giglio

GROUP S.p.A.

Interim Condensed Consolidated Financial Statements as of 30 June 2020

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Interim Directors' Report

of the Condensed Consolidated Interim Financial

Statements as of 30 June 2020

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	Board Member
Giorgio Mosci	Independent Member
Silvia Olivotto	Independent Member
Francesco Gesualdi	Independent Member

Board of Statutory Auditors

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

Internal Control, Risk and Related-Parties Committee

Silvia Olivotto	Chairwoman
Giorgio Mosci	Member
Francesco Gesualdi	Member

Appointment and Remuneration Committee

Giorgio Mosci	Chairman
Silvia Olivotto	Member
Francesco Gesualdi	Member

Independent Auditor

EY S.p.A.

1. Introduction

Giglio Group is engaged in the e-commerce industry of high-end fashion, design and food products, and is now expanding also its commercial offer to the healthcare products' sector. The Group's mission is to make available to its digital users worldwide an increasing number of brands within the aforementioned categories.

Founded in 2003, the Group is today one of the 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 various industries, mainly with "Made in Italy" brands, covering the whole supply chain, from the creation of e-commerce platforms to storage management on a global scale, up to brands' connection with major digital marketplaces. Indeed, Giglio Group is not only a B2C technology platform for the fashion world, but proposes a broad range of services connecting brands on various digital platforms with consumers across the globe, having also expanded its activities towards the food, design, electronics, DIY and wellness industries.

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

With the beginning of sales in the design segment and with the announcement of the Group's penetration in the food segment, Giglio Group presents 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 platforms can be directly integrated, and are 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.

Particularly in Fashion, 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.
- *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. As of today, it is part of the Group's DNA, boasting the widest possible array of catalogues, a tailored relationship with every client and a direct control on online distribution, from the warehouse to the consumer's doorstep, gathering valuable data on every shopping experience, as well as ensuring significant sales volumes. It is the essential element in the Industrial Plan of major brands, which qualifies the economic sustainability of the brand itself. Moreover, this channel helps accelerating the penetration in new areas, as well as keeping up the sales performance in the most mature markets, where physical sales are dropping significantly.
- *E-Tailers (or Multi-Brand Stores)*. By maintaining the brand's positioning, they amplify online distribution and brand awareness, increasing digital sales and ensuring an easy geographical penetration.

- *Marketplace*. Giglio Group's true know-how is hidden in the innovative strength of its commercial offer for 2020.

  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.

In the first half of 2020, Giglio Group operated for the first time only in the e-commerce business. Moreover, it was the first half-year in which the results of E-Commerce Outsourcing S.r.l. (owner of Terashop's trademark), one of the major suppliers of outsourced e-commerce services, were fully consolidated. Terashop greatly invested in the omni-channel marketing in Italy and its innovative platforms offer both to its brands and its end clients a complete purchase experience. By integrating Giglio Group's and Terashop's platforms, it was possible to expand the Group's activity toward new sectors such as, specifically, GDS, Food and mass retailing, with a chance to apply different business models: online sales with home delivery, products' collection from retail outlets, digital kiosks for in-shop sales, CRM systems, B2B and B2E websites as well as loyalty card systems.

Terashop's purchase allowed for the integration of a customer base active in the reference sector with elevated supported trading volumes, thus creating important economies of scale with immediate savings. Moreover, it allowed for the strengthening of 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;

THE REFERENCE MARKET

According to Bain's study "Luxury Study 2020 Spring Update", following the economic crisis triggered by the COVID-19 pandemic, 2020 is expected to record a drop between 20-35% in the luxury market. It will thus take time to return to the levels reached in 2019, which are expected to be reached again no sooner than 2022-2023. From these years onwards, the market is expected to begin growing again, until reaching an estimated turnover of € 320-330 billion by 2025.

Luxury Goods' Sales Channels

On a global scale, online sales kept increasing, now representing 12% of the whole market, with more and more clients being influenced and supported by digital channels, also for the physical purchases. Indeed, 75% of luxury transactions was influenced by the online channel, and 20-25% of the purchases was digitally supported. Asia confirmed its role as a driver for the online luxury market, coming before Europe and the Americas. Accessories are still the most sold category online, before apparel. Beauty and "Hard Luxury" (jewels and watches) goods recorded a constant increase, too. Among the channels for online luxury sales, brands' websites gained market shares if compared to the websites of e-tailers and retailers. The market of personal luxury goods benefited from a higher online penetration if compared to most luxury segments.

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

Chinese clients represented 90% of the global market's growth in 2019, accounting for 35% of the value of luxury goods sold worldwide. Mainland China was a powerful engine of growth for the luxury industry over the last years, and 2019 was no difference: the market grew by 26% at constant rates, reaching € 30 billion, sustained as it was by government policies and a shift of consumption flows from the outside (e.g. Hong Kong) to the national market.

Over 2020 H1, a phenomenon that is still changing the economic forecasts of whole economy sectors worldwide was being recorded, which in turn is causing a revision of the turnover for the fashion sector, served by Giglio Group. On January 2020, the COVID-19 epidemic started to hatch in China, connected to the so-called Coronavirus, before spreading quickly in many areas of the world, Europe and the USA included. Due to the lockdowns that were enforced in various part of the world and to the shutdown of tourism in all of the main markets worldwide, whole fashion distribution chains suffered significant drops in sales due to the decrease in clients. Nevertheless, the online fashion sector stood strong, while the traditional sales models such as physical shops and malls recorded strong drops in all luxury categories, with Accessories being the most resilient one and Watches the category that suffered the most, mainly due to the lack of online platforms specialised in their sales in a moment where the physical outlets were being shut down. According to Bain's study, the personal luxury goods' market decreased by about 25% in 2020 Q1, and the drop should accelerate in Q2, leading to an overall drop of 20-35% for the whole year.

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.

Particularly in the fashion sector, according to McKinsey & Company's study "The State of Fashion 2020 Coronavirus Update", the $2.5 billion-worth fashion industry will face double-digit losses in 2020, followed by a recessive market and a global panorama that will undergo radical changes. Moreover, the study provides a forecast of the fashion industry 12-18 months after the end of the global pandemic.

- Profit-wise, the industry (apparel and footwear) should record a drop of 27-30% in 2020. As far as the personal luxury goods are concerned (luxury fashion, luxury accessories, luxury watches, luxury jewels and high-end beauty products), a drop of 35-39% is expected.
- Were stores to remain closed for two months, it is estimated that 80% of the fashion companies listed in Europe and North America will face financial difficulties and, as a consequence, a significant number of them will probably go bankrupt over the following 12-18 months.
- Closing the stores and cancelling orders brought about a "domino effect" which led to the loss of millions of jobs in retail stores around the world, forcing brands to cancel their orders and in turn leaving millions of supply markets' workers jobless.

McKinsey's study purports that the interconnection of the sector makes business planning all the more difficult. By way of example, when China began to recover from the COVID-19, outbreaks began to show in Europe and in North America. Moreover, the people working in the supply and low-cost fashion centres of Bangladesh, Cambodia, Ethiopia, Honduras and India were the ones to bear the fuller brunt of the pandemic, given the deeply rooted poverty and the inadequate healthcare systems that characterise the areas.

The so-called "social distancing" stressed more than ever the importance of digital channels, and the various lockdowns turned the digital market into an urgent priority for the whole value chain. Those companies that will not increase nor strengthen their digital capacities in the recovery stage, will surely face serious repercussions in the long term.

Measures taken by the Group during the COVID-19 pandemic

The containment measures adopted worldwide for limiting the spread of COVID-19 -which halted production in different sectors-, the need for PPEs and the restriction on travels all had a significant effect on the Group's results as of 30 June 2020.

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

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

As far as profit is concerned, the Group's measures aimed at: a) converting some of its platforms and logistics lines designed for the fashion sector for the purpose of finding medical masks, thanks to its advanced infrastructure in China; b) developing, following the lockdown of all non-essential physical stores, an online sales strategy aimed at supporting the brands in recovering from the massive losses of turnover caused by the health emergency.

Overall, the B2B e-commerce sector recorded an increase of about € 6 million if compared to the budget, thanks to the Giglio Salute division, which produced € 9.8 million, thus compensating for the traditional B2B division that, due to the temporary orders interruption from many clients both in Europe and in the United States of America, recorded a drop of € 3.7 million if compared to the budget.

The B2C e-commerce sector, on the other hand, bore the full brunt of the temporary shutdown of both production and logistics of some clients due to the pandemic, thus leading to the interruption of their online sales that, in turn, led to a € 1.7 million drop in revenues if compared to the budget.

As far as costs are concerned, the Group's measures aimed at: a) requesting a rental reduction, were possible, and withdrawing from a rental contract for one of the two offices in Milan (Note 2. Right-of-use assets); b) focusing on cost savings; c) using welfare support provisions.

In order to reduce the liquidity risk of the Group, as well as to lower the financial impacts of the pandemic, the Company, in addition to the medium-term loans signed with the Meridiana Group, also started negotiations with some of the major credit institutions in order to make use of the possibility to suspend the payment of the instalments of the outstanding mortgages (so-called moratorium) pursuant to Art. 56 of Legislative Decree 18/2020 ("Heal Italy" decree). Said suspensions were agreed upon by the credit institutions of the month of April 2020 and thus the Company shall benefit, on a cash basis, from minor postponed instalments repayment for about € 1.4 million in 2020. In compliance with the IFRS 9 accounting standard, the so-called "10% test" was carried out on said loans (already recorded according to the amortised cost criteria) in order to assess the materiality or lack thereof of the renegotiation and to identify the resulting accounting effects. Each single test had a positive outcome, hence the liability's derecognition was not necessary.

Future prospects of luxury goods' market

China has begun to walk again on the path to recovery, and its consumers are ready to strengthen their status of main drivers for the sector, representing an expected 50% of the market by 2025. Online luxury sales increased during the crisis, and the online channel may be able to account for 30% of the market by 2025, with continental China accounting for 28% of the luxury market against the 11% of 2019.

Millenials clients (also known as Generation Y, born between 1980 and 1995) proved to be constant buyers of luxury goods. In 2019, they represented 35% of consumption, and they will probably reach 45% of the market by 2025. Nevertheless, it is the even younger Generation Z that will reshape the industry, potentially reaching 40% of luxury goods consumption by 2035, against the current 4%. In 2019, both generations combined contributed to the growth of the market.

The "Gen Z" clients are the new frontier of tomorrow's luxury market, showing behaviours that distinguish them by other generations. Other than representing a growing portion of the luxury consumption in the Asian markets, they also interact with the brands.

Following the COVID-19, consumers are looking for a more discreet and intimate luxury experience. Trends diverge: Chinese consumers are more interested in the style and visibility of the brand, whilst western consumers are opting for more sober and simple products. The number of Chinese consumers who buy products with a strong brand recognition increased by about 14%, thus confirming a pre-COVID-19 trend that showed their preference for eccentricity over traditional values. In the western markets, however, the interest in this kind of products dropped by about 9%, showing that consumers are more interested in a more discreet luxury experience, focused also on the quality of the product. Boston Consulting Group's survey "True-Luxury Global

Consumer Insight" confirmed that the COVID-19 crisis did not leave the high-end market untouched, relaying that 57% of consumers wish to refrain from making significant purchases in the near future. The sentiment surrounding the recovery is cautious with 43% of consumers believing that improvements will not be swift. Chinese people are the only exception, supporting a more optimistic view (77% against 43%).
Retailers, under pressure due to the social distancing and the growth of digital channels, are launching new strategies of experiential involvement called "Clienting 2.0", which ensure that the relationship with the consumer is fuelled seamlessly both in the physical store and online through a digital personalisation. 46% of respondents declared to appreciate such digital personalisation, especially Chinese (76%) and Italian consumers (57%), who have great expectations regarding the level of services granted, assuming that the same standards will be met both online and offline.

Giglio Group sees major market opportunities and seeks to deliver results by tapping immediately into increasing online channel usage, the growing importance of the Millennials and luxury consumer growth in China and the other emerging markets. Suffice it to consider the potential of WeChat channel in China, with which the Group has sealed a deal during 2018. The Company's objective for 2020 and 2021 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.

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 extended the supply of its services also to adjacent business areas, with specific focus on the design, jewellery, food and healthcare 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.

Giglio Group, also in response to the health emergency and its consequences, is increasing its efforts in an attempt to increase the production capacity of its e-commerce platforms in favour of specific categories (e.g. food) in order to meet the exceptional demand increase of these goods through online sales, due to the consumers' difficulty to access physical stores and to the producer's impossibility to restock said stores. In the meanwhile, Giglio Group is currently converting some of its platforms and logistics lines designed for the fashion sector (called Giglio Salute) for the purpose of finding PPEs by using its own e-commerce platforms and its own commercial network in China, thus facilitating the PPE supply. In this sense, the agreements signed with trade associations for the supply of PPEs (KN95 - FFP2 - CE masks) to all of their member companies stand out, thus allowing for their operational continuity. The agreements provide for the supply of surgical masks, sanitizing hand gels and other medical equipment useful for companies on the long-term, and only for the current health emergency. Moreover, Giglio Group signed a framework agreement with one of the biggest pharmaceutical groups in the world, Sinopharm, for the import/export of sanitary products from and to China, thus giving way to its new business line dedicated to the Healthcare industry.

Giglio Group's structure ensures not only the supply, but also the logistics management, the transport and the customs clearing of the products, making it possible to pay for them on delivery.

As of 30 June 2020, PPEs sales volumes amounted to € 9.9 million.

2. Group's Activities and Structure

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

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

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

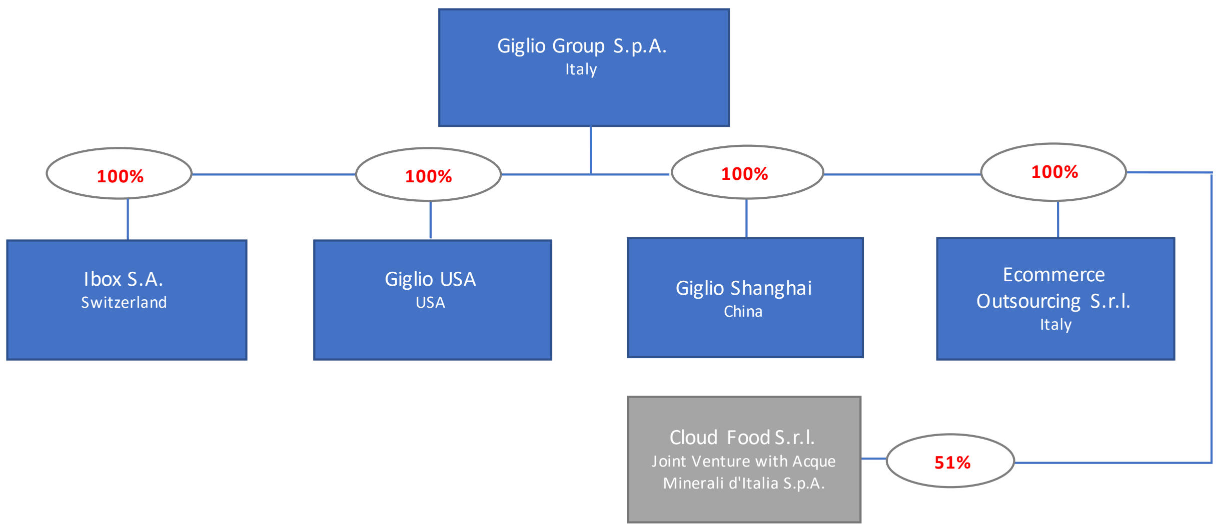
The B2C model, managed by subsidiaries I-box SA and E-Commerce Outsourcing S.r.l., the digital core of the Group, consists in providing digital services for managing the Websites of "Made in

Italy" Fashion mono-brands. It is a unique technological platform capable of managing the mono-brand website, the connection with the marketplaces, the integration with payment systems and logistics. Traded goods belong to the on-season collection of brands, which pay a fee on the sales and with which Giglio Group cooperates in their digital marketing strategy. No specific investment in working capital is needed, and there is no warehouse risk.

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

Within the B2B model, Giglio Group directly manages logistics with the external warehouses, defines resale prices, manages the warehouse with a proved capacity to reduce stocks in a short time and with a high turnover of goods' index. Giglio Group collaborates with client e-commerce platforms on the basis of a defined sales plan which further diminished the risk of unsold items. The difference between brands' payment time, usually at the beginning of the season for stock-booking, and marketplaces collection time, usually 90 days after the end of the season, generates a financial requirement optimised by a careful use of the instruments supporting the working capital.

The Group corporate structure is reported below:



Over the course of 2020 H1, Giglio Group transferred its subsidiary Giglio TV HK Limited -upon acquisition of the subsidiary (already fully-owned) Giglio Shanghai Technology Limited Company by the former-, allowing the Group to ensure its market presence in the Far East and especially in the Chinese one, thanks to the authorisations for Shenzhen's Free Trade Zone held by the Company.

Moreover, on 27 January 2020, Ibox SA wound up the company E-Volve Service USA, which was not operating at the time of the winding-up.

3. Accounting Standards

This Interim Financial Report as of 30 June 2020 was prepared according to the same accounting standards used for the preparation of the Giglio Group 2019 Consolidated Annual Financial Statements.

4. Financial Highlights at 30 June 2020

Alternative performance indicators

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

These alternative performance indicators exclusively concern historical data of the Group and determined in accordance with those established by the Alternative Performance Indicators Orientations issued by ESMA/2015/1415 and adopted by CONSOB with communication No. 92543 of December 3, 2015. These indicators refer to the performance for the accounting period of this Interim Financial Statements 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 Interim Condensed Consolidated Financial Statements 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 liabilities: the sum of available liquidity net of financial payables.

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

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

<u>EBIT</u>: EBIT is the operating result reported in the statement of profit or loss illustrated in the Explanatory Notes.

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

<u>Non-recurring costs</u>: 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.

<u>Consolidated Financial Statements Overview as of 30 June 2020</u>

The main balance sheet figures of the Group as of 30 June 2020 are specified below:

(Euro thousands)	30.06.2020	31.12.2019	Change
Intangible Assets	17,121	17,322	(201)
Property, Plant and Equipment	1,071	3,040	(1,969)
Financial Fixed Assets	633	842	(209)
Total Fixed Assets	**18,825**	**21,204**	**(2,379)**
Inventories	2,398	1,861	537
Trade receivables	10,509	12,179	(1,670)
Trade payables	(14,155)	(20,623)	6,468
Operating/Commercial Working Capital	**(1,248)**	**(6,583)**	**5,335**
Other current assets and liabilities	(3,148)	(3,774)	626
Net Working Capital	**(4,396)**	**(10,357)**	**5,961**
Provisions for risks and charges	(783)	(924)	141
Deferred tax assets and liabilities	694	780	(86)
Net Invested Capital	**14,340**	**10,703**	**3,637**
Total Net Invested Capital	**14,340**	**10,703**	**3,637**
Equity	**1,564**	**1,606**	**(42)**
Net financial liabilities	**(15,904)**	**(12,309)**	**(3,595)**
Total Sources	**(14,340)**	**(10,703)**	**(3,637)**

The Net Invested Capital of the Group at 30 June 2020, equal to € 14.3 million, is principally comprised of Fixed Assets (€ 18.8 million), and of Net Working Capital (€ -4.4 million).

Property, Plant and Equipment (which include also the right-of-use on the existing leasing contracts), equal to € 1.1 million decreased (net of the period's amortisations) mainly following the transfer of the subsidiary Giglio Tv Hong Kong, which held Property, Plant and Equipment worth € 0.8 million. The account mainly refers to the existing investments in capital goods.

Intangible Assets equal to € 17.1 million, are mainly ascribable for € 14.7 million to the goodwill for the acquisition of Giglio Fashion, of the IBOX Group and of E-Commerce Outsourcing S.r.l.. The movement describes (net of the period's amortisations) increases for capitalised development costs borne entirely for the implementation and integration of IT platforms. As far as the acquisition of E-Commerce Outsourcing S.r.l. is concerned, which took place in 2019 Q4, pursuant to IFRS 3, this difference has been attributed temporarily to the goodwill; it is noted that the Group reserved the right to finalise the accounting of said acquisition in the coming 12 months following the purchase.

Financial Fixed Assets, equal to € 0.6 million, can mainly be attributed:

- for € 0.4 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 liabilities (determined in accordance with Consob communication No. DEM/6064293 and illustrated below) at 30 June 2020 and 31 December 2019 is as follows:

	(Euro thousands)	30.06.2020	31.12.2019	Change
A.	Cash	1,996	2,991	(995)
B.	Bank and short-term deposits and cheques	-	-	-
C.	Securities held for trading	3,636	3,523	114
D.	**Cash & cash equivalents (A)+(B)+(C)**	**5,632**	**6,514**	**(881)**
E.	Current financial receivables	480	3,980	(3,500)
F.	Current bank payables	(1,113)	(6,812)	5,699
G.	Current portion of non-current debt	(3,354)	(2,456)	(897)
H.	Other current financial payables	(6,788)	(9,749)	2,961
	of which Related Parties	*(4,423)*	*(400)*	*(4,023)*
I.	**Current financial liabilities (F)+(G)+(H)**	**(11,255)**	**(19,017)**	**7,762**
J.	**Net current financial liabilities (I) + (E) + (D)**	**(5,143)**	**(8,524)**	**3,381**
K.	Non-current bank payables	(4,299)	(607)	(3,692)
L.	Bonds issued	(4,781)	-	(4,781)
M.	Other non-current payables	(1,681)	(3,179)	1,497
	of which Related Parties	*(945)*	*(1,698)*	*753*
N.	**Non-current financial liabilities (K)+(L)+(M)**	**(10,761)**	**(3,786)**	**(6,975)**
O.	**Net financial liabilities (J)+(N)**	**(15,904)**	**(12,309)**	**(3,594)**

The Group net financial liabilities amounts to € -15.9 million, highlighting a deterioration on 31 December 2019 (€ -12.3 million) of € 3.6 million. This change is partly due to the supply of PPE, which began in March, for which Giglio Group paid in advance and, as at the reporting date, was partially paid back from the sales, and partially for the following factors:

increasing for:

• Higher financial liabilities with related parties for € 3.3 million;

• Lesser liquidity for € 0.9 million;

• Collection of Tributary Credit in favour of the VAT office for € 3.5 million; Said credit, which was classified among the Current Financial Receivables of the NFD was collected in January (€ 3.2 million) and February (€ 0.3 million) 2020;

decreasing for:

• Debt repayment to Simest under the exercise of the put option on behalf of Simest itself for the minority quota in Giglio TV for € 1 million;

• Repayment of Q1 instalments, for € 0.9 million, of the minibond issued in 2016;

• Repayment of outstanding instalments in 2020's first three months (€ 0.3 million);

• Minor debts related to the effects of the COVID-19 pandemics and to the repayment of rental fees subject to IFRS 16, for € 1.1 million.

The Company has obtained the possibility to suspend the payment of the instalments of the outstanding mortgages (so-called moratorium) pursuant to Art. 56 of Legislative Decree 18/2020 ("Heal Italy" decree). Said suspensions were agreed upon by the credit institutions of the month of April 2020 and thus the Company shall benefit, on a cash basis, from minor postponed instalments repayment for about € 1.4 million in 2020.

The net financial liabilities recorded at 31 December 2019 amongst its short-term liabilities also the financial liabilities related to the EBB S.r.l. bond. The regulation governing the terms and conditions of said Bond includes also some commitments and limitations borne by the Company, including the financial covenants, which, should they occur, they would entail the loss of the benefit of the term, along with the obligation for the Company to fully reimburse in advance the Bond (the so-called events of major importance).

On 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. Moreover, on 30 June 2020, the bondholder resolved to authorise the suspension of the application of the financial covenants’ thresholds with regard to the test data of 30 June 2020 and 31 December 2020.

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, on 31 December 2019, the bond was classified among the short-term liabilities, in formal execution of the provisions set forth in IAS 1, par. 74. Following the suspension of the application of thresholds for the aforementioned financial covenants, as notified before the end of the fiscal year by the creditor itself, the Financial Report as of 30 June 2020 includes again said financial liabilities among the long-term liabilities.

Consolidated Financial Activity Overview at 30 June 2020

The key consolidated economic highlights are shown below.

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

(Euro thousands)	30.06.2020	30.06.2019	Change
Revenues from contracts with customers	26,255	19,271	6,984
Operating Costs	(21,541)	(16,419)	(5,122)
Gross Margin	**4,714**	**2,852**	**1,862**
Gross Margin %	**18.0%**	**14.8%**	**3.2%**
Payroll expenses	(2,830)	(2,261)	(569)
EBITDA Adjusted	**1,884**	**591**	**1,293**
EBITDA%	**7.2%**	**3.1%**	**4.1%**
Non-recurring costs	0	(995)	995
Amortisation, depreciation & write-downs	(882)	(765)	(117)
EBIT	**1,002**	**(1,169)**	**2,171**
Net financial charges	(643)	(709)	66
PROFIT BEFORE TAXES	**359**	**(1,878)**	**2,237**
Income taxes	(325)	(483)	158
PROFIT FOR THE PERIOD (CONTINUING OPERATIONS)	**34**	**(2,361)**	**2,395**
PROFIT FOR THE PERIOD DISCONTINUED OPERATIONS (adjusted)	**0**	**(768)**	**768**
PROFIT FOR THE PERIOD	**34**	**(3,129)**	**3,163**

EBIT adjusted to non-recurring costs	**1,002**	**(174)**	**1,176**
EBIT adjusted to non-recurring costs %	**3.8%**	**(0.9)%**	**4.7%**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS adjusted to non-recurring costs	**34**	**(1,366)**	**1,400**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS adjusted to non-recurring costs %	**0.1%**	**(7.1)%**	**7.2%**
PROFIT FOR THE PERIOD adjusted to non-recurring costs	**34**	**(2,134)**	**2,168**
PROFIT FOR THE PERIOD adjusted to non-recurring costs %	**0.1%**	**(11.1)%**	**11.2%**

The consolidated revenues, equal to € 26.3 million, grew by € 7.0 million (+36%) if compared to the consolidated figures of the same period for the previous fiscal year (€ 19.3 million). Said increase is mainly ascribable to the B2B e-commerce sector, boosted by the launch of the healthcare sector, as well as by the good performances of the electronics and food sectors.

The total of operating costs accounts for € 21.5 million (€ 16.4 million consolidated figures at 30 June 2019), increasing proportionally to the increase in revenues.

Payroll costs increased by € 0.6 million on the same period of the previous year, due to the combined effect of the acquisition of E-Commerce Outsourcing S.r.l., which took place in 2019 Q3, and of the costs related to the initiation of a corporate reorganisation plan aimed to focus the Media staff on the e-commerce sector.

The EBITDA, equal to € 1.9 million (€ 0.6 million consolidated figures at 30 June 2019 adjusted to non-recurring costs), is growing if compared to the same period of the previous year due to the integration of the newly-purchased E-Commerce Outsourcing S.r.l. and to the implementation of the Giglio Salute division for the supply of PPEs.

The EBIT amounts to € 1.0 million (€ -0.2 million consolidated figures at 2019 Q1 adjusted to non-recurring costs).

The Net Profit amounts to € 0 million (€ -2.3 million consolidated figures of the same period in the previous fiscal year adjusted to non-recurring costs).

5. Segment disclosure

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

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

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

	30 June 2020			
(Euro thousands)	**B2B e-commerce**	**B2C e-commerce**	**Corporate**	**Total**
Revenues from contracts with customers	19,346	6,806	0	26,152
Other revenues	36	47	20	103
Total revenues	**19,382**	**6,853**	**20**	**26,255**
EBITDA Adjusted	**3,736**	**445**	**(2,296)**	**1,884**
EBIT	**3,724**	**(98)**	**(2,625)**	**1,002**
EBT	**3,721**	**(273)**	**(3,089)**	**359**
Profit for the year	**3,701**	**(434)**	**(3,232)**	**34**

Over the course of 2020, in response to the COVID-19 emergency and its consequent lockdowns, the Group immediately diversified its digital strategies, converting part of its e-commerce activities in favour of the distribution of PPE, such as medical masks. This activity, which began in March, was included in the B2B business line, as the Company took its own position in the market. At the same time, minor sales in the B2C digital area were recorded, due to the partial trade standstill for goods such as apparel given the logistics hardships and the decreased consumption of such goods by the general public. The decrease affected all managed brands. On the other hand, the reduced revenues were partially offset by the good performance of the food sector, whose volumes -albeit growing-, are still marginal if compared to the ones generated by the fashion sector.

The table below shows the sectors' results as of 30 June 2019; as highlighted above, the Media sector is represented as sector held for sale within the following discontinued operations.

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

As commented above, we highlight the increased performance in the B2B e-commerce area if compared to the same period of the previous fiscal year.

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 Condensed Consolidated Interim Financial Statements.

6. Business seasonality

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

7. Human resources

The Group workforce totals 85 employees of which 71 in Italy, 12 in Switzerland, 1 in the United States of America and 1 in China.

Pursuant to Legislative Decree no. 18 of 17 March 2020, converted into Law no. 27 of 24 April 2020, the Group benefited from an exceptional Wages Guarantee Fund due to the COVID-19 pandemic. At 30 June 2020, 53 employees of the Group are the subject of the exceptional Wages Guarantee Fund.

Employees hired on temporary contracts are four.

Over the course of 2020 H1, 17 resignations were recorded.

8. Investments

Group investments undertaken in 2020 H1, equal to € 264,000, refer to tangible and intangible fixed assets. As far as the latter are concerned, over the course of 2020, the subsidiary E-Commerce Outsourcing S.r.l. incurred in development costs for its e-commerce platform, which were capitalised, against the negotiation of new brands in the pipeline.

9. Research and development of new products

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

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

In 2020 H1, the subsidiary E-Commerce Outsourcing S.r.l. generated capitalised costs (€ 150,000), inasmuch as they meet the aforementioned requirements:

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

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

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

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

12. Significant events in the first half-year

On 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 SA 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 SA'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. The merger deed was drafted on 3 June 2020 and, 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. Pursuant to Art. 2504-bis, par. 3 of the Italian Civil Code, the transactions of the incorporated Ibox S.r.l. are recorded in the financial statements of the incorporating Giglio Group S.p.A. starting from 1 January 2020. The operation had no effects on the interim consolidated financial statements.

On 27 January 2020, the company E-Volve Service USA was wound-up; the company was not operating at the time of the winding-up.

On 9 March 2020, Giglio purchased the ownership of the minority share of Giglio Tv Hong Kong shareholding, previously owned 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. SIMEST exercised its put option on July 2019.

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.

On 12 March, 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 € 6.6 million and was settled through the offsetting of pre-existing payables..

On 12 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.

On 21 and 24 March respectively, directors Massimo Mancini and Carlo Micchi resigned from their offices of executive directors.

On 2 April 2020, Giglio Group S.p.A. signed a half-year framework agreement with Confindustria for the supply of PPE (KN95 - FFP2 - CE masks included) to all of its member companies. Confindustria's member companies that can benefit from this agreement with Giglio Group are more than 150,000 on the national territory. The agreement is part of the activities of Confindustria's Emergency Management Programme, in collaboration with the Department of Civil Protection, which allows for a quick and safe customs clearing of the incoming medical products from abroad without the risk of products' requisition. As a matter of fact, the agreement provides for the acquisition of PPE without customs clearing problems, even for those companies that do not carry out public service activities.

On 20 April 2020, Giglio Group S.p.A. signed a framework agreement with Sinopharm, one of the most important pharmaceutical groups worldwide, allowing for the import of PPE such as FFP2 & FFP3 medical masks, sanitising gels, gloves, protectives suits and glasses, as well as for the supply of the innovative testing kits for the detection of Covid-19 antibodies, also known as Sars Cov-2 Antibody Assay kits. The Healthcare B2B and B2C platform of Giglio Group shall continue pursuing its activities regardless of the currently ongoing health emergency, offering a wide range of personal care products, which will become more and more sought-after in the near future. The agreement signed with Sinopham provides also for the export to China of pieces of medical equipment and items produced by Italian industries, thus contributing to their capillary distribution in the Asian market. Giglio Group thus launches its own B2C website at www.gigliosalute.it, where single privates, professionals, craft workers and small business will be able to purchase the main PPE.

On 23 April 2020, the Ordinary and Shareholders' Meeting of Giglio Group S.p.A. met under the chairmanship of Alessandro Giglio and in the presence of notary Aurelio Bonacci. The Ordinary Shareholders' Meeting approved the Annual Financial Report at 31 December 2019, in the terms proposed by the Board of Directors. The Civil Financial Statement showed a loss of € 8,902,417.64, 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 € 9,022,201.43.

The Ordinary Shareholders' Meeting approved to reduce the number of members of the Board of Directors from seven to five, with consequent reduction of the overall annual remuneration from € 335,000 to € 295,000.

On 30 April 2020, Mr Massimo Mancini resigned from his office of General Manager, thus terminating his employment relation with the Group.

On 14 May 2020, director Yue Zhao resigned from her office of non-executive director.

On 15 May 2020, Mr Francesco Gesualdi was co-opted as new independent director of the Group.

On 18 May 2020, Giglio Group S.p.A. signed an agreement with Confcommercio for the creation of the portal https://confcommercio.gigliosalute.it and the supply of KN95 - FFP2 valveless medical masks to all of its member companies.

On 30 June 2020, with regard to the "EBB Export Programme" bond, the bondholder resolved to authorise the suspension of the application of the financial covenants' thresholds as far as the test data of 30 June 2020 and 31 December 2020 are concerned.

13. Subsequent events

On 23 July 2020, Alessandro Giglio, the Group's majority shareholder through Meridiana Holding, announced to the Company his will to renounce to part of his operational powers while retaining his position of Chairman, as well as all of the powers related to the strategic management of the Group. In this context, Marco Riccardo Belloni was appointed as the Group's new CEO. In the same date, director Giorgio Mosci resigned from his office of independent director.

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

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

- Rate: 5.4%

- Duration: 6 years
- Grace period: 2 years

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

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

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

On 12 February 2019, the Board of Directors and the Bondholders' Meeting (quorate) approved the amendment of the Regulation of the 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 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 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.

Over the course of 2019, the Parent Company Giglio Group S.p.A. issued a non-convertible bond of € 5 million in principal, made up of 50 bearer bonds with a denomination per unit of € 100,000.00 each.

The issue of the non-convertible Bond took place in the context of the operation “EBB Export Programme", aimed at the retrieval of financial resources by selected Companies for funding and supporting the internationalisation projects of their core businesses.

The main characteristics of the Bond are:

- Aggregate principal amount: equal to € 5 million;
- Subscribers: the Bond was fully subscribed by the SPV;
- Listing: the Bonds shall not be listed on any regulated market nor on any MTF;
- Terms of issue: the Bonds shall be issued in a single tranche;
- Form: the Bonds are bearer bonds issued in book-entry form and centralised at Monte Titoli S.p.A.;
- Issuance Price: the issuance price equals to 100% of the nominal value of the Obligations; - Bonds' minimum value: the minimum value of each Bond amounts to € 100,000;
- Custody and settlement: in case of subsequent negotiation, transfer shall be subscribed only to qualified investors, as per Art. 100 of Legislative Decree no. 58/1998 and Art. 34-ter, par. 1, letter b), of CONSOB Regulation no. 11971/1999, as amended and integrated;
- Interests: the Bond shall bear interest at the fixed nominal gross annual rate of 4.572%, to be paid with a semi-annual coupon postponed until the expiration of the Bond (or, if earlier, until the date in which Bonds shall be fully redeemed).
- Legal duration and expiration: the Bonds shall have a legal duration of 8 years and 6 months and the expiration date is set at the last interests' payment date of 2027;
- Reimbursement: without prejudice to anticipated reimbursement's hypotheses adoptable by the Company or to the occurrence of specific events provided for in the Bond's regulation, adoptable by Bondholders, the Bonds shall be redeemed at par, i.e. at 100% of their nominal value, pursuant to the amortisation plan set forth in the regulation, with 13 semi-annual capital instalments, with a grace period of 2 years;
- Paying agent, Bonds paying agent and bank agent: the functions of paying agent shall be carried out by Securitisation Services S.p.A. whereas the functions of Bonds paying agent and bank agent shall be carried out by Banca Finanziaria Internazionale S.p.A.;
- Tax regime: the Bonds shall be subject to the tax regime set forth in Legislative Decree no. 239 of 1 April 1996, as amended and integrated;

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

Furthermore, the following credit enhancements were envisaged:

(i) the issue by SACE S.p.A. of an autonomous, first-demand guarantee in favour of the SPV as guarantee of the compliance with the obligations of payment made against the Company's capital and interests deriving from the Bond issued by the same. In the event of non-compliance by the Company with the obligations of payment made against the Company's capital and interests deriving from the Bond, the SPV shall be able to address the non-collection by levying execution on SACE's Guarantee. SACE's Guarantee shall be intended as a public support measure aimed at the development of production activities covered by the counter-guarantee of the Italian State, within the framework of application of Legislative Decree no. 123 of 31 March 1998 ("*Provisions for the optimisation of the public support to the enterprises, as per Art. 4, par. 4, letter c) of Law no. 59 of 15 March 1997*");

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

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

In compliance with market standards, the regulation governing the Bond's terms and conditions includes, other than the aforementioned elements, also (i) some commitments and limitations borne by the Company, including, by way of example but not limited thereto, financial commitments (the so-called financial covenants), as well as disclosure and industrial commitments and (ii) bondholders safeguards in the case of events detrimental to their interests, which shall activate the acceleration clause and thus oblige the Company to fully redeem the Bond in advance (the so-called events of major importance). The industrial commitments mentioned above include the obligation to finalise the internationalisation project, whose content is attached to the Regulation of the Bond. The financial covenants to be respected throughout the life of the Bond are as follows: a) a gearing ratio, and b) a leverage ratio, as defined by the Regulation of the Bond. In particular: (a) the leverage ratio shall not be greater than: (i) 4.5 for 2019 and 2020 and (ii) 3.5 starting from 2021 and until the expiration of the Bond; and (b) the gearing ratio shall not be greater than 2 for the whole duration of the Bond. On 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. Moreover, on 30 June 2020, the bondholder resolved to authorise the suspension of the application of the thresholds for the financial covenants with regard to the Test data of 30.06.2020 and 31.12.2020.

15. Information and Management of Principal Risks and Uncertainties

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

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

Non-financial risks

Among the internal risks we highlight:

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

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

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

Among the external sources we highlight:

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

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

Catastrophic Events: 2020 H1 was characterised by theCOVID-19 pandemic, which peaked between the end of Q1 and the beginning of Q2 and, as of now, is still extremely hard to make reliable forecasts on the future developments in H2, especially over Fall.

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

Financial risks

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

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

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

Currency risk

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

As of 30 June 2020, the Company has an outstanding debt of USD 5.9 million in favour of AZO Asia Limited, a company fully-owned by Meridiana Holding S.r.l., disbursed to the parent company Giglio Group S.p.A. and aimed at facing the Group's financial commitments.

Credit risk

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

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

Liquidity risk

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

16. Significant shareholders and shares of the Issuer

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

- 52.68% of shares held by Meridiana Holding S.r.l. (company held 99% by Alessandro Giglio and 1% by his wife Ms. Yue Zhao);

Milan, 10 September 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

Interim Condensed Consolidated Financial Statements as of 30 June 2020

FINANCIAL STATEMENTS

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

Condensed Consolidated Statement of Financial Position

Condensed Consolidated Statement of Financial Position (Euro thousands)		30.06.2020	31.12.2019
Non-current assets			
Property, plant & equipment	(1)	295	1,137
Right-of-use assets	(2)	776	1,903
Intangible assets	(3)	2,321	2,522
Goodwill	(4)	14,800	14,800
Investments in joint ventures	(5)	8	7
Receivables	(6)	625	835
Deferred tax assets	(7)	718	783
Total non-current assets		**19,543**	**21,987**
Current assets			
Inventories	(8)	2,398	1,861
Trade receivables	(9)	10,509	12,179
Financial receivables	(10)	3,636	3,523
Tax receivables	(11)	1,660	6,367
Other assets	(12)	2,411	2,220
Cash and cash equivalents	(13)	1,996	2,991
Total current assets		**22,610**	**29,141**
Total Assets		**42,153**	**51,128**
Equity	(14)		
Issued capital		3,661	3,661
Reserves		16,809	16,712
Listing fees		(541)	(541)
FTA Reserve		4	4
Retained earnings		(21,534)	(5,650)
Foreign Currency Translation reserves		5	4
Net profit		34	(15,796)
Total Group Equity		**(1,562)**	**(1,606)**
Minority interest in equity		-	-
Total Equity		**(1,562)**	**(1,606)**
Non-current liabilities			
Provisions for risks and charges	(15)	116	211
Post-employment benefit funds	(16)	667	713
Deferred tax liabilities	(17)	24	3
Financial liabilities	(18)	10,761	3,786
Total non-current liabilities		**11,568**	**4,713**
Current liabilities			
Trade payables	(19)	14,155	20,623
Financial payables	(18)	11,255	19,017
Tax payables	(20)	2,740	4,108
Other liabilities	(21)	3,997	4,273
Total current liabilities		**32,147**	**48,021**
Total Equity and liabilities		**42,153**	**51,128**

Condensed Consolidated Statement of Profit or Loss

Condensed Consolidated Statement of Profit or Loss (Euro thousands)		30.06.2020	30.06.2019
Total revenues from contracts with customers	(22)	**25,807**	**17,847**
Other revenues	(22)	298	712
Capitalised costs	(23)	150	713
Change in inventories		532	(1,378)
Purchase of raw materials, ancillary, consumables and goods	(24)	*(15,237)*	*(7,268)*
Service costs	(25)	*(6,384)*	*(8,359)*
Rent, lease and similar costs	(26)	*(104)*	*(88)*
Operating costs		**(21,725)**	**(15,715)**
Salaries and wages	(27)	*(2,206)*	*(1,793)*
Social security charges	(27)	*(524)*	*(384)*
Post-employment benefits	(27)	*(100)*	*(84)*
Payroll expenses		**(2,830)**	**(2,261)**
Amortisation	(28)	*(419)*	*(135)*
Depreciation	(28)	*(463)*	*(647)*
Write-downs	(28)	*0*	*17*
Amortisation, depreciation & write-downs		**(882)**	**(765)**
Other operating costs	(29)	*(348)*	*(321)*
Operating profit		**1,002**	**(1,168)**
Financial income	(30)	*225*	*6*
Net financial charges	(30)	*(868)*	*(715)*
Profit before taxes		**359**	**(1,877)**
Income taxes	(31)	*(325)*	*(483)*
Profit for the year (continuing operations)		**34**	**(2,360)**
Profit for the year (discontinued operations)		**0**	**(768)**
Profit for the year		**34**	**(3,128)**
Of which minority interest		**-**	**-**
Basic and diluted profit from continuing operations		**0.0021**	**(0.1471)**
Basic and diluted profit from discontinued operations		**0.0000**	**(0.0479)**
Profit per share – basic and diluted		**0.0039**	**(0.1982)**

Condensed Consolidated Statement of Comprehensive Income

Condensed Consolidated Statement of Comprehensive Income (Euro thousands)		30.06.2020	30.06.2019
Profit for the year		34	(3,128)
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		1	2
Net other comprehensive income that may be reclassified to profit/(loss) in subsequent periods (net of tax)		**1**	**2**
Other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods (net of tax)			
Actuarial loss on employee benefits obligations	(16)	28	(52)
Net comprehensive income that will not be reclassified to profit/(loss) in subsequent periods (net of tax)		**28**	**(52)**
Total Comprehensive Income for the year		**62**	**(3,179)**

Condensed Consolidated Statement of Changes in Equity

Description *(Euro thousands)*	Issued capital	Reserves	FTA Reserve	Foreign Currency Translation reserves	IAS 19 Reserve	Retained earnings	Net profit	Total
Balance at 31 December 2018	**3,208**	**10,914**	**4**	**-**	**(55)**	**2,602**	**(8,264)**	**8,409**
Effect of 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	-							-
Share premium reserve		-						-
Retained earnings						(8,264)	8,264	-
IAS 19 Reserve					(52)			(52)
Exchange rate effect				1				1
Other changes	-	-				-		-
Group profit/(loss)							(3,128)	(3,128)
Balance at 30 June 2019	**3,208**	**10,914**	**4**	**1**	**(107)**	**(5,727)**	**(3,128)**	**5,165**

Description *(Euro thousands)*	Issued capital	Reserves	FTA Reserve	Foreign Currency Translation reserves	IAS 19 Reserve	Retained earnings	Net profit	Total
Balance at 31 December 2019	**3,661**	**16,275**	**4**	**4**	**(35)**	**(5,719)**	**(15,796)**	**(1,606)**
shareholders contributions to the corporate funds (or assets)		600						600
Retained earnings						(15,796)	15,796	-
IAS 19 Reserve					28			28
Exchange rate effect				1				1
Giglio TV HK deconsolidation and Evolve USA liquidation						(19)		(19)
Group profit/(loss)							34	34
Balance at 30 June 2020	**3,661**	**16,275**	**4**	**5**	**(7)**	**(21,534)**	**34**	**(1,562)**

(1) See Note 14. Equity

Condensed Consolidated Statement of Cash Flows

Euro thousands		30.06.2020	30.06.2019
Cash flows from operating activities			
Net profit from continuing operations		34	(2,360)
Net profit from discontinued operations		-	(768)
Adjustments to reconcile profit before tax to net cash flow:			
Depreciation and impairment of property, plant and equipment	(1)	90	246
Amortisation of right-of-use assets	(2)	373	
Amortisation and impairment of intangible assets	(3)	419	135
Non-cash changes of provisions		(141)	(99)
Write-downs/(Revaluations)	(28)	-	(17)
Net foreign exchange differences	(30)	756	709
Income taxes	(31)	325	483
Changes in:			
Inventories	(8)	(536)	1,525
Trade receivables	(9)	1,471	1,116
Tax receivables	(11)	4,707	1,379
Current financial receivables	(10)	(114)	-
Other assets	(12)	(188)	427
Deferred tax liabilities	(17)	20	(1)
Trade payables	(19)	(6,468)	(3,288)
Tax payables	(20)	(1,059)	(243)
Right-of-use assets	(2)	755	-
IFRS16 financial payables	(18)	(1,131)	-
Other liabilities	(21)	(274)	125
Change in net working capital		**(2,817)**	**1,040**
Changes in assets/liabilities held for sale/Discontinued operations		-	278
Cash flow generated from operating activities		**(961)**	**(353)**
Interest paid	(30)	-	(530)
Net cash flow generated from operating activities		**(961)**	**(883)**
Cash flows from investing activities			
Investments in property, plant & equipment	(1)	(4)	(22)
Investments in intangible assets	(2)	(260)	(1,231)
Acquisition of E-Commerce Outsourcing net of cash acquired		-	-
Changes in other intangible assets	(6);(7)	276	642
Increase in investments in joint ventures	(5)	(1)	-
Net cash flow used in investing activities		**11**	**(611)**
Cash flow from financing activities			
Change in Shareholders' Equity		7	(115)
New financing	(18)	2,060	6,238
Repayment of loans	(18)	(1,209)	(4,507)
Change in financial liabilities	(18)	(903)	(2,374)
Net cash flow used in financing activities		**(45)**	**758**
Net increase/(decrease) in cash and cash equivalents		**(995)**	**(2,252)**
Cash and cash equivalents at 1 January		2,991	2,889
Cash and cash equivalents at 30 June		1,996	2,558

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

A. Corporate information

Publication of the condensed consolidated financial statements of Giglio Group S.p.A. (the Company) at 30 June 2020 was approved by the Board of Directors on 10 September 2020.

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

The activities of the company and its subsidiaries are described in these Explanatory Notes while the Group's structure is outlined in the Directors' Report. The information on transactions of the Group with the other related parties are presented in Note 35.

B. Accounting standards

The Interim Condensed Consolidated Financial Statements of Giglio Group S.p.A at 30 June 2020 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 Interim Condensed Consolidated Financial Statements at 30 June 2020 comprise the statement of profit or loss and comprehensive income, the statement of financial position, the statement of cash flow the statement of changes in equity (all stated in Euro thousands) and these explanatory notes.

They were prepared in accordance with IAS 34 Interim Reporting, as established also by Article 154-ter of the Consolidated Finance Act (Legislative Decree No. 58/1998) and should be read together with the Giglio Group 31 December 2019 Annual Consolidated Financial Statements ("latest financial statements"). Although not presenting all the information required for complete financial statement disclosure, specific explanatory notes are included outlining the events and transactions central to understanding the changes to the statement of financial position and the Giglio Group's performance since the last financial statements.

The Interim Condensed Consolidated Financial Statements are presented in Euro and all the amounts are rounded to the nearest thousandth, unless otherwise specified.

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

The Interim Condensed Consolidated Financial Statements provide comparative figures from the previous year.

The consolidation principles, the accounting policies and the measurement estimates and criteria adopted to prepare the condensed consolidated financial statements are in line with those used to prepare the consolidated annual financial report at 31 December 2019, except where specified below.

The Interim Condensed 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 (Note 40). 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 Interim Condensed Consolidated Financial Statements are comprised of the Statement of Financial Position, the Statement of Profit or Loss and Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and the Explanatory Notes.

In particular:

- in the Statement of Financial Position, the current and non-current assets and liabilities are shown separately;
- in the Statement of Comprehensive Income, the analysis of the costs is based on their nature;
- for the Statement of Cash Flows, the indirect method is used.

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

An asset is considered current where:

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

All other assets are classified as non-current.

A liability is considered current where:

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

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

D. Discretional valuations and significant accounting estimates

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

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

The principal data subject to estimates refer to:

- Identification of Cash Generating Unit (CGU); In application of the requirements in "IAS 36 - Impairment of assets", the goodwill recorded in the Group's Consolidated Financial Statement, by virtue of business combination transactions, was assigned to single CGUs or to groups of CGUs that are expected to benefit from this combination. A CGU is the smallest identifiable group of assets that generates a largely independent cash flow. In the process of identification of the aforementioned CGUs, the management kept note of the specific nature of the activity and the business to which it belongs, verifying that the cash flows generated by a group of activities were strictly independent and largely autonomous from the ones resulting from other activities (or group of activities). The activities included in every CGU were identified also on the basis of the procedures by which the management monitors and manages them, also through the at-least annual assessment of the presence of impairment indicators on each CGU, pursuant to par. 12 of IAS 36.
- Provision for inventory write-down of raw materials and accessories and inventories of finished products; Since the Group deals with products that are influenced by market trends and fashion, product inventories may be subject to impairment. In particular, the provision for inventory write-down of finished products reflects management's estimate on the impairment losses expected on the products of various seasonal collections in stock, taking into account the ability to sell them through the various distribution channels in which the Group operates. Indicatively, write-down assumptions provide for devaluation percentages that increase according to the ageing of the products purchased (it should be noted that the Group deals with both in-season and off-season collections and distributes them among the most important digital retailers in the world) in such a way as to reflect the decrease in selling prices and the reduction in the probability of their sale over time. Underpinning the calculation of this percentage is a statistical analysis on the variation of the ageing product in stock and a constancy assessment of the percentages in use over time. If a change in available information is noted, percentages are re-analysed and possibly adjusted.
- Provision for doubtful accounts:

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

The recoverability analysis of trade receivables is undertaken on the basis of the so-called expected credit loss model, as described below.

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

- <u>Payments based on shares or options:</u>

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

It is noted that, on 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 with regard to the past fiscal year. The Group does not expect to meet the objectives for the current fiscal year either due to the effects of the COVID-19 pandemic.

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

It is 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 intangible fixed assets are tested annually for permanent write-downs when there are indications that the carrying amount may not be recovered. When the calculations of the value in use are prepared, Directors must estimate the cash flows expected from the asset or from the cash-generating units and choose an appropriate discount rate so as to calculate the present value of these cash flows. The correct identification of the indicators of the existence of a potential reduction in value as well as the estimates for their determination depends on factors which may vary over time impact upon the valuations and estimates made by the Directors. The COVID-19 pandemic and the subsequent demand contraption caused a degrade of the macroeconomic scenario, which impacted significantly the performances of traditional divisions in 2020 H1, and especially of the B2C sector; this drop represented an impairment indicator as of 30 June 2020. Hence, also in the light of recent recommendations by CONSOB and ESMA, the Company's management considered it appropriate to prepare impairment tests also for the Interim Condensed Consolidated Financial Statements as of 30 June 2020.

- 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.

- Revenues from contracts with clients:

With regard to the sales of the Giglio Salute division (PPEs), the currently ongoing process of goods procurements and resale to clients in Italy entails that the Company shall assume the inventories risks. As a matter of fact, there is no clear coincidence in time and quantities over the acquisition and consequent sale that may determine a revenues' recognition as agent, as per IFRS 15.

E. Management of capital and financial risks

Financial risk objectives and criteria

Group financial liabilities include loans and bank loans, loans from related parties, trade payables 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 30/06/2020, the value of a single share amounts to € 0.0032. At the reporting date, the fair value of the listed shares amounts to € 3,636,000.

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. As of 30 June 2020, the Company has an outstanding debt of USD 5.9 million in favour of AZO Asia Limited, a company fully-owned by Meridiana Holding S.r.l.. See Note 35. Transactions with subsidiaries and related parties for more information on the transaction. At the reporting date, the USD is in a waning phase, but the Company is planning to take action in order to obtain coverage for future repayments.

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 statement of profit or loss and comprehensive income 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. For more information, see Note 18.

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 doubtful debt provision has been determined with the expected credit losses' method (hereinafter referred to as the ECL).

The ageing of the gross trade receivables at 30 June 2020 and 31 December 2019 is shown below:

(Euro thousands)	**Year ended at 30 June 2020**	**%**	**Year ended at 31 December 2019**	**%**
> 120 days	1,535	*15.4 %*	1,014	*12.0 %*
90<> 120 days	*703*	*7.0 %*	*440*	*5.2 %*
60<> 90 days	*526*	*5.3 %*	*374*	*4.4 %*
30<> 60 days	*679*	*6.8 %*	*450*	*5.3 %*
0<> 30 days	*1,503*	*15.0 %*	*909*	*10.7 %*
Total overdue	***4,946***	***49.5 %***	***3,187***	***37.6 %***
Not overdue	*5,050*	*50.5 %*	*5,280*	*62.4 %*
Total gross receivables	**9,995**	***100.0 %***	**8,468**	***100.0 %***
Provision for doubtful accounts	*(1,441)*		*(1,441)*	
Inc. provision on overdue 120 days	*(93.9)%*		*(142.1)%*	
Total	**8,554**		**7,027**	

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

(Euro thousands)	**Year ended at 30 June 2020**	**%**	**Year ended at 31 December 2019**	**%**
Europe	9,087	*90.9 %*	7,631	*90.1 %*

Asia	*208*	*2.1 %*	*93*	*1.1 %*
USA	*668*	*6.7 %*	*719*	*8.5 %*
Rest of the world	*33*	*0.3 %*	*25*	*0.3 %*
Total gross receivables	**9,995**	***100.0 %***	**8,468**	***100.0 %***
Provision for doubtful accounts	*(1,441)*		*(1,441)*	
Total	**8,554**		**7,027**	

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

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

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

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

Liquidity risk

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

At 30 June 2020 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	20	1,002	839	20	-	1,070	859
Banca Popolare di Sondrio	150	150	40	40	-	-	190	190
UNICREDIT	-	-	-	-	50	48	50	48
BNL	-	-	-	-	50	49	50	49
IFITALIA Factoring - BNL	5,950	2,871	-	-	-	-	5,950	2,871
IFIS	100	26	-	-	-	-	100	26
BANCA INTESA HONG KONG	-	-	200	200	-	-	200	200
Total	**6,248**	**3,067**	**1,242**	**1,079**	**120**	**97**	**7,610**	**4,243**

Reference should also be made to the table in paragraph 18 (Current and non-current financial payables) and to the Explanatory Notes' paragraph pursuant to Art. 2428, par. 3, no. 6-bis of the Italian Civil Code as far as covenants are concerned.

Capital management

For the purposes of the Group's capital management, it has been defined that the capital includes the issued share capital, the share premium reserve and all other share reserve attributable to the Parent Company's shareholders. 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 40, "Valuation of Going Concern".

ACCOUNTING POLICIES AND ASSESSMENT CRITERIA

Consolidation principles

The consolidated financial statements include the financial statements of Giglio Group S.p.A and its subsidiaries at 30 June 2020. 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 equity.

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

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

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

Business combinations and goodwill

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

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

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

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

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

Consolidation scope

Information on subsidiaries:

The consolidated financial statements of the Group include:

Consolidation scope

Giglio Group S.p.A.	Italy	**Parent company**	
E-Commerce Outsourcing S.r.l.	Italy	**Subsidiary**	100%
Giglio USA	USA	**Subsidiary**	100%
IBOX SA	Switzerland	**Subsidiary**	100%
Giglio (Shanghai) Technology Company Limited	China	**Subsidiary**	100%

Companies consolidated under the line-by-line method:

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

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

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

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

E-Commerce Outsourcing S.r.l.

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

Share capital: € 37,500

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

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) Technology Limited Company

Registered office: Shanghai International Finance Center

Century Avenue 8

Room 874, Level 8, Tower II

Shanghai, 200120

Share Capital € 40,000

IBOX SA

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

Share capital: CHF 1,882,000

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

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

Translation of financial statements in currencies other than the presentation currency

Translation of accounts in foreign currencies

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

Transactions and balances

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

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

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

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

Group companies

At the reporting date, the assets and liabilities of the Group companies are translated into Euro at the exchange rate at that date, while revenues and costs included in the comprehensive 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 statement of profit or loss and comprehensive income.

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

Fair value measurement

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

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

► in the principal market of the asset or liability;

or

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

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

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

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

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

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

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

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

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

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

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

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

Accounting principles

Except for that stated above, these Interim Condensed Consolidated Financial Statements were prepared according to the same accounting standards used for the preparation of the Giglio Group 2019 Consolidated Annual Financial Statements.

New accounting standards, amendments and interpretations applied from 1 January 2020

Amendments to IFRS 3: Business definition

IFRS 3 amendments clarify that, in order for an integrated group of activities and assets to be considered a business, they must include at least one input and an underlying process that, together, can contribute significantly in the capacity to create an output. Moreover, it has been clarified that a business can exist without including all of the inputs and the processes required for creating an output. These amendments have had no impact on the Group's consolidated financial statements, but could have an impact on the future fiscal years were the Group to carry out business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest rates' benchmark reform

Amendments to IFRS 9 and IAS 39 financial instruments: Recognition and Assessment provide for a series of devices that can be applied to all hedging relationships that are directly affected by the interest rates' benchmark reform. Hedging relationships are affected if the reform creates uncertainties on the timing and/or extent of the cash flows based on the reference parameters of the hedged item or of the hedging instrument. These amendments have had no impact on the Group's consolidated financial statements as the Group has no interest rates hedging operation currently in force.

Amendments to IAS 1 and IAS 8: Relevance definition

The amendments provide for a new definition of relevance, in which it is stated that a disclosure can be described as relevant if it is reasonable to assume that its omission, misstatement or concealment could change or influence the decisions that the main users of the financial statements drafted for general purposes takes on the basis of said statements, which provide for financial information regarding the specific entity that drafts said statements.

The relevance depends on the nature or extent of the disclosure, or on both. The entity shall assess whether the disclosure, taken on its own or in combination with other disclosures, is relevant in the context of the financial statements (considered as a whole) or not.

The disclosure is to be intended as concealed if it is disclosed in a way that produces a similar effect as that of the omission or misstatement of said disclosure to the main users of the financial statements.

These amendments have had no impact on the Group's consolidated financial statements, nor will they have any impact thereof.

Conceptual Framework for Financial Reporting issued on 29 March 2018

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

The revised version of the Conceptual Framework includes some new concepts, provides for updated definitions and recognition criteria for assets and liabilities, as well as it clarifies some important concepts.

These amendments had no impact on the Group's consolidated financial statements.

Employment data

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

Workforce	30.06.2020	31.12.2019	Change
Executives	2	4	(2)
Managers	12	11	1
White-collar	71	82	(11)
Blue-collar	-	-	-
Others	-	-	-
Total	**85**	**97**	**(12)**

ASSETS

B) Non-current assets

1. Property, plant & equipment

Balance at 30.06.2020 295

Balance at 31.12.2019 1,137

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

Property, plant & equipment	Plant	Equipment	Furniture & fittings	EDP	Others	Total
Change in Acquisition Cost						
31 December 2019	**3,683**	**122**	**429**	**623**	**537**	**5,394**
Additions	-	-	-	1	3	4
Business Combinations	-	-	-	-	-	-
Transfers	(2,506)	-	-	-	-	(2,506)
Exchange differences and Reclassifications	-	-	-	-	36	36
Decreases	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
30 June 2020	**1,177**	**122**	**429**	**624**	**575**	**2,927**
Change in Amortisations						-
31 December 2019	**(2,873)**	**(103)**	**(308)**	**(510)**	**(463)**	**(4,257)**
Depreciations	(19)	(3)	(22)	(30)	(17)	(91)
Business Combinations	-	-	-	-	-	-
Transfers	1,740	-	-	-	-	1,740
Exchange differences and Reclassifications	-	-	-	-	(24)	(24)
Decreases	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
30 June 2020	**(1,151)**	**(106)**	**(331)**	**(540)**	**(503)**	**(2,631)**
Net Book Value 30 June 2020	**26**	**16**	**99**	**84**	**72**	**295**

As of 30 June 2020, net decreases equal to € 842,000 can be recorded, mainly concerning the transfer of subsidiary Giglio TV Hong Kong, which held servers and hardware in its possession.

The company at the reporting date did not identify any impairment indicators relating to the aforementioned tangible fixed assets, which were included in the Net Invested Capital of the goodwill's impairment test at TIER 1.

2. Right-of-use assets

Balance at 30.06.2020 776

Balance at 31.12.2019 1,903

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

Right-of-use assets	Properties	Vehicles	Total
Change in Acquisition Cost			
31 December 2019	**3,734**	**134**	**3,868**
Additions	-	9	9
Exchange differences	(108)	108	-
Decreases	(1,501)	-	(1,501)
30 June 2020	**2,125**	**251**	**2,375**
Change in Amortisations			-
31 December 2019	**(1,893)**	**(71)**	**(1,964)**
Depreciations	(341)	(32)	(373)
Decreases	738	-	738
30 June 2020	**(1,496)**	**(103)**	**(1,599)**
Net Book Value 30 June 2020	**628**	**148**	**776**

The COVID-19 pandemic, which broke out during the course of the fiscal year, allowed for the reduction of rental contracts and for the development of smart-work logics, highlighting the possibility to reduce the size of the Company's offices and to terminate rental contracts. It follows that, as of 30 June 2020, decreases can be recorded concerning the following factors:

- Discounts on the current leases of Milan, Genoa and Rome's offices. Said discounts have been recorded as Lease modification, with consequent right-of-use and financial liabilities alignment.
- Withdrawal from one of the rental contracts of Milan's headquarters, from the contract of Ibox SA's Swiss headquarters and from the one of Giglio USA headquarters. Also in this event, the right-of-use and the financial liabilities were aligned on the basis of the new term.

As of 30 June 2020, no impairment indicators existed, and as such no impairment test was carried out regarding the right-of-use assets.

3. Intangible assets

Balance at 30.06.2020	**2,321**
Balance at 31.12.2019	**2,522**

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

Intangible Assets	Development Costs	Development Activities	Other intangible assets	Total
Change in Acquisition Cost				
31 December 2019	**1,463**	**-**	**5,013**	**6,475**
Reclassification capitalised costs	(1,463)	1,463	-	-
Additions	-	150	111	260
Transfers	-	(30)	(231)	(260)
Exchange differences and Reclassifications	-	83	(119)	(37)
Decreases	-	-	-	-
Disposals	-	-	(289)	(289)
30 June 2020	**-**	**1,665**	**4,485**	**6,150**
Change in Amortisations				
31 December 2019	**-**	**-**	**(3,953)**	**(3,953)**
Depreciations	-	(164)	(255)	(419)
Transfers	-	-	231	231
Exchange differences and Reclassifications	-	(50)	74	24
Decreases	-	-	-	-
Disposals	-	-	289	289
30 June 2020	**-**	**(214)**	**(3,615)**	**(3,829)**
Net Book Value 30 June 2020	**-**	**1,451**	**870**	**2,321**

Other intangible fixed assets refer to trademarks and software.

At 30 June 2020, additions of € 0.3 million, mainly concerning the acquisition costs for software assets (€ 0.1 million) and internal development costs (€ 0.2 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 development costs on the platform are being amortised ever since 1 January 2020 and shall continue to be amortised for a period of 6 years on the basis of the useful life of the platform developed, while other intangible fixed assets will be amortised by using a 20% rate, since their reasonable useful life is assessed at 5 years.

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

At 30 June 2020, no impairment indicators existed and as such no impairment test was carried out; the above-mentioned intangible fixed assets were recorded in the Net Capital Invested of the goodwill's impairment test at TIER 1.

4. Goodwill

Balance at 30.06.2020	**14,800**
Balance at 31.12.2019	**14,800**

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.

The Group undertakes an impairment test at least annually (at December 31) and any time the circumstances indicate the possibility of a reduction in the recoverable value of the goodwill. The COVID-19 pandemic and the subsequent demand contraption caused a degrade of the macroeconomic scenario, which impacted significantly the performances of traditional divisions in 2020 H1, and especially of the B2C sector; this drop represented an impairment indicator as of 30 June 2020. Hence, also in the light of recent recommendations by CONSOB and ESMA, the Company's management considered it appropriate to prepare impairment tests also for the Interim Condensed Consolidated Financial Statements as of 30 June 2020.

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. The CGU scope was maintained constant if compared to 31 December 2019.

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 and maintaining as a precaution a "g" growth rate equal to 0..

Taking into account the risk brought about by COVID-19 pandemic, the discount rate applied is the adjusted WACC at 17.35% (15.42% used as of 31 December 2019).

The 2020-2024 multi-annual Industrial Plan was approved by the Directors on 10 March 2020 and subsequently the cash flows projected at the basis of the Plan for 2020 were updated in order to factor the impacts of the COVID-19 pandemic recorded in the first months of the year. The assumptions regarding the growth projections of said flows over the period of the Plan did not change.

TIER 1

The Tier 1 (consolidated level) shows that, upon a Net Capital Invested of € 15.1 million, the consolidated enterprise value amounts to € 27.1 million (of which € 14.9 million resulting from the discounting of flows from explicit forecast and € 12.2 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 € 12 million.

At 31 December 2019, these figures were represented as follows:

The Tier 1 (consolidated level) showed that, upon a Net Capital Invested of € 11.3 million, the consolidated enterprise value amounted 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) had given positive results against a headroom of € 33.5 million.

TIER 2 – B2C

The Tier 2 of B2C CGU (Business to Consumer) shows that, upon a Net Capital Invested of € 8.9 million, the enterprise value amounts to € 11.3 million (of which € 8.7 million resulting from the discounting of cash flows from explicit forecast and € 2.6 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 € 9.9 million) gave positive results against a headroom of € 2.4 million.

At 31 December 2019, these figures were represented as follows:

The Tier 2 of B2C CGU (Business to Consumer) showed that, upon a Net Capital Invested of € 6.8 million, the enterprise value amounted 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) had given positive results against a headroom of € 13.9 million.

TIER 2 – B2B

The Tier 2 of B2B CGU (Business to Business) shows that, upon a Net Capital Invested of € 3.8 million, the enterprise value amounts to € 10.6 million (of which € 4.2 million resulting from the discounting of cash flows from explicit forecast and € 6.4 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 € 6.8 million.

At 31 December 2019, these figures were represented as follows:

The Tier 2 of B2B CGU (Business to Business) showed that, upon a Net Capital Invested of € 3.7 million, the enterprise value amounted 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) had given positive results against a headroom of € 15.6 million.

5. Investments in joint ventures

Balance at 30.06.2020 **8**

Balance at 31.12.2019 **7**

The account at 30 June 2020 equal to € 8,000 includes the investment consequent to incorporation, together with Acque Minerali Italiane, of the company Cloud Food Srl in March 2018. This investment (held at 51%) is measured at equity, in accordance with IFRS 11 - Joint Arrangements. At the reporting date, the company exclusively reports a share capital of € 10,000. It is noted that at 30 June 2020, the company is not operational and no operation has been carried out with Giglio Group S.p.A..

6. Receivables and other non-current assets

Balance at 30.06.2020 **625**

Balance at 31.12.2019 **835**

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

Receivables and non-current assets	30.06.2020	31.12.2019	Change
Guarantee deposits	203	203	0
Others	422	632	(210)
Total	**625**	**835**	**(210)**

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.

Others refers mainly to the long-term portion of the credit resulting from the transfer to GM Comunicazione S.r.l., finalised on 20 December 2018, of the authorisation to supply audiovisual media services associated to channel 65 of the digital terrestrial;

7. Deferred tax assets

Balance at 30.06.2020 **718**

Balance at 31.12.2019 **782**

The item, equal to € 718,000 in 30.06.2020, refers mainly to the deferred taxes calculated on the tax losses of the Parent Company on 2017 (€ 514,000), following which, on a prudent basis, have not been provisioned, to the tax effect of the write-down of receivables (€ 101,000). For more information, see paragraph 36.

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

8. Inventories

Balance at 30.06.2020 **2,398**

Balance at 31.12.2019 **1,861**

The inventories of the Group comprise finished products for sale.

At 30 June 2020 inventories were measured using FIFO.

We report that the inventories, within the B2B Fashion division, refer to goods which remain for a short time in stock as already allocated to final clients that have already confirmed a binding purchase order. The increase in inventories is mainly due to the Giglio Salute division and to the purchase of PPEs.

At 30 June 2020, no further provision was made. Instead, part of the obsolescence provision (€ 106,000) was released as the risk of unsold items was considered insignificant.

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

9. Trade receivables

Balance at 30.06.2020 **10,509**

Balance at 31.12.2019 **12,179**

The breakdown of the account is as follows:

Trade receivables	30.06.2020	31.12.2019	Change
Trade receivables	9,995	11,377	(1,382)
Advances to suppliers	1,804	1,931	(127)
Guarantee deposits	110	111	(1)
Other commercial receivables	41	202	(161)
Provision for doubtful accounts	(1,441)	(1,441)	0
Total	**10,509**	**12,179**	**(1,670)**

The supplier advances of B2B e-commerce division relate to advances on orders of the PE and AI 2021 collection.

The geographic breakdown of gross trade receivables at 30 June 2020 and 31 December 2019 are as follows:

(Euro thousands)	**Year ended at 30 June 2020**	**%**	**Year ended at 31 December 2019**	**%**
Europe	9,087	*90.9 %*	7,631	*90.1 %*
Asia	*208*	*2.1 %*	*93*	*1.1 %*
USA	*668*	*6.7 %*	*719*	*8.5 %*
Rest of the world	*33*	*0.3 %*	*25*	*0.3 %*
Total gross receivables	**9,995**	***100.0 %***	**8,468**	***100.0 %***
Provision for doubtful accounts	*(1,441)*		*(1,441)*	
Total	**8,554**		**7,027**	

The ageing of the gross trade receivables at 30 June 2020 and 31 December 2019 is shown below:

(Euro thousands)	**Year ended at 30 June 2020**	**%**	**Year ended at 31 December 2019**	**%**
> 120 days	1,535	*15.4 %*	1,014	*12.0 %*
90<> 120 days	*703*	*7.0 %*	*440*	*5.2 %*
60<> 90 days	*526*	*5.3 %*	*374*	*4.4 %*
30<> 60 days	*679*	*6.8 %*	*450*	*5.3 %*
0<> 30 days	*1,503*	*15.0 %*	*909*	*10.7 %*
Total overdue	***4,946***	***49.5 %***	***3,187***	***37.6 %***

Not overdue	*5,050*	*50.5 %*	*5,280*	*62.4 %*
Total gross receivables	**9,995**	***100.0 %***	**8,468**	***100.0 %***
Provision for doubtful accounts	*(1,441)*		*(1,441)*	
Inc. provision on overdue 120 days	*(93.9)%*		*(142.1)%*	
Total	**8,554**		**7,027**	

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

Provision for doubtful accounts (Euro thousand)	
Balance at 31 December 2019	**1,441**
Provisions	17
Releases	(17)
Balance at 30 June 2020	**1,441**

The provision for the year amounting to € 17,000 predominantly refers to the subsidiary E-Commerce Outsourcing, in order to adjust the nominal value of receivables to their estimated realisable value.

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

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

10. Financial receivables

Balance at 30.06.2020	**3,636**
Balance at 31.12.2019	**3,523**

The account consists in 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 30 June 2020, and it is equal to € 0.0032 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 30 June, said assessment entailed a revaluation of the shares of about € 113,000.

11. Tax receivables

Balance at 30.06.2019 **1,660**

Balance at 31.12.2019 **6,367**

The breakdown of tax receivables is shown below:

Tax receivables	30.06.2020	31.12.2019	Change
IRES	518	330	188
IRAP	169	131	38
Withholding taxes	2	2	-
INPS	3	3	-
INAIL	2	2	-
VAT	747	5,472	(4,725)
Others	219	427	(208)
Total current tax receivables	**1,660**	**6,367**	**(4,707)**

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

The decrease of the half-year refers mainly to the VAT credit refunds that took place on 15 January 2020 (€ 3.2 million) and on 25 February 2020 (€ 0.3 million).

12. Other assets and other current receivables

Balance at 30.06.2020 **2,411**

Balance at 31.12.2019 **2,220**

Other assets	30.06.2020	31.12.2019	Change
Other assets	41	14	27
Prepayments and accrued income	2,370	2,206	164
Total	**2,411**	**2,220**	**191**

Prepayments and accrued income relate:

- for € 1,244,000 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 interest income resulting from the transfer to GM Comunicazione S.r.l., finalised on 20 December 2018, of the authorisation to supply audiovisual media services associated to channel 65 of the digital terrestrial.

13. Cash and cash equivalents

Balance at 30.06.2020 **1,996**

Balance at 31.12.2019 **2,991**

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

Cash and cash equivalents	30.06.2020	31.12.2019	Change
Bank and short-term deposits	1,991	2,986	(995)
Cash on hand	5	5	-
Total	**1,996**	**2,991**	**(995)**

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

LIABILITIES

14. Equity

The share capital at 30 June 2020 consists of 18,306,685 ordinary shares, without express nominal value.

The movements in the first half of 2020 related to:

- Allocation of the consolidated result at 31 December 2019;
- Recognition of actuarial losses - IAS 19;
- Recognition of exchange differences;
- Profit for the year.
- Giglio TV HK transfer and subsequent deconsolidation and Evolve USA winding-up (due to ceased activity).

15. Provisions for risks and charges

Balance at 30.06.2020 **116**

Balance at 31.12.2019 **211**

As of 30 June 2020, the provisions for risks and changes refer to the provision for returns and are mainly ascribable to the company Ibox SA.

16. Post-employment benefit provisions

Balance at 30.06.2020 **667**

Balance at 31.12.2019 **713**

As of 30 June 2020, the Post-employment benefit provision amounts to € 667,000, and its movements are as follows:

(Euro thousands)	
Post-employment benefit provision at 31.12.2019	**713**
Provisions 2020	100
Advances/Util.	(116)
Actuarial gains (losses)	(35)
Net Interest	4
Balance at 30 June 2020	**667**

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

- probability of elimination for death: equal to that of the Italian population in 2018 (source ISTAT – 2019 Italian Annual Statistics), categorised per age and gender;
- 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; with particular reference

to Legislative Decree no. 4/2019, it has been set that in the period between 2019 and 2026, the minimum required contribution for gaining the right of early retirement is still that of 42 years and 10 months for men and 41 years and 10 months for women, as a result of the disapplication, in the aforementioned period, of the life expectancy adjustments. It is noted that the minimum seniority for I.N.P.S. retirement purposes was not assessed and as such, some employees may accrue the minimum requirements in different periods than the one hypothesised;

- No hypotheses with regard to the "Quota 100" early retirement scheme were made. The scheme, to be implemented on an experimental basis over 2019-2021 pursuant to Legislative Decree no. 4/2019, affects those employees who reach 62 years of age and a period of contributions of at least 38 years.
- annual inflation rate: -0.1% for 2020 H2 and 1.7% for 2021 (source: *"2020 Economic and Finance Document"*); from 2022 onwards, the annual rate of 1.7% was maintained;
- annual nominal salary increase rate for career development and contract renewals: equal to inflation for the entire valuation period;
- probability of request for first advance: 2.5% of seniority from 9 years on;
- maximum number of advances: 1;
- amount of Post-employment benefit advance: 30% of the Post-employment benefit matured.

In relation to the financial assumptions, it should be noted that the discount rate was chosen, taking into account the indications of IAS 19, with reference to the curve at 30.06.2020 of AA securities issued by corporate issuers in the Eurozone and based on the average residual duration of the Post-employment benefit at 30.06.2020; 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 1.6% (1.4% at 31.12.2019).

The sensitivity analysis on the discount rate was applied by using a rate that was respectively lower and higher than 1.6% by half a percentage point. Valuation results based on the rate of 1.1% and 2.1% (Euro thousands) are shown in the table below:

(amount in €/000)	Rate 1.1%	Rate 2.1%
DBO	679.9	575.6

Moreover, it is noted that the same demographical hypotheses of 31 December 2019 have been adopted, while the update of the discount rate (1.6% instead of 1.4% adopted on 31 December 2010) produced a DBO decrease of € 27,400, while the update of the hypothesis on the inflation rate led to an DBO increase of € 8,500.

17. Deferred tax liabilities

Balance at 30.06.2020 **24**

Balance at 31.12.2019 **3**

At 30 June 2020, the total payable amounted to € 24,000. The increase is due to the allocation of deferred taxes concerning the exchange rate effect connected to the funding in USD granted by Meridiana.

18. Current and non-current financial liabilities

Balance at 30.06.2020 **22,016**

Balance at 31.12.2019 **22,803**

The financial liabilities are illustrated in the table below:

Financial liabilities	30.06.2020	31.12.2019	Change
Current	11,255	19,017	(7,762)
Non-current	10,761	3,786	6,975
Total	**22,016**	**22,803**	**(787)**

Other than reducing the Group's financial liabilities in absolute terms, 2020 also saw the beginning of a process of debt restructuring in favour of long-term debts for related parties instead of short-term debts for financial institutions. This allowed, in the first half-year, the Group to invest resources in the supply of PPEs.

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

Current financial liabilities	30.06.2020	31.12.2019	Change
Loans (current portion)	3,354	2,656	697
Total current loans	**3,354**	**2,656**	**697**
Advances on invoices/Credit Lines	1,109	6,603	(5,494)
Bank overdrafts	4	7	(3)
Earn-out	1,545	1,545	(600)

Rental liabilities	361	741	(380)
EBB bond	-	4,759	(4,759)
Minibond	459	1,373	(915)
Liability acquired minority share G-TV	-	931	(931)
Payables towards related parties	4,423	402	4,021
Total	**11,255**	**19,017**	**(7,762)**

The current financial liabilities relate to:

- The self-liquidating credit lines as advances on invoices.
- Payables towards related parties in USD (USD 1.8 million).
- The temporary estimate of the 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 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 bond with ISIN code IT0005172157.

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

Non-current financial liabilities	30.06.2020	31.12.2019	Change
Loans	4,299	2,305	1,994
EBB bond	4,781	-	4,781
Payables towards related parties	945	-	945
Rental liabilities	402	1,153	(751)
Others	335	328	7
Total	**10,761**	**3,786**	**6,975**

The non-current financial liabilities relate to:

- Unsecured loans, and include also the financial payable for € 0.3 million of Ibox SA to the previous shareholders (Tessilform S.p.A) of Ibox SA (formerly Evolve SA);
- Payables towards related parties in USD (USD 3.6 million).
- EBB bond. On 2 April 2019, the company issued a non-convertible bond of € 5 million in principal, made up of 50 bearer bonds with a denomination per unit of € 100,000.00 each, with the following conditions:
    - Subscribers: the Bond was fully subscribed by the SPV;
    - Listing: the Bonds shall not be listed on any regulated market nor on any MTF;
    - Terms of issue: the Bonds shall be issued in a single tranche;
    - Issue price: the issue price amounts to 100% of the Bonds' nominal value;
    - Interests: the Obligations shall be interest-bearing at the fixed nominal gross annual rate of 4.572%, to be paid with a semi-annual coupon postponed;
    - Legal duration and expiration: the Bonds shall have a legal duration of 8 years and 6 months and the expiration date is set at the last interests' payment date of 2027;
    - Reimbursement: the Bonds shall be redeemed at par, i.e. at 100% of their nominal value, pursuant to the amortisation plan set forth in the regulation, with 13 semi-annual capital instalments, with a grace period of 2 years;
    - On 11 March 2020, EBB S.r.l., the bondholder, following the request received by Giglio Group S.p.A. to waive the contractual provisions of the bond issuing, resolved to authorise a suspension of the application of the thresholds for the financial covenants with regard to the Test Data (31.12.2019), with retroactive effect at 31 December 2019, since the company was not respecting to that date the parameters set forth in the same covenants.
    - On 30 June 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 of 30 June 2020 and 31 December 2020.

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

The following table summarises the loans of the Giglio Group S.p.A. at 30 June 2020 and highlights the amounts due within and beyond one year:

Banca	Tasso di interesse	Importo del finanziamento	data di sottoscrizione	Residuo al 30/06/2020	Scadenza	0<> 12 mesi	1 anno <>2 anni	2 anni <>3 anni
BANCA DI SONDRIO								
Mutuo Chiro garantito da MCC	3,50%	1.200	30/09/2015	151	31/03/2021	151	-	-
INTESA								
Mutuo Chiro n. 0IC1047064869	Euribor 1 mese + spread 2%	1.000	28/06/2017	477	31/01/2023	151	205	121
BANCA POP di BERGAMO								
Mutuo Chiro N. 004/01187014	2,1%	600	29/07/2016	78	29/01/2021	78	-	-
CREDEM								
Mutuo 052/7059285 garanzia MCC	0,72%	700	21/06/2016	59	31/01/2021	59	-	-
CARIGE								
Finanziamento 36 mesi	2%	500	02/08/2017	85	28/02/2021	85	-	-
Finanziamento 24 mesi		1.500	29/05/2018	380	31/12/2020	380	-	-
BPM								
Finanziamento N.6026098	Euribor tre mesi	1.500	16/10/2017	406	31/05/2021	406	-	-
Mutuo Chiro n.04166765	Euribor tre mesi	1.500	04/02/2019	947	31/12/2021	564	382	-
Mutuo Chiro n.03528422	2,2%	500	30/01/2017	198	31/08/2022	77	113	9
UNICREDIT								
Mutuo Chiro 8426426	5,90%	5.000	23/01/2020	5.000	31/01/2023	1.424	1.999	1.578
TOTALE Giglio Group		**14.000**		**7.781**		**3.375**	**2.699**	**1.707**

19. Trade payables

Balance at 30.06.2020 **14,155**

Balance at 31.12.2019 **20,623**

Trade payables	30.06.2020	31.12.2019	Change
Customer advances	269	1,053	(784)
Supply of goods and services	13,750	19,403	(5,653)
Credit notes to be issued	136	167	(31)
Total	**14,155**	**20,623**	**(6,468)**

The account's change if compared to 31 December 2019 is mainly due to seasonality.

For more information, see par. 6 – Business seasonality – of the Interim Directors' Report.

The breakdown of trade payables is shown below:

(Euro thousands)	**Year ended at 30 June 2020**	**Year ended at 31 December 2019**
Trade payables	13,960	20,489
- of which overdue beyond 60 days	*5,082*	*5,080*
- % overdue payables on total	*36.4 %*	*24.8 %*

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 € 80,000 received by a supplier who revoked the ongoing agreement, for which the accounting exposes the whole debt owed to it.

20. Tax payables

Balance at 30.06.2020 **2,740**

Balance at 31.12.2019 **4,108**

Tax payables	30.06.2020	31.12.2019	Change
Withholding taxes	226	309	(83)
Foreign VAT	1,552	2,257	(705)
Income taxes	856	1,345	(489)
Social security institutions	106	197	(91)
Total	**2,740**	**4,108**	**(1,368)**

Tax payables relate to:

- withholding taxes and taxes related to the normal operating activities of the company for € 226,000;
- VAT accrued by the Ibox SA Group payable to foreign countries in which it performs its business through specific tax representation;
- social security institutions for € 106,000.

21. Other current liabilities

Balance at 30.06.2020 **3,997**

Balance at 31.12.2019 **4,273**

Other current liabilities	30.06.2020	31.12.2019	Change
Employee payables	696	614	82
Prepayments and accrued expenses	730	784	(54)
Other payables	2,571	2,875	(304)
Total	**3,997**	**4,273**	**(276)**

The account "Other payables" comprises the residual part of the payable following the agreement for the transfer of the media area assets of Giglio Group (net of partial repayment) 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

22. Revenues from contracts with customers

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

	30.06.2020	30.06.2019	Change
Revenues from contracts with customers	25,807	17,847	7,960
Other revenues	298	712	(414)
Total	**26,105**	**18,559**	**7,546**

At 30 June 2020 revenues from contracts with costumers amounted to € 25.8 million compared to € 17.8 million at 30 June 2019.

The revenues include € 9.8 million related to the turnover of the Giglio Salute division, which was created following the outbreak of the COVID-19 pandemic with the purpose of handling PPEs through the Group's e-commerce platforms and its commercial network in China.

23. Increases in assets due to own work

The increases in assets due to own work at 30 June 2020 amounted to € 150,000, as already reviewed in the context of the dedicated paragraph regarding intangible fixed assets.

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

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

	30.06.2020	30.06.2019	Change
Costs of goods	15,218	7,248	7,970
Consumables	19	20	(1)
Total	**15,237**	**7,268**	**7,969**

The account mainly includes the costs borne by the B2B segment of Giglio Group; the increase over 2019 H1 is mainly due to the Giglio Salute division and to the subsidiary E-Commerce Outsourcing S.r.l., which was not yet consolidated in 2019 Q1.

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25. Service costs

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

	30.06.2020	30.06.2019	Change
Agents	1,047	2,610	(1,563)
Other service costs	223	68	155
Insurance	70	75	(5)
Bank, postal & collection commissions	561	622	(61)
Directors, statutory auditors and supervisory board fees	220	208	12
Consulting	1,453	1,574	(121)
Editorial production costs	-	12	(12)
Administrative costs	222	509	(287)
Customer service	314	308	6
Warehousing	242	221	21
Maintenance	9	7	2
Advertising, promotions, shows and fairs	70	182	(112)
Cleaning and surveillance	13	18	(5)
Transmission and teleport	-	219	(219)
Transport & shipping	1,650	1,266	384
Utilities	122	75	47
Web marketing	130	240	(110)
Sales representatives	38	144	(106)
Total	**6,384**	**8,359**	**(1,975)**

The account principally refers to:

- The B2B division: transport and shipping service costs for € 0.6 million and warehouse for € 0.2 million;

- The B2C division: agents costs for € 1 million, transport and shipping for € 1 million, bank commissions for € 0.5 million and customer services for € 0.3 million. The decrease is mainly due to agents' commissions, which dropped because connected to some brands whose turnover in turn decreased, offset by the increase of other brands to which no agents' commissions are applied; moreover, the COVID-19 pandemic caused the temporary shutdown of the logistics of some brands, bringing to a reduction of the B2C division's activities.

Consulting and administrative/IT costs mainly refer to the corporate and the Ibox Group divisions.

26. Rent, lease and similar costs

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

	30.06.2020	30.06.2019	Change
Rental	60	-	60
Hire	27	68	(41)
Operating leases	17	20	(3)
Total	**104**	**88**	**16**

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

27. Payroll expenses

The breakdown of payroll expenses is as follows:

	30.06.2020	30.06.2019	Change
Salaries and wages	2,206	1,793	413
Social security charges	524	384	140
Post-employment benefits	100	84	16
Total	**2,830**	**2,261**	**569**

Payroll costs increased if compared to 30 June 2019, for a total of € 0.5 million. The increase is mainly due to the subsidiary E-Commerce Outsourcing S.r.l., which was not yet consolidated in 2019 Q1.

28. Amortisation, depreciation & write-downs

The breakdown of the account is shown below:

Amortisation, depreciation & write-downs	30.06.2020	30.06.2019	Change
Amortisation intangible assets	419	135	284
Amortisation property, plant & equipment	463	647	(184)
Write-downs (Revaluations)	-	(17)	17
Total	**882**	**765**	**117**

With regards to item "Amortisation", see Notes in paragraph 1 ("Property, plant & equipment ") and 2 ("Intangible Assets") respectively.

The revaluations include the adjustment to the doubtful debt provision commented upon in the previous note 9 "Trade receivables".

29. Other operating costs

The breakdown of the account is shown below:

	30.06.2020	30.06.2019	Change
Other taxes	16	15	1
Other costs	250	221	29
Penalties and fines	53	9	44
Prior year costs	29	77	(48)
Total	**348**	**321**	**27**

The account "Other operating costs" at 30 June 2020 is partly due to the charges connected to non-compete agreements concerning former employees.

30. Financial income and charges

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

Financial income and charges	30.06.2020	30.06.2019	Change
Revaluation of listed shares	184	-	184
Exchange gains	41	6	35
Financial income	**225**	**6**	**219**
Interests on current bank accounts	13	2	11
Other interests	86	69	17
Interests on invoice advances and factoring	32	61	(29)
Interests on mortgage loans	296	120	176
Interests on bond loans	143	78	65
Bank charges	128	107	21
SIMEST financial charges	20	20	(0)
IFRS 16 financial charges	19	31	-
Exchange losses	131	226	(95)
Financial charges	**868**	**715**	**153**
Total	**(643)**	**(709)**	**66**

The financial income takes into consideration the economic effect of the assessment of Vertice 360's shares adjusted to stock-exchange value as of 30 June 2020.

31. Income taxes

The breakdown of income taxes is as follows:

Income taxes	30.06.2020	30.06.2019	Change
Current taxes	(251)	(58)	(193)
Deferred taxes	(74)	(425)	351
Total	**(325)**	**(483)**	**158**

Income taxes amount to € 251,000 (€ 58,000 as of 30 June 2019).

The change in deferred taxes refers to the release of prepaid taxes regarding the Economic Growth Aid (ACE) accrued over the previous years and offset by the taxable income for the period.

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	5
A. Lezzi	22
G. Mosci	14
Y. Zhao	4
M. Mancini	5
S. Olivotto	30
F. Gesualdi	13
M. Belloni	9
Total	**302**

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

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

The company has carried out transactions with related parties (in the meaning of Article 2427, paragraph 2 of the Italian Civil Code), such as a loan from AZO Asia Limited (a company fully-owned by Meridiana Holding S.r.l.) equal to USD 5.9 million, in line with market conditions.

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

33. Commitments, guarantees and contingent liabilities

Guarantees

Mr. Alessandro Giglio has provided personal guarantees on some Loans held by the company at 30 June 2020.

The details are shown below:

Commitments and guarantees (Euro thousand)

Entity	Guarantee Value	Residual amount guaranteed
B.POP Sondrio	2,100	320
B. POP. Novara	650	650
UNICREDIT	536	536
Total	**3,286**	**1,506**

Contingent liabilities

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

34. Financial risk management - IFRS 7

The financial risks existing refer entirely to the parent company Giglio Group S.p.A..

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

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

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

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

A comparison between the book value and the fair value of financial assets and liabilities at 30 June 2020 is presented below.

Condensed Consolidated Statement of Financial Position (Euro thousands)		30.06.2020 Carrying amount	Fair Value	31.12.2019 Carrying amount	Fair Value
Non-current assets					
Investments in joint ventures	(5)	8		7	
Receivables	(6)	625		835	
Total non-current assets		**19,543**		**21,987**	
Current assets					
Financial receivables	(10)	3,636	3,636	3,523	3,523
Cash and cash equivalents	(13)	1,996	1,996	2,991	2,991
Total current assets		**22,610**		**29,141**	
Total Assets		**42,153**		**51,128**	
Non-current liabilities					
Financial payables (non-current portion)	(18)	10,761	10,761	3,786	3,786
Total non-current liabilities		**11,568**		**4,713**	
Current liabilities					
Financial payables	(18)	11,255	11,255	19,017	19,017
Total current liabilities		**32,147**		**48,021**	
Total Equity and liabilities		**42,153**		**51,128**	

Medium-term loan

The company reports at 30 June 2020 a net financial liabilities position of approx. € 15.6 million (€ 14.9 million if the IFRS 16's impact is excluded). For the calculation basis and the reconciliation of the data reference should be made to the specific table in the Directors' Report. These payables also include the Minibond issued to finance the acquisition of Giglio Fashion, the bond issues on April 2019 (for further information reference should be made to that already illustrated in these Explanatory Notes and commented upon in the Directors' Report), the loans from related parties and the unsecured medium-term bank loans.

The Issuer has undertaken a number of loan contracts and, a significant part of these loans contain only internal cross default clauses, negative covenants and acceleration events on the non-compliance by the Group of some disclosure obligations or prior authorisation to undertake certain transactions. The loan contracts of the Issuer do not include external cost default clauses nor obligations to comply with specific financial covenants (these latter apply only to the 2016-2022 bond loan and to the EBB Bond issued on April 2019).

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

Note 18 summarises the loans held by Giglio Group S.p.A.
The parent company Giglio Group S.p.A., in 2016, issued a Minibond called "GIGLIO GROUP S.P.A. – 5.4% 2016-2022" for € 3.5 million utilised to finance the acquisition of the company Giglio Fashion, with the conditions:

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

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

For the minibond, the following covenants were to be complied with contractually on 31 December 2019:

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

On 2 April 2019, the company issued a non-convertible bond (called EBB bond) of € 5 million in principal, made up of 50 bearer bonds with a denomination per unit of € 100,000.00 each.
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 June 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 of 30 June 2020 and 31 December 2020.

35. Transactions with subsidiaries and related parties

The following table reports the transactions and balances with Related Parties at 30 June 2020. 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 intragroup transactions with Related Parties were identified based on the criteria defined in IAS 24, as shown below:

Trade receivables and payables

Receivables/Payables	Giglio Group	Giglio USA	Giglio Shanghai	E-Commerce Outsourcing S.r.l.	IBOX SA
Giglio Group		619		523	1,106
E-Commerce Outsourcing S.r.l.	4				295
Giglio USA	141				
Giglio Shanghai					
IBOX SA	60			33	

Financial receivables and payables

Receivables/Payables	Giglio Group	Giglio USA	Giglio Shanghai	E-Commerce Outsourcing S.r.l.	IBOX SA
Giglio Group		102	46		1,000
E-Commerce Outsourcing S.r.l.					
Giglio USA					
Giglio Shanghai					
IBOX SA	1,905				

Commercial revenues and costs

Receivables/Payables	Giglio Group	Giglio USA	Giglio Shanghai	E-Commerce Outsourcing S.r.l.	IBOX SA
Giglio Group		447		506	282
E-Commerce Outsourcing S.r.l.	1				208
Giglio USA					
Giglio Shanghai					
IBOX SA	10			30	

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

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

- Max Factory S.r.l.: real estate company owned by Alessandro Giglio who leases to Giglio Group S.p.A. the following buildings:
    - Genoa offices: Palazzo della Meridiana, for a total annual cost of € 90,000 (following the COVID-19 pandemic, Max Factory renounced to collect 6 months' rental on an annual basis);
    - Rome offices: Via dei Volsci, for a total annual cost of € 50,000 (following the COVID-19 pandemic, Max Factory renounced to collect 6 months' rental on an annual basis);

- The Company has a standing agreement with Meridiana Holding S.r.l. for the loans disbursed by its subsidiary AZO Asia Limited, as detailed below:
    - USD 2,293,000 expired on 30 June 2020, currently under renegotiation for a new expiry date;
    - USD 2,660,000 expiring on 28 February 2021, currently under renegotiation for a new expiry date;

- USD 979,000 expiring on 31 January 2024.

36. Dividends

In line with the approval of the guidelines of the 2020-2024 plan, the Board approved the adoption of a long-term policy on dividend distribution decided on a year-by-year basis in accordance with the results reported, if the capital situation allows it.

37. Earnings per share

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

38. Diluted earnings per share

There are no significant dilution effects.

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

Condensed Consolidated Statement of Financial Position (Euro thousands)		30.06.2020	of which related parties	31.12.2019	of which related parties
Non-current assets					
Property, plant & equipment	(1)	295		1,137	
Right-of-use assets	(2)	776		1,903	
Intangible assets	(3)	2,321	-	2,522	-
Goodwill	(4)	14,800		14,800	
Investments in joint ventures	(5)	8		7	
Receivables	(6)	625		835	
Deferred tax assets	(7)	718		783	
Total non-current assets		**19,543**	**-**	**21,987**	**-**
Current assets					
Inventories	(8)	2,398		1,861	
Trade receivables	(9)	10,509	51	12,179	35
Financial receivables	(10)	3,636		3,523	
Tax receivables	(11)	1,660		6,367	
Other assets	(12)	2,411	-	2,220	89
Cash and cash equivalents	(13)	1,996		2,991	
Total current assets		**22,610**	**51**	**29,141**	**124**
Total Assets		**42,153**	**51**	**51,128**	**124**
Equity	(14)				
Issued capital		3,661		3,661	

Reserves		16,809		16,712	
Listing fees		(541)		(541)	
FTA Reserve		4		4	
Retained earnings		(21,534)		(5,650)	
Foreign Currency Translation reserves		5		4	
Net profit		34		(15,796)	
Total Group Equity		**(1,562)**	**-**	**(1,606)**	**-**
Minority interest in equity		-		-	
Total Equity		**(1,018)**	**-**	**(1,606)**	**-**
Non-current liabilities					
Provisions for risks and charges	(15)	116		211	
Post-employment benefit funds	(16)	667		713	
Deferred tax liabilities	(17)	24		3	
Financial payables (non-current portion)	(18)	10,761	4,651	3,786	400
Total non-current liabilities		**11,568**	**4,651**	**4,713**	**400**
Current liabilities					
Trade payables	(19)	14,155	-	20,624	-
Financial payables (current portion)	(18)	11,255	717	19,017	-
Tax payables	(20)	2,740		4,108	
Other liabilities	(21)	3,997		4,272	
Total current liabilities		**32,147**	**717**	**48,021**	**-**
Total Equity and liabilities		**42,153**	**5,368**	**51,128**	**400**

Condensed Consolidated Statement of Profit or Loss (Euro thousands)		**30.06.2020**	**of which related parties**	**30.06.2019**	**of which related parties**	**of which non recurring**
Total revenues from contracts with customers	(22)	**25,807**		**17,847**		
Other revenues	(22)	298		712		
Capitalised costs	(23)	150		713		
Change in inventories		532		(1,378)		
Purchase of raw materials, ancillary, consumables and goods	(24)	*(15,237)*		*(7,268)*		
Service costs	(25)	*(6,384)*	*0*	*(8,359)*	*0*	*(942)*
Rent, lease and similar costs	(26)	*(104)*		*(88)*	*0*	
Operating costs		**(21,725)**	**0**	**(15,715)**	**0**	**(942)**
Salaries and wages	(27)	*(2,206)*		*(1,793)*		
Social security charges	(27)	*(524)*		*(384)*		
Post-employment benefits	(27)	*(100)*		*(84)*		
Payroll expenses		**(2,830)**	**0**	**(2,261)**	**0**	**0**
Amortisation	(28)	*(419)*		*(135)*		
Depreciation	(28)	*(463)*		*(647)*		
Write-downs	(28)	*0*		*17*		
Amortisation, depreciation & write-downs		**(882)**	**0**	**(765)**	**0**	**0**
Other operating costs	(29)	*(348)*		*(321)*		*0*

Operating profit		**1,002**	**0**	**(1,168)**	**0**	**(942)**
Financial income	(30)	*225*		*6*		
Net financial charges	(30)	*(868)*	*(71)*	*(715)*		
Profit before taxes		**359**	**(71)**	**(1,877)**	**0**	**(942)**
Income taxes	(31)	*(325)*		*(483)*		
Profit for the year (continuing operations)		**34**	**(71)**	**(2,360)**	**0**	**(942)**
Profit for the year (discontinued operations)		**0**		**(768)**		
Profit for the year		**34**	**(71)**	**(3,128)**	**0**	**(942)**
Of which minority interest		**-**		**-**		
Basic and diluted profit from continuing operations		**0.0021**		**(0.1471)**		
Basic and diluted profit from discontinued operations		**0.0000**		**(0.0479)**		
Profit per share – basic and diluted		**0.0041**		**(0.1976)**		

40. 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 interim financial statements at 30 June 2020 are reported below.

The condensed consolidated interim financial statements of the Group at 30 June 2020 report a negative Equity of € 1.6 million, including a profit of € 34,035, highlighting net financial liabilities of € 15.9 million.

The Group constantly monitors the trend of the reference markets against the Plan's assumptions and the prompt implementation of the actions envisaged, keeping a constant and proactive focus on costs containment and on the identification of initiatives aimed at improving the operating efficiency and, as such, at mitigating the risks related to awarding contracts to new clients/brands, thus ensuring the achievement of the expected economic results.

The major deviations between the Plan's expected figures and the data achieved as of 30 June 2020 are shown below:

	Plan	**Final figures as of 30 June 2020**
EBITDA	1,069	1,883
Revenues (*)	21,189	26,786

(*) Inclusive of the accounts "Other revenues", "Capitalised costs" and "Changes in inventories"

Albeit the final data as of 30 June 2020 show a positive deviation from the figures forecasted in the Plan, the traditional business recorded a demand's contraction due to the temporary lockdown of some clients because of the COVID-19 pandemic, as well as to the hardships faced by some products categories, mainly recorded in the B2C sector, but also in the B2B one. This contraption was more than offset though by the new business line of Giglio Salute division (sale of medical masks and other PPEs).

The Directors, with regard to the COVID-19 epidemic that 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.

The Directors, having acknowledged the aforementioned deviations, updated the 2020 forecast and of the Industrial Plan 2020-2024, also in order to have a vision of the financial requirements forecasted for the following 12 months (hereinafter also referred to as the Updated Plan).

The Directors believe that the following actions and assumptions, some of which have already been carried out in the first period of the fiscal year and were necessary for the achievement of the economic results of the Updated Plan, are sufficient for the fulfilment of the expected financial needs:

1. Update of the Industrial Plan 2020-2024, and particularly of the 2020 forecast, through a revision of forecasts on the basis of the new scenario, but also of the overall results of the 2020 H1, which will lead to the postponement of some B2B orders to 2021 H1, partially offset as they are by the sale of PPEs and by a reduction in the B2C sales, in line with the market contraction.

2. Negotiation of medium/long-term loans with the banking system, in line with the guidelines of the Industrial Plan 2020-2024, which define a bank payables' structure with a longer average financial term than the current one. For this purpose, it is noted that the Company keeps entertaining uninterrupted ordinary relationships with the banking system for the disbursement of credit in order to support the working capital required for fuelling the e-commerce business and in particular the distribution of fashion products, as shown by the set-up of financing agreements both in the half-year and in the period immediately after;
3. Regarding the debt owed to Vertice 360 of € 2.8 million, it is noted that -as reported in the Explanatory Notes- 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 H2 and 2021 H1 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. Grant by EBB Export S.r.l., subscriber of the bond, to waiver of the measurement of the financial covenants on 2020 deadlines (i.e. 30 June 2020 and 31 December 2020); in particular, on 30 June 2020, the bondholder approved the request of the company to allow, by way of derogation form the regulation of the bond, the suspension of the application of the thresholds of the leverage ratio financial parameter and of the gearing ratio financial parameter, only with regard to the Test Date of 30 June 2020 and 31 December 2020.
6. Grant by Shareholder Meridiana Holding S.r.l. of a credit line of about USD 5.9 million and a guarantee of € 1 million; it is noted that the credit line has already been used 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. Consequently, the Company benefits from the so-called *moratoria* (pursuant Art. 56 of Legislative Decree no. 18/2020) on the reimbursement of loans and funding for a total of € 1.4 million until 31 January 2021.

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

Certification of the Interim Condensed Consolidated Financial Statements as of 30 June 2020 pursuant to Art. 154-bis of Legislative Decree no. 58 of 24 February 1998.

1. The undersigned Marco Riccardo Belloni, 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 Interim Condensed Consolidated Financial Statements in the period between 1 January and 30 June 2020.

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

- the assessment of the suitability and of the effective application of the administrative and accounting procedures were carried out in a context of organisational transformations. Hence, the review had to take into account the ongoing changes in the structure and organisational chart of the Company;

- the adequacy of the administrative and accounting procedures for the drafting of the Interim Condensed Consolidated Financial Statements 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 has been carried out and accelerated over the course of the last months of 2020. On the basis of the plan of action, the finalisation of the drafting and adoption of 262/2005 procedure is ongoing, as well as the completion of the procedure of expansions of the management reporting mechanism to all of the Group's subsidiaries. Moreover, the Company is finalising the management reporting processes in terms of standardisation, and is still working on adjusting the administrative, accounting and management reporting systems, along with the relevant procedures in line with the new application platform.

- 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 Interim Condensed Consolidated Financial Statements as of 30 June 2020.

- Pending the complete implementation of the corrective actions provided for in the action plan, compensating control procedures have been established for the verification of the declarations made in the Interim Condensed Consolidated Financial Statements as of 30 June 2020.

3. Furthermore, it is noted that:

3.1 The Interim Condensed Consolidated Financial Statements as of 30 June 2020:

- 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.

10 September 2020

The Chief Executive Officer
Marco Riccardo Belloni

The Financial Reporting Officer
Carlo Micchi

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

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

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

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the statements of profit or loss and comprehensive income, the statement of changes in equity and cash flows and the related notes of Giglio Group S.p.A. and its subsidiaries (the Giglio Group) as of 30 June 2020. The Directors of Giglio Group S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Giglio Group as of June 30, 2020 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Emphasis of Matter

We draw attention to note “40. Assessment of going concern” to the interim condensed consolidated financial statements as of June 30, 2020, which describes the capital and financial deficit, the main assumptions applied by Directors’ in estimating the forecasted cash flows as well as Directors’ assessment on the going concern basis in preparing the condensed consolidated financial statements.
In particular, the Directors are confident of the implementation of the actions identified and the assumptions underlying the Updated Plan 2020-2024, and deem that such actions will guarantee sufficient financial resources and the achievement of the economic results forecasted in the Updated Plan.

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 view of this, Directors believe reasonable 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 condensed financial statements, which have been prepared on a going concern basis. Our conclusion is not modified in respect of this matter.

Milan, September 11, 2020

EY S.p.A.
Signed by: Gabriele Grignaffini, Auditor

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