OBSERVATIONS OF THE BOARD OF STATUTORY AUDITORS ON THE EXPLANATORY REPORT 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 THE CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS AMENDED AND INTEGRATED (ISSUERS REGULATION), IN ACCORDANCE WITH MODEL NO. 5 OF ANNEX 3A OF THE SAME REGULATION ON THE DRAFT RESOLUTION NUMBER 2 ON THE AGENDA OF THE SHAREHOLDERS' MEETING CALLED ON 21 JUNE 2021

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Dear Shareholders,

The Board of Directors of the Company called you on 21 June 2021 for a Shareholders' Meeting aimed at resolving upon, among other things, 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.

The Board of Statutory Auditors hereby states its observations on the Explanatory Report prepared by the Board of Directors of Giglio Group S.p.A., pursuant to Art. 125-ter of the CFA, 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 (the "**Issuers Regulation**"), in accordance with model no. 5 of Annex 3A (the "**Report**").

More specifically, this document refers to point 2.3 of the Agenda, having the Board of Statutory Auditors already expressed its opinion on the Financial Statements in its 2020 Report published on 11 May 2021, to which reference is made.

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I. Financial Position and Income Statement

For the purpose of giving information on the draft resolutions, the Board of Directors prepared the Explanatory Report commented here, with substantial use of the information contained in the Financial Statements as of 31 December 2020 of Giglio Group S.p.A., also submitted for approval to the Shareholders' Meeting of 21 June 2021 and, were applicable, with the information contained in the Consolidated Interim Report as of 31 March 2021 of the same Group, approved by the Board of Directors on 15 May 2021.

The Report is accompanied by the financial statements as of 31 December 2020 and 31 March 2021, which are presented to the Shareholders' Meeting with the proposal to resolve upon the following, among others:

- To acknowledge the fact that the loss as of 31 December 2020 produced a reduction in the share capital of the Company of more than a third, and as such, relevant pursuant to and in accordance with Art. 2446, par. 1 of the Italian Civil Code;
- 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;
- To grant to the Board and, in turn, to its Chairman, any power necessary and/or appropriate for the execution of said resolutions.

The financial statements mentioned in the Report under assessment highlight the financial position, the income statement and the going concern related to the foreseeable management evolutions, albeit in the current context of pandemic emergency.

The financial position and the income statement mentioned in the Explanatory Report of the Directors highlights the following synthetic figures:

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		
Total non-current assets	17,374	23,538
Current assets		
Total current assets	9,099	18,074
Total Assets	**26,473**	**41,612**
Equity		
Total Net Equity	1,385	3,781
Non-current liabilities		
Total non-current liabilities	13,083	6,336
Current liabilities		
Total current liabilities	12,005	31,495
Total liabilities and Shareholders' Equity	**26,473**	**41,612**

Statement of Profit or Loss (Euro thousands)	31.12.2020	31.12.2019
Total revenues from contracts with customers	28,346	23,515
Operating costs	(25,993)	(21,349)
Payroll expenses	(2,497)	(2,528)
Amortisation, depreciation & write-downs	(9,630)	(677)
Operating profit	(8,628)	(1,792)
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)**

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		
Total non-current assets	**17,541**	**17,374**
Current assets		
Total current assets	**8,822**	**9,099**
Total Assets	**26,363**	**26,473**
Equity		
Total Net Equity	**1,134**	**1,385**
Non-current liabilities		
Total non-current liabilities	**12,681**	**13,083**
Current liabilities		
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
Change in inventories	(194)	(101)	(107)
Purchase of raw materials, ancillary, consumables and goods	*(3,329)*	*(21,089)*	*(8,300)*
Service costs	*(804)*	*(4,780)*	*(1,009)*
Rent, lease and similar costs	*(46)*	*(124)*	*(40)*
Operating costs	**(4,179)**	**(25,993)**	**(9,350)**
Payroll expenses	**(566)**	**(2,497)**	**(744)**
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**

With regard to the financial position as of 31 March 2021, the Directors observed that, as of 31 March 2020, the Company was beginning to supply 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, was recorded. 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). 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.

II. Financial Situation

The financial situation as of 31 March 2021 is mentioned in par. 2 of the Explanatory Report pursuant to Art. 2446 of the Italian Civil Code, as follows:

	(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)
	of which with Related Parties	*(633)*	*(493)*	*(140)*
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)
	of which with Related Parties	*(277)*	*(417)*	*140*
	of which with Subsidiaries	*(1,444)*	*(1,194)*	*(250)*
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)**

From the same figures, it is noted that the financial liabilities of the Company amount to € 15.9 million, highlighting a decline of € 1 million if compared to 31 December 2020 (€ 14.9 million). The change was related by the Directors principally 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).

III. Directors' assessment on going concern

To this regard, see par. 4 of the Explanatory Report pursuant to Art. 2446 of the Italian Civil Code and par. 39 of the Financial Statements of Giglio Group S.p.A., where the Directors, albeit in the presence of some uncertainties, are confident that they will be able to reach the results expected for the Industrial Plan 2021-2025 and also believe that it is reasonable to assume that the Group and its Parent Company will be able to rely on adequate resources for carrying forward its business for at least 12 months from the date of approval of the financial statements and has thus prepared them in application of the going concern; the same goes for the financial position and the income statement drafted pursuant to Art. 2446 of the Italian Civil Code.

With regard to the assumption upon which the Directors based their assessments, the following are highlighted:

- *Industrial Plan 2021-2025*, which provides for the integration of the business activities of subsidiaries E-Commerce Outsourcing S.r.l. (ECO) acquired at the end of 2019, and Salotto di Brera S.r.l., acquired on 15 January 2021. This Plan takes into consideration an acceleration of the so-called GMV at a cumulative growth rate of about 16%, both for organic growth 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, with the technological solutions offered by ECO's platform. 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. All of the above should be assessed and taken into account within the pandemic context, for which Directors believe that it is extremely difficult to make reliable forecasts for future developments;
- *2021 Budget*, used by the Directors for assessing the existence of the going concern, which provides for the generation of a positive cash flow against slightly positive economic results. This flow is based on the following assumptions:
  - 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;
  - Processes improvement and central costs' reduction following the streamlining of the Company's business 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;

- *Long-term clearance of the debt with Vertice 360*, equal to about € 2.5 million in the hypothesis that, as represented in the Financial Statements as of 31 December 2020 of Giglio Group S.p.A., should there be an adverse judicial outcome, said amount would be repayable in the long-term, taking into account a reasonable prediction of settlement of the dispute;
- Renegotiation of some multi-year contracts, 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 these assumptions, the Directors also 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 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. 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 risk connected to the COVID-19 epidemic, the company has been actively working to obtain any useful 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 opportunities by using its distribution platform for the purpose of facilitating the disposal of the stock that may pile up 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 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 purpose, the Company has obtained a legal opinion attesting the possibility to use said proxy also in the presence of a relevant situation pursuant to Art. 2446, par. 1 of the Italian Civil Code. 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. In executing the proxy, the Company shall follow the procedure laid out in Art. 2446, par. 1 of the Italian Civil Code that, as is known, 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 execution, the Company, on the one hand, recorded the formal commitment of the majority shareholder to subscribe 50% of said share capital increase and, on the other hand, contacted a major operator in order to receive the necessary professional support for carrying out the preparatory measures and the necessary formalities for the execution of said capital increase.

These circumstances induced the Board of Directors to consider 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.

IV. Proposal pursuant to Art. 2446 of the Italian Civil Code

The Board of Directors of Giglio Group S.p.A., in the Directors' Report on the items on the agenda for the Shareholders' Meeting of 21 June 2021 (the "**Directors' Report**"), drafted on 11 May 2021, acknowledging that, among others:

- Due to the loss for the year of € 8,419,120, the Share Capital of the Company as of 11 May 2021 was reduced by a third, pursuant to and in accordance with Art. 2446, par. 1 of the Italian Civil Code;
- After 31 December 2020 and until the preparation of the Directors' Report, no relevant events or circumstances that may significantly change the figures of the aforementioned documents took place;
- A further update of the financial position would have been provided in the Interim

Financial Report as of 31 March 2021;

- Pursuant to Art. 2446, par. 1 of the Italian Civil Code, there is no immediate obligation to write off the losses, given that the Company is not in a situation of relevant loss as per Art. 2446, par. 2 and Art. 2447 of the Italian Civil Code, and is thus possible to carry the losses forward.

Declared

- to have the intention to exercise the proxy granted to it by the Shareholders' Meeting on 12 November 2020 pursuant to Art. 2443 of the Italian Civil Code in order to execute the share capital increase to paid in kind pursuant to Art- 2441,, par. 4, second sentence of the Italian Civil Code, in separate issues pursuant to Art. 2439, par. 2 of the Italian Civil Code; and
- to deem that the exercise of the residual part of the aforementioned proxy is an "appropriate measure" pursuant to Art. 2446 of the Italian Civil Code, to be executed with the issue of a maximum of further no. 1,221,547 shares by 30 June 2021.

Based on this, the Board of Directors, upon the Meeting's acknowledgement, wishes to voluntarily adopt said initiative in order to favour the full development of the Company's capabilities to produce income in the specific corporate situation that emerged from the Financial Statement and, by making reference to the Directors' Report that the same Board shall prepare with regard to the share capital increase for which a proxy was granted in order to define the conditions of said increase, to be executed after the Shareholders' Meeting and in any case before 30 June 2021, proposes to the Shareholders' Meeting of Giglio Group S.p.A.:

- 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;
- 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;

- To grant to the Board and, in turn, to its Chairman, any power necessary and/or appropriate for the execution of this resolution.

With regard to the aforementioned, the Board of Statutory Auditors, within the limits of its jurisdiction, believes that there are no elements which would militate against the approval of the draft resolutions of the Board of Directors.

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Milan, 31 May 2021

The Board of Statutory Auditors

Cristian Tundo	Chairman
Monica Mannino	Statutory Auditor
Marco Andrea Centore	Statutory Auditor