

**EXPLANATORY NOTES OF THE BOARD OF DIRECTORS OF GIGLIO GROUP S.P.A., PURSUANT TO ART. 125-
TER OF THE CONSOLIDATED FINANCIAL ACT, TO ART. 2446 OF THE ITALIAN CIVIL CODE AND TO ART. 74
OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS AMENDED AND INTEGRATED (ISSUERS
REGULATION), DRAFTED IN ACCORDANCE WITH THE MODEL SET FORTH IN ANNEX 3A OF THE ISSUERS
REGULATION.**

**ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING SCHEDULED FOR 21 JUNE 2021 IN SINGLE
CALL.**

Dear Shareholders, you are hereby called to partake in the Ordinary and Extraordinary Shareholders' Meeting on 21 June 2021, pursuant to the conditions set forth in Art. 106, par. 2 of the Law Decree no. 18 of 17 March 2020 (converted into Law no. 27/2020), in order to discuss and resolve, among others, upon the following item on the Agenda:

"2. Financial Statements as of 31 December 2020; presentation of Consolidated Financial Statements as of 31 December 2020; Directors' Report on Operations, Board of Statutory Auditors' Report and Auditing Company's Report.

2.1 Approval of the Financial Statements also pursuant to Art. 2446 of the Italian Civil Code.

2.2 Resolutions regarding the allocation of the result for the year.

2.3 Resolutions pursuant to Art.2446 of the Italian Civil Code, with acknowledgement of the intention of the Board of Directors to exercise the residual part of the proxy for the share capital increase already vested to it by the Shareholders' Meeting on 12 November 2020, pursuant to Art. 2441, par. 4 of the Italian Civil Code.

This report (the "**Report**") has been drafted pursuant to Art. 2446 of the Italian Civil Code, as well as to Art. 74 of the Consob regulation no. 11971 of 14 May 1999 as amended and integrated (the "**Issuers Regulation**") and to Annex 3A, model no. 5 of the aforementioned Issuers Regulation, for the purpose of explaining the financial position and the income statement of Giglio Group S.p.A. (the "**Company**" or "**Giglio**") as of 31 December 2020, as described in the Financial Statements approved by the Board of Directors on 11 May 2021, and to update it to 31 March 2021 (the "**Financial Position**"), represented by the following tables and submitted to the Shareholders' Meeting.

This Report thus refers to the figures of the Financial Statements as of 31 December 2020, already audited, and compares them with the figures of the Interim Report as of 31 March 2021, not yet audited. The Report, together with the observations of the Board of Statutory Auditors provided by Art. 2446 of the Italian Civil Code (the "**Observations**"), shall be made available to the public at the Company's headquarters, on the website of Borsa Italiana S.p.A., on <https://www.giglio.org/bilanci-e-relazioni/> and on the authorised storage mechanism within the terms of the law.

1. Financial Position and Income Statement drafted more recently than the date set for the Meeting

1.1 Financial Statements as of 31 December 2020 approved by the Board of Directors on 10/11 May 2021

Statement of Financial Position (Euro thousands)	31.12.2020	31.12.2019
Non-current assets		
Property, plant & equipment	162	189
Right-of-use assets	508	1,629
Intangible assets	203	217
Goodwill	3,249	4,084
Investments in joint ventures	9,951	13,645
Receivables	2,475	3,012
Deferred tax assets	824	762
Total non-current assets	17,374	23,538
Current assets		
Inventories	1,596	1,697
Trade and other receivables	4,568	9,310
Financial receivables	2	4,429
Tax receivables	1,130	1,730
Other assets	662	679
Cash and cash equivalents	1,141	229
Total current assets	9,099	18,074
Total Assets	26,473	41,612
Equity		
Issued capital	4,149	3,661
Reserves	22,267	16,731
Listing fees	(541)	(541)
FTA Reserve	4	4
Retained earnings	(16,074)	(7,172)
Foreign Currency Translation reserves	-	-
Net profit	(8,419)	(8,902)
Total Net Equity	1,385	3,781
Non-current liabilities		
Provisions for risks and charges	60	-
Post-employment benefit funds	329	324
Deferred tax liabilities	132	2
Financial payables	12,563	6,011
Total non-current liabilities	13,083	6,336
Current liabilities		
Trade payables	4,498	8,868
Financial payables	4,001	18,640
Tax payables	484	494
Other liabilities	3,021	3,493
Total current liabilities	12,005	31,495

Total liabilities and Shareholders' Equity	26,473	41,612
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Statement of Profit or Loss (Euro thousands)	31.12.2020	31.12.2019
Total revenues from contracts with customers	28,346	23,515
Other revenues	1,445	2,621
Change in inventories	(101)	(3,255)
<i>Purchase of raw materials, ancillary, consumables and goods</i>	<i>(21,089)</i>	<i>(16,916)</i>
<i>Service costs</i>	<i>(4,780)</i>	<i>(4,329)</i>
<i>Rent, lease and similar costs</i>	<i>(124)</i>	<i>(105)</i>
Operating costs	(25,993)	(21,349)
<i>Salaries and wages</i>	<i>(1,818)</i>	<i>(1,886)</i>
<i>Social security charges</i>	<i>(557)</i>	<i>(520)</i>
<i>Post-employment benefits</i>	<i>(123)</i>	<i>(122)</i>
Payroll expenses	(2,497)	(2,528)
<i>Amortisation</i>	<i>(60)</i>	<i>(43)</i>
<i>Depreciation</i>	<i>(603)</i>	<i>(652)</i>
<i>Write-downs</i>	<i>(8,966)</i>	<i>18</i>
Amortisation, depreciation & write-downs	(9,630)	(677)
Other operating costs	(198)	(119)
Operating profit	(8,628)	(1,792)
Financial income	1,527	3
Net financial charges	(1,285)	(1,153)
Profit before taxes	(8,386)	(2,942)
Deferred tax assets	(69)	(375)
Income taxes	36	6
Profit for the period (continuing operations)	(8,419)	(3,310)
Net Profit from discontinued operations	0	(5,592)
Profit for the period	(8,419)	(8,902)

For more information on the Financial Statements as of 31 December 2020, see the reports published on the website of the Company at <https://www.giglio.org/bilanci-e-relazioni/>

1.2 Interim Report as of 31 March 2021 (approved, in its consolidated form, by the Board of Directors of 15 May 2021)

Statement of Financial Position (Euro thousands)		31.03.2021	31.12.2020
Non-current assets			
Property, plant & equipment	(1)	149	162
Right-of-use assets	(2)	509	508
Intangible assets	(3)	195	203
Goodwill	(4)	3,249	3,249
Investments in joint ventures	(5)	10,601	9,951
Receivables	(6)	1,999	2,475
Deferred tax assets	(7)	839	824
Total non-current assets		17,541	17,374
Current assets			
Inventories	(8)	1,402	1,596
Trade and other receivables	(9)	5,240	4,568
Financial receivables	(10)	2	2
Tax receivables	(11)	643	1,130
Other assets	(12)	846	662
Cash and cash equivalents	(13)	690	1,141
Total current assets		8,822	9,099
Total Assets		26,363	26,473
Equity			
Issued capital	(14)	4,149	4,149
Reserves		22,267	22,267
Extraordinary reserve		-	-
Listing fees		(541)	(541)
FTA Reserve		4	4
Retained earnings		(24,493)	(16,074)
Foreign Currency Translation reserves		-	-
Net profit		(251)	(8,419)
Total Net Equity		1,134	1,385
Non-current liabilities			
Provisions for risks and charges	(15)	60	60
Post-employment benefit funds	(16)	297	329
Deferred tax liabilities	(17)	25	132
Financial payables	(18)	12,300	12,563
Total non-current liabilities		12,681	13,083
Current liabilities			
Trade payables	(19)	4,491	4,498
Financial payables	(18)	4,823	4,001
Tax payables	(20)	387	484
Other liabilities	(21)	2,846	3,021
Total current liabilities		12,548	12,005
Total liabilities and Shareholders' Equity		26,363	26,473

Statement of Profit or Loss (Euro thousands)	31.03.2021	31.12.2020	31.03.2020
Total revenues from contracts with customers	4,302	28,346	9,772
Other revenues	398	1,445	736
Increases in assets due to own work	0	0	0
Change in inventories	(194)	(101)	(107)
<i>Purchase of raw materials, ancillary, consumables and goods</i>	<i>(3,329)</i>	<i>(21,089)</i>	<i>(8,300)</i>
<i>Service costs</i>	<i>(804)</i>	<i>(4,780)</i>	<i>(1,009)</i>
<i>Rent, lease and similar costs</i>	<i>(46)</i>	<i>(124)</i>	<i>(40)</i>
Operating costs	(4,179)	(25,993)	(9,350)
<i>Salaries and wages</i>	<i>(406)</i>	<i>(1,818)</i>	<i>(545)</i>
<i>Social security charges</i>	<i>(134)</i>	<i>(557)</i>	<i>(166)</i>
<i>Post-employment benefits</i>	<i>(27)</i>	<i>(123)</i>	<i>(33)</i>
Payroll expenses	(566)	(2,497)	(744)
<i>Amortisation</i>	<i>(15)</i>	<i>(60)</i>	<i>(14)</i>
<i>Depreciation</i>	<i>(113)</i>	<i>(603)</i>	<i>(155)</i>
<i>Write-downs</i>	<i>(0)</i>	<i>(8,966)</i>	<i>23</i>
Amortisation, depreciation & write-downs	(129)	(9,630)	(146)
Other operating costs	116	(198)	66
Operating profit	(252)	(8,628)	227
Financial income	1	1,527	343
Net financial charges	(145)	(1,285)	(202)
Profit before taxes	(396)	(8,386)	368
Deferred tax assets	122	(69)	0
Income taxes	23	36	(8)
Profit for the period (continuing operations)	(251)	(8,419)	360
Net Profit from discontinued operations	0	0	0
Profit for the period	(251)	(8,419)	360

DETAILED NOTES

ASSETS

Non-current assets

1. Property, plant & equipment

Balance at 31.03.2021 149

Balance at 31.12.2020 162

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

Property, plant & equipment	Plant	Equipment	Furniture & fittings	EDP	Vehicles	Right-of-use Assets	Total
Change in Acquisition Cost							
31 December 2020	1,035	10	261	194	9	505	2,014
Increases	-	-	-	5	-	-	5
Reclassifications	-	-	-	-	-	-	-
Decreases	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
31 March 2021	1,035	10	261	199	9	505	2,019
Change in Amortisations							
31 December 2020	(1,014)	(7)	(193)	(172)	(9)	(457)	(1,852)
Depreciations	(2)	(0)	(6)	(3)	-	(7)	(18)
	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-
Decreases	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
31 March 2021	(1,016)	(7)	(199)	(175)	(9)	(464)	(1,870)
Net Book Value	18	3	62	24	-	42	149

In accordance with IAS 36, an assessment was made of any impairment indicators with regards to the procedure described in par. 5. "Investments in joint ventures".

2. Right-of-use assets

Balance at 31.03.2021 **509**

Balance at 31.12.2020 **508**

The breakdown of the right-of-use assets of the Group is illustrated below:

(Euro thousands)

Right-of-use assets	Properties	Vehicles	Total
Change in Acquisition Cost			
Net Book Value as of 31 December 2020	1,902	214	2,116
Business Combinations	-	-	-
Additions	98	4	103
Transfers	-	-	-
Exchange differences	-	-	-
Decreases	(788)	(58)	(845)
Disposals	-	-	-
31 March 2021	1,213	161	1,373
Change in Amortisations	-	-	-
Net Book Value 31 December 2020	(1,495)	(112)	(1,608)
Depreciations	(84)	(11)	(95)
Business Combinations	-	-	-
Transfers	-	-	-
Exchange differences	-	-	-
Decreases	788	50	838
Disposals	-	-	-
31 March 2021	(791)	(74)	(865)
Net Book Value 31 March 2021	421	87	509

3. Intangible assets

Balance at 31.03.2021 **192**

Balance at 31.12.2020 **203**

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

Intangible Assets	Other intangible	Total
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assets		
Change in Acquisition Cost		
31 December 2020	3,014	3,014
Increases	7	-
Reclassifications	-	-
Decreases	-	-
Disposals	-	-
31 March 2021	3,021	3,021
Change in Amortisations		
31 December 2020	(2,811)	(2,811)
Depreciations	(15)	(15)
Reclassifications	-	-
Decreases	-	-
Disposals	-	-
31 March 2021	(2,826)	(2,826)
Net Book Value	195	195

Other intangible assets refer to trademarks and software.

As of 31 March 2021, additions of € 7,000 were recorded, concerning the acquisition costs for software assets.

4. Goodwill

Balance at 31.03.2021 **3,249**

Balance at 31.12.2020 **3,249**

The account includes:

- €2,477,000: related to the acquisition of Giglio Fashion in March 2016.
- € 772,000: related to the merger of IBOX S.r.l. in June 2020.

5. Investments in joint ventures

Balance at 31.03.2021 **10,601**

Balance at 31.12.2020 **9,951**

The breakdown of the account as of 31 March 2021 is illustrated below:

(Euro thousands)

Investments in joint ventures	31.03.2021	31.12.2020	Change
Giglio USA	18	18	-
IBOX SA	6,119	6,119	-
Cloud Food	5	5	-
Terashop - E-Commerce Outsourcing S.r.l.:	3,769	3,769	-
GIGLIO SHANGHAI TECHNOLOGY CO. LTD	40	40	-
Salotto di Brera S.r.l.	650	-	650
Total	10,601	9,951	650

The changes, if compared to the previous fiscal year, are ascribable to the investments in **Salotto Brera - Duty Free S.r.l.**: On 15 January 2021, the company Salotto di Brera S.r.l. -a company engaged in B2B supplies for fashion, food and jewellery goods for cruise ships and duty-free stores in ports, airports and NATO bases- was purchased for a total amount of € 650,000.

6. Receivables and other non-current assets

Balance at 31.03.2021 **1,999**

Balance at 31.12.2020 **2,475**

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

(Euro thousands)

Receivables and non-current assets	31.03.2021	31.12.2020	Change
Guarantee deposits	165	199	(34)
ICO financial receivables	1,833	1,833	0
Others	-	443	(443)
Total	1,999	2,475	(477)

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

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

The account "Others", which referred to the long-term portion of the credit resulting from the transfer of GM Comunicazione S.r.l., was transformed to a short-term credit. See par. 12. "Other assets and other current receivables".

7. Deferred tax assets

Balance at 31.03.2021	839
Balance at 31.12.2020	824

The account, equal to € 839,000 as of 31 March 2021, mainly refers to the deferred taxes calculated on the tax losses on 2017 (€ 514,000). The deferred tax assets are expected to be reabsorbed by future assessable income deriving from the business plan.

8. Inventories

Balance at 31.03.2021	1,402
Balance at 31.12.2020	1,596

The inventories of the company comprise finished products for sale, assessed at the cost calculated with the FIFO method.

It is noted that the inventories 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. As of 31 March 2021, the obsolescence provision is equal to € 72,000 (€ 43,000 as of 31 December 2020). In 2021 Q1, the Company set aside € 44,000 and used € 15,000.

9. Trade and other receivables

Balance at 31.03.2021	5,240
Balance at 31.12.2020	4,568

The breakdown of the account is as follows:

(Euro thousands)

Trade and other receivables	31.03.2021	31.12.2020	Change
Trade receivables	4,129	3,425	704
Advances to suppliers	1,590	1,622	(32)
Provision for doubtful accounts	(479)	(479)	-
Total	5,240	4,568	672

The supplier advances relate to advances on orders of the PE and AI 2021 collection.

The provision for doubtful accounts did not change over the period. As already highlighted in section E. "Management of capital and financial risks on credit risk" of the Explanatory Notes to the Financial Statements as of 31 December 2020, the Company determines the provision for doubtful accounts by elaborating a specific provision matrix. More specifically, the Company, due to the variety of its clients, identified appropriate groupings and associated to them a specific rating, applying to each grouping a specific write-down percentage.

See the aforementioned Note for more information on the assessment procedure of the account at hand.

10. Financial receivables

Balance at 31.03.2021 **2**

Balance at 31.12.2020 **2**

The account (unchanged if compared to 31 December 2020) consists in the countervalue of no. 500 shares of Vértice Trescientos Sesenta Grados SA, Spanish company listed in Madrid's main stock-exchange market.

11. Tax receivables

Balance at 31.03.2021 **643**

Balance at 31.12.2020 1,130

(Euro thousands)

Tax receivables	31.03.2021	31.12.2020	Change
IRES	225	543	(318)
IRAP	30	145	(115)
Withholding taxes	1	1	-
VAT	196	273	(77)
Receivables for tax consolidation	191	168	23
Total tax receivables	643	1,130	(487)

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

The receivables for tax consolidation, equal to € 191,000, refer to the receivables accrued with the subsidiaries following the Tax Consolidation Agreement signed on 2 November 2020 with E-Commerce Outsourcing S.r.l..

The VAT receivable amounting to € 196,000, refers to the VAT generated by virtue of Giglio Group S.p.A. nature of habitual exporter. This receivable, just like IRES and IRAP receivables, diminished due to its use for the off-setting of the employee contributions and the withholding taxes to be paid.

12. Other assets and other current receivables

Balance at 31.03.2021 846

Balance at 31.12.2020 662

(Euro thousands)

Other assets	31.03.2021	31.12.2020	Change
Prepayments and accrued income	846	662	184
Total	846	662	184

Prepayments and accrued income relate to, for € 320,000, to the credit resulting from the transfer to GM Comunicazione S.r.l., finalised on 20 December 2018, of the authorisation to supply audiovisual media services associated to channel 65 of the digital terrestrial.

The remaining € 526,000 refer to the costs already recorded as of 31 March 2021, but pertinent to the following months. More specifically, € 296,000 were related to the goods invoiced on 31 March 2021 but collected in the Company's warehouse in the first days of April 2021.

13. Cash and cash equivalents

Balance at 31.03.2021 **690**

Balance at 31.12.2020 **1,141**

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

(Euro thousands)

Cash and cash equivalents	31.03.2021	31.12.2020	Change
Bank and short-term deposits	689	1,140	(451)
Cash on hand	1	1	-
Total	690	1,141	(451)

The drop in liquidity, if compared to 31 December 2020, is mainly related to the payment for the purchase of the investment in subsidiary Salotto di Brera.

LIABILITIES

14. Equity

The share capital as of 31 March 2021 consists of 20,746,475 ordinary shares, without express nominal value.

The changes as of 2021 Q1 relate to:

- Allocation of the result as of 31 December 2020;
- Loss for the year.

15. Provisions for risks and charges

Balance at 31.03.2021 **60**

Balance at 31.12.2020 **60**

The account includes the amounts allocated as of 31 December 2020 as a way to offset the payables of subsidiary Giglio TV Hong Kong.

16. Post-employment benefit provisions

Balance at 31.03.2021 **297**

Balance at 31.12.2020 **329**

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

<i>(Euro thousands)</i>	
31 December 2020 Balance	(329)
2021 Q1 provision	(27)
Advances/Util.	59
Actuarial gains (losses)	-
Net Interest	-
31 March 2021 Balance	(297)

17. Deferred tax liabilities

Balance at 31.03.2021 **25**

Balance at 31.12.2020 **131**

As of 31 March 2021, the total payable amounted to € 25,000. The decrease is due to the deferred tax effect from foreign currency conversion gains.

18. Current and non-current financial liabilities

Balance at 31.03.2021 **17,124**

Balance at 31.12.2020 **16,564**

The financial liabilities are illustrated in the table below:

(Euro thousands)

Financial payables	31.03.2021	31.12.2020	Change
Current	4,824	4,001	823
Non-current	12,300	12,563	(263)
Total	17,124	16,564	560

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

(Euro thousands)

Current financial liabilities	31.03.2021	31.12.2020	Change
Loans (current portion)	2,225	1,852	374
Total current loans	2,225	1,852	374
Advances on invoices/Credit Lines	1,117	824	294
Bank overdrafts	(0)	2	(3)
EBB bond	500	500	-
Earn-out	12	12	-
IFRS 16	336	319	17
Loans from subsidiaries	633	493	140
Bond loan	-	-	-
Total	4,824	4,001	823

The current financial liabilities relate to:

- Short-term portion of unsecured loans;
- The self-liquidating credit lines as advances on invoices;

- Short-term portion of the EBB bond, as described below amongst the non-current financial liabilities;
- Current portion of payables owed to Meridiana Holding S.r.l. (previously owed to related parties) in USD. For more information, see par. 34 of the Financial Statements as of 31 December 2020. "Transactions with subsidiaries and related parties".

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

(Euro thousands)

Non-current financial liabilities	31.03.2021	31.12.2020	Change
Loans	6,043	6,412	(369)
EBB bond	4,325	4,304	20
Payables to subsidiaries	1,444	1,194	250
IFRS 16	212	236	(24)
Payables to parent company	277	417	(140)
Total	12,300	12,563	(263)

The non-current financial liabilities relate to:

- Long-term unsecured loans;
- Non-current portion of payables owed to Meridiana Holding S.r.l., in USD;
- Long-term portion of 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 30 June 2020, 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. In particular, the bondholder approved the request of the company to allow, by way of derogation from 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. For the purpose of said suspension, EBB Export S.r.l., the bondholder, received from Meridiana Holding S.r.l., majority shareholder of Giglio Group, an indemnity and guarantee deed in its name for an amount of up to € 1 million.
- The Company requested a new suspension of the application of the thresholds for the financial covenants with regard to the test dates of 30 June and 31 December 2021.

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

19. Trade payables

Balance at 31.03.2021 **4.491**

Balance at 31.12.2020 **4.498**

(Euro thousands)

Trade payables	31.03.2021	31.12.2020	Change
Customer advances	121	121	-
Supply of goods and services	4,325	4,281	44
Credit notes to be issued	46	96	(50)
Total	4,491	4,498	(6)

The trade payables are mostly unchanged if compared to 31 December 2020.

20. Tax payables

Balance at 31.03.2021 **387**

Balance at 31.12.2020 **484**

(Euro thousands)

Tax payables	31.03.2021	31.12.2020	Change
Withholding taxes	75	122	(47)
Foreign VAT	76	76	-
Income taxes	184	191	(7)
Social security institutions	52	95	(43)
Total	387	484	(97)

Tax payables relate to:

- Withholding taxes and taxes related to the normal operating activities of the company for € 75,000 and € 184,000 respectively;
- Social security institutions for € 52,000.
- VAT accrued before the merger by the Ibox S.r.l., payable to foreign countries in which it performs its business through specific tax representation;

21. Other current liabilities

Balance at 31.03.2021 **2,845**

Balance at 31.12.2020 **3,021**

(Euro thousands)

Other current liabilities	31.03.2021	31.12.2020	Change
Employee payables	193	275	(82)
Prepayments and accrued expenses	84	177	(93)
Other payables	2,568	2,568	-
Total	2,845	3,020	(175)

The account Employee payables refers to contractual agreements with departing employees, that will be liquidated over the course of 2021.

Deferred income mainly refers to revenues to be recognised in the future period.

The account "Other payables" mainly includes the residual part of the amounts following the agreement for the transfer of the media area assets of Giglio Group (€ 2.6 million) to Vertice 360, as reported in the Closing Letter signed on 31 October 2019. See par. 33 "Commitments, guarantees and contingent liabilities" of the Explanatory Notes to the Financial Statements as of 31 December 2020 for more information on the ongoing lawsuit with Vertice 360.

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

The Consolidated Statement of Profit or Loss and Comprehensive Income as of 31 March 2020 recorded the beginning of the supply of the so-called PPEs (face masks and other) and the beginning of COVID-19 pandemic, which brought about a drop in luxury goods' sales starting from February 2020. As of 31 March 2020, the turnover from the sales of PPEs amounted to about € 2.8 million, with a 10% margin, thus leading to the recording of a profit in that period. As of 31 March 2021, PPEs were no longer supplied.

The Statement of Profit or Loss as of 31 March 2020 was also affected by the recording of significant profits made on currency exchanges on financial payables in USD with a related party (belonging to the Meridiana Holding Group).

Overall, it is noted that, as of 31 March 2021, if compared to the previous year, a drop in operational and employees costs can be recorded thanks to the spending review policies enforced.

2. Net Financial Position - Balances as of 31 December 2020 and 31 March 2021

(Euro thousands)	31.03.2021	31.12.2020	Change
A. Cash	690	1,141	(451)
B. Bank and short-term deposits and cheques	-	-	-
C. Securities held for trading	2	2	-
D. Cash & cash equivalents (A)+(B)+(C)	692	1,143	(451)
E. Current financial receivables	480	480	-
F. Current bank payables	(1,117)	(826)	(291)
G. Current portion of non-current liabilities	(2,225)	(1,851)	(374)
H. Current bond loan	(500)	(500)	-
I. Other current financial payables	(982)	(824)	(158)
<i>of which with Related Parties</i>	<i>(633)</i>	<i>(493)</i>	<i>(140)</i>
J. Current financial liabilities (F)+(G)+(H)	(4,824)	(4,001)	(823)
K. Net current financial liabilities (I) + (E) + (D)	(3,651)	(2,378)	(1,273)
L. Non-current bank payables	(6,043)	(6,412)	369
M. Bonds issued	(4,325)	(4,304)	(21)
N. Other non-current payables	(1,933)	(1,847)	(86)
<i>of which with Related Parties</i>	<i>(277)</i>	<i>(417)</i>	<i>140</i>
<i>of which with Subsidiaries</i>	<i>(1,444)</i>	<i>(1,194)</i>	<i>(250)</i>
O. Non-current financial liabilities (K)+(L)+(M)	(12,300)	(12,563)	263
P. Net financial liabilities (J)+(N)	(15,951)	(14,941)	(1,011)

The Group net financial debt amounts to € -15.9 million, highlighting a decrease on 31 December 2020 (€ -14.9 million) of € 1 million. The decrease relates mainly to the following factors:

- Drop in liquidity ascribable to the purchase of subsidiary Salotto di Brera (€ 350,000);
- Greater debts for advances on invoices for € 302,000;
- New loan subscribed with subsidiary E-Commerce Outsourcing (€ 250,000).

3. Proposals related to the provisions to be undertaken for the offsetting of the losses and the increase of share capital

On 11 May 2021, the Board of Directors of the Company acknowledged the following:

- The Profit for the Year of the Parent Company equals € -8.4 million (this amount takes into account the write-downs carried out on Giglio TV and of the uncertainty imposed by the Pandemic, which amounted to € 8.9 million);
- The aforementioned write-downs were calculated as follows (Euro thousands):

(Euro thousands)

Write-down due to the execution of the impairment test on Giglio Fashion's goodwill following its acquisition	1,607
Total goodwill write-down	1,607
Write-down due to the execution of the impairment test on the book value of the shareholding in Ibox SA	704
Write-down of the book value of the shareholding in Giglio TV HK	3,000
Write-down of the book value of the shareholding in Giglio Shanghai	160
Total investments write-down	3,864
Write-down of the receivables from Giglio TV HK	3,398
Provision for trade receivables write-down	37
Total receivables write-down	3,435
Provision for Giglio TV Hong Kong payables	60
Total provisions for risks	60
TOTAL	8,966

- Hence, the Company must reduce its capital by more than a third due to losses, as per Art. 2446, par. 1 of the Italian Civil Code;
- The Law states that the Company shall call a Shareholders' Meeting in order to take the "appropriate measures" on this issue, but, at the same time, it allows for the postponement of all offsetting measures because, pursuant to par. 2 of the same article, should the loss be smaller than

a third of the share capital, measures should be taken only if the loss is still recorded at the end of the following fiscal year.

- Said deadline for the losses accrued as of 31 December 2020, shall be postponed to the following fifth fiscal year, pursuant to the provisions set forth in Art. 6 of Legislative Decree no. 23 of 8 April 2020 (the so-called "Liquidity Decree", converted with amendments in Law no. 40 of 5 June 2020) "Temporary provisions on capital reductions", as amended by Law no. 178 of 30 December 2020, which allows listed companies to temporarily suspend some provisions on capital reductions for losses (Art. 2446 and 2-bis), thus postponing to the following fifth fiscal year the obligation to offset the losses;
- The recorded losses of € 8,419.120 mainly arise from the aforementioned situations, and it is believed that they shall be offset over the course of the following five fiscal years.

Hence, in order to strengthen the business of the Group, the Company believes that a prompt share capital increase is needed (to be carried out before 30 June 2021), and as such is planning to exercise its relevant proxy, vested to it pursuant Art. 2441 and 2443, par 4, second sentence of the Italian Civil Code on 12 November 2020 by the Shareholders' Meeting, resolving accordingly. To this purpose, it is noted that the proxy has already been exercised, leaving a remaining 6.67% if compared to the pre-existing capital. Moreover, Meridiana Holding, the majority shareholder of the Group, irrevocably guaranteed to subscribe up to 50% of any remaining share capital arising from the future share capital increase, identifying Integrae Sim S.p.A. as global coordinator for the operation. Moreover, in the coming days, Meridiana will define the terms and conditions for the share capital increase following the Meeting called pursuant to Art. 2446, par. 1 of the Italian Civil Code and in any case before the end of 2021 H1.

On the basis of the aforementioned elements (and of the detailed information mentioned in par. 4), the draft resolution of the Meeting of 21 June 2021 on this specific item, as already reported in the Explanatory Notes pursuant to Art. 125 of the CFA and published on the Company's website, is as follows:

draft resolution

"Giglio Group S.p.A. Shareholders' Meeting,

- *having examined the Directors' Report, prepared pursuant to Art. 125-ter of Legislative Decree no. 58 of 24 February 1958;*
- *having examined the Annual and Consolidated Financial Report as of 31 December 2020 and, in particular, the Directors' Report on Operations, the Board of Statutory Auditors' Report and the Auditing Company's Report;*
- *having acknowledged that the Financial Statements of the Company as of 31 December 2020 highlighted a loss for the year of € 8,419,120.00, which produced a relevant loss of share capital (as of the reporting date, equal to € 4,149,295) of more than a third, as per Art. 2446, par. 1 of the Italian Civil Code;*

resolves

1. *To approve the Financial Statements of Giglio Group S.p.A. as of 31 December 2020, which shall be closed with a loss of € 8,419,120.00, also pursuant Art. 2446 of the Italian Civil Code;*
2. *To carry forward said loss;*
3. *To acknowledge the Consolidated Financial Statements of the Group;*
4. *To acknowledge the fact that the loss produced a reduction in the share capital of the Company (currently equal to € 4,149,295) of more than a third, and as such, relevant pursuant to and in accordance with Art. 2446, par. 1 of the Italian Civil Code;*
5. *To acknowledge the Board of Directors' intention to proceed with the exercise of the residual part of the proxy for the share capital increase, already granted, pursuant to Art. 2441, par. 4 of the Italian Civil Code, by the Shareholders' Meeting on 12 November 2020, through the issue of a maximum of further no. 1,221,547 shares before 30 June 2021, considering this to be an appropriate measure to face the losses incurred;*
6. *To grant to the Board and, in turn, to its Chairman, any power necessary and/or appropriate for the execution of this resolution.*

4. Initiatives that the Issuer is planning to carry out for the recovery of the business performance and the maintenance of the going concern

On 03 March 2021, the Board of Directors of Giglio Group S.p.A. approved the Industrial Plan 2021-2025, which provides for the integration of the business activities of its subsidiary E-Commerce Outsourcing S.r.l. (ECO), acquired at the end of 2019, and of the newly-acquired Salotto di Brera S.r.l., acquired on 15 January 2021.

The Industrial Plan considers a GMV (Gross Merchandise Value - reference value for e-commerce transactions) acceleration at a cumulative growth rate of about 16% both for organic growth - in line with the expectation of the reference market (online sales for luxury fashion) - and for new brand acquisitions.

During the time span of the Plan, the objective is to significantly increase revenues, quickly regaining a significant sustainable profitability (Ebitda/Revenues) on the long term, with an incidence of more than 10% in the last year of the plan. The objective is to strike a balance between B2B activities - including the distribution to digital marketplaces (developing strongly as channel for stock disposal, especially in 2021 in consideration of the significant stock that the COVID-19 crisis is currently inducing) and the business of the newly-acquired Salotto di Brera (specialised in travel retail within cruise ships and duty-free shops in ports and airports) - and B2C activities, which boast the cutting-edge technological solutions proposed by E-Commerce Outsourcing's integrated and customised platform (also for IBOX SA's clients) capable of dealing with products from all sectors (fashion, design, electronics, DIY, food and beauty retail).

The Industrial Plan provides for an improvement from a financial and asset point of view, counting on the generation of positive cash flows, a working capital control to support B2B sales and minor financial needs for investments than the previous fiscal years following the acquisition of the technological expertise of ECO and the internal investments carried out throughout 2020 on the platforms. The Directors carried out adequate sensitivity analyses on the main hypotheses of the Plan, also taking into account the cash profile. Finally, the Directors, with regard to the COVID-19 epidemic that quickly spread to many areas of the world, Europe included, believe that it is extremely hard to make reliable predictions on future developments. For this purpose, a monitoring group has been established, tasked with the objective of monitoring corporate functionality and any eventual criticality.

It is noted that 2021 budget used by the Directors for assessing the existence of the going concern provides for the generation of a positive cash flow against slightly positive economic results. This provision, however, also includes some assumptions, whose eventual incomplete implementation (singularly and/or

cumulatively), may lead to a reduction of the Plan's results. The main assumptions made by the Directors for the assessment of 2021 cash flow are as follows:

- Significant commercial and organic growth of the B2C division, characterised by the immediate payment from users and the deferred payment of goods and services to suppliers;
- Increased efficiency of the processes generated and a reduction of the central costs due to the streamlining of the scope of corporate activities, as the disposal of an office in Milan and other saving activities;
- Better management of the average collection times, mainly due to the potential implementation of the no-recourse factoring mechanism for the receivables arising from the sales of some major clients active in the B2B segment and to the better management of the commercial reliance on behalf of suppliers;
- As pointed out in the Explanatory Notes regarding the debt owed to Vertice 360 of about € 2.5 million, it is noted that its payment is included in 2021 Plan, in the event of an adverse judicial outcome, as repayable in the long-term, taking into account a reasonable prediction of settlement of the dispute;
- 2021 forecast of the possibility to renegotiate some multiannual agreements towards non-strategic suppliers, also by obtaining deferred payments, in continuity with what has been done in the previous years.

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

- 2021 budget and 2022-2025 Plan have been drafted with reference to concrete and specific actions to be undertaken over the course of the whole period of the Plan that, however, due to their inherent nature, include general and hypothetical assumptions, as well as discretionary, related to the usual characteristics of a multiannual plan, and that these actions could be implemented in different times and with different effects than the ones expected, albeit they do not expect, as of now, the failure to implement said plan;
- Negotiations have been started with current suppliers in order to recover facilitation payments for the company, as well as with main credit institutions in order to gain new 72-months funding guaranteed by MCC, or to renegotiate existing funding with shorter expirations, bringing them to 72 months in order to improve the management of cash flows aimed at debt reimbursement;
- EBB Export S.r.l., subscriber of the bond, has granted (on 30 June 2020) the waiver of the measurement of the financial covenants on 2020 deadlines (i.e. 30 June 2020 and 31 December 2020); in particular, the bondholder approved the request of the company to allow, by way of

derogation from 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. For the purpose of said suspension, EBB Export S.r.l., the bondholder, received from Meridiana Holding S.r.l., majority shareholder of Giglio Group, an indemnity and guarantee deed in its name for an amount of up to € 1 million. The Company requested an extension of the waiver of the test dates of 30 June and 31 December 2021 to EBB Export;

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

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

Moreover, the aforementioned also takes into account the Board of Directors' right to exercise the proxy vested to it on 12 November 2020 by the Shareholders' Meeting, aimed at increasing the share capital by issuing a maximum of no. 1,221,547 shares by 30 June 2021, as well as the Board's intention to exercise it.

On 28 April 2021, the Board of Directors resolved to exercise the proxy vested to it by the Shareholders' Meeting n 12 November 2020 in order to execute a reserved share capital increase in kind, pursuant to Art. 2443 and 2441, par. 4, second sentence of the Italian Civil Code, within the limits of 6.67% of the pre-existing capital (equalling to the residual part of the proxy, as of the reporting date not yet exercised), for the purpose of strengthening the Company's economic and financial structure.

To this extent, the Company requested and obtained a favourable legal option for the use, also in the event of a relevant situation as per Art 2446, par. 1 of the Italian Civil Code, of the share capital increase already resolved upon, to be performed by 30 June 2021 (as provided by the Meeting's resolution and as

prescribed by the emergency regulations set forth in Art. 44, par. 3 of the Legislative Decree no. 76/2020, converted with Law no. 120/2020). The execution of the proxy represents, as far as the Directors are concerned, a suitable and appropriate action for the full development of the Industrial Plan in the specific context mentioned above, and is in line with the reasons that led to the grant of said proxy in the first place (and, mainly, with the need to “find financial resources that could allow, on the one hand, for the strengthening of the Company's economic and financial position and, on the other hand, for the development and growth of the Company”). In the exercise of its proxy, the Company shall follow the procedure set forth in Art. 2446, par. 1 of the Italian Civil Code (not excluded by Art. 6 of the Law Decree no. 23/2020), which calls for the prompt involvement of the Shareholders’ Meeting in a merely informational function without imposing an immediate intervention for the writing-off of losses, which the emergency regulation requires only when the loss, higher than a third of the share capital, remains after five fiscal years from the year in which the losses were first recorded.

With regard to the proxy’s exercise, the Company recorded the formal commitment of its majority shareholder to subscribe 50% of said capital increase, which, taking into account the market value of the Company’s shares in November 2020, would equal to € 1.2 million, to be paid in cash. Moreover, the Board of Directors already contacted a first operator, who followed the Company as specialist in the first months of 2021, in order to support the Company for the preparatory measures and the necessary formalities for the execution of said capital increase.

In light of the majority shareholders’ commitment and of the specialist’s availability, the Board of Directors considers that the share capital increase will have a positive outcome, thus reconfirming the expectation that both the Group and the Parent Company will be able to rely on adequate resources for carrying forward its business in coherence with the assumption of going concern.

5. Plans for Debt Restructuring

No plan for debt restructuring has been approved nor is currently undergoing approval.

Declaration of the Financial Reporting Officer with regard to the Company's accounting documents

The Executive Officer for Financial Reporting, Mr. Carlo Micchi, declares, pursuant to Art. 154-bis, par. 2 of the CFA, that the accounting information contained in the present report corresponds to the accounting figures, books and documents.