giglio

GROUP S.p.A.

Interim Condensed Consolidated Financial Statements
30 June 2019

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Directors' Report

on the Interim Condensed Consolidated Financial

Statements as of 30 June 2019

Company Information

Registered office

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

Legal Information

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

Registered office and Headquarters

Piazza Diaz 6, Milan

Operational headquarters

The offices of the company are as follows:
Registered office – Piazza Diaz 6, Milan
Operational office – Via dei Volsci 163, Rome
Operational office – Piazza della Meridiana 1/3, Genoa

Corporate Boards

Board of Directors

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

Board of Statutory Auditors

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

Internal Control, Risk and Related-Parties Committee

Silvia Olivotto	Chairwoman
Giorgio Mosci	Member

Appointment and Remuneration Committee

Giorgio Mosci	Chairman
Silvia Olivotto	Member

Independent Auditor

EY S.p.A.

1. Introduction

Giglio Group is engaged in the e-commerce of high-end fashion and design products, and is also developing a commercial offer to connect the food industry to the main digital points of sale worldwide. The Group's mission is to define and introduce a new form of acquiring and engaging end clients, the so-called digital consumers.

Founded in 2003, it is today the first Digital Company who introduced on a global level the integration between Media and e-commerce Platform, revolutionising the online-shopping experience.

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

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

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

THE BUSINESS MODEL AND ITS STRENGHTS

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

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

Giglio Group embraces the brands' different needs with regard to their presence in the digital space, offering services that can increase the value of traditional distribution:

- *Physical Retail.* According to the Group's philosophy, the physical retail must strengthen the efficacy of all other sales channels, as well as be involved in additional differentiated services and functionalities (e.g. click & collect, change & return, in-store personal shopper), thus becoming the place where clients can experience and physically try out the product.
- *Physical Wholesale*. Department stores and multi-brand boutiques amplify the «physical» distribution of a brand, reaching a much wider group of places and consumers who can browse the extensive online range, albeit presenting a lower offer depth.
- *E-commerce*. The e-commerce is the first sales pillar within the online market, an existing strength for the Group, and is capable of accounting for about 13% of a brand's total sales (E-commerce B2C Observatory 2018). As of today, it is part of the Group's DNA, boasting the widest possible array of catalogues, a tailored relationship with every client and a direct control on online distribution, from the warehouse to the consumer's doorstep, gathering valuable data on every shopping experience, as well as ensuring significant sales volumes. It is the essential element in the Industrial Plan of major brands, which qualifies the economic sustainability of the brand itself. Moreover, this channel helps accelerating the penetration in new areas, as well as keeping up the sales performance in the most mature markets, where physical sales are dropping significantly.
- *E-Tailers (or Multi-Brand Stores)*. By maintaining the brand's positioning, they amplify online distribution and brand awareness, increasing digital sales and ensuring an easy geographical penetration.
- *Marketplace*. Giglio Group's true know how is hidden in the innovative strength of its commercial offer for 2019. 2018 was the year of marketplaces and affiliation for the fashion market thanks to the growth of giants such as Farfetch, Lyst, Amazon and Alibaba.

It is estimated that 9 users out of 10 visit at least one marketplace during the purchase consideration phase.

Any brand that wishes to obtain significant incremental sales must urgently focus on being present in a marketplace. Marketplaces, depending on the geographical area, can account for up to half of total online sales. A presence in these marketplaces is, nowadays, essential both for sales and for the control of parallel online distribution channels that could tarnish the image and the reputation of the brand, as well as pricing dynamics.

- *Destocking*. Another strength of Giglio Group, a consolidated competence that has been growing steadily, introducing new development opportunities and conquering new marketing areas. Destocking is not an occasional activity, but a set of stock planning and distribution services coordinated with the brands themselves and organised in a professional way well in advance. The goal is optimizing the brand's sales potential through warehouse cleaning or dedicated stock productions' sales. Giglio Group can count on an extensive experience of warehouse value's optimisation, sales increase and geographic penetration of new markets, thus helping build a complementary commercial channel to the possibilities of brands' sales managers.

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

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

THE REFERENCE MARKET

Luxury market grew by 5% in 2018, reaching € 1.2 trillion on a global level, reporting positive performances in most segments. The luxury industry tracked down in the report "Luxury Goods Worldwide Market Study, Fall–Winter 2018" includes both luxury products and experiences. It comprises nine segments driven by luxury cars, hospitality and personal goods, which represent all together more than 80% of the total market. The market of personal luxury market, the "core's core" (as well as the segment in which the sales managed by Giglio Group take place), recorded a record of € 260 billion in 2018, representing a 6% growth (2% at current exchange rates). Worldwide, the market of personal luxury goods grew in most regions. Overall, footwear and jewellery were the luxury category that grew the most, reaching 7% each, followed suit by bags and beauty products. Watches remained relatively contained, while the apparel segment weakened, mainly due to the poor sales in menswear. It is estimated that the growth will continue at an yearly rate of 3-5% until 2025, and the market of personal luxury goods will account for €320-365 billion. The opportunities are plentiful, especially since most of major luxury brands are careful about the adoption of digital technologies. We are broadening the territorial reach of our services, in particular targeting China and the United States, the most interesting markets experiencing luxury and Made in Italy growth and in which major opportunities are available in terms of satisfying product demand and supporting the digital platform distribution strategies of brands, also through leveraging on our local logistics infrastructure.

Giglio Group sees major market opportunities and seeks to deliver results by tapping immediately into increasing online channel usage, the growing importance of the Millennials and luxury consumer growth in China and the other emerging markets. Suffice it to consider the potential of WeChat channel in China, with which the Group has sealed a deal during 2018. The Company's objective for 2019 and 2020 is to globally connect consumers directly to high-end fashion suppliers, principally “Made in Italy” brands and those experiencing a degree of difficulty in accessing new market segments, establishing ourselves as a partner for innovation in the luxury segment.

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

- Reference Market. It is 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 the study carried out by Bain & Company, the global luxury goods market hit a record $260 billion in 2018, and with a CAGR of 6% between 2010 and 2018, the personal luxury goods market grew across all regions. Bain & Company's study also confirmed that in 2018, the online segment has become a larger share of the overall market, with a 22% growth if compared to 2017, and that between 2013 and 2017, the CAGR increased by 24%. Giglio Group aims at partnering up with those brands capable of seizing this mighty and constant growth with a relative risk mitigation, reflecting limited investments and set-up costs.

- Stock management. The market is highly fragmented, while inefficiency is a feature of distribution. The luxury ecosystem is dominated by family-owned companies with well-established commercial and distribution relationships based on traditional and consolidated habits; luxury brands maintained close control over their product, its distribution, its marketing and its prices. The largest luxury brands access the market through building directly managed store networks and through the major physical multi stores. However, the result is often a mismatch between supply and demand, with excess or obsolete stock or supply levels falling short of local demand. Emerging brands generally do not have access to the global market and their distribution is limited by their capacity to fund and produce a sufficient amount of products for each local market. They largely rely on wholesale distribution through a network of independent fashion boutiques. As a consequence, luxury fashion's stock, both of big and small brands, is distributed through a highly fragmented sellers network. 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, all through a single management platform.
- Emergence of e-commerce. Luxury fashion has moved online. According to the study carried out by Bain & Company, global online personal luxury goods' market share in 2017 was approx. 9%, significantly lower than the other online goods categories, such as for example tourist and banking services or electronic products. This is as a result of the prudent approach of the brands in adopting technologies and social network platforms. However, according to Bain & Company, 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 the study carried out by Bain & Company, 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 & Company, 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, etc.) and a growing presence in China and in the Americas. In China, the Giglio Group can rely on its own fashion distribution company, with logistics under its control and a network of relationships with the main marketplaces in the country. In addition, it can develop synergies with its media

company, Giglio TV Hong Kong, to promote its T-commerce model alongside the Made in Italy brands.

2. Group's Activities and Structure

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

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

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

The B2C model, managed by subsidiaries I-box SA and I-box S.r.l., the digital core of the Group, consists in providing digital services for managing the Websites of "Made in Italy" Fashion mono-brands, but not only. It is a unique technological platform capable of managing the mono-brand website, the connection with the marketplaces, the integration with payment systems and logistics. Traded goods belong to the on-season collection of brands, which pay a fee on the sales and with which Giglio Group cooperates in their digital marketing strategy. No specific investment in working capital is needed, and there is no warehouse risk.

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

Within the B2B model, Giglio Group directly manages logistics with the external warehouses, defines resale prices, manages the warehouse with a proved capacity to reduce stocks in a short time and with a high turnover of goods' index. Giglio Group collaborates with client e-commerce platforms on the basis of a defined sales plan which further diminished the risk of unsold items.

The difference between brands' payment time, usually at the beginning of the season for stock-booking, and marketplaces collection time, usually 90 days after the end of the season, generates a financial requirement optimised by a careful use of the instruments supporting the working capital.

By the end of 2018, the Group transformed from simple Service Provider to Digital Enabler. If, until 2018, the Group developed more than 100 project for important brands, from the creation and management of e-commerce platforms worldwide to the development of technologies capable to support brands in their wholesale buying and refill activities, today the Group, thanks to a single platform, integrates all the brands' needs with a unique approach.
These are the key factors for the success of the I-box model, a proprietary technology capable of connecting brands in plug-and-play mode to one or more marketplaces, drawing from more than 200 platforms worldwide.
PROFESSIONALS: numerical and qualitative development, recruitment of professionals with strong international experience and specific skills in digital fashion that share the brand DNA and are capable of building highly tailored strategies, create innovative and complex projects and ensure results over time, always with a win-win approach.
TECHNOLOGIES: by choosing a supplier such a ORACLE, Giglio Group became preferred partner and started a commercial joint venture with SopraSteria, in order to enable any e-commerce platform for its brands;
OPERATIONS: 4 logistical hubs to ensure clients the perfect purchase experience all around the world;
MARKETS: consolidation of geographical coverage and focus on luxury markets (CHINA).
In 2019, Giglio Group is pushing its activities with determination towards China, developing a structure to enable brands' presence in the most important market of the world, where "Made in Italy" brands are not at all present, neither online nor in physical stores. China is the biggest online market worldwide, accounting for 83% of online sales in the whole APAC area and for about twice the sales of the USA (*2018 e-commerce: a present that grows and a future that speaks Chinese*, eMarketer, "Worldwide Retail and Ecommerce Sales"). Chinese consumers led the positive growing trend, representing 33% of global luxury sales (if compared to the 32% recorded in 2017). Between 2015 and 2018, the purchases of Chinese consumers in the national market contributed to double the growth rate in absolute terms if compared to their shopping as foreign tourists. Hence, the Chinese national market is booming.

In China, the e-commerce is the standard purchasing method, as well as the most used media by young people and middle classes in secondary cities. 53% of the Chinese population is digitised,

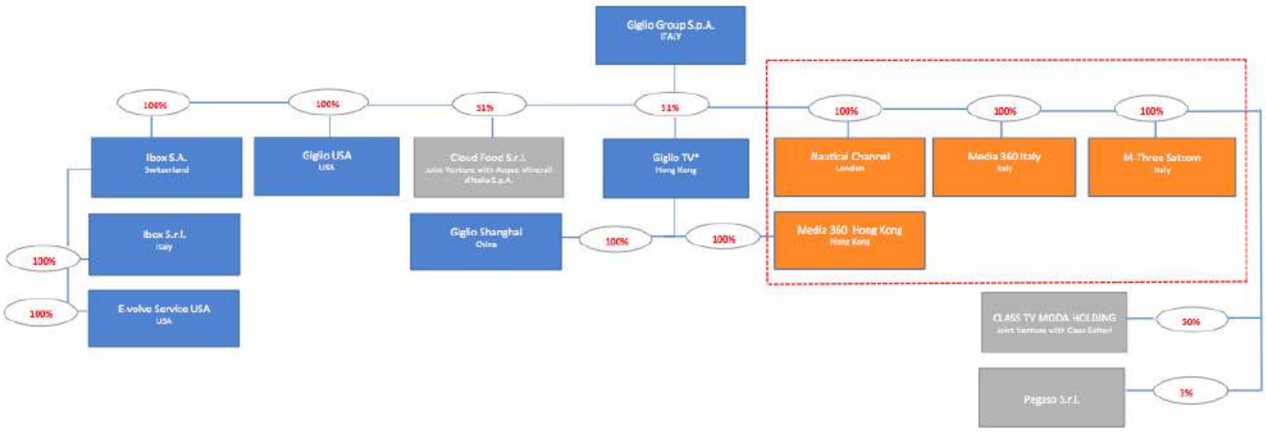
meaning that almost 800 million people are capable to instantly connect to an e-store (CeSIF 2018 Annual Report, 16 July 2018, Italy-China Foundation, CeSIF).
Giglio Group acknowledges brand's requests regarding a strategy to be present in that market, thus becoming pole of attraction for luxury companies due to its huge growth potential. Therefore, direct online presence is of the utmost importance: 78% of Chinese consumers gathers informations on luxury goods on internet and through mobile apps. In 2017, 50% of Chinese consumers declared to have increased its online luxury expenses on Chinese websites, and only 41% on international ones (*China and Chinese Consumers in the Global Luxury Market*, 20 September 2017, E-COMMERCE Monitor, Bain & Company China and Chinese Consumers in the Luxury Global Market).
As purported by McKinsey's study (China Luxury Report 2019), this growth is being led by the rise of Chinese middle class. From 2018 to 2025, the number of households with monthly disposable income between 17,450-26,180 RMB ($ 2,600-3,900) shall grow by 28% per year, involving a base of 350 million people. In 2018, Chinese households' average consumption of luxury goods amounted to about 80,000 RMB ($ 11,800).

Moreover, the interest in luxury products is a great appeal for many e-commerce platforms. According to the research institute, e-commerce channels shall keep increasing until they will represent 12% of Chinese's luxury goods market by 2025, with an average growth rate of 12% between 2018 and 2025. China's growing appetite for luxury goods is a positive sign both for premium brands and for local e-commerce platforms such as JD.com and Alibaba. Indeed, these two giants took huge steps forward in the luxury sector over the last few years, launching some premium brands such as Toplife on JD.com and Tmall Luxury Pavillion on Alibaba in 2017. The market is extremely competitive, especially if one takes into account the other protagonists such as Secoo and Vip.com, which are fully focused on the luxury segment. Secoo is one of the top players of the luxury industry. Founded in 2008, Secoo is one of the biggest Chinese luxury multi-brand B2C website with more than 3 million registered users.
Secoo specialises in luxury apparel and accessories for men and women and it sports great brands such as Burberry, Miu Miu, Hermès, Rolex, Longines and Bulgari. Secoo's popularity is partly due to its offer of local payment methods that are specifically designed to satisfy Chinese consumers, such as, e.g., WeChat's digital wallet. Vipshop is another luxury platform that record a 6% increase in active clients if compared to the previous year (€ 29.8 million). In 2018, Vipshop

yielded $ 19.47 billion in GMV from 60.5 million active clients, that altogether amounted to 437.4 million orders. Total net income reached $ 12.3 billion. Famous for its "flash orders", Vipshop only recently introduced high-end products for luxury buyers, a welcomed addition according to its users. Both platforms are clients of Giglio Group.

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

The following describes Giglio Group's Corporate Structure, highlighting the area held for sale, belonging to the Media area:



*Corporate Structure at 30 June 2019**

* The minority shareholding of 49% held by Simest S.p.A. s classified as minority interest in shareholders' equity at financial receivables, under the irrevocable purchase obligation of such share by Giglio Group S.p.A. on 30 June 2022.

** The dotted line outlines the Group's companies that belong to the Media area held for sale

3. Changes in Accounting Standards

This Interim Financial Report at 30 June 2019 transposes the adoption of the new IFRS 16 - Leases accounting standard, which entered into force on 1 January 2019.

The new standard provides a new leasing definition and introduces a criterion based on control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying essential differences: the identification of the asset, the right of replacement of the asset, the right to obtain substantially all the economic benefits from the use of the asset and the right to use the asset underlying the contract. All contracts included in the leasing definition, with the exception of the contracts regarding low-value assets and leasing lasting less than or 12 months, shall be recorded in the balance sheet as a right of use activity with a corresponding contribution as financial debt. On the other hand, the standard does not include significant amendments for lessors. The policy introduces a criterion based on the right of use of an asset to differentiate between leasing and service contracts, identifying essential differences:

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

For the adoption of the new standard, the Group followed the modified-retrospective transitional method (i.e., with cumulative effect of the adoption, recorded as adjustment of the opening balance of profits recorded on 1 January 2019 without the redefinition of comparative information).

As far as the leasing contracts previously classified as operating are concerned, the following have been entered in the financial statements' accounts:

- A financial liability calculated from the date of the first application using for each contract the incremental borrowing rate (IBR) applicable on the transition date;
- A right to use valued by applying the discounting ever since the contracts' start date with the same IBR used for calculating the financial liability.

This accounting treatment at 1 January 2019 included a decrease of the Shareholders' Equity as a result of the difference arising between the right to use thus calculated and the financial liability of about € 81,000 gross of the accounting effect of the fiscal component (€ 62,000 the net effect).

Altogether, the application of the new standard, at 30 June 2019, resulted in:

- The entry of the right to use within tangible fixed assets for a total of € 1.8 million;
- The entry of a financial liability (financial receivables for operating leasing as per IFRS 16) equal to about € 1.9 million;
- As far as the income statement is concerned, an improvement in the quarter's EBITDA of € 0.4 million, arising from the reversal of leases, counterbalanced by higher amortisation for € 0.4 million and by higher financial burdens for € 31,000, with an impact on the EBITDA, the EBIT and a Group Net Profit for the period of € 0.4 million, € 0.4 million and € 0 million respectively;
- A decrease of € 62,000 in Shareholders' Equity, as described above.

4. Financial Highlights at 30 June 2019

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

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

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

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

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

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

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

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

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

Consolidated Balance Sheet at 30 June 2019

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

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

It is noted that, in the previous paragraph called "Changes in Accounting Standards", starting from 1 January 2019, the Group, pursuant to the requirements of the accounting standards and the amendments and interpretations already approved by the European Union, has adopted the IFRS 16-Leases accounting standard.

The transition method adopted by the Group consists in the aforementioned "modified retrospective"; thus, it is noted that the balance sheet figures at 31 December 2018 were not outlined.

The main balance sheet figures of the Group at 30 June 2019 are as specified below:

(Euro thousands)	30.06.2019	31.12.2018	Change
Intangible Fixed Assets	13,421	12,297	1,124
Tangible Fixed Assets	3,057	1,492	1,565
Financial Fixed Assets	1,402	1,595	(193)
Total Fixes Assets	**17,880**	**15,384**	**2,496**
Inventories	3,748	5,273	(1,525)
Commercial credits and other receivables	11,403	12,519	(1,116)
Commercial debts and other receivables	(20,782)	(24,070)	3,288
Operating/Commercial Working Capital	**(5,631)**	**(6,278)**	**647**
Other current assets and liabilities	4,484	8,177	(3,693)
Net Working Capital	**(1,147)**	**1,899**	**(3,046)**
Provisions for risks and charges	(705)	(804)	99
Deferred tax assets and liabilities	741	1,171	(430)
Net Invested Capital of Continuing Operations	**16,769**	**17,650**	**(881)**
Net Invested Capital of Sales Activities	**9,645**	**9,923**	**(278)**
Total Net Invested Capital	**26,414**	**27,573**	**(1,159)**
Net Equity	**(5,165)**	**(8,409)**	**3,244**
Net financial debt	****(21,250)**	**(19,164)**	**(2,086)**
Total Sources	**(26,415)**	**(27,573)**	**1,158**

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

** The balance sheet figures at 31 December 2018 were not outlined according to IFRS 16 -Leases accounting standards. It is noted that the Group's net financial debt at 30 June 2019 would have amounted to € 19,000 were the accounting standard not be adopted.

The Net Invested Capital of the Group at 30 June 2019, equal to € 26.4 million, is principally comprised of Net Fixed Assets of continuing operations (€ 17.9 million), of Net Working Capital of continuing operations totalling € -1.1 million and of the Net Invested Capital for sales activities of €9.6 million.

Tangible Fixed Assets, equal to € 3.1 million, include the € 2.3 million increase arising from the adoption, starting form 1 January 2019, of IFRS 16 accounting standards, as described above. Net of this increase, the entry can mainly be attributed to the investment in capital goods.

Intangible Fixed Assets, equal to € 13.4 million, can mainly be attributed to the start-up related to the acquisition of Giglio Fashion and the IBOX Group for an amount of €11.7 million. The € 1.1 million mainly refers to the costs for the purchase of software (€ 0.4 million) and the development costs borne internally (€ 0.7 million) for the creation of I-box's technologic platform, net of the period's amortisations.

Financial Fixed Assets, equal to € 1.1 million, can mainly be attributed:

- for € 0.8 million, to the long-term portion of the credit resulting from the transfer to GM Comunicazione S.r.l., finalised on 20 December 2018, of the authorisation to supply audiovisual media services associated to channel 65 of the digital terrestrial;
- for € 0.3 million, to the fee resulting from the recourse transfer of the VAT receivable, finalised on 27 June 2018 and to be paid upon settlement of existing disputes and charges with the Tax Authority, as set froth by contract. It is noted that this receivable has been cashed following the end of the semester, as reported in the following events.

The net financial debt (determined in accordance with Consob communication No. DEM/6064293 and illustrated below) at 30 June 2019 and 31 December 2018 is as follows:

		A		B	C=A-B
	(Euro thousands)	30.06.2019 post IFRS 16	30.06.2019 pre IFRS 16	31.12.2018	Change
A.	Cash	2,558	2,558	2,889	(331)
B.	Bank and postal deposits and cheques	-	-	-	-
C.	Securities held for trading	-	-	-	-
D.	**Cash & cash equivalents (A)+(B)+(C)**	**2,558**	**2,558**	**2,889**	**(331)**
E.	Current financial receivables	580	580	620	(40)
F.	Current bank payables	(6,810)	(6,810)	(8,307)	1,497
G.	Current portion of non-current debt	(4,883)	(4,883)	(6,804)	1,921
H.	Other current financial payables	(2,383)	(1,861)	(899)	(1,485)

	of which Related Parties				-
I.	**Current financial debt (F)+(G)+(H)**	**(14,076)**	**(13,554)**	**(16,009)**	**1,933**
J.	**Net current financial debt (I) + (E) + (D)**	**(10,938)**	**(10,416)**	**(12,501)**	**1,562**
K.	Non-current bank payables	(6,535)	(6,535)	(2,119)	(4,416)
L.	Bonds issued	(453)	(453)	(2,219)	1,766
	of which Related Parties				-
M.	Other non-current payables	(3,323)	(1,666)	(2,325)	(998)
N.	**Non-current financial debt (K)+(L)+(M)**	**(10,311)**	**(8,654)**	**(6,663)**	**(3,648)**
O.	**Net financial debt (J)+(N)**	**(21,250)**	**(19,071)**	**(19,164)**	**(2,086)**

The Group net financial debt amounts to € -21.3 million, highlighting a deterioration on 31 December 2018 (€ -19.2 million) of € 2.1 million. The increase relates principally to the following factors:

increasing for:

- Lesser liquidity for € 0.3 million;
- Issuance of EBB bond for € 4.7 million;
- More financial receivables connected to the IFRS 16 effect for € 2.4 million;

decreasing for:

- Repayment of February and June instalments, for € 0.8 million, of the minibond issued in 2016, following the amendment to the Regulation of the bond of 12 February 2019, as resolved by the Board of Directors and by the Shareholders' Meeting;
- Repayment of payments of instalments for mortgage expired in 2018 H1 (€ 3.0 million).

The Group's net financial debt at 30 June 2019 adjusted to IFRS 16 highlights an improvement of € 0.1 million if compared to the debt at 31 December 2018.

Consolidated Operating Overview at 30 June 2019

The key consolidated economic highlights are shown below.

It is stated that, under the provisions of IFRS 5 accounting standards "Non-current assets held for sale and discontinued operations", the economic results of the media sector were represented as "Discontinued operations".

Moreover, it is noted that, in the previous paragraph called "Changes in Accounting Standards", starting from 1 January 2019, the Group, pursuant to the requirements of the accounting standards and the amendments and interpretations already approved by the European Union, has adopted the IFRS 16-Leases accounting standard.

The transition method adopted by the Group consists in the aforementioned "modified retrospective"; thus, it is noted that the balance sheet figures regarding 2018 Q1 were not outlined.

Reclassified Consolidated Income Statement

(Euro thousands)	30.06.2019	30.06.2018	Change
Revenues	**19,271**	**17,964**	**1,307**
Operating Costs	(16,419)	(16,442)	23
ADDED VALUE	**2,852**	**1,522**	**1,330**
ADDED VALUE%	**14.8%**	**8.5%**	**6.3%**
Personnel expense	(2,261)	(1,731)	(530)
EBITDA Adjusted	**591**	**(209)**	**800**
EBITDA%	**3.1%**	**(1.2)%**	**4.2%**
Non-recurring charges	(995)	(459)	(536)
Amortisation, depreciation & write-downs	(765)	(136)	(629)
EBIT	**(1,169)**	**(804)**	**(365)**
Net financial expenses	(709)	(438)	(271)
PROFIT BEFORE TAXES	**(1,878)**	**(1,242)**	**(636)**
Income taxes	(483)	(36)	(447)
NET PROFIT FROM CONTINUING OPERATIONS	**(2,361)**	**(1,279)**	**(1,082)**
NET PROFIT FROM DISCONTINUED OPERATIONS	**(768)**	**1,283**	**(2,051)**
NET PROFIT	**(3,129)**	**4**	**(3,133)**
EBIT adjusted to non recurring charges	**(174)**	**(345)**	**171**
EBIT adjusted to non recurring charges %	**(0.9)%**	**(1.9)%**	**1.0%**
NET PROFIT FROM CONTINUING OPERATIONS adjusted to non-recurring charges	**(1,366)**	**(820)**	**(546)**
NET PROFIT FROM CONTINUING OPERATIONS adjusted to non recurring charges %	**(7.1)%**	**(4.6)%**	**(2.5)%**
NET PROFIT adjusted to non recurring charges	**(2,134)**	**463**	**(2,597)**
NET PROFIT adjusted to non recurring charges %	**(11.1)%**	**2.6%**	**(13.7)%**

The consolidated revenues of continuing operations, equal to € 19.3 million, grew by € 1.3 million (+7%) if compared to the consolidated figures of the same period for the previous fiscal year (€ 18.0 million).

This increase is mainly due to:

- the capitalisation of development costs borne internally (€ 0.7 million) for the creation of I-box's technologic platform;

- the B2C e-commerce sector due to both increased transactions for managed brands and the acquisition of new brands in the customer base.

Total Operating Costs of continuing operations, net of non-recurring costs, amounts to € 16.4 million (€ 16.4 million consolidated pro-forma figures at 30 June 2018), following the growth in business volumes and with the main increases concerning product acquisition costs, service costs and rent, leases and similar costs.

Personnel costs increased € 0.5 million on the same period of the previous year, principally due to expanded workforce in terms of the business development, sales and digital staff.

The EBITDA of continuing operations normalised to non-recurring costs (€ 1.0 million) of € 0.6 million (€ -0.2 million consolidated pro-forma figures at 30 June 2018) increased due to the increased employee costs described above, mainly because of the greater investments in human resources and expenses for the development of the completely new e-commerce platform, to support the expected increase in transactions volume and the integration with global marketplaces, for increased central costs related to the transfer of the Media branch.
More specifically, non-recurring charges concern:

- € 0.7 million related to the expenses of the transfer transaction of the assets connected to the media area of the group in favour of Vértice Trescientos Sesenta Grados (Vertice 360).

The EBIT of continuing operations adjusted to non-recurring costs and to IFRS 5 effects amounts to € -0.2 million (€ -0.3 million consolidated pro-forma figures at 2018 H1).

The Net Profit of continuing operations adjusted to non-recurring costs equals € -2.3 million (€ -1.2 million consolidated figures in the same period of the previous year), decreasing due to the greater financing costs related to new loans taken out during 2018.
More specifically, this result reflects:

- increased financial charges of € 0.7 million (€ 0.4 million consolidated figures at 2018 H1), principally due to increased factoring service costs and interest on loans obtained subsequent to 2018 H1.

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

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

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

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

1. Media
2. E-commerce
3. Corporate

As highlighted above, the Media sector is represented, starting from 30 June 2019, as sector held for sale within the following discontinued operations.

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

30 June 2019					
(Euro thousands)	**B2B e-commerce**	**B2C e-commerce**	**Corporate**	**Discontinued operations**	**Total**
Revenues	10,065	7,781	0		17,847
Other incomes	3	708	0		712
Total revenues	**10,069**	**9,203**	**0**	**0**	**19,271**
EBITDA Adjusted	**1,378**	**1,812**	**(2,599)**		**591**
Non-recurring costs	0	0	(995)		(995)
EBIT	**1,137**	**1,574**	**(3,880)**		**(1,168)**
EBT	**1,135**	**1,285**	**(4,297)**		**(1,877)**
Net Profit from continuing operations	**1,097**	**1,175**	**(4,632)**		**(2,360)**
Net Profit from discontinued operations				**(768)**	**(768)**
Net Profit					**(3,128)**

The results of sectors at 30 June 2018 are as follows:

30 June 2018					
(Euro thousands)	B2B e-commerce	B2C e-commerce	Corporate	Discontinued operations	Total
Revenues	10,545	6,963			17,507
Other incomes	21	436			457
Total revenues	**10,566**	**7,398**	**0**	**0**	**17,964**
EBITDA Adjusted	**750**	**1,281**	**(2,240)**		**(209)**
Listing and non-recurring costs	0	0	(459)		(459)
EBIT	**735**	**1,196**	**(2,735)**		**(804)**
EBT	**729**	**1,053**	**(3,024)**		**(1,242)**
Net Profit from continuing operations	**715**	**1,026**	**(3,020)**		**(1,279)**
Net Profit from discontinued operations				**1,283**	**1,283**
Net Profit					**4**

As commented above, we highlight the increased performance in the e-commerce area if compared to the same period of the previous fiscal year. This result is due to greater foreign market penetration and increased sales volumes driven by customer brands, as well as by the conclusion of the process of reorganization of the productive process and by the recovery of efficiencies.

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

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 totals 84 employees of which 59 in Italy, 20 in Switzerland, 2 in the United States of America, 2 in the United Kingdom and 1 in China.

At 30 June 2019 no employee of the Group was the subject of Temporary Lay-off Schemes or other similar provisions.

Employees hired on temporary contracts are eight.

Over the course of 2019 H1, 8 resignations were recorded.

8. Investments

Group investments undertaken in 2019 H1 refer to tangible and intangible fixed assets and mainly concern:

- the implementation of the IT platform dedicated to the management of online sales within the B2C e-commerce division entailed the capitalisation of internal human resources (technicians and web designers) for a total of € 0.7 million recognised mainly on Ibox SA;
- the implementation of the accounting management with regard to the Parent Company;

9. Research and development new products

The R&D costs, entered in the accounts with the approval of the Board of Statutory Auditors, include the development costs borne for the creation of I-box's technological platform. The costs have been capitalised only when the following could be proved:

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

In 2019 H1, the following companies generated capitalised costs, inasmuch as they meet the aforementioned requirements:

Giglio Group bore the costs of staff members who worked on the platforms for a total of € 431,894.24, which shall be invoiced to Ibox SA and subsequently capitalised by Ibox SA as intangible fixed assets.

Ibox SA paid a total of € 196,125.77, divided up as follows:

Personnel costs for B2C platform: 204,085.82 CHF (€ 180,697.59 at average exchange rate)

Personnel costs for B2B2C platform (China): 17,425.02 CHF (€ 15,428.11 at average exchange rate)

Other companies of the Group involved in the development activity paid € 85,376.47.

These costs, totalling € 717,396.49, shall be capitalised among the intangible fixed assets.

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 period

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

- the inclusion of transfer operations regarding assets related to TV and media area among the operations allowed without prior authorisation from the Bondholders' Meeting;
- the amendment of the amortization plan with the introduction of monthly reimbursement tranches starting from 28 February 2019 until 30 September 2020, new expiry date of the debenture loan;
- the payment of interests on a monthly basis pursuant to the payment dates provided for by the new amortization plan, not withstanding (i) that the annual interest rate for the debenture bond remains unchanged and (ii) that interests accrued between 10 September 2018 and 27 February 2019 shall be paid on 10 March 2019;
- the definition of financial covenants, specifying that during 2018, any deviation from said covenants shall not produce the effects set forth in the Regulation.

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

Giglio Group, together with Vértice Trescientos Sesenta Grados, SA (“Vertice 360”), incorporated under Spanish law and listed on Madrid’s main stock exchange market and operating in the digital, cinema and broadcasting sectors, and Squirrel Capital SLU, based in Madrid and operating in shareholdings management, signed a contract aimed at transferring to Vertice 360 Giglio Group’s assets related to the media area against a reserved capital increase of € 1,136,363.64, with the consequent issue of 1,136,363,636.00 Vertice 360’s shares in favour of the Company. The scope of the transfer comprises the television broadcasting activities in Italy (among which the TV channel on the digital terrestrial –LCN 68), the 100% of M-Three Satcom business unit -operating in the satellite broadcast sector with the management of two teleports in Italy-, the company Nautical Channel Ltd -Giglio Group’s subsidiary, owner of the thematic TV channel of the same name, visible in 90 Countries and 5 Continents, dedicated to sailing and water sports-, as well as parts of the TV contents and rights destined for China. Following the reorganisation process of the Media Division essential to the transfer of the media area, other than Nautical Channel, the shares of the Group in the recently formed vehicle companies Media 360 Italy Corporate Capital S.r.l. (in which the TV broadcasting activities in Italy have been transferred), M3SATCOM S.r.l. (in which the company branch of the same name has been transferred) and Media 360 Hong Kong Ltd (in which TV content and rights for China have been transferred), currently controlled in their entirety by Giglio Group, shall be object of the transfer, too.
Squirrel Capital is the majority shareholder of Vertice 360, with 55.64% of its share capital. It is the most important advertising and audiovisual group in the Spanish market, as well as the only one to provide, through its societies, all-round solutions in the advertising and audiovisual industries. Squirrel owns Radio R4G and Canal Bom Tv Channel and works actively in the advertising market, operating from Centro Media and Agenzia Creativa.
Vertice 360, listed on Madrid’s stock exchange market ever since 2007, operates on two main business lines: production and distribution of international audiovisual contents.
The value of the transaction was set at about € 12,500,000.00, as estimated total value of the 1,136,363,636.00 shares of Vertice 360 (subscription price of € 0.011 per share) to be issued in favour of Giglio Group.
The Company made use of a primary consulting company that, after verifying the assets of Giglio Group and Vertice 360, assessed that the issue of 1,136,363,636.00 shares of Vertice 360 in exchange to the media activity for € 12,500,000.00 was reasonable for Giglio Group and its shareholders from a valuation point of view, and it also defined that the unit price for the activity

(€ 12,500,000.00) and Vertice 360 shares (€ 0.011 per share) are reasonable for Giglio Group and its shareholders from a valuation point of view.
On 8 July 2019, the Parties signed the agreements that regulate the terms and conditions of the transfer as described above, confirming that the operation shall be closed within 30 November 2019. On 1 July 2019, Vertice 360 completed with the entire subscription the capital increase process of about € 12 million, which shall be already concluded on the Reserved Increase date. The Shareholders' Meeting of Vertice 360 for the approval of the Reserved Increase shall be called by 04 October 2019. The closing of the transaction, which shall include all other fulfilments envisaged by the contractual documents (including the eventual debt repayment took over by Vertice 360), shall take place during the Meeting for the approval of the Reserved Increase, which shall be held before the aforementioned term of 30 November 2019.
The transaction is currently subject to: (i) the assessment of an expert appointed by the Spanish Commercial Register, competent under the Spanish law, confirming the value of Giglio Group’s Media Division, defined as a contribution in kind within the Reserved Increase; (ii) the consent to the transfer from Giglio Group to the entirely controlled company Media 360 Italy Corporate Capital S.r.l. of the authorisation regarding channel LCN 68.
In the context of the transaction, Vertice 360 and Giglio Group, benefiting from their expertise in the Digital, TV and e-commerce sectors, shall work together in order to generate continuous business and enterprise synergies all over the world. For this purpose, Giglio Group and Vertice 360 shall sign on the closing date an agreement of editorial services and a commercial and service agreement. The Parties agreed to start cooperating in the management of Giglio Group’s Media Division and, until the end of the transaction, any decision shall be agreed upon by both Parties within the framework of a committee composed of two members, respectively appointed by Vertice 360 and Giglio Group.
Vertice 360 is focused on the media world and will be able to enhance and improve Giglio Group's media assets, counting on a specific know-how, strong synergies and a particular specialisation in the sector.
By doing so, Giglio Group shall focus entirely on the e-commerce, aiming at maximising the potential of the media area by transferring it to a highly-specialised and professional player of the sector. Despite the transfer of the media area, Giglio Group shall still monitor the digital marketing area, also in collaboration with Vertice, for the commercial video promotion of its brands on Chinese media channels managed by the Group. The local presence in the market shall be fulfilled

by the subsidiaries Giglio TV Hong Kong and Giglio Shanghai, that will focus entirely on the commercialisation of goods on their own account (B2B) or on the brands' account (B2C), developing the operational, technological and logistic platform necessary to connect brands to the Country's marketplaces. Among the various services offered to the brand, Giglio Group shall also cater for the production and placement of videos in the Country's main digital channels, on the basis of the strong experience developed so far, as well as by benefiting from the privileged relation with CCTV, Chinese State TV.

For the purpose of reporting the discontinued operation at 31 December 2018 and in the abbreviated interim consolidated financial statement at 30 June 2019, to be entered at the lower of cost and fair value, net of relevant sale costs, the values resulting from the fairness opinion (reference value € 12.5 million), as reference for the fair value, were used, deemed that Vertice 360's current market capitalisation and the listed value of its shares, which would have represented a higher fair value, do not reflect already (a) the synergies expected from the transaction, that shall be reflected in the shares' market values on closing date; (b) other factors currently not foreseeable such as the market reaction to these information (the so called "market sentiment"); and (c) the result of the conditions precedent included in the agreement[1], that might have an effect on the share's performance. Therefore, until the market factors these information in the context of the share negotiation and thus of the listed price, the Directors deemed to base their fair value assessment on level-3 data, consistent with the assessment of the independent expert, with the reasonable expectation, supported by the results of the fairness opinion, that Vertice 360's market capitalisation should increase significantly in the period between 30 June 2019 and the closing date of the transaction.

Regarding the value increase expectation of the shares that Giglio shall purchase in exchange of the area's transfer in November 2019, the Directors assessed the fair value of the assets held for sale taking into account the values resulting from the fairness opinion described above, determining the total value of Vertice 360's economic capital by using an approach based on the estimate of discounted cash flows (so called income approach). In developing the approach, the Industrial Plan 2019-2023 was used, approved by Vertice 360 on 25 February 2019 and extended for 5 more years in order to include further expansion expectations of the business. It is noted that

[1] The transfer is subject to: (i) the assessment of an expert appointed by the Spanish Commercial Register, competent under the Spanish law, confirming the value of Giglio Group's Media Division, defined as a contribution in kind within the Reserved Increase; (ii) the consent to the transfer from Giglio Group to the entirely controlled company Media 360 Italy Corporate Capital S.r.l. of the authorisation regarding channel LCN 68.

the values determined upon application of the previous approach integrate a terminal value of about 75% the value of Vertice 360's economic capital. The determination of these provisional data represents an element of uncertainty in the process of the assessment of the sale price of assets held for sale, which could therefore differ, also significantly, from the market value of the block of shares that Giglio Group shall obtain as payment on the closing date.

Indeed, the shares obtained upon closing date shall be reported, pursuant to IFRS 9, to the market value at that date, and shall be adjusted at every following measuring date, according to the market value's trend, representing the market value with a level 1 fair-value index. It is noted that, if this criterion were to be used in the creation of 30 June 2019 Financial Statement, the net value of the assets held for sale would have been equal to about € 5.3 million, thus reducing the Group's net equity at 30 June 2019 at about € -0.2 million.

It is also noted that, on 15 March 2019, the Board of Directors approved the Industrial Plan 2019-2023, which takes into account the effects of the divestment of the media area, excluding it from the perimeter of Giglio Group's operations starting from 2019. With the Industrial Plan 2019-2023, the Company adopts a tool whose strategic objective are focused in the context of the ongoing transformation, recognising the main performance indicators of the e-commerce sector.

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

The plan assumes the continuous development of the new technological platform that started during 2018, allowing more scalability in terms of manageable transactions and integration velocity of brand systems with marketplace platforms, as well as omnichannels. Moreover, investments are assumed for the development of the Chinese e-commerce platform, in order to support brands and their sales on the marketplaces integrated to the Group's technological structures developed in the Country. The Industrial Plan considers a GMV (Gross Merchandise Value) acceleration in line with the expectation of the reference market (online sales for luxury fashion) - and for new brand acquisitions, for which a strong increase s expected from 2019, on the basis of numerous and important ongoing negotiations. The Industrial Plan considers in a very conservative way the effects of the launch of the commercialisation of the Group's services in China, albeit being aware of the quality of its commercial, technological and marketing proposal and of its superiority if compared to other offers.

The strategic objectives of the Plan define a Group that leads the Italian market and is capable of catering for a relevant share of the online "Made in Italy" market with more than 50 marketplaces integrated on a global scale, as well as of becoming on of the most relevant digital and commercial partners for Made in Italy's luxury in China.
Giglio Group aspires to become partner with more than 80 brands, with at least 50 integrated brands in its Ibox platform and with sales in China three-times higher than 2018, without however incorporating turnovers that might be realised through partnerships with big brands, with which negotiations are continuous.

On 1 April 2019, within the context of the selling procedure for the media area and of the transfer agreement in favour of Vertice 360, as previously described, in order to better define the subject of the transfer, with signature authenticated by notary Marco Borio, a limited liability company called M-THREE SATCOM SRL with headquarters in Milan has been established, owned completely by Giglio Group S.p.A., with registered office in Piazza Generale Armando Diaz no.6. The company has been established in order to gather in an uniform manner all the activities related to the satellite broadcasting business unity, incorporated in Giglio Group S.p.A.. The company objects is as follows: providing services in the telecommunications' and data and information broadcasting technologies' fields; marketing in any form and way, in Italy and abroad, networks and services and/or telecommunication systems, also via satellite; designing, creating, installing, managing and maintaining and developing networks and/or telecommunication systems, as well as terrestrial, fixed, mobile and satellite stations and/or cable and over-the-air telecommunications services, telematics and/or electronics. The Governing Director of the company is Michele Magnifichi, previously responsible for the same business within Giglio Group S.p.A..

On 2 April 2019, the company issued a non-convertible debenture bond of € 5 million in principal, made up of 50 bearer bonds with a denomination per unit of € 100,000.00 each. The issue of the non-convertible Debenture Bond took place in the context of the operation"EBB Export Programme", aimed at the retrieval of financial resources by selected Companies (including Giglio Group) for funding and supporting the internationalisation projects of their core businesses. The Bonds bear interest at the fixed nominal gross annual rate of 4.572%, to be paid with a semi-annual coupon postponed until the expiration of the Debenture Bond (or, if earlier, until the date in which Bonds shall be fully redeemed). The Bonds have a legal duration of 8 years and 6 months and the expiry date will be the last interests' payment date in 2027; the Bonds shall be redeemed at par, i.e. at 100% of their nominal value, pursuant to the amortisation plan set forth in the regulation, with 13 semi-annual capital instalments, with a grace period of 2 years;

Giglio Group relied on the support of FISG S.r.l, a company of the Banca Finanziaria Internazionale Group, as "Arranger", entrusting it with the management of the Operation's structure. The Operation was realised through the issue, on behalf of each Company involved in the programme, of debenture bonds represented by bearer bonds with a denomination per unit of € 100,000.00 each, issued in book-entry form at Monte Titoli S.p.A.. The bonds were entirely subscribed by EBB Export S.r.l, a Company for the securitisation of receivables established in Italy and governed by Law 130/1999, which financed the payment of the subscription price of the debenture bonds through the issue of asset-backed securities with limited recourse on the debenture bonds, subscribed exclusively by qualified investors such as Cassa Depositi e Prestiti and Banca del Mezzogiorno - Mediocredito Centrale, among the others.

The Bonds shall not be listed on any regulated market nor on any MTF;

Furthermore, the following credit enhancements were envisaged:

(i) the issue by SACE S.p.A. of an autonomous, first-demand guarantee in favour of the SPV as guarantee of the compliance with the obligations of payment made against the Company's capital and interests deriving from the Debenture Bond issued by the same.

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

In compliance with market standards, the regulation governing the Debenture Bond's terms and conditions includes, other than the aforementioned elements, also (i) some commitments and limitations borne by the Company, including, by way of example but not limited thereto, financial commitments (the so-called financial covenants), as well as disclosure and industrial commitments and (ii) bondholders safeguards in the case of events detrimental to their interests, which shall activate the acceleration clause and thus oblige the Company to fully redeem the Debenture Bond in advance (the so-called events of major importance). The industrial commitments mentioned above include the obligation to finalise the internationalisation project, whose content is attached to the Regulation of the Debenture Bond. The financial covenants - the first valuation date of which is set at 30 June 2019 (respected covenants) - to be respected throughout the life of the Debenture Bond are as follows: a) a gearing ratio, and b) a leverage ratio, as defined by the Regulation of the Debenture Bond. In particular: (a) the leverage ratio shall not be greater than: (i) 4.5 for 2019 and 2020 and (ii) 3.5 starting from 2021 and until the expiration of the Debenture Bond; and (b) the gearing ratio shall not be greater than 2 for the whole duration of the Debenture Bond.

On 5 September 2019, the bondholder authorised Giglio S.p.A. request to increase the covenant leverage ratio from 4.5 to 5.5 with regards to the valuation date of 30 June 2019.

On 30 April 2019, the Ordinary and Extraordinary Shareholders' Meeting of Giglio Group S.p.A. met under the chairmanship of Alessandro Giglio and in the presence of notary Carlo Marchetti. The Ordinary Shareholders' Meeting approved the Annual Financial Report at 31 December 2018, in the terms proposed by the Board of Directors and presented to the market with the press release of 18 March 2019, whose data are shown at the end of this release. The Financial Statement showed a loss of € 4,744,900.00, and the Meeting resolved to write off the loss by using available reserves, which, net of results carried forward from the previous financial year, amounted to € 8,318,303.00. The Ordinary Shareholders' Meeting resolved to redetermine the annual gross compensation of the Board of Directors, increasing it from € 315,000 to € 335,000, and appointed, thus confirming them, Mr Carlo Micchi and Ms Silvia Olivotto as Directors of the Company, who shall remain in office until the Meeting for the approval of the Financial Statement at 31 December 2020.

The Ordinary Shareholders' Meeting resolved to authorise the Board of Directors, pursuant to Art. 2357 of the Italian Civil Code, to purchase own shares. On the basis of the resolution, he purchase may be made, on one or more occasions, within 18 months from the date of the Meeting's resolution and in the limits of available reserves and distributable profits resulting from the last approved financial statement. The unit price of each share shall not be less nor higher than 20% of the reference price registered for the share in the stock exchange market in the session prior to every transaction, and, in any case, at a unit price not higher than the price of the last independent transaction and the price of the current higher independent purchase in the trading venue where the purchase is carried out. Lastly, the maximum number of purchased shares shall not have a total nominal value, including shares eventually owned at the date of this report by the Company and its subsidiaries, exceeding the fifth part of the whole share capital, taking into account also the shares owned by the subsidiaries;

The Extraordinary Shareholders' Meeting resolved to approve the amendments to the By-laws. More specifically, the proposed amendments concern the formulation of the Company object and are aimed at representing in a cleared and more linear way the activities already included in the Company object through the description of the procedure with which they can be stated. More specifically, also following the transfer transaction of the media area and the approval of the new industrial plan 2019-2021, which provides for the focus of the Company's business on e-commerce, the new formulation of the Company object is aimed at giving greater prominence to this trade activity, already included in the current Company object, through the description of the commerce via internet, also defined as e-commerce, and of the related activities in which it can be carried out correctly. At the same time, the new formulation of the Company object streamlines the description of the activities included in the media area, without prejudice to the scope of the activities of such area that the Company may still carry out.

On 5 June 2019, within the context of the selling procedure for the media area and of the transfer agreement in favour of Vertice 360, as previously described, in order to better define the subject of the transfer, with signature authenticated by notary Marco Borio, a limited liability company called "MEDIA 360 ITALY CORPORATE CAPITAL S.R.L.", owned completely by Giglio Group S.p.A., was established, with headquarters in Milan. The registered office has been established in Piazza Generale Armando Diaz no. 6, Milan. The company's object, in order to comply with regulations and prohibitions listed in the existing legal framework and subject to the obtainment of the prescribed authorisations, include the following most relevant activities, among others: production, setup and organisation of shows of any kind; by way of non-limiting example: music concerts, variety shows, sport events, theatrical and TV shows, both in Italy and abroad, together with the relevant agency activities; the production, supply and acquisition of TV and cinematographic programmes; by way of non-limiting example: TV shows, films, TV serials, music shows, various shows, videos, home-videos, TV advertisements, as well as the research of sponsors for the shows and the relevant agency activities; the production and rental of any mean provided by technology for the broadcast and reproduction of the sound and the image; other activities. The Governing Director of the company is Alessandro Giglio, chosen for his undeniable historic competence in the TV sector.

On 14 June 2019, within the context of the same selling procedure for the media area and of the transfer agreement in favour of Vertice 360, as previously described, in order to better define the subject of the transfer, a limited liability company called "MEDIA 360 HONG KONG LIMITED", owned completely by Giglio Group S.p.A., was established, with headquarters in Hong Kong. The Governing Director of the company is Alessandro Giglio.

13. Subsequent events

Within the context of the transfer of the media area, on 8 July 2019, Giglio Group S.p.A., Vértice Trescientos Sesenta Grados SA and Squirrel Capital SLU, as previously defined, signed the agreements that regulate the terms and conditions of the transfer to Vertice 360 of the assets regarding Giglio Group's media area (the "Media Division") against a reserved capital increase of € 1,136,363.64, with the consequent issue of 1,136,363,636.00 Vertice 360's shares representing, on the date of the conclusion of the agreement, no less than 5.95% of Vertice 360's share capital in favour of the Company (the "Capital Increase").

The agreement confirms the scope of the transfer, i.e. 100% of the company's shares of M3Satcom S.r.l. (Italy) - in which the company branch of the same name has been transferred -, 100% of Nautical Channel LTD's shares (UK), 100% of Media 360 Italy Corporate S.r.l.'s shares (IT) - in which the TV broadcasting activities in Italy have been transferred -, 100% of Media 360 Hong Kong's shares (HK), in which TV content and rights for China have been transferred.

The Value of the transfer, the timing, terms and conditions of the agreement confirm what has already been defined at 11 March 2019. The Parties confirmed in the contractual documents that the transactions' closing shall take place on 30 November 2019, notwithstanding the residual suspensive conditions concerning the agreement signed on 11 March 2019. The Shareholders' Meeting of Vertice 360 for the approval of the Reserved Increase shall be called by 04 October 2019. The closing of the transaction, which shall include all other fulfilments envisaged by the contractual documents (including the eventual debt repayment took over by Vertice 360), shall take place during the Meeting for the approval of the Reserved Increase, which shall be held before the aforementioned term of 30 November 2019.

Upon the closing date, the Parties shall sign, inter alia, a Shareholders' Agreement regarding Vertice 360. Under the Shareholders' Agreement, starting from the date of approval of the Reserved Increase for transfer of the Media Division, Giglio Group shall be entitled to appoint Alessandro Giglio as member of Vertice 360's Board of Directors as representative of the Group.

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

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

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

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

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

For the minibond, the following covenants must be complied with contractually on 31 December 2018:

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

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

The main amendments to the Regulation concern:

- the inclusion of transfer operations regarding assets related to TV and media area among the operations allowed without prior authorisation from the Bondholders' Meeting;
- the amendment of the amortization plan with the introduction of monthly reimbursement tranches starting from 28 February 2019 until 30 September 2020, new expiry date of the debenture loan;
- the payment of interests on a monthly basis pursuant to the payment dates provided for by the new amortization plan, not withstanding (i) that the annual interest rate for the debenture bond remains unchanged and (ii) that interests accrued between 10 September 2018 and 27 February 2019 shall be paid on 10 March 2019;
- the definition of financial covenants, specifying that during 2018, any deviation from said covenants shall not produce the effects set forth in the Regulation.

15. Information and Management of Principal Risks and Uncertainties

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

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

Non-financial risks

Among the internal risks we highlight:

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

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

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

Among the external sources we highlight:

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

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

Catastrophic events: there are no events of this nature.

IT risks: the widespread and growing use of digital identity-SPID, of digital signature and of certified electronic email addresses may increase the risk of digital identity theft as well as the fraudulent use of these identities. Any undue and/or elicit utilisation of such information could result in, among other matters, a violation, attributable to the Issuer and/or to the Group, of the data protection regulation, with possible negative effects on the activities and on the prospects of the Issuer and/or of the Group, as well as on the equity and financial situation of the Issuer and/or of the Group. During the years 2013-2018 there were no information system attacks nor, to the knowledge of the company, any occurrences of embezzlement of data and/or sensitive information. Where the Group is unable to adopt technological controls in order to meet these possible risks they may be liable for economic and financial damages incurred by third parties with negative effects on the economic, financial and equity situation of the Group.

Financial risks

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

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

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

Currency risk

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

Credit risk

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

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

Liquidity risk

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

16. Significant shareholders and shares of the Issuer

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

- 55.67% of 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, 12 September 2019

Board of Directors

The Chairman

Dott. Alessandro Giglio

GIGLIO GROUP S.p.A.

Registered office in Milan, Piazza Diaz, 6 Milan

Share capital: € 3,208,050

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

Registered at Milan Companies Registration Office with no. 07396371002

Interim Condensed Consolidated Financial Statements as of 30 June 2019

FINANCIAL STATEMENTS

- Condensed Consolidated Statement of Financial Position
- Condensed Consolidated Statement of Profit or Loss and Comprehensive income
- Condensed Consolidated Statement of changes in Equity
- Condensed Consolidated Statement of Cash Flows
- Notes to the Interim Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Financial Position

Condensed Consolidated Statement of Financial Position (Euro thousands)		30.06.2019	31.12.2018
Non-current assets			
Property, plant & equipment	(1)	1,240	1,492
Right-of-use assets		1,817	-
Intangible assets	(2)	1,753	629
Other intangible assets		1,753	629
Goodwill	(3)	11,668	11,668
Investments in associates	(4)	5	5
Receivables	(5)	1,397	1,590
Deferred tax assets	(8)	742	1,174
Total non-current assets		**18,622**	**16,558**
Current assets			
Inventories	(6)	3,748	5,273
Trade and other receivables	(7)	11,403	12,519
Tax receivables	(8)	7,010	9,949
Other assets	(9)	2,225	2,653
Cash and cash equivalents	(10)	2,558	2,889
Total current assets		**26,944**	**33,283**
Assets held for sale	(35)	**18,804**	**18,431**
Total Assets		**64,370**	**68,272**
Net Equity	(11)		
Share capital		3,208	3,208
Reserves		11,348	11,400
Extraordinary reserve		-	-
Listing charges		(541)	(541)
FTA Reserve		4	4
Retained earnings		(5,728)	2,602
Translation reserve		2	-
Net profit		(3,128)	(8,264)
Total Group Net Equity		**5,165**	**8,409**
Minority interest in net equity		-	-
Total Net Equity		**5,165**	**8,409**
Non-current liabilities			
Provisions for risks and charges	(12)	705	804
Deferred tax liabilities	(13)	2	3
IFRS16 financial payables		1,657	-
Financial payables	(14)	8,654	6,663
Total non-current liabilities		**11,018**	**7,470**
Current liabilities			
Trade and other payables	(15)	20,782	24,070
IFRS16 financial payables		522	-
Financial payables	(14)	13,554	16,009
Tax payables	(16)	3,064	2,824
Other liabilities	(17)	1,107	982
Total current liabilities		**39,029**	**43,885**
Assets held for sale and liabilities directly associated with assets held for sale	(35)	**9,158**	**8,508**
Total liabilities and Shareholders' Equity		**64,370**	**68,272**

Condensed Consolidated Statement of Profit or Loss

Condensed Consolidated Statement of Profit or Loss (Euro thousands)		30.06.2019	30.06.2018
Total revenues	(18)	**17,847**	**17,507**
Other revenues	(18)	712	457
Capitalised costs	(19)	713	0
Change in inventories		(1,378)	1,422
Purchase of raw materials, ancillary, consumables and goods	(20)	*(7,268)*	*(9,659)*
Service costs	(21)	*(8,359)*	*(7,608)*
Rent, lease and similar costs	(22)	*(88)*	*(493)*
Operating costs		**(15,715)**	**(17,760)**
Salaries and wages	(23)	*(1,793)*	*(1,406)*
Social security charges	(23)	*(384)*	*(276)*
Post-employment benefits	(23)	*(84)*	*(50)*
Personnel expense		**(2,261)**	**(1,732)**
Amortisation	(24)	*(135)*	*(53)*
Depreciation	(24)	*(647)*	*(73)*
Write-downs	(24)	*17*	*(10)*
Amortisation, depreciation & write-downs		**(765)**	**(136)**
Other operating costs	(25)	*(321)*	*(562)*
Operating profit		**(1,168)**	**(804)**
Financial income	(26)	*6*	*22*
Net financial expenses	(26)	*(715)*	*(461)*
Profit before taxes		**(1,877)**	**(1,243)**
Income taxes	(27)	*(483)*	*(36)*
Net Profit from continuing operations		**(2,360)**	**(1,279)**
Net Profit from discontinued operations	(36)	**(768)**	**1,283**
Net Profit		**(3,128)**	**4**
Of which minority interest		**-**	**-**
Basic and diluted profit from continuing operations		**(0.1471)**	**(0.0863)**
Basic and diluted profit from discontinued operations		**(0.0479)**	**0.0866**
Net profit per share – basic and diluted		**(0.1982)**	**0.0004**

* In compliance with provisions set forth in paragraph 33 of IFRS 5 "Non-current assets held for sale and discontinued operations", the analysis of the net profit of discontinued operations can be shown in the income statement or in the notes, alternatively. The Group chose to show the analysis in the Notes at note 36 "Discontinued operations", to which reference is made.

Comprehensive Income Statement

Comprehensive Income Statement (Euro thousands)		30.06.2019	30.06.2018
Net Profit		(3,128)	4
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	2
Total other comprehensive items which may be subsequently reclassified to profit/(loss) for the year net of income taxes		**1**	**2**
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)	(52)	1
Total other comprehensive items which may not be subsequently reclassified to profit/(loss) for the year net of income taxes		**(52)**	**1**
Consolidated comprehensive profit		**(3,180)**	**6**

Condensed Consolidated Statement of changes in Equity

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

Description *(Euro thousands)*	Share capital	Reserves	FTA Reserve	Foreign currency Translation reserves	IAS 19 Reserve	Retained earnings	Net profit	Total
31 December 2018 BALANCE	**3,208**	**10,914**	**4**	**-**	**(55)**	**2,602**	**(8,264)**	**8,409**
Restatement for first application IFRS 16						(65)		(65)
01 January 2019 BALANCE	**3,208**	**10,914**	**4**	**-**	**(55)**	**2,537**	**(8,264)**	**8,344**
Share capital increase	-							-
Share premium reserve		-						-
Retained earnings						(8,264)	8,264	-
IAS 19 Reserve					(52)			(52)
Exchange rate effect				1				1
Other changes	-	-				-		-
Group profit/(loss)							(3,128)	(3,128)
30 June 2019 BALANCE	**3,208**	**10,914**	**4**	**1**	**(107)**	**(5,727)**	**(3,128)**	**5,165**

Interim Condensed Consolidated Statement of Cash Flows

Euro thousands		**30.06.2019**	**30.06.2018**
Cash flows from operating activities			
Profit (loss) for the period of continuing operations		(2,360)	(1,279)
Profit (loss) for the period of discontinued operations	**(36)**	(768)	1,283
Adjustments for:			
Amortisation of tangible assets	**(1)**	246	73
Amortisation of right-of-use assets		401	
Amortisation of intangible assets	**(2)**	135	53
Non-cash changes of provisions		(99)	(130)
Write-downs/(Revaluations)	**(24)**	(17)	10
Net financial charges/(income)	**(26)**	709	438
Income taxes	**(27)**	483	36
Changes in:			
Inventories	**(6)**	1,525	1,397
Trade receivables	**(7)**	1,116	(144)
Tax receivables	**(8)**	1,379	256
Financial receivables to banks		1,560	-
Other assets	**(9)**	427	(479)
Deferred tax liabilities	**(13)**	(1)	(40)
Trade payables	**(15)**	(3,288)	(1,421)
Tax payables	**(16)**	(243)	398
Changes in right-of-use assets		(2,218)	-
Changes in IFRS 16 financial payables		2,179	-
Other liabilities	**(17)**	125	1,404
Change in net working capital		**2,561**	**1,371**
Changes in assets held for sale		(372)	(6,390)
Changes in assets/liabilities held for sale	**(36)**	650	(63)
Cash flow generated from operating activities		**1,941**	**(1,792)**
Interest paid	**(26)**	(530)	(438)
Income taxes paid	**(27)**	-	(36)
Net cash flow generated from operating activities		**1,411**	**(1,318)**
Cash flows from investing activities			
Investments in property, plant & equipment	**(1)**	(22)	44
Investments in intangible assets	**(2)**	(1,231)	(53)
Changes in other intangible assets	**(5);(8)**	642	(334)
Increase in investments in associates	**(4)**	-	(5)
Net cash flow absorbed by investing activities		**(611)**	**(348)**
Cash flow from financing activities			
Change in Shareholders' Equity		(115)	(56)
New financing	**(14)**	6,238	5,500
Repayment of loans	**(14)**	(4,507)	(1,088)
Change in financial debt	**(14)**	(2,374)	(1,656)
Net cash flow absorbed by financing activities		**(758)**	**2,700**
Net increase/(decrease) in cash and cash equivalents		**42**	**3,670**
Cash and cash equivalents at 1 January		2,889	6,209
Cash and cash equivalents at 30 June		2,558	3,490

Notes to the Interim Condensed Consolidated Financial Statements

GENERAL INFORMATION

A. Corporate information

Publication of the condensed consolidated financial statements of Giglio Group S.p.A. (the Company) at 30 June 2019 was approved by the Board of Directors on 12 September 2019.

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 31.

B. Accounting standards

The condensed consolidated half-year financial statements of Giglio Group S.p.A at 30 June 2019 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 at 30 June 2019 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 31 December 2018 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 E-volve Service 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 2015, with transition date to IFRS at 1 January 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 Balance Sheet, the current and non-current assets and liabilities are shown separately;

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

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

An asset is considered current where:

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

All other assets are classified as non-current.

A liability is considered current where:

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

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

D. Discretional valuations and significant accounting estimates

The preparation of the condensed consolidated half-year financial statements 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:

- Identification of Cash Generating Unit (CGU); In application of the requirements in "IAS 36 - Impairment of assets", the goodwill recorded in the Group's Consolidated Financial Statement, by virtue of business combination transactions, was assigned to single CGUs or to groups of CGUs that are expected to benefit from this combination. A CGU is the smallest identifiable group of assets that generates a largely independent cash flow. In the process of identification of the aforementioned CGUs, the management kept note of the specific nature of the activity and the business to which it belongs, verifying that the cash flows generated by a group of activities were strictly independent and largely autonomous from the ones resulting from other activities (or group of activities). The activities included in every CGU were identified also on the basis of the procedures by which the management monitors and manages them.
- Application of classification requirements set forth by IFRS 5; The Group classifies non-current activities and disposal groups as "held for sale" if their book value will be recovered mainly with a sale operation instead of their continued use. The condition for the classification of "held for sale" shall be deemed respected only when the sale at the financial statement date is highly probable and the activity or group to be discontinued is available for immediate sale as is. The actions required to close the sale should point out that it is improbable that any significant change shall occur in the sale or that this might be cancelled. The management must commit to sell, and the sale must be closed within one year from the classification. The management shall include in its assessments all facts and circumstances, including the events that might hinder the disposal plans.
- Assessment of fair value for assets or group of assets held for sale; The Group classifies non-current assets and disposal groups as held for sale or for distribution to the company's shareholders if their book value will be recovered mainly with a sale or distribution transaction, instead of their continued use. These non-current assets and disposal groups classified as held for sale or for distribution to shareholders are assessed at the lower between the book value and the fair value, net of sales or disposal costs. On 11 March 2019, the Parent Company signed a transfer agreement with Vértice Trescientos Sesenta Grados S.A. (Vertice 360) regarding some assets of the Media Division, classified, as conditions applied, in the assets held for sale. These assets have been assessed for an

overall value of € 12.5 million on the basis of a fairness opinion appointed by the Company to an independent expert. For the purpose of reporting the discontinued operation at 31 June 2019, to be entered at the lower of cost and fair value, the values resulting from the fairness opinion were used, as described in detail in paragraph 36 of the Explanatory Notes, to which reference is made.

- Assessment of control requirements' existence; Pursuant to the provisions of IFRS 10 accounting standard, control is attained when the Group is exposed or is entitled to variable yields resulting from the relation with its subsidiary and has the capacity, through its power over the subsidiary, to influence its yields. The power is the actual capacity to direct the subsidiaries' relevant activities by virtue of substantial existing rights. The existence of control does not depend exclusively on the possession of the voting rights' majority, but on the substantial rights of the investor on the subsidiary. Consequently, the assessment of the management is requested in order to assess specific situations determining substantial rights that attribute to the Group the power to direct the subsidiary's relevant activities so much so as to influence its yields. For the purposes of the assessment of the control requirement, the management shall analyse all facts and circumstances, including all agreements with investors, the rights resulting from other contractual agreements and from potential voting rights (call options, warrants, put options assigned to minority shareholders etc.). These facts and circumstances can be particularly relevant in the context of this assessment, especially when the Group holds less than the majority of the subsidiary's voting right, or similar rights. The Group shall reassess the existence of control requirements on a subsidiary when the facts and circumstances point at a variation of one or more of the elements taken into account for the assessment of its existence.

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

- Doubtful debt provision:

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

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

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

- Payments based on shares or options:

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

It is noted that, on 29 October 2018, the ordinary and extraordinary Shareholders' Meeting took place.

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

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

The options thus assigned shall be exercised over a three-year vesting period divided in three tranches (up to 20% on the first year, up to 30% on the second year and up to 50% on the third year) and shall accrue only if the objectives set in the plan are achieved (in terms of performance conditions).

It is noted that the objectives related to 2018 were not achieved and, in the same way, on the basis of the prospective results regarding the objectives set in the plan, at 31 December 2018, no provision was made necessary.

- Employee Benefits, whose values are based on actuarial estimates; refer to Note 12 for the main actuarial assumptions;
- Goodwill: the recoverability of Goodwill is tested annually and, where necessary, also during the year. The allocation of goodwill to CGUs or groups of CGUs and the calculation of the latter's recoverable value involves the assumption of estimates that depend on subjective valuations and factors that may change over time with consequent effects that are also significant with regard to the valuations carried out by the Directors. These valuations are carried out at the level of cash-generating units to which the value of goodwill is attributed and assume the higher of the fair value as the recoverable value, if this is available or calculable, and its value in use obtainable from the long-term plans approved by the Boards of Directors.

It is equity 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 30 June 2019, 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 30 June 2019 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 are tested annually for permanent write-downs when there are indications that the carrying amount may not be recovered. When the calculations of the value in use are prepared, Directors must estimate the cash flows expected from the asset or from the cash-generating units and choose an appropriate discount rate so as to calculate the present value of these cash flows. The correct identification of the indicators of the existence of a potential reduction in value as well as the estimates for their determination depends on factors which may vary over time impact upon the valuations and estimates made by the
- Deferred tax assets are recognised to the extent where it is likely there will be adequate future tax profits against which temporary differences or any tax losses can be utilised. In this regard, the Group's management estimates the probable timing and the amount of the future taxable profits.
- Business combinations and valuation of acquired assets and liabilities:

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

- Contingent liabilities:

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

E. Management of capital and financial risks

Financial risk objectives and criteria

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

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

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

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

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

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

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

Market risk

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

Currency risk

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

Interest rate risk

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

The interest rate risk may be classified in:

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

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

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

namely the risk of an increase in financial costs in the income statement due to an adverse variation in interest rates.

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

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

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

Credit risk

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

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

The risk of non-collection is managed by the Giglio Group through a series of commercial policies and internal procedures which, on the one hand, reduce the exposure risk on clients, and on the other monitors the receipts in order to take adequate and timely corrective action.
2019 figures include the effects of the adoption of IFRS 9.

The ageing of the gross trade receivables at 30 June 2019 and 30 June 2018 is shown below:

(Euro thousands)	**Year ended at 30 June 2019**	**%**	**Year ended at 31 December 2018**	**%**
> 120 days	1,121	*12.1 %*	2,675	*21.8 %*
90<> 120 days	*166*	*1.8 %*	*652*	*5.3 %*
60<> 90 days	*83*	*0.9 %*	*708*	*5.8 %*
30<> 60 days	*34*	*0.4 %*	*1,125*	*9.2 %*
0<> 30 days	*789*	*8.5 %*	*1,112*	*9.0 %*
Total overdue	***2,193***	***23.6 %***	***6,273***	***51.0 %***
Not overdue	*7,087*	*76.4 %*	*6,018*	*49.0 %*
Total gross receivables	**9,281**	***100.0 %***	**12,290**	***100.0 %***
Doubtful debt provision	*(1,342)*		*(1,359)*	
Inc. provision on overdue 120 days	*(119.8)%*		*(50.8)%*	
Total	**7,939**		**10,931**	

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

(Euro thousands)	**Year ended at 30 June 2019**	**%**	**Year ended at 31 December 2018**	**%**
Europe	8,258	*89.0 %*	6,675	*54.3 %*
Asia	*1,001*	*10.8 %*	*5,578*	*45.4 %*
USA	-	-	*4*	*0.0 %*
Rest of the world	*22*	*0.2 %*	*34*	*0.3 %*
Total gross receivables	**9,281**	***100.0 %***	**12,290**	***100.0 %***
Doubtful debt provision	*(1,342)*		*(1,359)*	
Total	**7,939**		**10,931**	

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

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

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

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

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

Liquidity risk

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

At 30 June 2019 the credit lines granted and the relative utilisations were as follows:

Entity	**Credit line for invoice advances Italy**	**Used**	**Credit line for invoice advances Overseas**	**Used**	**Cash credit facilities**	**Used**	**Total credit lines**	**Total Used**
MPS	-	-	-	-	15	8	15	8
Banca Popolare di Milano		139	-	423	20	14	1,070	576
Banca Sella	-	-	200		-	-	200	
Banca Popolare di Sondrio	150	107	40		-	-	190	107
UNICREDIT	5,000	4,990	-	-	50	40	5,050	5,030
BNL	-	-	-	-	50	44	50	44
IFITALIA Factoring - BNL	5,950	1,927	-	-	-	-	5,950	1,927
CREDIMI	1,570	1,349	-	-	-	-	1,570	1,349
IFIS	100	8	-	-	-	-	100	8
BANCA INTESA HONG KONG	-	-	200	200	-	-	200	200
Total	**12,770**	**8,520**	**440**	**623**	**135**	**106**	**14,395**	**9,249**

Reference should also be made to the table in paragraph 14 (Current and non-current financial payables) and to the Explanatory Notes' paragraph pursuant to Art. 2428, par. 3, no. 6-bis of the Italian Civil Code as far as covenants are concerned.

Capital management

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

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

The Group aims at maintaining over time a credit rating and capital index level

adequate and coherent with the structure of the assets.

ACCOUNTING POLICIES AND ASSESSMENT CRITERIA

Consolidation principles

The consolidated financial statements include the financial statements of Giglio Group S.p.A and its subsidiaries at 30 June 2019. In particular, a company is considered "controlled" when the Group has the power, directly or indirectly, to determine the financial and operating policies so as to obtain benefits from its activities.

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

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

- the power over the investment entity (or holds valid rights which confer it the current capacity to control the significant activities of the investment entity);
- the exposure or rights to variable returns deriving from involvement with the investment entity;
- the capacity to exercise its power on the investment entity to affect its income streams.

Generally, there is presumption that the majority of the voting rights results in control. In support of this presumption and when the Group holds less than the majority of the voting rights (or similar rights), the Group shall consider all the facts and significant circumstances to establish whether control of the investment entity exists, including:

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

The Group reconsiders if it has control of an investee if the facts and circumstances indicate that there have been changes in one or more of the three significant elements for the definition of control. The consolidation of a subsidiary begins when the Group obtains control and ceases when the Group

loses this control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the consolidated financial statements at the date in which the Group obtains control until the date in which the Group no longer exercises control.
Changes in the holdings of subsidiaries which do not result in the loss of control are recognised under net equity.
If the Group loses control of a subsidiary, it must eliminate the relative assets (including goodwill), liabilities, minority interests and other net equity items, while any gain or losses are recorded in the income statement. Any holding maintained must be recorded at fair value.
The financial statements of the subsidiaries included in the consolidation scope are consolidated under the line-by-line method, which provides for the full integration of all accounts, without reference to the Group's holding, and the elimination of intercompany transactions and unrealised gains.
The amounts resulting from transactions between consolidated companies are eliminated, in particular receivables and payables at the reporting date, costs and revenues as well as financial income and charges and other items recorded in the income statement. Gains and losses realised between consolidated companies and the related tax effects are also eliminated.
Assets held for sale that are very likely to be sold within the next 12 months, provided that requirements set forth in IFRS 5 are complied with, are classified in accordance with the provisions of this standard and, therefore, once integrally consolidated, all the activities relating to them shall be classified under a single entry, defined as "Assets held for sale", while the liabilities connected to them are inscribed in a single line of the balance sheet, in the section for liabilities, and their surplus margin is shown in the income statement
under the entry "Profit (loss) from assets held for sale and discontinued operations".

Business combinations and goodwill

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

The acquisition costs are expensed in the year and classified under administration expenses. When the group acquires a business, the financial assets acquired or liabilities assumed under the agreement are classified or designated in accordance with the contractual terms, the economic conditions and the other conditions at the acquisition date. Any potential payment to be recognised is recorded by the purchaser at fair value at the acquisition date. The change in the fair value of the potential payment classified as an asset or liability, as a financial instrument which is subject to IFRS 9 financial instruments: recognition and measurement, must be recognised in the income statement. The goodwill is initially recorded at cost represented by the excess of the total consideration paid and the amount recognised for the minority interest holdings compared to the net identifiable assets acquired and liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the total consideration paid, the Group again verifies if it has correctly identified all the assets acquired and all the liabilities assumed and reviews the procedure utilised to determine the amount to be recorded at the acquisition date. If from the new valuation the fair value of the net assets acquired is still above the consideration, the difference (gain) is recorded in the income statement. After initial recognition, goodwill is measured at cost less any loss in value. For the purpose of impairment testing, goodwill acquired in a business combination must be allocated, from the acquisition date, to each of the Group’s cash-generating units which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the entity are assigned to those units.

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

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

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

Consolidation scope

Information on subsidiaries:

The consolidated financial statements of the Group include:

Consolidation scope

Giglio Group S.p.A.	Italy	**Parent company**	
Nautical Channel Ltd	UK	**Subsidiary**	100%
Giglio TV HK*	HK	**Subsidiary**	51%
Giglio USA	USA	**Subsidiary**	100%
IBOX SA	Switzerland	**Subsidiary**	100%
Giglio (Shanghai) Technology Company Limited	China	**Subsidiary**	100%
IBOX S.r.l.	Italy	**Subsidiary**	100%
Evolve Service USA	USA	**Subsidiary**	100%
M-Three Satcom	Italy	**Subsidiary**	100%
Media 360 Italy Corporate Capital S.r.l.	Italy	**Subsidiary**	100%
Media 360 HK Limited	HK	**Subsidiary**	100%

* The minority shareholding of 49% held by Simest S.p.A. is classified as minority interest in shareholders' equity at financial receivables, under the irrevocable purchase obligation of such share by Giglio Group S.p.A. on 30 June 2022.

Companies consolidated under the line-by-line method:

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

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

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

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

GIGLIO TV HK Limited

Registered Office:

Unit 305 – 7,3/F, Laford Centre, 838

Lai Chi Kok Road, Cheung Sha Wan,

Kowloon, Hong Kong

Share capital € 1,530,000, held 100% by Giglio Group S.p.A.. The company manages all the Group's activities on the Chinese market.

NAUTICAL CHANNEL

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

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

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

GIGLIO USA LLC

Registered office: One Wall Street, 6th Floor

BURLINGTON, MA 01803

REPRESENTATIVE OFFICE

111 West 19th Street (6th Floor)

10011 New York, NY USA

Share capital of € 18,000, held 100% by Giglio Group S.p.A.

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

GIGLIO (Shanghai) TECNOLOGY LIMITED COMPANY

Registered office: Shanghai International Finance Center

Century Avenue 8

Room 874, Level 8, Tower II

Shanghai, 200120

Share Capital € 40,000

IBOX SA

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

Share capital: CHF 1,882,000

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

E-Volve Service USA

Registered Office: New York

Share capital: USD 10,000

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

IBOX S.r.l.

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

Share capital: EUR 20,000

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

M-Three Satcom S.r.l.

Registered office – Piazza Diaz 6, Milan

Share capital: EUR 120,000

The company provides services in the field of telecommunications and technologies relating to the transmission of data and information;

Media 360 Italy Corporate Capital S.r.l.

Registered office – Piazza Diaz 6, Milan

Share capital: EUR 50,000

The company produces, supplies and purchased TV and cinematographic programmes.

Media 360 HK Limited

Registered Office:

Room 603 – 6/F, Shun Kwong Commercial Building 8

Des Voeux Road W, Sheung Wan,

Hong Kong

Share capital: HKD 100

The company operates in the sector of media content production and distribution on TV channels, where granted, and on digital platforms in China.

Cloudfood S.r.l. is recorded under the equity method.

Translation of financial statements in currencies other than the presentation currency

Translation of accounts in foreign currencies

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

Transactions and balances

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

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

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

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

Group companies

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

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

Fair value measurement

Currently, the Group does not have other financial instruments or any asset and liability measured at fair value, other than then the aforementioned assets of the media sector held for sale, of which detailed information are given in paragraph 36.

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 2018 Consolidated Annual Financial Statements.

Accounting standards, amendments and interpretations applied from 1 January 2019

IFRS 16 - "Leases" - Impacts from first adoption

The present condensed consolidated half-year financial statement at 30 June 2019 enforces the new IFRS 16 accounting standard - Leases, published by IASB on 13 January 2016 and entered into force on 1 January 2019, thus replacing IAS17 - "Leasing", IFRIC 4 - "Determining Whether an Arrangement Contains a Lease", SIC 15 - Operating Leasing-Incentives and SIC 27 - "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

The new standard provides a new leasing definition, introducing a criterion based on the "Right of Use" (Right of Use of Assets - RoU) of an asset subject to operating leases, for the purpose of its

accounting treatment in the lessee's financial statements. IFRS 16 does not include any substantial amendment for lessors, who shall continue to classify leased assets between operating and financial.
The standard applies to all agreements falling within the scope of the leasing definition, with the exception of all those agreement concerning low-value assets and/or with a duration equal to or less than 12 months.
The RoU model envisages that the right of use of a leased asset is transferred to the lessee in the moment in which the latter assumes the financial obligation to pay future fees to the lessor; this happens on the date of the beginning of the agreement and implies the provision of the asset to be used by the lessee.
In accordance with the provisions of the new standard, all assets deriving from agreements shall be reported in the balance sheet among the tangible fixed assets as "Right of Use" assets; on the other hand, a financial debt of corresponding amount shall be reported among the financial liabilities (Lease Liability).
The policy introduces a criterion based on the right of use of an asset to differentiate between leasing and service contracts, identifying essential differences:

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

For the adoption of the new standard, the Group followed the modified-retrospective transitional method (i.e., with cumulative effect of the adoption, recorded as adjustment of the opening balance of profits recorded on 1 January 2019 without the redefinition of comparative information).
As far as the leasing contracts previously classified as operating are concerned, the following have been entered in the financial statements' accounts:
- A financial liability calculated from the date of the first application using for each contract the Incremental Borrowing Rate (IBR) applicable on the transition date;
- A right to use valued by applying the discounting ever since the contracts' start date with the same IBR used for calculating the financial liability.

On the basis of what indicated above, as of 1 January 2019:

- The RoU assets accounting for € 2.9 million have been reported and presented separately in the balance sheet.
- Further leasing liabilities have been recorded at € 3.0 million and included in the account "Lending and financing".
- Deferred tax liabilities decreased by € 19,000 due to the deferred fiscal impact related to assets and liabilities' changes.
- The net effect of these adjustments has been recorded under the account "Retained Earnings" for € 84,000.

Effects on the financial statements as of 1 January 2019

Assets	
Right-of-use assets	2,955
Total assets	**2,955**
Net Equity	
Retained earnings	(84)
Total Net Equity	**(84)**
Liabilities	
Financial payables	3,039
Deferred tax liabilities	19
Total liabilities	**3,058**

The effects arising from the adoption of IFRS 16 starting from 1 January 2019 entailed an increase in net equity equal to the difference between the right of use thus calculated and the financial liability of about € 84,000 gross of the € 19,000 tax component.

Right-of-use of assets	01 January 2019
Properties	2,841
Vehicles	114
Total right of use	**2,955**

Financial liabilities for operating leasing

	Within 12 months	Beyond 12 months	Total
Properties	840	2,084	2,924
Vehicles	42	73	115
Total	**882**	**2,157**	**3,039**

Altogether, the application of the new standard, at 30 June 2019, resulted in:

- The entry of the right to use within tangible fixed assets for a total of € 1.8 million;

- The entry of a financial liability (financial receivables for operating leasing as per IFRS 16) equal to about € 1.9 million;

- As far as the income statement is concerned, an improvement in the half-year's EBITDA of € 0.4 million, arising from the reversal of leases, counterbalanced by higher amortisation for € 0.4 million and by higher financial burdens for € 32,000, with an impact on the EBITDA, the EBIT and a Group Net Profit for the period of € 0.4 million, € 32,000 and € 32,000 respectively;

- A decrease of about € 65,000 in Shareholders' Equity, as described above.

<u>Discount rate</u>

The Incremental Borrowing Rate (IBR) applied to discount lease fees on the date of the first application of the new standard amounts to 2.6%.

Since all leasing contracts have similar characteristics, they have all been taken into account as a single contracts' portfolio. The approach chosen thus consisted in the practical arrangement to simplify the definition of this parametre, as allowed by the new standard.

<u>Summary of new accounting criteria</u>

The new accounting criteria of the Group at the time of adoption of IFRS 16 are reported below:

▶ Right-of-use assets

The Group recognises right-of-use assets at the date of beginning of the leasing (i.e., at the date in which the asset is available for use). Right-of-use assets are carried at cost, less any accumulated amortisation and any impairment losses, and are adjusted for any remeasurement of leasing liabilities. The cost of the right-of-use asset includes the amount of recognised leasing liabilities, any initial direct cost borne and leasing payments taken out on the start date or before its beginning, net of any incentives received. Unless the Group has the reasonable certainty to obtain the property of the leased asset at the end of the leasing agreement, right-of-use assets are amortised at constant rates for a period equal to the lower one between the estimated useful life and the leasing duration. Right-of-use assets are subject to impairment.

▶ *Leasing liabilities*

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

Variable leasing payments that are not subject to an index or a rate are recorded as costs in the period in which the event or the condition that generated the payment took place.

For the purpose of calculating the present value of owed payments, the Group uses the Incremental Borrowing Rate on the start date if the implicit interest rate cannot be determined easily. After the start dare, the amount of the leasing liability increases in order to take into account the interests on the leasing liability and decreases in order to take into account the payments carried out. Moreover, the book value of receivables for leasing is redetermined in the event of eventual amendments in the leasing or for the revision of the agreement's terms for the amendment of in-substance fixed payments; the book value shall also be redetermined if the asset is reconsidered for purchase.

▶ *Short-term lease and Lease of low-value assets*

The Group applies the exemption of the recognition of short-term leases regarding machineries and equipment (i.e., those leases lasting 12 months or less from the start date and do not contain a purchase option.) Moreover, the Group applied the exemption for leases of low-value assets, with regards to leasing contracts related to office appliances of low value (i.e., below € 5,000). The fees for short-term leases and low-value assets' leases are recognised as fixed-rate costs for the duration of the lease.

▶ *Significant judgement in determining the duration of the leasing of contracts containing an extension option.*

The Group shall determine the duration of the leasing as the non-cancellable period of the leas to which both the periods covered by the extension option of the lease itself, if there is a reasonable certainty to exercise such option, and the periods covered by the termination option, if there is a reasonable certainty to not exercise such option, shall be added.

The Group has the possibility, for some of its leases, to extend the lease for a further three/five-year period. The Group shall apply its own judgement in assessing the presence of a reasonable certainty to exercise the renewal option. This said, the Group shall consider all factors found that might entail an economic incentive to exercise the renewal option. Following the start date, the Group shall reconsider the estimates regarding the duration of the lease in case that an important event or amendment takes place in circumstances that are under its control and that might affect the capacity to exercise (or not exercise) the renewal option (e.g., a change in the corporate strategy). The Group has included the renewal period as part of the duration of leases regarding plants and machineries, given the importance of said assets for its operativeness. These leases have a relatively short non-cancellable period (three/five years) and, in case of the unavailability of a similar asset, the effect on production would be significantly negative. Renewal options for the leasing of vehicles were not included in the scope of the determination of the leasing's duration, given that the Group supports a leasing policy of less than five years for vehicles and shall not exercise any renewal option in this case.

Amount recognised in the balance sheet and in the income statement

The value of the Group's right-of-use assets, together with the relative cash flows that took place during the year, as well as the leasing liabilities divided between current and non-current portion, are shown below.

Right-of-use of assets	Properties	Vehicles	Total
Change in Historical Cost			
01 January 2019	**4,513**	**159**	**4,671**
Continuing operations increases	-	-	-
Reclass. to "Assets held for sale"	(739)	(39)	(778)
Exchange rate differences and other changes	10	-	10

Decreases	(1,171)	-	(1,171)
Divestments	-	-	-
30 June 2019	**2,613**	**120**	**2,733**
Change in Amortisations			-
01 January 2019	**(1,672)**	**(45)**	**(1,717)**
Continuing operations amortisations	(385)	(17)	(401)
Discontinued operations amortisations	-	-	-
Reclass. to "Assets held for sale"	327	9	335
Exchange rate differences and other changes	(7)	-	(7)
Decreases	874	-	874
Divestments	-	-	-
30 June 2019	**(863)**	**(53)**	**(916)**
Net Value 30 June 2019	**1,750**	**67**	**1,817**

Financial payables	30.06.2019
Current	522
Non-current	1,657
Total	**2,179**

Interpretation IFRIC 23 -Uncertainty on treatments for income tax

The interpretation defines the accounting treatment of income taxes when the fiscal treatment involves uncertainties that affect the application of IAS 12, and does not apply to taxes or duties that do not fall within the scope of IAS 12, nor does it include specifically the requirements related to interests or sanctions ascribable to uncertain fiscal treatments.

The interpretation concerns specifically the following points:

- If an entity considers uncertain fiscal treatments separately
- The assumptions of the entity on the examination of fiscal treatments of behalf of tax authorities
- The way in which an entity determines the taxable income (or the tax loss), the tax base, the unused tax losses, the unused tax credits and tax rates
- The way in which an entity treats the changes in facts or circumstances.

An entity must define whether to consider every uncertain fiscal treatment separately or together with others (one or more) uncertain fiscal treatments. The approach allowing for the better prediction of the uncertainty's resolution should be followed.

The Group shall apply a significant judgement in assessing the uncertainties related to the fiscal treatments of income taxes. Given that the Group operates in a complex multinational context, the eventual effect of the interpretation on its interim consolidated financial statement has been assessed.

At the moment of the adoption of the interpretation, the Group has examined the existence of uncertain fiscal positions, in particular with regards to the transfer pricing policy.

The Company and its subsidiaries present fiscal declarations in various jurisdictions, deducting some costs related to transfer pricing; this approach could be objected by the relevant tax authorities.

The Group has thus determined, on the basis of studies regarding transfer pricing, that it is probable that its fiscal treatments (including those of its subsidiaries) shall be accepted by tax authorities. Therefore, the interpretation had no impact on the Group's consolidated financial statements.

Amendments to IFRS 9 - Prepayments Features with Negative Compensation

Pursuant to IFRS 9, a debt instrument can be assessed to its amortised cost or to its fair value in the statement of comprehensive income, provided that contractualised cash flows are "exclusively capital and interests payments on the reference amount" (the SPPI criterion) and that the instrument is classified in the correct business model. Amendments to IFRS 9 clarify that a financial activity exceeds the SPPI criterion regardless of the event or the circumstance that caused the early termination of the agreement and regardless of the Party that pays or receives a reasonable compensation for the early termination of the agreement. These amendments had no impact on the Group's consolidated financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

Amendments to IAS 19 establish the accounting rules in the case that, during the reference period, an amendment, a curtailment or the settlement of the plan takes place. The amendments specify that when an amendment, curtailment or settlement of the plan take place during the fiscal year, an entity shall determine the cost of the service for the rest of the period following the plan's amendment, curtailment or settlement by making use of the actuarial assumptions of reference in order to re-measure the net defined benefit liability (asset) so that it reflects the benefits offered by the plan and the plan's assets after said event. Moreover, entity shall determine the net interest for the remaining period following the plan's amendment, curtailment or settlement: the net defined benefit liability (asset) that reflects the benefits offered by the plan and its assets after said event; the discount rate used to redefine the net defined benefit liability (asset).

These amendments had no effect on the consolidated financial statements since the Group, during the reference period, did not record any plans' amendment, curtailment or settlement.

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

Amendments specify that an entity applies IFRS 9 for long-term investments in an associated company or joint venture for whom the equity method does not apply but, in substance, are part of the net investment in the associated company or joint venture (long-term interests).

This clarification is important because it implies that IFRS 9's model to estimate expected default applies to said long-term investments.

Moreover, the amendments clarify that, upon application of the IFRS 9, an entity shall not take into account any eventual losses of the associated company or joint venture, or any losses in the value reflected by that investment, hereby recognised as corrections of the net investments in the associated company or joint venture arising from the application of IAS 28 - Investments in Associates and Joint Ventures.

These amendments had no effect on the consolidated financial statements, since the Group has no equity interests in associated companies and joint ventures.

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:

IFRS 3 Business Combination

The amendments clarify that, when an entity obtains control of a joint operation, it shall apply the requirements for a business combination that was established in more steps, including the re-measurement of the fair value of the interest previously held in the assets and liabilities of the joint operation. In doing so, the buyer reassesses the interests previously held in the joint operation.

The entity shall apply said amendments those business combinations that present an acquisition date that coincides or follows the first fiscal year starting on 1 January 2019, with early implementation allowed.

This amendment had no effect on the Group's consolidated financial statement, since no business combination that gave rise to joint control ever took place.

IFRS 11 – Joint Arrangements

An entity that has interests in a joint operation without having joint control over it, could obtain said joint control in the case that the operation constitutes a business as per IFRS 3's definition.

The amendments clarify that the interests previously held in said joint operation shall not be re-measured. An entity shall apply said amendments to the operation in which it holds joint control from the beginning of the fiscal year starting on 1 January 2019 or later, with early implementation allowed.

This amendment had no effect on the Group's consolidated financial statement, since no business combination that gave rise to joint control ever took place.

IAS 12 – Income Taxes

The amendments clarify that the effects of taxes on dividends are connected to past operations or to events that generated distributable profits rather than to distributions to shareholders. Therefore, an entity shall report the effects of the income taxes deriving from dividends in the statement of profit or loss, in the other components of the comprehensive income statement or in the shareholders' equity, in line with the way in which the entity previously recognised said past operations or events.

The entity shall apply said amendments for fiscal years starting from 1 January 2019 or later, with early implementation allowed. When the entity applies for the first time said amendments, it does so to the effects that taxes had on the dividends reported at the beginning of the first fiscal year. Since the Group's current practice is in line with said amendments, the Group did not record any effect deriving from said amendments on its consolidated financial statement.

IAS 23 – Borrowing costs

The amendments clarify that an entity shall treat as non-specific loans any loan taken out from the beginning for the purpose of developing an asset, in the case that all actions required to prepare said asset for its intended use or sale are fulfilled.

An entity shall apply said amendments to all financial expenses borne starting from the beginning of the fiscal year in which the entity applies for the first time said amendments. The entity shall apply said amendments for fiscal years starting from 1 January 2019 or later, with early implementation allowed. Since the Group's current practice is in line with said amendments, the Group did not record any effect deriving from said amendments on its consolidated financial statement.

Employment data

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

Workforce	30.06.2019	31.12.2018	Change
Executives	3	4	-1
Managers	9	8	1
White-collar	72	72	-
Blue-collar	-	-	-
Others	-	-	-
Total	**84**	**84**	**-**

ASSETS

B) Non-current assets

1. Property, plant & equipment

Balance at 30.06.2019 1,240

Balance at 31.12.2018 1,492

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

Property, plant & equipment	Plant	Equipment	Furniture & fittings	EDP	Vehicles	Others	Total
Change in Historical Cost							
31 December 2018	**3,697**	**82**	**347**	**224**	**125**	**126**	**4,601**
Continuing operations increases	-	4	12	2	-	5	22
Reclassifications	(29)	-	-	-	0	-	(28)
Decreases	-	-	-	-	-	-	-
Divestments	-	-	-	-	-	-	-
30 June 2019	**3,669**	**86**	**359**	**225**	**125**	**131**	**4,595**
Change in Amortisations							-
31 December 2018	**(2,474)**	**(78)**	**(219)**	**(185)**	**(51)**	**(101)**	**(3,108)**
Continuing operations amortisations	(199)	(1)	(22)	(8)	(14)	(2)	(246)
Discontinued operations amortisations	-	-	-	-	-	-	-
Decreases	-	-	-	-	-	-	-
Divestments	-	-	-	-	-	-	-
30 June 2019	**(2,672)**	**(79)**	**(241)**	**(193)**	**(66)**	**(103)**	**(3,354)**
Net Value 30 June 2019	**996**	**7**	**118**	**32**	**59**	**28**	**1,240**

Increases of € 22,000 are reported at 30 June 2019, mainly concerning the purchase of plant and furniture to expand the offices (Piazza Diaz) of the company, which took place in the initial months of the year.

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

2. Intangible assets

Balance at 30.06.2019 1,753

Balance at 31.12.2018 629

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

Intangible assets	Other intangible assets	Total
Change in Historical Cost		
31 December 2018	**4,349**	**4,349**
Continuing operations increases	1,230	1,230
Discontinued operations increases	-	-
Reclassifications	29	29
Decreases	-	-
Divestments	-	-
30 June 2019	**5,608**	**5,608**
Change in Amortisations		
31 December 2018	**(3,720)**	**(3,720)**
Continuing operations amortisations	(135)	(135)
Discontinued operations amortisations	-	-
Decreases	-	-
Divestments	-	-
30 June 2019	**(3,855)**	**(3,855)**
Net Value 30 June 2019	**1,753**	**1,753**

Other intangible fixed assets refer to trademarks and software.

Increases of € 1.2 million are reported at 30 June 2019, mainly concerning the costs for the purchase of software (€ 0.5 million) and internal development costs (€ 0.7 million) for the implementation of the IT platform dedicated to the management of online sales in the context of the B2C and B2B2C e-commerce division.

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

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

At 30 June 2019, no impairment indicators existed and consequently an impairment test was not carried out relating to the above-mentioned intangible fixed assets.

3. Goodwill

Balance at 30.06.2019	**11,668**
Balance at 31.12.2018	**11,668**

Goodwill includes:

- € 7,583 thousand relating to the goodwill arising from the acquisition of the Ibox Group in April 2017;
- € 4,084 thousand relating to the acquisition of Giglio Fashion in March 2016.

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 31 December 2018.

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 30 June 2019, 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 30 June 2019, no indicators nor significant differences compared to 2019-2021 plan approved by the Board of Directors on 15 March 2019 emerged. Consequently, the directors did not undertake an impairment test at 30 June 2019 for the values above relating to the goodwill.

4. Investments in associates

Balance at 30.06.2019	**5**
Balance at 31.12.2018	**5**

The account at 30 June 2019 equal to € 5,000 includes the investment consequent to incorporation, together with Acque Minerali Italiane, of the company Cloud Food Srl in March 2018. This investment (held at 51%) is measured at equity, in accordance with IFRS 11 - Joint Arrangements. At the reporting date, the company exclusively reports a share capital of € 10,000. It is noted that as of 30 June 2019, the company is not operational.

5. Receivables and other non-current assets

Balance at 30.06.2019 **1,397**

Balance at 31.12.2018 **1,590**

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

Receivables and non-current assets	30.06.2019	31.12.2018	Change
Guarantee deposits	197	168	29
Others	1,199	1,422	(223)
Total	**1,396**	**1,590**	**(194)**

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

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

The item "Others" refers to:

- for € 0.8 million, to the long-term portion of the credit resulting from the transfer to GM Comunicazione S.r.l., finalised on 20 December 2018, of the authorisation to supply audiovisual media services associated to channel 65 of the digital terrestrial;
- for € 0.3 million, to the fee resulting from the recourse transfer of the VAT receivable, finalised on 27 June 2018 and to be paid upon settlement of existing disputes and charges with the Tax Authority.

6. Inventories

Balance at 30.06.2019 **3,748**

Balance at 31.12.2018 **5,273**

The inventories of the Group comprise finished products for sale.

At 30 June 2019 inventories were measured using FIFO.

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

At 30 June 2019, no further provision was made to the obsolescence provision (€ 148,000) 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 30.06.2019 **11,403**

Balance at 31.12.2018 **12,519**

The breakdown of the account is as follows:

Trade receivables	30.06.2019	31.12.2018	Change
Trade receivables	9,281	12,480	(3,199)
Advances to suppliers	1,647	1,142	505
Guarantee deposits	108	111	(3)
Other receivables	1,709	145	1,564
Doubtful debt provision	(1,342)	(1,359)	17
Total	**11,403**	**12,519**	**(1,116)**

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

The geographic breakdown of gross trade receivable at 30 June 2019 and 31 December 2017 are as follows:

(Euro thousands)	**Year ended at 30 June 2019**	**%**	**Year ended at 31 December 2018**	**%**
Europe	8,258	*89.0 %*	6,675	*54.3 %*
Asia	*1,001*	*10.8 %*	*5,578*	*45.4 %*
USA	-	-	*4*	*0.0 %*
Rest of the world	*22*	*0.2 %*	*34*	*0.3 %*
Total gross receivables	**9,281**	***100.0 %***	**12,290**	***100.0 %***
Doubtful debt provision	*(1,342)*		*(1,359)*	
Total	**7,939**		**10,931**	

The ageing of the gross trade receivables at 30 June 2019 and 31 December 2017 is shown below:

(Euro thousands)	**Year ended at 30 June 2019**	**%**	**Year ended at 31 December 2018**	**%**
> 120 days	1,121	*12.1 %*	2,675	*21.8 %*
90<> 120 days	*166*	*1.8 %*	*652*	*5.3 %*
60<> 90 days	*83*	*0.9 %*	*708*	*5.8 %*
30<> 60 days	*34*	*0.4 %*	*1,125*	*9.2 %*
0<> 30 days	*789*	*8.5 %*	*1,112*	*9.0 %*
Total overdue	***2,193***	***23.6 %***	***6,273***	***51.0 %***
Not overdue	*7,087*	*76.4 %*	*6,018*	*49.0 %*
Total gross receivables	**9,281**	***100.0 %***	**12,290**	***100.0 %***
Doubtful debt provision	*(1,342)*		*(1,359)*	
Inc. provision on overdue 120 days	*(119.8)%*		*(50.8)%*	
Total	**7,939**		**10,931**	

The changes in the doubtful debt provision are as follows:

Doubtful debt provision (Euro thousand)	
31 December 2018 Balance	**1,359**
Continuing operations provision	26
Releases	(43)
30 June 2019 Balance	**1,342**

The provision for the year amounting to € 26,000 predominantly refers to the Parent Company, in order to adjust the nominal value of receivables to their estimated realisable value.

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

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

8. Tax receivables

Balance at 30.06.2019 7,752

Balance at 31.12.2018 11,123

The breakdown of tax receivables is shown below:

Tax receivables	30.06.2019	31.12.2018	Change
Deferred tax assets	742	1,174	(432)
Total deferred tax assets	**742**	**1,174**	**(432)**
IRES	412	412	-
IRAP	131	131	-
Withholding taxes	1	-	1
INPS	3	3	-
INAIL	2	2	-
VAT	6,413	9,390	(2,977)
Others	48	11	37
Total current tax receivables	**7,010**	**9,949**	**(2,939)**
Total tax receivables	**7,752**	**11,123**	**(3,371)**

This part of the account includes deferred tax assets equal to € 742,000 mainly relating to deferred tax assets calculated on the tax losses of the Parent Company on 2017 (€ 515,000), following which, on a prudent basis, have not been provisioned , to the tax effect of the IPO costs in 2015 (€ 39,000) and to the tax effect of the write-down of receivables (€ 199,000) and of deferred tax assets (€ 191,000) calculated on the write-downs of tangible assets following the transfer of the media area. For more information, see paragraph 36.

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

The VAT receivable amounting to € 6,413 refers:

- for € 4,766 thousand to the Ibox Group and concerns the Italian VAT generated from purchase operations which the company concludes through its own stable organisation in Italy which is not offset with sales operations which are undertaken abroad and therefore VAT exempt. The recovery of this receivable is supported by authoritative tax advisor opinions and with 2018 VAT return, tax period 2017.
- for € 1,013 thousand to Giglio Fashion division of the Parent Company, concerning Italian VAT generated by virtue of its nature of habitual exporter.

During the fiscal year, € 3.5 million were collected (€ 1.9 million for Giglio Group and € 1.6 million for I-box S.r.l.) and € 0.5 million were offset.

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 30.06.2019 **2,225**

Balance at 31.12.2018 **2,653**

Other assets	30.06.2019	31.12.2018	Change
Other assets	23	22	1
Prepayments and accrued income	2,202	2,631	(429)
Total	**2,225**	**2,653**	**(428)**

Prepayments and accrued income relate:

- for € 1,476 thousand to the Ibox Group: they concern the relative installations for the use of management software for the years 2020 and thereafter invoiced in advanced.
- for € 580,000, to the short-term portion of the interest income resulting from the transfer to GM Comunicazione S.r.l., finalised on 20 December 2018, of the authorisation to supply audiovisual media services associated to channel 65 of the digital terrestrial;

10. Cash and cash equivalents

Balance at 30.06.2019 2,558

Balance at 31.12.2018 2,889

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

Cash and cash equivalents	30.06.2019	31.12.2018	Change
Bank and postal deposits	2,553	2,883	(330)
Cash in hand and similar	5	6	(1)
Total	**2,558**	**2,889**	**(331)**

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

LIABILITIES

11. Net Equity

The share capital at 30 June 2019 consists of 16,040,250 ordinary shares, without express nominal value.

The movements in the first half of 2019 related to:

- Allocation of the consolidated result at 31 December 2018;
- Recognition of actuarial losses - IAS 19;
- Recognition of first application IFRS 16;
- Recognition of exchange differences;
- Profit for the year.

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

Balance at 30.06.2019 705

Balance at 31.12.2018 804

At 30 June 2019 the provision for risks and charges mainly refers to the Post-employment benefit provision which amounts to € 411,000.

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

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

(Euro thousands)	
Post-employment benefit provision at 31.12.2018	**324**
Provisions 2019	84
Advances/Util.	(33)
Actuarial gains (losses)	33
Net Interest	4
30 June 2019 Balance	**411**

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

- probability of elimination for death: ISTAT table 2017 (source ISTAT – 2018 Italian Annual Statistics);
- probability of elimination for invalidity: zero;
- probability of elimination for other reasons (dismissal, departure): equal to 3% per annum for the entire valuation period (taken from the data recorded, as well as experience relating to similar businesses);
- pension expected on the maturity of the first possibility of I.N.P.S. pension established by Article 24 of Law 214/2011;
- annual inflation rate: 0.7% for 2019 H2, 1.4% for 2020 and 1.3% for 2021 (source: *"Update Note of 2018 Economic and Finance Document"*); from 2022 onwards, the annual rate of 1.5% was maintained;
- annual salary increase rate for career development and contract renewals: equal to inflation for all categories and for the entire valuation period;
- probability of request for first advance: 2.5% of seniority from 9 years on;
- maximum number of advances: 1;
- amount of Post-employment benefit advance: 30% of the Post-employment benefit matured.

In relation to the financial assumptions, it should be noted that the discount rate was chosen, taking into account the indications of IAS 19, with reference to the curve at 30.06.2019 of AA securities issued by corporate issuers in the Eurozone and based on the average residual duration of the Post-employment benefit at 30.06.2019; therefore, considering that the average residual duration of the liabilities was equal to 18 years, the annual nominal discount rate assumed in the valuation was 1.4% (2.1% at 31.12.2018).

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

(amount in €/000)	Rate 0.9%	Rate 1.9%
DBO	375.0	315.2

Moreover, it is noted that the same demographical hypotheses of 31 December 2018 have been adopted, while the update of the discount rate (1.4% instead of 2.1% adopted on 31 December 2018) produced a DBO increase of € 38.2 thousand.

13. Deferred tax liabilities

Balance at 30.06.2019 **2**

Balance at 31.12.2018 **3**

At 30 June 2019, the total payable amounted to € 2,000 and proved to be stable throughout the semester.

14. Current and non-current financial payables

Balance at 30.06.2019 **22,208**

Balance at 31.12.2018 **22,672**

The financial payables are illustrated in the table below:

Financial payables	30.06.2019	31.12.2018	Change
Current	13,554	16,009	(2,455)
Non-current	8,654	6,663	1,991
Total	**22,208**	**22,672**	**(464)**

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

Current financial payables	30.06.2019	31.12.2018	Change
Loans (current portion)	4,883	6,804	(1,921)
Total current loans	**4,883**	**6,804**	**(1,921)**
Advances on invoices/Credit Lines	6,753	8,285	(1,533)
Bank overdrafts	57	21	36
Finance Leases	24	24	-
Minibond	1,838	875	963
Bond loan	-	-	-
Total	**13,554**	**16,009**	**(2,455)**

The current financial payables relate to:

- the self-liquidating credit lines (as advances on invoices).
- The current portion of the Minibond repaid was € 1,838 thousand. The Minibond recorded in accordance with the amortised cost criteria of € 3 million which was issued in 2016 by the parent company Giglio Group S.p.A. The Minibond is called "GIGLIO GROUP S.P.A. – 5.4% 2016-2022" and was utilised to finance the acquisition of the company Giglio Fashion, with the conditions:

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

On 12 February 2019, the Board of Directors and the Bondholders' Meeting (quorate) approved the amendment of the Regulation of the debenture bond with ISIN code IT0005172157. See paragraph 14 of the Directors' Report for more information on main amendments.

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

Non-current financial payables	30.06.2019	31.12.2018	Change
Loans	1,797	2,119	(322)
EBB bond	4,738	-	4,738
Minibond	453	2,219	(1,766)
Finance Leases	35	47	(12)
Earn-out	-	-	-
Liability acquired minority share G-TV	1,470	1,470	-
Others	161	808	(647)
Total	**8,654**	**6,663**	**1,990**

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 € 0.84 million of Ibox SA to the previous shareholders (Tessilform S.p.A) of Ibox SA (formerly Evolve SA);
- the account “liabilities acquired minority interest Giglio TV” for € 1,470 thousand relates to the financial liability concerning the irrevocable obligation to purchase from Simest the minority holding by Giglio, at June 30, 2022.
- EBB bond. On 2 April 2019, the company issued a non-convertible debenture bond of € 5 million in principal, made up of 50 bearer bonds with a denomination per unit of € 100,000.00 each.
  - Rate: 4.572%
  - Duration: 8 year and 6 months
  - Grace period: 2 years

In addition, within the financial liabilities we should mention those referring to the operative leasing resulting from the application of IFRS 16. For additional details, please refer to the paragraph “Accounting standards, amendments and interpretations applied from 1 January 2019”.

The following table summarises the loans of the Giglio Group S.p.A. at 30 June 2019 and highlights the amounts due within and beyond one year:

Banca	Tasso di interesse	Importo del finanziamento	data di sottoscrizione	Residuo al 30/06/2019	Scadenza	0<>12 mesi	1 anno<>2 anni	2 ann1<>3 anni	Oltre 3anni
BANCA DI SONDRIO									
Mutuo Chiro garantito da MCC	3,50%	€ 1.200.000,00	30/09/2015	319.936 €	30/09/2020	258.148 €	61.788 €	0 €	0 €
Mutuo Chiro n. 0IC1047064869	Euribor 1 mese + spread 2%	€ 1.000.000,00	28/06/2017	609.728 €	28/06/2022	198.328 €	202.400 €	205.718 €	3.281 €
MONTE PASCHI DI SIENA									
Mutuo Chiro n. 741677580/60 garanzia CDP e SACE	5,8%	€ 500.000,00	29/10/2014	50.000 €	31/12/2019	50.000 €	0 €	0 €	0 €
BANCA POP. NOVARA E VERONA									
Mutuo Chiro n.03528422	2,2%	€ 500.000,00	30/01/2017	265.188 €	31/01/2022	99.769 €	102.548 €	62.872 €	0 €
BANCA POP di BERGAMO									
Mutuo N. 004/01187014 mutuo chiro	2,1%	€ 600.000,00	29/07/2016	192.926 €	29/07/2020	152.337 €	40.589 €	0 €	0 €
CREDEM									
Mutuo N.052/7059285 garanzia MCC	0,72%	€ 700.000,00	21/06/2016	176.901 €	21/06/2020	176.267 €	635 €	0 €	0 €
CARIGE									
Finanziamento 36 mesi	2,0%	€ 500.000,00	02/08/2017	197.725 €	31/08/2020	167.678 €	30.047 €	0 €	0 €
BPM									
Finanziamento N.6026098	Euribor tre mesi	€ 1.500.000,00	16/10/2017	€ 807.311,41	31/08/2020	599.063 €	208.248 €	0 €	0 €
Finanziamento N.11597713	Euribor tre mesi	€ 1.500.000,00	04/02/2019	€ 1.316.804,60	31/03/2021	579.878 €	736.927 €	0 €	0 €
BNL									
Finanziamento N.1812270	1,4%	€ 1.500.000,00	21/02/2018	€ 500.000,00	21/02/2019	500.000 €	0 €	0 €	0 €
CARIGE									
Finanziamento N. I120C590730	1,75%	€ 1.500.000,00	29/05/2018	€ 754.664,48	30/06/2020	749.972 €	4.693 €	0 €	0 €
BANCA INTESA									
Finanziamento N. 0FC1048190592	1,25%	€ 3.000.000,00	27/06/2018	€ 1.502.064,51	27/12/2019	1.502.065 €	0 €	0 €	0 €

15. Trade payables

Balance at 30.06.2019 **20,782**

Balance at 31.12.2018 **24,070**

Trade payables	30.06.2019	31.12.2018	Change
Customer advances	568	12	556
Supply of goods and services	20,324	23,934	(3,610)
Credit notes to be issued	(110)	124	(234)
Contribution credit notes to be issued	-	-	-
Clients guarantee deposits	-	-	-
Other trade payables	-	-	-
Total	**20,782**	**24,070**	**(3,288)**

The account's change if compared to 31 December 2018 is mainly due to seasonality.

The breakdown of trade payables is shown below:

(Euro thousands)	**Year ended at 30 June 2019**	**Year ended at 31 December 2018**
Trade payables	20,324	23,934
- of which overdue beyond 60 days	*4,486*	*3,964*
- % overdue payables on total	*22.1 %*	*16.6 %*

No proceeding or injunctions were recorded.

16. Tax payables

Balance at 30.06.2019 **3,064**

Balance at 31.12.2018 **2,824**

Tax payables	Total	31.12.2018	Change
Withholding taxes	136	151	(15)
Foreign VAT	2,189	1,738	451
Income taxes	636	719	(83)
Social security institutions	103	216	(113)
Total	**3,064**	**2,824**	**240**

Tax payables relate to:

- withholding taxes and taxes related to the normal operating activities of the company for Euro 136 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 103 thousand.

17. Other current liabilities

Balance at 30.06.2019 **1,107**

Balance at 31.12.2018 **982**

Other current liabilities	30.06.2019	31.12.2018	Change
Employee payables	447	416	31
Prepayments and accrued expenses	659	476	183
Other payables	1	90	(89)
Total	**1,107**	**982**	**125**

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

NOTES TO THE INCOME STATEMENT

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

18. Revenues arising from the Group's agreements with clients

The breakdown of revenues arising from the Group's agreements with clients and the changes compared to the previous year are shown below:

	30.06.2019	30.06.2018	Change
Revenues from sales and services	17,847	17,507	340
Other revenues	712	457	255
Total	**18,559**	**17,964**	**595**

At 30 June 2019 revenues from sales and services amounted to Euro 17.8 million compared to Euro 17.5 million at 30 June 2018.

This increase is mainly due to the B2C e-commerce sector as a result of both increased transactions for managed brands and the acquisition of new brands in the customer base.

19. Increases in assets due to own work

The increases in assets due to own work at 30 June 2019 amounted to € 713,000, as already reviewed in the context of the dedicated paragraph regarding intangible fixed assets.

20. 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	30.06.2019	30.06.2018	Change
Costs of goods	7,248	9,612	(2,364)
Consumables	20	47	(27)
Total	**7,268**	**9,659**	**(2,391)**

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

21. Service costs

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

	30.06.2019	30.06.2018	Change
Agents	2,610	2,792	(182)
Other service costs	68	28	40
Insurance	75	74	1
Bank, postal & collection commissions	622	568	54
Directors, statutory auditors and supervisory board fees	208	176	32
Consulting	1,574	1,505	69
Editorial production costs	12	143	(131)
Administrative costs	509	286	223
Customer service	308	288	20
Warehousing	221	212	9
Maintenance	7	29	(22)
Advertising, promotions, shows and fairs	182	154	28
Cleaning and surveillance	18	14	4
Transmission and teleport	219	-	219
Transport & shipping	1,266	923	343
Utilities	75	123	(48)
Web marketing	240	158	82
Sales representatives	144	135	9
Total	**8,359**	**7,608**	**751**

22. Rent, lease and similar costs

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

	30.06.2019	30.06.2018	Change
Rental	-	411	(411)
Hire	68	64	4
Operating leases	20	18	2
Total	**88**	**493**	**(405)**

Rent, lease and similar costs decreased due to the adoption of the new IFRS 16 accounting standard - Leases, already reviewed in the context of the dedicated paragraph regarding accounting standards.

The rentals and operating leases for which IFRS 16 is not applicable refer to the lease of capital goods whose value is lower than € 5,000 and to rentals lasting less than 12 months.

23. Personnel expense

The breakdown of personnel expense is as follows:

	30.06.2019	30.06.2018	Change
Salaries and wages	1,793	1,406	387
Social security charges	384	276	108
Post-employment benefits	84	50	34
Total	**2,261**	**1,732**	**529**

Personnel expense increased if compared to 30 June 2018 for a total of € 529,000 due to the increase in the workforce which affected Giglio Group S.p.A. over the last 12 months.

24. Amortisation, depreciation & write-downs

The breakdown of the account is shown below:

Amortisation, depreciation & write-downs	30.06.2019	30.06.2018	Change
Amortisation intangible fixed assets	135	53	82
Amortisation tangible fixed assets	647	73	574
Write-downs (Revaluations)	(17)	10	(27)
Total	**765**	**136**	**629**

With regards to item "Amortisation", see Notes in paragraph 1 ("Tangible Fixed Assets") and 2 ("Intangible Fixed Assets") respectively. The increase that took place during the period is mainly due to the adoption of the new IFRS 16 accounting standard - Leases, already reviewed in the context of the dedicated paragraph regarding accounting standards.

The revaluations include the adjustment to the doubtful debt provision commented upon in the previous note 7 "Trade and other receivables".

25. Other operating costs

The breakdown of the account is shown below:

	30.06.2019	30.06.2018	Change
Other taxes	15	16	(1)
Other charges	219	185	34
Penalties and fines	9	2	7
Prior year charges	78	359	(281)
Losses on receivables	-	-	-
Earn out	-	-	-
Total	**321**	**562**	**(241)**

The account "Other operating costs" at 30 June 2019 is partly due to the charges connected to non-compete agreements concerning former employees.

26. Financial income and expenses

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

Financial income and expenses	30.06.2019	30.06.2018	Change
Interest income on bank accounts	-	-	-
Other interest	-	-	-
Exchange gains	6	22	(16)
Financial income	**6**	**22**	**(16)**
Interest on current bank accounts	2	11	(9)
Other interest	69	10	59
Interest on invoice advances and factoring	61	15	46
Interest on mortgage loans	120	91	29
Interest on bond loans	78	109	(31)
Bank charges	108	64	44
SIMEST financial charges	20	32	(12)
IFRS 16 financial expenses	31	-	
Exchange losses	226	129	97
Financial expenses	**715**	**461**	**254**
Total	**(709)**	**(439)**	**(270)**

Financial charges increased on 30 June 2018 due to the lending charges (Minibond, bond and new loans granted in 2019) and a higher debt exposure during the year recording, however, a lower cost in percentage terms.

27. Income taxes

The breakdown of income taxes is as follows:

Income taxes	30.06.2019	30.06.2018	Change
Current taxes	(58)	(38)	(20)
Deferred taxes	(425)	2	(427)
Total	**(483)**	**(36)**	**(447)**

Income taxes amount to € 58,000 (€ 38,000 at 30 June 2018).

The change of deferred taxes is due to the release of deferred taxes related to provisions at 31 December 2018.

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

Board of Directors (Euro thousand)	
A. Giglio	200
C. Micchi	20
A. Lezzi	20
G. Mosci	25
Y. Zhao	10
M. Mancini	20
S. Olivotto	40
Total	**335**

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

28. 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 31 below.

29. Commitments, guarantees and contingent liabilities

Guarantees

Mr. Alessandro Giglio has provided personal guarantees on some Loans held by the company at 30 June 2019.

The details are shown below:

Commitments and guarantees (Euro thousand)

Entity	Guarantee Value	Residual amount guaranteed
MPS	1,048	100
B.POP Sondrio	2,100	983
Banca Sella	246	5
B. POP. Novara	650	581
UNICREDIT	536	536
Total	**4,580**	**2,205**

Contingent liabilities

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

30. 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 30 June 2019 is presented below:

Consolidated Balance Sheet (Euro thousands)		30.06.2019 Carrying amount	Fair Value	31.12.2018 Carrying amount	Fair Value
Non-current assets					
Equity investments	(4)	5	5	5	5
Receivables	(5)	1,397		1,590	
Deferred tax assets	(8)	742		1,174	
Total non-current assets		**18,622**		**16,558**	
Current assets					
Trade and other receivables	(7)	11,403	11,404	12,519	12,518
Cash and cash equivalents	(10)	2,558	2,558	2,889	2,889
Total current assets		**26,944**		**33,283**	
Assets held for sale	(35)	**18,804**		**18,431**	
Total Assets		**64,370**		**68,272**	
Non-current liabilities					
Financial payables (non-current portion)	(14)	10,311	10,311	6,663	6,663
Total non-current liabilities		**11,018**		**7,470**	
Current liabilities					
Trade and other payables	(15)	20,782	20,782	24,070	24,070
Financial payables	(14)	14,076	14,076	16,009	16,009
Total current liabilities		**39,029**		**43,885**	
Assets held for sale and liabilities directly associated with assets held for sale	(35)	**9,158**		**8,508**	
Total liabilities and Shareholders' Equity		**64,370**		**68,272**	

Medium-term loan

The company reports at 30 June 2019 a net financial debt position of approx. € 21.2 million (€ 19.1 million if the IFRS 16's impact is excluded). 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), of the bond issued on April 2019, of the unsecured medium-term bank loans and of the Simest holding reclassified.

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

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

Note 14 summarises the loans held by Giglio Group S.p.A.
The parent company Giglio Group S.p.A., in 2016, issued a Minibond called "GIGLIO GROUP S.P.A. – 5.4% 2016-2022" for € 3.5 million utilised to finance the acquisition of the company Giglio Fashion, with the conditions:

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

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

For the minibond, the following covenants were to be complied with contractually on 31 December 2018:

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

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

- the inclusion of transfer operations regarding assets related to TV and media area among the operations allowed without prior authorisation from the Bondholders' Meeting;

- the amendment of the amortization plan with the introduction of monthly reimbursement tranches starting from 28 February 2019 until 30 September 2020, new expiry date of the debenture loan;
- the payment of interests on a monthly basis pursuant to the payment dates provided for by the new amortization plan, not withstanding (i) that the annual interest rate for the debenture bond remains unchanged and (ii) that interests accrued between 10 September 2018 and 27 February 2019 shall be paid on 10 March 2019;
- the definition of financial covenants, specifying that during 2018, any deviation from said covenants shall not produce the effects set forth in the Regulation.

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

- Rate: 4.572%
- Duration: 8 year and 6 months
- Grace period: 2 years

The financial covenants - the first valuation date of which is set at 30 June 2019 (respected covenants) - to be respected throughout the life of the Debenture Bond are as follows: a) a gearing ratio, and b) a leverage ratio, as defined by the Regulation of the Debenture Bond. In particular: (a) the leverage ratio shall not be greater than: (i) 4.5 for 2019 and 2020 and (ii) 3.5 starting from 2021 and until the expiration of the Debenture Bond; and (b) the gearing ratio shall not be greater than 2 for the whole duration of the Debenture Bond.

On 5 September 2019, the bondholder authorised Giglio S.p.A. request to increase the covenant leverage ratio from 4.5 to 5.5 with regards to the valuation date of 30 June 2019; the limit has been respected.

31. Transactions with subsidiaries and related parties

The following table reports the transactions and balances with Related Parties at 30 June 2019. 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	M-Three Satcom	Nautical Channel	Giglio USA	Giglio TV	Giglio Shanghai	IBOX SA	Evolve USA	Ibox Srl
Giglio Group		1,706	2,369	465	3,104		1,135		806
M-Three Satcom	1,101		16						
Nautical Channel									
Giglio USA	134								
Giglio TV						91			
Giglio Shanghai									
IBOX SA	53							3	
Evolve USA									
Ibox Srl									

Financial receivables and payables

Receivables/Payables	Giglio Group	M-Three Satcom	Nautical Channel	Giglio USA	Giglio TV	Giglio Shanghai	IBOX SA	Evolve USA	Ibox Srl
Giglio Group			180	102	759				
Nautical Channel									
Giglio USA									
Giglio TV	210					89			
Giglio Shanghai									
IBOX SA									158
Evolve USA	1,102						3,116		
Ibox Srl									

Commercial revenues and costs

Receivables/Payables	Giglio Group	M-Three Satcom	Nautical Channel	Giglio USA	Giglio TV	Giglio Shanghai	IBOX SA	Evolve USA	Ibox Srl
Giglio Group		1,267	71	833	379		402	609	
M-Three Satcom			16						
Nautical Channel									
Giglio USA									
Giglio TV									
Giglio Shanghai					60				
IBOX SA									
Evolve USA									
Ibox Srl									

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

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

- Max Factory S.r.l.: real estate company owned by Alessandro Giglio who leases to Giglio Group S.p.A. the following buildings:
    - Genoa offices: Palazzo della Meridiana for a total annual cost of € 175,000;
    - Rome offices: Via dei Volsci for a total annual cost of € 100,000.

32. Dividends

In line with the approval of the guidelines of the 2019-2023 plan, the Board approved the adoption of a long-term policy on dividend distribution decided on a year-by-year basis in accordance with the results reported, if the capital situation allows it.

33. 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.

34. Diluted earnings per share

There are no significant dilution effects.

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

Consolidated Balance Sheet (Euro thousands)	30.06.2019	of which related parties	31.12.2018	of which related parties
Non-current assets				
Property, plant & equipment	1,240		1,492	
Right-of-use assets	1,817		-	
Intangible assets	1,753	-	629	-
Other intangible assets	1,753		629	
Goodwill	11,668		11,668	
Equity investments	5		5	
Receivables	1,397		1,590	
Deferred tax assets	742		1,174	
Total non-current assets	**18,622**	**-**	**16,558**	**-**
Current assets				
Inventories	3,748		5,273	
Trade and other receivables	11,403	35	12,519	
Tax receivables	7,010		9,949	
Other assets	2,225		2,653	
Cash and cash equivalents	2,558		2,889	
Total current assets	**26,944**	**35**	**33,283**	**-**
Assets held for sale	**18,804**		**18,431**	
Total Assets	**64,370**	**35**	**68,272**	**-**
Net Equity				
Share capital	3,208		3,208	
Reserves	11,348		11,400	
Extraordinary reserve	-		-	
Listing charges	(541)		(541)	
FTA Reserve	4		4	
Retained earnings	(5,728)		2,602	
Translation reserve	2		-	
Net profit	(3,128)		(8,264)	
Total Group Net Equity	**5,165**	**-**	**8,409**	**-**
Minority interest in net Equity	-		-	
Total Net Equity	**5,165**	**-**	**8,409**	**-**
Non-current liabilities				
Provisions for risks and charges	705		804	
Deferred tax liabilities	2		3	
IFRS 16 financial payables (non-current portion)	1,657			
Financial payables (non-current portion)	8,654	-	6,663	-
Total non-current liabilities	**11,018**	**-**	**7,470**	**-**
Current liabilities				

Trade and other payables	20,782	-	24,070	75
IFRS 16 financial payables (current portion)	522			
Financial payables (current portion)	13,554		16,009	-
Tax payables	3,064		2,824	
Other liabilities	1,107		982	
Total current liabilities	**39,029**	**-**	**43,885**	**75**
Assets held for sale and liabilities directly associated with assets held for sale	**9,158**		**8,508**	
Total liabilities and Shareholders' Equity	**64,370**	**-**	**68,272**	**75**

Consolidated Income Statement (Euro thousands)	30.06.2019	of which related parties	of which non recurring	30.06.2018	of which related parties	of which non recurring
Total revenues	**17,847**			**17,507**		
Other revenues	712			457		
Capitalised costs	713					
Change in inventories	(1,378)			1,422		
Purchase of raw materials, ancillary, consumables and goods	*(7,268)*			*(9,659)*		
Service costs	*(8,359)*		*(942)*	*(7,608)*	*(34)*	*(459)*
Rent, lease and similar costs	*(88)*			*(494)*	*(190)*	
Operating costs	**(15,715)**	**0**	**(942)**	**(17,761)**	**(223)**	**(459)**
Salaries and wages	*(1,793)*			*(1,406)*		
Social security charges	*(384)*			*(276)*		
Post-employment benefits	*(84)*			*(50)*		
Personnel expense	**(2,261)**	**0**	**0**	**(1,732)**	**0**	**0**
Amortisation	*(135)*			*(54)*		
Depreciation	*(647)*			*(73)*		
Write-downs	*17*			*(10)*		
Amortisation, depreciation & write-downs	**(765)**	**0**	**0**	**(137)**	**0**	**0**
Other operating costs	*(321)*		*0*	*(562)*		*(433)*
Operating profit	**(1,168)**	**0**	**(942)**	**(806)**	**(223)**	**(892)**
Financial income	*6*			*(425)*		
Net financial expenses	*(715)*			*(13)*		
Profit before taxes	**(1,877)**	**0**	**(942)**	**(1,244)**	**(223)**	**(892)**
Income taxes	*(483)*			*(36)*		
Net Profit from continuing operations	**(2,360)**	**0**	**(942)**	**(1,280)**	**(223)**	**(892)**
Net Profit from discontinued operations	**(768)**			**1,283**		
Net Profit	**(3,128)**	**0**	**(942)**	**4**	**(223)**	**(892)**
Of which minority interest	**-**			**-**		
Basic and diluted profit from continuing operations	**(0.1471)**			**(0.0864)**		
Basic and diluted profit from discontinued operations	**(0.0479)**			**0.0866**		
Net profit per share – basic and diluted	**(0.1982)**			**(0.0029)**		

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

<u>Transfer of Media Assets</u>

Note "Discounted Operations"

The company is undertaking the transfer transaction of *some assets of the media division t*o a company incorporated under Spanish law and listed on Madrid's main stock exchange market, called Vértice Trescientos Sesenta Grados, SA ("**Vertice 360**")*, assessed at € 12.5 million on the basis of a fairness opinion appointed by the Company to an independent expert.*

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

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

For the purpose of maintaining on the condensed consolidated half-year financial statement the discontinued operation at 30 June 2019, to be entered at the lower of cost and fair value, net of relevant sale costs, the values resulting from the fairness opinion, as reference for the fair value, were used, deemed that Vertice 360's current market capitalisation and the listed value of its shares, which would have represented a higher fair value, do not reflect already (a) the synergies expected from the transaction, that shall be reflected in the shares' market values on closing date; (b) other factors currently not foreseeable such as the market reaction to these information (the so called "market sentiment"); and (c) the result of the conditions precedent included in the agreement[2], that might have an effect on the share's performance. Therefore, until the market factors these information in the context of the share negotiation and thus of the listed price, the Directors deemed to base their fair value assessment on level-3 data, consistent with the assessment of the independent expert, with the reasonable expectation, supported by the results of the fairness opinion, that Vertice 360's market capitalisation should increase significantly in the period between 30 June 2019 and the closing date of the transaction.

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

Indeed, the shares obtained upon closing date shall be reported, pursuant to IFRS 9, to the market value at that date, and shall be adjusted at every following measuring date, according to the market value's trend, representing the market value with a level 1 fair-value index. It is noted that, if this criterion were to be used in the creation of 30 June 2019 Financial Statement, the net value of the assets held for sale would have been equal to about € 5.3 million, thus reducing the Group's net equity at 30 June 2019 at about € -0.2 million.

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

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

The Industrial Plan 2019-2023 used for the assessment of Vertice 360 envisaged an equity value of € 198.5 million, obtained by applying a capital cost (WACC) of 8.4% and a perpetual growth rate (G) of 2%. The sensitive analysis carried out shows the variation of the equity value according to WACC and G rate change, as below:

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

A stress test has also been carried out, reducing the Plan's EBIT to 10%.

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

The following table summarises the values of the assets held for sale, net of necessary write-downs, as reported in the Financial Statement at 30 June 2019:

Description	**Amount before adjustment**	**Adjustment**	**Amount at 30 June 2019 Financial Statement**
Giglio TV Hong Kong Ltd. Library and publishing rights	9,900	3,900	6,000
Nautical Channel Ltd	4,426	1,626	2,800
Servers, media, library and other technical assets	2,098	998	1,100
Total	**16,424**	**6,524**	**9,900**

Within the same transfer transaction, other assets concerning the media area are included. On the basis of the value determined by the fairness opinion, their value is higher than the one determined by the cost criterion and cannot be adjusted at 30 June 2018:

Description (Euro thousands)	Carrying value	Transfer value	Theoretic difference
M-three sat com	122	1,800	1,678
Channel 68, Agency agreements, Pegaso and Class TV Moda Holding	0	800	800
Total	122	2,600	**2,478**

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

37. Assessment of going concern

In accordance with IAS 1 and in compliance with the requirements of documents no. 2 of 6 February 2009 and no. 4 of 3 March 2000, issued jointly by Banca d'Italia, Consob and Isvap, the Directors' assessments regarding the existence of going concern for the purposes of the creation of 2019 Half-Yearly Financial Report at 30 June are shown below.

The Company recorded at 30 June 2019 a total loss of € 3.1 million due mainly to the reorganization of its activities and to the focus on the e-commerce business, which is currently ongoing.

As already described in the annual financial report at 31 December 2018, on 15 March 2019, the Board of Directors approved the Industrial Plan 2019-2023 (hereinafter also called as the “Plan”), which takes into account the effects of the divestment of the media area, excluding it from the perimeter of Giglio Group's operations.

The Plan assumes the continuous development of the implementation of the new technological platform, which began during 2018. Moreover, the development of the Chinese e-commerce platform is expected, in order to support brands and their sales on the marketplaces integrated to the Group's technological structures developed in the Country.

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

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

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

The following table highlights the deviation recorded between the Plan's expected figures and the figure obtained at 30 June 2019:

	Plan	**At 30 June 2019**
EBITDA	(85)	(1,118)
Revenues	22,604	18,171

The management believes that the aforementioned deviation is mainly due to the lower revenues and their margins that can be attributed to the B2B activities.

In view of the above, Directors, albeit not finding it necessary to draft a new Industrial Plan, provided for the update of the budget and financial needs' predictions for the following 12 months (hereinafter referred to as the "Updated Plan").

Other than in the actions necessary for the achievement of the Updated Plan's financial results, Directors are also engaged in the following main actions, believed to be more than sufficient for the fulfilment of the forecasted financial needs:

1. The negotiation of medium/long-term funding with the banking system, also consistent with the guidelines of the Industrial Plan 2019-2023, which define a structure of the bank debt with an average financial duration longer than the current one. The Company has the support of its reference shareholder, Meridiana Holding, as in the past, for the finalisation of these operations, in the interest of the Company. For this purpose, it is noted that the Company keeps entertaining uninterrupted ordinary relations with the banking system for credit supply to support the working capital necessary to fuel the e-commerce business and, in particular, the fashion products' distribution, as shown by the activation of various financing contracts both in the semester and in the following period;
2. The optimisation of the VAT credit position which, at 30 June 2019, amounted to about € 7.0 million. In particular, for the purpose of limiting the increase of the VAT credit, the Group has been increasing the number of declarations of intent presented to its suppliers in order to carry out purchases without applying the VAT. For this purpose, it is noted that Directors are currently engaged in requesting the refund of the residual VAT credit equal to € 4.8 million concerning Ibox SA, which shall be collected in 2019 H2;
3. The adoption of a Board resolution delegating the Board of Directors to increase the share capital against payment up to 10% of the current share capital. More specifically, reference is made to the extraordinary Shareholders' Meeting of 29 October 2018, which approved the five-year proxy proposal of the Board of Directors to increase the share capital against payment,, in separate issues, excluding option right within the 10% limit of the existing share capital, to be offered in subscription to be offered in subscription to the individuals identified by the Board of Directors - including qualified industrial and/or financial investors - on the condition that the issue price of the new shares corresponds to the market value of those already issued and that this is confirmed by a specific report from a statutory auditor or an auditing company. The objective of the activation of this proxy shall be reflected in the interest of the Company to dispose of a greater financial endowment in order to accelerate the development plan, to benefit of any synergy resulting from an industrial partnership with an operator of the reference sector, to make the stock market more liquid and to face any negative equity. For this purpose, it is noted that Meridiana Holding S.r.l., the Group’s majority shareholder, notified the Board of Directors of its interest, taking into account the Company’s

performance in 2019 H1, in the eventual subscription of a share capital increase, as far as it falls under its competence.

In light of the above, despite the inevitable uncertainties of the methods of execution of the Updated Plan 2019-2023 and the retrieval of necessary financial resources for its realisation, the Directors deem it possible to possess financial instruments allowing for the creation of the Condensed Consolidated Financial Report at 30 June 2019 on the assumption of going concern.

Certification of the Half-Year Financial Report pursuant to Art. 154-bis of Legislative Decree no. 58 of 24 February 1998.

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

   - the consistency in relation to the characteristics of the company;
   - the effective application of the administrative and accounting procedures for the drawing up of the half-year financial report in the period between 1 January and 30 June 2019.

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

- the adequacy of the administrative and accounting procedures for the drafting of the half-year financial report at 30 June 2019 was assessed on the basis of the methodological regulations defined in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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

- Pending the complete implementation of the corrective actions provided for in the action plan, compensating control procedures have been established for the verification of the declarations made in the half-year financial report at 30 June 2019.

3. Furthermore, it is noted that:

3.1 The half-year financial statement at 30 June 2019:

   - was prepared in accordance with international accounting standards, recognised in the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and Council, of 19 July 2002;
   - corresponds to the underlying accounting documents and records;

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

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

12 September 2019

The Chief Executive Officer
Alessandro Giglio

The Financial Reporting Officer
Carlo Micchi

Giglio Group S.p.A.

Review report on the interim condensed consolidated financial statements as of June 30, 2019

(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 statements of profit or loss and comprehensive income, the statement of changes in equity and cash flows and the related notes of Giglio Group S.p.A. and its subsidiaries (the "Giglio Group") as of June 30, 2019. 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, 2019 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.

Emphasis of Matter

1 - Evaluation of Going concern

We draw attention to note “37. Assessment of going concern” which describes the Directors’ assessment on the going concern basis. In particular the Directors, although the need to obtain the financial resources required by the updated business Plan 2019-2023, whose achievement will depend on the effectiveness and timely implementation of the actions themselves, deem that the actions identified in the such Plan will guarantee to the Parent Company sufficient financial resources to conclude on the appropriateness of the going concern basis of preparation of the interim condensed consolidated financial statements as at 30 June 2019. Our conclusion is not modified in respect of this matter.

2 - Valuation of assets held for sale

We draw attention to note “36. Profit/(loss) from assets held for sale and discontinued operations” paragraph “Transfer of Media Assets” to the interim condensed consolidated financial statements as at June 30, 2019, which describes the Directors’ evaluation and analysis of the in progress transaction for the sale of the assets within the media division to the company Vértice Trescientos Sesenta Grados S.A., listed on the Madrid stock exchange, with particular reference to the criteria used for determining the fair value of the assets involved in the transaction as compared to the current market value of the shares that Giglio will acquire in exchange, that will be used for the initial recognition of these shares in the financial statements at the closing of the transaction expected in November 2019, and at any subsequent re-measurement date. Our conclusion is not modified in respect of this matter.

Milan, September 13, 2019

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

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