Annual & Consolidated Financial Statements
31 December 2019

CONTENTS

Board of Directors’ Report

on Consolidated Financial Statements as of 31 December 2019

Company Information

Registered office

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

Legal Information

Share Capital subscribed and paid-in € 3,661,337
Economic & Admin. Register No. 1028989 Tax no. 07396371002
Registered at Milan Companies Registration Office with no. 07396371002
Website www.giglio.org

Registered office and Headquarters

Piazza Diaz 6, Milan

Operational headquarters

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

Corporate Boards

Board of Directors

Alessandro Giglio	Chairman and Chief Executive Officer
Anna Lezzi	Director
Giorgio Mosci	Independent Director
Massimo Mancini	Deputy Chairman and General Manager
Yue Zhao	Director
Carlo Micchi	Executive Director
Silvia Olivotto	Independent Director

Board of Statutory Auditors

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

Internal Control, Risk and Related-Parties Committee

Silvia Olivotto	Chairwoman
Giorgio Mosci	Member

Appointment and Remuneration Committee

Giorgio Mosci	Chairman
Silvia Olivotto	

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. Moreover, due to the recent acquisition of E-Commerce Outsourcing S.r.l. (which operates under “Terashop” trademark), the company expands its offer to brands also including high value-added technological and innovation services, as well as integrating in its portfolio expertise for solutions to be offered to the large-scale distribution sector for the management of their online channels. The acquisition of E-commerce Outsourcing S.r.l. (hereinafter also referred as ECO or Terashop) further expanded the expertise of the Group in the e-commerce area, as well as in the management of brands' customer loyalty programmes through its own e-commerce platform.

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, the Group is today a major e-commerce operators in Europe directly connecting brands with the new digital sales outlets on the market.

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, up to brands' connection with major digital marketplaces. Indeed, Giglio Group is not only a B2C technology platform for the fashion world, but proposes a broad range of services connecting brands on various digital platforms with consumers across the globe.

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 habits. 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 (as far as Fashion is concerned) 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.

Throughout 2019 Q3, with the beginning of sales in the design segment and with the announcement of the Group's penetration i the food segment, Giglio Group wishes to present itself as the biggest digital exporter of Made-in-Italy products worldwide, with a unique customer base and a complete and innovative product range, as well as a needed infrastructure for the Country in order to bridge the gap of national flagship companies in their respective categories with the new frontiers of digital sales worldwide.

The Group's own 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.

As far as Fashion is concerned, but not only, Giglio Group embraces the brands' different needs with regard to their presence in the digital space, offering services that can increase the value of 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. E-Commerce Outsourcing S.r.l.'s contribution has proved decisive as a selling point, due to its consolidated experience in integrating e-commerce solutions with the client's physical distribution points.
- *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 first sales' pillar within the online world, and a consolidated strength for Giglio Group. B2C e-commerce represents 10% of retail sales worldwide, with an incidence of almost 20% in China, were sales amount to more than € 1000 billion thus establishing itself as the biggest market in the world, overcoming even the United States, whose

reference market accounts for 17% of physical sales, for a countervalue of more than € 600 billion. On a global scale, B2C e-commerce is growing by 20% every year, becoming an inescapable option for all brands in any sector (2018 B2C e-commerce Observatory). E-commerce is now 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 confirms its expertise on the Marketplaces not only for the Fashion sector, but also for other product categories currently traded.

  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.

During the fiscal year, the Group's transformation from media company to global e-commerce group has been completed on 8 July 2019 by way of divesting the non-strategic assets of the Media division. 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. In the context of the aforementioned focused strategy, on 12 September 2019, Giglio Group approved the signing of the agreement for E-Commerce Outsourcing S.r.l.'s acquisition, one of the major suppliers of outsourced e-commerce services. E-Commerce Outsourcing S.r.l. greatly invested in the omni-channel marketing and its innovative platforms offers both to its brands and its end clients a complete purchase experience. By integrating Giglio Group's and ECO's platforms, it is possible to expand the Group's activity toward new sectors such as, specifically, GDS, Food and mass retailing, with a chance to apply different business models: online sales with home delivery, products' collection from retail outlets, digital kiosks for in-shop sales, CRM systems, B2B and B2E websites as well as loyalty card systems.

The purchase of Terashop, other than allowing Giglio Group to incorporate a customer base active in these sectors, with high volumes of supported transactions, shall allow the Group to:

- ✓ Create significant economies of scale that shall lead to tangible savings right from the start, developing innovative solutions by using internal resources and reducing the present costs arising from the creation and management of e-stores:
- ✓ 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;
- ✓ 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;
- ✓ Expand its commercial offer to clients by integrating current offers with more and more innovative features and solutions, thus increasing the chances of success in negotiations.

On 31 October 2019, the Shareholders' Meeting of the Group approved both the Capital Increase to be paid through the contribution of E-Commerce Outsourcing S.r.l. (owner of Terashop's trademark) and the introduction within its By-laws of Shares with increased voting rights. Following the contribution in kind of ECO's quotas, Giglio Group's share capital increased of a total amount of € 2,224,828 (of which € 151,400 at nominal value and the rest at share premium), with the issue of no. 757,000 ordinary shares paid through the contribution in kind of the quotas of E-commerce Outsourcing S.r.l. on behalf of all the shareholders of the latter. Therefore, on said date, the Company's share capital amounted to € 3,359,450 divided into no. 16,797,250 ordinary shares, without express nominal value.

On 14 November 2019, Giglio Group S.p.A. concluded the Capital Increase reserved to Institutional Investors. The placement has been executed through an accelerated bookbuilding procedure (the "ABB") without option right exclusively for "qualified investors" in Italy and "institutional investors" abroad. The price of the offer amounted to about € 4 million, resulting from the sale of no. 1,509,435 ordinary shares of Giglio Group at a price of € 2.65 per share. The price included a discount of about 13.7% on the latest closing price of Giglio Group before the announcement. The transaction has been regulated through the assignment of the shares and their payment on 18 November 2019. The value of the share capital increase amounted to € 4 million, of which € 301,887 at nominal value and € 3,698,111 at share premium.

THE REFERENCE MARKET

According to Altagamma 2019 Worldwide Luxury Market Monitor, a survey carried out by Bain & Company, the personal luxury goods' market grew to € 281 billion in 2019 (+7% at current rates, +4% at constant rates), thus confirming the growth expectations for 2025 (+3/5% at constant rates). China is still the first growth driver in the market (+30% at current rates, +26% at constant rates), followed suit by the rest of Asia and Japan. Hong Kong lost about € 2 billion if compared to 2018. Hence, Chinese people drove 90% of the growth in 2019. Generations Y (Millenials) and Z (Zoomers) contributed by 100% to the market's growth in 2019. In China and South-East Asia, these age groups are proving to be more dynamic and interested in personal luxury goods. The online channel is the most dynamic one as far as growth is concerned (+22% at current rates), especially in Asia and in the Accessories' category; the Retail channel, however, is still giving signs of sustained organic growth. The Ultra High Net Worth Individuals (UHNWI) represent about 30% of the global market, with more and more "extreme" purchase habits. Moreover, Asian mid-class is contributing to increasing the luxury brands' customer base (entry-price product lines and outlet channels are thus growing). The categories that grew the most in 2019 were Shoes and Jewellery (+12% at current rates), albeit the performance differences between other product categories are shrinking thanks to a type of client that is more open to new value propositions, as well as to new business models: for example, the Second-Hand market grew to € 26 billion (+16% if compared to 2018). The consumer is more and more active: it (inter)acts, talks about, shares, observes and judges both the market and the brands. For this reason, it is more and more crucial for brands to put the consumer at the centre of their efforts, arousing emotions and boosting solid strategies of Social Responsibility, leveraging on creativity in its every shape and form, and not only on their products. The opportunities are plentiful, especially since most of major luxury brands are careful about the adoption of digital technologies.

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. The Company's objective for 2020-2022 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.

2. Group's Business and Structure

Founded in 2003 by Alessandro Giglio, Giglio Group, has become a 4.0 e-commerce company, able to promote and distribute luxury "Made in Italy" commercial brands worldwide. First listed on the Italian Stock Exchange AIM Italia market since August 2015, then trans listed on the STAR segment in March 2018, the Group operates in 5 continents and over 70 countries, among all countries reached by 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, I-box S.r.l. and Terashop, the digital core of the Group, consists in providing digital services for managing the Websites of "Made in Italy" Fashion mono-brands. On top of that, 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 to enable 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.

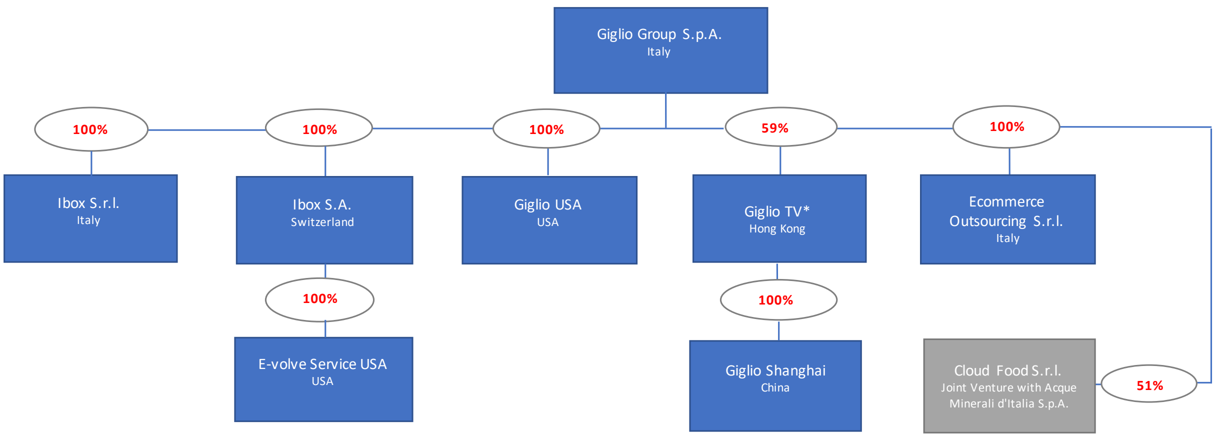
Throughout 2019, the Group went from simple Service Provider to Digital Enabler. If, until 2018, the Group developed more than 100 project for important brands, from the creation and management of e-commerce platforms worldwide to the development of technologies capable to support brands in their wholesale buying and refill activities, today the Group, thanks to a single platform, integrates all the brands' needs with a unique approach.

It is on this line of thoughts that Giglio Group acquired E-Commerce Outsourcing S.r.l., with the specific objective of expanding the technological solutions to be offered to its clients.

In 2019, Giglio Group began its activities of digital services supply 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.

Throughout the year, the Group integrated the technological and commercial expertise of Terashop into its structure. The transfer is strategic because Terashop has developed its own technological platform, that will be integrated by Giglio Group to support the many e-commerce project in the pipeline. This transfer also allows Giglio Group to expand its commercial offer, to strengthen its digital expertise and to significantly reduce its operating costs. Terashop, with its own customer base also active in the Fashion and Food sectors, such as Fratelli Rossetti, Expert, Auchan, Gran Casa, Fazzini Home, Cameo, Fabbri, Mediaset RTI (MediaShopping), Bricoio, Akai, Gruppo Generali, Agos, Volvo, Renault, Iveco, Piaggio, McDonalds, Aia-Negroni and Grandi Salumifici Italiani, allows us to expand our own customer base, to deseasonalise the business and to balance out the business concentration on the sole Fashion sector.

The Group Organizational Structure is reported below:



*Group Organizational Structure as of 31\12\2019**

* The minority share of 49% held by Simest S.p.A., prior shown as a minority interest, is recognised as a financial liability, by virtue of the put option exercised by Simest throughout 2019 (to be completed within first quarter of 2020), which led to the irrevocable purchase obligation of the shares for Giglio Group.

3. Financial Highlights at 31 December 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, where mentioned, 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 fiscal year of the present Financial Report and of the comparative periods and not to the expected performance of the Group and must not be considered as replacement of the indicators required by the accounting standards (IFRS).

The alternative performance indicators utilised in the Financial Report are as follows:

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

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

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

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

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

EBITDA: is the Operating result before Amortisation/Depreciation and Write-downs of Property, plant & equipment and intangible assets.

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

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

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

Analysis of Consolidated Financial and Capital Position at 31 December 2019

For the purpose of a correct fruition of the following data, it is to be noted that, as mentioned before, on 30 October 2019, the Shareholders' Meeting of the company Vértice Trescientos

Sesenta Grados (Vertice 360) approved the proposal of paid reserved capital increase of € 1,136,363.62, with premium of € 11,363,636.2 and a total subscription price of € 12,499,999.82 entirely paid for by the Giglio Group through the contribution in kind of the aforementioned transfer's scope, with the issue of no. 1,136,363,620 shares, representing 5.95% of Vertice 360's share capital.

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

It is noted that, in the 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 "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 31 December 2019 are specified below:

(Euro thousands)	31.12.2019	31.12.2018	Change
Intangible assets	17,322	12,297	5,025
Property, Plant and Equipment	3,040	1,492	1,548
Financial Assets	842	1,595	(753)
Total Fixed Assets	**21,204**	**15,384**	**5,820**
Inventories	1,861	5,273	(3,412)
Trade receivables	12,179	12,519	(340)
Trade payables	(20,623)	(24,070)	3,477
Operating/Commercial Working Capital	**(6,583)**	**(6,278)**	**(305)**
Other current assets and liabilities	(3,774)	8,177	(11,951)
Net Working Capital	**(10,356)**	**1,899**	**(12,256)**
Provisions for risks and charges	(924)	(804)	(120)
Deferred tax assets and liabilities	780	1,171	(391)
Net Invested Capital (Continuing Operations)	**10,703**	**17,650**	**(6,947)**
Net Invested Capital (Discontinued Operations)	**-**	**9,923**	**(9,923)**
Total Net Invested Capital	**10,703**	**27,573**	**(16,870)**
Equity	**1,606**	**(8,409)**	**10,015**
Net financial liabilities*	**(12,309)**	**(19,164)**	**6,855**
Total Sources	**(10,703)**	**(27,573)**	**16,870**

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

The Net Invested Capital of the Group at 31 December 2019, equal to € 10.7 million, is principally comprised of Net Fixed Assets (€ 21.2 million), and of Net Working Capital (€ -10.4 million).

Property, Plant and Equipment, equal to € 3 million (€ 1.5 million at 31 December 2018), increased mainly thanks to the effect of the adoption, starting from 1 January 2019, of the IFRS 16 accounting standard (€ 1.9 million net of the period's amortisations). Net of said increase, the account mainly refers to the investment in capital goods.

Intangible Assets equal to € 17.3 million, of which € 14.7 million are mainly ascribable to the goodwill for the acquisition of Giglio Fashion, of the IBOX Group and of E-Commerce Outsourcing S.r.l.. The € 5 million increase refers mainly (net of the period's amortisations) to the development costs faced internally for the implementation of the IT platforms (on Ibox SA and ECO) designed for managing online sales within the B2C and B2B2C e-commerce division (€ 1.5 million), as well as to the difference recorded following the acquisition of E-Commerce Outsourcing S.r.l (€ 3.1 million). Pursuant to IFRS 3, this difference has been attributed temporarily to the goodwill, and shall be confirmed in the coming 12 months.

Financial Assets, equal to € 0.8 million, can mainly be attributed:

- for € 0.6 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 € 0.2 million, to the guarantee deposits paid relating to rental contracts for the buildings at Milan and Rome.

The Net Financial Debt at 31 December 2019 and at 31 December 2018 is as follows:

		A		B	C=A-B
	(Euro thousands)	31.12.2019 post IFRS 16	31.12.2019 pre IFRS 16	31.12.2018	Change
A.	Cash	2,991	2,991	2,889	102
B.	Bank, short-term deposits and cheques	-	-	-	-
C.	Securities held for sale	3,523	3,523	-	3,523
D.	**Cash & cash equivalents (A)+(B)+(C)**	**6,514**	**6,514**	**2,889**	**3,625**
E.	Current financial receivables	3,980	3,980	620	3,360
F.	Current bank payables	(6,812)	(6,812)	(8,307)	1,495
G.	Current portion of non-current debt	(2,456)	(2,456)	(6,804)	4,347
H.	Other current financial payables	(9,749)	(9,008)	(899)	(8,850)
	of which Related Parties	*(400)*	*(400)*		*(400)*
I.	**Current financial debt (F)+(G)+(H)**	**(19,017)**	**(18,276)**	**(16,009)**	**(3,997)**
J.	**Net current financial debt (I) + (E) + (D)**	**(8,524)**	**(7,782)**	**(12,501)**	**8,736**
K.	Non-current bank payables	(607)	(607)	(2,119)	1,512

L.	Bonds issued	-	-	(2,219)	(2,219)
M.	Other non-current payables	(3,179)	(2,026)	(2,325)	(854)
	of which Related Parties	*(1,698)*	*(1,698)*		*(1,698)*
N.	**Non-current financial debt (K)+(L)+(M)**	**(3,786)**	**(2,633)**	**(6,663)**	**(2,887)**
O.	**Net financial debt (J)+(N)**	**(12,309)**	**(10,416)**	**(19,164)**	**6,855**

The Group net financial debt amounts to € -12.3 million, highlighting an improvement on 31 December 2018 (€ -19.2 million) of € 6.9 million. The increase relates principally to the following factors:

Improving for:

• The registration of Vertice 360 shares for € 3.5 following the transfer of the Media division;

• The classification of the Tributary Credit in favour of the VAT office of € 3.5 million amongst the Current Financial Receivables: said credit was collected in January (€ 3.2 million) and February (€ 0.3 million) and certified as payable from December 2019;

• The repayment of the minibond issued in 2016 for € 1.5 million, 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;

• The payment of the instalments for the loans expired during the year for € 7.4 million.

• The partial repayment for € 0.5 million of debt to the previous shareholders (Tessilform S.p.A) of Ibox SA (formerly Evolve SA);

• The debt repayment to Simest under the exercise of the put option on behalf of Simest itself for the minority quota in Giglio TV for € 0.5 million;

• The collection of the amounts related to the paid capital increase for € 4 million.

Worsening for:

• EBB bonds issuance for € 4.7 million;

• Higher financial debts with related parties for € 2.1 million;

• More financial receivables connected to the IFRS 16 effect for € 1.9 million;

• Receivable for earn-out to be paid to the previous shareholders of E-Commerce Outsourcing S.r.l. for € 1.5 million;

The Group's net financial debt at 31 December 2019 adjusted to IFRS 16 highlights an improvement of € 8.7 million if compared to the debt at 31 December 2018.

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

On 11 March 2020, the Company formalised with the bondholder the suspension of the application of the aforementioned financial covenants' thresholds with regard to 31 December 2019, with retroactive effect, as announced before the end of the fiscal year by the creditor itself.

Therefore, in the light of the above, the payment shall be requested by the bondholder only upon the maturities originally agreed upon in the agreement. Nevertheless, in spite of the above, the debenture bond has been classified among the short-term liabilities, in formal execution of the provisions set forth in IAS 1, par. 74.

Consolidated Financial Activity Overview at 31 December 2019

The key consolidated economic highlights are shown below, stating 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 and those of the transfer of the division to Vertice 360 were represented as "Discontinued operations". It is noted that the separated representation of discontinued operations of the previous fiscal year, pursuant to IFRS 5 provisions, referred only to third-party relations, without prejudice to the elimination of intra-group relations. In this way, a distortion in the separation of the values between continuing and discontinued operations would have been determined, which, on an economic level, would have determined the penalisation of one or the other, more relevant the higher the intra-group economic relations of the discontinued sectors were. For the purpose of eliminating said distorting effects, inter-company operations toward discontinued operations at 31 December 2018 were restored for a better representation of the continuing operations' results.

Reclassified Consolidated Statement of Profit or Loss

(Euro thousands)	31.12.2019	31.12.2018	Change
Revenues from contracts with customers	40,208	38,952	1,256
Restore of eliminations arising from inter-company transactions toward discontinued operations	0	663	(663)
Revenues	**40,208**	**39,615**	**593**

Operating Costs	(34,955)	(34,728)	(227)
Gross Margin	**5,253**	**4,887**	**366**
Gross Margin %	**13.1%**	**12.5%**	**0.5%**
Payroll expenses	(4,216)	(3,653)	(563)
EBITDA Adjusted	**1,037**	**1,234**	**(197)**
EBITDA%	**2.6%**	**3.1%**	**(0.5)%**
Non-recurring costs	(1,755)	(892)	(863)
Depreciations, Amortizations & write-downs	(1,749)	(340)	(1,409)
EBIT	**(2,467)**	**2**	**(2,469)**
Financial Income or Expenses	(1,590)	(1,085)	(505)
PROFIT BEFORE TAXES	**(4,057)**	**(1,084)**	**(2,973)**
Income taxes	(711)	(116)	(595)
PROFIT FOR THE YEAR (CONTINUING OPERATIONS)	**(4,768)**	**(1,200)**	**(3,568)**
PROFIT FOR THE YEAR (DISCONTINUED OPERATIONS) adjusted	**(11,028)**	**(7,064)**	**(3,964)**
NET PROFIT	**(15,796)**	**(8,264)**	**(7,532)**

EBIT adjusted to non-recurring costs	**(712)**	**894**	**(1,606)**
EBIT adjusted to non-recurring costs %	**(1.8)%**	**2.3%**	**(4.0)%**
PROFIT FOR THE YEAR (CONTINUING OPERATIONS) adjusted to non-recurring costs	**(3,013)**	**(308)**	**(2,705)**
PROFIT FOR THE YEAR (CONTINUING OPERATIONS) adjusted to non-recurring costs %	**(7.5)%**	**(0.8)%**	**(6.7)%**
PROFIT FOR THE YEAR (TOTAL) adjusted to non-recurring costs	**(14,041)**	**(7,372)**	**(6,669)**
PROFIT FOR THE YEAR (TOTAL) adjusted to non-recurring costs %	**(34.9)%**	**(18.6)%**	**(16.3)%**

Consolidated revenues, equal to € 40.2 million (of which € 1.8 million generated by the consolidation of the revenues of ECO's last quarter), grew by € 1.3 million (+3%) if compared to the consolidated figures of the same period for the previous fiscal year (€ 38.9 million).

This increase includes the capitalisation of internal development costs (€ 1.5 million) for the implementation and integration of IT platforms designed for managing the online sales within the B2C and B2B2C e-commerce division's context.

The total operating costs, net of non-recurring costs, amounts to € 35 million (€ 34.7 million, consolidated figures at 31 December 2018), substantially in line with the balance of the previous fiscal year.

Payroll costs increased by € 0.6 million on the same period of the previous year, due to the combined effect of hiring new staff members for the new activities of technical and commercial development and of the costs related to the initiation of a corporate reorganisation plan aimed to focus the Media staff on the e-commerce sector.

EBITDA adjusted for non-recurring costs (amounting to Euro 1.8 million) amounts to Euro 1 million (€ 1.2 million, consolidated figures at 31 December 2018) and is stable due to the increased costs in human resources for the management of the increased trade volumes expected and to the activity of integration with marketplaces worldwide; some central costs that were not repeated into the transfer of the Media Area as well as a last quarter that turned out to be particularly weak as far as sales are concerned are recorded, too.

More specifically, non-recurring costs concern:

- € 1.3 million referring 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);
- € 0.5 million referring to previous years' taxes due to the permanent establishment of Ibox SA following assessment with adhesion.

The EBIT adjusted to non-recurring costs amounts to € -0.7 million (€ 0.9 million, consolidated figures at 31 December 2018).

The Net Profit adjusted to non-recurring costs amounts to € -3 million (€ -0.3 million, consolidated figures at 31 December 2018).

The Net Profit coming from held for sale/discontinued operations refers to the costs connected to the transfer of the Media Area to Vertice 360, amongst which the main ones are:

- Vertice 360's shares write-down for € 9 million, because the fair value of the shares held amounted to € 3,523,000 (€ 0.0031 per share), compared to the reserved capital increase whose value was set at € 12,500,000;
- Result of Giglio Group's Media division before the transfer for € 1.1 million;
- Payroll costs for the transfer transaction for € 0.4 million;
- Capital losses on shareholdings divestiture for € 0.4 million;
- 2019 Q1 M-Three division for € 0.1 million;

This led, other than to the recording of current taxes for a total of € 0.7 million, also to the quantification of taxes relating to previous fiscal years as to € 0.5 million, classified under non-recurring costs due to their extraordinary nature if compared to the ongoing year.

Parent Company's Consolidated Balance Sheet at 31 December 2019

As commented in the section "Consolidated Balance Sheet at 31 December 2019", in accordance with IFRS 5 accounting standard, the activities that at 31 December 2018 concerned discontinued operations and the associated liabilities relating to the media area were classified as "Assets/Liabilities Held for Sale/Discontinued".

The main balance sheet figures of the Parent Company at 31 December 2019 are as specified below:

(Euro thousands)	31.12.2019	31.12.2018	Change
Intangible Assets	4,301	4,230	71
Right-of-use assets	1,629	-	1,629
Property, Plant and Equipment	189	261	(73)
Financial Assets	16,657	11,361	6,766
Total Fixes Assets	**22,776**	**15,852**	**8,394**
Inventories	1,697	4,952	(3,255)
Trade receivables	9,310	10,572	(1,262)
Trade payables	(8,868)	(9,008)	140
Operating/Commercial Working Capital	**2,139**	**6,516**	**(4,377)**
Other current assets and liabilities	(1,578)	2,511	(4,089)
Net Working Capital	**561**	**9,027**	**(8,466)**
Provisions for risks and charges	(324)	(275)	(49)
Deferred tax assets and liabilities	760	1,131	(371)
Net Invested Capital (Continuing Operations)	**23,773**	**25,735**	**(492)**
Net Invested Capital (Discontinued Operations)	**-**	**1,433**	**(1,433)**
Total Net Invested Capital	**23,773**	**27,168**	**(1,925)**
Equity	**(3,781)**	**(6,882)**	**3,101**
Net financial liabilities	**(19,992)**	**(20,286)**	**(1,176)**
Total Sources	**(23,773)**	**(27,168)**	**1,925**

The Net Invested Capital of the Parent Company at 31 December 2019, equal to € 23.8 million, is principally comprised of Net Fixed Assets of € 22.8 million (increasing on 31 December 2018, by € 6.9 million), of Net Working Capital totalling € 0.6 million (€ 9 million at 31 December 2018) and of the Net Invested Capital for sales activities of € 1.4 million.

Property, Plant and Equipment, equal to € 1.8 million (€ 0.3 million at 31 December 2018), include the € 1.5 million increase (net of the period's amortisations) arising from the adoption, starting form 1 January 2019, of IFRS 16 accounting standards, as described above. Net of said increase, the account mainly refers to the investment in capital goods.

Intangible Assets, equal to € 4.3 million, can mainly be attributed to the goodwill related to the acquisition of Giglio Fashion and the IBOX Group for an amount of € 4.1 million.

Financial Assets, equal to € 16.7 million, can mainly be attributed:

- for € 13.6 million, to the shareholdings in the subsidiaries whose main additions for the year were related to ECO (€ 3.8 million) and Ibox S.r.l. (€ 1.5 million);
- for € 2.2 million, to credits in favour of subsidiaries Giglio TV, Giglio USA and Giglio Shanghai;
- for € 0.2 million, to guarantee deposits;
- for € 0.6 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 audio-visual media services associated to channel 65 of the digital terrestrial.

Parent Company's Operating Overview as of 31 December 2019

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

(Euro thousands)	31.12.2019	31.12.2018	Change
Revenues from contracts with customers	26,136	24,457	1,679
Restore of eliminations arising from inter-company transactions toward discontinued operations	0	663	(663)
Revenues	**26,136**	**25,120**	**1,016**
Operating Costs	(23,516)	(22,820)	(696)
Gross margin	**2,620**	**2,300**	**320**
Gross margin%	**10.0%**	**9.4%**	**0.6%**
Payroll expenses	(2,528)	(2,058)	(470)
EBITDA Adjusted	**92**	**242**	**(150)**
EBITDA%	**0.4%**	**1.0%**	**(0.6)%**
Non-recurring costs	(1,208)	(892)	(316)
Depreciations, Amortizations & write-downs	(677)	(136)	(541)
EBIT	**(1,792)**	**(786)**	**(1,006)**
Financial Income or Expenses	(1,150)	(878)	(272)
PROFIT BEFORE TAXES	**(2,942)**	**(1,664)**	**(1,278)**
Income taxes	(369)	183	(552)
PROFIT FOR THE YEAR (CONTINUING OPERATIONS)	**(3,310)**	**(1,482)**	**(1,828)**
PROFIT FOR THE YEAR (DISCONTINUED OPERATIONS)	**(5,592)**	**(3,263)**	**(2,329)**
NET PROFIT	**(8,902)**	**(4,745)**	**(4,157)**
EBIT adjusted to non-recurring costs	**(585)**	**106**	**(691)**
EBIT adjusted to non-recurring costs %	**(2.2)%**	**0.4%**	**(2.6)%**

PROFIT FOR THE YEAR (CONTINUING OPERATIONS) adjusted to non-recurring costs	**(2,102)**	**(590)**	**(1,512)**
PROFIT FOR THE YEAR (CONTINUING OPERATIONS) adjusted to non-recurring costs %	**(8.0)%**	**(2.3)%**	**(5.7)%**
PROFIT FOR THE YEAR (TOTAL) adjusted to non-recurring costs	**(7,694)**	**(3,853)**	**(3,841)**
PROFIT FOR THE YEAR (TOTAL) adjusted to non-recurring costs %	**(29.4)%**	**(15.3)%**	**(14.1)%**

Revenues in 2019 amount to Euro 26.1 million, increasing if compared to 31 December 2018 (€ 24.5 million). This increase is mainly ascribable to the re-invoicing to the Group's companies of the internal development costs (€ 0.8 million) for the implementation and integration of IT platforms designed for managing the online sales within the B2C and B2B2C e-commerce division's context.

EBITDA adjusted, adjusted for non-recurring costs, amounts to € 0.1 million (€ 0.2 million in 2018); the decrease is due to the increased costs incurred during the fiscal year, such as mainly central costs that were not repeated into the transfer of the Media Area.

More specifically, non-recurring costs refer 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 adjusted to non-recurring costs amounts to € -0.6 million (€ 0.1 million in 2018).

The Net Profit of continuing operations, adjusted to non-recurring costs, equals to € -2.1 million (€ -0.6 million in 2018).

4. Segment disclosure

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

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

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

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

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

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 has been transferred over 2019 Q4. It is noted that on December 2019, a proposal to transfer the subsidiary Giglio TV Hong Kong Ltd has BEEN RECEIVED; which was assessed by the directors without taking any further decision. On 10 March 2020, the Board of Directors assessed the proposal, approving the transfer of the company.

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

		2019			
(Euro thousands)	**B2B e-commerce**	**B2C e-commerce**	**Corporate**	**Discontinued operations**	**Total**
Revenues from contracts with customers	24,404	13,332	0		37,737
Other revenues	8	991	10		1,009
Capitalised costs		1,462	(0)		1,462
Total revenues	**24,412**	**15,785**	**10**		**40,208**
EBITDA Adjusted	**1,630**	**3,610**	**(4,204)**		**1,037**
Non-recurring costs			(1,755)		(1,755)
EBIT	**1,100**	**3,276**	**(6,844)**		**(2,467)**
EBT	**1,062**	**2,874**	**(7,993)**		**(4,057)**
Profit for the year (Continuing Operations)	**1,043**	**2,568**	**(8,380)**		**(4,768)**
Profit for the year (Discontinued Operations)				**(11,028)**	**(11,028)**
Total Profit					**(15,796)**

The results of sectors at 31 December 2018 are as follows:

2018					
(Euro thousands)	**B2B e-commerce**	**B2C e-commerce**	**Corporate**	**Discontinued operations**	**Total**
Revenues from contracts with customers	23,452	14,444	16		37,912
Other revenues	25	1,015	0		1,040
Total revenues	**23,476**	**15,460**	**16**	**0**	**38,952**
EBITDA Adjusted	**2,154**	**2,440**	**(4,024)**		**570**
Listing and non-recurring costs	0	0	(892)		(892)
EBIT	**2,089**	**2,236**	**(4,987)**		**(662)**
EBT	**2,102**	**1,993**	**(5,841)**		**(1,747)**
Profit for the year (Continuing Operations)	**2,009**	**1,982**	**(5,855)**		**(1,863)**
Profit for the year (Discontinued Operations)				**(6,401)**	**(6,401)**
Total Profit					**(8,264)**

Notice is given to the stability of the e-commerce area, if compared to the previous fiscal year. In a context of careful evaluation of the business in the B2B sector, the profitability and the sustainability of the business was privileged, rather than the volumes expansions, together with the conclusion of the reorganisation of the productive process and the efficiency improvement.

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

5. Business seasonality

The Group’s operations are affected by business seasonality, as reflected in the consolidated results. Specifically, 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.

6. Human resources

The Group workforce, at 31 December 2019, totalled 97 employees of which 77 in Italy, 18 in Switzerland, 1 in the United States of America and 1 in China.

At 31 December 2019 no employee of the Group was the subject of Temporary Lay-off Schemes or other similar provisions.

The following table illustrates the workforce of the Group for the year ended on 31 December 2019 and 31 December 2018.

31 December 2019	31 December 2018
Italy 77	**Italy** 55
Switzerland 18 (IBox)	**Switzerland** 23 (IBox)
U.S.A. 1 employee	**U.S.A.** 3 employee
United Kingdom 0 employees	**United Kingdom** 2 employees
China 1 employee	**China** 1 employee
Total 97 employees	**Total** 84 employees

Employees hired on temporary contracts are four.

Over the course of 2019, 10 resignations were recorded and 12 employees of M2Satcom were transferred following the transfer of the Media Area; moreover, 30 employees of E-Commerce Outsourcing S.r.l. were integrated in the Group.

7. Investments

Group investments undertaken in 2019 refer to tangible and intangible assets. As far as the latter are concerned, over the course of 2019, Giglio Group and Ibox SA incurred in the development costs of the e-commerce platform, which were capitalised, against the negotiation of new brands in the pipeline. The need to complete this stage starting from 2019, in accordance with the levels of investments expected on an accumulated basis in the 2019-2023 plan, drove the company to accelerate their finalisation. It is also noted that the company is currently entering new product categories' sectors, such as Food, where the solidity of the technological platform is paramount for supporting an increased volume of transactions with a lower value than the Fashion ones, but with a greater number of integrations with the world's marketplaces.

The payroll costs incurred by the Group shall be reported in the following paragraph.

8. Research and development new products

The R&D costs include the development costs borne for the creation of I-box's technological platform. The costs have been capitalised only when the following could be proved:

- The technical feasibility to complete the intangible asset so that it can be used or sold;
- The intention to implement the intangible asset to use it or sell it;
- The capability of using or selling the intangible asset;
- The way in which the intangible asset shall generate probable future economic benefits;

- The availability of technical, financial or other resources appropriate to complete the development and use or sell the intangible asset;
- The capability to assess in a reliable way the cost of the intangible asset during its development.

Over the course of 2019, 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 € 837,000 which have been invoiced to Ibox SA and subsequently capitalised by Ibox SA as intangible assets.

Ibox SA bore costs for a total of € 360,000, capitalised among the intangible assets and divided as follows:

Payroll costs for B2C platform = € 326,000.

Payroll costs for B2B2C platform (China) = € 34,000.

E-Commerce Outsourcing S.r.l. bore the costs of staff members who worked on the platforms for a total of € 150,000 which have been capitalised as intangible assets.

Other companies of the Group involved in the development activity paid € 115,000.

These costs, totalling € 1.5 million, have been capitalised among the intangible assets.

9. Significant Events During the Fiscal Year

On 12 February 2019, the Board of Directors and the Bondholders' Meeting (quorate) approved the amendment of the Regulation of "GIGLIO GROUP S.P.A. - 5.4% 2016-2022" debenture bond, 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, notwithstanding (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 was part and parcel of the strategic lines 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.
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 1,136,363,620 Vertice 360’s shares in favour of the Company. The scope of the transfer comprised 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 vehicle companies - formed throughout the fiscal year - Media 360 Italy Corporate Capital S.r.l. (in which the TV broadcasting activities in Italy owned by Giglio Group S.p.A. 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 owned by Giglio TV Hong Kong have been transferred), are object of the transfer, too.
Squirrel Capital, at the time of the announcement, was the majority shareholder of Vertice 360, with 54.66% of its share capital. It is an 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.

Within the same context, 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 1,136,363,620 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), 100% of Nautical Channel LTD's shares (UK), 100% of Media 360 Italy Corporate S.r.l.'s shares (Italy) and 100% of Media 360 Hong Kong's shares (Hong Kong).

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. On 13 September 2019, the independent expert appointed by the Registro Mercantil, ETL Global Auditores de Cuentas, S.L., pursuant to Art. 67 et seq. of the Ley de Sociedades de Capital, issued its expert assessment regarding the assets to be transferred as fee in kind for the Reserved Increase, confirming a value of at least € 12,499,999,82, as well as confirming 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, which took place on 19 September 2019 by the Ministry of Economic Development.

On 30 October 2019, the Shareholders' Meeting of Vertice 360 approved the proposal of a paid Reserved Capital Increase of € 1,136,363.62, with premium of € 11,363,636.2 and a total subscription price of € 12,499,999.82 entirely paid for by the Giglio Group through the contribution in kind of the aforementioned transfer's scope, with the issue of no. 1,136,363,620 shares, representing 5.95% of Vertice 360's share capital.

Moreover, after the shareholders' meeting and the transfer deed, Giglio Group and Squirrel also signed a shareholders' agreement regarding Vertice 360. Pursuant to the shareholders' agreement, Alessandro Giglio has been appointed as member of Vertice 360's Board of Directors.

Vertice 360's shares were physically delivered on 17 January 2020.

The fair value defined of level 1 was calculated on the market value at 31 December 2019, and it is equal to € 0.0031 per share. This fair value led to a writedown of the shares held equal to € 9 million.

It is also noted that, on 15 March 2019, the Board of Directors had approved the Industrial Plan 2019-2023, later updated on September 2019 as far as 2019 was concerned, which took 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 adopted a tool whose strategic objective were focused in the context of the ongoing transformation, recognising the main performance indicators of the e-commerce sector.

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.

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 are not 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.

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.'s request to increase the covenant leverage ratio from 4.5 to 5.5 with regards to the valuation date of 30 June 2019; even though the limit has been respected by the Company. On 11 March 2020, EBB S.r.l., the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data (31.12.2019), with retroactive effect at 31 December 2019, since the company was not respecting to that date the parameters set forth in the same covenants.

On 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. 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 industrial plan 2019-2023, which provided for the focus of the Company's business on e-commerce, the new formulation of the Company object was aimed at giving greater prominence to this trade activity, already included in the previous 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 24 September 2019, the Group announced its entrance in the Food segment, positioning itself as the e-commerce partner of some of the most important brands of Made-in-Italy food brands such as Riso Scotti, Fratelli Carli, Generale Conserve, Everton and Bosca. These prestigious names

join those of Cameo, Fabbri and, for the rewarding part, that of Grandi Salumifici Italiani, which were already in the Group's portfolio thanks to Terashop's acquisition. The entrance in the Food sector represented the beginning of a new line of business in a strategic and symbolic sector for Made in Italy products, offering to web consumers all around the world an easy access to the best Italian food products, now available from the main marketplaces' showcases.
This expansion was consistent with the strategic objectives laid out in the Industrial Plan (2019-2023) of the Group, which continues to expand its offer to new product categories in an effort to become the biggest Italian digital distributor of Made-in-Italy products worldwide, with a unique customer base and an increasingly innovative services' offer.

On 31 October 2019, Giglio Group S.p.A.'s Shareholders' Meeting resolved both on the capital increase with the issuance of no. 757,000 ordinary shares with regular dividend and with the same characteristics of the ordinary shares already issued at the issue date, to be paid through the contribution of E-Commerce Outsourcing S.r.l. (owner of Terashop's trademark) and the introduction within its By-laws of Shares with increased voting rights.
The independent expert confirmed the adequacy of the issue price of the new shares, to be issued in favour of the contributing shareholders;
One of the major suppliers of outsourced e-commerce services, E-Commerce Outsourcing S.r.l. greatly invested in the omni-channel marketing and its innovative platforms offers both to its brands and its end clients a complete purchase experience.
The operation constitutes a transfer and falls within Giglio Group's process of focusing, enhancing and developing its assets and skills in the e-commerce sector.
Other than allowing for the acquisition of a customer base active in the reference sector, with elevated supported trading volumes, the transaction shall also allow Giglio Group to create important economies of scale by developing innovative solutions through the implementation of its internal resources, as well as to strengthen the technical organisation thanks to the integration of IT experts specialised in the e-commerce sector within its workforce, and to expand the structure used for Customer Care services, with a chance to reduce the current costs arising from the outsourcing of these services to other parties.

On 14 November 2019, Giglio Group S.p.A. concluded the Capital Increase reserved to Institutional Investors. The placement has been executed through an accelerated bookbuilding procedure (the

"ABB") without option right exclusively for "qualified investors" in Italy and "institutional investors" abroad. The price of the offer amounted to about € 4 million, resulting from the issuance of no. 1,509,435 ordinary shares of Giglio Group at a price of € 2.65 per share. The price included a discount of about 13.7% on the latest closing price of Giglio Group before the announcement. The transaction has been regulated through the assignment of the shares and their payment on 18 November 2019. The value of the share capital increase amounted to € 4 million, of which € 301,887 at nominal value and € 3,698,111 at share premium.

On 19 December 2019, with signature authenticated by notary Aurelio Bonacci, the subsidiary Ibox SA sold to Giglio Group S.p.A. the totality of its quotas in Ibox S.r.l., with registered office in Piazza Generale Armando Diaz no. 6. On the same date, an Extraordinary Shareholders' Meeting was called at the office of Notary Bonacci Folladori in order to discuss and resolve upon the approval of the project of merger by incorporation of Ibox S.r.l. into Giglio Group S.p.A..

10. Significant Events After the End of the Fiscal Year

On 20 January 2020, Giglio Group's Extraordinary Shareholders' Meeting resolved on the approval of the project of merger by incorporation of the wholly-controlled company Ibox s.r.l into Giglio Group S.p.A.. The merger project has been drafted jointly by the Incorporating company and the Merged one, pursuant to Art. 2501-ter of the Italian Civil Code, as well as approved by the respective Boards of Directors on 19 December 2019. On 20 January 2020, the project of merger has been approved also by Ibox s.r.l.'s Shareholders' Meeting. The merger is aimed at streamlining the Company structure by reducing management costs regarding its subsidiaries, as well as at centralising part of the business in the parent company. The merger , in implementation of Art. 2501-*quater* of the Italian Civil Code, was carried out using as reference the economic situations and assets as of 30 September 2019, both of the Incorporating and of the Merged Company. Following the merger by incorporation, the Company assumed all of the rights and obligations of Ibox S.r.l., continuing all relations that arose before the date of the merger, including those relating to legal proceedings. The merger shall have legal effects starting from the last registration referred to in Art. 2504 of the Italian Civil Code before the competent Companies Registration Office or, alternatively, starting from the following moment, which shall be established eventually in the Merger deed, pursuant to Art. 2504-*bis*, par. 2 of the Italian Civil Code. Pursuant to Art.

2504-bis, par. 3 of the Italian Civil Code, the operations of the Merged Company (Ibox s.r.l.) shall be attributed to the financial statements of the Incorporating Company (Giglio Group) starting from the first of January of the year in which the last registration referred to in Art. 2504 of the Italian Civil Code has been carried out, i.e. reasonably from 1 January 2020.

It is also noted that, on 10 March 2020, the Board of Directors approved an update to the Industrial Plan 2020-2024. With the new Industrial Plan, the Company updates its previous sales estimates for the future fiscal years, taking also into account the integration of the business carried out by its controlled company, ECO, the business prospects in China due to the effects of the COVID-19 outbreak, as well as the increased importance to the Distribution of products on e-commerce platforms worldwide and to marketplaces' new connection services.

On 11 March 2020, the bondholder of the bond issuing called EBB approved the request of the company, presented on 14 February 2020, to allow, by way of derogation form the regulation of the bond, the suspension of the application of the thresholds of the leverage ratio financial parameter and of the gearing ratio financial parameter, only with regard to the Test Date of 31 December 2019, with retroactive effect. For the purpose of said suspension, EBB Export S.r.l., the bondholder, received from Meridiana Holding, majority shareholder of Giglio Group, an indemnity and guarantee deed in its name for an amount of up to € 1 million. If, on the first test data following the subscription (i.e. 30 June 2020), the Issuer shall not respect the financial commitments set forth in the bond regulation, the guarantor shall undertake either to intervene directly in order to integrate permanently the assets of the issuer through a transaction on the capital, or to facilitate the recapitalisation on behalf of third parties, for the purpose of bringing the financial parameters back within the limits set froth in the bond regulation within 31 December 2020.

On 9 March 2020, following the exercise of Simest in July 2019, on its own behalf and as the Fund manager, which had exercised its put option, requesting Giglio Group to purchase the Shareholdings, Giglio definitively acquired the ownership of the minority stake of its shareholding in Giglio TV Hong Kong, previously owned by SIMEST; the reimbursement of the quotas on behalf of Giglio Group shall take place within 2020 Q1 on the basis of a deferred payment plan granted by SIMEST. It is noted that, on 5 June 2014, Giglio Group and SIMEST had entered into two agreements referring to SIMEST's shareholding -on its own behalf, pursuant to Law 100/90 and on behalf of the "Fund" referred to in par. 932 of the single article of Law 296 of 27/12/2006- in the capital of the Chinese company Giglio TV HK Ltd, for an overall investment of € 1,470,000. The Agreements provided for the purchase obligation of the Shareholdings on behalf of Giglio Group on 30 June 2022, notwithstanding the exercise of the call option and of the put option recognised in favour of Giglio Group and SIMEST respectively, starting from 30 June 2018, pursuant to the terms and conditions set forth in the Agreements.

On 12 March 2020, Giglio Group S.p.A. acquired the direct control of its subsidiary Giglio (Shanghai) Technology company Limited through Giglio TV HK, in order to streamline the chain of control, a preparatory event for the following transfer of the company from Hong Kong, other than a chance to streamline the relations between the Italian and the Chinese companies in the context of the commercial transactions for the development of Chinese activities. The transaction amounted to about € 6.3 million.

On 13 March 2020, in the context of the definitive exit from the Media sector, Giglio Group S.p.A transferred its entire shareholding in Giglio TV Hong Kong to a Chinese economic group for € 3 million, equalling the book value of the subsidiary. The transaction was regulated through the winding-up of the receivable that was due to Giglio Group S.p.A. from Giglio TV Hong Kong.

11. 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 2019:

Ratios	Threshold for the 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 Parent Company Giglio Group S.p.A. 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 for funding and supporting the internationalisation projects of their core businesses.

The main characteristics of the Debenture Bond are:

- Aggregate principal amount: equal to € 5 million;
- Subscribers: the Debenture Bond was fully subscribed by the SPV;
- Listing: the Bonds shall not be listed on any regulated market nor on any MTF;

- Terms of issue: the Bonds shall be issued in a single tranche;

- Form: the Bonds are bearer bonds issued in book-entry form and centralised at Monte Titoli S.p.A.;

- Issuance Price: the issuance price equals to 100% of the nominal value of the Obligations; - Bonds' minimum value: the minimum value of each Bond amounts to € 100,000;

- Custody and settlement: in case of subsequent negotiation, transfer shall be subscribed only to qualified investors, as per Art. 100 of Legislative Decree no. 58/1998 and Art. 34-ter, par. 1, letter b), of CONSOB Regulation no. 11971/1999, as amended and integrated;

- Interests: the Bond shall bear interest at the fixed nominal gross annual rate of 4.572%, to be paid with a semi-annual coupon postponed until the expiration of the Debenture Bond (or, if earlier, until the date in which Bonds shall be fully redeemed).

- Legal duration and expiration: the Bonds shall have a legal duration of 8 years and 6 months and the expiration date is set at the last interests' payment date of 2027;

- Reimbursement: without prejudice to anticipated reimbursement's hypotheses adoptable by the Company or to the occurrence of specific events provided for in the Debenture Bond's regulation, adoptable by Bondholders, the Bonds shall be redeemed at par, i.e. at 100% of their nominal value, pursuant to the amortisation plan set forth in the regulation, with 13 semi-annual capital instalments, with a grace period of 2 years;

- Paying agent, Bonds paying agent and bank agent: the functions of paying agent shall be carried out by Securitisation Services S.p.A. whereas the functions of Bonds paying agent and bank agent shall be carried out by Banca Finanziaria Internazionale S.p.A.;

- Tax regime: the Bonds shall be subject to the tax regime set forth in Legislative Decree no. 239 of 1 April 1996, as amended and integrated;

- Applicable law: Bonds issue and contractual obligations deriving by the issue shall be governed solely by the law of the Italian Republic and any dispute arising shall be presented exclusively to the Italian jurisdiction and adjudicated by the exclusive competence of the Court of Milan.

Furthermore, the following credit enhancements were envisaged:

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

Debenture Bond, the SPV shall be able to address the non-collection by levying execution on SACE's Guarantee. SACE's Guarantee shall be intended as a public support measure aimed at the development of production activities covered by the counter-guarantee of the Italian State, within the framework of application of Legislative Decree no. 123 of 31 March 1998 ("*Provisions for the optimisation of the public support to the enterprises, as per Art. 4, par. 4, letter c) of Law no. 59 of 15 March 1997*");

(ii) the establishment by the Company of a debt service reserve (the "DSR") on cash collateral in favour of the SPV, amounting to the sum due in the form of interests at the first interests' payment date concerning the 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.

The issue of SACE's Guarantee and the establishment of the cash collateral on the debt service reserve are not incorporated in the securities representing the Debenture Bond and, therefore, in case of subsequent negotiation, shall not be negotiated together with the securities.

In compliance with market standards, the regulation governing the 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 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 11 March 2020, EBB S.r.l., the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data (31.12.2019), with retroactive effect at 31 December 2019, since the company was not respecting to that date the parameters set forth in the same covenants.

12. Outlook

After recording consolidated revenues increasing by 2.3% during 2019, Giglio Group also recorded a weak Q4, with a more negative performance in the area of e-commerce digital services. The decrease of apparel sales due to an unfavourable meteorological season, which postponed the purchase of winter-ware throughout Europe, together with the different composition of the portfolio of served brands, as well as with the loss of some brands that chose to internalise said service, determined a projection of reduced business in the B2C context. On the other hand, the Group is managing this transitional phase by accelerating its activities in the B2B business, increasing the network of brands from which to gather its supply and the number of marketplace to which to sell the products. As far as the digital area is concerned, the integration of ECO and of its cutting-edge technological services allows the Group to add to its product portfolio also the technological advice, with specific focus on omni-channel marketing and the connection to marketplaces on a global scale. It is also noted that the performance of 2019 Q4 in the sector was also heavily affected by the current difficult geopolitical situation of Hong Kong, in line with the results of the whole fashion segment of Made-in-Italy products in that area, with significant sales decreases.

Over 2020 Q1, a phenomenon that is currently changing the economic forecasts of whole economy sectors worldwide is being recorded, which in turn is causing a revision of the turnover for the fashion sector, served by Giglio Group. In January, the COVID-19 epidemic began to spread in China (WHO data), related to the so-called Coronavirus, an epidemic that quickly developed also in other areas of the world, Europe included. The direct effect of this phenomenon were seen in China, where entire distribution chains of the fashion sector underwent significant turnover reductions due to the decrease of clients. The e-commerce sector seems to be affected too, albeit in a minor way. The luxury fashion sector is responding with a postponement of numerous projects, especially in the e-commerce context, having China as its main target market. From an economic view, the Coronavirus has already caused substantial damages not only to the Chinese economy, which is limping along in this first quarter, but also to the rest of the world. The manufacturing sector is definitely the most damaged one, given that China is currently aiming at keeping the economic growth rate high and at leading the country to the Fourth Industrial Revolution with its Made in China 2025 strategy. Italy was one of the first European countries to declare Coronavirus as a national emergency. The epidemic is evolving quickly, and as of now, it is extremely hard to make reliable predictions on its future development. Giglio Group adopted important measures for protecting the health and the safety of its staff and to ensure the business continuity. As of now, the impact of the Coronavirus on the Group's financial statements cannot be assessed.

Giglio Group envisages to continue strengthening its positioning as leader in the reference market, i.e. as digital, logistic and marketing services operator for fashion brands, trying to attract an increased number of brands and aiming at increasing the volumes managed in all geographical areas and the number of marketplaces integrated in its platform. The Company expects an increase in managed brands, despite the not particularly favourable context of the sectors served due to a reduction in consumer confidence.

Furthermore, Giglio Group wishes to extend the supply of its services also to adjacent business areas, with specific focus on the design, jewellery and food industries, offering its platform to the main players of each segment, so that it can be integrated with major the reference marketplaces of those sectors.

Going Concern

Pursuant to IAS 1, the assessments issued by the Directors regarding the existence of the assumption of the Company's going concern for the purpose of drafting the annual financial statements at 31 December 2019 are reported below.

The consolidated financial statements of the Group at 31 December 2019 report a negative Shareholders' Equity of € 1,6 million, including a loss of € 15.7 million, highlighting a net financial debt of € 12.3 million. The following table compares the results expected for the fiscal year 2019 by the 2019-2023 Plan, the results by 2019 forecast and the 2019 final figures (€ million):

	2019-2023 Plan	31.12.2019 Forecast	31.12.2019 Final Figures*
Revenues	48.0	38.6	38.7
Cost of sales	35.2	37.2	37.7
EBITDA adj	1.8	1.4	1.0
EBITDA	1.8	n/a	(0.8)

*Amounts net of capitalisations of internal costs on ECO and Ibox SA platforms

On 10 March 2020, the Board of Directors of Giglio Group S.p.A. approved the Industrial Plan 2020-2024, which provides for the integration of subsidiary E-Commerce Outsourcing S.r.l. (ECO), of recent acquisition, as well as new commercial strategies.

The Industrial Plan considers a GMV (Gross Merchandise Value - reference value for e-commerce transactions) acceleration of more than 20% on an annual basis both for organic growth - in line with the expectation of the reference market (online sales for luxury fashion) - and for new brand acquisitions. During the time span of the Plan, the objective is to significantly increase revenues, quickly regaining a significant sustainable profitability (Ebitda/Revenues) on the long term, with an incidence of more than 10%. The objective is to obtain a balance between B2B activities -the digital marketplaces' distribution, strongly developing as a stock demobilisation channel (especially in 2020 on the basis of the huge stocks that, due to the COVID-19 crisis, are being accumulated)-, and B2C activities, with the advanced technological solutions proposed by ECO's platform also for product categories outside the reach of the Fashion sector, such as electronics and food retail.

The Industrial Plan provides for an improvement from a financial and asset point of view, counting on the generation of positive cash flows, a working capital control to support B2B sales and minor financial needs from investments than the previous fiscal years following the acquisition of the technological expertise of ECO and the internal investments carried out throughout 2019 on the platforms. The Directors carried out adequate sensitivity analyses on the main hypotheses of the Plan, also taking into account the cash profile. Finally, the Directors, with regard to the COVID-19 epidemic that quickly spread to many areas of the world, Europe included, believe that it is extremely hard to make reliable predictions on future developments. For this purpose, a monitoring group has been established, tasked with the objective of monitoring corporate functionality and any eventual criticality.

It is noted that 2020 budget used by the Directors for assessing the existence of the going concern provides for the generation of a slightly positive cash flow against substantially break-even economic results. The formulation of said prediction includes, however, some assumptions that are not completely under the control of Giglio Group's Directors, and whose incomplete implementation (singularly and/or cumulatively) could give rise to doubts regarding the respect of the aforementioned going concern. The main assumptions made by the Directors for the assessment of 2020 cash flow are as follows:

1. Significant improvement of the result of the operating activities if compared to the final figures of 2019, for an increased efficiency of the processes generated and a reduction of the central costs due to the reduced scope of corporate activities;
2. Significant reduction of the average collection times, mainly due to the potential implementation of the no-recourse factoring mechanism for the receivables arising from the sales of some major clients active in the B2B segment, for whom the factoring was not activated during 2019;
3. As pointed out in the Explanatory Notes regarding the debt owed to Vertice 360 of € 2.8 million, it is noted that its payment is included in 2020 Plan, in the event of an adverse judicial outcome, as repayable in the long-term (2021), taking into account a reasonable prediction of settlement of the dispute.
4. 2020 forecast of the possibility to defer the debts' payments due to non-strategic suppliers, in continuity with what has been done in the previous years;
5. Lack of anticipated reimbursement to EBB Export S.r.l. of the debenture bond issued during 2019 for € 5 million, taking into account the probability to agree on a waiver on the following test dates (i.e. 30 June 2020 and 31 December 2020), in the event of lack of achievement of the financial parameters, given that the business plan data forecast their overrun on 30 June and on 31 December 2020.
6. Use of the credit line for USD 5 million and guarantees for overall € 1 million supplied by the partner Meridiana Holding S.p.A..

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

1. 2020 budget and 2021-2024 Plan have been drafted with reference to concrete and specific actions to be undertaken over the course of the whole period of the Plan that, however, due to their inherent nature, include general and hypothetical assumptions, as well as discretionary, related to the usual characteristics of a multiannual plan, and that these actions could be implemented in different times and with different effects than the ones expected, albeit they do not expect, as of now, the failure to implement said plan;

2. Negotiations have been started with major financial institutions in order to gain increased access to the no-recourse factoring mechanism for the credits related to some major clients active in the B2B segment, in addition to the current level;

3. As described in Note 18 to the Consolidated Financial Statement, on 5 February 2020, the Group challenged the adequacy of the debt owed to Vertice 360, recorded in the financial statements among the "Other current liabilities" item for an overall amount of € 2.8 million. Directors, backed by the opinion of an independent expert, believe it reasonable to hypothesise a resistance to any payment request that may be brought up during 2020, notwithstanding the assessment of the amount to be paid to Vertice 360, currently recorded at nominal value;

4. As at the date of this document, no injunction and/or specific reimbursement requests on behalf of any supplier are recorded, with the exception of an injunction for € 494,000 received within the consolidated company Ibox S.r.l. by a supplier who revoked the ongoing agreement, for which the accounting exposes the whole debt owed to it; for this injunction, the Company has filed a statement of opposition;

5. EBB Export S.r.l, subscriber of the debenture bond, has already granted the waiver of the measurement of the financial covenants on 2019 deadlines (i.e. 30 June 2019 and 31 December 2019); more specifically, on 11 March 2020, the bondholder approved the request of the company, presented on 14 February 2020, to allow, by way of derogation form the regulation of the bond, the suspension of the application of the thresholds of the leverage ratio financial parameter and of the gearing ratio financial parameter, only with regard to the Test Date of 31 December 2019, with retroactive effect. For the purpose of said suspension, EBB Export S.r.l., the bondholder, received from Meridiana Holding S.r.l., majority shareholder of Giglio Group, an indemnity and guarantee deed in its name for an amount of up to € 1 million. Moreover, if, on the first test data following the subscription (i.e. 30 June 2020), the Issuer shall not respect the financial commitments set forth in the bond regulation, Meridiana Holding S.r.l. shall undertake either to intervene directly in order to integrate permanently the assets of the issuer through a

transaction on the capital, or to facilitate the recapitalisation on behalf of third parties, for the purpose of bringing the financial parameters back within the limits set froth in the bond regulation within 31 December 2020.

6. Shareholder Meridiana Holding S.r.l. granted a credit line of USD 5 million and a guarantee of € 1 million, for which full use has been provided over the course of 2020; the credit line has already been used for USD 2 million as at the date of this document.

7. With regard to the aforementioned risk connected to the COVID-19 epidemic, the company has been actively working to obtain any economic or financial benefit in order to obtain additional liquidity beside its cash plan, in order to face any criticality that should arise as a consequence of said epidemic; on the other hand, the fashion sector, due to the simultaneous closure of the brands' stores, can reserve to the Group interesting opportunities by using its unique distribution platform on the national territory for the purpose of facilitating the disposal of the stock that is currently being strongly accumulated with the producers.

The Directors, albeit in the presence of the aforementioned uncertainties, are confident that the results provided for in the Plan shall be met, and believe that there is a reasonable expectation that the Group and its Parent Company can rely on adequate resources for continuing their activities for at least 12 months from the date of approval of the financial statements, and have thus drafted the latter in application of the assumption of the existence of the going concern.

13. 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: as shown in Note 12, the epidemic is evolving quickly, and as of now, it is extremely hard to make reliable predictions on its future development. Hence, it is currently impossible to assess the effect of COVID-19 on the Group's financial statements.

IT risks: the widespread and growing use of digital identity-SPID, of digital signature and of certified electronic email addresses may increase the risk of digital identity theft as well as the fraudulent use of these identities. Any undue and/or elicit utilisation of such information could result in, among other matters, a violation, attributable to the Issuer and/or to the Group, of the data protection regulation, with possible negative effects on the activities and on the prospects of the Issuer and/or of the Group, as well as on the equity and financial situation of the Issuer and/or of the Group. During the years 2013-2019 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.

14. Reconciliation of Group Equity to Group Profit or Loss for the year

The table below reports the reconciliation between the net equity and net result of the parent company and the consolidated net equity and net result at 31 December 2019 and 31 December 2018:

(Euro thousands)	Net Equity 31.12.2019	Profit 31.12.2019	Net Equity 31.12.2018	Profit 31.12.2018
Net Equity and Net Result of Giglio Group S.p.A.	**3,781**	**(8,902)**	**6,881**	**(4,745)**
Net equity of subsidiaries and difference between equity investment value and subsidiaries' equity share	**(5,387)**	**(6,894)**	**1,528**	**(3,519)**
Group Total Net Equity and Result	**(1,606)**	**(15,796)**	**8,409**	**(8,264)**

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

15. Related Parties Transactions

In accordance with the Consob Regulation adopted with resolution no. 17221 of 12 March 2010 as amended, Giglio Group S.p.A. adopted a Procedure for Transactions with Related Parties ("Related-Parties Procedure") available on the Company's Website www.giglio.org, section "Corporate Governance/Governance System and Rules/Related-Parties Procedure". For more information on the relations with related parties, see paragraph 32 of the Explanatory Notes.

16. Stocks Performance

The share performance of the Company on the market and volumes traded in 2019 are as follows:

The market capitalisation as at 31 December 2019 resulted equal to € 51.8 million, thus showing a far superior value to the Shareholders' Equity book value of the Group resulting from the last approved consolidated statement of financial position. At the same date, the outstanding shares are 18,306,685.

17. Information on Corporate Governance and Ownership Structure

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

On 30 March 2020, Giglio Group S.p.A. Board of Directors approved the annual Corporate Governance Report (the "Report"), created also as per Art. 123-bis of the Consolidated Financial Act.

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

Corporate Governance

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

Main characteristics of the internal control and risk management system

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

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

18. Other information

Number and value of treasury shares and of shares in parent companies held by the company

The Company does not hold treasury shares or shares of the parent company.

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

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

Significant shareholders and shares of the Issuer

At the date of the present financial statements (March 2020) the official data indicates the following significant shareholders:

- 52.68% of shares held by Meridiana Holding S.r.l. (company held 99% by Mr Alessandro Giglio and 1% by his wife Ms Yue Zhao);
- DOCOMO Digital Italy S.P.A. which holds 8.68% of the share capital.

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

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

19. Giglio Group S.p.A.'s Financial Statement at 31 December 2019 - Resolution Proposal

Dear Shareholders,

at the end of our report, we propose:

1. to approve 2019 Financial Statements;
2. with regard to the loss of € 8,902,418 , we propose to carry it forward.

Milan, 30 March 2020

Board of Directors

The Chairman

Dott. Alessandro Giglio

GIGLIO GROUP S.p.A.

Registered office in Milan, Piazza Diaz, 6 Milan

Share capital € 3,661,337

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

Registered at Milan Companies Registration Office with no. 07396371002

Consolidated Financial Statement as of 31 December 2019

FINANCIAL STATEMENTS

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

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position (Euro thousands)		31.12.2019	31.12.2018
Non-current assets			
Property, plant & equipment	(1)	1,137	1,492
Right-of-use assets		1,903	-
Intangible assets	(2)	2,522	629
Other intangible assets		2,522	629
Goodwill	(3)	14,800	11,668
Investments in joint ventures	(4)	7	5
Receivables	(5)	835	1,590
Deferred tax assets	(9)	783	1,174
Total non-current assets		**21,987**	**16,558**
Current assets			
Inventories	(6)	1,861	5,273
Trade receivables	(7)	12,179	12,519
Financial assets	(8)	3,523	-
Tax receivables	(9)	6,367	9,949
Other assets	(10)	2,220	2,653
Cash and cash equivalents	(11)	2,991	2,889
Total current assets		**29,141**	**33,283**
Assets held for sale/Discontinued operations	(36)	**-**	**18,431**
Total Assets		**51,128**	**68,272**
Net Equity	(12)		
Issued capital		3,661	3,208
Reserves		16,712	11,400
Extraordinary reserve		-	-
Listing fees		(541)	(541)
FTA Reserve		4	4
Retained earnings		(5,650)	2,602
Foreign Currency Translation reserves		4	-
Net profit		(15,796)	(8,264)
Total Group Equity		**(1,606)**	**8,409**
Minority interest in net equity		-	-
Total Equity		**(1,606)**	**8,409**
Non-current liabilities			
Provisions for risks and charges	(13)	924	804
Deferred tax liabilities	(14)	3	3
IFRS16 lease liabilities		1,153	-
Financial liabilities	(15)	2,633	6,663
Total non-current liabilities		**4,713**	**7,470**
Current liabilities			
Trade payables	(16)	20,623	24,070
IFRS16 lease liabilities		741	-
Financial payables	(15)	18,276	16,009
Tax payables	(17)	4,108	2,824
Other liabilities	(18)	4,273	982
Total current liabilities		**48,021**	**43,885**
Assets held for sale and liabilities directly associated with assets held for sale/Discontinued operations	(37)	**-**	**8,508**
Total Equity and liabilities		**51,128**	**68,272**

Condensed Consolidated Statement of Profit or Loss

Condensed Consolidated Statement of Profit or Loss (Euro thousands)		31.12.2019	31.12.2018
Total revenues from contracts with customers	(19)	**37,737**	**37,912**
Other revenues	(19)	1,009	1,040
Capitalised costs	(20)	1,462	0
Change in inventories		(3,309)	1,493
Purchase of raw materials, ancillary, consumables and goods	(21)	*(17,421)*	*(19,735)*
Service costs	(22)	*(14,764)*	*(15,395)*
Rent, lease and similar costs	(23)	*(252)*	*(1,029)*
Operating costs		**(32,437)**	**(36,159)**
Salaries and wages	(24)	*(3,303)*	*(3,101)*
Social security charges	(24)	*(761)*	*(541)*
Post-employment benefits	(24)	*(151)*	*(11)*
Payroll expenses		**(4,215)**	**(3,653)**
Amortisation	(25)	*(475)*	*(153)*
Depreciation	(25)	*(1,295)*	*(134)*
Write-downs	(25)	*20*	*(53)*
Amortisation, depreciation & write-downs		**(1,750)**	**(340)**
Other operating costs	(26)	*(490)*	*(956)*
Operating profit		**(1,993)**	**(663)**
Financial income	(27)	*24*	*80*
Net financial charges	(27)	*(1,613)*	*(1,164)*
Profit before taxes		**(3,582)**	**(1,747)**
Income taxes	(28)	*(1,186)*	*(116)*
Profit for the period (continuing operations)		**(4,768)**	**(1,863)**
Profit for the period (discontinued operations)	(37)	**(11,028)**	**(6,401)**
Profit for the period		**(15,796)**	**(8,264)**
Of which minority interest		-	-
Basic and diluted profit from continuing operations		**(0.2973)**	**(0.1161)**
Basic and diluted profit from discontinued operations		**(0.6875)**	**(0.3991)**
Profit per share – basic and diluted		**(0.9833)**	**(0.5177)**

Consolidated Statement of Comprehensive Income

CONSOLIDATED STATEMENT OF COMPREHENSIVE (Euro thousands)		31.12.2019	31.12.2018
Profit for the year		(15,796)	(8,264)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit/(loss) in subsequent periods (net of tax)			
Exchange differences on translation of foreign operations		4	5
Net other comprehensive income that may be reclassified to profit/(loss) in subsequent periods (net of tax)		**4**	**5**
Other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods (net of tax):			
Actuarial loss on employee benefits obligations	(13)	20	(46)
Net other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods (net of tax)		**20**	**(46)**
Total Comprehensive Income for the year		**(15,772)**	**(8,304)**

Condensed Consolidated Statement of Changes in Equity

Description *(Euro thousands)* Note 11	Issued capital	Reserves	FTA Reserve	Foreign Currency Translation reserves	IAS 19 Reserve	Retained earnings	Profit for the year	Total
As at 31 December 2017	**3,208**	**10,914**	**4**	**(5)**	**(81)**	**2,609**	**43**	**16,692**
Effect of first application of IFRS 9 and IFRS 15 *(note 7)*						(51)		(51)
As at 1 January 2018	**3,208**	**10,914**	**4**	**(5)**	**(81)**	**2,558**	**43**	**16,641**
Issue of share capital	-							-
Share premium reserve		-						-
Retained earnings						43	(43)	-
IAS 19 Reserve					26			26
Exchange rate effect				5				5
Group profit/(loss)							(8,264)	(8,264)
As at 31 December 2018	**3,208**	**10,914**	**4**	**-**	**(55)**	**2,602**	**(8,264)**	**8,409**

Description *(Euro thousands)*	Issued capital	Reserves	FTA Reserve	Foreign Currency Translation reserves	IAS 19 Reserve	Retained earnings	Profit for the year	Total
As at 31 December 2018	**3,208**	**10,914**	**4**	**-**	**(55)**	**2,602**	**(8,264)**	**8,409**
Restatement for first application of IFRS 16						(65)		(65)
As at 01 January 2019	**3,208**	**10,914**	**4**	**-**	**(55)**	**2,537**	**(8,264)**	**8,344**
Issue of share capital	453							453
Share premium reserve		5,771						5,771
Charges for share capital increase		(410)						(410)
Retained earnings						(8,264)	8,264	-
Nautical Channel exit from consolidation scope						8		8
IAS 19 Reserve					20			20
Exchange rate effect				4				4
Other changes	-	-				-		-
Group profit/(loss)							(15,796)	(15,796)
As at 31 December 2019	**3,661**	**16,275**	**4**	**4**	**(35)**	**(5,719)**	**(15,796)**	**(1,606)**

CONSOLIDATED STATEMENT OF CASH FLOWS

Euro thousands		31.12.2019	31.12.2018
Cash flows from operating activities			
Profit (loss) for the period from continuing operations		(4,768)	(1,863)
Profit (loss) for the period from discontinued operations	(37)	(11,028)	(6,401)
Adjustments to reconcile profit before tax to net cash flow:			
Depreciation and impairment of property, plant and equipment	(1)	526	135
Amortisation of right-of-use assets		769	
Amortisation and impairment of intangible assets	(2)	475	153
Non-cash changes of provisions		120	126
Write-downs/(Revaluations)	(25)	(20)	53
Net foreign exchange differences	(27)	1,590	1,085
Income taxes	(28)	1,186	116
Changes in:			
Inventories	(6)	3,456	1,324
Trade receivables	(7)	2,958	2,054
Tax receivables	(9)	3,851	(202)
Current financial receivables	(8)	(3,449)	-
Other assets	(10)	499	(933)
Deferred tax liabilities	(14)	-	(279)
Trade payables	(16)	(5,945)	(894)
Tax payables	(17)	(86)	(697)
Right-of-use assets		(2,461)	-
Lease Liabilities		1,682	-
Other liabilities	(18)	2,804	97
Change in net working capital		**3,309**	**470**
Changes in provisions	(13)	-	(51)
Changes in assets/liabilities held for sale/Discontinued operations	(37)	9,923	4,765
Cash flow generated from operating activities		**2,082**	**(1,412)**
Interest paid	(27)	(530)	(1,085)
Income taxes paid	(28)	-	(116)
Net cash flow generated from operating activities		**1,552**	**(2,613)**
Cash flows from investing activities			
Investments in property, plant & equipment	(1)	(53)	(170)
Investments in intangible assets	(2)	(2,328)	(456)
Acquisition of E-Commerce Outsourcing net of cash acquired		564	-
Changes in other intangible assets	(5);(9)	1,176	(1,788)
Increase in investments in joint ventures	(4)	1	(5)
Change in consolidation scope			
Net cash flow used in investing activities		**(640)**	**(2,419)**
Cash flow from financing activities			
Issue of shares		3,591	-
Change in Shareholders' Equity		(33)	(20)
New financing	(15)	8,336	6,000
Repayment of loans	(15)	(8,900)	(3,132)
Change in financial debt	(15)	(3,805)	(1,135)
Net cash flow used in financing activities		**(811)**	**1,713**
Net increase/(decrease) in cash and cash equivalents		**101**	**(3,319)**
Cash and cash equivalents at 1 January		2,889	6,209
Cash and cash equivalents at 31 December		2,991	2,889

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

A. Corporate information

The publication of the consolidated financial statements of Giglio Group S.p.A. (the Company) for the period ended 31 December 2019 was approved by the Board of Directors on 30 March 2020.

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

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 32.

B. Accounting standards

The consolidated financial statements of Giglio Group S.p.A at 31 December 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 consolidated financial statements comprise the income statement, the comprehensive income statement, the balance sheet, the statement of cash flows and the statement of changes in net equity (all stated in Euro thousands) and these explanatory notes.

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

The Euro is the functional and presentation currency of the parent company and that in which the majority of Group operations are conducted, with the exclusion of the activities relating to the subsidiary Giglio USA and E-volve Service USA, expressed in US Dollars, of the activities of Giglio TV Hong Kong, expressed in Hong Kong Dollars and of the activities of Giglio Shanghai, expressed in Chinese Yuan.

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

The main accounting standards and policies utilised to prepare the consolidated financial statements are described below. The policies are in line with those utilised for the preparation of the comparative financial statements, with the exception of newly-adopted policies, which should be consulted in the "Accounting standards, amendments and interpretations in force from 01 January 2019" paragraph.

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

C. Basis of presentation

The consolidated financial statements are comprised of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows, the Statement of Changes in Equities 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 Statement of Cash Flows, the indirect method is used.

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

An asset is considered current where:

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

All other assets are classified as non-current.

A liability is considered current where:

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

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

D. Discretional valuations and significant accounting estimates

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

The estimates are used to determine the provisions for doubtful 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 requirements for IFRS 5 application; The Group classifies non-current activities and disposal groups as "held for sale" if their book value is recovered mainly with a sale operation

or is connected to the sale that took place during the fiscal year, 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.

- <u>Assessment of fair value for assets or group of assets held for sale/discontinued operations</u>; 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 is recovered mainly with a sale or distribution transaction or is connected to the sale that took place during the fiscal year, 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 30 October 2019, the Group signed a transfer agreement with Vértice Trescientos Sesenta Grados S.A. (Vertice 360) regarding the transfer of some assets of the Media Division which were classified, as conditions applied, in the assets held for sale. These assets were assessed overall at € 12,499,999.82 on the basis of an expert report issued on 13 September 2019 by the independent expert ETL Global Auditores de Cuentas, S.L., appointed by the Registro Mercantil. The subscribed shares of Vertice 360 listed on the main Stock-exchange market of Madrid are exposed to the risk on market prices arising from the uncertainties on the future values of the shares. At 31 December 2019, the value of a single share amounts to € 0.0031. At the reporting date, the fair value of the listed shares amounts to € 3,523,000. The economic effect of this transaction have been classified under the "Net Profit from discontinued operations" item.
- <u>Assessment of control requirements' existence</u>; 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.

- P<u>rovision for inventory write-down of raw materials and accessories and inventories of finished products</u>; Since the Group deals with products that are influenced by market trends and fashion, product inventories may be subject to impairment. In particular, the provision for inventory write-down of finished products reflects management's estimate on the impairment losses expected on the products of various seasonal collections in stock, taking into account the ability to sell them through the various distribution channels in which the Group operates. Indicatively, write-down assumptions provide for devaluation percentages that increase according to the 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.
- <u>Provision for doubtful account</u>:

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 2019 were not met, and that no provision was made necessary.

- Employee Benefits, whose values are based on actuarial estimates; refer to Note 13 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 worth nothing that the valuations carried out in the periods used for comparison have confirmed the recoverability of the carrying value, as better described in Note 3.

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

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

- Contingent liabilities:

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

E. Segment disclosure

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

The management identified three reporting segments areas (Business Units), considering the aspect such as nature of products and services, 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 and E-Commerce Outsourcing.
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 has been transferred throughout 2019 Q4. It is noted that on December 2019, a proposal to transfer the subsidiary Giglio TV Hong Kong Ltd has been communicated to management; such proposal was assessed by the directors without taking any further decision. On 10 March 2020, the Board of Directors assessed the proposal, approving the transfer of the company.

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

	2019				
(Euro thousands)	**B2B e-commerce**	**B2C e-commerce**	**Corporate**	**Discontinued operations**	**Total**
Revenues from contracts with customers	24,404	13,332	0		37,737
Other revenues	8	991	10		1,009
Capitalised costs		1,462	(0)		1,462
Total revenues	**24,412**	**15,785**	**10**		**40,208**
EBITDA Adjusted	**1,630**	**3,610**	**(4,204)**		**1,037**
Listing and non-recurring costs			(1,755)		(1,755)
EBIT	**1,100**	**3,276**	**(6,844)**		**(2,467)**
EBT	**1,062**	**2,874**	**(7,993)**		**(4,057)**
Profit for the year (Continuing Operations)	**1,043**	**2,568**	**(8,380)**		**(4,768)**
Profit for the year (Discontinued operations)				**(11,028)**	**(11,028)**
Total Profit					**(15,796)**

For a better representation, the sectors' results at 31 December 2018 are as follows:

	2018				
(Euro thousands)	**B2B e-commerce**	**B2C e-commerce**	**Corporate**	**Discontinued operations**	**Total**
Revenues from contracts with customers	23,452	14,444	16		37,912
Other revenues	25	1,015	0		1,040
Total revenues	**23,476**	**15,460**	**16**	**0**	**38,952**
EBITDA Adjusted	**2,154**	**2,440**	**(4,024)**		**570**
Listing and non-recurring costs	0	0	(892)		(892)
EBIT	**2,089**	**2,236**	**(4,987)**		**(662)**
EBT	**2,102**	**1,993**	**(5,841)**		**(1,747)**
Profit for the year (Continuing Operations)	**2,009**	**1,982**	**(5,855)**		**(1,863)**
Profit for the year (Discontinued operations)				**(6,401)**	**(6,401)**
Total Profit					**(8,264)**

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

F. Management of capital and financial risks

Financial risk objectives and criteria

Group financial liabilities include loans and bank loans, 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. The subscribed shares of Vertice 360 listed on the main Stock-exchange market of Madrid are exposed to the risk on market prices arising from the uncertainties on the future values of the shares. At 31 December 2019, the value of a single share amounts to € 0.0031. At the reporting date, the fair value of the listed shares amounts to € 3,523,000.

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.

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

(amount in €/000)

Analysis of sensitivity of interest rate risk on variable rate items	Underlying	Increase/Reduction in underlying interest rates	Effect on result
31 December 2019	(14,632)	+1%	(149)
31 December 2019	(14,632)	-1%	149

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.

In application of IFRS 9, from 2018, the provision for doubtful accounts has been determined with the expected credit losses' method (hereinafter referred to as the ECL).

The ageing of the gross trade receivables at 31 December 2019 and 31 December 2018 is shown below:

(Euro thousands)	**Year ended at 31 December 2019**	**%**	**Year ended at 31 December 2018**	**%**
> 120 days	1,014	*12.0 %*	2,675	*21.8 %*
90<> 120 days	*440*	*5.2 %*	*652*	*5.3 %*
60<> 90 days	*374*	*4.4 %*	*708*	*5.8 %*
30<> 60 days	*450*	*5.3 %*	*1,125*	*9.2 %*
0<> 30 days	*909*	*10.7 %*	*1,112*	*9.0 %*
Total overdue	***3,187***	***37.6 %***	***6,273***	***51.0 %***
Not overdue	*5,280*	*62.4 %*	*6,018*	*49.0 %*
Total gross receivables	**8,468**	***100.0 %***	**12,290**	***100.0 %***
Provision for doubtful accounts	*(1,354)*		*(1,359)*	
Inc. provision on overdue 120 days	*(133.5)%*		*(50.8)%*	
Total	**7,114**		**10,931**	

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

(Euro thousands)	**Year ended at 31 December 2019**	**%**	**Year ended at 31 December 2018**	**%**
Europe	7,631	*90.1 %*	6,675	*54.3 %*
Asia	*93*	*1.1 %*	*5,578*	*45.4 %*
USA	*719*	*8.5 %*	*4*	*0.0 %*
Rest of the world	*25*	*0.3 %*	*34*	*0.3 %*
Total gross receivables	**8,468**	***100.0 %***	**12,290**	***100.0 %***
Provision for doubtful accounts	*(1,354)*		*(1,359)*	
Total	**7,114**		**10,931**	

The provision for doubtful accounts was determined by elaborating a specific provision matrix.
More specifically, the Group, due to the variety of its clients, identified appropriate groupings and associated to them a specific rating determined on the basis of the Company's experience.
To each rating type, a specific write-down percentage was applied, according to the overdue range, as shown in the following table:

IFRS 9 Rating	> 90 days	61<>90 days	31<>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 31 December 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
Banca Popolare di Milano	48	48	1,002	1,002	20	-	1,070	1,050
Banca Sella	-	-	200	199	-	-	200	199
Banca Popolare di Sondrio	150	150	40	39	-	-	190	189
UNICREDIT	5,000	5,000	-	-	50	-	5,050	5,000
BNL	-	-	-	-	50	18	50	18
IFITALIA Factoring - BNL	5,950	2,044	-	-	-	-	5,950	2,044
IFIS	100	11	-	-	-	-	100	11
BANCA INTESA HONG KONG	-	-	200	200	-	-	200	200
Total	**11,248**	**7,253**	**1,442**	**1,440**	**120**	**18**	**12,810**	**8,711**

Reference should also be made to the table in paragraph 15. Current and non-current financial payables.

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 management of the capital and of the financial risks, please see paragraph 38, "Assessment of Going Concern".

ACCOUNTING POLICIES AND ASSESSMENT CRITERIA

Consolidation principles

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

Business combinations and goodwill

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

The acquisition costs are expensed in the year and classified under administration expenses. When the group acquires a business, the financial assets acquired or liabilities assumed under the agreement are classified or designated in accordance with the contractual terms, the economic conditions and the other conditions at the acquisition date. Any contingent consideration to be recognised is recorded by the purchaser at fair value at the acquisition date. The change in the fair value of the contingent consideration classified as an asset or liability, as a financial instrument which is subject to IFRS 9 financial instruments: recognition and measurement, must be recognised in the 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 comprise the financial statements of Giglio Group S.p.A. and its subsidiaries, detailed as follows:

Group Companies

Giglio Group S.p.A.	Italy	**Parent company**	
E-Commerce Outsourcing	Italy	**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 SRL	Italy	**Subsidiary**	100%
Evolve Service USA	USA	**Subsidiary**	100%

* The minority share of 49% held by Simest S.p.A., prior shown as a minority interest, is recognised as a financial liability, by virtue of the put option exercised by Simest throughout 2019 (to be completed within first quarter of 2020), which led to the irrevocable purchase obligation of the shares for Giglio Group.

Companies consolidated under the line-by-line method:

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

Registered office Piazza Diaz No. 6, Milan and operational and administration offices Via dei Volsci No. 163, Rome – Share capital (subscribed and paid-up) € 3,661,337.

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

Since 20 March 2018, the Company has been listed on the STAR segment of the Italian Stock Exchange (MTA market), with a free float of about 38%; the shareholder structure is available on the company's website: www.giglio.org.

E-Commerce Outsourcing S.r.l.

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

Share capital: EUR 37,500

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

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 € 3,000,000, held 51% by Giglio Group S.p.A..

The Company, which was transferred on 13 March 2020, used to manage all of the Group's Media activities on the Chinese market.

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

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

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, liquidated on 27 January 2020, used to develop 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.

Business Combinations

On 31 October 2019, the Group acquired 100% of E-Commerce Outsourcing S.r.l.'s shares, in exchange for the Group's shares. A non-listed company with headquarters in Italy, E-Commerce Outsourcing S.r.l. is one of the major suppliers of outsourced e-commerce services.

The countervalue of the transaction amounts to 757,000 ordinary shares and with the same characteristics of the ordinary shares outstanding at the issue date. The independent expert confirmed the value of the quotas to be contributed, while the Auditing Company also confirmed the congruity of the new shares' issue price, which have been issued in favour of the contributing shareholders.

Assets acquired and liabilities assumed

	Fair value recognised upon acquisition
Assets	
Properties, plants and machineries (Note 1)	150
Right-of-use assets (Note on accounting standards applied from 1 January 2019)	211
Other non-current assets (Note 5)	9
Inventories (Note 6)	45
Trade and other receivables (Note 7)	2,607
Other current assets (Note 9)	338
Cash and cash equivalents (Note 10)	981
	4,342
Liabilities	
Trade and other payables (Note 15)	2,482
IFRS16 financial payables (Note on accounting standards applied from 1 January 2019)	211
Tax payables	185
Provisions for risks and charges (Note 12)	332
Other liabilities (Note 17)	483
	3,693
Total net identifiable assets at Fair Value	**649**
Goodwill arising on acquisition (Note 3)	3,071
Consideration of the acquisition	**3,720**

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

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

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

The difference between the overall cost of the transaction and the fair value of the net assets and liabilities of the subsidiary has been temporarily allocated at goodwill. On the basis of the IFRS 3 standard, the Company, within the 12 month subsequent to the acquisition, shall carry out the purchase price allocation and, under this, shall confirm the current accounting. It is noted that within the acquisition price of € 3,787,000, the recognition of the fair value of the contingent consideration is included, that is of the potential payment for the former partners of E-Commerce Outsourcing S.r.l. (earn out), in accordance with the agreements.

The operation constitutes a transfer and falls within Giglio Group's process of focusing, enhancing and developing its assets and skills in the e-commerce sector, in line with the Industrial Plan 2019-2023.

The € 3.1 million goodwill includes the value of the synergies expected from the acquisition of a customer base active in the reference sector, from the creation important economies of scale by developing innovative solutions through the implementation of its internal resources, as well as from the strengthening of the technical organisation thanks to the integration of IT experts specialised in the e-commerce sector and from the expansion of the structure used for Customer Care services, with a chance to reduce the current costs arising from the outsourcing of these services to other parties.

Consideration of the acquisition	
Issued shares	2,224
Liabilities per contingent consideration	1,496
Total consideration	**3,720**

From the acquisition date, E-Commerce Outsourcing S.r.l. contributed to revenues of the Group for € 1.8 million and to the pre-tax net profit of the Group for € -211,000. If the business combination had been efficient from the beginning of the year, the revenues of the operations would have been of € 6 million and the profit of said operations would have been of € -83,000.

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

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

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

► in the principal market of the asset or liability;

or

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

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

The fair value of an asset or liability is measured adopting the assumptions which market operators would

utilise in the determination of the price of the asset or liability, assuming they act to best satisfy their economic interests.

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

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

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

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

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

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

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

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

Accounting principles

Property, plant & equipment

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

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

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

Maintenance expenses and repairs are not capitalised, but recorded in the income statement when incurred.

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

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

The estimated depreciation rates of the assets are as follows:

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

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

Leasing

When signing an agreement, the Group assesses whether this agreement is, or contains, a leasing or not. In other words, whether the agreement gives the right to control the use of a specific asset over a period of time in exchange for a price or not.

As lessee, the Group adopts a unique model for recognising and measuring all leasing, except for the short-term leasing and the leasing of low-value assets. The Group recognises the liabilities related to the payment of the leasing and the right-of-use asset that represents the right to use the asset subject to the agreement.

i) Right-of-use assets

The Group recognises right-of-use assets at the date of beginning of the leasing (i.e., at the date in which the asset is available for use). Right-of-use assets are carried at cost, less any accumulated amortisation and any impairment losses, and are adjusted for any remeasurement of leasing liabilities. The cost of the right-of-use asset includes the amount of recognised leasing liabilities, any initial direct cost borne and leasing payments taken out on the start date or before its beginning, net of any incentives received. The right-of-use assets are amortised at constant rates from the effective date of the end of useful life of the asset consisting in the right of use or, is earlier, of the end of the leasing period, as follows:

- Properties from 4 to 6 years
- Vehicles from 3 to 5 years

If the leasing transfers the ownership of the asset to the lessee upon termination of the leasing period, or if the cost of the asset consisting in the right of use reflects the fact that the lessee will exercise a purchase option, the lessee shall amortise the right-of-use asset from the effective date until the end of useful life of the asset.

ii) Lease liabilities

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

Variable leasing payments that are not subject to an index or a rate are recorded as costs in the period (with the exception of payments incurred for the production of inventories) in which the event or the condition that generated the payment took place.

For the purpose of calculating the present value of owed payments, the Group uses the Incremental Borrowing Rate on the start date if the implicit interest rate cannot be determined easily. After the start dare, the amount of the leasing liability increases in order to take into account the interests on the leasing liability and decreases in order to take into account the payments carried out. Moreover, the book value of leasing payables shall be redetermined in the event of any change to the leasing, or for the revision of the agreements terms for the amendment of payments; it shall also be redetermined in the presence of amendments regarding the assessment of the acquisition option of the asset, or for changes in future payments arising from an amendment in the index or in the rate used for determining such payments.

The Group's leasing liabilities are included in the note "Accounting standards, amendments and interpretations applied from 1 January 2019".

iii) Short-term lease and leasing of low-value assets

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

Intangible assets

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

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

Assets generated internally, with the exception of development costs, are not recorded as intangible assets. The development activity is based on the development of research or other knowledge into a well-defined programme for the production of new products or processes.

The cost of an intangible asset generated internally comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

After initial recognition, the intangible assets are recorded in the financial statements at cost net of accumulated amortisation, calculated on a straight-line basis over the estimated useful life of the assets, and of the losses for impairments in value. However, if an intangible asset has an indefinite useful life, it is not amortised, but periodically subject to an impairment test.

Amortisation begins when the asset is available for use or when it is in the position and condition necessary for it to operate in the manner intended by company management.

The book value of intangible assets is subject to verification of any loss in value (impairment test) when events or changes occur indicating that the carrying value can no longer be recovered. If there is an indication of this type and where the carrying value exceeds the realisable value, the assets are written down to their realisable value. This value coincides with the higher between the net sales price of the asset and its value in use.

The gains and losses deriving from the elimination of an intangible asset are measured as the difference between the net sales proceeds and the book value of the intangible asset, and are recorded in the income statement in the year in which they are eliminated.

Goodwill

Assets with an indefinite life are not amortised, but subject at least annually to an impairment test on the value recorded in the financial statements. As previously illustrated, goodwill is subject to an impairment test annually or more frequently in the presence of indicators which may give rise to a loss in value.

The impairment test is made with reference to each “Cash Generating Unit” (“CGU”) to which the goodwill is allocated and monitored by management.

A loss in the value of the goodwill is recorded when the recoverable value of the related CGU is lower than the carrying value.

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

i. the fair value of the asset less selling costs;
ii. the value in use, as defined above;
iii. zero.

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

Intangible and tangible assets with definite useful life

For the assets subject to amortisation and depreciation, the presence of any indicators, internally and externally, of a loss in value is assessed at each reporting date. Where these indicators exist, an estimate of the recoverable value of the above-mentioned assets is made, recording any write-down compared to the relative book value in the income statement. The recoverable value of an asset is the higher between the fair value, less costs to sell, and its value in use, where this latter is the present value of the estimated future cash flows for this asset. In defining the value in use, the expected future cash flows are discounted utilising a pre-tax rate that reflects the current market assessment of the time value of money, and the specific risks of the asset. For an asset that does not generate independent cash flows, the recoverable value is determined in relation to the cash generating unit to which the asset belongs. A loss in value is recognised in the income statement when the carrying value of the asset, or of the relative CGU to which it is allocated, is higher than its recoverable value. The loss in value of CGU's is firstly attributed to the reduction in the carrying value of any goodwill allocated and, thereafter, to a reduction of other assets, in proportion to their carrying value and to the extent of the relative recoverable value. When the reasons for the write-down no longer exist, the book value of the asset is restated through the income statement, up to the value at which the asset would be recorded if no write-down had taken place and amortisation or depreciation had been recorded.

Financial assets and receivables

Trade receivables and debt securities issued are recorded at the assignment date.

With the exception of trade receivables, which do not include a significant financing component, financial assets are assessed originally at the fair value plus or less, in the event of assets and liabilities not assessed at FVTPL, the transaction costs attributable to the purchase or issue of the financial asset. On initial recognition, trade receivables without a significant financial component are assessed at their transaction price.

On initial recognition, financial assets are classified according to their assessment: amortised cost; fair value identified in other components of overall income statement (FVOCI) - debt security; FVOCI - share capital; or fair value through profit and loss (FVTPL). Financial assets are not reclassified following their initial recognition, provided that the Group does not change its business model for financial assets management. In this event, all affected financial assets shall be reclassified on the first day of the first fiscal year following the change in business model.

The "Loans and receivables" assessment is carried out with the amortised cost criterion, by recording in the income statement the interests calculated at effective interest rate, by applying a rate that nullifies the sum of current net cash flows values generated by the financial instrument. Losses are recorded in the income statement as a result of value losses or when receivables and lending are eliminated from company accounts. Receivables are subject to impairment and are thus recorded at their fair value through the creation of a specific write-down provision directly deducted from the asset value. Receivables are written down when an objective indication of the probable irrecoverability of the credit arises, as well as on the basis of the Company's experience

and of statistical data (expected losses). If, in the following periods, the reasons for the write-downs cease to be, the value of the assets is reversed
up to the value that the asset would have had, taking into account the amortisation, if no write-down had been applied.

Inventories

Inventories are measured at the lower between cost, calculated as per the FIFO method, and net realisable value. Net realisable value is the selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. The inventories of the Ibox Group were measured at purchase cost which corresponds to the sales price (Ibox SA profit derives from a commission on sales). The valuation method therefore approximates FIFO and the difference between the method utilised and FIFO is not significant.

Cash and cash equivalents

This comprise cash, bank deposits and accounts held at other credit institutions for current operations, postal current accounts and other equivalent values as well as investments with maturity within three months of the acquisition date. Cash and cash equivalents are measured at fair value which, normally, coincides with their nominal value.

Transaction cost related to the issue of equity instruments

Transaction costs related to the issue of an equity instrument are recorded as a decrease (net of any related tax benefit) of the share premium reserve, generated by the same operation, to the extent of marginal costs directly attributable to the equity operation which otherwise would have been avoided. The costs of an equity operation which are abandoned are recorded in the income statement.

Listing costs not related to the issue of new shares are recorded in the income statement.

Where the listing involves both the sale of existing shares, and the issue of new shares, the costs directly attributable to the issue of new shares are recorded as a reduction of the share premium reserve and the costs directly attributable to the listing of the existing shares are recorded in the income statement. The costs relating to both operations are recorded as a reduction of the share premium reserve in relation to the proportion between the shares issued and the existing shares and the remainder recorded in the income statement.

Payables and other financial liabilities

Financial liabilities are recorded initially at their fair values, which substantially coincides with amounts collected, net of transaction costs. The management shall determine the classification of financial liabilities according to the criteria set forth in IFRS 9 and IFRS 7 at the time of their first recording.

Following first recording, the liabilities shall be assessed at the amortised cost, as defined by IFRS 9 accounting standard. The "Financial liabilities assessed at amortised cost" assessment is carried out with the amortised cost criterion, by recording in the income statement the interests calculated at effective interest rate, by applying a rate that nullifies the sum of current net cash flows values generated by the financial instrument. In the event of instruments expiring in the following 12 months, nominal value as approximation of the amortised cost is adopted.

Payables and other financial liabilities are initially recognised at fair value net of any directly attributable incidental costs and only after they are measured at amortised cost, using the effective interest rate criterion. When there is a change in the expected cash flows, the value of the liabilities is recalculated to reflect this change, based on the present value of the new cash flows and on the effective interest rate initially determined.

Income taxes

The Group tax charge is based on current taxes and deferred taxes. Where relating to components recognised to income and charges recorded to net equity within the other items of the comprehensive income statement, such taxes are recorded to the same account.

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

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

Employee benefits

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

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

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

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

The accounting of defined benefit plans involves the following steps:

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

- determine the amount of the actuarial gains and losses;
- determine the profit and loss resulting from any modifications or settlements of the plan.

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

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

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

Provisions for risks and charges

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

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

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

Revenues from contracts with customers

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

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

Costs

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

Financial income and charges

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

Earnings per share

Earnings per share – basic

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

Earnings per share - diluted

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

Non-current assets held for sale

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

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

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

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

A disposal group qualifies as discontinued operation if it is:

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

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

Payments based on shares or options:

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

Accounting standards, amendments and interpretations applied from 1 January 2019

The Group has adopted the IFRS 16 "Leasing" for the first time. The effect and the nature of the changes following the adoption of this new accounting standards are reported below.

Other changes and interpretations are applied for the first time in 2019, but they do not have any effect on the Group's Financial Statement. The Group did not adopt in advance any other accounting standard, interpretation or amendment published but not yet in effect.

IFRS 16 - "Leases" - Impacts from first adoption

The present consolidated financial statement at 31 December 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 Property, plant & equipment 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.

The Group currently holds leasing agreements for properties and vehicles. Both leasing agreements for properties and vehicles usually last from 3 to 5 years. The liability of the Group regarding these leasing contracts are guaranteed by the ownership deed of the lessee on the leased assets.

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 balance sheet at 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 assets	1 January 2019.
Properties	2,841
Vehicles	114
Total right of use	**2,955**

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

Discount rate

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.

Summary of new accounting criteria

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.

▶ *Lease 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 effective 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). Renewal options for the leasing of motor 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 motor vehicles and shall not exercise any renewal option in this case.

The renewal options for property leasing were not included in the determination of the leasing duration, as, following the reorganisation phase of the company, the Directors shall take the strategic decisions regarding medium/long-term leasing.

Amounts 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 assets	Properties	Vehicles	Total
Change in Acquisition Cost			
01 January 2019	**4,513**	**159**	**4,671**
Business Combinations	197	14	212
Addition	108		
Transfers	(739)	(39)	(778)
Exchange differences	26	-	26
Decreases	(339)	-	(339)
Disposals	(33)	-	(33)

31 December 2019	**3,734**	**134**	**3,868**
Change in Amortisations			-
01 January 2019	**(1,672)**	**(45)**	**(1,717)**
Continuing operations amortisations	(734)	(34)	(769)
Business Combinations	-	-	-
Transfers	327	9	335
Exchange differences	(18)	-	(18)
Decreases	172	-	172
Disposals	33	-	33
31 December 2019	**(1,893)**	**(71)**	**(1,964)**
Net Book Value 31 December 2019	**1,840**	**63**	**1,903**

Lease Liabilities	31.12.2019
Current	741
Non-current	1,153
Total	**1,894**

Altogether, the application of the new standard, at 31 December 2019, resulted in:

- The entry of the right to use within Property, plant & equipment for a total of € 1.9 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 € 0.8 million, arising from the reversal of leases, counterbalanced by higher amortisation for € 0.8 million and by higher financial burdens for € 52,000, with an impact on the EBITDA, the EBIT and a Group Net Profit for the period of € 0.8 million, € 56,000 and € 56,000 respectively;

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

During the Fiscal Year, the total cash outflow for leasing of the Group amounted to € 765,000.

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 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.

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, an entity shall determine the net interest for the remaining period following the 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	31.12.2019	31.12.2018	Change
Executives	4	4	-
Managers	11	8	(3)
White-collar	82	72	(10)
Blue-collar	-	-	-
Others	-	-	-
Total	**97**	**84**	**(13)**

Over the course of 2019, the workforce increased due to the acquisition of E-Commerce Outsourcing S.r.l., offset by the transfer of M3Satcom and by effect of 10 resignations. The new employees were hired in order to strengthen the sales and development business functions (staff), as well as to replace the roles left vacant from some of the resigning employees.

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

ASSETS

B) Non-current assets

1. Property, plant & equipment

Balance at 31.12.2019 1,137

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 Acquisition Cost							
31 December 2018	**3,697**	**82**	**347**	**224**	**125**	**126**	**4,601**
Additions	-	4	15	7	-	12	38
Business Combinations	0	36	70	394	-	69	569
Exchange differences and Reclassifications	(15)	-	(3)	(2)	-	334	314
Decreases	-	-	-	-	-	(5)	(5)
Disposals	-	-	-	-	(125)	-	(125)
31 December 2019	**3,683**	**122**	**429**	**623**	**-**	**537**	**5,394**
Change in Amortisations							-
31 December 2018	**(2,474)**	**(78)**	**(219)**	**(185)**	**(51)**	**(101)**	**(3,108)**
Depreciations	(400)	(3)	(45)	(27)	(28)	(24)	(526)
Business Combinations	(0)	(22)	(44)	(298)	-	(55)	(419)
Exchange differences and Reclassifications	1	-	-	-	-	(283)	(282)
Decreases	-	-	-	-	79	-	79
Disposals	-	-	-	-	-	-	-
31 December 2019	**(2,873)**	**(103)**	**(308)**	**(510)**	**-**	**(462)**	**(4,256)**
Net Book Value 31 December 2019	**810**	**19**	**121**	**113**	**-**	**74**	**1,137**

Additions of € 569,000 concerning the acquisition of E-Commerce Outsourcing S.r.l. are reported at 31 December 2019, as well as further additions of € 38,000, mainly concerning the acquisition of plant and furniture to expand the offices (Piazza Diaz) of the company, which took place in the initial months of the year.

The reclassifications concerned tangible and intangible assets.

At the reporting date, the Company did not find any impairment indicator regarding the aforementioned Property, plant & equipment, which were included in the Net Invested Capital of the goodwill impairment test at TIER 1.

2. Intangible assets

Balance at 31.12.2019 **2,522**

Balance at 31.12.2018 **629**

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

Intangible Assets	Development Costs	Other intangible assets	Total
Change in Historical Cost			
31 December 2018	**-**	**4,349**	**4,349**
Additions	1,463	931	2,393
Business Combinations	-	52	52
Reclassifications	-	(319)	(319)
Decreases	-	-	-
Disposals	-	-	-
31 December 2019	**1,463**	**5,013**	**6,476**
Change in Amortisations			
31 December 2018	**-**	**(3,721)**	**(3,721)**
Depreciations	-	(475)	(475)
Business Combinations	-	(45)	(45)
Reclassifications	-	288	288
Decreases	-	-	-
Disposals	-	-	-
31 December 2019	**-**	**(3,953)**	**(3,953)**
Net Book Value 31 December 2019	**1,463**	**1,060**	**2,522**

Other intangible assets refer to trademarks and software.

At 31 December 2019, additions of € 2.4 million, mainly concerning the acquisition costs for software assets (€ 0.9 million, of which € 0.6 million concerning the Oracle software related to the implementation of the e-commerce platform) and internal development costs (€ 1.5 million) for the implementation of the IT platform designed to manage the online sales in the e-commerce B2C and B2B2C division's context were recorded.

The additions due to business combinations refer to the acquisition of E-Commerce Outsourcing S.r.l..

The development costs on the platform shall be amortised in 3 years, starting from 2020, because the effects of the integration of the IT platforms shall be effective starting from said fiscal year, while other intangible assets will be amortised by using a 20% rate, since their reasonable useful life is assessed at 5 years.

In accordance with IAS 36, an assessment was made of any impairment indicators relating to intangible assets. At 31 December 2019, no impairment indicators were recorded, and thus no impairment test has been carried out as far as the aforementioned intangible assets are concerned, which were included in the Net Invested Capital of the goodwill impairment test at TIER 1.

3. Goodwill

Balance at 31.12.2019	**14,800**
Balance at 31.12.2018	**11,668**

Goodwill includes:

- € 7,583,000 relating to the goodwill arising from the acquisition of the Ibox Group in April 2017;
- € 4,084,000 relating to the acquisition of Giglio Fashion in March 2016.
- € 3,120,000 relating to the acquisition of E-Commerce Outsourcing S.r.l. in October 2019. Pursuant to IFRS 3, the goodwill recorded over the course of the fiscal year is temporary, and shall be confirmed within the following 12 months from the acquisition date.

At 31 December 2019, no loss was recorded based on the impairment test carried out.

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

Both at single CGU level and at consolidated level, the Unlevered Free Cash Flow (UFCF) of explicit forecast were determined using Plan balance-sheet data and exempting the EBIT with a theoretical taxation of 27.9%, while the terminal value (TV) was calculated as the average of UFCFs of the explicit forecast period, aligning amortisations to the average Capex level in the five-year period.

The discount rate applied was the adjusted WACC at 15.42%.

The 2020-2024 multi-annual Industrial Plan was approved by the Directors on 10 March 2020.

TIER 1

The Tier 1 (consolidated level) shows that, upon a Net Capital Invested of € 11.3 million, the consolidated enterprise value amounts to € 44.7 million (of which € 20.3 million resulting from the discounting of flows from explicit forecast and € 24.2 million from the terminal value).

Subsequently, the Tier 1 (verification of the value of use of the goodwill recorded in the consolidated financial statement at about € 14.8 million) gave positive results against a headroom of € 33.5 million.

At 31 December 2018, these figures were represented as follows:

The Tier 1 (consolidated level) showed that, upon a Net Capital Invested of € 19.1 million, the consolidated enterprise value amounted to € 33 million (of which € 15.5 million resulting from the discounting of flows from explicit forecast and € 17.5 million from the terminal value). Subsequently, the Tier 1 (verification of the value of use of the goodwill recorded in the consolidated financial statement at about € 11.7 million) had given positive results against a headroom of € 13.9 million.

TIER 2 – B2C

The Tier 2 of B2C CGU (Business to Consumer) shows that, upon a Net Capital Invested of € 6.8 million, the enterprise value amounts to € 20.6 million (of which € 11.8 million resulting from the discounting of cash flows from explicit forecast and € 8.8 million from the terminal value).

Subsequently, the Tier 2 of B2C CGU (verification of the value of use of the goodwill recorded in the consolidated financial statement at about € 10.6 million) gave positive results against a headroom of € 13.9 million.

At 31 December 2018, these figures were represented as follows:

The Tier 2 of B2C CGU (Business to Consumer) showed that, upon a Net Capital Invested of € 7.3 million, the enterprise value amounted to € 24 million (of which € 15.4 million resulting from the discounting of cash flows from explicit forecast and € 8.6 million from the terminal value). Subsequently, the Tier 2 of B2C CGU (verification of the value of use of the goodwill recorded in the consolidated financial statement at about € 7.6 million) had given positive results against a headroom of € 16.8 million.

TIER 2 – B2B

The Tier 2 of B2B CGU (Business to Business) shows that, upon a Net Capital Invested of € 3.7 million, the enterprise value amounts to € 19.3 million (of which € 7.5 million resulting from the discounting of cash flows from explicit forecast and € 11.8 million from the terminal value). Subsequently, the Tier 2 of B2B CGU (verification of the value of use of the goodwill recorded in the consolidated financial statement at about € 4.1 million) gave positive results against a headroom of € 15.6 million.

At 31 December 2018, these figures were represented as follows:

The Tier 2 of B2B CGU (Business to Business) showed that, upon a Net Capital Invested of € 7.3 million, the enterprise value amounted to € 21.6 million (of which € 8.6 million resulting from the discounting of cash flows from explicit forecast and € 13 million from the terminal value). Subsequently, the Tier 2 of B2B CGU (verification of the value of use of the goodwill recorded in the consolidated financial statement at about € 4.1 million) had given positive results against a headroom of € 14.3 million.

Sensitivity analysis and stress test

The company also carried out a sensitivity analysis on the above-mentioned assumptions, through growth rate variations (G) equal to +/- 0.5% and WACC variations of +/- 0.5%, used to calculate the recoverable value. This was undertaken in light of the results which, in the Directors' opinion, do not generate a surplus of the carrying value over the recoverable value in the presence of reasonable variations in the key assumptions.

Furthermore, a stress test was carried out by aligning revenues with the average market growth rate at Tier 1, Tier 2 B2C and Tier 2 B2B levels. The technical sensitivity tables thus obtained highlight how the stress test produces a strong reduction of the headroom, especially at Consolidated Net Capital Invested levels, that, in any event, remain positive.

4. Investments in Joint Ventures

Balance at 31.12.2019	**7**
Balance at 31.12.2018	**5**

The account at 31 December 2019 equal to € 7,000 mainly includes the investment consequent to the Joint Venture, 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 at 31 December 2019, the company is not operational.

5. Trade receivables

Balance at 31.12.2019 **835**

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	31.12.2019	31.12.2018	Changes
Guarantee deposits	203	168	35
Other	632	1,422	(790)
Total	**835**	**1,590**	**(755)**

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 office building;

The account "Others" refers 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; the decrease if compared to the previous fiscal year refers to the VAT credit that was collected during the fiscal year and that, at 31 December 2018, was factored without recourse, as well as to the short-term reclassification of the receivable toward GM Comunicazione, which shall expire on 31 December 2020.

6. Inventories

Balance at 31.12.2019 **1,861**

Balance at 31.12.2018 **5,273**

The inventories of the Group comprise finished products for sale.

At 31 December 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. The reduction of the inventories is due to an increased focus in 2019 on the disposal of goods purchased in the previous fiscal years.

At 31 December 2019, the obsolescence provision is equal to € 182,000 and includes the provision for the year amounting to € 34,000.

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 receivables

Balance at 31.12.2019 **12,179**

Balance at 31.12.2018 **12,519**

The breakdown of the account is as follows:

Trade receivables	31.12.2019	31.12.2018	Change
Trade receivables	11,376	12,480	(1,104)
Advances to suppliers	1,931	1,142	789
Guarantee deposits	111	111	-
Other commercial receivables	202	145	57
Provision for doubtful account	(1,441)	(1,359)	(82)
Total	**12,179**	**12,519**	**(340)**

The payable is mostly stable if compared to the previous fiscal year; the decrease due to the transfer of the division held by Giglio TV concerning the receivables toward clients for TV productions has been compensated with the acquisition of E-Commerce Outsourcing S.r.l..

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 31 December 2019 and 31 December 2018 are as follows:

(Euro thousands)	**Year ended at 31 December 2019**	**%**	**Year ended at 31 December 2018**	**%**
Europe	7,631	*90.1 %*	6,675	*54.3 %*
Asia	*93*	*1.1 %*	*5,578*	*45.4 %*
USA	*719*	*8.5 %*	*4*	*0.0 %*
Rest of the world	*25*	*0.3 %*	*34*	*0.3 %*
Total gross receivables	**8,468**	***100.0 %***	**12,290**	***100.0 %***
Provision for doubtful accounts	*(1,441)*		*(1,359)*	
Total	**7,027**		**10,931**	

The ageing of the gross trade receivables at 31 December 2019 and 31 December 2018 is shown below:

(Euro thousands)	**Year ended at 31 December 2019**	**%**	**Year ended at 31 December 2018**	**%**
> 120 days	1,014	*12.0 %*	2,675	*21.8 %*
90<> 120 days	*440*	*5.2 %*	*652*	*5.3 %*
60<> 90 days	*374*	*4.4 %*	*708*	*5.8 %*
30<> 60 days	*450*	*5.3 %*	*1,125*	*9.2 %*
0<> 30 days	*909*	*10.7 %*	*1,112*	*9.0 %*
Total overdue	***3,187***	***37.6 %***	***6,273***	***51.0 %***
Not overdue	*5,280*	*62.4 %*	*6,018*	*49.0 %*
Total gross receivables	**8,468**	***100.0 %***	**12,290**	***100.0 %***
Provision for doubtful accounts	*(1,441)*		*(1,359)*	
Inc. provision on overdue 120 days	*(142.1)%*		*(50.8)%*	
Total	**7,027**		**10,931**	

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

Provision for doubtful account (Euro thousand)	
31 December 2018 Balance	**1,359**
Provisions	25
Doubtful receivables concerning assets held for sale/Discontinued operations	87
Business Combinations	15
Releases	(45)
31 December 2019 Balance	**1,441**

The provision for the year amounting to € 25,000 predominantly refers to the Parent Company, in order to adjust the nominal value of receivables to their estimated realisable value. The further provision of € 87,000 refers to those receivables concerning the transferred Media area that will not be easily recovered.

As already highlighted in Note F. "Management of capital and financial risks on credit risk", the Group determines the provision for doubtful account by elaborating a specific provision matrix. More specifically, the Group, due to the variety of its clients, identified appropriate groupings and associated to them a specific rating, applying to each grouping a specific write-down percentage. Further details on the applied methodology may be viewed in this section.

8. Financial receivables

Balance at 31.12.2019	**3,523**
Balance at 31.12.2018	

The account concerns the countervalue of no. 1,136,363,620 shares of Vértice Trescientos Sesenta Grados SA, Spanish company listed in Madrid's main stock-exchange market, received on 17 January 2020. The fair value defined of level 1 was calculated on the market value at 31 December 2019, and it is equal to € 0.0031 per share. Given the nature and scope for which these shares are held, the adaptation to the fair value is recorded within the Statement of Profit or Loss: at 31 December, said assessment entailed a write-down of the receivables for the shares to be received of about € 9 million.

9. Tax receivables and deferred tax assets

Balance at 31.12.2019	**7,150**
Balance at 31.12.2018	**11,123**

The breakdown of tax receivables is shown below:

Tax receivables	31.12.2019	31.12.2018	Change
Deferred tax assets	783	1,174	(391)
Total non-current deferred tax assets	**783**	**1,174**	**(391)**
IRES	330	412	(82)
IRAP	131	131	-
Withholding taxes	2	-	2
INPS	3	3	-
INAIL	2	2	-
VAT	5,472	9,390	(3,918)
Others	427	11	416
Total current tax receivables	**6,367**	**9,949**	**(3,582)**
Total	**7,150**	**11,123**	**(3,973)**

This part of the account includes deferred tax assets equal to € 783,000 mainly relating to deferred tax assets calculated on the tax losses of the Parent Company on 2017 (€ 514,000), following which, on a prudent basis, have not been provisioned , to the tax effect of the write-down of receivables (€ 83,000), the decrease if compared to the previous year mainly refers to the write-down of receivables and to the obsolescence provision of the transferred companies (€ 172,000) and to deferred taxes (€ 191,000) calculated on the write-downs of tangible assets following the transfer of the media area. For more information, see paragraph 37.

In the current part of the account, all tax receivables for payments on account or credits matured are included, and are decreased throughout the fiscal year thanks to the following proceeds:

- € 1.6 million for the subsidiary Ibox S.r.l. related to acquisition transactions that were not offset by sales transaction, which took place abroad and with VAT exemption.
- € 1.9 million for Giglio Fashion division of the Parent Company, concerning Italian VAT generated by virtue of its nature of habitual exporter.

Moreover, in paragraph 3 of the Directors' Report, the receivables toward the VAT office, for € 3.5 million, have been classified among the short-term tax receivables of the Net Financial Debt, since they refer to amounts paid over the month of December 2019, with the Company's issue of the guarantee and with the receipt of the payment confirmation on behalf of the Agenzia delle Entrate and collected in 2020 (€ 3.2 million on 15 January 2020 and € 0.3 million on 25 February 2020). This VAT receivable collected by subsidiary Ibox SA, 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 deferred tax assets are expected to be reabsorbed by future assessable income deriving from the business plan.

10. Other assets and other current receivables

Balance at 31.12.2019 **2,220**

Balance at 31.12.2018 **2,653**

Other assets	31.12.2019	31.12.2018	Change
Other assets	14	22	(8)
Prepayments and accrued income	2,206	2,631	(425)
Total	**2,220**	**2,653**	**(433)**

Prepayments and accrued income relate:

- for € 1,342 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 € 480,000, to the short-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 € 65,000 to E-Commerce Outsourcing S.r.l., company acquired over the course of the fiscal year.

11. Cash and cash equivalents

Balance at 31.12.2019 **2,991**

Balance at 31.12.2018 **2,889**

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

Cash and cash equivalents	31.12.2019	31.12.2018	Change
Bank and short-term deposits	2,986	2,883	103
Cash on hand	5	6	(1)
Total	**2,991**	**2,889**	**102**

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

LIABILITIES

12. Net Equity

The share capital at 31 December 2019 consists of 18,306,685 ordinary shares, without express nominal value.

The changes in 2019 are due to:

- Allocation of the consolidated result at 31 December 2018, equal to € -8.264.000;
- Recognition of IAS 19 actuarial loss equal to € 20 thousands;
- Recognition of IFRS 16 first application effect equal to € 65 thousands;
- Share issued through contribution of quotas representing the whole share capital of E-Commerce Outsourcing S.r.l. equal to € 2,224 thousands, of which € 151 thousands at nominal value and € 2,073 thousands at share premium;
- Shares issued reserved to institutional investors through the accelerated bookbuilding procedure equal to € 4 million, of which € 302,000 at nominal value and € 3,698 thousands at share premium;
- Recognition of exchange differences equal to € 4 thousands;
- Consolidated result for the period equal to € -15,796 thousands.

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

Balance at 31.12.2019	**924**
Balance at 31.12.2018	**804**

At 31 December 2019, the provisions for risks and charges refer to the Post-employment benefit provision for € 713,000 and to the Ibox SA's provision for returns for the remaining € 211,000.

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

(Euro thousands)	
Post-employment benefit provision at 31.12.2018	**324**
Business Combinations	333
Provisions 2019	157
Advances/Util.	(59)
Actuarial gains (losses)	(49)
Net Interest	8
31 December 2019 Balance	**713**

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

- probability of elimination for death: ISTAT table 2018 (source ISTAT – 2019 Italian Annual Statistics);
- probability of elimination for invalidity: zero;
- probability of elimination for other reasons (dismissal, departure): equal to 3% per annum for the entire valuation period (taken from the data recorded, as well as experience relating to similar businesses);
- pension expected on the maturity of the first possibility of I.N.P.S. pension established by Article 24 of Law 214/2011 and as provided for by Legislative Decree no. 4 of 2019, hypothesising the workers' exit from the service upon achievement of the first useful right;
- annual inflation rate: 2% for 2020, 1.7% for 2021 and 1.5% for 2022 (source: *"Update of 2019 Economic and Finance Document"*); from 2023 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 31.12.2019 of AA securities issued by corporate issuers in the Eurozone and based on the average residual duration of the Post-employment benefit at 31.12.2019; 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 -0.5%**	**Rate +0.5%**
DBO	770.2	648.5

Moreover, it is worth noting that the updating of demographic assumptions with respect to 31.12.2018 (concerning only the probability of elimination due to death) did not have any effect on actuarial results, while the discount rate adopted at 31 December 2019 is the same as the one adopted at 31 December 2018.

14. Deferred tax liabilities

Balance at 31.12.2019 **3**

Balance at 31.12.2018 **3**

At 31 December 2019, the total payable amounted to € 3,000. The payable did not change if compared to the previous fiscal year.

15. Current and non-current financial liabilities

Balance at 31.12.2019 **20,909**

Balance at 31.12.2018 **22,672**

The financial liabilities are illustrated in the table below:

Financial liabilities	31.12.2019	31.12.2018	Change
Current	18,276	16,009	2,267
Non-current	2,633	6,663	(4,030)
Total	**20,909**	**22,672**	**(1,763)**

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

Current financial liabilities	**31.12.2019**	**31.12.2018**	**Change**
Loans (current portion)	2,656	6,804	(4,147)
Total current loans	**2,656**	**6,804**	**(4,147)**
Advances on invoices/Credit Lines	6,603	8,285	(1,683)

Bank overdrafts	7	21	(14)
Earn-out	1,545	-	1,545
Finance Leases	-	24	(24)
EBB Bond	4,759		4,759
Minibond	1,373	875	498
Liability acquired minority share G-TV	931		931
Payables towards related parties	402	-	402
Total	**18,276**	**16,009**	**(2,267)**

The current financial liabilities relate to:

- the self-liquidating credit lines as advances on invoices.
- Payable for earn-out to be paid to the previous shareholders of E-Commerce Outsourcing S.r.l.;
- the account "liabilities acquired minority interest Giglio TV" for € 0.9 million relates to the financial liability concerning the irrevocable obligation to purchase from Simest the minority holding by Giglio, which, against the exercise of the put option on behalf of Simest, shall be reimbursed in 2020. On 9 March 2020, Giglio purchased Giglio TV Hong Kong's quotas. For more information on this, please see paragraph 10 "Significant Events After the End of the Fiscal Year" of the Directors' Report.
- 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, with the following conditions:
    - Subscribers: the Debenture Bond was fully subscribed by the SPV;
    - Listing: the Bonds shall not be listed on any regulated market nor on any MTF;
    - Terms of issue: the Bonds shall be issued in a single tranche;
    - Issue price: the issue price amounts to 100% of the Bonds' nominal value;
    - Interests: the Obligations shall be interest-bearing at the fixed nominal gross annual rate of 4.572%, to be paid with a semi-annual coupon postponed;
    - Legal duration and expiration: the Bonds shall have a legal duration of 8 years and 6 months and the expiration date is set at the last interests' payment date of 2027;
    - Reimbursement: the Bonds shall be redeemed at par, i.e. at 100% of their nominal value, pursuant to the amortisation plan set forth in the regulation, with 13 semi-annual capital instalments, with a grace period of 2 years;

On 11 March 2020, EBB S.r.l., the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data (31.12.2019), with retroactive effect at 31 December 2019, since the company was not respecting to that date the parameters set forth in the same covenants.

- The current portion of the Minibond repaid was € 2,456 thousands. 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 11 of the Directors' Report for more information on main amendments.

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

Non-current financial liabilities	31.12.2019	31.12.2018	Change
Loans	2,305	2,119	186
Minibond	-	2,219	(2,219)
Finance Leases	-	47	(47)
Liability acquired minority share G-TV	-	1,470	(1,470)
Others	328	808	(480)
Total	**2,633**	**6,663**	**(4,030)**

The non-current financial liabilities are represented by unsecured loans and include the financial liability for € 0.3 million of Ibox SA to the previous shareholders (Tessilform S.p.A) of Ibox SA (formerly Evolve SA).

Moreover, the financial liabilities also include those payables related to liabilities for operating leasing resulting from the application of the IFRS 16 accounting standard. For more information, see "Accounting standards, amendments and interpretations applied from 1 January 2019".

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

(Euro thousand)	Value at 01.01.19	Cash flow	Value at 31/12/2019
Non-current financial liabilities	6,663	(4,030)	2,633
Current financial liabilities	16,009	2,267	18,276
Total liabilities from financing activities	**22,673**	**(1,763)**	**20,909**

The following table summarises the loans of the Giglio Group S.p.A. at 31 December 2019 and highlights the amounts due within and beyond one year:

SITUATION AT 31/12/2019 Company Giglio Group S.p.A.
(Euro thousands)

Bank	Interest rate	Loan amount	Date of subscription	Outstanding debt at 31/12/2019	Expiration	0<>12 months	1 year<>2 years	2 year<>3 years	More than 3 years
BANCA DI SONDRIO									
Mortgage loan no. 076/1124006	4,65%	370,0	22/09/2013	-	31/03/2019	-	-	-	-
Unsecured loan, MCC guarantee	3,50%	1.200,0	30/09/2015	194	30/09/2020	194	-	-	-
INTESA									
Unsecured loan no. 0IC1047064869	Euribor 1 month + 2% spread	1.000,0	28/06/2017	510	28/06/2022	202	205	104	-
MONTE PASCHI DI SIENA									
Unsecured loan no. 741677580/60, CDP and SACE guarantee	5,8%	500,0	29/10/2014	-	31/12/2019	-	-	-	-
BANCA POP di BERGAMO									
Unsecured loan no. 004/01187014	2,1%	600	29/07/2016	116	29/07/2020	116	-	-	-
CREDEM									
Unsecured loan no. 052/7059285, MCC g	0,72%	700	21/06/2016	89	21/06/2020	89	-	-	-
CARIGE									
36 months loan	2%	500	02/08/2017	114	31/08/2020	114	-	-	-
24 months loan		1.500	29/05/2018	380	30/06/2020	380	-	-	-
BPM									
Loan no. 6026098	Euribor 3 months	1.500	16/10/2017	507	31/08/2020	507	-	-	-
Unsecured loan no. 04166765	Euribor 3 months	1.500	04/02/2019	947	31/03/2021	755	192	-	-
Unsecured loan no. 03528422	2,2%	500	30/01/2017	215	31/01/2022	102	104	9	-
Unsecured loan no. 03709516	2,2%	200	24/06/2017	-	30/06/2019	-	-	-	-
BNL									
Loan no. 1812270	1,4%	1.500	21/02/2018	-	21/02/2019	-	-	-	-
BANCA INTESA									
Loan	1,25%	3.000	27/06/2018	-	27/12/2019	-	-	-	-
UNICREDIT									
Loan		5.000	27/06/2018	-	27/12/2019	-	-	-	-
TOTAL Giglio Group		**19.570**		**3.071**		**2.457**	**501**	**113**	**-**
INTESA									
Revolving loan		200	05/08/2019	200	05/02/2020	200	-	-	-
TOTAL Giglio TV Hong Kong		**200**		**200**		**200**	**-**	**-**	**-**
		Overall Total		**3.271**		**2.657**	**501**	**113**	**-**

16. Trade payables

Balance at 31.12.2019 **20,623**

Balance at 31.12.2018 **24,070**

Trade payables	31.12.2019	31.12.2018	Change
Customer advances	1,053	12	1,041
Supply of goods and services	19,403	23,934	(4,531)
Credit notes to be issued	167	124	43
Total	**20,623**	**24,070**	**(3,447)**

The account's change if compared to 31 December 2018 is mainly due to the transfer of M-Three division to Vertice 360, which, at 31 December 2018, presented commercial payables equal to € 7 million.

The breakdown of trade payables is shown below:

(Euro thousands)	**Year ended at 31 December 2019**	**Year ended at 31 December 2018**
Trade payables	20,489	23,934
- of which overdue beyond 60 days	*5,080*	*3,964*
- % overdue payables on total	*24.8 %*	*16.6 %*

As at the date of this document, no injunction and/or specific reimbursement requests on behalf of any supplier are recorded, with the exception of an injunction for € 494,000 received within the consolidated company Ibox S.r.l. by a supplier who revoked the ongoing agreement, for which the accounting exposes the whole debt owed to it; for this injunction, the Company has filed a statement of opposition.

17. Tax payables

Balance at 31.12.2019 **4,108**

Balance at 31.12.2018 **2,824**

Tax payables	31.12.2019	31.12.2018	Change
Withholding taxes	309	151	158
Foreign VAT	2,257	1,738	519
Income taxes	1,345	719	626

Social security institutions	197	216	(19)
Total	**4,108**	**2,824**	**1,284**

Tax payables relate to:

- withholding taxes and taxes related to the normal operating activities of the company for Euro 309 thousand;
- VAT accrued by the Ibox Group payable to foreign countries in which it performs its business through specific tax representation;
- social security institutions for € 197,000.

18. Other current liabilities

Balance at 31.12.2019 4.273

Balance at 31.12.2018 982

Other current liabilities	31.12.2019	31.12.2018	Change
Employee payables	614	416	198
Prepayments and accrued expenses	784	476	308
Other payables	2,875	90	2,785
Total	**4,273**	**982**	**3,291**

The increase, if compared to the previous fiscal year, is due to the residual part of the payable following the agreement for the transfer of the media area assets of Giglio Group (€ 2.8 million) to Vertice 360, as reported in the Closing Letter signed on 31 October 2019. On 5 February 2019, Giglio Group challenged said amount as the calculations specified in the Closing Letter were non correct and did not answer to the provisions of the Contribution Agreement that was previously signed, thus making said Closing Letter unlawful.

NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

It is noted that the company E-Commerce Outsourcing S.r.l. participates in the economic results starting from its acquisition date, that is from 1 November 2019.

Therefore, in order to improve comparison and understanding of the results below, that outlined in the "Consolidated Operating Overview at 31 December 2019" paragraph should be considered.

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

19. Revenues from contracts with customers

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

	31.12.2019	31.12.2018	Change
Revenues from contracts with customers	37,737	37,912	(175)
Other revenues	1,009	1,040	(31)
Total	**38,746**	**38,952**	**(206)**

At 31 December 2019, revenues from contracts with customers amounted to € 38.7 million, in line with the previous year (€ 38.9 million in 2018). Revenues arising from the Group's agreements refer both to the B2B and the B2C contexts. While in the B2B segment the Group's companies perform the role of Principal, in the B2C segment, the situation to which service is tied is attributable to those who perform the role of Agent, not controlling the assets during the execution of its own performance obligation and, therefore, records costs and revenues on a net basis for revenues deriving from the full outsourced management of the client's e-commerce site. For more information on the revenues' division within the respective segments, see paragraph 4 of the Directors' report.

ECO's revenues amount to € 1.8 million.

20. Capitalised development costs

The capitalised costs are internally generated intangibles assets due to development activities carried forward by Giglio Group employed personnel; at 31 December 2019, those amounted to € 1.5 million, as already reviewed in the context of the dedicated paragraph regarding intangible assets.

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

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

	31/12/2019	31.12.2018	Change
Costs of goods	17,380	19,670	(2,290)
Consumables	41	65	(24)
Total	**17,421**	**19,735**	**(2,314)**

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

22. Service costs

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

	31.12.2019	31.12.2018	Change
Agents	3,595	5,424	(1,829)
Other service costs	209	50	159
Insurance	139	132	7
Bank, postal & collection commissions	1,060	1,137	(77)
Directors, statutory auditors and supervisory board fees	300	502	(202)
Consulting	3,439	3,119	320
Editorial production costs	-	-	-
Administrative costs	1,284	682	602
Customer service	512	588	(76)
Warehousing	486	530	(44)
Maintenance	14	7	7
Advertising, promotions, shows and fairs	341	428	(87)
Cleaning and surveillance	39	21	18
Transport & shipping	2,532	2,083	449
Utilities	166	144	22
Web marketing	379	314	65
Sales representatives	269	233	36
Total	**14,764**	**15,395**	**(631)**

The account principally refers to:

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

- The Ibox SA Group: agent costs for € 3.6 million, transport and shipping transport costs for about € 2 million and bank commissions for € 0.9 million. Agent fees decreased since they refer to fees related to specific brands whose turnover decreased, but that were offset by other brands that do not apply agent fees.

The consultancy costs and the administrative-IT costs mainly refer to both the corporate division and the Ibox Group; in the latter case, the increase is due to the fees for the Oracle licences, which in the previous period referred only to a single quarter.

ECO's service costs amount to € 0.6 million.

23. Rent, lease and similar costs

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

	31.12.2019	31.12.2018	Change
Rental	115	830	(715)
Hire	100	161	(61)
Operating leases	37	38	(1)
Total	**252**	**1,029**	**(777)**

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.

24. Payroll expenses

The breakdown of payroll expenses is as follows:

	31.12.2019	31.12.2018	Change
Salaries and wages	3,303	3,101	202
Social security charges	761	541	220
Post-employment benefits	151	11	140
Total	**4,215**	**3,653**	**562**

Payroll costs increased by € 0.6 million if compared to the previous year, due to the combined effect of investments in new technical and commercial development's activities and of the costs related to the initiation of a corporate reorganisation plan aimed at focusing on the e-commerce sector.

25. Amortisation, depreciation & write-downs

The breakdown of the account is shown below:

Amortisation, depreciation & write-downs	31.12.2019	31.12.2018	Change
Amortisation Intangible assets	475	153	322
Amortisation Property, plant & equipment	1,295	134	1,161
Write-downs (Revaluations)	(20)	53	(73)
Total	**1,750**	**340**	**1,410**

With regards to item "Amortisation", see Notes in paragraph 1 ("Property, plant & equipment ") and 2 ("Intangible 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 releases to the provision for doubtful accounts, detailed upon in the previous note 7 "Trade receivables".

26. Other operating costs

The breakdown of the account is shown below:

	31.12.2019	31.12.2018	Change
Other taxes	16	11	5
Other costs	390	447	(57)
Penalties and fines	24	74	(50)
Prior year costs	60	423	(363)
Total	**490**	**956**	**(466)**

The account "Other operating costs" at 31 December 2019 decreased if compared to the previous year, when it included costs connected to non-compete agreements concerning former employees.

27. Financial income and expenses

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

Financial income and expenses	31.12.2019	31.12.2018	Change
Interest income on bank accounts	1	1	0
Other interest	-	1	(1)
Exchange gains	23	78	(55)

Financial income	**24**	**80**	**(56)**
Interest on current bank accounts	8	16	(8)
Other interest	119	26	93
Interest on invoice advances and factoring	66	113	(47)
Interest on mortgage loans	494	326	168
Interest on bond loans	294	200	94
Bank charges	185	154	31
SIMEST financial charges	41	81	(40)
IFRS 16 financial expenses	52	-	
Exchange losses	354	249	105
Financial expenses	**1,613**	**1,164**	**449**
Total	**(1,589)**	**(1,085)**	**(504)**

Financial charges increased on 31 December 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.

28. Income taxes

The breakdown of income taxes is as follows:

Income taxes	31.12.2019	31.12.2018	Change
Current taxes	(823)	(144)	(679)
Deferred taxes	(363)	28	(391)
Total	**(1,186)**	**(116)**	**(1,070)**

Income taxes amount to € 0.8 million (€ 0.1 million at 31 December 2018). The increase refers to the permanent establishment of the subsidiary Ibox SA, calculated on the basis of the different quantification of income elaborated by Italian Tax Authority (Agenzia delle Entrate) – Prato Office, which is carrying out a tax inspection for the purpose of direct taxation on fiscal year 2016.

The higher deferred taxes recorded at 31 December 2019 of € 0.3 million principally concern the release of deferred taxes related to the write-down of receivables and to the obsolescence provision of the transferred companies (€ 172,000), as well as to the deferred taxes (€ 191,000) calculated on the write-down of tangible assets following the transfer of the media area.

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

	31.12.2019						
	Giglio Group	IBOX SA	Evolve USA	Ibox S.r.l.	Giglio USA	Giglio Shanghai	E-Commerce Outsourcing S.r.l.
Pre-tax result	(2,942)	(382)	(30)	398	35	71	(382)
Theoretical tax charge	-	73	-	(111)	(12)	-	107
Effective tax charge	6	(654)	(0)	(122)	(19)	-	(654)
Deferred taxes	(375)	3	-	4	-	-	3
Net result	(3,310)	(1,034)	(30)	280	16	71	(1,034)
Theoretical tax rate	27.9%	19.0%	34.0%	27.9%	34.0%	24.0%	27.9%
Effective tax rate	0%	-171%	1%	31%	54%	0%	-171%

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	18
A. Lezzi	20
G. Mosci	25
Y. Zhao	10
M. Mancini	20
S. Olivotto	31
G. Capellini	1
Total	**325**

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

The following statement, drafted pursuant to Art. 149-*duodecies* of Consob's Issuer Regulation, highlights the remuneration for the audit services and for other services offered by the same Audit Firm or by companies of the EY S.p.A. network.

The fees of the independent audit firm were as follows:

(Euro thousands)

Recurring services	Service provider	Recipient	Consideration
Auditing of statutory financial statement and models subscription	EY S.p.A.	Parent Company	145
Auditing of consolidated financial statement	EY S.p.A.	Parent Company	106
Limited auditing of consolidated half-year report	EY S.p.A.	Parent Company	34
Auditing	EY	Subsidiaries	63
Total recurring services			**348**

(Euro thousands)

Other audit-related services	Service provider	Recipient	Consideration
Activity related to the acquisition of E-Commerce Outsourcing S.r.l.	EY S.p.A.	Parent Company	105
Activity related to the reserved share issue	EY S.p.A.	Parent Company	50
Activity related to the Media Area assets dismission	EY S.p.A.	Parent Company	50
Total other audit-related services			**205**

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

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

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

Financial and operating transactions with the subsidiaries and the related parties are illustrated in detail in the paragraph 32 below.

30. Commitments, guarantees and contingent liabilities

Guarantees

Mr. Alessandro Giglio has provided personal guarantees on some Loans held by the company at 31 December 2019.

The details are shown below:

Commitments and guarantees (Euro thousand)

Entity	Guarantee Value	Residual amount guaranteed
B.POP Sondrio	2,100	945
Banca Sella	246	204
B. POP. Novara	650	650
UNICREDIT	536	536
Total	**3,532**	**2,335**

Giglio Group S.p.A. became guarantor for a supplier of its subsidiary Ibox S.r.l. in order to correctly fulfil the payment of the supplies amounting to about € 500,000.

Contingent liabilities

Normal lawsuit (dispute): Through a writ of summons served on 18 February 2020, the company Servizi Italia Ltd sued Giglio Group, asking the Court to: "Verify the termination of the settlement agreement between the Parties on 27 June 2019 and, consequently, to verify the renewal of the agreement entered into between the same Parties on 19 May 2016 and thus to order Giglio Group S.p.A. to pay to Servizi Italia Ltd the remunerations accrued and to be accrued, pursuant to Art. 5 of the original agreement, at an appropriate and equitable rate in the view of the Court".

The matter originates from a service and trademark licensing agreement (hereinafter also referred to as the "Agreement") entered into between the Parties, by virtue of which Servizi Italia Ltd undertook to supply Giglio Group with consulting advices for streamlining corporate processes and business development, other than the licensing of the trademarks owned by Servizi Italia. All this, against a payment quantified in 50% of the first profit, as defined and determined in Art. 5 of the same Agreement.

Subsequently, the Parties, due to some criticalities recorded in the execution of the Agreement, signed a settlement agreement (Addendum) according to which Giglio Group S.p.A. had to produce and broadcast on all of the TV channel managed by it, three-hundred advertising contents for Servizi Italia, paying also, in payment and satisfaction of the amount owed to Servizi Italia pursuant to Art. 5 of the aforementioned Agreement, the amount of € 120,000 in three consecutive instalments within August 2019.

On 5 August 2019, Giglio contested to Servizi Italia its serious non-performance of the Addendum, specifically for the illegal continuation of use of the trademarks, logos and designations of Giglio

Group, with consequent claim of illegal competition and trademark infringement, thus halting the payments.
By letter dated 8 August 2019, the law firm representing Servizi Italia rebuked all claims made by Giglio Group, ordering the Group to pay for the Addendum, which amounted to € 80,000.
By letter dated 4 September 2019, Servizi Italia decided to order to Giglio Group the termination of the Addendum, with the consequent renewal of the Agreement. The Agreement provides for the payment, in favour of Servizi Italia, of an amount to be determined, as a result of Art. 5.1 and 5.2 of the same, of the sales volumes actually achieved and/or of the revenues generated by the advertising contents applied directly thanks to the services offered by Servizi Italia.
As of today, this (alleged) amount, has not yet been quantified, not even in the writ of summons, by Servizi Italia, believing that they can determine it in the course of the proceedings on the basis of the turnover declared by Giglio Group in the financial statements 2016-2018, of which they ordered the exhibition. The vice of the request shall be objected.
The legal representative appointed to defend Giglio Group S.p.A. believes the outcome of the dispute to be possible but not probable, and as such, no provision has been included in the provisions for risks at 31 December 2019.

31. 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 31

December 2019 is presented below.

		31.12.2019		31.12.2018	
Consolidated Statement of Financial Position (Euro thousands)		**Carrying amount**	**Fair Value**	**Carrying amount**	**Fair Value**
Non-current assets					
Investments in Joint Ventures	(4)	7	7	5	5
Receivables	(5)	835		1,590	
Total non-current assets		**21,987**		**16,558**	
Current assets					
Trade receivables	(7)	12,179	12,179	12,519	12,518
Cash and cash equivalents	(11)	2,991	2,991	2,889	2,889
Total current assets		**29,141**		**33,283**	
Assets held for sale/Discontinued operation	(36)	-		**18,431**	
Total Assets		**51,528**		**68,272**	
Non-current liabilities					
Financial payables (non-current portion)	(15)	3,786	3,786	6,663	6,663
Total non-current liabilities		**4,713**		**7,470**	
Current liabilities					
Trade and other payables	(16)	20,623	20,623	24,070	24,070
Financial payables	(15)	19,017	19,017	16,009	16,009
Total current liabilities		**48,021**		**43,885**	
Assets held for sale and liabilities directly associated with assets held for sale/Discontinued operations	(36)	-		**8,508**	
Total liabilities and Shareholders' Equity		**51,128**		**68,272**	

Medium-term loan

The company reports at 31 December 2019 a negative net financial debt position -excluding the effect of the adoption of IFRS 16 accounting standard - of about € 10.4 million (for the calculation basis and the reconciliation of the data reference should be made to the specific table in the Directors' Report). These payables also include the Minibond issued to finance the acquisition of Giglio Fashion (for further information reference should be made to that already illustrated in these Explanatory Notes and commented upon in the Directors' Report) and unsecured medium-term bank loans and the Simest holding reclassified.

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

2022 bond loan).

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

Note 15 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 must be complied with contractually on 31 December 2019:

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, notwithstanding (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.
- Hence, as at 31 December 2019, the company does respect the relevant financial covenants, nevertheless without setting up an Anticipated Reimbursement, but representing only a Step-up with consequent increase in the Interest rate applicable at the notification date.

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

- Subscribers: the Debenture Bond was fully subscribed by the SPV;
- Listing: the Bonds shall not be listed on any regulated market nor on any MTF;
- Terms of issue: the Bonds shall be issued in a single tranche;
- Issue price: the issue price amounts to 100% of the Bonds' nominal value;
- Interests: the Obligations shall be interest-bearing at the fixed nominal gross annual rate of 4.572%, to be paid with a semi-annual coupon postponed;
- Legal duration and expiration: the Bonds shall have a legal duration of 8 years and 6 months and the expiration date is set at the last interests' payment date of 2027;
- Reimbursement: the Bonds shall be redeemed at par, i.e. at 100% of their nominal value, pursuant to the amortisation plan set forth in the regulation, with 13 semi-annual capital instalments, with a grace period of 2 years;

On 11 March 2020, EBB S.r.l., the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data

(31.12.2019), with retroactive effect at 31 December 2019, since the company was not respecting to that date the parameters set forth in the same covenants.

32. Transactions with subsidiaries and related parties

The following table reports the transactions and balances with Related Parties at 31 December 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	Giglio USA	Giglio TV	Giglio Shanghai	E-Commerce Outsourcing	IBOX SA	Evolve USA	Ibox Srl
Giglio Group		617	1,722			939		1,261
E-Commerce Outsourcing	1							
Giglio USA	133							
Giglio TV				91				
Giglio Shanghai								
IBOX SA	-						44	
Evolve USA								
Ibox Srl								

Financial receivables and payables

Receivables/Payables	Giglio Group	Giglio USA	Giglio TV	Giglio Shanghai	E-Commerce Outsourcing	IBOX SA	Evolve USA	Ibox Srl
Giglio Group		102	2,017	46				
E-Commerce Outsourcing								
Giglio USA								
Giglio TV	1,710			89				
Giglio Shanghai								
IBOX SA	5						180	
Evolve USA								
Ibox Srl	2,648					1,326		

Commercial revenues and costs

Receivables/Payables	Giglio Group	Giglio USA	Giglio TV	Giglio Shanghai	E-Commerce Outsourcing	IBOX SA	Evolve USA	Ibox Srl
Giglio Group		1,711	-		541	471		704
E-Commerce Outsourcing	1							
Giglio USA								
Giglio TV	427							

Giglio Shanghai		112	
IBOX SA	67		122
Evolve USA			
Ibox Srl			

The nature of the transactions in the above table are as follows: (i) for E-Commerce Outsourcing, Giglio USA, 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.

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

- China System S.r.l.: company owned by Yue Zhao, director and wife of Alessandro Giglio and which provides consultancy services to the Group for the Chinese market. The transactions with China System are based on a service supply contract with the company China System S.r.l., signed on January 4, 2016. The supplier has marketing experience providing consultancy to companies to launch client products on local markets. In 2019 the services provided amounted to € 56,600.
- 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 € 180,000;
    - Rome offices: Via dei Volsci for a total annual cost of € 99,600.
- Meridiana Group: partner of Giglio Group S.p.A. who carried out a financing to the Group. At 31 December 2019, the total payable amounts to € 2.2 million, of which USD 1.9 million at a 4.5% interest rate and € 0.4 million at a 3.75% interest rate.

The remuneration paid in 2019 to the Board of Directors of the Issuer amounted to Euro 335 thousand.

33. 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.

34. 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.

35. Diluted earnings per share

There are no significant dilution effects.

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

Consolidated Statement of Financial Position (Euro thousands)	31.12.2019	of which related parties	31.12.2018	of which related parties
Non-current assets				
Property, plant & equipment	1,137		1,492	
Right-of-use assets	1,903		-	
Intangible assets	2,522	-	629	-
Goodwill	14,800		11,668	
Investments in Joint Ventures	7		5	
Receivables	835		1,590	
Deferred tax assets	783		1,174	
Total non-current assets	**21,987**	**-**	**16,558**	**-**
Current assets				
Inventories	1,861		5,273	
Trade receivables	12,179	35	12,519	
Financial assets	3,523		-	
Tax receivables	6,367		9,949	
Other assets	2,220	89	2,653	
Cash and cash equivalents	2,991		2,889	
Total current assets	**29,141**	**124**	**33,283**	**-**
Assets held for sale/Discontinued operations	**-**		**18,431**	
Total Assets	**51,528**	**124**	**68,272**	**-**
Net Equity				
Issued capital	3,661		3,208	
Reserves	16,712		11,400	
Listing fees	(541)		(541)	
FTA Reserve	4		4	
Retained earnings	(5,650)		2,602	
Foreign Currency Translation reserves	4		-	
Net profit	(15,796)		(8,264)	
Total Group Equity	**(1,606)**	**-**	**8,409**	**-**
Minority interest in net equity	-		-	
Total Equity	**(1,606)**	**-**	**8,409**	**-**
Non-current liabilities				
Provisions for risks and charges	924		804	
Deferred tax liabilities	3		3	
IFRS16 lease liabilities	1,153			
Financial liabilities	2,633	-	6,663	-
Total non-current liabilities	**4,713**	**-**	**7,470**	**-**
Current liabilities				

Trade and other payables	20,623	-	24,070	75
IFRS16 lease liabilities	741			
Financial liabilities	18,276		16,009	-
Tax payables	4,108		2,824	
Other liabilities	4,273		982	
Total current liabilities	**48,021**	**-**	**43,885**	**75**
Assets held for sale and liabilities directly associated with assets held for sale/Discontinued operations	**-**		**8,508**	
Total Equity and liabilities	**51,128**	**-**	**68,272**	**75**

Condensed Consolidated Statement of Profit or Loss (Euro thousands)	31.12.2019	of which related parties	of which non recurring	31.12.2018	of which related parties	of which non recurring
Total revenues from contracts with customers	**37,737**			**37,912**		
Other revenues	1,009			1,040		
Capitalised costs	1,462					
Change in inventories	(3,309)			1,493		
Purchase of raw materials, ancillary, consumables and goods	*(17,421)*			*(19,735)*		
Service costs	*(14,764)*	*(57)*	*(1,128)*	*(15,395)*	*(155)*	*(459)*
Rent, lease and similar costs	*(252)*			*(1,029)*	*(383)*	
Operating costs	**(32,437)**	**(57)**	**(1,128)**	**(36,159)**	**(538)**	**(459)**
Salaries and wages	*(3,303)*			*(3,101)*		
Social security charges	*(761)*			*(541)*		
Post-employment benefits	*(151)*			*(11)*		
Payroll expenses	**(4,215)**	**0**	**0**	**(3,653)**	**0**	**0**
Amortisation	*(475)*			*(153)*		
Depreciation	*(1,295)*			*(134)*		
Write-downs	*20*			*(53)*		
Amortisation, depreciation & write-downs	**(1,750)**	**0**	**0**	**(340)**	**0**	**0**
Other operating costs	*(490)*		*(151)*	*(956)*		*(433)*
Operating profit	**(1,993)**	**(57)**	**(1,279)**	**(663)**	**(538)**	**(892)**
Financial income	*24*			*80*		
Net financial charges	*(1,613)*			*(1,164)*		
Profit before taxes	**(3,582)**	**(57)**	**(1,279)**	**(1,747)**	**(538)**	**(892)**
Income taxes	*(1,186)*		*(476)*	*(116)*		
Profit for the period (continuing operations)	**(4,768)**	**(57)**	**(1,755)**	**(1,863)**	**(538)**	**(892)**
Profit for the period (discontinued operations)	**(11,028)**			**(6,401)**		
Profit for the period	**(15,796)**	**(57)**	**(1,755)**	**(8,264)**	**(538)**	**(892)**
Of which minority interest	**-**			**-**		
Basic and diluted profit from continuing operations	**(0.2973)**			**(0.1161)**		
Basic and diluted profit from discontinued operations	**(0.6875)**			**(0.3991)**		
Profit per share – basic and diluted	**(0.9833)**			**(0.5177)**		

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

Transfer of Media Assets

The company completed the transfer transaction of *some assets of the media division to* 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 paragraph 9 of the Directors' Report, 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 € 38 million.

The transfer took place against a reserved capital increase in favour of Giglio Group fulfilled on 30 November 2019. More specifically, the agreement provides for 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 carried out, reserved to current shareholders.

The shares obtained upon closing date have been 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. The assessment of the shares on 31 December 2019 brought about a write-down of € 8,977,000.

The application of the policy resulted in overall write-downs of € 11 million.

	31.12.2019
Write-down of Vertice 360 shares	**(8,977)**
Other amounts entered in the statement of profit or loss	
Capital gains on shareholdings divestiture	3,710
Advertising costs of the media area held for sale/discontinued	(258)
2019 result of Media division of Giglio Group	(894)
Payroll costs for Vertice 360 transaction	(472)
M-Three statement of profit or loss for 2019 Q1	(137)

Capital loss from disposal of dubbing costs	(4,000)
Total other amounts entered in the statement of profit or loss	**(2,051)**
Total	**(11,028)**

For more information on the assessment of Vertice 360 shares, see paragraph F of the Directors' Report.

38. Valuation of Going Concern

Pursuant to IAS 1, the assessments issued by the Directors regarding the existence of the assumption of the Company's going concern for the purpose of drafting the annual financial statements at 31 December 2019 are reported below.

The consolidated financial statements of the Group at 31 December 2019 report a negative Shareholders' Equity of € 1,6 million, including a loss of € 15.7 million, highlighting a net financial debt of € 12.3 million. The following table compares the results expected for the fiscal year 2019 by the 2019-2023 Plan, the results by 2019 forecast and the 2019 final figures (€ million):

	2019-2023 Plan	31.12.2019 Forecast	31.12.2019 Final Figures*
Revenues	48.0	38.6	38.7
Cost of sales	35.2	37.2	37.7
EBITDA adj	1.8	1.4	1.0
EBITDA	1.8	n/a	(0.8)

*Amounts net of capitalisations of internal costs on ECO and Ibox SA platforms

On 10 March 2020, the Board of Directors of Giglio Group S.p.A. approved the Industrial Plan 2020-2024, which provides for the integration of subsidiary E-Commerce Outsourcing S.r.l. (ECO), of recent acquisition, as well as new commercial strategies.

The Industrial Plan considers a GMV (Gross Merchandise Value - reference value for e-commerce transactions) acceleration of more than 20% on an annual basis both for organic growth - in line with the expectation of the reference market (online sales for luxury fashion) - and for new brand acquisitions. During the time span of the Plan, the objective is to significantly increase revenues, quickly regaining a significant sustainable profitability (Ebitda/Revenues) on the long term, with an incidence of more than 10%. The objective is to obtain a balance between B2B activities -the digital marketplaces' distribution, strongly developing as a stock demobilisation channel (especially in 2020 on the basis of the huge stocks that, due to the COVID-19 crisis, are being accumulated)-, and B2C activities, with the advanced technological solutions proposed by ECO's platform also for product categories outside the reach of the Fashion sector, such as electronics and food retail.

The Industrial Plan provides for an improvement from a financial and asset point of view, counting on the generation of positive cash flows, a working capital control to support B2B sales and minor financial needs fro investments than the previous fiscal years following the acquisition of the technological expertise of ECO and the internal investments carried out throughout 2019 on the platforms. The Directors carried out adequate sensitivity analyses on the main hypotheses of the Plan, also taking into account the cash profile. Finally, the Directors, with regard to the COVID-19 epidemic that quickly spread to many areas of the world, Europe included, believe that it is extremely hard to make reliable predictions on future developments. For this purpose, a monitoring group has been established, tasked with the objective of monitoring corporate functionality and any eventual criticality.

It is noted that 2020 budget used by the Directors for assessing the existence of the going concern provides for the generation of a slightly positive cash flow against substantially break-even economic results. The formulation of said prediction includes, however, some assumptions that are not completely under the control of Giglio Group's Directors, and whose incomplete implementation (singularly and/or cumulatively) could give rise to doubts regarding the respect of the aforementioned going concern. The main assumptions made by the Directors for the assessment of 2020 cash flow are as follows:

1. Significant improvement of the result of the operating activities if compared to the final figures of 2019, for an increased efficiency of the processes generated and a reduction of the central costs due to the reduced scope of corporate activities;
2. Significant reduction of the average collection times, mainly due to the potential implementation of the no-recourse factoring mechanism for the receivables arising from the sales of some major clients active in the B2B segment, for whom the factoring was not activated during 2019;

3. As pointed out in the Explanatory Notes regarding the debt owed to Vertice 360 of € 2.8 million, it is noted that its payment is included in 2020 Plan, in the event of an adverse judicial outcome, as repayable in the long-term (2021), taking into account a reasonable prediction of settlement of the dispute.

4. 2020 forecast of the possibility to defer the debts' payments due to non-strategic suppliers, in continuity with what has been done in the previous years;

5. Lack of anticipated reimbursement to EBB Export S.r.l. of the debenture bond issued during 2019 for € 5 million, taking into account the probability to agree on a waiver on the following test dates (i.e. 30 June 2020 and 31 December 2020), in the event of lack of achievement of the financial parameters, given that the business plan data forecast their overrun on 30 June and on 31 December 2020.

6. Use of the credit line for USD 5 million and guarantees for overall € 1 million supplied by the partner Meridiana Holding S.p.A..

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

1. 2020 budget and 2021-2024 Plan have been drafted with reference to concrete and specific actions to be undertaken over the course of the whole period of the Plan that, however, due to their inherent nature, include general and hypothetical assumptions, as well as discretionary, related to the usual characteristics of a multiannual plan, and that these actions could be implemented in different times and with different effects than the ones expected, albeit they do not expect, as of now, the failure to implement said plan;

2. Negotiations have been started with major financial institutions in order to gain increased access to the no-recourse factoring mechanism for the credits related to some major clients active in the B2B segment, in addition to the current level;

3. As described in Note 18 to the Consolidated Financial Statement, on 5 February 2020, the Group challenged the adequacy of the debt owed to Vertice 360, recorded in the financial statements among the "Other current liabilities" item for an overall amount of € 2.8 million. Directors, backed by the opinion of an independent expert, believe it reasonable to hypothesise a resistance to any payment request that may be brought up during 2020, notwithstanding the assessment of the amount to be paid to Vertice 360, currently recorded at nominal value;

4. As at the date of this document, no injunction and/or specific reimbursement requests on behalf of any supplier are recorded, with the exception of an injunction for € 494,000 received

within the consolidated company Ibox S.r.l. by a supplier who revoked the ongoing agreement, for which the accounting exposes the whole debt owed to it; for this injunction, the Company has filed a statement of opposition;

5. EBB Export S.r.l, subscriber of the debenture bond, has already granted the waiver of the measurement of the financial covenants on 2019 deadlines (i.e. 30 June 2019 and 31 December 2019); more specifically, on 11 March 2020, the bondholder approved the request of the company, presented on 14 February 2020, to allow, by way of derogation form the regulation of the bond, the suspension of the application of the thresholds of the leverage ratio financial parameter and of the gearing ratio financial parameter, only with regard to the Test Date of 31 December 2019, with retroactive effect. For the purpose of said suspension, EBB Export S.r.l., the bondholder, received from Meridiana Holding S.r.l., majority shareholder of Giglio Group, an indemnity and guarantee deed in its name for an amount of up to € 1 million. Moreover, if, on the first test data following the subscription (i.e. 30 June 2020), the Issuer shall not respect the financial commitments set forth in the bond regulation, Meridiana Holding S.r.l. shall undertake either to intervene directly in order to integrate permanently the assets of the issuer through a transaction on the capital, or to facilitate the recapitalisation on behalf of third parties, for the purpose of bringing the financial parameters back within the limits set froth in the bond regulation within 31 December 2020.

6. Shareholder Meridiana Holding S.r.l. granted a credit line of USD 5 million and a guarantee of € 1 million, for which full use has been provided over the course of 2020; the credit line has already been used for about USD 2 million as at the date of this document.

7. With regard to the aforementioned risk connected to the COVID-19 epidemic, the company has been actively working to obtain any economic or financial benefit in order to obtain additional liquidity beside its cash plan, in order to face any criticality that should arise as a consequence of said epidemic; on the other hand, the fashion sector, due to the simultaneous closure of the brands' stores, can reserve to the Group interesting opportunities by using its unique distribution platform on the national territory for the purpose of facilitating the disposal of the stock that is currently being strongly accumulated with the producers.

The Directors, albeit in the presence of the aforementioned uncertainties, are confident that the results provided for in the Plan shall be met, and believe that there is a reasonable expectation that the Group and its Parent Company can rely on adequate resources for continuing their activities for at least 12 months from the date of approval of the financial statements, and have thus drafted the latter in application of the assumption of the existence of the going concern.

Certification of the consolidated financial statement in accordance with Art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and following amendments and integrations, as well as with 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 fiscal year financial statements in the period between 1 January and 31 December 2019.

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

- The assessment of the adequacy and effective application of the administrative and accounting procedures has been carried out in a context of structural change, given that, on the one hand, the divestment of the Media Area is taking place and, on the other hand, the Company is focusing on the e-commerce area, also through the acquisition of an operator already present on the market. Hence, the review had to take into account the ongoing changes in the structure and activities of the Company;

- The adequacy of the administrative and accounting procedures for the drafting of the consolidated financial statement at 31 December 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 remediation plan adopted by the Company for the purpose of updating/adjusting some corporate procedures and the administrative and managerial reporting system has been carried out throughout the Fiscal Year 2019. With regard to the corrective actions provided for in the action plan, the Company has finalised the implementation of the administrative/accounting and management reporting system for the Issuer. The following activities are still ongoing:

    (i) Finalisation of the update activities of the procedures set forth by Law 262/2005;

    (ii) Update and control of the procedure set forth by Law 262/2005 for the Company that was recently integrated in the Group's scope;

    (iii) Completion of the procedure of expansions of the management reporting mechanism to all of the Group's subsidiaries.

- Pending the complete implementation of the aforementioned plan, compensating control procedures have been established, by virtue of which no economic-equity impacts were identified on the declarations made in the consolidated financial statement at 31 December 2019.

3. Furthermore, it is noted that:

3.1 the consolidated financial statements at 31 December 2019:
- Were prepared in accordance with international accounting standards, recognised in the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and Council, of 19 July 2002;
- Correspond to the underlying accounting documents and records;
- Provide a true and fair view of the financial position, financial performance and cash flows of the issuer and of the other companies in the consolidation scope.

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.

30 March 2020

The Chief Executive Officer
Alessandro Giglio

The Financial Reporting Officer
Carlo Micchi

Giglio Group S.p.A.

Consolidated financial statements as at December 31, 2019

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

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20123 Milano

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Giglio Group S.p.A. (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Giglio Group S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

We draw attention to note 38 "Valuation of going concern" to the consolidated financial statements for the year ended December 31, 2019, which describes the evaluation performed by the directors on the going concern basis in preparing the consolidated financial statements and the main assumptions made in estimating the forecasted cash flows for fiscal year 2020, taking into account the Group's obligations.
As discussed by the directors, the occurrence of certain events considered in their assumptions is not completely under the Group's control and the partial occurrence of certain events, individually and / or in the aggregate, may cast doubts upon the entity's ability to continue as a going concern.

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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In particular the directors believe reasonable, across such assumptions, the achievement of economic and financial results forecasted in the Plan 2020-2024, as well as the expectation that the Group can rely on adequate resources for continuing their activities for at least 12 months since the date of the approval of the consolidated financial statements, which have been prepared on a going concern basis.
Our opinion is not qualified in respect of this matter.

Key Audit Matters

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

We identified the following key audit matters:

<table>
<tr><th>Key Audit Matter</th><th>Audit Response</th></tr>
<tr><td>Evaluation of Going Concern</td><td></td></tr>
<tr><td>For the year ended 31 December 2019 the Group incurred net losses of Euro 15,8 million. Equity as at 31 December 2019 is negative for Euro 1,6 million and the net financial position at the same date amounts to Euro 12,3 million.

The Business Plan 2020-2024 (hereinafter the “Plan”) approved by the Board of Directors on March 10, 2020 includes the main assumptions used by management on the going concern basis assessment when preparing the consolidated financial statements, as well as the means and the timing to meet the Group obligations assumed in the Plan.

In consideration of the judgment involved in forecasting activities and their potential implications on the determination of the going concern basis of accounting, we have determined that this area represents a key audit matter.

The note 38 "Valuation of Going Concern" of the consolidated financial statements, discusses the results achieved in the current fiscal year and the actions undertaken by the directors in order to achieve the financial results required to meet the company obligations as assumed in the Plan.</td><td>Our audit procedures in response to this key audit matter included, among others:

• assessment of the circumstances that led to the comprehensive loss realized in the year;
• discussion with management on the variances between the financial forecasts included in the previous business plan and those achieved in fiscal year 2019;
• understanding of the elements and the evaluation performed by the directors on the uncertainties assumed in the going concern basis of accounting;
• assessment of the key judgmental assumptions underlying the Plan approved by the Board of Directors on March 10, 2020, with respect to the forecasted cash flows for fiscal year 2020;
• written representations obtained from the directors related to future action plans and their feasibility.

Lastly, we assessed the adequacy of the disclosures included in the directors' report in relation to the key audit matter.</td></tr>
</table>

Key Audit Matter	Audit Response
Valuation of Goodwill	
As at 31 December 2019 goodwill balance amounts to Euro 14,8 million. The Group performed an impairment test of the Cash Generating Units (CGUs) to which the goodwill is allocated. The processes and methodologies for assessing and determining the recoverable amount of the identified CGUs, in terms of value in use, are based on assumptions, sometimes complex, that by their nature are based on the directors' judgment, in particular with reference to the forecast of future cash flows, relating to both the 2020-2024 period covered by the Group's strategic plan (hereinafter the "Plan"), and the determination of the normalized cash flows underlying the estimate of the terminal value, as well as to the determination of long-term growth and discount rates applied to the forecasted cash flows. In consideration of the judgment required and the complexity of the assumptions used in the estimate of the recoverable amount of goodwill, we have determined that this area represents a key audit matter. The Group provides disclosures on the recoverability of goodwill, and the related assumptions and sensitivity analyses, in note 3 "Goodwill" and in note "Discretional valuation and significant accounting" to the consolidated financial statements.	Our audit procedures in response to this key audit matter included, among others: • assessment of the Group's procedure for the assessment of the recoverability of goodwill; • assessment of the appropriateness of the CGUs identified; • assessment of the key assumptions underlying the forecasted future cash flows, taking into account forecasted assumptions from external sector sources; • assessment of the consistency of the forecasted future cash flows, and the determination of long-term growth rates and discount rates. In performing our audit procedures we also engaged our internal experts in valuation techniques, who performed independent calculation and sensitivity analyses on key assumptions in order to determine any changes in assumptions that could significantly impact the valuation of recoverable amount. Lastly, we assessed the adequacy of the disclosures provided in the notes to the consolidated financial statements in relation to this key audit matter.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Giglio Group S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

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

- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Giglio Group S.p.A., in the general meeting held on December 1, 2017, engaged us to perform the audits of the consolidated financial statements for each of the years after the effective translisting on the MTA Market ending December 31, 2018 to December 31, 2026.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

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

The Directors of Giglio Group S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group Giglio as at December 31, 2019, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Group Giglio as at December 31, 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements. In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Group Giglio as at December 31, 2019 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, March 30, 2020

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

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

GIGLIO GROUP S.p.A.
Registered office in Milan, Piazza Diaz, 6 Milan

Share capital: Euro 3,661,337

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

Registered at Milan Companies Registration Office with no. 07396371002

Annual Financial Statements as of 31 December 2019

FINANCIAL STATEMENTS

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

Statement of Financial Position

Statement of Financial Position (Euro thousands)		31.12.2019	31.12.2018
Non-current assets			
Property, plant & equipment	(1)	189	261
Right-of-use assets		1,629	-
Intangible assets	(2)	217	145
Other intangible assets		217	145
Goodwill	(3)	4,084	4,084
Investments	(4)	13,645	8,376
Receivables	(5)	3,012	2,985
Deferred tax assets	(9)	762	1,133
Total non-current assets		**23,538**	**16,984**
Current assets			
Inventories	(6)	1,697	4,952
Trade receivables	(7)	9,310	10,572
Financial assets	(8)	4,429	-
Tax receivables	(9)	1,730	3,422
Other assets	(10)	679	774
Cash and cash equivalents	(11)	229	800
Total current assets		**18,074**	**20,520**
Assets held for sale/discontinued	(36)	**-**	**9,617**
Total Assets		**41,612**	**47,121**
Net Equity	(12)		
Share capital		3,661	3,208
Reserves		16,731	11,339
Extraordinary reserve		-	-
Listing fees		(541)	(541)
FTA Reserve		4	4
Retained earnings		(7,172)	(2,384)
Foreign Currency Translation reserves		-	-
Profit for the year		(8,902)	(4,745)
Total Sharehlders' Equity		**3,781**	**6,881**
Non-current liabilities			
Provisions for risks and charges	(13)	324	275
Deferred tax liabilities	(14)	2	2
Financial liabilities (non-current portion)	(15)	6,011	5,897
Total non-current liabilities		**6,336**	**6,174**
Current liabilities			
Trade payables	(16)	8,868	9,008
Financial liabilities (current portion)	(15)	18,640	15,809
Tax payables	(17)	494	480
Other liabilities	(18)	3,493	584
Total current liabilities		**31,495**	**25,881**
Liabilities held for sale/discontinued	(36)	**-**	**8,184**
Total Shareholders' Equity and liabilities		**41,612**	**47,121**

Statement of Profit or Loss

Statement of Profit or Loss (Euro thousand)		31.12.2019	31.12.2018
Total revenues from contracts with customers	(19)	**23,515**	**23,094**
Other revenues	(19)	2,621	1,363
Change in inventories		(3,255)	1,400
Purchase of raw materials, ancillary, consumables and goods	(20)	*(16,916)*	*(19,785)*
Service costs	(21)	*(4,329)*	*(4,230)*
Rent, lease and similar costs	(22)	*(105)*	*(637)*
Operating costs		**(21,349)**	**(24,652)**
Salaries and wages	(23)	*(1,886)*	*(1,756)*
Social security charges	(23)	*(520)*	*(299)*
Post-employment benefits	(23)	*(122)*	*(3)*
Payroll expenses		**(2,528)**	**(2,058)**
Amortisation	(24)	*(43)*	*(20)*
Depreciation	(24)	*(652)*	*(62)*
Write-downs	(24)	*18*	*(53)*
Amortisation, depreciation & write-downs		**(677)**	**(135)**
Other operating costs	(25)	*(119)*	*(461)*
Operating profit		**(1,792)**	**(1,449)**
Financial income	(26)	*3*	*11*
Net financial charges	(26)	*(1,153)*	*(889)*
Profit before taxes		**(2,942)**	**(2,327)**
Deferred tax assets		(375)	(14)
Income taxes	(27)	*6*	*197*
Profit for the period (continuing operations)		**(3,310)**	**(2,144)**
Profit for the period (discontinued operations)*	(36)	**(5,592)**	**(2,600)**
Profit for the period		**(8,902)**	**(4,744)**
Of which minority interest		**-**	**-**
Basic and diluted profit from continuing operations		**(0.2064)**	**(0.1336)**
Basic and diluted profit from discontinued operations		**(0.3486)**	**(0.1621)**
Profit per share – basic and diluted		**(0.4846)**	**(0.2987)**

* 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.

Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME (Euro thousands)		31.12.2019	31.12.2018
Profit for the year		(8,902)	(4,745)
Other comprehensive income			
Other comprehensive items that may be reclassified to profit/(loss) in subsequent periods (net of tax).			
Exchange difference on translation of foreign operations		0	0
Net other comprehensive income that may be reclassified to profit/(loss) in subsequent periods (net of tax)		**0**	**0**
Other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods (net of tax):			
Actuarial loss on employee benefits obligations	(12)	30	(46)
Net other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods (net of tax)		**30**	**(46)**
Total Comprehensive Income for the year		**(8,871)**	**(4,791)**

Statement of Changes in Equity

Description *(Euro thousands)* *Note 12*	Issued capital	Reserves	FTA Reserve	Foreign Currency Translation reserves	IAS 19 Reserve	Retained earnings	Profit for the year	Total
As at 31 December 2017	**3,208**	**11,455**	**4**	**(541)**	**(81)**	**45**	**(2,379)**	**11,712**
Restatement for first application IFRS 9						(51)		(51)
As at 1 January 2018	**3,208**	**11,455**	**4**	**(541)**	**(81)**	**(6)**	**(2,379)**	**11,660**
Issue of share capital	-							-
Share premium reserve		-						-
Retained earnings						(2,379)	2,379	-
IAS 19 Reserve					(34)			(34)
Exchange rate effect				-				-
Other changes	-	-				-		-
Group profit/(loss)							(4,745)	(4,745)
As at 31 December 2018	**3,208**	**11,455**	**4**	**(541)**	**(116)**	**(2,384)**	**(4,745)**	**6,881**

Description *(Euro thousands)* Note 12	Issued capital	Reserves	FTA Reserve	Other reserves	IAS 19 Reserve	Retained earnings	Profit for the year	Total
As at 31 December 2018	**3,208**	**11,455**	**4**	**(541)**	**(116)**	**(2,384)**	**(4,745)**	**6,881**
Restatement for first application IFRS 16						-	43	-
As at 01 January 2019	**3,208**	**11,455**	**4**	**(541)**	**(116)**	**(2,384)**	**(4,788)**	**6,881**
Issue of share capital	453							453
Share premium reserve		5,771						5,771
Charges for share capital increase		(409)						(409)
Retained earnings						(4,788)	4,788	-
IAS 19 Reserve					30			30
Exchange rate effect								-
Profit for the year							(8,902)	(8,902)
As at 31 December 2019	**3,661**	**16,817**	**4**	**(541)**	**(86)**	**(7,172)**	**(8,902)**	**3,781**

STATEMENT OF CASH FLOWS

Euro thousands		31.12.2019	31.12.2018
Cash flows from operating activities			
Profit (loss) for the period from continuing operations		(3,310)	(2,145)
Profit (loss) for the period from discontinued operations	(36)	(5,592)	(2,600)
Adjustments to reconcile profit before tax to net cash flow:			
Depreciation and impairment of property, plant and equipment	(1)	85	63
Amortisation of right-of-use assets	(1)	568	-
Amortisation and impairment of intangible assets	(2)	43	20
Non-cash changes of provisions		48	62
Write-downs/(Revaluations)	(24)	(18)	53
Net foreign exchange differences	(26)	1,149	878
Income taxes	(27)	369	(183)
Changes in:			
Inventories	(6)	3,255	(1,400)
Trade receivables	(7)	1,261	(79)
Tax receivables	(9)	1,692	181
Financial receivables	(8)	(4,429)	-
Other assets	(10)	95	(664)
Deferred tax liabilities	(14)	-	(263)
Trade payables	(16)	(140)	(502)
Tax payables	(17)	(355)	75
Other liabilities	(18)	2,908	201
Change in net working capital		**3,719**	**(2,451)**
Changes in provisions	(13)	-	-
Changes in assets held for sale	(36)	9,617	3,824
Changes in assets/liabilities held for sale/discontinued	(36)	(8,184)	
Cash flow generated from operating activities		**(1,507)**	**(2,479)**
Interest paid	(26)	(530)	(878)
Income taxes paid	(27)	-	183
Net cash flow generated from operating activities		**(2,035)**	**(3,174)**
Cash flows from investing activities			
Investments in property, plant & equipment	(1)	(1,737)	(83)
Investments in intangible assets	(2)	(18)	(131)
Changes in other intangible assets	(5) (8)	362	(165)
Increase in investments in joint ventures	(4)	(1,500)	(1,418)
Net cash flow used in investing activities		**(2,893)**	**(1,797)**
Cash flow from financing activities			
Share capital increase		3,591	-
Change in Shareholders' Equity		(13)	(85)
New financing	(15)	8,336	6,000
Repayment of loans	(15)	(8,900)	(3,132)
Change in financial debt	(15)	1,343	(112)
Net cash flow used in financing activities		**4,357**	**2,671**
Net increase/(decrease) in cash and cash equivalents		**(571)**	**(2,300)**
Cash and cash equivalents at 1 January		800	3,100
Cash and cash equivalents at 31 December		229	800

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

A. Corporate information

The publication of the consolidated financial statements of Giglio Group S.p.A. (the Company) for the period ended at 31 December 2019 was approved by the Board of Directors on 30 March 2020.

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

The activities of the company are described in these Explanatory Notes. The information on transactions of the Company with the other related parties are presented in Note 28.

B. Accounting standards

The financial statements of Giglio Group S.p.A at 31 December 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 Financial Statements, were endorsed by the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and European Council of July 19, 2002. The EU-IFRS were applied consistently for all the periods presented in the present document.

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

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

The Euro is the functional and presentation currency of the Company and that in which the majority of operations are conducted.

The financial statements provide comparative figures from the previous year.

The main accounting standards and policies utilised to prepare the financial statements are described below.

The policies are in line with those utilised for the preparation of the comparative financial statements, with the exception of newly-adopted policies, which should be consulted in the "Accounting standards, amendments and interpretations in force from 1 January 2019" paragraph. The financial statements were prepared in accordance with the historical cost criterion on a going-concern basis, as the Directors verified the absence of financial, operating or other indicators which may suggest difficulties with regards to the Company's capacity to meet its obligations in the foreseeable future and in particular in the next 12 months. For more information on the going concern, see note 37. In particular the Company adopted international accounting standards from the year 2015, with transition date to IFRS at January 1, 2014.

C. Basis of presentation

The financial statements are comprised of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows, the Statement of Changes in Equities 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 Statement of Cash Flows, the indirect method is used.

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

An asset is considered current where:

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

All other assets are classified as non-current.

A liability is considered current where:

- it is expected to be settled within the normal operating cycle;

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

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

D. Discretional valuations and significant accounting estimates

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

The estimates are used to determine the provisions for doubtful 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 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 requirements for IFRS 5 application; 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 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 is recovered mainly with a sale or distribution transaction or is connected to the sale that took place during the fiscal year, 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 30 October 2019, the Group signed a transfer agreement with Vértice Trescientos Sesenta Grados S.A. (Vertice 360) regarding the transfer of some assets of the Media Division which were classified, as conditions applied, in the assets held for sale. These assets were assessed overall at € 12,499,999.82 on the basis of an expert report issued on 13 September 2019 by the independent expert ETL Global Auditores de Cuentas, S.L., appointed by the Registro Mercantil. At 31 December 2019, the value of a single share amounts to € 0.0031. At the reporting date, the fair value of the listed shares amounts to € 2,959,000. The economic effect of this transaction have been classified under the "Net Profit from discontinued operations" item.
- 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.

- Investments in joint ventures: the investments in subsidiaries, associates and joint ventures are recognised at purchase cost, reduced for losses in accordance with IAS 36.

These costs are periodically reviewed in order to identify any impairment indicators which may indicate that their recoverable value is lower than the carrying amount. Where the reasons for prior year write-downs no longer exist the carrying amount of the investment is restated through the income statement. The Company has carried out the impairment test, whose result are available in note 4.

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

- Provision for doubtful account:

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 2019, 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 worth nothing that the valuations carried out in the periods used for comparison have confirmed the recoverability of the carrying value, as better described in Note 3;

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

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

E. Management of capital and financial risks

Financial risk objectives and criteria

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

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

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

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

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

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

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

Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will alter on the basis of market price movements. The market price includes three types of risk: currency risk, interest rate risk and other price risks. The subscribed shares of Vertice 360 listed on the main Stock-exchange market of Madrid are exposed to the risk on market prices arising from the uncertainties on the future values of the shares. The fair value, defined as of level 1, has been calculated on the market value at 31 December 2019 (i.e. € 0.0031 per share). At the reporting date, the fair value of the shares amounts to € 2,959,000.

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.

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

Sensitivity at 31 December 2019

(Euro thousands)

Analysis of sensitivity of interest rate risk on variable rate items	Underlying	Increase/Reduction in underlying interest rates	Profit/(loss) before taxes
31 December 2019	(14,432)	+1%	(4,440)
31 December 2019	(14,432)	-1%	(4,176)

Credit risk

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

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

The risk of non-collection is managed by the Giglio Group through a series of commercial policies and internal procedures which, on the one hand, reduce the exposure risk on clients, and on the other monitors the receipts in order to take adequate and timely corrective action.
2018 figures include the effects of the adoption of IFRS 9.
The Group has availed itself of the option provided in IFRS 9 to not redetermine the comparative information of previous fiscal years, exposing again, solely for completeness purposes, the tables of credit risk
related to the previous fiscal year.
The overall tables cannot be compared directly, since the provision for doubtful account was determined in 2019 with the expected credit losses method, hereinafter the ECL (pursuant to IFRS 9) used in 2018.
The ageing of the trade receivables (third parties) at 31 December 2019 and 31 December 2018 is shown below:

(Euro thousands)	**Year ended at 31 December 2019**	**%**	**Year ended at 31 December 2018**
> 90 days	*769*	*23.53%*	699
60<> 90 days	*188*	*5.76%*	112
30<> 60 days	*174*	*5.31%*	355
0<> 30 days	*353*	*10.79%*	202
Total overdue	***1,484***	***45.39%***	**1,368**
Not overdue	*1,786*	*54.61%*	1,000
Total gross receivables	**3,270**	***100.00%***	**2,369**
Provision for doubtful account	*-484*		-415
Inc. provision on overdue >90 days	*-62.93%*		-63.30%
Total	**2,786**		**1,953**

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

(Euro thousands)	**Year ended at 31 December 2019**	**%**	**Year ended at 31 December 2018**	**%**
Europe	3,159	*96.60%*	2,294	*96.80%*
Asia	86	*2.62%*	*40*	*1.70%*
USA	0	*0.00%*	*1*	*0.00%*
Rest of the world	25	*0.78%*	*34*	*1.40%*
Total gross receivables	**3,270**	***100.00%***	**2,369**	***100.00%***
Provision for doubtful account	*-484*		*-415*	
Total	**2,786**		**1,954**	

The provision for doubtful account 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:

IFRS 9 Rating	**> 90 days**	**61<>90 days**	**31<>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 31 December 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**
Banca Popolare di Milano	48	48	1,002	1,002	20	-	1,070	1,050
Banca Sella	-	-	200	199	-	-	200	199
Banca Popolare di Sondrio	150	150	40	39	-	-	190	189
UNICREDIT	5,000	5,000	-	-	50	-	5,050	5,000
BNL	-	-	-	-	50	18	50	18
IFITALIA Factoring - BNL	5,950	2,044	-	-	-	-	5,950	2,044
IFIS	100	11	-	-	-	-	100	11
Total	**11,248**	**7,253**	**1,242**	**1,240**	**120**	**18**	**12,610**	**8,511**

Capital management

For the purposes of the Company'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 Company manages the capital structure and carries out adjustments on the basis of economic conditions and the requirements of financial covenants. For the management of the capital and of the financial risks, please see paragraph 37, "Assessment of Going Concern".

ACCOUNTING POLICIES AND ASSESSMENT CRITERIA

Translation of accounts in foreign currencies

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

Transactions and balances

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

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

Exchange rate differences realised or arising on the translation of monetary items are recorded in the 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).

F. Fair value measurement

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

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

A fair value measurement requires that the sale of the asset or transfer of the liability has taken place:

► in the principal market of the asset or liability;

or

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

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

The fair value of an asset or liability is measured adopting the assumptions which market operators would

utilise in the determination of the price of the asset or liability, assuming they act to best satisfy their economic interests.

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

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

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

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

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

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

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

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

Accounting principles

Property, plant & equipment

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

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

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

Maintenance expenses and repairs are not capitalised, but recorded in the income statement when incurred.

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

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

The estimated depreciation rates of the assets are as follows:

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

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

Leasing

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

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

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

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

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

Intangible assets

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

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

Goodwill

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

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

i. the fair value of the asset less selling costs;
ii. the value in use, as defined above;
iii. zero.

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

Intangible and tangible assets with definite useful life

For the assets subject to amortisation and depreciation, the presence of any indicators, internally and externally, of a loss in value is assessed at each reporting date. Where these indicators exist, an estimate of the recoverable value of the above-mentioned assets is made, recording any write-down compared to the relative book value in the income statement. The recoverable value of an asset is the higher between the fair value, less costs to sell, and its value in use, where this latter is the present value of the estimated future cash flows for this asset. In defining the value in use, the expected future cash flows are discounted utilising a pre-tax rate that reflects the current market assessment of the time value of money, and the specific risks of the asset. For an asset that does not generate independent cash flows, the recoverable value is determined in relation to the cash generating unit to which the asset belongs. A loss in value is recognised in the income statement when the carrying value of the asset, or of the relative CGU to which it is allocated, is higher than its recoverable value. The loss in value of CGU's is firstly attributed to the reduction in the carrying value of any goodwill allocated and, thereafter, to a reduction of other assets, in proportion to their carrying value and to the extent of the relative recoverable value. When the reasons for the write-down no longer exist, the book value of the asset is restated through the income statement, up to the value at which the asset would be recorded if no write-down had taken place and amortisation or depreciation had been recorded.

Investments in Joint Ventures

The investments in subsidiaries, associates and joint ventures are recognised at purchase cost, reduced for losses in accordance with IAS 36.

These costs are periodically reviewed in order to identify any impairment indicators which may indicate that their recoverable value is lower than the carrying amount. Where the reasons for prior year write-downs no longer exist the carrying amount of the investment is restated through the income statement.

Financial assets and receivables

Trade receivables and debt securities issued are recorded at the assignment date.

With the exception of trade receivables, which do not include a significant financing component, financial assets are assessed originally at the fair value plus or less, in the event of assets and liabilities not assessed at FVTPL, the transaction costs attributable to the purchase or issue of the financial asset. On initial recognition, trade receivables without a significant financial component are assessed at their transaction price.

On initial recognition, financial assets are classified according to their assessment: amortised cost; fair value identified in other components of overall income statement (FVOCI) - debt security; FVOCI - share capital; or fair value through profit and loss (FVTPL). Financial assets are not reclassified following their initial recognition, provided that the Group does not change its business model for financial assets management. In this event, all affected financial assets shall be reclassified on the first day of the first fiscal year following the change in business model.

The "Loans and receivables" assessment is carried out with the amortised cost criterion, by recording in the income statement the interests calculated at effective interest rate, by applying a rate that nullifies the sum of current net cash flows values generated by the financial instrument. Losses are recorded in the income statement as a result of value losses or when receivables and lending are eliminated from company accounts. Receivables are subject to impairment and are thus recorded at their fair value through the creation of a specific write-down provision directly deducted from the asset value. Receivables are written down when an objective indication of the probable irrecoverability of the credit arises, as well as on the basis of the Company's experience and of statistical data (expected losses). When, in subsequent periods, the reasons for the write-down no longer exist, the value of the asset is restated up to the value deriving from the application of the amortised cost as if no impairment had been applied.

Inventories

Inventories are measured at the lower between cost, calculated as per the FIFO method, and net realisable value. Net realisable value is the selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale.

Cash and cash equivalents

This comprise cash, bank deposits and accounts held at other credit institutions for current operations, postal current accounts and other equivalent values as well as investments with maturity within three months of the acquisition date. Cash and cash equivalents are measured at fair value which, normally, coincides with their nominal value.

Transaction cost related to the issue of equity instruments

Transaction costs related to the issue of an equity instrument are recorded as a decrease (net of any related tax benefit) of the share premium reserve, generated by the same operation, to the extent of marginal costs directly attributable to the equity operation which otherwise would have been avoided. The costs of an equity operation which are abandoned are recorded in the income statement.

Listing costs not related to the issue of new shares are recorded in the income statement.

Where the listing involves both the sale of existing shares, and the issue of new shares, the costs directly attributable to the issue of new shares are recorded as a reduction of the share premium reserve and the costs directly attributable to the listing of the existing shares are recorded in the income statement. The costs relating to both operations are recorded as a reduction of the share premium reserve in relation to the proportion between the shares issued and the existing shares and the remainder recorded in the income statement.

Payables and other financial liabilities

Financial liabilities are recorded initially at their fair values, which substantially coincides with amounts collected, net of transaction costs. The management shall determine the classification of financial liabilities according to the criteria set forth in IFRS 9 and IFRS 7 at the time of their first recording.

Following first recording, the liabilities shall be assessed at the amortised cost, as defined by IFRS 9 accounting standard. The "Financial liabilities assessed at amortised cost" assessment is carried out with the amortised cost criterion, by recording in the income statement the interests calculated at effective interest rate, by applying a rate that nullifies the sum of current net cash flows values generated by the financial instrument. In the event of instruments expiring in the following 12 months, nominal value as approximation of the amortised cost is adopted.

Payables and other financial liabilities are initially recognised at fair value net of any directly attributable incidental costs and only after they are measured at amortised cost, using the effective interest rate criterion. When there is a change in the expected cash flows, the value of the liabilities is recalculated to reflect this change, based on the present value of the new cash flows and on the effective interest rate initially determined.

Income taxes

The Company tax charge is based on current taxes and deferred taxes. Where relating to components recognised to income and charges recorded to net equity within the other items of the comprehensive income statement, such taxes are recorded to the same account.

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

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

Employee benefits

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

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

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

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

The accounting of defined benefit plans involves the following steps:

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

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

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

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

Provisions for risks and charges

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

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

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

Revenues from contracts with customers

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

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

Costs

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

Financial income and charges

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

Earnings per share

Earnings per share – basic

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

Earnings per share - diluted

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

Non-current assets held for sale

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

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

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

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

A disposal group qualifies as discontinued operation if it is:

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

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

Payments based on shares or options:

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

Accounting standards, amendments and interpretations applied from 1 January 2019

The Company has adopted the IFRS 16 "Leasing" for the first time. The effect and the nature of the changes following the adoption of this new accounting standards are reported below.

Other amendments and interpretations have been adopted for the first time in 2019, but they did not entail any effect on the financial statements of the Company, which, in turn, did not adopt prematurely any other standard, interpretation or amendment published but not yet in effect.

IFRS 16 - "Leases" - Impacts from first adoption

The present financial statement at 31 December 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 Property, plant & equipment 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 Company 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 € 2.7 million have been reported and presented separately in the balance sheet.

- Further leasing liabilities have been recorded at € 2.7 million and included in the account "Lending and financing".
- Deferred tax liabilities decreased by € 13,000 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 € 56,000.

(amount in €/000)

Effects on the balance sheet at 1st January 2019	
Assets	
Right-of-use assets	2,699
Total assets	**2,699**
Net Equity	
Retained earnings	(56)
Total Net Equity	**(56)**
Liabilities	
Financial liabilities	2,755
Deferred tax liabilities	13
Total liabilities	**2,769**

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 € 56,000 gross of the € 13,000 tax component.

(amount in €/000)

Right-of-use assets	01 January 2019
Properties	2,586
Vehicles	114
Total right of use	**2,700**

(amount in €/000)

	Financial liabilities for leasing		
	Within 12 months	Beyond 12 months	Total
Properties	647	1,994	2,640
Vehicles	42	73	115
Total	**689**	**2,067**	**2,755**

Altogether, the application of the new standard, at 31 December 2019, resulted in:

- The entry of the right to use within Property, plant & equipment for a total of € 1.6 million;

- The entry of a financial liability (financial receivables for operating leasing as per IFRS 16) equal to about € 1.6 million;

- As far as the income statement is concerned, an improvement in the half-year's EBITDA of € 0.6 million, arising from the reversal of leases, counterbalanced by higher amortisation for € 0.6 million and by higher financial burdens for € 46,000, with an impact on the EBITDA, the EBIT and a Group Net Profit for the period of € 0.6 million and € 56,000 respectively;
- A decrease of about € 43,000 in Shareholders' Equity, as described above.

Discount rate

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.

Summary of new accounting criteria

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

▶ Right-of-use assets

The Company 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 Company 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.

▶ *Lease liabilities*

On the leasing's start date, the Company 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 Company, 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 Company.

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 Company 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 Company 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 Company applied the exemption for leases of low-value assets, with regards to leasing contracts related to office appliances of low value (i.e., < € 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 Company 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 Company has the possibility, for some of its leases, to extend the lease for a further three/five-year period. The Company shall apply its own judgement in assessing the presence of a reasonable certainty to exercise the renewal option. This said, the Company shall consider all factors found that might entail an economic incentive to exercise the renewal option. Following the effective date, the Company 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). Renewal options for the leasing of motor vehicles were not included in the scope of the determination of the leasing's duration, given that the Company supports a leasing policy of less than five years for motor vehicles and shall not exercise any renewal option in this case.

The renewal options for property leasing were not included in the determination of the leasing duration, as, following the reorganisation phase of the company, the Directors shall take the strategic decisions regarding medium/long-term leasing.

Amounts recognised in the balance sheet and in the income statement

The value of the Company'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 assets (Euro thousands)	Properties	Vehicles	Total
Change in Historical Cost			
01 January 2019	**3,803**	**158**	**3,962**
Acquisitions	108	-	108
Transfers	(739)	(39)	(778)
Exchange rate differences and other changes	-	-	-
Decreases	(274)	-	(274)
Disposals	-	-	-
31 December 2019	**2,898**	**120**	**3,017**
Change in Amortisations			-
01 January 2019	**(1,218)**	**(45)**	**(1,263)**
Continuing operations amortisations	(535)	(33)	(568)
Business Combinations	-	-	-
Transfers	327	9	335
Increase after IFRS16 adoption	(1,218)	(45)	(1,263)
Exchange rate differences and other changes	-	-	-
Decreases	107	-	107
Disposals	-	-	-
31 December 2019	**(1,319)**	**(69)**	**(1,389)**
Net Value 31 December 2019	**1,579**	**50**	**1,629**

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

At the moment of the adoption of the interpretation, the Company 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 Company 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 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 Company's 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, an entity shall determine the net interest for the remaining period following the 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 financial statements since the Company, 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 financial statements, since the Company 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 Company's 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 Company's 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 Company's current practice is in line with said amendments, the Company did not record any effect deriving from said amendments on its 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 Company's current practice is in line with said amendments, the Company did not record any effect deriving from said amendments on its financial statement.

Employment data

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

Workforce	31.12.2019	31.12.2018	Change
Executives	3	4	-1
Managers	6	7	-1
White-collar	37	48	-11
Blue-collar	-	-	-
Others	-	-	
Total	**46**	**59**	**-13**

Over the course of 2019, the workforce decreased by 14 units due to the transfer of two of the Company's divisions.

Proposal for the approval of the Annual Accounts and allocation of the result

The Board of Directors meeting of the company on 30 March 2020 proposed the carry forward of the loss for the year 2019.

ASSETS

B) Non-current assets

1. Property, plant & equipment

Balance at 31.12.2019 189

Balance at 31.12.2018 261

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

(Euro thousands)

Property, Plant and Equipment	Plant	Equipment	Furniture & fittings	EDP	Vehicles	Others	Total
Change in Historical Cost							
31 December 2018	**1,023**	**10**	**222**	**186**	**125**	**120**	**1,686**
Continuing operations additions	-	-	15	2	-	12	29
Discontinued operations additions	-	-	-	-	-	-	-
Reclassifications	(15)	-	(3)	(2)	-	334	314
Decreases	-	-	-	-	-	(5)	(5)
Disposals	-	-	-	-	(115)	-	(115)
31 December 2019	**1,009**	**10**	**234**	**187**	**9**	**461**	**1,910**
Change in Amortisations							
31 December 2018	**(983)**	**(6)**	**(137)**	**(150)**	**(51)**	**(97)**	**(1,425)**
Continuing operations amortisations	(5)	(1)	(21)	(9)	(28)	(20)	(85)
Discontinued operations amortisations	-	-	-	-	-	-	-
Decreases	-	-	-	-	70	-	70
Reclassifications	-	-	-	-	-	(282)	(282)
Disposals	-	-	-	-	-	-	-
31 December 2019	**(988)**	**(7)**	**(159)**	**(159)**	**(9)**	**(399)**	**(1,721)**
Net Value 31 December 2019	**21**	**3**	**75**	**28**	**0**	**62**	**189**

The reclassifications concerned tangible and intangible assets.

Additions are reported at 31 December 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.

At the reporting date, the Company did not find any impairment indicator regarding the aforementioned Property, plant & equipment, which were included in the Net Invested Capital of the goodwill impairment test at TIER 1.

2. Intangible assets

Balance at 31.12.2019 **217**

Balance at 31.12.2018 **145**

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

(Euro thousands)

Intangible Assets	Other intangible assets	Total
Change in Historical Cost		
31 December 2018	**3,136**	**3,136**
Continuing operations additions	146	146
Reclassifications	(314)	(314)
Decreases	-	-
Disposals	-	-
31 December 2019	**2,968**	**2,968**
Change in Amortisations		
31 December 2018	**(2,990)**	**(2,990)**
Continuing operations amortisations	(43)	(43)
Discontinued operations amortisations	-	-
Reclassifications	282	282
Decreases	-	-
Disposals	-	-
31 December 2019	**(2,751)**	**(2,751)**
Net Value 31 December 2019	**217**	**217**

Other intangible assets refer to trademarks and software.

At 31 December 2019, additions of € 146,000 were recorded, mainly concerning the acquisition costs for software assets.

In accordance with IAS 36, an assessment was made of any impairment indicators relating to intangible assets. At 31 December 2019, no impairment indicators were recorded, and thus no impairment test has been carried out as far as the aforementioned intangible assets are concerned, which were included in the Net Invested Capital of the goodwill impairment test at TIER 1.

3. Goodwill

Balance at 31.12.2019 **4,084**

Balance at 31.12.2018 **4,084**

The account includes € 4,084,000 relating to the acquisition of Giglio Fashion in March 2016.

At 31 December 2019, no loss was recorded based on the impairment test carried out.

The impairment test has been carried out referring to the CGU to which the goodwill can be ascribed (Tier 2 - B2B).

The Unlevered Free Cash Flow (UFCF) of explicit forecast were determined using Plan balance-sheet data and exempting the Ebit with a theoretical taxation of 27.9%, while the terminal value (TV) was calculated as the average of UFCFs of the explicit forecast period, aligning amortisations to the average Capex level in the five-year period.

The discount rate applied was the adjusted WACC at 15.42%.

The 2020-2024 multi-annual Industrial Plan was approved by the Directors on 10 March 2020.

TIER 2 – B2B

The Tier 2 of B2B CGU (Business to Business) shows that, upon a Net Capital Invested of € 3.7 million, the enterprise value amounts to € 19.3 million (of which € 7.5 million resulting from the discounting of cash flows from explicit forecast and € 11.8 million from the terminal value).

Subsequently, the Tier 2 of B2B CGU (verification of the value of use of the goodwill recorded in the consolidated financial statement at about € 4.1 million) gave positive results against a headroom of € 15.6 million.

At 31 December 2018, these figures were represented as follows:

The Tier 2 of B2B CGU (Business to Business) showed that, upon a Net Capital Invested of € 7.3 million, the enterprise value amounted to € 21.6 million (of which € 8.6 million resulting from the discounting of cash flows from explicit forecast and € 13 million from the terminal value). Subsequently, the Tier 2 of B2B CGU (verification of the value of use of the goodwill recorded in the consolidated financial statement at about € 4.1 million) had given positive results against a headroom of € 14.3 million.

Sensitivity analysis

The company also carried out a sensitivity analysis on the above-mentioned assumptions, through growth rate variations (G) equal to +/- 0.5% and WACC variations of +/- 0.5%, used to calculate the recoverable value. This was undertaken in light of the results which, in the Directors' opinion, do not generate a surplus of the carrying value over the recoverable value in the presence of reasonable variations in the key assumptions.

The sensitivity table for subsidiary Giglio Hong Kong is as follows:

		Sensitivity WACC	0,50%			
				WACC		
		15,72%	16,22%	16,72%	17,22%	17,72%
g	1,00%	536	217	(81)	(358)	(618)
	0,50%	333	30	(253)	(517)	(765)
	0,00%	143	(145)	**(415)**	(667)	(905)
	-0,50%	(35)	(310)	(567)	(809)	(1.036)
	-1,00%	(203)	(465)	(711)	(943)	(1.160)

4. Investments

Balance at 31.12.2019 **13,645**

Balance at 31.12.2018 **8,376**

The breakdown of the account at 31 December 2019 is illustrated below:

(Euro thousands)

Investments in joint ventures	31.12.2019	31.12.2018	*Change*
Giglio TV HK Ltd	1,530	1,530	-
Nautical Channel	-	-	-
Giglio USA	18	18	-
IBOX SA	6,823	6,823	-
Cloud Food	5	5	-
E-Commerce Outsourcing S.r.l. (Terashop)	3,769	-	*3,769*
IBOX S.r.l.	1,500	-	*1,500*
Total	**13,645**	**8,376**	***5,269***

The increase, if compared to the previous year, related to investments in:

- ***Terashop - E-Commerce Outsourcing S.r.l.***: On 31 October 2019, the Company acquired 100% of E-Commerce S.r.l.'s quotas (*Non-listed company with headquarters in Italy, E-Commerce Outsourcing S.r.l. is one of the major suppliers of outsourced e-commerce services*) in exchange for the Company's shares; the Shareholders' Meeting thus approved the capital increase to be paid through the contribution of E-Commerce Outsourcing S.r.l..
  Following the contribution in kind of Terashop, Giglio Group's share capital shall increase of a total amount of € 2,224,028(of which € 151,400 at nominal value and the rest at share premium), with the issue of no. 757,000 ordinary shares to be paid through the

contribution in kind of the quotas of E-commerce Outsourcing S.r.l. on behalf of all the shareholders of the latter.

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

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

It is noted that within the acquisition price, the recognition of the fair value of the contingent consideration is included, that is of the potential payment for the former partners of E-Commerce Outsourcing S.r.l. (earn out), in accordance with the agreements.

- **Ibox S.r.l.:** on 19 December 2019, with signature authenticated by notary Aurelio Bonacci, the Company acquired from its subsidiary Ibox SA the totality of its quotas in Ibox S.r.l., with registered office in Piazza Generale Armando Diaz no. 6, for a total value of € 1.5 million. On the same date, an Extraordinary Shareholders' Meeting was called at the office of Notary Bonacci Folladori in order to discuss and resolve upon the approval of the project of merger by incorporation of Ibox S.r.l. into Giglio Group S.p.A..

A comparison between the value of the investments and the equity of the subsidiaries at 31 December 2019 is illustrated in the table below:

(Euro thousands)

Company	Registered office	Issued Capital	% Held	Profit/(loss) at 31/12/2019	Net equity at 31/12/2019	Equity share for the period	Book value
Giglio TV HK Ltd	Room 1501 (659), 15/F, SPA Centre 53-55 Lockhart Road Wanchai HONG KONG	3,000	51%	-5,985	-3,001	-1,531	1,530
Giglio USA	One Wall Street, 6th Floor	18	100%	16	322	322	18

	BURLINGTON, MA 01803 REPRESENTATIVE OFFICE 111 West 19th Street (6th Floor) 10011 New York, NY USA						
IBOX SA	Galleria 1 Via Cantonale, 6928 Manno, Switzerland	1,700	100%	-1034	-648	-648	6823
Terashop - E-Commerce Outsourcing S.r.l.:	Via Sesia, 5 20017RHO Italy	38	100%	-211	446	446	3769
IBOX S.r.l.	Piazza generale Armando Diaz, 6 20123 Milan Italy	20	100%	280	2150	2150	1500

The assessment process used to calculate the recoverable value of the equity investment held by Giglio Group S.p.A. in Giglio TV HK was developed using the enterprise value resulting from the discounting of unlevered free cash flows of the segments/CGUs B2C (IBOX SA Group) and B2B2C (Giglio TV HL) respectively, on the basis of the identification of the correspondence between the parameters of the segments analysed and the activity carried out by the assessed subsidiaries.
The multi-annual Industrial Plan used was approved by the Directors on 10 March 2020.
The Unlevered Free Cash Flow (UFCF) of explicit forecast were determined using Plan balance-sheet data and exempting the Ebit with a theoretical taxation of 27.9%, while the terminal value (TV) was calculated as the average of UFCFs of the explicit forecast period, aligning amortisations to the average Capex level in the five-year period.
The discount rate applied was the adjusted WACC at 15.42%.

The impairment test carried out on Ibox SA (€ 6.8 million), Ibox S.r.l. (€ 1.5 million),Terashop/E-Commerce (€ 3.7 million) and Giglio TV HK (€ 1.5 million) on the basis of the equity values calculated with regard to the unlevered cash flows' data of the CGU, B2C and B2B2C segments, arising from the 2020-2024 Plan and by the Net Financial Debt of the company at 31 December 2019, did not highlight any criticality in the recoverability of the book value of the investments in Ibox SA, Ibox S.r.l. and E-Commerce Outsourcing S.r.l. As far as Giglio TV Hong Kong is concerned, the impairment report initially exposed an impairment loss of € 415,000. The WACC used for

Giglio HK's investment included an extra risk based on the expected revenues of its subsidiary Giglio Shanghai of 1%, in addition to the execution risk base, thus bringing the overall risk of the assessment to 4%. The Board of Directors of the Company did not deem the execution risk's increase justified, given that the expected turnover for 2020 has been confirmed by the documents received from its commercial counterparties.

The company also carried out a sensitivity analysis on the above-mentioned assumptions (growth rate variations, "g", equal to +/-0.5% and WACC variations of +/- 0.5%), used to calculate the recoverable value. This was undertaken in light of the results which, in the Directors' opinion, do not generate a surplus of the carrying value over the recoverable value in the presence of reasonable variations in the key assumptions.

5. Trade receivables

Balance at 31.12.2019 **3,012**

Balance at 31.12.2018 **2,985**

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

(Euro thousands)

Receivables and non-current assets	31.12.2019	31.12.2018	Change
Guarantee deposits	193	161	32
ICO financial receivables	2,190	1,402	788
Others	629	1,422	(793)
Total	**3,012**	**2,985**	**27**

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.

For Milan's new offices, a further deposit has been paid to Satif S.p.A. at the beginning of the year.

The "Others" account mainly refers 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 a total amount of € 600,000.

6. Inventories

Balance at 31.12.2019 **1,697**

Balance at 31.12.2018 **4,952**

The inventories of the company comprise finished products for sale.

At 31 December 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. The reduction of the inventories is due to an increased focus in 2019 on the disposal of goods purchased in the previous fiscal years. At 31 December 2019, the obsolescence provision is equal to € 182,000 and includes the provision for the year amounting to € 34,000.

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 receivables

Balance at 31.12.2019 **9,310**

Balance at 31.12.2018 **10,572**

The breakdown of the account is as follows:

(Euro thousands)

Trade receivables	31.12.2019	31.12.2018	Change
Trade receivables	7,898	9,846	(1,948)
Advances to suppliers	1,896	1,141	755
Guarantee deposits	-	-	-
Other receivables	-	-	-
Provision for doubtful account	(484)	(415)	(69)
Total	**9,310**	**10,572**	**(1,262)**

If compared to 31 December 2018, the payable is decreasing as a consequence of 2019's focus on disposing the goods purchased in the previous fiscal years -which, being off-season good, were disposed of at a lower realisable value-, as well as on actively recovering receivables.

The supplier advances of B2B e-commerce division relate to advances on orders of the PE and AI collection.
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 31 December 2019 and 31 December 2018, net of intra-group receivables, are as follows:

(Euro thousands)	**Year ended at 31 December 2019**	**%**	**Year ended at 31 December 2018**	**%**
Europe	3,159	*96.60%*	2,294	*96.80%*
Asia	86	*2.62%*	*40*	*1.70%*
USA	0	*0.00%*	*1*	*0.00%*
Rest of the world	25	*0.78%*	*34*	*1.40%*
Total gross receivables	**3,270**	***100.00%***	**2,369**	***100.00%***
Provision for doubtful account	*-484*		*-415*	
Total	**2,786**		**1,954**	

The ageing of the gross trade receivables at 31 December 2019 and 31 December 2018, net of intra-group deliverables, is shown below:

(Euro thousands)	**Year ended at 31 December 2019**	**%**	**Year ended at 31 December 2018**
> 90 days	*769*	*23.53%*	699
60<> 90 days	*188*	*5.76%*	112
30<> 60 days	*174*	*5.31%*	355
0<> 30 days	*353*	*10.79%*	202
Total overdue	***1,484***	***45.39%***	**1,368**
Not overdue	*1,786*	*54.61%*	1,000
Total gross receivables	**3,270**	***100.00%***	**2,369**
Provision for doubtful account	*-484*		-415
Inc. provision on overdue >90 days	*-62.93%*		-63.30%
Total	**2,786**		**1,954**

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

(Euro thousands)

Provision for doubtful account (Euro thousand)	
As at 31 December 2018	**415**
Provisions	21
Utilisations	-
Releases	(44)
Doubtful receivables concerning assets held for sale/discontinued	92
As at 31 December 2019	**484**

The provision for the year amounting to € 21,000 was carried out 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 Company determines the provision for doubtful account by elaborating a specific provision matrix. More specifically, the Company, due to the variety of its clients, identified appropriate groupings and associated to them a specific rating, applying to each grouping a specific write-down percentage.

See the aforementioned Note for more information on the assessment procedure of the account at hand.

Moreover, two receivables related to the Media area (sold for € 92,000) were wrote down and reclassified among the assets held for sale.

Subsequently, the Company released the provision for an amount of € 44,000, €40,000 of which related to collected receivables and € 4,000 offset with liabilities, in accordance with the counterparty.

8. Financial receivables

Balance at 31.12.2019 4,429

Balance at 31.12.2018 -

The account, equal to € 4.4. million, refers to:

- the countervalue of no. 1,136,363,620 shares of Vértice Trescientos Sesenta Grados SA, Spanish company listed in Madrid's main stock-exchange market, received on 17 January 2020, for € 2,959,000. The fair value defined of level 1 was calculated on the market value at 31 December 2019, and it is equal to € 0.0031 per share. Given the nature and scope for which these shares are held, the adaptation to the fair value is recorded within the Statement of Profit or Loss: at 31 December, said assessment entailed a write-down of the receivables for the shares to be received of about € 7.5 million.

- The increase in receivables following Simest's put option exercise, in July 2019, of its put option, on its own behalf and as the Fund manager, requesting Giglio Group to acquire the shareholdings for € 1.5 million.

9. Tax receivables

Balance at 31.12.2019 2,492

Balance at 31.12.2018 4,555

The breakdown of tax receivables is shown below:

(Euro thousands)

Tax receivables	31.12.2019	31.12.2018	Change
Deferred tax assets	762	1,133	(371)
Total deferred tax assets	**762**	**1,133**	**(371)**
IRES	318	412	(94)
IRAP	131	131	-
Withholding taxes	1	-	1
INPS	3	3	-
INAIL	2	2	-
VAT	977	2,677	(1,700)
Receivables for tax consolidation	297	197	100
Others	1	1	-
Total current tax receivables	**1,730**	**3,422**	**(1,692)**
Total tax receivables	**2,492**	**4,555**	**(2,063)**

This part of the account includes, in the current part, deferred tax assets equal to € 762,000, mainly relating to deferred tax assets calculated on the tax losses on 2017 (€ 514,000), following which, on a prudent basis, have not been provisioned , to the tax effect of the write-down of receivables (€ 83,000), the decrease if compared to the previous year mainly refers to the write-down of receivables and to the obsolescence provision of the transferred companies (€ 172,000) and to deferred taxes (€ 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 receivables for tax consolidation, equal to € 297,000, refer to the receivables accrued with the subsidiaries following the Tax Consolidation Agreement signed on 6 June 2018.

The VAT receivable amounting to € 977,000, refers to the VAT generated by virtue of Giglio Group S.p.A. nature of habitual exporter, with specific reference to the Giglio Fashion division.

The decrease, compared to the previous year, refers to the VAT receivables, which were collected for € 2 million and offset for € 700,000. 2019's accrued receivables amount to € 951,000.

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

10. Other assets and other current receivables

Balance at 31.12.2019 **679**

Balance at 31.12.2018 **774**

(Euro thousands)

Other assets	31.12.2019	31.12.2018	Change
Other assets	8	13	(5)
Prepayments and accrued income	671	761	(90)
Total	**679**	**774**	**(95)**

Prepayments and accrued income mainly relate to, for € 480,000, to the short-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 audio-visual media services associated to channel 65 of the digital terrestrial.

11. Cash and cash equivalents

Balance at 31.12.2019 **229**

Balance at 31.12.2018 **800**

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

(Euro thousands)

Cash and cash equivalents	31.12.2019	31.12.2018	Change
Bank and postal deposits	227	796	(569)
Cash in hand and similar	2	3	(1)
Total	**229**	**800**	**(571)**

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

LIABILITIES

12. Net Equity

The share capital at 31 December 2019 consists of 18,306,685 ordinary shares, without express nominal value.

The changes in 2019 are due to:

- Allocation of the result at 31 December 2018, equal to € 4,788.000;
- Recognition of IAS 19 actuarial loss equal to € 30 thousands;
- Recognition of IFRS 16 first application effect equal to € 43 thousands;
- Capital increase through contribution of quotas representing the whole share capital of E-Commerce Outsourcing S.r.l.; equal to € 2,224,000, of which € 151,000 at nominal value and € 2,073,00 at share premium;
- Shares issued reserved to institutional investors through the accelerated bookbuilding procedure equal to € 4 million, of which € 302,000 at nominal value and € 3,698 thousands at share premium;
- Result for the period equal to € -8,902,000.

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

Balance at 31.12.2019 **324**

Balance at 31.12.2018 **275**

At 31 December 2019 the provision for risks and charges mainly refers to the Post-employment benefit provision.

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

(Euro thousands)	
Post-employment benefit provision at 31.12.2018	**(275)**
Provisions 2019	(120)
Provisions 2019 area held for sale/discontinued	(20)
Advances/Util.	59
Actuarial gains (losses)	40
Net Interest	(7)
As at 31 December 2019	**(324)**

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

- probability of elimination for death: ISTAT table 2018 (source ISTAT – 2019 Italian Annual Statistics);
- probability of elimination for invalidity: zero;
- probability of elimination for other reasons (dismissal, departure): equal to 3% per annum for the entire valuation period (taken from the data recorded, as well as experience relating to similar businesses);
- pension expected on the maturity of the first possibility of I.N.P.S. pension established by Article 24 of Law 214/2011 and as provided for by Legislative Decree no. 4 of 2019, hypothesising the workers' exit from the service upon achievement of the first useful right;
- annual inflation rate: 2% for 2020, 1.7% for 2021 and 1.5% for 2022 (source: *"Update of 2019 Economic and Finance Document"*); from 2023 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 31.12.2019 of AA securities issued by corporate issuers in the Eurozone and based on the average residual duration of the Post-employment benefit at 31.12.2019; 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 -0.5%	Rate +0.5%
DBO	770.2	648.5

Moreover, it is worth noting that the updating of demographic assumptions with respect to 31.12.2018 (concerning only the probability of elimination due to death) did not have any effect on actuarial results, while the discount rate adopted at 31 December 2019 is the same as the one adopted at 31 December 2018.

14. Deferred tax liabilities

Balance at 31.12.2019 **2**

Balance at 31.12.2018 **2**

At 31 December 2019, the total payable amounted to € 2,000. The payable did not change if compared to the previous fiscal year.

15. Current and non-current financial liabilities

Balance at 31.12.2019 **24,651**

Balance at 31.12.2018 **21,707**

The financial liabilities are illustrated in the table below:

(Euro thousands)

Financial liabilities	31.12.2019	31.12.2018	Change
Current	18,640	15,809	2,831
Non-current	6,011	5,897	114
Total	**24,651**	**21,706**	**2,945**

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

Current financial liabilities	**31.12.2019**	**31.12.2018**	**Change**
Loans (current portion)	2,456	6,804	(4,348)
Total current loans	**2,456**	**6,804**	**(4,348)**
Advances on invoices/Credit Lines	6,603	8,086	(1,483)
Bank overdrafts	7	20	(13)
Finance Leases	-	24	(24)
EBB bond	4,759	-	4,759

Minibond	-	875	(875)
Earn-out	1,545	-	1,545
IFRS 16	564	-	564
Loans from related parties	402	-	402
Bond loan	1,373	-	1,373
Liability acquired minority share Giglio TV	931	-	931
Total	**18,640**	**15,809**	**2,831**

The current financial liabilities relate to:

- the self-liquidating credit lines as advances on invoices.
- Payable for earn-out to be paid to the previous shareholders of E-Commerce Outsourcing S.r.l.;
- The current portion of the Minibond repaid was € 2,456,000. The Minibond recorded in accordance with the amortised cost criteria of € 3 million which was issued in 2016. 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

- 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

  On 11 March 2020, EBB S.r.l., the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data (31.12.2019), with retroactive effect at 31 December 2019.

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 11 of the Directors' Report for more information on main amendments.

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

(Euro thousands)

Non-current financial liabilities	**31.12.2019**	**31.12.2018**	**Change**
Loans	607	2,119	(1,512)
Minibond	-	2,219	(2,219)
Finance Leases	-	47	(47)
Payables to subsidiaries	4,358	-	4,358
IFRS 16	1,046		1,046
Others	-	1,512	(1,512)
Total	**6,011**	**5,897**	**114**

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

Moreover, the financial liabilities also include those payables related to liabilities for operating leasing resulting from the application of the IFRS 16 accounting standard. For more information, see "Accounting standards, amendments and interpretations applied from 1 January 2019".

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

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

(Euro thousand)	**Value at 01.01.19**	**Cash flow**	**Value at 31/12/2019**
Non-current financial liabilities	5,897	-114	6,011
Current financial liabilities	15,809	-2,831	18,640
Total liabilities from financing activities	21,706	-2,945	24,651

The following table summarises the loans of the Giglio Group S.p.A. at 31 December 2019 and highlights the amounts due within and beyond one year:

SITUAZIONE AL 31/12/2019 società giglio group spa
(Valori in Euro migliaia)

Banca	Tasso di interesse	Importo del finanziamento	data di sottoscrizione	Residuo al 31/12/2019	Scadenza	0<>12 mesi	1 anno<>2 anni	2 anni<>3 anni	Oltre 3 anni
BANCA DI SONDRIO									
Mutuo Ipotecario n. 076/1124006	4,65%	370,0	22/09/2013	-	31/03/2019	-	-	-	-
Mutuo Chiro garantito da MCC	3,50%	1.200,0	30/09/2015	194	30/09/2020	194	-	-	-
INTESA									
Mutuo Chiro n. 0IC 1047064869	Euribor 1 mese + spread 2%	1.000,0	28/06/2017	510	28/06/2022	202	205	104	-
MONTE PASCHI DI SIENA									
Mutuo Chiro n. 741677580/60 garanzia CDP e SACE	5,8%	500,0	29/10/2014	-	31/12/2019	-	-	-	-
BANCA POP di BERGAMO									
Mutuo N. 004/01187014 mutuo chiro	2,1%	600	29/07/2016	116	29/07/2020	116	-	-	-
CREDEM									
Mutuo N.052/7059285 garanzia MCC	0,72%	700	21/06/2016	89	21/06/2020	89	-	-	-
CARIGE									
Finanziamento 36 mesi	2%	500	02/08/2017	114	31/08/2020	114	-	-	-
Finanziamento 24 mesi		1.500	29/05/2018	380	30/06/2020	380	-	-	-
BPM									
Finanziamento N.6026098	Euribor tre mesi	1.500	16/10/2017	507	31/08/2020	507	-	-	-
Mutuo Chiro n.04166765	Euribor tre mesi	1.500	04/02/2019	947	31/03/2021	755	192	-	-
Mutuo Chiro n.03528422	2,2%	500	30/01/2017	215	31/01/2022	102	104	9	-
Mutuo Chiro n.03709516	2,2%	200	24/06/2017	-	30/06/2019	-	-	-	-
BNL									
Finanziamento N. 1812270	1,4%	1.500	21/02/2018	-	21/02/2019	-	-	-	-
BANCA INTESA									
Finanziamento	1,25%	3.000	27/06/2018	-	27/12/2019	-	-	-	-
UNICREDIT									
Finanziamento		5.000	27/06/2018	-	27/12/2019	-	-	-	-
TOTALE Giglio Group		**19.570**		**3.071**		**2.457**	**501**	**113**	-

16. Trade payables

Balance at 31.12.2019 **8.868**

Balance at 31.12.2018 **9.008**

(Euro thousands)

Trade payables	31.12.2019	31.12.2018	Change
Customer advances	149	12	137
Supply of goods and services	8,553	8,751	(198)
Credit notes to be issued	166	121	45
Contribution credit notes to be issued	-	124	(124)
Clients guarantee deposits	-	-	-
Other trade payables	-	-	-
Total	**8,868**	**9,008**	**(140)**

The breakdown of trade payables is shown below:

(Euro thousands)	**Year ended at 31 December 2019**	**Year ended at 31 December 2018**
Trade payables	8,553	8,872
- of which overdue beyond 60 days	*5,130*	*2,804*
- % overdue payables on total	*60 %*	*31.6 %*

17. Tax payables

Balance at 31.12.2019 **494**

Balance at 31.12.2018 **480**

(Euro thousands)

Tax payables	31.12.2019	31.12.2018	Change
Withholding taxes	268	141	127
Foreign VAT	-	-	-
Income taxes	112	142	(30)
Social security institutions	114	197	(83)
Total	**494**	**480**	**14**

Tax payables relate to:

- withholding taxes and taxes related to the normal operating activities of the company for € 268,000 and € 112,000 respectively;
- social security institutions for € 114,000.

18. Other current liabilities

Balance at 31.12.2019 3,493

Balance at 31.12.2018 584

(Euro thousands)

Other current liabilities	31.12.2019	31.12.2018	Change
Employee payables	407	335	72
Prepayments and accrued expenses	192	187	5
Other payables	2,894	63	2,831
Total	**3,493**	**584**	**2,909**

The increase, if compared to the previous fiscal year, is due to the residual part of the payable following the agreement for the transfer of the media area assets of Giglio Group (€ 2.8 million) to Vertice 360, as reported in the Closing Letter signed on 31 October 2019. On 5 February 2019, Giglio Group challenged said amount as the calculations specified in the Closing Letter were non correct and did not answer to the provisions of the Contribution Agreement that was previously signed, thus making said Closing Letter unlawful.

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

NOTES TO THE STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

19. Revenues from contracts with customers

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

(Euro thousands)	31.12.2019	31.12.2018	Change
Revenues from contracts with customers	23,515	23,094	421
Other revenues	2,621	1,363	1,258
Total	**26,136**	**24,457**	**1,679**

At 31 December 2019 revenues from sales and services amounted to € 23.5 million , increasing if compared to € 23.1 million at 31 December 2018.

The € 1.2 million increase of "Other revenues" if compared to 2018 is mainly ascribable to the re-invoicing of Ibox SA of the internal development costs (€ 0.8 million) for the implementation and integration of IT platforms designed for managing the online sales within the B2C and B2B2C e-commerce division's context.

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:

(Euro thousands)

Purchase of raw materials, ancillary, consumables and goods	31.12.2019	31.12.2018	Change
Costs of goods	16,882	19,670	(2,788)
Consumables	34	65	(31)
Total	**16,916**	**19,735**	**(2,819)**

The account includes the costs incurred by the B2B division.

21. Service costs

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

(Euro thousands)

	31.12.2019	31.12.2018	Change
Agents	47	214	(167)
Other service costs	64	17	47

Insurance	92	83	9
Bank, postal & collection commissions	147	148	(1)
Directors, statutory auditors and supervisory board fees	415	498	(83)
Consulting	1,869	2,000	(133)
Editorial production costs	-	-	-
Administrative costs	627	139	488
Customer service	-	-	-
Warehousing	476	530	(54)
Maintenance	14	6	8
Advertising, promotions, shows and fairs	23	60	(37)
Cleaning and surveillance	37	20	17
Transmission and teleport	-	-	-
Transport & shipping	201	195	6
Utilities	100	107	(7)
Web marketing	-	-	-
Sales representatives	217	156	61
Intra-group recharges	-	56	(56)
Total	**4,329**	**4,230**	**99**

The service costs, equal to € 4.3 million, are mainly ascribable to consultancies and administrative costs of the corporate division, amounting to € 1.8 million and € 0.6 million respectively, other than the warehouse services related to the B2B division, amounting to € 0.5 million.

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:

(Euro thousands)

	31.12.2019	31.12.2018	Change
Rental	45	524	(479)
Hire	25	87	(62)
Operating leases	35	26	9
Total	**105**	**637**	**(532)**

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. Payroll expenses

The breakdown of payroll expenses is as follows:

(Euro thousands)

	31.12.2019	31.12.2018	Change
Salaries and wages	1,886	1,756	130
Social security charges	520	299	221
Post-employment benefits	122	3	119
Total	**2,528**	**2,058**	**470**

The payroll costs, for a total of € 0.8 million, have been re-invoiced to Ibox SA, which then capitalised as internal development costs for the implementation of the IT platform designed to manage the online sales in the e-commerce B2C and B2B2C division's context. The post-employment benefit provision refers only to the continuing operations.

24. Amortisation, depreciation & write-downs

The breakdown of the account is shown below:

(Euro thousands)

Amortisation, depreciation & write-downs	31.12.2019	31.12.2018	Change
Amortisation Intangible assets	43	20	23
Amortisation Property, plant & equipment	652	63	589
Write-downs	(18)	53	(71)
Total	**677**	**136**	**541**

With regards to item "Amortisation", see Notes in paragraph 1 ("Property, plant & equipment") and 2 ("Intangible 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 releases to the provision for doubtful accounts commented upon in the previous note 7 "Trade receivables".

25. Other operating costs

The breakdown of the account is shown below:

(Euro thousands)

	31.12.2019	31.12.2018	Change
Other taxes	13	11	2
Other charges	16	22	(6)
Penalties and fines	27	62	(35)
Prior year charges	64	366	(302)
Losses on receivables	-	-	-
Total	**119**	**461**	**(342)**

26. Financial income and expenses

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

(Euro thousands)

Financial income and expenses	31.12.2019	31.12.2018	Change
Interest income on bank accounts	1	1	(0)
Other interest	-	1	(1)
Exchange gains	2	9	(7)
Financial income	**3**	**11**	**(8)**
Interest on current bank accounts	-	13	(13)
Other interest	51	26	25
Interest on invoice advances and factoring	66	113	(47)
Interest on mortgage loans	489	326	163
Interest on bond loans	294	200	94
Bank charges	153	103	50
SIMEST financial charges	41	81	(40)
IFRS 16 financial expenses	46	-	
Exchange losses	13	27	(14)
Financial expenses	**1,153**	**889**	**264**
Total	**(1,150)**	**(878)**	**(272)**

Financial charges increased on the previous year 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

(Euro thousands)

Income taxes	**31.12.2019**	**31.12.2018**	**Change**
Current taxes	6	197	(191)
Deferred taxes	(375)	(14)	(361)
Total	**(369)**	**183**	**(552)**

Current taxes amount to € 6,000 (€ 197,000 at 31 December 2018), with a € 94,000 impact for taxes from the previous fiscal years. The higher deferred taxes recorded at 31 December 2019 of € 361,000 principally concern the release of deferred taxes related to the write-down of receivables and to the obsolescence provision of the transferred companies, as well as to the deferred taxes calculated on the write-down of tangible assets following the transfer of the media area.

The tax effects for the year are shown below:

Taxes (Euro thousands)	31.12.2019	31.12.2018
Pre-tax result	(2,942)	(2,328)
Theoretical tax charge	-	-
Effective tax charge	6	197
Deferred taxes	(375)	(14)
Net result	(3,310)	(2,145)
Theoretical tax rate	27.9%	27.9%
Effective tax rate	0%	0%

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	18
A. Lezzi	20
G. Mosci	25
Y. Zhao	10
M. Mancini	20
S. Olivotto	31
G. Capellini	1
Total	**325**

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

The fees of the independent audit firm were as follows:

(Euro thousands)

Recurring services	Service provider	Recipient	Consideration
Auditing of statutory financial statement and models subscription	EY S.p.A.	Parent Company	145
Auditing of consolidated financial statement	EY S.p.A.	Parent Company	106
Limited auditing of consolidated half-year report	EY S.p.A.	Parent Company	34
Total recurring services			**285**

(Euro thousands)

Other audit-related services	Service provider	Recipient	Consideration
Activity related to the acquisition of E-Commerce Outsourcing S.r.l.	EY S.p.A.	Parent Company	105
Activity related to the reserved share issue	EY S.p.A.	Parent Company	50
Activity related to the Media Area asset dismission	EY S.p.A.	Parent Company	50
Other audit-related services			**205**

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

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

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

Financial and operating transactions with the 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 31 December 2019.

The details are shown below:

Commitments and guarantees (Euro thousand)

Entity	Guarantee Value	Residual amount guaranteed
B.POP Sondrio	2,100	945
Banca Sella	246	204
B. POP. Novara	650	650
UNICREDIT	536	536
Total	**3,532**	**2,335**

Contingent liabilities

Normal lawsuit (dispute): Through a writ of summons served on 18 February 2020, the company Servizi Italia Ltd sued Giglio Group, asking the Court to: "Verify the termination of the settlement agreement between the Parties on 27 June 2019 and, consequently, to verify the renewal of the agreement entered into between the same Parties on 19 May 2016 and thus to order Giglio Group S.p.A. to pay to Servizi Italia Ltd the remunerations accrued and to be accrued, pursuant to Art. 5 of the original agreement, at an appropriate and equitable rate in the view of the Court".

The matter originates from a service and trademark licensing agreement (hereinafter also referred to as the "Agreement") entered into between the Parties, by virtue of which Servizi Italia Ltd undertook to supply Giglio Group with consulting advices for streamlining corporate processes and business development, other than the licensing of the trademarks owned by Servizi Italia. All this, against a payment quantified in 50% of the first profit, as defined and determined in Art. 5 of the same Agreement.

Subsequently, the Parties, due to some criticalities recorded in the execution of the Agreement, signed a settlement agreement (Addendum) according to which Giglio Group S.p.A. had to produce and broadcast on all of the TV channel managed by it, three-hundred advertising contents for Servizi Italia, paying also, in payment and satisfaction of the amount owed to Servizi Italia pursuant to Art. 5 of the aforementioned Agreement, the amount of € 120,000 in three consecutive instalments within August 2019.

On 5 August 2019, Giglio contested to Servizi Italia its serious non-performance of the Addendum, specifically for the illegal continuation of use of the trademarks, logos and designations of Giglio Group, with consequent claim of illegal competition and trademark infringement, thus halting the payments.

By letter dated 8 August 2019, the law firm representing Servizi Italia rebuked all claims made by Giglio Group, ordering the Group to pay for the Addendum, which amounted to € 80,000.

By letter dated 4 September 2019, Servizi Italia decided to order to Giglio Group the termination of the Addendum, with the consequent renewal of the Agreement. The Agreement provides for the payment, in favour of Servizi Italia, of an amount to be determined, as a result of Art. 5.1 and 5.2 of the same, of the sales volumes actually achieved and/or of the revenues generated by the advertising contents applied directly thanks to the services offered by Servizi Italia.

As of today, this (alleged) amount, has not yet been quantified, not even in the writ of summons, by Servizi Italia, believing that they can determine it in the course of the proceedings on the basis of the turnover declared by Giglio Group in the financial statements 2016-2018, of which they ordered the exhibition. The vice of the request shall be objected.

The legal representative appointed to defend Giglio Group S.p.A. believes the outcome of the dispute to be possible but not probable, and as such, no provision has been included in the provisions for risks at 31 December 2019

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

A comparison between the book value and the fair value of financial assets and liabilities at 31 December 2019 is presented below.

		31.12.2019		31.12.2018	
Statement of Financial Position (Euro thousands)		**Carrying amount**	**Fair Value**	**Carrying amount**	**Fair Value**
Non-current assets					
Investments in joint ventures	(4)	13,645	13,645	8,376	8,376
Receivables	(5)	3,012	3,012	2,985	2,985
Deferred tax assets	(9)	762		1,133	
Total non-current assets		**23,538**		**16,984**	
Current assets					
Trade receivables	(7)	9,310	9,311	10,572	10,572
Cash and cash equivalents	(11)	229	229	800	800
Total current assets		**18,074**		**20,520**	
Assets held for sale/discontinued	(36)	**-**		**9,617**	
Total Assets		**41,612**		**47,121**	
Non-current liabilities					
Financial liabilities (non-current portion)	(15)	6,011	6,011	5,897	-
Total non-current liabilities		**6,336**		**6,174**	
Current liabilities					
Trade payables	(16)	8,868	8,868	9,008	9,008
Financial liabilities	(15)	18,640	18,640	15,809	15,809
Total current liabilities		**31,495**		**25,881**	
Liabilities held for sale/discontinued	(36)	**-**		**8,184**	
Total liabilities and Shareholders' Equity		**41,612**		**47,121**	

Medium-term loan

The company reports at 31 December 2019 a negative net financial debt position -excluding the effect of the adoption of IFRS 16 accounting standard - of about € 19 million (for the calculation basis and the reconciliation of the data reference should be made to the specific table in the Directors' Report). These payables also include the Minibond issued to finance the acquisition of Giglio Fashion (for further information reference should be made to that already illustrated in these Explanatory Notes and commented upon in the Directors' Report) and unsecured medium-term bank loans and the Simest holding reclassified.

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

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

Note 15 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 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.

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.
On 11 March 2020, EBB S.r.l., the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data (31.12.2019), with retroactive effect at 31 December 2019, since the company was not respecting to that date the parameters set forth in the same covenants.

31. Transactions with subsidiaries and related parties

The following table reports the transactions and balances with Related Parties at 31 December 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. The following table reports the transactions and balances with Related Parties at 31 December 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.

Trade receivables and payables

Receivables/Payables	Giglio Group	E-Commerce Outsourcing	Giglio USA	Giglio TV	Giglio Shanghai	IBOX SA	IBOX SRL	Evolve USA
Giglio Group			617	1,722		1,015	1,261	
E-Commerce Outsourcing	1							

Giglio USA	133							
Giglio TV					91			
Giglio Shanghai								
IBOX SA							44	
IBOX SRL								
Evolve USA								

Financial receivables and payables

Receivables/Payables	Giglio Group	E-Commerce Outsourcing	Giglio USA	Giglio TV	Giglio Shanghai	IBOX SA	IBOX SRL	Evolve USA
Giglio Group			102	2,017	46			
E-Commerce Outsourcing								
Giglio USA								
Giglio TV	1,710				89			
Giglio Shanghai								
IBOX SA	5							180
IBOX SRL	2,648					1,326		
Evolve USA								

Commercial revenues and costs

Receivables/Payables	Giglio Group	E-Commerce Outsourcing	Giglio USA	Giglio TV	Giglio Shanghai	IBOX SA	IBOX SRL	Evolve USA
Giglio Group		541	1,711			471	704	
E-Commerce Outsourcing	1							
Giglio USA								
Giglio TV	427							
Giglio Shanghai				112				
IBOX SA	903						122	
IBOX SRL								
Evolve USA								

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

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

- China System S.r.l.: company owned by Yue Zhao, director and wife of Alessandro Giglio and which provides consultancy services to the Group for the Chinese market. The transactions with China System are based on a service supply contract with the company China System S.r.l., signed on January 4, 2016. The supplier has marketing experience providing consultancy to companies to launch client products on local markets. In 2019 the services provided amounted to € 56,600.

- 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 € 180,000;
    - Rome offices: Via dei Volsci for a total annual cost of € 99,600.
- Meridiana Holding: partner of Giglio Group S.p.A. who carried out a financing to the Group. At 31 December 2019, the total payable amounts to € 400,000.
- AZO Asia limited: company held by Meridiana Holding, who carried out a financing to the Group. At 31 December 2019, the total payable amounts to € 1.7 million.

The remuneration paid in 2018 to the Board of Directors of the Issuer amounted to € 335,000.

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

Statement of Financial Position (Euro thousands)	31.12.2019	of which related parties	31.12.2018	of which related parties
Non-current assets				
Property, plant & equipment	189		261	
Right-of-use assets	1,629		-	-
Intangible assets	217		145	
of which Distribution rights	-		-	
of which Publishing rights	-		-	
Other intangible assets	217		145	
Goodwill	4,084		4,084	

Investments	13,645		8,376	
Receivables	3,012		2,985	
Deferred tax assets	762		1,133	
Total non-current assets	**23,538**	**-**	**16,984**	**-**
Current assets				
Inventories	1,697		4,952	
Trade receivables	9,310	35	10,572	
Financial receivables	4,429		-	
Tax receivables	1,730		3,422	
Other assets	679	89	774	
Cash and cash equivalents	229		800	
Total current assets	**18,074**	**124**	**20,520**	**-**
Assets held for sale/discontinued	**-**		**9,617**	
Total Assets	**41,612**	**124**	**47,121**	**-**
Net Equity				
Issued capital	3,661		3,208	
Reserves	16,731		11,339	
Extraordinary reserve	-		-	
Listing charges	(541)		(541)	
FTA Reserve	4		4	
Retained earnings	(7,172)		(2,384)	
Foreign Currency Translation reserves	-		-	
Profit for the year	(8,902)		(4,745)	
Total Group Net Equity	**3,781**	**-**	**6,882**	**-**
Minority interest in net equity	-		-	
Total Net Equity	**3,781**	**-**	**6,882**	**-**
Non-current liabilities				
Provisions for risks and charges	324		275	
Deferred tax liabilities	2		2	
IFRS 16 financial liabilities (non-current portion)	-			
Financial liabilities (non-current portion)	6,011	-	5,897	-
Total non-current liabilities	**6,336**	-	**6,174**	
Current liabilities				
Trade payables	8,868	-	9,009	75
IFRS 16 financial liabilities (current portion)	-			
Financial liabilities (current portion)	18,640		15,810	
Tax payables	494		480	
Other liabilities	3,493		584	
Total current liabilities	**31,495**	**-**	**25,881**	**75**
Liabilities held for sale/discontinued	**-**		**8,184**	
Total liabilities and Shareholders' Equity	**41,612**	**-**	**47,121**	**74**

Condensed Consolidated Statement of Profit or Loss (Euro thousands)	31.12.2019	of which related parties	of which non recurring	31.12.2018	of which related parties	of which non recurring
Total revenues from contracts with customers	**23,515**			**23,094**		
Other revenues	2,621			1,363		
Change in inventories	(3,255)			1,400		
Purchase of raw materials, ancillary,	*(16,916)*			*(19,785)*		

consumables and goods						
Service costs	*(4,329)*	*(57)*	*(1,128)*	*(4,230)*	*(155)*	*(459)*
Rent, lease and similar costs	*(105)*			*(637)*	*(383)*	
Operating costs	**(21,350)**	**(57)**	**(1,128)**	**(24,652)**	**(538)**	**(459)**
Salaries and wages	*(1,886)*			*(1,756)*		
Social security charges	*(520)*			*(299)*		
Post-employment benefits	*(122)*			*(3)*		
Payroll expenses	**(2,528)**	**0**	**0**	**(2,058)**	**0**	**0**
Amortisation	*(43)*			*(20)*		
Depreciation	*(653)*			*(63)*		
Write-downs	*18*			*(53)*		
Amortisation, depreciation & write-downs	**(678)**	**0**	**0**	**(136)**	**0**	**0**
Other operating costs	*(118)*		*(80)*	*(461)*		*(433)*
Operating profit	**(1,793)**	**(57)**	**(1,208)**	**(1,450)**	**(538)**	**(892)**
Financial income	*3*			*11*		
Net financial charges	*(1,153)*			*(889)*		
Profit before taxes	**(2,943)**	**(57)**	**(1,208)**	**(2,328)**	**(538)**	**(892)**
Income taxes	*(369)*			*183*		
Profit for the period (continuing operations)	**(3,311)**	**(57)**	**(1,208)**	**(2,145)**	**(538)**	**(892)**
Profit for the period (discontinued operations)	**(5,592)**			**(2,600)**		
Profit for the period	**(8,902)**	**(57)**	**(1,208)**	**(4,745)**	**(538)**	**(892)**
Of which minority interest	**-**			**-**		
Basic and diluted profit from continuing operations	**(0.2064)**			**(0.1337)**		
Basic and diluted profit from assets held for sale/discontinued	**(0.3486)**			**(0.1621)**		
Profit per share – basic and diluted	**(0.5521)**			**(0.2987)**		

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

Transfer of Media Assets

The company completed the transfer transaction of some assets of the media division to 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 paragraph 9 of the Directors' Report, 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 € 38 million.

The transfer took place against a reserved capital increase in favour of Giglio Group fulfilled on 30 November 2019. More specifically, the agreement provides for 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 carried out, reserved to current shareholders.

The shares obtained upon closing date have been 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. The assessment of the shares on 31 December 2019 brought about a write-down of € 8,977,000.

The application of the policy resulted in overall write-downs of € 5.6 million.

	31.12.2019
Capital gains on shareholdings divestiture	3,710
Advertising costs of the media area held for sale/discontinued	(258)
Write-down of Vertice 360 shares	(7,541)
2019 result of Media division of Giglio Group	(894)
Payroll expenses for Vertice 360 transaction	(472)
M-Three statement of profit or loss for 2019 Q1	(137)
Total Giglio Group S.p.A.	**(5,592)**

37. Assessment of Going Concern

Pursuant to IAS 1, the assessments issued by the Directors regarding the existence of the assumption of the Company's going concern for the purpose of drafting the annual financial statements at 31 December 2019 are reported below.

The consolidated financial statements of the Group at 31 December 2019 report a negative Shareholders' Equity of € 1,6 million, including a loss of € 15.7 million, highlighting a net financial debt of € 12.3 million. The following table compares the results expected for the fiscal year 2019 by the 2019-2023 Plan, the results by 2019 forecast and the 2019 final figures (€ million):

	2019-2023 Plan	31.12.2019 Forecast	31.12.2019 Final Figures*
Revenues from contracts with customers	48.0	38.6	38.7
Cost of sales	35.2	37.2	37.7

EBITDA adj	1.8	1.4	1.0
EBITDA	1.8	n/a	(0.8)

*Amounts net of capitalisations of internal costs on ECO and Ibox SA platforms

On 10 March 2020, the Board of Directors of Giglio Group S.p.A. approved the Industrial Plan 2020-2024, which provides for the integration of subsidiary E-Commerce Outsourcing S.r.l. (ECO), of recent acquisition, as well as new commercial strategies.

The Industrial Plan considers a GMV (Gross Merchandise Value - reference value for e-commerce transactions) acceleration of more than 20% on an annual basis both for organic growth - in line with the expectation of the reference market (online sales for luxury fashion) - and for new brand acquisitions. During the time span of the Plan, the objective is to significantly increase revenues, quickly regaining a significant sustainable profitability (Ebitda/Revenues) on the long term, with an incidence of more than 10%. The objective is to obtain a balance between B2B activities -the digital marketplaces' distribution, strongly developing as a stock demobilisation channel (especially in 2020 on the basis of the huge stocks that, due to the COVID-19 crisis, are being accumulated)-, and B2C activities, with the advanced technological solutions proposed by ECO's platform also for product categories outside the reach of the Fashion sector, such as electronics and food retail.

The Industrial Plan provides for an improvement from a financial and asset point of view, counting on the generation of positive cash flows, a working capital control to support B2B sales and minor financial needs fro investments than the previous fiscal years following the acquisition of the technological expertise of ECO and the internal investments carried out throughout 2019 on the platforms. The Directors carried out adequate sensitivity analyses on the main hypotheses of the Plan, also taking into account the cash profile. Finally, the Directors, with regard to the COVID-19 epidemic that quickly spread to many areas of the world, Europe included, believe that it is extremely hard to make reliable predictions on future developments. For this purpose, a monitoring group has been established, tasked with the objective of monitoring corporate functionality and any eventual criticality.

It is noted that 2020 budget used by the Directors for assessing the existence of the going concern provides for the generation of a slightly positive cash flow against substantially break-even economic results. The formulation of said prediction includes, however, some assumptions that are not completely under the control of Giglio Group's Directors, and whose incomplete implementation (singularly and/or cumulatively) could give rise to doubts regarding the respect of the aforementioned going concern. The main assumptions made by the Directors for the assessment of 2020 cash flow are as follows:

1. Significant improvement of the result of the operating activities if compared to the final figures of 2019, for an increased efficiency of the processes generated and a reduction of the central costs due to the reduced scope of corporate activities;
2. Significant reduction of the average collection times, mainly due to the potential implementation of the no-recourse factoring mechanism for the receivables arising from the sales of some major clients active in the B2B segment, for whom the factoring was not activated during 2019;
3. As pointed out in the Explanatory Notes regarding the debt owed to Vertice 360 of € 2.8 million, it is noted that its payment is included in 2020 Plan, in the event of an adverse judicial outcome, as repayable in the long-term (2021), taking into account a reasonable prediction of settlement of the dispute.
4. 2020 forecast of the possibility to defer the debts' payments due to non-strategic suppliers, in continuity with what has been done in the previous years;
5. Lack of anticipated reimbursement to EBB Export S.r.l. of the debenture bond issued during 2019 for € 5 million, taking into account the probability to agree on a waiver on the following test dates (i.e. 30 June 2020 and 31 December 2020), in the event of lack of achievement of the financial parameters, given that the business plan data forecast their overrun on 30 June and on 31 December 2020.
6. Use of the credit line for USD 5 million and guarantees for overall € 1 million supplied by the partner Meridiana Holding S.p.A..

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

1. 2020 budget and 2021-2024 Plan have been drafted with reference to concrete and specific actions to be undertaken over the course of the whole period of the Plan that, however, due to their inherent nature, include general and hypothetical assumptions, as well as discretionary, related to the usual characteristics of a multiannual plan, and that these actions could be implemented in different times and with different effects than the ones expected, albeit they do not expect, as of now, the failure to implement said plan;

2. Negotiations have been started with major financial institutions in order to gain increased access to the no-recourse factoring mechanism for the credits related to some major clients active in the B2B segment, in addition to the current level;
3. As described in Note 18 to the Consolidated Financial Statement, on 5 February 2020, the Group challenged the adequacy of the debt owed to Vertice 360, recorded in the financial statements among the "Other current liabilities" item for an overall amount of € 2.8 million. Directors, backed by the opinion of an independent expert, believe it reasonable to hypothesise a resistance to any payment request that may be brought up during 2020, notwithstanding the assessment of the amount to be paid to Vertice 360, currently recorded at nominal value;
4. As at the date of this document, no injunction and/or specific reimbursement requests on behalf of any supplier are recorded, with the exception of an injunction for € 494,000 received within the consolidated company Ibox S.r.l. by a supplier who revoked the ongoing agreement, for which the accounting exposes the whole debt owed to it; for this injunction, the Company has filed a statement of opposition;
5. EBB Export S.r.l, subscriber of the debenture bond, has already granted the waiver of the measurement of the financial covenants on 2019 deadlines (i.e. 30 June 2019 and 31 December 2019); more specifically, on 11 March 2020, the bondholder approved the request of the company, presented on 14 February 2020, to allow, by way of derogation form the regulation of the bond, the suspension of the application of the thresholds of the leverage ratio financial parameter and of the gearing ratio financial parameter, only with regard to the Test Date of 31 December 2019, with retroactive effect. For the purpose of said suspension, EBB Export S.r.l., the bondholder, received from Meridiana Holding S.r.l., majority shareholder of Giglio Group, an indemnity and guarantee deed in its name for an amount of up to € 1 million. Moreover, if, on the first test data following the subscription (i.e. 30 June 2020), the Issuer shall not respect the financial commitments set forth in the bond regulation, Meridiana Holding S.r.l. shall undertake either to intervene directly in order to integrate permanently the assets of the issuer through a transaction on the capital, or to facilitate the recapitalisation on behalf of third parties, for the purpose of bringing the financial parameters back within the limits set froth in the bond regulation within 31 December 2020.

6. Shareholder Meridiana Holding S.r.l. granted a credit line of USD 5 million and a guarantee of € 1 million, for which full use has been provided over the course of 2020; the credit line has already been used for about USD 2 million as at the date of this document.
7. With regard to the aforementioned risk connected to the COVID-19 epidemic, the company has been actively working to obtain any economic or financial benefit in order to obtain additional liquidity beside its cash plan, in order to face any criticality that should arise as a consequence of said epidemic; on the other hand, the fashion sector, due to the simultaneous closure of the brands' stores, can reserve to the Group interesting opportunities by using its unique distribution platform on the national territory for the purpose of facilitating the disposal of the stock that is currently being strongly accumulated with the producers.

The Directors, albeit in the presence of the aforementioned uncertainties, are confident that the results provided for in the Plan shall be met, and believe that there is a reasonable expectation that the Group and its Parent Company can rely on adequate resources for continuing their activities for at least 12 months from the date of approval of the financial statements, and have thus drafted the latter in application of the assumption of the existence of the going concern.

38. Allocation Proposal

The Board of Directors of Giglio Group S.p.A., with regard to the € 8,902,418 loss, proposes to write-off said loss by allocating the reserves that, net of the results carried forward from the previous financial year, amount to € 9,022,201.

Certification of the financial statement in accordance with Art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and following amendments and integrations, as well as with 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 fiscal year financial statements in the period between 1 January and 31 December 2019.

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

- The assessment of the adequacy and effective application of the administrative and accounting procedures has been carried out in a context of structural change, given that, on the one hand, the divestment of the Media Area is taking place and, on the other hand, the Company is focusing on the e-commerce area, also through the acquisition of an operator already present on the market. Hence, the review had to take into account the ongoing changes in the structure and activities of the Company;

- The adequacy of the administrative and accounting procedures for the drafting of the statutory financial statement at 31 December 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 remediation plan adopted by the Company for the purpose of updating/adjusting some corporate procedures and the administrative and managerial reporting system has been carried out throughout the Fiscal Year 2019. With regard to the corrective actions provided for in the action plan, the Company has finalised the implementation of the administrative/accounting and management reporting system. The update of the procedures set forth in Law 262/2005 is ongoing.

- Pending the complete implementation of the aforementioned plan, compensating control procedures have been established, by virtue of which no economic-equity impacts were identified on the declarations made in the statutory financial statement at 31 December 2019.

3. Furthermore, it is noted that:

3.1 the consolidated financial statements at 31 December 2019:
   - Were prepared in accordance with international accounting standards, recognised in the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and Council, of 19 July 2002;
   - Correspond to the underlying accounting documents and records;

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

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

30 March 2020

The Chief Executive Officer
Alessandro Giglio

The Financial Reporting Officer
Carlo Micchi

Giglio Group S.p.A.

Financial statements as at December 31, 2019

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

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Giglio Group S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

We draw attention to note 37 "Valuation of going concern" to the financial statements for the year ended 31 December 2019, which describes the evaluation performed by the directors on the going concern basis in preparing the financial statements and the main assumptions made in estimating the forecasted cash flows for fiscal year 2020, taking into account the Company's obligations.
As discussed by the directors, the occurrence of certain events considered in their assumptions is not completely under the Company's control and the partial occurrence of certain events, individually and / or in the aggregate, may cast doubts upon the entity's ability to continue as a going concern.
In particular the directors believe reasonable, across such assumptions, the achievement of economic and financial results forecasted in the Plan 2020-2024, as well as the expectation that the Company can rely on adequate resources for continuing their activities for at least 12 months since the date of the approval of the financial statements, which have been prepared on a going concern basis.
Our opinion is not qualified in respect of this matter.

Key Audit Matters

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

We identified the following key audit matters:

Key Audit Matter	Audit Response
Evaluation of Going Concern	
For the year ended 31 December 2019 the Company incurred net losses of Euro 8,9 million. Equity and net financial position as at 31 December 2019 amount to Euro 3,8 million and Euro 20 million, respectively. The Business Plan 2020-2024 (hereinafter the "Plan") approved by the Board of Directors on March 10, 2020 includes the main assumptions used by management on the going concern basis assessment when preparing the financial statements, as well as the means and the timing to meet the Company obligations assumed in the Plan. In consideration of the judgment involved in forecasting activities and their potential implications on the determination of the going concern basis of accounting, we have determined that this area represents a key audit matter. The note 37 "Valuation of Going Concern" of the financial statements, discusses the results achieved in the current fiscal year and the actions undertaken by the directors in order to achieve the financial results required to meet the company obligations as assumed in the Plan.	Our audit procedures in response to this key audit matter included, among others: • assessment of the circumstances that led to the comprehensive loss realized in the year; • discussion with management on the variances between the financial forecasts included in the previous business plan and those achieved in fiscal year 2019; • understanding of the elements and the evaluation performed by the directors on the uncertainties assumed in, the going concern basis of accounting; • assessment of the key judgmental assumptions underlying the Plan approved by the Board of Directors on March 10, 2020, with respect to the forecasted cash flows for fiscal year 2020; • written representations obtained from the directors related to future action plans and their feasibility. Lastly, we assessed the adequacy of the disclosures included in the directors' report in relation to the key audit matter.

Key Audit Matter	Audit Response
Valuation of Investments As at 31 December 2019 the investments balance amount to Euro 13,6 million. The processes and methodologies for assessing and determining the recoverable amount of the investments, are based on assumptions, sometimes complex, that by their nature are based on the directors' judgment, in particular with reference to the forecast of future cash flows of the subsidiaries, relating to both the 2020-2024 period covered by the Company's strategic plan (hereinafter the "Plan"), and the determination of the normalized cash flows underlying the estimate of the terminal value, as well as to the determination of long-term growth and discount rates applied to the forecasted cash flows. In consideration of the judgment required and the complexity of the assumptions used in the estimate of the recoverable amount of investments, we have determined that this area represents a key audit matter. The Company provides disclosures on the recoverability of investments in note 4 "Investments" the financial statements.	Our audit procedures in response to this key audit matter included, among others: • assessment of the Company's process for assessing the recoverability of the investments; • assessment of the key assumptions underlying the forecasted future cash flows, taking into account forecasted assumptions from external sector sources; • assessment of the consistency of the forecasted future cash flows, and the determination of long-term growth rates and discount rates. In performing our audit procedures we also engaged our internal experts in valuation techniques, who performed independent calculation and sensitivity analyses on key assumptions in order to determine any changes in assumptions that could significantly impact the valuation of recoverable amount. Lastly, we assessed the adequacy of the disclosures in the notes to the financial statements in relation to this key audit matter.

Key Audit Matter	Audit Response
Valuation of Goodwill As at December 31, 2019 goodwill balance amounts to Euro 4,1 million. The Company performed an impairment test of the Cash Generating Unit (CGU) to which the goodwill is allocated. The processes and methodologies for assessing and determining the recoverable amount of the identified CGU, in terms of value in use, are based on assumptions, sometimes complex, that by their nature are based on the directors' judgment, in particular with reference to the forecast of future cash flows, relating to both the 2020-2024 period covered by the Company's	Our audit procedures in response to this key audit matter included, among others: • assessment of the Company's procedure for the assessment of the recoverability of goodwill; • assessment of the appropriateness of the CGU identified; • assessment of the key assumptions underlying the forecasted future cash flows, taking into account forecasted assumptions from external sector sources;

strategic plan (hereinafter the "Plan"), and the determination of the normalized cash flows underlying the estimate of the terminal value, as well as to the determination of long-term growth and discount rates applied to the forecasted cash flows.

In consideration of the judgment required and the complexity of the assumptions used in the estimate of the recoverable amount of goodwill, we have determined that this area represents a key audit matter.

The Company provides disclosures on the recoverability of goodwill, and the related assumptions and sensitivity analyses, in note 3 "Goodwill" and in note "Discretional valuation and significant accounting estimates" to the financial statements.

- assessment of the consistency of the forecasted future cash flows, and the determination of long-term growth rates and discount rates.

In performing our audit procedures we also engaged our internal experts in valuation techniques, who performed independent calculation and sensitivity analyses on key assumptions in order to determine any changes in assumptions that could significantly impact the valuation of recoverable amount.

Lastly, we assessed the adequacy of the disclosures provided in the notes to the financial statements in relation to this key audit matter.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Giglio Group S.p.A., in the general meeting held on December 1, 2017 , engaged us to perform the audits of the financial statements for each of the years after the effective translisting on the MTA Market ending December 31, 2018 to December 31, 2026.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

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

The Directors of Giglio Group S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Giglio Group S.p.A. as at December 31, 2019, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Giglio Group S.p.A. as at December 31, 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Giglio Group S.p.A. as at December 31, 2019 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, March 30, 2020

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

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