loans obtained subsequent to the first half of 2017.
- higher amortisation and depreciation due to Media sector investments subsequent to H1 2017.

5. Segment disclosure

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

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

1. Media
2. E-commerce
3. Corporate.

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

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

	H1 2018			
(Euro thousands)	**Media**	**E-commerce**	**Corporate**	**Total**
Total revenues	**9,465**	**17,967**	**0**	**27,431**
EBITDA Adjusted	**4,263**	**2,179**	**(1,605)**	**4,837**
Listing and non-recurring costs	(433)	0	(459)	(892)
EBITDA reported	**3,829**	**2,179**	**(2,064)**	**3,945**
EBIT	**654**	**2,079**	**(2,064)**	**670**
EBT	**380**	**1,930**	**(2,099)**	**211**
Net Profit for the period	**210**	**1,889**	**(2,099)**	**1**

For comparability, the H1 2017 pro-forma segment results are restated, applying retrospectively the effects from application of IFRS 15 and to include the Ibox Group (ex E-volve) in the consolidation from January 1, 2017.

	H1 2017 pro-forma			
(Euro thousands)	**Media**	**E-commerce**	**Corporate**	**Total**
Total revenues	**9,075**	**16,619**	**0**	**25,693**
EBITDA Adjusted	**4,038**	**1,595**	**(797)**	**4,836**
Listing and non-recurring costs	0	0	(1,281)	(1,281)
EBITDA reported	**4,038**	**1,595**	**(2,078)**	**3,555**
EBIT	**1,572**	**1,514**	**(2,078)**	**1,007**
EBT	**1,353**	**1,469**	**(2,140)**	**683**
Net Profit for the period	**1,427**	**1,443**	**(2,140)**	**730**

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

The media sector however contracted, essentially due to the conversion of the business from a television-model focused on advertising and television space rental to an e-commerce component driven model.

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 half-year report.

6. Business seasonality

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

7. Human resources

The Group workforce numbers 74 employees, of which 48 in Italy, 21 in Switzerland, 2 in the United Kingdom and 1 in China, in addition to collaborators in Hong Kong and the US.

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

8. Investments

Group investments in H1 2018 or investments in progress refer mainly to intangible assets and principally editing and localisation in Great Britain (Nautical Channel) and in Hong Kong (Giglio TV HK). These investments are financed through self-financing and in particular relate to:

- Giglio TV for intangible assets relating to costs for the creation of television content for the TV Giglio Channel amounting to Euro 3.7 million in China; and
- Nautical Channel amounting to Euro 1.2 million for intangible assets relating to costs for the creation of television content for the Nautical Channel which is broadcast in 46 countries and 5 continents.

9. Research and development new products

In 2018, no research and development activities were undertaken.

10. 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.

11. 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.

12. Significant events in the first half-year

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

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

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

The partnership between Giglio Group and Acque Minerali brings together the distinctive expertise and operations of the two Groups, i.e.: on the one hand, the technological, digital and T-commerce linked to television knowledge of Giglio Group, and on the other Acque Minerali d'Italia's market leadership, with a pipeline of new interesting products and an extensive domestic distribution network.

On March 21, 2018, Giglio Group presented the new Ibox 65 channel, a T -commerce channel dedicated to the home and family market (home, food, furniture, design and family) that can be viewed on the digital terrestrial channel 65 and which will be the first T-commerce channel in Italy that will make it possible to also purchase products distributed by the Giglio Group and Cloud Food on TV. On June 6, 2018, Giglio Group started airing the Ibox 68 channel (previously the Play.me channel) at number 68 of Italian Digital Terrestrial. This is the TV channel of its Ibox e-commerce platform, launching fashion T-commerce. Ibox.it is a multibrand store offering

the best of global fashion. Channel 68 is the first T-commerce channel on which on-the-spot fashion purchases can be made: viewers can purchase products directly from the TV, simply by snapping on the camera of their smartphone the QR Code appearing on the screen, or by sending a message with the code of the product they wish to purchase. The system is directly connected to the iBox.it multibrand online store and - in just a few moments - the viewer will see on their mobile device the product description and a purchase option.

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

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

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

13. Subsequent events

On September 3, 2018, the Board of Directors appointed Mr. Carlo Frigato, current company director, as the Group's new Chief Financial Officer and Investor Relator, assigning all the operating powers necessary to carry out the roles. Carlo Frigato, in his new role, will report directly to the Chief Executive Officer.

Simultaneously, the Board of Directors, following the issue of the Board of Statutory Auditors' favourable opinion, appointed Mr. Massimo Mancini, the Group's current General Manager, as the new Executive Officer for financial reporting.

In addition, at the same date, the Board of Directors, on the proposal of the Appointments and Remuneration Committee and in fulfillment of the commitments undertaken to Borsa Italiana following its listing on the STAR segment of the MTA market, approved its Remuneration Policy.

In making its decision, the Board took into account that approved with motion of October 26, 2017 concerning the parameters by which the company would establish its remuneration policy. In order to put in place a system consistent with the new organisational structure, the Board updated these parameters to the altered Group structure.

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

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

14. Outlook

The results for the first half of the year are in line with the Business Plan approved by the Board of Directors on February 1, 2018. Some of these indicators are included in the prospectus filed by the company following notification of its admission to trading on the Italian Stock Exchange, received on March 13, 2018.

The company is bringing to market the new range of products, called 4.0, and in particular plans to fully convert its digital terrestrial television channels broadcast in Italy into theme channels to support T-commerce and dedicated to the Made in Italy lifestyle, products for the home and foodstuffs. This transformation, which required significant investment in financial and staffing terms in the first half of the year, will be completed in the coming 12 months, with the results visible from 2019.

As outlined, in the e-commerce fashion area, the Group envisages greater coverage for its distribution network, especially in Far East Asia, seizing emerging sales opportunities also through agreements with important local operators in the sector. This development will support also agreements with both established and emerging brands seeking to boost their position on these markets.

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

The parent company Giglio Group S.p.A., in 2016, issued a Minibond called "GIGLIO GROUP S.P.A. – 5.4% 2016-2022" for Euro 3.5 million utilised to finance the acquisition of the company Giglio Fashion, with the conditions:

- Rate: 5.4%
- Duration: 6 years
- Pre-amortization period: 2 years

The minibond is listed on the Professional Segment (ExtraMOT PRO) of the ExtraMOT market.

It does not stipulate any interim covenants. At December 31, 2017, the financial covenants had been complied with.

On May 26, 2017, a bond loan was issued, subscribed by Banca Sella for Euro 1 million, comprising 10 bearer bonds of a nominal value of Euro 100 thousand.

The bond loan is of one-year duration, with an interest rate of 2.9% and was repaid in May 2018. In addition to the Minibond, the company has a number of loans, in relation to which reference should be made in the Explanatory Notes at paragraph 14 “Current and non-current financial payables”.

16. Principal risks and uncertainties

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

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

Non-financial risks

Among the internal risks we highlight:

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

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

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

Among the external sources we highlight:

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

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

Catastrophic events: there are no events of this nature.

IT risks: The widespread and growing use of digital identity-SPID, of digital signature and of certified electronic email addresses may increase the risk of digital identity theft as well as the fraudulent use of these identities. Any undue and/or elicit utilisation of such information could result in, among other matters, a violation, attributable to the Issuer and/or to the Group, of the data protection regulation, with possible negative effects on the activities and on the prospects of the Issuer and/or of the Group, as well as on the equity and financial situation of the Issuer and/or of the Group. During 2017 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.

However, the company issued a "Minibond" for Euro 3.5 million and a Bond Loan for Euro 1 million whose conditions were already illustrated.

Currency risk

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

Credit risk

Credit risk is the risk that a counterparty does not fulfill 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.

17. Significant shareholders and shares of the Issuer

At the date of these financial statements, the official data indicates the following significant shareholders:

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

Milan, September 10, 2018

Board of Directors

The Chairman

Dott. Alessandro Giglio

GIGLIO GROUP S.p.A.

Registered office in Milan, Piazza Diaz, 6 Milan

Share capital: Euro 3,208,050

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

Milan Companies Registration Office 07396371002

Consolidated Financial Statements as at June 30, 2018

FINANCIAL STATEMENTS

- Consolidated Statement of financial position
- Consolidated Income Statement and Consolidated Statement of Comprehensive Income
- Consolidated Statement of changes in net equity
- Consolidated Statement of Cash Flows
- Explanatory Notes

Consolidated Statement of financial position

Consolidated Statement of financial position (Euro thousands)	30.06.2018	31.12.2017
Non-current assets		
Property, plant & equipment	6,213	6,829
Intangible assets	13,519	10,926
of which Publishing rights	13,129	10,573
Other intangible assets	390	353
Goodwill	11,718	11,718
Equity investments	155	150
Receivables	484	142
Deferred tax assets	923	941
Total non-current assets	**33,012**	**30,706**
Current assets		
Inventories	5,317	6,729
Trade and other receivables	22,710	20,926
Tax receivables	9,566	9,822
Other assets	3,495	3,010
Cash and cash equivalents	7,508	6,209
Total current assets	**48,596**	**46,696**
Total Assets	**81,608**	**77,402**
Shareholders' Equity		
Share capital	3,208	3,208
Reserves	12,011	11,374
Listing charges	(541)	(541)
FTA Reserve	4	4
Retained earnings	1,963	2,609
Translation reserve	(7)	(5)
Net profit	1	43
Total Group Shareholders' Equity	**16,639**	**16,692**
Minority interest share. equity	-	-
Total Shareholders' Equity	**16,639**	**16,692**
Non-current liabilities		
Provisions for risks and charges	735	864
Deferred tax liabilities	241	282
Financial payables (non-current portion)	10,008	9,201
Total non-current liabilities	**10,984**	**10,347**
Current liabilities		
Trade and other payables	31,943	33,728
Financial payables (current portion)	15,047	11,763
Tax payables	4,020	3,581
Other liabilities	2,975	1,291
Total current liabilities	**53,985**	**50,363**
Total liabilities and Shareholders' Equity	**81,608**	**77,402**

Consolidated Income Statement

Consolidated Income Statement (Euro thousands)		H1 2018	H1 2017
Total revenues	(18)	**26,939**	**27,363**
Other revenues	(18)	493	141
Change in inventories		1,407	956
Purchase of raw materials, ancillary, consumables and goods	(19)	*(9,740)*	*(15,951)*
Service costs	(20)	*(11,893)*	*(7,646)*
Rent, lease and similar costs	(21)	*(572)*	*(375)*
Operating costs		**(22,205)**	**(23,972)**
Salaries and wages	(22)	*(1,745)*	*(909)*
Social security charges	(22)	*(368)*	*(234)*
Post-employment benefits	(22)	*(57)*	*(17)*
Personnel expense		**(2,170)**	**(1,160)**
Amortisation	(23)	*(2,466)*	*(1,615)*
Depreciation	(23)	*(789)*	*(879)*
Doubtful debt provision	(23)	*(20)*	*0*
Amortisation, depreciation & write-downs		**(3,275)**	**(2,494)**
Other operating costs	(24)	*(519)*	*(411)*
Operating profit		**670**	**423**
Financial income	(25)	*22*	*34*
Net financial expenses	(25)	*(481)*	*(353)*
Profit before taxes		**211**	**104**
Income taxes	(26)	*(210)*	*53*
Net Profit		**1**	**157**
Of which minority interest		-	-
Earnings per share – basic and diluted		**(0.0002)**	**0.0088**

Consolidated Statement of Comprehensive Income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Euro thousands)		H1 2018	H1 2017
Net Profit		**1**	**157**
Other comprehensive income items			
Other comprehensive items which may be subsequently reclassified to profit/(loss) for the year net of income taxes.			
Translation Reserve		(1)	(9)
Total other comprehensive items which may be subsequently reclassified to profit/(loss) for the year net of income taxes		**(1)**	**(9)**
Other comprehensive income items which may not be subsequently reclassified to profit/(loss) for the year net of income taxes:			
Actuarial loss on employee benefits	(12)	(2)	(17)
Total other comprehensive items which may not be subsequently reclassified to profit/(loss) for the year net of income taxes		**(2)**	**(17)**
Consolidated comprehensive income		**(3)**	**131**

Consolidated Statement of changes in net Equity

Description *(in Euro thousands)* *Note 11*	Share capital	Reserves	FTA Reserve	Translation reserve	IAS 19 Reserve	Retained earnings	Net result	Total
DECEMBER 31, 2016	**2,964**	**7,248**	**4**	**(1)**	**(39)**	**1,284**	**1,326**	**12,785**
Share capital increase Evolve transaction	244							244
Share premium reserve Evolve Transaction		3,666						3,666
Allocation of profit for the previous year						1,326	(1,326)	-
IAS 19 Reserve					(17)			(17)
Exchange rate effect				(8)				(8)
Group profit/(loss)							156	156
BALANCE AT JUNE 30, 2017	**3,208**	**10,914**	**4**	**(9)**	**(56)**	**2,609**	**156**	**16,827**

Description *(Euro thousands)* Note 11	Share capital	Reserves	FTA Reserve	Translation reserve	IAS 19 Reserve	Retained earnings	Net result	Total
DECEMBER 31, 2017	**3,208**	**10,914**	**4**	**(5)**	**(81)**	**2,609**	**43**	**16,692**
Restatement for first application IFRS 9						(51)		(51)
BALANCE AT JANUARY 1, 2018	**3,208**	**10,914**	**4**	**(5)**	**(81)**	**2,558**	**43**	**16,641**
Share capital increase	-							-
Share premium reserve		-						-
Retained earnings						43	(43)	-
IAS 19 Reserve					(2)			(2)
Exchange rate effect				(2)				(2)
Other changes	-	639				(639)		-
Group profit/(loss)							1	1
BALANCE AT JUNE 30, 2018	**3,208**	**11,553**	**4**	**(7)**	**(83)**	**1,963**	**1**	**16,639**

Consolidated Statement Cash Flows

Euro thousands	**30.06.2018**	**30.06.2017**
Cash flows from operating activities		
Net profit	1	156
Adjustments for:		
Depreciation	789	885
Amortisation	2,466	1,663
Non-cash changes of provisions	(105)	-
Net financial charges/(income)	459	319
Income taxes	210	(53)
Changes in:		
Inventories	1,412	(1,580)
Trade receivables	(1,784)	7,173
Tax receivables	256	(1,300)
Other assets	(485)	(2,780)
Deferred tax liabilities	(40)	(76)
Trade payables	(1,784)	(4,357)
Tax payables	439	(133)
Other liabilities	1,685	1,173
Change in net working capital	**(301)**	**(1,880)**
Changes in provisions	(24)	163
Cash flow generated from operating activities	**3,495**	**1,253**
Interest paid	(459)	(319)
Income taxes paid	(210)	53
Net cash flow generated from operating activities	**2,826**	**987**
Cash flows from investing activities		
Investments in property, plant & equipment	(173)	(340)
Investments in intangible assets	(5,059)	(2,883)
Acquisition Evolve Group net of liquidity acquired	-	558
Acquisition Giglio Fashion net of liquidity acquired	-	-
Other intangible assets	(324)	(448)
Increase equity investments	(5)	(150)
Change in consolidation scope		
Net cash flow absorbed by investing activities	**(5,561)**	**(3,263)**
Cash flow from financing activities		
Share capital increase	-	-
Change in Shareholders' Equity	(54)	(25)
New financing	5,500	2,700
Repayment of loans	(1,088)	-
Change in financial debt	(323)	91
Net cash flow absorbed by financing activities	**4,035**	**2,766**
Net increase/(decrease) in cash and cash equivalents	**1,300**	**490**
Cash and cash equivalents at January 1	6,209	1,817
Cash and cash equivalents at June 30	7,508	2,307

EXPLANATORY NOTES

GENERAL INFORMATION

A. General information

Publication of the condensed consolidated financial statements of Giglio Group S.p.A. (the Company) at June 30, 2018 was approved by the Board of Directors on September 10, 2018.

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

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 27.

B. Accounting standards

The condensed consolidated half-year financial statements of Giglio Group S.p.A at June 30, 2018 were prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

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

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

They were prepared in accordance with IAS 34 Interim Reporting, as established also by Article 154-ter of the Consolidated Finance Act (Legislative Decree No. 58/1998) and should be read together with the Giglio Group 2017 Annual Consolidated Financial Statements ("latest financial statements"). Although not presenting all the information required for complete financial statement disclosure, specific explanatory notes are included outlining the events and transactions central to understanding the changes to the statement of financial position and the Giglio Group's performance since the last financial statements.

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

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

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

The consolidation principles, the accounting policies and the measurement estimates and criteria adopted to prepare the condensed consolidated financial statements are in line with those used to prepare the consolidated annual financial report at December 31, 2017, except where specified below.

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

C. Basis of presentation

The condensed consolidated half-year financial statements are comprised of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Cash Flow Statement, and the Explanatory Notes.

In particular:

- in the Consolidated Statement of financial position, the current and non-current assets and liabilities are shown separately;
- in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the analysis of the costs is based on their nature;
- for the Consolidated Statement Cash Flow, the indirect method is used. The average exchange rates are used to convert the cash flows of foreign subsidiaries.

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

An asset is considered current where:

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

All other assets are classified as non-current.

A liability is considered current where:

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

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

D. Discretional valuations and significant accounting estimates

The preparation of the consolidated financial statement as at 30 June 2018 of Giglio Group S.p.A. requires estimates and assumptions on the values of the assets and liabilities in the financial statements and on the disclosures on the assets and contingent liabilities at the reporting date: consequently, the actual results may differ from such estimates.

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

The principal data subject to estimates refer to:

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

- Doubtful debt provision:

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

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

- Goodwill: the recoverability of Goodwill is tested annually and, where necessary, also during the year. The allocation of goodwill to CGUs or groups of CGUs and the calculation of the latter's recoverable value involves the assumption of estimates that depend on subjective valuations and factors that may change over time with consequent effects that are also significant with regard to the valuations carried out by the Directors. These valuations were carried out at December 31, 2017 at the level of cash generating units to which the value of goodwill is attributed and assume the higher of the fair value as the recoverable value, if this is available or calculable, and its value in use obtainable from the long-term plans approved by the Boards of Directors.

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

In reviewing its impairment indicators, the Group takes into consideration, among other factors, the ratio between its market capitalisation and its Shareholders' Equity book value. At June 30, 2018, the market capitalisation of the Group was higher than the Shareholders' Equity book value, thus indicating the absence of a potential loss in value of the tangible and intangible assets recorded in the financial statements. Consequently, the directors did not undertake an impairment test at June 30, 2018 for the values above relating to the goodwill.

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

In the case of business combinations, the process of allocating the transaction's cost involves estimates and assumptions based on Management's professional judgment and makes it necessary to identify the most suitable methodologies for the valuation of assets acquired and liabilities assumed; these particularly include the valuation of acquired rights and properties and of other identifiable intangible assets.

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. Management of capital and financial risks

Financial risk objectives and criteria

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

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

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

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

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

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

However, the company issued a “Minibond” for Euro 3.5 million and a bond loan for Euro 1 million, repaid in May, whose conditions are illustrated in the Explanatory Notes.

The financial risks to which the Giglio Group is exposed are illustrated below.

Market risk

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

Currency risk

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

Interest rate risk

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

The interest rate risk may be classified in:

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

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

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

The company utilises external financial resources in the form of bank debt at variable interest rates. Variations in market interest rates only influence the cost of loans and the return on amounts invested and, therefore, on the level of financial charges and income for the company and not their fair value.

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

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

Credit risk

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

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

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

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

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

a) Identification of the overdue receivable amounts by category;

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

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

d) analysis, as established by the new standard IFRS 9, of the “expected loss”, requiring the calculation of a trade receivable write-down, also for those not yet overdue, on the basis of any expected future losses.

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

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

__Liquidity risk__

liquidity risk is the risk that financial resources may be insufficient to meet obligations on maturity. The company manages liquidity risk by maintaining a constant balance between funding sources, deriving from operating activities, from recourse to credit institution financing, and resources employed. Cash flow, funding requirements and liquidity are constantly monitored, with the objective of ensuring efficient management of financial resources. In order to meet its obligations, in the event cash flows generated from ordinary activities are insufficient, or in the case of timing differences, the company has the possibility to undertake operations to source financial resources, through, for example, bank advances on receivables and bank lending.

At June 30, 2018 the credit lines granted and the relative utilisations were as follows:

Entity (In Euro thousands)	Credit line for invoice advances Italy	Used	Credit line for invoice advances Overseas	Used	Cash credit facilities	Used	Total credit lines	Total Used
MPS	-	-	-	-	15	-	15	-
IFITALIA Factoring - BNL	5,950	2,503	-	-		-	5,950	2,503
Banco Popolare	300	-	100	-	20	-	400	-
Banca Popolare di Milano	650	367		91		-	650	458
Banca Sella	-	-	200	60	-	-	200	60
Banca Popolare di Sondrio	150	95	-	-	-	-	150	95
FACTORIT - Banca Popolare di Sondrio	300	-	-	-	-	-	300	-
CREDIMI	1,570	1,529	-	-		-	1,570	1,529
UNICREDIT	5,000	4,989	-	-	50	-	50	-
CARIPARMA	1,500	1,500	-	-		-	1,500	1,500
BNL	-	-	-	-	20	-	20	-
BANCA INTESA HONG KONG	200	198	-	-		-	200	198
Total	15,620	11,181	300	151	105	-	11,005	6,343

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

ACCOUNTING POLICIES

Consolidation principles

The consolidated financial statements include the financial statements of Giglio Group S.p.A and its subsidiaries at June 30, 2018. In particular, a company is considered “controlled” when the Group has the power, directly or indirectly, to determine the financial and operating policies so as to obtain benefits from its activities.

The consolidated financial statements are prepared based on the financial statements of the individual companies in accordance with IFRS.

Specifically, the Group controls an investee if, and only if, the Group has:

- **A.** 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);
- **B.** the exposure or rights to variable returns deriving from involvement with the investment entity;
- **C.** 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:

- **D.** Contractual agreements with other holders of voting rights;
- **E.** Rights deriving from contractual agreements;
- **F.** Voting rights or potential voting rights of the Group.

The Group reconsiders if it has control of an investee if the facts and circumstances indicate that there have been changes in one or more of the three significant elements for the definition of control. The consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses this control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the consolidated financial statements at the date in which the Group obtains control until the date in which the Group no longer exercises control.

Changes in the holdings of subsidiaries which do not result in the loss of control are recognised under equity.

If the Group loses control of a subsidiary, it must eliminate the relative assets (including goodwill), liabilities, minority interests and other equity items, while any gain or losses are recorded in the income statement. Any holding maintained must be recorded at fair value.

The financial statements of the subsidiaries included in the consolidation scope are consolidated under the line-by-line method, which provides for the full integration of all accounts, without reference to the Group’s holding, and the elimination of intercompany transactions and unrealised gains.

The amounts resulting from transactions between consolidated companies are eliminated, in particular receivables and payables at the reporting date, costs and revenues as well as financial income and charges and other items recorded in the income statement. Gains and losses realised between consolidated companies and the related tax effects are also eliminated.

Business combinations and goodwill

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

The acquisition costs are expensed in the year and classified under administration expenses. When the group acquires a business, the financial assets acquired or liabilities assumed under the agreement are classified or designated in accordance with the contractual terms, the economic conditions and the other conditions at the acquisition date. Any potential payment to be recognised is recorded by the acquirer at fair value at the acquisition date. The change in the fair value of the potential consideration classified to assets or liabilities should be recognised to the income statement. The goodwill is initially recorded at cost represented by the excess of the total consideration paid and the amount recognised for the minority interest holdings compared to the net identifiable assets acquired and liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the total consideration paid, the Group again verifies if it has correctly identified all the assets acquired and all the liabilities assumed and reviews the procedure utilised to determine the amount to be recorded at the acquisition date. If from the new valuation the fair value of the net assets acquired is still above the consideration, the difference (gain) is recorded in the income statement. After initial recognition, goodwill is measured at cost less any loss in value. For the purpose of impairment testing, goodwill acquired in a business combination must be allocated, from the acquisition date, to each of the Group’s cash-generating units which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the entity are assigned to those units.

If the goodwill is allocated to a cash generating unit and the entity sells part of the activities of this unit, the goodwill associated with the activity sold is included in the book value of the activity when determining the gain or loss deriving from the sale. The goodwill associated with assets sold is calculated based on the relative values of the asset sold and the part maintained by the cash-generating unit.

Where the business combination was undertaken in several steps, on the acquisition of control the previous holdings are remeasured at fair value and any difference (positive or negative) recorded in the income statement.

On the acquisition of minority holdings, after obtaining control, the positive difference between acquisition cost and book value of the minority holding acquired is recorded as a reduction of the Shareholders' Equity of the parent company. On the sale of holdings which do not result in the loss of control of the entity, however, the difference between the price received and the book value of the holding sold is recorded directly as an increase of the Shareholders' Equity, without recording through the income statement.

Consolidation scope

Information on subsidiaries:

The consolidated financial statements of the Group include:

Consolidation scope

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

Companies consolidated under the line-by-line method:

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

Registered office Piazza Diaz No. 6, Milan and operational and administration offices Via dei Volsci No. 163, Rome – Share capital Euro 3,208,050.

In particular, the company operates in the electronic commerce and publishing segment and is a distributor of television and multimedia content, including through directly-owned television channels.

Since March 20, 2018, the Company has been listed on the STAR segment of the Italian Stock Exchange, with a free float of approx. 35%: the shareholder structure is available on the company's website: www.giglio.org.

GIGLIO TV HK Limited

Registered Office:

Unit 305 – 7,3/F, Laford Centre, 838

Lai Chi Kok Road, Cheung Sha Wan,

Kowloon, Hong Kong

Share capital Euro 3,000,000, held 100% by Giglio Group S.p.A.. The company manages all the Group's activities on the Chinese market.

NAUTICAL CHANNEL

Registered office: 346a Farnham Road Slough Berkshire SL2 1BT (UK)

Share capital Euro 5, held 100% by Giglio Group S.p.A.

The company manages all the Group's Nautical activities worldwide.

GIGLIO USA LLC

Registered office: One Wall Street, 6th Floor

BURLINGTON, MA 01803

REPRESENTATIVE OFFICE

111 West 19th Street (6th Floor)

10011 New York, NY USA

Share capital (Euro 18 thousand, held 100% by Giglio Group S.p.A.

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

GIGLIO (Shanghai) TECNOLOGY LIMITED COMPANY

Registered office: Shanghai International Finance Center

Century Avenue 8

Room 874, Level 8, Tower II

Shanghai, 200120

Share Capital Euro 40 thousand

IBOX SA

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

Share capital: CHF 1,882,000

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

E-Volve Service USA

Registered Office: New York

Share capital: USD 10,000

The company develops the e-commerce business model of IBOX SA.

IBOX S.r.l.

Registered Office: Via Pier Della Francesca 39, 59100 Prato (PO)

Share capital: Euro 20,000

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

Translation of financial statements in currencies other than the presentation currency

Translation of accounts in foreign currencies

The consolidated financial statements are presented in Euro, which is the Parent Company's functional currency. Each Group company decides the functional currency to be used to measure the accounts in the financial statements. The Group utilises the direct consolidation method; the gain or loss reclassified to the income statement on the sale of a foreign subsidiary represents the amount deriving from the use of this method.

Transactions and balances

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

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

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

Non-monetary items, measured at historical cost in foreign currency, are translated using the exchange rates on the date the transaction was first recorded. Non-monetary items recorded at fair value in foreign currencies are translated using the exchange rate at the date this value was determined. The gain or loss deriving from the translation of non-monetary items is treated in line with the recognition of the gain or loss recorded on the change in the fair value of these items (i.e. the translation differences on the accounts to which the fair value changes in the comprehensive income statement or in the income statement are recorded, respectively in the comprehensive income statement or in the income statement).

Group companies

At the reporting date, the assets and liabilities of the Group companies are translated into Euro at the exchange rate at that date, while revenues and costs included in the comprehensive income statement or separate income statement are translated at the exchange rate at the date of the transaction. The exchange differences from the translation are recorded in the comprehensive income statement. On the sale of a net investment in a foreign operation, the items in the comprehensive income statement relating to this foreign operation are recorded in the income statement.

The goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are recorded as assets and liabilities of the foreign operation and therefore are recorded in the functional currency of the foreign operation and translated at the exchange rate at the reporting date.

Fair value measurement

At each reporting date the Group measures at fair value the earn-out liability arising on the Giglio Fashion acquisition, present as residual debt at December 31, 2017 and which was fully settled in the first half of 2018.

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

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

► in the principal market of the asset or liability;

or

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

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

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

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

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

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

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

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

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

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

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

Accounting principles

Except for that stated above, these Condensed Consolidated Half-Year Financial Statements were prepared according to the same accounting standards used for the preparation of the Giglio Group 2017 Consolidated Annual Financial Statements.

The Group adopted IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments from January 1, 2018. The other new standards entering into force from January 1, 2018 did not have significant impacts on the Group consolidated financial statements.

The changes to the accounting standards will impact also the Group consolidated financial statements for the year ending December 31, 2018.

Accounting standards, amendments and interpretations applied from January 1, 2018

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group from January 1, 2018:

IFRS 15 Revenue from Contracts with Customers

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

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

The Giglio Group adopted IFRS 15 from January 1, 2018 with the cumulative effect approach. Therefore, the 2017 figures were not restated i.e. they were presented as per IAS 18.

The analysis carried out on the effects of IFRS 15's first application on the consolidated financial statements led to results that are substantially limited to a different representation of costs/revenues, due to the evaluation of the principal/agent role.

This different representation is related to the e-commerce sector and specifically to the B2C sector. The Group analysed contractual obligations, concluding that the situation to which service is tied is attributable to those who perform the role of Agent, not controlling the performance obligation and, therefore, records costs and revenues on a net basis for revenues deriving from the full outsourced management of the client's e-commerce site.

This is due mainly to the fact that compared to the previous guide, some parameters have been eliminated or modified and the new standard is based on the Performance Obligation's control concept. In particular, the new IFRS 15 subordinates the recognition of revenue according to a

"Gross" exposure to the existence of “control'' on the goods or services provided by the entity prior to their transfer to the end customer, regardless of the transfer of risks and benefits referred to in the previously applicable IAS 18.

The effects from application of IFRS 15 are presented below.

Consolidated Statement of financial position (Euro thousands)	30.06.2018 reported	IFRS adjustments	30.06.2018 without IFRS adjustments
Inventories	5,317	1,303	6,620
Trade and other payables	31,944	1,303	33,246

Consolidated Income Statement (Euro thousands)	H1 2018 reported	IFRS adjustments	H1 2018 without IFRS adjustments
Total revenues	26,939	24,838	51,777
Change in inventories	1,407	(1,567)	(160)
Purchase of raw materials, ancillary, consumables and goods	(9,740)	(23,271)	(33,011)

IFRS 9 – Financial instruments

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

- introduces new criteria for the classification and measurement of financial assets and liabilities (together with the measurement of the non-significant adjustments of the financial liabilities);
- The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model, utilising supporting information, available without unreasonable charges or effort, which includes historic, current and projected figures;
- introduces a new hedge accounting model (increase in the types of transactions eligible for hedge accounting, changes in the accounting method of forward contracts and options when included in a hedge accounting relationship, change in the effectiveness test).

The Giglio Group adopted IFRS 9 from January 1, 2018. The analyses performed by the Group did not result in any impacts on the new criteria for the classification and valuation of financial assets and liabilities, nor as regards the new hedge accounting model. On the other hand, as regards the application of the expected losses method to calculate losses on receivables, the directors, based on the analyses performed, determined an estimated negative impact on the initial shareholders' equity at January 1, 2018, amounting to approximately Euro 70 thousand (gross of the relative tax effect).This resulted from the new standard's application and necessitated the calculation of a write-down of trade receivables, even if not overdue, based on expected or possible future losses.

The effects from application of IFRS 9 are presented below.

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

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

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

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

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

In June 2016, the IASB published amendments to IFRS 2 "Classification and measurement of share-based payment transactions" which contains clarifications upon the recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, on the classification of share-based payments with characteristics of net settlement and the recognition of the amendments to the terms and conditions of a share-based payment which changes the classification from cash-settled to equity-settled. The standard did not impact the Group consolidated financial statements.

Amendments to IAS 40 Investment Property: Transfers to Investment Properties

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

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB published the "IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration" document. The interpretation provides guidelines for transactions in foreign currencies where advances or non-monetary payments on account are recorded in the financial statements, before the recognition of the relative asset, cost or revenue. This document provides indications on how an entity should determine the date of a transaction, and consequently, the exchange rate to be utilised concerning operations in foreign currencies concerning payments made or received in advance. The standard did not impact the Group consolidated financial statements.

Improvements to IFRS: 2014-2016 Cycle

In December 2016, the IASB published the "Annual Improvements to IFRS Standards: 2014-2016 Cycle" document. The principal changes relate to:

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

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

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

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

IFRS 16 – Leases

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

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

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

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

IFRS 17 Insurance Contracts

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

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

IFRIC 23 – Uncertainty over income tax treatments

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

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

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

Improvements to IFRS: 2015-2017 Cycle

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

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

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

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

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

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

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

Employment data

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

Workforce	30.06.2018	31.12.2017	Changes
Executives	4	3	1
Managers	8	7	1
White-collar	62	58	4
Blue-collar	-	-	-
Others	-	-	-
Total	**74**	**68**	**6**

The workforce expanded in the year in support of staffing needs.

ASSETS

B) Non-current assets

1. Property, plant & equipment

Balance at 30.06.2018 6,213

Balance at 31.12.2017 6,829

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

Property, plant & equipment	Plant	Equipment	Furniture & fittings	EDP	Motor vehicles	Other	Total
Change in Historical Cost							
December 31, 2017	**17,163**	**165**	**330**	**338**	**577**	**365**	**18,939**
Increases	41	14	62	16	-	35	168
Decreases							-
June 30, 2018	**17,204**	**179**	**392**	**354**	**577**	**400**	**19,107**
Change in Depreciation							-
December 31, 2017	**(10,990)**	**(119)**	**(227)**	**(298)**	**(366)**	**(108)**	**(12,110)**
Depreciation in period	(709)	(6)	(19)	(4)	(32)	(20)	(789)
Decreases	-	-	-	-	-	5	5
June 30, 2018	**(11,699)**	**(125)**	**(246)**	**(303)**	**(398)**	**(123)**	**(12,894)**
Net Value at June 30, 2018	**5,505**	**54**	**146**	**51**	**179**	**277**	**6,213**

Increases of Euro 168 thousand are reported at June 30, 2018, mainly concerning the purchase of plant and furniture to fit out the new offices (Piazza Diaz) of the company, completed in the initial months of the year. Plant mainly consists of two teleports in San Giuliano Milanese and Rome related to the Media operations. The company at the reporting date did not identify any impairment indicators relating to the above-mentioned tangible fixed assets.

2. Intangible assets

Balance at 30.06.2018 13,519

Balance at 31.12.2017 10,926

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

Intangible assets	Publishing rights	Other intangible assets	Total
Change in Historical Cost			
December 31, 2017	**21,529**	**3,937**	**25,467**
Increases	4,936	123	5,059
Decreases	-	-	-
June 30, 2018	**26,466**	**4,060**	**30,526**
Change in Amortisation	(10,956)	(3,584)	(14,541)
Amortisation in period	(2,380)	(86)	(2,466)
Decreases	-	-	-
June 30, 2018	**(13,337)**	**(3,670)**	**(17,007)**
Net Value at June 30, 2018	**13,129**	**390**	**13,519**

In the period the Group (Nautical Channel and Giglio TV) undertook investments in distribution rights and incurred editing and localisation costs totalling Euro 5 million.

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

Other intangible fixed assets refer to trademarks and software.

In accordance with IAS 36, an assessment was made of any impairment indicators relating to intangible assets.

At June 30, 2018, no indicators nor significant differences compared to 2017-2019 plan approved by the Board of Directors on February 2, 2018 emerged and consequently an impairment test was not carried out relating to the above-mentioned intangible fixed assets.

3. Goodwill

Balance at 30.06.2018	**11,718**
Balance at 31.12.2017	**11,718**

Goodwill includes:

- Euro 7,583 thousand relating to the goodwill arising from the acquisition of the Ibox Group described above in the section “Business combinations” in 2017;
- Euro 4,084 thousand relating to the acquisition of Giglio Fashion in March 2016.
- Euro 50,000 relating to the purchase of a business unit from RCS containing a television channel (Yatch and Sail) and its library of TV programmes. The operation took place in 2003.

The Group undertakes an impairment test annually (at December 31) and when circumstances indicate the possibility of a reduction in the recoverable value of the goodwill.

The impairment test on the value of the goodwill and of the intangible assets with indefinite useful life is based on the calculation of the value in use.

The variables utilised to determine the recoverable value of the various cash generating units (CGU's) are illustrated in the consolidated financial statements at December 31, 2017.

In reviewing its impairment indicators, the Group takes into consideration, among other factors, the ratio between its market capitalisation and its Shareholders' Equity book value. At June 30, 2018, the market capitalisation of the Group was higher than the Shareholders' Equity book value, thus indicating the absence of a potential loss in value of the tangible and intangible assets recorded in the financial statements. In addition, at June 30, 2018, no indicators nor significant differences compared to 2017-2019 plan approved by the Board of Directors on February 2, 2018 emerged. Consequently, the directors did not undertake an impairment test at June 30, 2018 for the values above relating to the goodwill.

4. Investments

Balance at 30.06.2018	**155**
Balance at 31.12.2017	**150**

In April 2017, the company acquired two equity investments in the following companies:

- Pegaso Srl equal to 3% of the share capital
- Class TV Moda Holding: equal to 50% of the share capital

Both equity investments have strategic importance for the global distribution of the TV content for the Horse and Fashion segments, which are highly synergetic for the Media business of the Group.

The investment in Pegaso S.r.l. in accordance with IFRS 9 was measured at fair value, approximating the Group portion of Shareholders' Equity in the investment. The investment in Class TV Moda Holding is measured at equity, in accordance with IFRS 11 Joint Arrangements.

The account includes, in addition, the investment consequent to incorporation, together with Acque Minerali Italiane, of the company Cloud Food Srl in March 2018, which is not yet operative. This investment is measured at equity, in accordance with IFRS 11 - Joint Arrangements. At the reporting date, the company exclusively reports a share capital of Euro 10 thousand.

5. Receivables and other non-current assets

Balance at 30.06.2018 **484**

Balance at 31.12.2017 **142**

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

Receivables and non-current assets	30.06.2018	31.12.2017	Change
Guarantee deposits	143	142	1
Others	342	-	342
Total	**484**	**142**	**342**

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

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

The “Others” account includes the consideration relating to the without recourse factoring of the VAT receivable indicated in the “Significant events” section of the Directors’ Report.

6. Inventories

Balance at 30.06.2018 **5,317**

Balance at 31.12.2017 **6,729**

The inventories of the Group comprise finished products for sale.

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

At June 30, 2018, inventories were measured using the FIFO method.

We report that the inventories, within the B2B Fashion division, refer to goods which remain for a short time in stock as already allocated to final clients that have already confirmed a binding purchase order.

At June 30 no further provision was made to the obsolescence provision (Euro 120 thousand) as the risk of unsold items was considered insignificant.

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

7. Trade and other receivables

Balance at 30.06.2018 **22,710**

Balance at 31.12.2017 **20,926**

The breakdown of the account is as follows:

Trade receivables	30.06.2018	31.12.2017	Change
Trade receivables	22,469	20,985	1,484
Advances to suppliers	935	644	291
Guarantee deposits	857	737	120
Other receivables	635	668	(34)
Doubtful debt provision	(2,186)	(2,109)	(78)
Total	**22,710**	**20,926**	**1,784**

The increase in trade receivables on December 31, 2017 principally concerns the media division due to the increased volumes of the subsidiary Giglio TV, as commented upon in the report, and partly concerns a slight increase in media division debt collection times. The guarantee deposits mainly refer to the Mthree division and in particular to the rental contracts of the satellite band, with an annual duration.

The advances to suppliers of the Giglio Fashion division relate to advances on orders of the PE and AI 2019 collection.

For the subsidiary Nautical Channel, no significant changes on 31.12.2017 are reported. The largest exposure for both Giglio TV and Nautical Channel is to the Chinese advertising concessionaire.

At June 30, 2018, there were no significant changes compared to December 31, 2017.

Without recourse receivables were factored for an amount of Euro 2.5 million, of which Euro 2.3 million not yet overdue at June 30, 2018.

The geographic breakdown of gross trade receivables at June 30, 2018 and December 31, 2017 are as follows:

(in Euro thousands)	**At June 30, 2018**	**%**	**At December 31, 2017**	**%**
Europe	10,463	*55.2%*	11,286	*67.3%*
Asia	*7,583*	*40.0%*	*4,657*	*27.8%*
USA	*558*	*2.9%*	*445*	*2.7%*
Rest of the world	*350*	*1.8%*	*382*	*2.3%*
Total gross receivables	**18,954**	***100.0%***	**16,770**	***100.0%***
Doubtful debt provision	*(2,186)*		*(2,109)*	
Total	**16,768**		**14,661**	

The ageing of the gross trade receivables at June 30, 2018 and December 31, 2017 is shown below:

(in Euro thousands)	**At June 30, 2018**	**%**	**At December 31, 2017**	**%**
> 120 days	5,683	*30.0%*	4,242	*25.3%*
90<> 120 days	*349*	*1.8%*	*1,771*	*10.6%*
60<> 90 days	*823*	*4.3%*	*688*	*4.1%*
30<> 60 days	*1,537*	*8.1%*	*1,186*	*7.1%*
0<> 30 days	*3,097*	*16.3%*	*1,191*	*7.1%*
Total overdue	***11,489***	***60.6%***	***9,078***	***54.1%***
Not overdue	*7,466*	*39.4%*	*7,692*	*45.9%*
Total gross receivables	**18,954**	***100.0%***	**16,770**	***100.0%***
Doubtful debt provision	*(2,186)*		*(2,109)*	
Inc. provision on overdue 120 days	*(38.5)%*		*(49.7)%*	
Total	**16,768**		**14,661**	

The changes in the doubtful debt provision are as follows:

Doubtful debt provision	
Balance at December 31, 2017	**2,109**
Restatement for first application IFRS 9	70
Balance at January 1, 2018	**2,179**
Provisions	29
Utilisations	(22)
Balance at June 30, 2018	**2,186**

The provision for the year amounting to Euro 29 thousand predominantly refers to Giglio Group Spa, in order to adjust the nominal value of receivables to their estimated realisable value.

As already highlighted in Note F. Management of capital and financial risks on credit risk, the Group carries out a specific assessment of receivable positions. In the light of analyses performed, only trade receivables recorded in the financial statements with an aging of over 120 days present effective risks of impairment since collection terms, especially pertaining to the media segment, are characterised by more deferred collection terms but in line with market practice. The company however makes an assessment of the expected loss on all receivables of under 120 days in accordance with IFRS 9.

8. Tax receivables

Balance at 30.06.2018 **10,489**

Balance at 31.12.2017 **10,763**

The breakdown of tax receivables is shown below:

Tax receivables	30.06.2018	31.12.2017	Change
Deferred tax assets (non-current)	923	941	(19)
Total deferred tax assets	**923**	**941**	**(19)**
IRES	398	398	-
IRAP	130	130	-
Withholding taxes	11	11	-
INPS	3	3	-
INAIL	2	2	-
VAT	9,006	9,256	(249)
Others	16	23	(7)
Total current tax receivables	**9,566**	**9,822**	**(256)**
Total current tax receivables	**10,489**	**10,764**	**(275)**

The account includes deferred assets amounting to Euro 923 thousand mainly relating to deferred tax assets calculated on the tax losses of the parent company (Euro 515 thousand), to the tax effect of the IPO costs in 2015 (Euro 56 thousand) and to the tax effect of the write-down of receivables (Euro 224 thousand).

The current part of the account includes all the tax receivables for payments on account or credits matured. The VAT receivable of the Giglio Group refers to the Giglio Fashion division and is attributable the excess of purchases subject to VAT once the cap relating to the "habitual exporter" option has been reached.

The VAT receivable amounting to Euro 6,167 thousand of the Ibox Group relates to the Italian VAT and is generated from purchase operations which the company concludes through its own stable organisation in Italy which is not offset with sales operations which are undertaken abroad and therefore are not subject to VAT. The recoverability of this receivable is supported by an opinion issued by a respected tax firm and with the 2018 VAT Declaration, tax period 2017, a request for repayment was made to the Tax Agency for an amount of Euro 3.5 million. The usual inspection activities of the Tax Agency are in progress.

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

9. Other assets and other current receivables

Balance at 30.06.2018 **3,495**

Balance at 31.12.2017 **3,010**

Other assets	30.06.2018	31.12.2017	Change
Other receivables	57	56	1
Prepayments/Accrued income	3,438	2,954	484
Total	**3,495**	**3,010**	**485**

Prepayments and accrued income mainly relate to:

- the Mthree division for Euro 1,287 thousand: concerns costs related to after the end of the year on the Eutelsat contract;
- the Ibox Group for Euro 1,237 thousand: concerns the relative installations for the use of management software for the years 2019 and thereafter invoiced in advanced.

10. Cash and cash equivalents

Balance at 30.06.2018 **7,508**

Balance at 31.12.2017 **6,209**

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

Cash and cash equivalents	30.06.2018	31.12.2017	Change
Bank and postal deposits	7,500	6,204	1,296
Cash in hand and similar	8	5	3
Total	**7,508**	**6,209**	**1,299**

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

LIABILITIES

11. Shareholders' Equity

The share capital at June 30, 2018 consists of 16,040,250 ordinary shares, without express nominal value.

The movements in the first half of 2018 related to:

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

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

Balance 30.06.2018 **735**

Balance 31.12.2017 **864**

At June 30, 2018 the provision for risks and charges mainly refers to the Post-employment benefit provision which amounts to Euro 486 thousand.

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

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

(Euro thousands)	
Post-employment benefit provision at 1.1.2018	**447**
Change in consolidation scope	
Provisions 2018	57
Advances/Util.	(24)

Actuarial gains (losses)	2
Net Interest	4
Balance at June 30, 2018	**486**

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

- probability of elimination for death: ISTAT table 2016 (source ISTAT – 2017 Italian Annual Statistics);
- probability of elimination for invalidity: zero;
- probability of elimination for other reasons (dismissal, departure): equal to 3% per annum for the entire valuation period (taken from the data recorded, as well as experience relating to similar businesses);
- pension expected on the maturity of the first possibility of I.N.P.S. pension established by Article 24 of Law 214/2011;
- annual inflation rate: 0.65% for the second half 2018, 1.4% for 2019 and 1.5% for 2020 (source: *"2017 Economic and Finance Document"*); from 2021 onwards, the annual rate of 1.5% was maintained;
- annual salary increase rate: equal to inflation for all categories and for the entire valuation period;
- probability of request for first advance: 2.5% of seniority from 9 years on;
- maximum number of advances: 1;
- amount of Post-employment benefit advance: 30% of the Post-employment benefit matured.

In relation to the financial assumptions, it should be noted that the discount rate was chosen, taking into account the indications of IAS 19, with reference to the curve at 30.06.2018 of AA securities issued by corporate issuers in the Eurozone and based on the average residual duration of the Post-employment benefit at 30.06.2018; therefore, considering that the average residual duration of the liabilities was equal to 17 years, the annual nominal discount rate assumed in the valuation was 2.1% (2.1% at 31.12.2017).

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

(amount in €/000)	Rate 1.6%	Rate 2.6%
DBO	434.3	368.7

13. Deferred tax liabilities

Balance at 30.06.2018 **241**

Balance at 31.12.2017 **282**

At June 30, 2018 the balance amounted to Euro 241 thousand and mainly refers to the deferred tax effect calculated on the allocation of the higher price paid (PPA on fixed assets) deriving from the acquisition of Mthree Satcom. On the acquisition of the investment, in fact, the higher price calculated as the difference between the purchase price and the Shareholders' Equity was reallocated to an increase in the value of the assets. The new value of the fixed assets is supported by a technical experts' opinion. The reduction compared to December 31, 2017 is attributable to the change in these taxes in the period.

14. Current and non-current financial payables

Balance at 30.06.2018 **25,054**

Balance at 31.12.2017 **20,964**

The financial payables are illustrated in the table below:

Financial payables	30.06.2018	31.12.2017	Change
Current	(15,047)	(11,763)	(3,283)
Non-current	(10,008)	(9,201)	(806)
Total	**(25,054)**	**(20,964)**	**(4,090)**

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

Current financial payables	**30.06.2018**	**31.12.2017**	**Change**
Loans (current portion)	(5,402)	(2,239)	(3,163)
Total current loans	**(5,402)**	**(2,239)**	**(3,163)**
Advances on invoices/Credit Lines	(8,531)	(7,304)	(1,228)
Bank overdrafts	(11)	(10)	(1)
Earn-out (current portion)	-	(500)	500
Finance Leases	(23)	(23)	(1)
Minibond	(875)	(438)	(438)
Bond loan	-	(1,000)	1,000
Total Giglio Group	**(14,843)**	**(11,513)**	**(3,330)**
Giglio TV advance line	(200)	(200)	-
Bank overdraft IBOX Group	-	(25)	25
Bank overdrafts	(4)	(25)	22
Total	**(15,047)**	**(11,763)**	**(3,283)**

The current financial payables relate to:

- the self-liquidating credit lines as advances on invoices.
- the payable for the current portion of the 2017 earn-out was paid at the beginning of April 2018 to the previous shareholders of Giglio Fashion S.p.A. for Euro 0.5 million.
- The Banca Sella bond loan of Euro 1 million was repaid in May 2018.
- The current portion of the Minibond repaid was Euro 875 thousand. The Minibond recorded in accordance with the amortised cost criteria of Euro 3 million which was issued in 2016 by the parent company Giglio Group S.p.A. The Minibond is called "GIGLIO GROUP S.P.A. – 5.4% 2016-2022" and was utilised to finance the acquisition of the company Giglio Fashion, with the conditions:

    - Rate: 5.4%
    - Duration: 6 years
    - Grace period: 2 years

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

Non-current financial payables	30.06.2018	31.12.2017	Change
Loans	(4,809)	(3,560)	(1,249)
Total current loans	**(4,809)**	**(3,560)**	**(1,249)**
Minibond	(2,660)	(3,098)	437
Finance Leases	(59)	(71)	12
Earn-out	-	-	-
Total Giglio Group	**(7,528)**	**(6,728)**	**(799)**
Liability acquired minority share G-TV	(1,470)	(1,470)	-
Others	(6)	(3)	(3)
Total Subsidiaries	**(1,476)**	**(1,473)**	**(3)**
Others	(1,004)	(1,000)	(4)
Total Ibox SA Group	**(1,004)**	**(1,000)**	**(4)**
Total	**(10,008)**	**(9,201)**	**(807)**

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

- Long-term portion of the Minibond issued in 2016;
- the financial payable for Euro 1 million of Ibox SA to the previous shareholders (Tessilform S.p.A) of Ibox SA (formerly Evolve SA);
- the account "liabilities acquired minority interest Giglio TV" for Euro 1,470 thousand relates to the financial liability concerning the irrevocable obligation to purchase the minority holding by Giglio, at June 30, 2022.

The following table summarises the loans of the Giglio Group S.p.A. at June 30, 2018 and highlights the amounts due within and beyond one year:

SITUATION AT 30/06/2018 Gigio Group Spa
(Euro thousand)

Banca	Loan amount	subscription date	Residual at 30/06/2018	Maturity	Cap. due dal 01/07/2018 & 30/06/2019	Capital due by maturity
BANCA DI SONDRIO						
Unsecured loan n. 076/1111534	1.500,0	07/04/2009	40	31/10/2018	40	-
Mortgage loan n. 076/1124006	370,0	22/09/2013	61	31/03/2019	61	-
Unsecured loan n. 076/1086086, CNA guarantee	500,0	31/01/2012	-	31/01/2018	-	-
Unsecured loan guaranteed by MCC	1.200,0	30/09/2015	566	30/09/2020	246	320
INTESA						
Unsecured loan n. 0IC1047064869	1.000,0	28/06/2017	807	28/06/2022	197	610
MONTE PASCHI DI SIENA						
Unsecured loan n. 741677580/60 guaranteed by CDP e SACE	500,0	29/10/2014	150	31/12/2019	150	-
BANCA POP. NOVARA E VERONA						
Unsecured loan n.1065/472981 CDP guarantee	100,0	18/02/2015	-	31/03/2018	-	-
Unsecured loan n.03528422	500,0	30/01/2017	363	31/01/2022	98	265
Unsecured loan n.03709516	200,0	24/06/2017	101	30/06/2019	101	-
BANCA POP di BERGAMO						
Loan N. 004/01141252 MCC guarantee	300,0	17/06/2015	-	17/06/2018	-	-
Loan N. 004/01187014 unsecured guarantee	600,0	29/07/2016	344	29/07/2020	151	193
CREDEM						
Loan N.052/7059285 MCC guarantee	700,0	21/06/2016	353	21/06/2020	176	177
CARIGE						
Loan 36 months	500,0	02/08/2017	364	31/08/2020	166	198
BPM						
Loan N.6026098	1.500,0	16/10/2017	1.402	31/08/2020	595	807
BNL						
Loan N.6026098	1.000,0	21/02/2018	1.000	21/02/2019	1.000	-
CARIGE						
Loan N. I120C590730	1.500,0	04/06/2018	1.500,0	30/06/2020	756,5	743,5
BANCA INTESA						
Loan	3.000,0	27/06/2018	3.000,0	27/12/2019	1.504,7	1.495,3
CREDEM						
Loan n. 7020946	800,0	12/11/2015	112	12/11/2018	112	-
CREVAL						
Loan n.61482	500,0	09/04/2015	49	31/10/2018	49	-
INTESA						
Unsecured loan n. 0194073132771	100,0	28/02/2014	-	31/01/2018	-	-
Total			**10.211**		**5.402**	**4.809**

15. Trade payables

Balance at 30.06.2018 31,944

Balance at 31.12.2017 33,728

Trade payables	30.06.2018	31.12.2017	Change
Customer advances	(92)	(90)	(2)
Supply of goods and services	(30,015)	(32,007)	1,992
Credit notes to be issued	(602)	(613)	11
Contribution credit notes to be issued	(476)	(476)	-
Guarantee deposits	(758)	(543)	(215)
Total	**(31,944)**	**(33,728)**	**1,785**

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

The breakdown of trade payables is shown below:

(in Euro thousands)	**At June 30, 2018**	**Year ended December 31, 2017**
Trade payables	(30,015)	(32,007)
- of which overdue beyond 60 days	*(11,964)*	*(10,634)*
- % overdue payables on total	*39.9%*	*33.2%*

Relating to Giglio Group S.p.A.:

- The credit notes to be issued relating to the M-Three division concern the Eutelsat client/supplier in relation to the normal management of satellite band;
- The guarantee deposits of the M-Three division refer to the deposits paid by clients against contracts;
- Contribution credit notes to be issued refer to the contributions received from the State typical within the sector which in part must be returned to the clients.

Relating to both the subsidiaries GiglioTV and Nautical Channel, the greatest exposure is to the Chinese supplier FX for "dubbing" costs. The payment conditions applied reflect business practice in the sector.

16. Tax payables

Balance at 30.06.2018 4,020

Balance at 31.12.2017 3,581

Tax payables	30.06.2018	31.12.2017	Change
Withholding taxes	(103)	(108)	5
VAT	(2,555)	(2,276)	(279)
Income taxes	(1,267)	(1,056)	(211)
Social security institutions	(95)	(141)	46
Total	**(4,020)**	**(3,581)**	**(439)**

Tax payables relate to:

- withholding taxes and taxes related to the normal operating activities of the company for Euro 103 thousand;
- VAT accrued by the Ibox SA Group payable to foreign countries in which it performs its business through specific tax representation;
- social security institutions for Euro 95 thousand.

17. Other current liabilities

Balance at 30.06.2018 2,975

Balance at 31.12.2017 1,291

Other current liabilities	30.06.2018	31.12.2017	Change
Employee payables	(442)	(475)	33
Accrued expenses	(2,474)	(716)	(1,758)
Other payables	(59)	(100)	41
Total	**(2,975)**	**(1,291)**	**(1,685)**

Deferred income mainly refers to revenues to be recognised in future periods. In particular, for the Mthree division this concerns satellite band installation fees which are invoiced in advance.

NOTES TO THE INCOME STATEMENT

As stated in the Directors' Report, the H1 2017 income statement figures do not reflect the effects from retrospective application of IFRS 15. In addition, the Ibox Group (ex E-volve), with regards to financial year 2017, contributed to the financial results from the acquisition date (April 27, 2017).

Therefore, in order to improve comparison and understanding of the results below, that outlined in the "Analysis of the consolidated results for the first half of 2018" paragraph should be considered.

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

18. Revenues

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

	H1 2018	H1 2017	Change
Revenues from sales and services	26,939	27,363	(424)
Other revenues	493	141	352
Total	**27,432**	**27,503**	**(71)**

In the first half year, revenues from sales and services amounted to Euro 27.4 million, compared to Euro 27.5 million in H1 2017.

The account includes, with regards to the parent Giglio Group:

- e-commerce sector B2B business revenues (Euro 9.5 million in H1 2018, compared to Euro 9.2 in H1 2017);
- media sector revenues (Euro 4.5 million, compared to Euro 4.9 million in H1 2017). The slight decrease is due to the transfer from a more strictly television based model focused on sales revenues and advertising spaces to a mixed model known as e-commerce 4.0 (T-commerce) for which the e-commerce revenue contribution increasingly takes precedent.

Subsidiary revenues increased from Euro 4.8 million in H1 2017 to Euro 6 million in H1 2018.

The increase stems from:

- for Euro 0.7 million to Giglio Tv thanks to greater revenue on the advertising campaigns with China International, the Chinese advertising concessionaire and to the penetration of the company on the Indonesian market following the agreement signed with the Group PT Media Nusantara Citra Tbk;

- for Euro 0.4 million Giglio USA thanks to increased US market penetration.

The revenues of the Nautical Channel were in line with the previous year.

Other revenues mainly concern the Ibox Group and the recharge of costs incurred in the name of and on behalf of the customer brands.

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

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

Purchase of raw materials, ancillary, consumables and goods	H1 2018	H1 2017	Change
Costs of goods	(9,693)	(15,910)	6,217
Consumables	(47)	(41)	(7)
Total	**(9,740)**	**(15,951)**	**6,211**

The account includes the costs incurred by the B2B division of Giglio Group The decrease relates to application in 2018 of IFRS 15.

20. Service costs

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

Service costs	H1 2018	H1 2017	Change
Agents	(2,862)	(667)	(2,195)
Other service costs	(42)	(30)	(12)
Insurance	(89)	(73)	(16)
Bank, postal & collection commissions	(603)	(76)	(527)
Directors, statutory auditors and supervisory board fees	(223)	(266)	43
Consulting	(1,865)	(1,879)	15
Editorial production costs	(402)	(270)	(133)
Administrative costs	(268)	(200)	(69)
Customer service	(288)	(117)	(172)
Warehousing	(270)	(146)	(124)
Maintenance	(36)	(28)	(8)
Advertising, promotions, shows and fairs	(179)	(254)	74
Cleaning and surveillance	(18)	(10)	(8)
Transmission and teleport	(3,336)	(3,138)	(198)
Transport & shipping	(942)	(267)	(674)
Utilities	(152)	(77)	(75)
Web marketing	(157)	(2)	(156)

Sales representatives	(160)	(147)	(13)
Total	**(11,893)**	**(7,646)**	**(4,247)**

The account principally refers to:

- Giglio Group: transmission and teleport service costs for Euro 3.3 million in the Mthree Satcom division; consultancy costs of Euro 1.2 million, of which Euro 0.5 million relating to the translisting process commented upon in the Directors' Report;
- Ibox SA Group: agent costs for Euro 2.5 million and shipping transport costs for Euro 0.7 million.

21. Rent, lease and similar costs

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

Rent, lease and similar costs	H1 2018	H1 2017	Change
Rental	(490)	(324)	(167)
Hire	(64)	(39)	(25)
Operating leases	(18)	(13)	(6)
Total	**(572)**	**(375)**	**(197)**

Rent, lease and similar costs mainly relate to the Giglio Group and include rental charges for the Milan, Rome and Genoa offices.

The rents refer to contracts agreed with:

- Satif S.p.A. for the administrative offices at the Milan headquarters;
- Rfezia Immobiliare Servizi S.p.A. for the teleport of the Rome office;
- Interoute S.p.A. for the teleport of the San Giuliano (MI) office;
- Max Factory S.r.l.: for the leasing of the Genoa offices at palazzo della Meridiana and in Rome at Via dei Volsci. This transaction is outlined in the section on transactions with related parties.
- Tarchini real estate for the offices in Manno (Switzerland).

In relation to the above-mentioned rental contracts the minimum lease instalments due amount to approx. Euro 2.5 million.

22. Personnel expense

The breakdown of personnel expense is as follows:

Personnel expense	H1 2018	H1 2017	Change
Wages and salaries	(1,745)	(909)	(836)
Social security charges	(368)	(234)	(134)
Post-employment benefits	(57)	(17)	(40)
Total	**(2,170)**	**(1,160)**	**(1,010)**

Personnel expense increased on the first half of 2017 by Euro 1 million, due to the contribution of the Ibox Group, but also on the basis of organic growth.

23. Amortisation, depreciation & write-downs

The breakdown of the account is shown below:

Amortisation, depreciation & write-downs	H1 2018	H1 2017	Change
Amortisation	(2,466)	(1,615)	(851)
Depreciation	(789)	(879)	89
Write-downs	(20)	-	(20)
Total	**(3,275)**	**(2,494)**	**(781)**

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

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

24. Other operating costs

The breakdown of the account is shown below:

Other operating costs	H1 2018	H1 2017	Change
Other taxes	(16)	(14)	(2)
Other charges	(142)	(6)	(137)
Penalties and fines	(2)	(3)	1
Prior year charges	(359)	(153)	(206)
Losses on receivables	-	-	-
Earn out	-	(236)	236
Total	**(519)**	**(411)**	**(108)**

Other operating costs include for H1 2018 penalties for the failure to provide due notice following the settlement signed in May 2018 with the previous provider of television bandwidth, as commented upon in the Directors' Report.

25. Financial income and expenses

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

Financial income and expenses	H1 2018	H1 2017	Change
Interest income on bank accounts	0	1	(1)
Other interest	-	-	-
Exchange gains	22	33	(11)
Financial income	**22**	**34**	**(12)**
Interest on current bank accounts	(17)	(17)	0
Other interest	(11)	(10)	(1)
Interest on invoice advances and factoring	(15)	(12)	(3)
Interest on mortgage loans	(91)	(81)	(10)
Interest on bond loans	(109)	(99)	(10)
Bank charges	(77)	(79)	2
SIMEST financial charges	(32)	(27)	(5)
Exchange losses	(129)	(27)	(102)
Financial expenses	**(481)**	**(353)**	**(128)**
Total	**(459)**	**(319)**	**(140)**

Financial expenses increased on the previous year due to the lending charges (Minibond, bond and new loans granted in 2018) and a higher debt exposure during the year recording, however, a lower cost in percentage terms.

26. Income taxes

The breakdown of income taxes is as follows:

Income taxes	H1 2018	H1 2017	Change
Current taxes	(212)	(416)	204
Deferred taxes	2	469	(467)
Total	**(210)**	**53**	**(263)**

Income taxes amount to Euro 212 thousand (Euro 416 thousand in H1 2017). The higher deferred taxes recorded at June 30, 2017 of Euro 469 thousand principally concern those calculated on the tax loss of the parent (Euro 453 thousand).

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

Board of Directors (Euro thousand)	
A. Giglio	200
C. Frigato	20
A. Lezzi	20
G. Mosci	25
Y. Zhao	10
M. Mancini *	20
G. Capellini	20
Total	**315**

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

27. Related party transactions (Article 2427, paragraph 1, No. 22 - *bis* Civil Code)

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

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

28. Commitments, guarantees and contingent liabilities

Guarantees

At the reporting date, the company provided guarantees to third parties.

Mr. Alessandro Giglio has provided personal guarantees on some Loans held by the company at June 30, 2018.

The details are shown below:

Commitments and guarantees (Euro thousand)

Entity	Guarantee Value	Residual amount guaranteed
MPS	1,048	200
B.POP Sondrio	2,470	1,163
Banca Sella	246	65

B. POP. Novara	650	465
FACTORIT	360	68
UNICREDIT	536	536
Total	**5,310**	**2,497**

Contingent liabilities

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

29. Financial risk management - IFRS 7.

The financial risks existing refer entirely to the parent company GIGLIO GROUP S.P.A.

The present financial statements were prepared in accordance with the provisions of IFRS 7, which requires disclosure of the recording of financial instruments related to the performance, to the financial exposure, to the level of exposure of risks deriving from the utilisation of financial instruments, and the description of the objectives, policies and management procedures in relation to these risks.

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

The loans and receivables are financial assets recorded at amortised cost which mature interest at fixed or variable rates. The book value may be impacted by changes in the credit or counterparty risk.

The Group has no derivative financial instruments. The book value of the financial assets and liabilities recorded in the financial statements approximates their fair value.

A comparison between the book value and the fair value of financial assets and liabilities at June 30, 2018 is presented below.

	30.06.2018		31.12.2017	
(Euro thousands)	Carrying amount	Fair Value	Carrying amount	Fair Value
Non-current assets				
Equity investments	155	155	150	150
Receivables	484		142	
Deferred tax assets	923		941	
Total non-current assets	**1,562**	**155**	**1,233**	**150**
Current assets				
Trade and other receivables	22,710	22,710	20,926	20,926
Cash and cash equivalents	7,508	7,508	6,209	6,209
Total current assets	**30,218**	**30,218**	**27,135**	**27,135**
Total Assets	**31,780**	**30,373**	**28,368**	**27,285**

Non-current liabilities				
Financial payables (non-current portion)	10,007	10,007	9,201	9,201
Total non-current liabilities	**10,007**	**10,007**	**9,201**	**9,201**
Current liabilities				
Trade and other payables	31,944	31,944	33,728	33,728
Financial payables (current portion)	15,047	15,047	11,763	11,763
Total current liabilities	**46,991**	**46,991**	**45,491**	**45,491**
Total Liabilities	**56,998**	**56,998**	**54,692**	**54,692**

Medium-term loan

The company reports at June 30, 2018 a net financial debt position of approx. Euro 17.5 million (for the calculation basis and the reconciliation of the data reference should be made to the specific table in the Directors' Report). These payables also include the Minibond issued to finance the acquisition of Giglio Fashion (for further information reference should be made to that already illustrated in these Explanatory Notes and commented upon in the Directors' Report) and unsecured medium-term bank loans and the Simest holding reclassified.

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

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

Note 14 summarises the loans held by Giglio Group S.p.A.

In addition, the company issued in 2016 a Minibond for an amount of Euro 3.5 million, utilised to finance the acquisition of the company Giglio Fashion, with the conditions. The minibond is listed on the Professional Segment (ExtraMOT PRO) of the ExtraMOT market.

The bond is for a duration of 6 years and comprises 35 securities issued at a par value equal to 100% of the nominal value (Euro 100 thousand each). The bonds are interest-bearing from the rights date (March 10, 2016) until the maturity date (March 10, 2022) or up to the date of any advance repayment. The gross annual nominal interest rate is equal to 5.4%, unless a Step-up event occurs, which would increase the interest rate by 0.5 percentage points for non-compliance with the following financial covenants, which are verified on December 31 each year, with the initial Calculation date of December 31, 2016:

- NFP / EBITDA <= 3.5;
- NFP/ Shareholders' Equity <= 2,0;
- EBITDA / OF >= 5.0.

The repayment plan of each bond provides for the repayment of the capital portion in equal half-year instalments of Euro 12.5 thousand from September 10, 2018.

On May 26, 2017 a bond loan was issued, subscribed by Banca Sella for Euro 1 million, comprising 10 bearer bonds of a nominal value of Euro 100 thousand. The bond loan is for a duration of one year with an interest rate of 2.9% and was repaid in May 2018.

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

29. Transactions with subsidiaries and related parties

The following table reports the transactions and balances with Related Parties at June 30, 2018. The data indicated in the following tables are taken from the consolidated financial statements of the Issuer and/or from the general accounting data.

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

Trade receivables and payables

Receivables/Payables	Giglio Group	Nautical Channel	Giglio USA	Giglio TV	Giglio Shanghai	IBOX SA	IBOX SRL	Evolve USA
Giglio Group		3,164	852	2,532			39	
Nautical Channel	877							
Giglio USA	127							
Giglio TV					8			
Giglio Shanghai								
IBOX SA							7	
IBOX SRL								
Evolve USA								

Financial receivables and payables

Receivables/Payables	Giglio Group	Nautical Channel	Giglio USA	Giglio TV	Giglio Shanghai	IBOX SA	IBOX SRL	Evolve USA
Giglio Group		180	102	999		1,820		
Nautical Channel								
Giglio USA								
Giglio TV	210				93			
Giglio Shanghai								
IBOX SA								109
IBOX SRL	1,150					1,978		
Evolve USA								

Commercial revenues and costs

Receivables/Payables	Giglio Group	Nautical Channel	Giglio USA	Giglio TV	Giglio Shanghai	IBOX SA	IBOX SRL	Evolve USA
Giglio Group		81	740			37		
Nautical Channel								
Giglio USA	84							
Giglio TV								
Giglio Shanghai								
IBOX SA	12							
IBOX SRL								
Evolve USA								

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

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

- China System S.r.l.: company owned by Yue Zaho, director and wife of Alessandro Giglio and which provides consultancy services to the Group for the Chinese market. The transactions with China System are based on a service supply contract with the company China System S.r.l., signed on January 4, 2016. The supplier has marketing experience providing consultancy to companies to launch client products on local markets. In this specific case China System assists the company in the analysis and review of publishing, editorial and journalistic content which

Giglio Group utilises for its travel lifestyle, fashion, food, living and wellness television programmes. In particular China System verifies content suitability to Chinese culture and the correctness of the translations, in addition to necessary assistance for programmes to receive the broadcasting authorisations from the relevant sector bodies. In H1 2018, the services provided amounted to Euro 34 thousand. The contract is for one year and was tacitly renewed. After the third consecutive year there are no automatic renewals.

- D-mobile Lab: company controlled by Buongiorno S.p.A., shareholder of Giglio Group S.p.A., which undertook transactions with the Group. At June 30, 2018, the total payable amounted to Euro 80 thousand.
- Max Factory S.r.l.: real estate company owned by Alessandro Giglio who leases to Giglio Group S.p.A. the following buildings:
    - Genoa offices: Palazzo della Meridiana for a total annual cost of Euro 175 thousand
    - Rome offices: Via dei Volsci for a total annual cost of Euro 200 thousand

31. Dividends

In line with the approval of the guidelines of the 2017-2019 plan, the Board approved the adoption of a long-term policy on dividend distribution decided on a year-by-year basis in accordance with the results reported and where the balance sheet situation so allows, also taking account of the plans for increased investments and commitments which the company may undertake to develop its international presence and new products.

32. Earnings per share

The basic earnings per share attributable to the holders of the ordinary shares of the company is calculated by dividing the profit by the number of shares outstanding at the reporting date.

33. Diluted earnings per share

There are no significant dilution effects

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

Consolidated Statement of financial position (Euro thousands)	30.06.2018	of which related parties	31.12.2017	of which related parties
Non-current assets				
Property, plant & equipment	6,213		6,829	
Intangible assets	13,519		10,926	
of which Distribution rights	-		-	
of which Publishing rights	13,129		10,573	
Other intangible assets	390		353	
Goodwill	11,718		11,718	
Equity investments	155		150	
Receivables	484		142	
Deferred tax assets	923		941	
Total non-current assets	**33,012**	**-**	**30,706**	**-**
Current assets				
Inventories	5,317		6,729	
Trade and other receivables	22,710		20,926	
Financial receivables	-		-	
Tax receivables	9,566		9,822	
Other assets	3,495		3,010	
Cash and cash equivalents	7,508		6,209	
Total current assets	**48,596**	**-**	**46,696**	**-**
Total Assets	**81,608**	**-**	**77,402**	**-**
Shareholders' Equity				
Share capital	3,208		3,208	
Reserves	12,011		11,374	
Extraordinary reserve	-		-	
Listing charges	(541)		(541)	
FTA Reserve	4		4	
Retained earnings	1,963		2,609	
Translation reserve	(7)		(5)	
Net profit	1		43	
Total Group Shareholders' Equity	**16,639**	**-**	**16,692**	**-**
Minority interest share. equity	-		-	
Total Shareholders' Equity	**16,639**	**-**	**16,692**	**-**
Non-current liabilities				
Provisions for risks and charges	735		864	
Deferred tax liabilities	241		282	
Financial payables (non-current portion)	10,007	2,660	9,201	3,098
Total non-current liabilities	**10,983**	**2,660**	**10,347**	**3,098**
Current liabilities				
Trade and other payables	31,944	109	33,728	80
Financial payables (current portion)	15,047	875	11,763	438
Tax payables	4,020		3,581	
Other liabilities	2,975		1,291	
Total current liabilities	**53,986**	**984**	**50,363**	**518**
Total liabilities and Shareholders' Equity	**81,608**	**3,644**	**77,402**	**3,615**

Consolidated Income Statement (Euro thousands)	H1 2018	of which related parties	of which non recurring	H1 2017	of which related parties	of which non recurring
Total revenues	**26,939**			**27,363**		
Other revenues	493			141		
Change in inventories	1,407			956		
Purchase of raw materials, ancillary, consumables and goods	*(9,740)*			*(15,951)*		
Service costs	*(11,893)*	*(34)*	*(459)*	*(7,646)*	*(34)*	*(1,281)*
Rent, lease and similar costs	*(572)*	*(190)*		*(375)*	*(190)*	
Operating costs	**(22,205)**	**(223)**	**(459)**	**(23,972)**	**(223)**	**(1,281)**
Salaries and wages	*(1,745)*			*(909)*		
Social security charges	*(368)*			*(234)*		
Post-employment benefits	*(57)*			*(17)*		
Personnel expense	**(2,170)**	**-**	**-**	**(1,160)**	**-**	**-**
Amortisation of intangible assets	*(2,466)*			*(1,615)*		
Depreciation of property, plant & equip.	*(789)*			*(879)*		
Doubtful debt provision	*(20)*			*0*		
Amortisation, depreciation & write-downs	**(3,275)**	**-**	**-**	**(2,494)**	**-**	**-**
Other operating costs	*(519)*		*(433)*	*(411)*		
Operating profit	**670**	**(223)**	**(892)**	**423**	**(223)**	**(1,281)**
Financial income	*22*			*34*		
Net financial expenses	*(481)*			*(353)*		
Profit before taxes	**211**	**(223)**	**(892)**	**104**	**(223)**	**(1,281)**
Income taxes	*(210)*			*53*		
Net Profit	**1**	**(223)**	**(892)**	**157**	**(223)**	**(1,281)**
Of which minority interest	-			-		
Earnings per share – basic and diluted	**(0.0002)**			**0.0088**		

Statement of the Executive Officer for Financial Reporting in accordance with article 154-bis of Legislative Decree No. 58/1998 (Consolidated Finance Act)

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

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

In addition, we declare that the half-year financial statements at June 30, 2018:

- were prepared in accordance with international accounting standards, recognised in the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and Council, of July 19, 2002;
- correspond to the underlying accounting documents and records;
- provide a true and fair view of the financial position, financial performance and cash flows of the issuer and of the other companies in the consolidation scope.

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

September 10, 2018
The Chief Executive Officer
Alessandro Giglio

The Executive Officer for Financial Reporting
Massimo Mancini

Giglio Group S.p.A.

Review report on the interim condensed consolidated financial statements

(Translation from the original Italian text)

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Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

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

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in net equity and cash flows and the related explanatory notes of Giglio Group S.p.A. and its subsidiaries (Giglio Group) as of June 30, 2018. The Directors of Giglio Group S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Giglio Group as of June 30, 2018 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, September 13, 2018

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

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

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