

**EXPLANATORY REPORT OF THE BOARD OF DIRECTORS OF GIGLIO GROUP
S.P.A. DRAFTED PURSUANT TO ART. 2441, PAR. 6 OF THE ITALIAN CIVIL CODE
AND IN ACCORDANCE WITH THE GENERAL CRITERIA SET OUT IN ANNEX 3A OF
THE REGULATION ADOPTED BY CONSOB WITH RESOLUTION NO. 11971/199, AS
AMENDED, REGARDING THE PROPOSAL TO INCREASE GIGLIO GROUP S.P.A.'
SHARE CAPITAL PURSUANT TO ART. 2441, PAR. 4, FIRST SENTENCE OF THE
ITALIAN CIVIL CODE**

1. FOREWORD AND EXPLANATION OF THE OPERATION

The subject of this explanatory report, drafted pursuant to Art. 2446, par. 6 of the Italian Civil Code and in accordance with the general criteria set out in Annex 3A of the Regulation adopted by Consob with resolution no. 11971/1991, as amended, is the proposal to increase upon payment the share capital of Giglio Group S.p.A., pursuant to Art. 2441, par. 4, first sentence of the Italian Civil Code, to be concluded with the contribution of assets in kind and, thus, without option right, against the issuance of 757,000 new ordinary shares of Giglio Group S.p.A. with unit price of € 3.5, of which € 3.3 at share premium, for a countervalue of nominal € 151,400 and for a countervalue, including share premium, of € 2,649,500.00 (hereinafter also referred to as the "**Share Capital**").

On 12 September 2019, Giglio Group S.p.A. and the quotaholders of E-Commerce Outsourcing S.r.l., with registered office in Rho (Mi), via Sesia 5, with a fully paid-up capital quotas of € 37,500.00, registered at Milan, Monza and Brianza Companies Registration Office, Tax Code and VAT Number 08576060969 (hereinafter also referred to as "**ECO**"), signed an investment agreement (hereinafter also referred to as the "**Investment Agreement**") aimed at regulating - inter alia - the terms and conditions of the Capital Increase, as well as its payment through the contribution in kind of all of ECO's quotas held by its quotaholders (hereinafter also referred to as the "**Quotas**"), to be performed in proportion to the percentage of capital held by the same quotaholders in ECO.

At the reporting date, ECO's quota capital is divided among the following subjects (hereinafter also referred to as the "**Quotaholders**") in the following proportions:

- a. **Gedeone WEB S.r.l. in liquidation**, with registered office in Milan (MI), Corso Genova 6, 20123, registered at Milan, Monza and Brianza Companies Registration Office, Tax Code and VAT Number 08256310965, holds 51.2% (fifty-one point two percent) of ECO's quota capital, for a total nominal value of € 19,201.00 (nineteenthousandtwohundredandone/00)¹;
- b. **Barni Carlo S.p.A.**, with registered office in Busto Garolfo (MI), Via Arconate 63, 20020, registered at Milan, Monza and Brianza Companies Registration Office, Tax Code 10635290157, holds 32.0% (thirty-two percent) of ECO's capital quotas, for a total nominal value of € 12,000.00 (twelvethousand/00)²;

1 Gedeone WEB S.r.l. in liquidation has the power to dispose of its ECO shares and of all its rights and obligations arising from the Investment Agreement (as defined below) in favour of Mr. Antonio Lembo, born in Milan on 30 December 1968, Tax Code LMBNTN68T03F205T, or of a trust company appointed by the latter, before the execution of the Capital Increase.

2 Barni Carlo S.p.A. has the power to dispose of its ECO shares and of all its rights and obligations arising from the Investment Agreement (as defined below) in favour of its parent company BH S.r.l., before the execution of the Capital Increase.

- c. **Testa Daniele**, born in Busto Arsizio (VA) on 31 December 1975, residing in San Bartolomé de Tirajana (Las Palmas), Calle Puerto del Carmen 33 (Spain), Tax Code TSTDNL75T31B300Y, holds 5.0% (five percent) of ECO's capital quotas, for a total nominal value of € 1,875.00 (onethousandeighthundredseventyfive/00);
- d. **Parravicini Giorgio**, born in Milan (MI) on 31 May 1966, residing in via Fatebenefratelli 22, 20121, Tax Code PRRGRG66E30F205B, who holds 4.8% (four point eight percent) of ECO's capital quotas, for a total nominal value of € 1,800.00 (onethousandeighthundred/00);
- e. **Cuccarese Vincenzo**, born in Stigliano (MT) on 31 August 1980, residing in Sesto San Giovanni (MI), via Podgora 60, 20099, Tax Code CCCVCN80M30I954F, who holds 2.0% (two percent) of ECO's capital quotas, for a total nominal value of € 750.00 (sevenhundredfifty/00);
- f. **Canegrati Andrea**, born in Rho (MI) on 28 September 1980, residing in Pregnana Milanese (MI), viale Lombardia 12, 20010, Tax Code CNGNDR80P28H264K, holds 2.0% (two percent) of ECO's capital quotas, for a total nominal value of € 750.00 (sevenhundredfifty/00);
- g. **Napoleone Marco Antonio**, born in Milan (MI) on 27 January 1982, residing in Milan, via Mauro Macchi 42, Tax Code NPLMCN82A27F205D, holds 1.5% (one point five percent) of ECO's capital quotas, for a total nominal value of € 562.00 (fivehundredsixtytwo/00); and
- h. **Fumagalli Marco**, born in Mariano Comense (CO), residing in via Ruvigliana-Lugano (Switzerland), via Ceresio di Suvigliana 18, Tax Code FMGMRC70H27E951P, holds 1.5% (one point five percent) of ECO's capital quotas, for a total nominal value of € 562.00 (fivehundredsixtytwo/00).

For the purpose of assessing the value of the transfer's object (i.e. the Shares), here understood as overall assessment of the assets held for transfer (i.e. the Company) and of its value, on 26 August 2019, the Shareholders vested Mr. Massimo Gramondi (hereinafter also referred to as the "**Expert**") with the office of drafting the expert evaluation- pursuant to Art. 2343-*ter* of the Italian Civil Code - of the value of all ECO's Shares (hereinafter also referred to as the "**Expert Evaluation**"). On the basis of the information known to Giglio Group S.p.A. at the reporting date, Mr. Massimo Gramondi works as chartered accountant and statutory auditor and has been deemed independent by Giglio Group S.p.A. and by the shareholders exercising control over it, as well as in possession of sufficient, demonstrable expertise. Also on the basis of the Expert Evaluation, Giglio Group S.p.A. and ECO's Shareholders agreed that the total value of the contribution shall equal to € 2,649,500.00 and that, for the reasons specified herein, it shall be ascribed as capital increase for nominal € 151,400 and, for the remaining sum, equal to € 2,498,100, at share premium.

Moreover, it is noted that the Capital Increase with contribution in kind of the Quotas has received the favourable opinion of Giglio Group S.p.A.'s Board of Directors, with resolution adopted on 12 September 2019.

Lastly, the Board of Directors of Giglio Group S.p.A. has requested, pursuant to Art. 2441, par. 6 of the Italian Civil Code, as well as to Art. 158, par. 1 of Legislative Decree 58/1998, as amended, (hereinafter also referred to as the "**CFA**"), the company appointed for the statutory audit to express its opinion on the adequacy of the issue price of the new shares issued by Giglio Group S.p.A. for the purpose of the Capital Increase.

Giglio Group S.p.A. share capital is, as of today, represented by 16,040,250 ordinary shares and, therefore, following the issuance of the new 757,000 shares, the share capital of the Company shall be represented by a total of 16,797,250 ordinary shares. Following the completion of the Capital Increase, with the simultaneous contribution in kind of the Quotas, the contributing Quotaholders shall hold 4.51% of Giglio Group S.p.A.'s share capital.

2. CORPORATE INTEREST OF THE CONTRIBUTION AND EFFECTS OF THE OPERATION ON GIGLIO GROUP S.P.A.'S MANAGEMENT PROGRAMMES

The contribution is part of the reorganisation process of Giglio Group S.p.A.'s activities and, in particular, of the process of focusing, enhancing and developing the Company's assets and skills in the e-commerce sector. The operation shall thus be assessed as integral and distinctive part of the project of focusing the business in the e-commerce sector, in line with the 2019-2023 Industrial Plan, approved by the Board of Directors on 15 March 2019, and still valid.

Giglio Group S.p.A. is as an e-commerce player largely focused on providing e-commerce services, boasting unique characteristics in the sector, a global presence and specific high skills, therefore proving itself to be well-integrated in its own market context for its relations with "Made-in-Italy" main brands.

As a matter of fact, the 2019-2023 Industrial Plan of Giglio Group S.p.A. relies on the continuous development of the new technological platform that was launched during 2018. This platform allows for more scalability in terms of manageable transactions and integration velocity of brand systems with marketplace platforms, as well as omnichannels. Moreover, in the 2019-2023 Industrial Plan, 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.

It is also noted that the Industrial Plan considers a GMV (Gross Merchandise Value) acceleration in line with the expectation of the reference market (online sales for luxury fashion), also for new brands acquisitions.

The 2019-2023 Industrial Plan's strategic objectives of Giglio Group S.p.A. outline a leading Group in Italy that is trying to expand its offer also to product categories other than Fashion, such as Design and Food. The operation object of this report shall therefore allow Giglio Group S.p.A. to incorporate a significant customer base active in the reference Fashion and Food sectors such as Fratelli Rossetti, Expert, Auchan, Gruppo Generali, Agos, Cameo, Fabbri, MediaShopping, Euronics, Brico and Akai, with high volumes of supported transactions, in line with the objective to increase the covered market share and to strengthen significantly its technological skills both in terms of soundness of the solutions offered to its clients and in terms of product innovation.

ECO is one of the major suppliers of outsourced e-commerce services in Italy and presents great skills in the e-commerce-related technologies, which are the real strength of the company. ECO carries out two main activities as e-commerce outsourcer (as agent for the client) and as e-commerce integrator (as advisor for clients who look for support in their e-commerce management), which are based on its own platform developed internally.

Moreover, ECO makes use of its trademark Terashop and boasts a twenty-year experience in the sector, of which it was a trailblazer ever since 1999.

Indeed, the Company has been the precursor of omni-channel marketing, allowing for the integration of different business models: online sales, delivery to retail outlets, totem, flash sales support and use of digital coupons.

As of today, it also counts on several dozens of commercial relationships and many e-commerce platforms managed directly, as well as offering multiple cloud-sourcing services and integrated operations between own systems and clients' systems.

ECO operates in the e-commerce sector and owns its own platform, developed internally and continuously maintained and updated, as well as directly controlled and offered to its clients with a high degree of customisation. The Company is capable of offering to its clients a series of services with a completely internal management, such as the creation of e-stores, web design services, storage, logistics and shipping services, customer care and end customer relations.

The platform developed and owned by ECO can manage e-commerce websites and their product catalogue (with the possibility to insert and code new products, as well as change descriptions, prices and products' availability); furthermore, the CMS (content management system) allows for the management of the contents within the website (banner, text-based contents, landing pages). ECO's platform also provides for a module concerning call-centre activities, which enables the call centre to input telephone orders; this module uses the e-commerce website's shopping cart and is integrated in the order management module. This is a distinctive feature offered by ECO, and represents a key product aimed at those teleshopping companies with their own e-store. ECO's platform also includes the OMS, the order management system, which allows its users to manage the whole order process, the invoicing, the shipping, the eventual drop shipping and any return.

Furthermore, the fact that all aforementioned modules are so-called "multi-tenant" is another unique feature of ECO's platform. For example, the same product can be sold on more than one website and the order module can receive orders from more than one website.

In 2018, ECO's revenues amounted to about € 7 million (not-audited data, reclassified according to AS/IFRS standards), with a constant recent yearly growth of 15%. The Company also supported e-commerce transactions for a countervalue of more than € 30 million in favour of its clients.

ECO's profitability is in line with the sector, presenting an EBITDA between 5-6% on the turnover. Moreover, the Company is expected to grow in 2019, with a closure forecast of about € 8 million (+16%). The first semester of 2019 ended with a turnover of about € 3.7 million, also taking into account that, as is typical of the e-commerce sector, the second semester is the one with the highest sales and profits.

Giglio Group S.p.A. is currently providing e-commerce services similar to the ones offered by ECO, boasting a decisively higher commercial penetration and a much wider partner, brand and marketplace network on a global scale. Besides, for the purpose of accelerating the development of its technology as provided for in the Industrial Plan currently into force, Giglio Group S.p.A. must provide itself with a platform aimed at completely internalising the evolution in order to shorten the delivery times to the client, to work on more implementation projects at the same time and with reduced expenses, to own a sound and scalable infrastructure that can work on multiple product categories and to develop a unique integration point for all the features developed for the clients as well as for aggregating e-commerce platforms on a global level.

The operation and the integration of the services offered by ECO, together with the possibility to make use of the cutting-edge technology of the latter, shall allow Giglio Group to:

- 1) Create significant economies of scale that shall lead to tangible savings right from the start, developing innovative solutions by using internal resources, thus reducing third parties, as well as reducing the present costs arising from the licences and use of other structures currently exploited for the creation and management of e-stores;
- 2) Strengthen its technical organisation, also through the inclusion in its workforce of IT experts highly specialised in the e-commerce sector - key resources in this sector, and usually hard to find with such deep expertise;
- 3) Expand the internal structure dedicated to customer care services, with the possibility to reduce the present costs arising from the use of third parties for the provision of said services; and
- 4) Expand the available commercial offer to its clients by integrating the current business proposition with features and solutions that determine the key factor in achieving success in the acquisition of outsourcing or consulting contracts from brands.

These synergies are of the utmost importance, especially in this phase of the Group's Industrial Plan, in which high investments in technical infrastructures and commercial development are envisaged, taking into account that, on the one hand, Giglio Group S.p.A. is effectively focusing its activities in the e-commerce sector and, on the other hand, it needs to manage the large number of new customers, other than controlling the level of fixed costs while waiting for the pipeline of new agreements to be converted into actual sales and revenues, for a latency period between negotiation and start of the operations.

On the basis of Giglio Group S.p.A.'s Industrial Plan, in the period 2019-2023, investments for about € 9.7 million are expected, of which about € 4.7 million in between 2019 and 2021. In particular, these investments are expected to be mostly focused in the digital area, of which 70% shall support the development of B2C solutions, whilst 30% shall go to the development of marketplace integrations on a global level, as well as for the development of the e-commerce infrastructure in China.

Furthermore, the costs of the technical area (i.e. management and maintenance costs of the IT structure - servers, hosting, maintenance and personnel costs) are estimated at € 1.5 million over the first years of enforcement of the 2019-2023 Industrial Plan, and they shall increase up to € 2 million, as the technical complexity and the turnover increase over the last years of the reference period.

Through the immediate integration of ECO, it is estimated that the investments needed for the development of a platform capable of supporting the increase in volumes and advanced solutions required by brands - hereby including also China's development, relatively untouched by the transfer - shall amount to € 7 million, with a synergy between € 2-3 million.

As far as operating costs are concerned, it is estimated that the synergies shall be able to limit the technological costs for hosting and expert advices by about 40%, exploiting as is the skills already developed and present in ECO. Moreover, it is expected that the Company shall optimise its management of technical professional profiles, also taking into account the expected increase in business volumes and the development of new products, websites, applications and integrations with marketplaces. In particular, a cumulative synergy is estimated, entailing a benefit of about € 3 million, i.e. 20% of the tech cost base.

In general, ECO's integration - by immediately combining a company structure highly advanced in the supply of IT solutions for the e-commerce sector - can entail a reduction of required investments over the coming 4 years for an amount of € 2 -3 million, of which 20% shall be concentrated in the first two years (2020 and 2021). Moreover, the current tech cost base, in the period 2019-2023, could shrink by about cumulative € 3 million, i.e. 21% of total tech costs.

The direct benefit of the operation object of this report is thus expressed in the enhancement of economic indicators, as well as in the increase of financial flows produced by the operational management and of investments, for a total value of about € 5 million between 2019 and 2023, of which 50% shall be concentrated in 2020 and 2021.

The operation is thus fully in line with Giglio Group S.p.A.'s corporate interest, as well as with its Group's, and it shall allow for the channelling of ECO's industrial activities into a single legal entity. Following the operation, ECO's capital quotas shall be fully held by Giglio Group S.p.A., and its activities shall be fully integrated within the Group.

Industrial- and business-wise, ECO's transfer shall allow Giglio Group S.p.A. to achieve a leading position in the e-commerce sector not only on a national level, but also as one of the most innovative emerging players of the segment, with a unique customer base and an extremely wide product range. As a matter of fact, the operation shall allow Giglio Group S.p.A. to develop and strengthen its market share in the sector, by also expanding its provision of services, on the one hand, through the value of its brands and of its customer base, and on the other hand, through the capitalisation and positioning of ECO's skills. The above shall all ensure complete coherence with the strategic lines of the Group.

Financial-wise, the choice to conclude the transfer by executing a reserved capital increase shall allow Giglio Group S.p.A. to regulate the operation through an exchange of shares, thus safeguarding its current financial flexibility. Upon completion of the transfer, Giglio Group S.p.A.'s net financial position shall increase by the net financial position of ECO on the effective date of the transfer - contractually deemed as positive. Conversely, if the Group had chosen to settle the transfer with a cash payment, Giglio Group S.p.A.'s net financial position shall have increased by the corresponding purchase amount, net of ECO's financial position.

Economic-wise, Giglio Group S.p.A. shall consolidate integrally and immediately ECO's results, with the possibility to create instantly operating, commercial and technical synergies between the two companies as far as IT is concerned.

In light of the reasons reported in this paragraph, it is recalled that the operation object of this report is fully in line with Giglio Group S.p.A.'s corporate interest.

3. VALUE INDICATION OF ASSETS OBJECT OF THE TRANSFER IN THE EXPERT ESTIMATE

It is noted that, for the purpose of assessing the value of the transfer's object (i.e. the Quotas) and its value, on 26 August 2019, the Quotaholders vested Mr. Massimo Gramondi with the office of drafting the expert evaluation- pursuant to Art. 2343-ter of the Italian Civil Code. The considerations and evaluations of the Expert are herein shown, as presented in the Expert Estimate. For this reason, the present analysis cannot be attributed to the Board of Directors of Giglio Group S.p.A., nor has the same verified it.

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On the basis of the office so received, Mr. Massimo Gramondi has arranged for the assessment of the Enterprise Value of ECO on the basis of generally recognised methods and criteria adopted by professional doctrine and practice.

For this purpose, Mr. Massimo Gramondi, in his estimate, adopted the income-based method in its version with limited duration and final-value determination, in accordance with the following formula:

$$W = \sum_{t=i}^n R_t * (1 + k_e)^{-t} + TV * (1 + k_e)^{-n}$$

Where:

W = value of company's economic capital;

R_i = net incomes expected in the explicit forecast period of the Industrial Plan 2019-2023;

k_e = cost of equity capital;

n = explicit planning period (expressed in number of years, in this case n = 4.5 - actualised at 30/06/2019);

TV = terminal value

The first part of the equation ($\sum_{t=i}^n R_t * (1 + k_e)^{-t}$) is the sum of the expected discounted incomes in the explicit forecast period (2019-2023), while the second part of the equation, which represents the terminal value, is the average sustainable income expected for all the years after the explicit forecast period (starting from 2024), discounted as well.

The income-based method

As per Expert Estimate, the income-based method is based on the capacity of the company to generate an income-related cash flow that can be reproduced in the future.

The value of the economic capital (W) has been thus assessed by the Expert, quantitatively, as function of the income itself (R).

As far as the reference projection period is concerned, within which it is assessed that the company shall be able to produce an income, the Expert employed the indefinite period.

In this case, the value of the company (W) equals the current value of a perpetual income with constant payment (R), calculated at the reference rate (i), determined on the basis of the following formula:

$$W = R / i$$

The relevant income configuration (R) for the purpose of applying the method was as follows:

- *future*, suitable for reflecting the expected income conditions of the company;
- *average*, i.e., what the company is capable of producing on a stable basis;
- *adjusted*, freed from abnormal factors if compared to the ordinary performance, based on rational and commonly accepted values from a technical point of view.

The determination of the average future income began necessarily from the incomes produced in the recent past, freed from any extraordinary component and from other components which are not directly connected to normal operations, in order to obtain its normalisation. Once the time series of adjusted income was determined, and upon calculation of an average value, the Expert assessed whether the time series remained the same or changed prospectively. The point of this calculation is to build future income statements in order to identify a discounted income attributable to future years.

According to part of the doctrine - which believes to employ a particularly prudent approach, taking into account the uncertainty of the result that can be obtained through such a prospective analysis - it is appropriate to consider as average future income the average value of the adjusted income obtained on the basis of the analysis of the times series, without carrying out any projection for the future.

Others, however, albeit recognising the difficulty to obtain indisputable results, suggest to use an empirical method that leads to the configuration of the future income on the basis of data that can be inferred from the company's business planning, that is by using projection criteria that take into account also the business situation of more recent periods. In so doing, an average future income could be built starting from, for example, the adjusted income of the last three fiscal years, as well as the adjusted future incomes of the two following future years.

The *discount rate* (i) applied by the Expert incorporates the compensation arising from the passing of time (basically equal to the return assigned to risk-free activities), as well as the adequate remuneration of the risk borne.

In particular, the *pure interest rate* related to the use of risk-free capital is determined with regard to public securities with long-term maturity; moreover, during inflation periods, the same rate shall be freed from monetary erosion created by the inflationary factor and, therefore, it shall be used in its *real rate* configuration.

The increase of the pure interest rate for the purpose of *business risk premium* is proportionate to the magnitude of the general business risk on the equity capital, which shall be estimated according to the assessment of the following factors:

- General conditions: economic situation, inflation, socio-political situation in the Country, etc.
- Sectoral conditions: structure of relevant market, various conditions of sectoral instability, etc.

- Company conditions: equity soundness, debt level and composition, liquidity situation with terms and actual payment, variability of management's operating results, customer base, etc.

The Expert informs that the best doctrine suggest, for the industry sector, to apply a variable rate of 8-9% minimum, where values depend both on the activity sector and on the investment's riskiness. In other words, low-risk sectors would correspond to the low end of the range, while high-risk sectors would correspond to a rate on the high end of the range³.

The income-based method -albeit limited by the uncertainty of the assessments on a company's income capacities, which cannot be verified as easily as the current value of the assets constituting the share capital -, is paramount for the integration and comparison of estimates obtained through other methods, which usually put, without justification, greater emphasis on the invested capital rather than on the future income capacity of the very same capital.

ECO's Industrial Plan 2019-2023

The Expert, in order to carry out its analyses and obtain the information required for the assessment of ECO's Quotas, had to analyse ECO's Industrial Plan for 2019-2023 drafted by ECO's management. As far as the plan is concerned, the Expert based its analysis on some of the main assumptions derived by it, whose reasonableness has been assessed by the Expert within the limits of his office and of the documents provided to him.

The considerations carried out by the Expert are shown below.

The first two years of explicit forecast (2019-2020) have been assessed analytically, whilst the budget for 2021-2023 has been determined by assuming an income growth rate equal to the average growth rate of the company in 2017-2019, i.e. 16%.

From the analysis of the estimated profitability of the explicit period, it is noted that the value of 2019 EBITDA is the same as the value of the previous year. This choice arose from the prudent approach of the management, given that the impact of the R&D activity (partially carried out in the previous fiscal year) was not maximised. Therefore, the EBITDA value following 2018 does not take into account this component, which shall probably have a positive impact on ECO's balance sheets, but that, at the time, was not deemed quantifiable by the authors of the Industrial Plan.

The profitability growth rate for 2021-2023, at 16%, determined on a historical basis, is reasonable and sustainable if compared to the growth rates (CAGR) of the online sector. To corroborate this fact, from the report "Luxury goods worldwide market study, fall-winter 2018" drafted by Bain & Company, a growth trend of +24% for the online channel over 2013-2017 can be recorded, dropping to +22% in 2017-2018 (albeit only as far as the luxury sector is concerned).

Depreciations in 2021-2023 were hypothesised in constant growth in order to reflect the investments that ECO shall undertake for the whole duration of the platform's use.

It is also noted that financial expenses in 2021-2023 were hypothesised as growing with the same rate identified in 2019-2020, i.e. 9% per year.

³ See L. Guatri, M. Bini, La valutazione delle aziende, ed. EGEA, Milano, 2011, pag. 169 table 7.10.

The following represents an excerpt of ECO's 2019-2023 Plan, prepared by the Expert, who states also the final balances of 2017 and 2018, other than showing EBITDA and EBIT evolutions, two essential parameters for the purposes of this assessment.

	End 2017	End 2018	Budget 2019	Budget 2020	Budget 2021	Budget 2022	Budget 2023
EBITDA	502,543 €	254,223 €	254,054 €	357,549 €	414,756 €	481,118 €	558,096 €
Amortisation and depreciation	112,592 €	118,879 €	116,315 €	128,617 €	140,919 €	153,220 €	165,522 €
EBIT	389,951 €	135,344 €	137,738 €	228,932 €	273,838 €	327,897 €	392,574 €
Financial Management	5,235 €	2,007 €	11,291 €	12,349 €	13,460 €	14,672 €	15,992 €
Extraordinary Management	625 €	46,718 €	16,572 €	16,572 €	16,572 €	16,572 €	16,572 €
EBT	384,091 €	180,055 €	143,019 €	233,155 €	276,949 €	329,797 €	393,154 €
Taxes	85,616 €	23,134 €	- €	- €	- €	- €	- €
RESULT FOR THE YEAR	298,475 €	156,921 €	143,019 €	233,155 €	276,949 €	329,797 €	393,154 €

Determining the cost of equity capital

As can be seen from the Expert Estimate, the cost of the equity capital has been calculated in accordance with a Capital Asset Pricing Model, by taking into account the current structure of the market's interest rates and of the specific reference sector. In particular, k_e is composed by the nominal yield rate for risk-free activities plus a risk premium that reflects the riskiness of the reference sector and of the specific risks connected to the operations of the company under assessment. The formula used by the Expert is as follows:

$$k_e = R_f + \beta * (R_{market} - R_f)$$

Where:

R_f = yield rate of risk-free activities, corresponding with the average yield of BTPs at 10 years (average yield related to 2016-2018), equal to 2.03%⁴;

β = beta volatility coefficient, calculated as the average of the betas of a sample of companies operating in Europe in the (i) online retail and (ii) internet software sectors, equal to 1.03⁵;

$(R_{market} - R_f)$ = average market premium for equity risk, i.e. yield spread requested by investors for an investment in shares compared to a risk-free investment; this risk premium has been set to 9.02%⁶;

⁴ Source: dt.tesoro.it/it/debito_pubblico/dati_statistici/principali_tassi_di_interesse/

⁵ Source: <http://www.damodaran.com>

⁶ <http://www.damodaran.com>

In light of the above, the cost of equity capital k_e has been assessed at 11.32%.

Determining the expected adjusted net incomes

The Expert Estimate states that the normalisation of the economic results related to the fiscal years analysed required the analysis of the following balance sheet items for the purpose of determining any eventual adjustment on the net income:

- Extraordinary income;
- Extraordinary expenses;
- Capital gains;
- Receivables write-down provision;
- Inventory provision;
- Provision for risks;
- Losses on receivables.

The Expert deemed it appropriate to adjust the results of the fiscal years taken into account by focusing only on extraordinary elements.

For the purpose of determining the correct impact on the results of the fiscal year, the adjustment values shall be expressed net of their taxes.

	2019	2020	2021	2022	2023
EBITDA	€ 270,625	€ 374,120	€ 433,980	€ 503,416	€ 583,963
EBT	€ 143,019	€ 233,155	€ 276,949	€ 329,797	€ 393,154
<i>Extraordinary elements</i>	- €	- €	- €	- €	- €
Adjustment of extraordinary elements	€ 143,019	€ 233,155	€ 276,949	€ 329,797	€ 393,154
Other amendments for adjustment					
<i>Receivables write-down provision</i>	- €	- €	- €	- €	- €
<i>Provision for risks</i>	- €	- €	- €	- €	- €
<i>Losses on receivables</i>	- €	- €	- €	- €	- €
Adjusted EBT	€ 143,019	€ 233,155	€ 276,949	€ 329,797	€ 393,154
Estimated taxes on adjusted income	€ 39,902	€ 65,050	€ 77,269	€ 92,013	€ 109,690
ADJUSTED INCOME	€ 103,117	€ 168,105	€ 199,680	€ 237,784	€ 283,464

The Expert confirms that, as reflected in the previous table, the only adjustments made to the Industrial Plan drafted by ECO were related to the income tax's estimate for each fiscal year; moreover, he indicates that the element reclassified as "Extraordinary management" was added to 2019 and 2020 EBITDA as shown in the aforementioned Industrial Plan, given that they were attributable to ordinary and recurrent income components. The difference between the EBITDA of

the Industrial Plan and of the EBITDA shown in the table used for the adjustment is thus attributable to said reclassification.

Supplementary to the aforementioned analysis, the Expert notes that he took notice of the accounting and fiscal due diligence report drafted by Mascherpa e Associati, from which no serious criticality arose insofar as to affect the adjustment of the incomes object of this Expert Estimate.

Determining the terminal value

The Expert continues by highlighting that the expected net incomes calculated, which shall be adjusted to the aforementioned rate k_e , will not be exhausted upon the end of the explicit forecast period, given that the company shall continue to generate income also beyond said time frame.

The terminal value calculation, then, is aimed at taking into account all those incomes that the company will be able to generate on a stable basis in the long term, beyond the explicit forecast period.

One of the most-used approaches in the practice - as explained by the Expert - is the one determining the terminal value as current value of a normal "fully operational" income which, by way of example, hypothetically repeats itself perpetually from year "n" onwards, and is calculated with the following formula:

$$TV = \frac{R_s}{k_e - g}$$

Where:

R_s = expected sustainable average income after the explicit forecast period;

g = expected long-term growth rate, impacting on incomes after the explicit forecast period.

As far as the "fully operational" income is concerned, the average adjusted net income (€ 260,624) of the last two explicit forecast years of the Industrial Plan (2022 and 2023) was used.

The discount rate used is the same one applied to incomes for the period, amounting to 11.32% on the basis of the aforementioned considerations.

As far as the determination of the growth rate (g), which can be maintained in the medium to long-term, is concerned, it was set at 3% in line with the growth prospects of the following years in companies operating in the same sector as ECO.

It follows therefore that the terminal value can be determined as follows:

$$TV = \frac{260.624}{11.32\% - 3\%} = € 3,132,272$$

This value shall be subsequently adjusted, as explained in the following paragraph.

Determining the W value

In the Expert Estimate, the value W, calculated by applying the two-step analytical income-based method, amounts to € 2,665,062 (as a first approximation), as detailed hereinafter.

	2019	2020	2021	2022	2023	Terminal Value
Expected net profit	€ 103,117	€ 168,105	€ 199,680	€ 237,784	€ 283,464	€ 3,132,272
Discount rate (Ke)	11.32%	11.32%	11.32%	11.32%	11.32%	11.32%
Discount factor	0.947790237	0.851405972	0.764823377	0.687045684	0.617177489	0.617177489
Adjusted net income	€ 97,733	€ 143,125	€ 152,720	€ 163,368	€ 174,948	€ 1,933,168

COMPANY VALUE	€ 2,665,062
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Moreover, the Expert notes that such value shall be adjusted to the amount of tax charges calculated on unrealised capital gains. In practice, such tax burden is calculated on the basis of reduced (and not full) rates falling between 1/3 and 2/3 of full ones. The Expert also deemed it necessary to hypothesise tax burdens on capital gains with reduced rates by one third (8%).

The calculations carried out by the Expert are as follows.

EV	€ 2,665,062
AP 30/06/2019.	€ 912,163
Latent capital gain	€ 1,752,899
Deferred taxes provision (8%)	€ 140,232
EV net of latent tax burdens	€ 2,524,830

On the basis of the aforementioned assessment, the Expert deemed it reasonable to determine the enterprise value at € 2,524,830.

Sensitivity analysis

The Expert Estimate also states that the Expert carried out a sensitivity analysis regarding ECO's (W) value by using different value pairs of the cost of equity capital (Ke) and of the expected yields growth rate (g), as well as by taking into account a 0.6% variation for both variables (the Ke taken into account ranges between 11.02% and 11.62%, while g rate ranges between 2.70% and 3.30%). The Expert has established that the variations in ECO's value were relatively low in the context of the reference data, thus confirming the low sensitivity of the evaluation model to the considered factors, reconfirming the reliability of the obtained results.

The market multiples method

The Expert also used the Market Multiples Method as further control method.

The application of the method at hand, as carried out by the Expert, included the following steps:

1. Determining the reference sample: for the purpose of choosing the sample of comparable companies, the judgement must be made on the basis of a series of essential factors which, in practice, are mainly identified by the following ones: (i) belonging to the same sector; (ii) size; (iii) financial risks of the company; (iv) actual homogeneity of measures; (v) type of governance; (vi) company's stage of life; (vii) transparency; (viii) etc.
2. Choosing significant multiples: for the purpose of this assessment, the following, most frequently used multiples for company estimates were chosen: (i) EV/EBITDA, ratio between enterprise value and Earnings Before Interest, Taxes, Depreciation, and Amortization; (ii) EV/EBIT, ratio between enterprise value and Earnings Before Interests and Taxes.
3. Calculating chosen multiples for sample companies: in general, multiples are calculated on the basis of financial data of the current fiscal year and of the following one; however, it is also possible to chose different time frames depending on the specific features of the sector and of the assessment context. In this case, the multiples calculated on 2019 and 2020 were used.
4. Applying multiples to companies under assessment: the ratios thus obtained are applied to the income, balance sheet and financial data of the company under assessment.

The reference sample used by the Expert for calculating the multiples was as follows⁷:

Peers	Ticker	Price	Market cap	EV/CA 19	EV/CA 20	EV/CA 21	EV/EBITDA 19	EV/EBITDA 20	EV/EBITDA 21	EV/EBIT 19	EV/EBIT 20	EV/EBIT 21	PE 19	PE 20	PE 21
ASOS plc	ASC-GB	25.6	2148	0.7	0.6	0.5	18.0	12.5	12.5	63.1	33.5	21.8	77.4	40.4	26.7
boohoo group Plc	BOO-GB	2.6	3009	2.3	1.8	1.4	23.8	18.5	18.5	29.1	22.4	17.2	49.0	38.3	30.8
SRP Groupe SA	SRP-FR	1.3	64	0.1	0.1	0.1		16.1	16.1			34.2			31.0
Start today	3092-JP	17.7	5523	4.6	3.9	3.4	16.9	13.4	13.4	18.2	14.2	11.9	26.2	21.1	18.2
Stitch Fix	SFIX-US	16.5	824	1.1	0.8	0.6	39.8	24.9	24.9	63.6	36.3	17.7	56.8	60.6	35.4
Zalando SE	ZAL-DE	44.5	11201	1.6	1.4	1.2	30.2	24.3	24.3	63.1	48.5	37.8	120.6	88.4	68.2

The average multiples of the sample, calculated by the Expert, are as follows:

SAMPLE MULTIPLES	
EV/EBITDA 2019	26
EV/EBITDA 2020	18
EV/EBITDA 2019	47
EV/EBITDA 2020	31

By applying said multiples to ECO, the Expert obtained the following results:

E-Commerce Outsourcing Srl	
EBITDA 2019	€ 270,625
EBITDA 2019 x multiples sample	€ 6,965,897
EBITDA 2020	€ 374,120

⁷ The Expert highlighted that the choice of the reference sample and the values reported were provided by MIDCAP Partners - Louis Capital Markets, 05 September 2019.

EBITDA 2020 x multiples sample	€ 6,838,919
AVERAGE	€ 6,902,408

E-Commerce Outsourcing Srl	
EBIT 2019	€ 154,310
EBIT 2019 x multiples sample	€ 7,317,383
EBIT 2020	€ 245,503
EBIT 2020 x multiples sample	€ 7,605,692
AVERAGE	€ 7,461,537

As far as the value determined as established above is concerned, the Expert confirms that, in practice, it is usual to apply a discount factor in order to take into account the different features of the company under assessment. In particular, considering (i) the smaller size of ECO if compared to the company sample, and (ii) the fact that, unlike its peers, ECO operates exclusively in the national market and not in the international one, the Expert deemed it appropriate to discount the value obtained with the multiples market method with an adequate discount rate of 60% which takes into account this difference in size and quality. In support of this choice, the Expert drafted the following table comparing ECO's EBITDA margins/revenues and sales growth with those of the sample's average.

	E-Commerce Outsourcing Srl	Sample's average	Variation
EBITDA/revenues 2019	2.03%	7.70%	-73.66%
EBITDA/revenues 2020	2.54%	9.00%	-71.80%
Sales growth 2019	11.02%	18.10%	-39.11%
Sales growth 2020	10.46%	16.70%	-37.37%

By applying the aforementioned 60% discount on the sample parameters, the variation of ECO's EV was identified by the Expert as follows:

- at € 2,760,963 on EBITDA;
- at € 2,984,615 on EBIT;

In conclusion, in the opinion of the Expert, the reference assessment range of ECO's Enterprise Value, based on the Market Multiples Method, ranges from € 2,760,963 to € 2,984,615.

The net financial position

For the purpose of determining the value of ECO, it proved necessary for the Expert to sum algebraically the net financial position of ECO (hereinafter also referred to as the "**NFP**"), defined as the sum of the financial assets and liabilities that generate explicit interests.

ECO's NFP at the Expert Estimate's reference date (30/06/2019) was assessed at € 883,990, as reported in the financial position of the same date drafted by ECO.

Nevertheless, for the purposes of the Expert Estimate, the Expert took into account the provisions of the Investment Agreement, whose Art. 3.6 (Undertakings for cash holdings and net working capital) sets out the following: *"Both Parties acknowledge agree that the attribution of the New Shares against Shareholdings has been agreed upon assuming that, upon Completion Date (i.e. the subscription date of the transfer deed) - and thus Contributing Shareholders undertake to -, [...] the Treasury shall equal at least € 200,000.00 (two hundred thousand/00)".*

In light of the above, and in particular in accordance with the agreement provision set out in Art. 3.6 of the Investment Agreement, the Expert deemed it necessary to consider for prudential reasons a NFP of € 200,000.00 for ECO.

EV net of latent tax burdens	€ 2,524,830
NFP	€ 200,000
Total value of E-commerce Srl quotaholdings	€ 2,724,830

On the basis of the aforementioned assessment, the Expert deemed it reasonable to determine the Enterprise Value at € 2,724,830.

* * *

The Expert has thus determined ECO's Enterprise Value as an algebraical sum of the adjusted net incomes expected for the explicit forecast period (€ 731,894), of the adjusted terminal value (€ 1,933,168) net of tax effect (€ 140,232) and of the net financial position of ECO (positive for € 200,000).

The procedure carried out by the Expert determined ECO's overall value at € 2,724,830.

The Expert has also noted that said value has been confirmed by the assessment carried out with the control method, that is with the EBITDA/EBIT multiplier method.

* * *

The reference date for the Expert Estimate was 12 September 2019 and, to support the assessment, the Expert examined the following documents:

- a) Statutory financial statements submitted by ECO for fiscal years 2015-2018;
- b) ECO's financial position at 30/06/2019;
- c) ECO's budget between 2019 and 2020;
- d) ECO's Industrial Plan 2019-2023;
- e) Technical report of R&D activities for 2016;
- f) Certificate issued by the Chamber of Commerce;
- g) Company books;
- h) Italian regional tax on productive activities model 2016-2018;

- i) Accounting details and information regarding some balance sheet items required for determining ECO's net income provided by ECO's CFO Mr. Daniele Testa;
- j) Study called "*Luxury goods worldwide market study, fall-winter 2018*" by consulting company Bain & Company;
- k) Report called "*Giglio Group, the digital partner of Italian brands*" by Midcap Partners, on 5 September 2019;
- l) Report called "*Giglio Group, the e-commerce gateway for Fashion*" by Banca IMI, on 21 March 2019;
- m) Investment Agreement subscribed on 12 September 2019; and
- n) News and detailed information provided by ECO's managers.

4. **INDICATION OF NUMBER, CATEGORY, ACCRUAL DATE AND ISSUANCE PRICE OF SHARES SUBJECT TO CAPITAL INCREASE**

Against the Capital Increase and of the simultaneous contribution in kind, Giglio Group S.p.A. shall issue no. 757,000 new ordinary shares with effect from the date set out in Art. 2343-*quater*, par. 4 of the Italian Civil Code, and thus with the same rights of already issued ordinary shares, with the sole exclusion of the regular dividend.

The issue price of new shares equals € 3.5, € 3.3 of which at share premium.

Pursuant to Art. 2343-*quater*, par. 4 of the Italian Civil Code, newly issued ordinary shares shall be unalienable as long as directors do not fulfil the obligations set out in Art. 2343-*quater*.

5. **CRITERIA ADOPTED FOR DETERMINING THE PRICE OF GIGLIO GROUP S.P.A'S ORDINARY SHARES AND ITS ADEQUACY**

The Board of Directors of Giglio Group S.p.A. (hereinafter also referred to as the "**Board of Directors**"), called to determine the Capital Increase, preliminarily determined the issue price of Giglio Group S.p.A.' shares to be issued for the contribution of ECO's Quotaholdings. More specifically, the Board of Directors envisaged to increase Giglio Group S.p.A.'s share capital by issuing 757,000 new ordinary shares without option rights for a unit issue price of € 3.50 to be paid with the contribution of Quotaholdings equal to 100% of ECO's capital quotas.

Pursuant to Art. 2441, par. 4, first sentence, and par. 6 of the Italian Civil Code, as well as Art. 158, par. 1 of the CFA, the Board of Directors shall request the company appointed for the statutory audit to express its opinion on the adequacy of the issue price of the new shares issued by Giglio Group S.p.A. for the purpose of the Capital Increase.

Taking into account the proposal to increase Giglio Group S.p.A.'s share capital by issuing no. 757,000 new ordinary shares, on the basis of the values granted to both companies, the Group shall issue no. 20.19 ordinary shares for each one of ECO's quotaholdings (the so-called share exchange ratio).

Taking into account that the share capital's composition of Giglio Group S.p.A. as of today equals to no. 16,040,250 shares, Giglio Group S.p.A.'s newly issued shares shall determine an increase in the Group's shares to no. 16,797,250, with Contributing Quotaholders receiving a pre-money share of 4.72%. Upon payment of the Capital Increase, the Contributing Quotaholders shall hold 4.5% of Giglio Group S.p.A.'s share capital.

In line with the best national and international assessment practices for the financial sector and with reference to the purposes envisaged by Art. 2441, par. 6 of the Italian Civil Code, the Board of Directors, in determining the price of the newly issued shares of Giglio Group S.p.A., made reference to the assessment method reported in the following paragraph called "Stock Market Prices Method". As far as the control method is concerned, reference was made to the target prices published by the research analysts who follow Giglio Group S.p.A.'s stock.

Stock Market Prices are expressly referred to, for listed companies, in Art. 2441, par. 6 of the Italian Civil Code, which stipulates that: "[...] *The resolution determines the shares' issue price on the basis of the value of the Shareholders' Equity, taking into account, for shares listed in regulated markets, also the stock market prices' performance over the last semester*".

The Board of Directors approved the subscription price of € 3.5 pursuant to Art. 2441, par. 6 of the Italian Civil Code and verified it (as far its adequacy is concerned) on the basis of the assessment of the actual value of Giglio Group S.p.A.'s Enterprise Value, which was carried out by Directors on the basis of a wide database and by recourse to a plurality of criteria. The issue price must be suited, on the one hand, to protect Giglio Group S.p.A.' shareholders without option right, in order to avoid the expropriation of the value of the shares held by them for the benefit of third parties and, on the other hand, to allow for the seizure of the best existing opportunities for the Group's interests business-wise. Determining the issue price of the shares issued for the Capital Increase thus entailed the assessment of the adequacy and correct balance between the position of Giglio Group S.p.A.' shareholders before the Capital Increase and that of the new ones, for whom the Capital Increase is reserved.

Nevertheless, the fact that a reserved capital increase entails a convenience assessment - linked to the benefits connected to the creation of value carried by a capital increase for special purposes, and that, in the case at hand, these can be attributed to the primary objective of strengthening the technological skills, the portfolio of commercial solutions and the market shares in light of the market consolidation's trends and of the opportunities ahead - cannot be overlooked. Moreover, by its very nature, the shares' issue price in the case of a capital increase without option right is to be understood as an offer price for contributing shareholders and, as such, if, on the one hand it must take into account the value of the economic capital attributable to the Issuer, on the other, it must also consider the readiness of the addressees of the offer to recognise such entry price.

Stock Market Prices Method

This method expresses the value of the company under assessment on the basis of the capitalisation of traded shares - on regulated stock markets - representing the company under assessment. As a matter of fact, Stock Market Prices summarise the perception of the market with regard to a company's growth prospects and to the value attributed to them on the basis of the information known to the investors in a given moment.

This method is defined as a direct criterion, as it refers to the prices expressed by the stock-exchange market, indicative of a company's market value.

In the context of the application of this method, it is necessary to determine a right balance between the need to mitigate - through observations on sufficiently widespread time horizons - the volatility effect of daily prices and the need to use current data, indicative of a recent market value of the company under assessment.

The prerequisites for the adequate application of the Stock Market Prices Method are as follows:

- *Efficient markets*, referring to the systematic and timely consideration of all information available to the public in the prices.
- *Sufficient free float*, referring to the proportion of share capital negotiated on the markets;
- *High liquidity*, referring to daily trading volumes concerning the shares of the company under assessment;
- *Extensive research coverage*, referring to the number of financial intermediaries publishing analyses on the company under assessment.

For the purpose of determining a range of values lined to the application of this method, the maximum and minimum official price taken by the stock over the last 6 months was taken into account, using 10 September 2019 as reference date.

More specifically, the lapses of time taken into consideration start from 1 January 2019, from the last 6 months, from the last 3 months and from the last month, as shown below. (*Source: Teleborsa*)

Euro

Reference period	Simple Average	Average volumes	Weighted average by volumes	Min	Max	Capitalization based on simple average	Capitalization based on weighted average	Capitalization based on Min	Capitalization based on Max
Latest price	3.07	20,093				49,243,568			
Last month	2.82	24,774	2.86	2.53	3.10	45,172,399	45,887,496	40,581,833	49,724,775
Last 3 months	2.83	49,338	2.99	2.53	3.23	45,398,843	47,947,357	40,581,833	51,810,008
Last 6 months	3.05	59,035	3.25	2.53	3.83	48,856,346	52,142,506	40,581,833	61,434,158
Since beginning of year	3.10	81,764	3.37	2.08	3.90	49,722,041	54,125,064	33,363,720	62,556,975

(*) Data updated at 10 September 2019

By setting the shares' issue price to € 3.50, the following premium levels' development would occur, against the aforementioned average values:

ISSUE PRICE	3.5
LAST PRICE	3.07
premium	
SIMPLE AVERAGE	
LAST PRICE	14.01%
LAST MONTH	24.28%
LAST 3 MONTHS	23.66%
LAST 6 MONTHS	14.91%
FROM THE BEGINNING OF THE YEAR	12.91%
WEIGHTED AVERAGE	
LAST MONTH	22.34%
LAST 3 MONTHS	17.09%
LAST 6 MONTHS	7.67%
FROM THE BEGINNING OF THE YEAR	3.72%

In light of the analyses carried out, the value per Giglio Group S.p.A. share resulting from the application of the Stock Market Prices Method, with regard to the last semester - projection period set in Art. 2441, par. 6 of the Italian Civil Code and deemed relevant by the Board of Directors -, ranges from € 2.53 and 3.83 per share. More specifically, the range of values has been determined by calculating, with regard to the prices recorded in the aforementioned period, the minimum and maximum value.

By using the Stock Market Prices Method on the basis of the aforementioned criterion, Giglio Group S.p.A.'s Enterprise Value ranges between € 40,581,832 and € 61,434,157.

Still in the 6-months projection period - set in, as mentioned, Art. 2441, par. 6 of the Italian Civil Code and deemed relevant by the Board of Directors - the range of values going from € 3.05 to € 3.25 per share was taken into account. More specifically, the range of values has been determined by calculating, with regard to the prices recorded in the aforementioned period, the simple and the weighted average for the respective volumes.

By using the Stock Market Prices Method on the basis of the aforementioned criterion, Giglio Group S.p.A.'s Enterprise Value ranges between € 48,856,346 and € 52,142,506.

It is noted that, during the first semester of 2019, the share price was frequently above € 3.00, with substantially higher volumes than the second semester of 2019 (up to 10 September 2019). If put into practice, this phenomenon shows greater price significance in the first semester of 2019, considering also that in the summer period volumes are typically inferior. Ever since the beginning of the year, volumes have been greater than the last months' ones.

Despite a decreasing trend in volumes traded by Giglio Group S.p.A., in a phase of weakness of the share price, the negotiation of the stock during the year proves to be consistent and significant for the purpose of using the Stock Market Prices Method.

The simple average of the prices in the first semester of 2019 equals € 3.20. The weighted average of the prices in the first semester of 2019 equals € 3.46. Hence, a minimum premium of 9.44% and 1.17% respectively is entailed, as well as a value close to the defined issue price.

The weakness of the last months is mostly due to the company assessment's internal factors, that is to specific political and economic factors of the stock exchange market and of domestic markets, other than to notoriously slower summer period, leading to fewer trades, as is often the case with small-cap companies.

Share liquidity

The concept of liquidity in the abstract sense of the term refers to the tendency of a movable or immovable asset to be converted into legal currency. The faster and the more cost-effective this happens, the more liquid shall be considered the asset, and vice versa. This definition, if applied to instruments traded on financial markets, leads us directly to the issue of the bid/offer spread, that is, of the difference between the prices proposed by the buyers and the sellers of a stock. The bigger the spread, the less liquid the financial instrument, given that width reduces the economic efficiency of its conversion in legal currency (the buyer will have to accept to pay a higher price, the seller to receive a lower one).

In its common (and more widespread) sense of the term, general reference is made to the quantity of financial instruments traded on the market as indicator of the activity and interest of operators. There are many indicators at stake, some are simple and some are more sophisticated. The first one is the volume traded, that is the number of financial instruments passed from hand to hand during a given period: usually the single session, albeit time unit used depends on the purpose of the measurement. From the traded volume, the next indicator is the traded equity turnover, obtained by multiplying the traded volume for the price of each transaction and then summing them.

The turnover velocity, on the other hand, shows the ratio between the traded volume (always within the reference period) and the total number of shares, and has the advantage of not being influenced by price excursions or by the level of unit prices. A variation of the turnover velocity can be calculated by comparing the traded volume to the free float, that is to the total proportion of shares of companies not held by relevant shareholders. The free float itself, by representing the percentage of total shares not yet fixed in the portfolios of stable shareholders (and so, hypothetically, likely to be exchanged on the market), can be understood as a further indicator of liquidity.

In the case of Giglio Group S.p.A., the turnover velocity ratio of the last 12 months, that is, the ratio between traded volumes and number of shares, amounted to 128% (see. <https://www.borsaitaliana.it/companyprofile/pdf/en/20076.pdf>). The average in the MTA market in 2018 amounted to 106% (*Source: Borsa Italiana*). The ratio between traded volumes and free float amounted to 280%. Giglio Group S.p.A. is then an extremely liquid stock, i.e. it presents significant and denser negotiations than the market's average. The issue price fixed by the Board of Directors for newly issued shares is thus deemed significant.

Analysts' Target Pricing Method (control method)

This method is based on the analysis of the suggestions stated in the research reports published by main analysts in order to identify a theoretical value of the company under assessment.

The main feature of such method is the possibility to identify a value deemed reasonable by the market itself, whose significance depends on the stock's coverage level by financial intermediaries, who publish research documents on a regular basis with their analyses of profitability margins, equity soundness, riskiness and company's development.

For the purpose of determining a range of values linked to the application of this method, the minimum and maximum target prices communicated by analysts have been taken into account, considering only the reports published after the submission of 2018 annual results and of 2019 first quarter results, plus updates.

The following should be considered: as a company listed in the STAR segment of Borsa Italiana stock exchange market, Giglio Group S.p.A. must comply with the segment's requirements such as to ensure the presence of a specialist operator who guarantees the stock's liquidity and publishes at least two financial analyses per year, promptly giving notice to Borsa Italiana S.p.A. of all studies and researches carried out on the company and organising a meeting between the management and the investors at least twice a year.

Giglio Group S.p.A. has provided itself with another supplier of the same services, mostly aimed at foreign markets and their investors.

On 21 March 2019, Intesa Sanpaolo Research Department issued a report pointing at an objective price of € 6.2. On 02 April 2019, Midcap issued a report pointing at an objective price of € 5.6.

As far as the analysis offered by Intesa Sanpaolo Research Center is concerned, the Discounted Cash Flow method was used, based on own estimates regarding the business development following the presentation of the Industrial Plan. On 5 September 2019, Midcap issued a further update of its previous report, confirming yet again the same objective price of € 5.6. This assessment was based on a Discounted Cash Flow method and used as control method the multiples one, by comparing the implicit multiple of Giglio Group S.p.A. on the target price obtained through the DCF with the sample of comparable companies.

By using target prices expressed by research analysts about Giglio Group S.p.A.' stock after the communication of 2019 first quarter and 2018 annual results, the Enterprise Value of the Group appears to range from € 5.60 to € 6.20 per share, that is a total value ranging between € 89,825,400 and € 99,449,550.

This method has some limitations, reflected not so much in the liquidity of the stock in the market - deemed sufficient for these purposes and ensured mainly by small non-professional traders -, but in the range of institutional investors who still favour companies with bigger capitalisations or belonging to more traditional and less innovative sectors than the one in which Giglio Group S.p.A. operates, which represents a mixture of technology, consumer goods and luxury goods. In Milan' stock list, the companies belonging to these sectors are but a few dozens, and all of bigger sizes. Nevertheless, the assessing methods used by these analysts are sound and widely supported, and the calculation is quite in line with Giglio Group S.p.A.'s Industrial Plan.

Assessments' summary and conclusions

Starting from the ranges determined by each method, the Board of Directors identified the range of Giglio Group S.p.A.'s enterprise value between € 2.53 and € 5.90 per share.

The summary of the findings regarding the application of the adopted criteria is as follows:

	Lower Value	Higher Value	Average
Stock Market Prices Method - minimum and maximum value	2,53	3.83	3,18
Stock Market Prices Method - simple and weighted average value	3,045859375	3,25072902	3,1482942
Analysts' Target Pricing Method	5.6	6,2	5,9

For the purpose of determining the price of each share, the Board of Directors also kept into account the shared negotiated conditions with its Quotaholders regarding the relative assessments of Giglio Group S.p.A. and ECO's quotas in the context of the transfer as a whole, as well as in the use of assessment methods based on fundamental market values, as required by Art. 2441, par. 6 of the Italian Civil Code.

More specifically, Giglio Group S.p.A. is the most important e-commerce platform within its reference sector, other than being listed on the stock market; moreover, the company has always aggregated other smaller companies from the same industry.

In light of the above, the Board of Directors believes that the price of Giglio Group S.p.A.'s shares to be issued against the transfer of ECO's quotas, equal to € 3.50 per share and determined on the basis of a negotiation between the parties, (i) is appropriate - given current market circumstances, and more specifically considering the Italian stock-exchange market, which underperformed significantly if compared to other European markets, other than representing the highest contribution to be received with the transfer of the company, in a competitive market context, as well as at higher-level potential -, (ii) complies with the provision set out in Art. 2441, par. 6 of the Italian Civil Code, and (iii) expresses equitable protection to minority shareholders, being therefore reasonable.

6. TAX EFFECTS OF THE OPERATION

The transfer operation recognises the competence of contributing shareholders for direct taxation, given that the conditions for the taxation of any capital gain arising between the realisable value of new issuances received and the last physically-recognised value of the shareholdings conferred could affect them.

Furthermore, the operation shall be subject to art. 177, par. 2 of the income tax consolidation act (tuir), by which "shares or quotas received following companies' contributions, through which the transferee acquires control of another company pursuant to art. 2359, par. 1, no. 1) of the Italian Civil Code [...], are assessed, for the purpose of determining the transferor's income, on the basis of the corresponding share of net equity formed by the transferee as a result of the contribution", the so-called controlled sale.

The transfer shall not produce any effect for direct taxation to Giglio Group. The book value of the shares under transfer into the company accounts shall be relevant for tax purposes.

The transfer deed shall be subject to register fee on a fixed basis.

7. INDICATION OF GIGLIO GROUP S.P.A.' SHAREHOLDERS' STRUCTURE AND OF ANY EVENTUAL CONTROLLING ENTITY PURSUANT TO ART. 93 OF THE CFA FOLLOWING THE CAPITAL INCREASE IN KIND AND EFFECTS OF SUCH OPERATION ON ANY EVENTUAL RELEVANT SHAREHOLDERS' AGREEMENT PURSUANT TO ART. 122 OF THE CFA, CONCERNING GIGLIO GROUP'S SHARES, WHERE SAID EFFECTS WERE COMMUNICATED BY THE AGREEMENT'S PARTNERS.

Following the subscription of the Capital Increase against contribution in kind of the Quotas, Giglio Group S.p.A.'s capital share shall be increase by € 151,400.00, thus going from a value of e 3,208,050 to a value of € 3,359,450. The capital shall be divided into 16,797,250 ordinary shares.

Giglio Group S.p.A.' shareholders structure is currently composed of the following entities:

SHAREHOLDERS	NO. SHAREHOLDERS (ORDINARY)	% OF SHARE CAPITAL
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Meridiana Holding S.r.l.	8,929,768.00	55,67100263
Docomo Digital Italy S.p.A.	1,588,948,00	9,906005206
FREE FLOAT	5,521,534,00	34,42299216

Giglio Group S.p.A.'s shareholders structure following the Capital Increase shall be composed as follows, at the company's best knowledge on the basis of mandatory communications:

SHAREHOLDERS	NO. SHAREHOLDERS (ORDINARY)	% OF SHARE CAPITAL
Meridiana Holding S.r.l.	8,929,768,00	53,16208308
Docomo Digital Italy S.p.A.	1,588,948,00	9,459572251
Gedeone Web S.r.l. in liquidation(*)	387,584,00	2,307425323
Barni Carlo S.p.A. (*)	242,240,00	1,442140827
Daniele Testa	37,850,00	0,225334504
Parravicini Giorgio	36,336,00	0,216321124
Cuccarese Vincenzo	15,140,00	0,090133802
Canegrati Andrea	15,140,00	0,090133802
Napoleone Marco Antonio	11,355,00	0,067600351
Fumagalli Marco	11,355,00	0,067600351
FREE FLOAT	5,521,534,00	32,87165459

* It is noted that, pursuant to the Investment Agreement, (i) quotaholdings currently held by Gedeone Web s.r.l. in liquidation in ECO could be transferred, before the contribution, to Mr. Antonio Lembo or to a trust company appointed by the latter, who could thus result as Giglio Group S.p.A.'s shareholder, and (ii) quotaholdings currently held by Barni Carlo S.p.A. in ECO could be transferred, before the contribution, to its parent company BH S.r.l., who would thus result as Giglio Group S.p.A.'s shareholder.

As is evident, upon completion of the operation object of this report, Meridiana Holding s.r.l. shall continue to be the Company's majority shareholder.

At the present time, no relevant shareholders' agreements appear to exist, pursuant to Art. 122 of the CFA.

Milan, 16 September 2019

For the Board of Directors
The Chairman of the Board of Directors