giglio

GROUP S.p.A.

# Interim Condensed Consolidated Financial Statements as of 30 June 2021

E-MARKET SDIR CERTIFIED

# CONTENTS

# Interim Directors' Report

# of the Condensed Consolidated Interim Financial

# Statement as of 30 June 2021

## Company Information

**Registered office**
Giglio Group S.p.A.
Piazza Diaz 6
20123 Milan

**Legal Information**
Share Capital subscribed and paid-in € 4,393,604
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 appointed by the Shareholders' Meeting on 21 June 2021 |
| Marco Belloni | CEO appointed by the Shareholders' Meeting on 21 June 2021 |
| Anna Lezzi | Executive Director appointed by the Shareholders' Meeting on 21 June 2021 |
| Francesco Gesualdi | Independent Member appointed by the Shareholders' Meeting on 21 June 2021 |
| Sara Armella | Independent Member appointed by the Shareholders' Meeting on 21 June 2021 |

**Board of Statutory Auditors**

| | |
|---|---|
| Giorgio Mosci | Chairman appointed by the Shareholders' Meeting on 21 June 2021 |
| Marco Centore | Statutory Auditor appointed by the Shareholders' Meeting on 21 June 2021 |
| Gianluca Fantini | Statutory Auditor appointed by the Shareholders' Meeting on 21 June 2021 |

**Internal Control, Risk and Related-Parties Committee**

| | |
|---|---|
| Francesco Gesualdi | Chairman |
| Sara Armella | |

**Appointment and Remuneration Committee**

| | |
|---|---|
| Sara Armella | Chairwoman |
| Francesco Gesualdi | |

**Executive Officer for Financial Reporting**

Carlo Micchi

**Independent Auditor**

EY S.p.A.

* The audit assignment, subscribed for the period 2017-2025, will expire on 2026 with the approval of 2025 Financial Statements.

## 1. Introduction

Giglio Group is engaged in the e-commerce industry of high-end fashion, design and food products. The Group's mission is to provide technological support to a growing number of prime brands (in all categories served) in their business transformation towards digital omni-channel strategies worldwide.

Founded on 2003, 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, from customer care to payment gateways on a global scale, up to brands' connection with major digital marketplaces and international distribution channels. 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 and international channels with consumers across the globe, having also expanded its activities towards the food, design, electronics, DIY and physical well-being industries. Moreover, thanks to its "engagement & marketing automation" division, the Group can now offer evolved digital solutions that allow its customer base both to improve the performances of their own e-commerce website and to open up new B2B sales processes, or to new national and international markets, by gaining the loyalty of their clients, boosting and digitalising the direct sales force and incentivising and rewarding trades. The division provides both a strategic and operational support, by accompanying its customer base in the creation and implementation of loyalty and engagement programmes (by using digital technologies such as marketing automation), thus providing for a complete service, from the identification of the digital behaviour of the user -which, in the event of promotional prize contests, leads to the accrual and management of loyalty points- to the consultancy on the correct tax and legal framework of the promotional prize contests.

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 inevitable evolution of the relationship between brands and their clients, which is not set in stone anymore. Moreover, in the fashion sector, this relationship is not only linked with the change of the collections season after season, but it is also continually moving according to the different digital touchpoints, which, by changing quickly and by offering a more and more sophisticated supply range, bring about a continuous interaction between brands and clients on a global scale.

**THE BUSINESS MODEL AND ITS STRENGHTS**

Giglio is conceived as a Digital Enabler for brands capable of offering them a presence in the digital and selective distribution worlds by interconnecting through its omni-channel technologies all of its sales channels, thus aiming to become a fully outsourcing Omni-channel Platform for fashion, design and food brands.

With the launch of design sales and the penetration in the food sector, Giglio Group manages a unique, high-standing customer base and a complete and innovative range of business and digital services for its brands and their consumers, along with a proprietary omni-channel infrastructure called "Terashop" serving Italian and European excellence in their respective categories and connecting them to the new frontiers of digital sales and interconnected selective channels worldwide.

Giglio boasts its own integrated and integrable platform featuring the most popular e-commerce solutions adopted by brands worldwide, as well as major technological partnership that, together with the Company's know-how, make it a pivotal business and technological key-partner for brands' strategies.

Particularly in the Fashion sector, but not only, Giglio Group embraces the brands' different needs with regard to their presence in the digital and international space, offering services that can increase the value of their current distribution strategy:

- *Physical Retail:* According to the Group's philosophy, the physical retail must represent the physical lifestyle of the brand, in order to boost its popularity. Giglio Group's omni-channel technology can significantly improve the business and loyalty effectiveness of the physical retail through "click & collect" service, by recording loyalty on the sales point, by favouring products' return and exchange in the store, by providing in-store support for products available online via its "kiosk", reserved only for sales point, and via other "drive-to-store" technologies, as well as by digitally identifying the user in the store with marketing automation technologies.

- *E-commerce:* The first sales' pillar within the online world, and a consolidated strength for Giglio Group. Now part of all brands' DNA, the e-commerce offers a maximum catalogue range, an increasingly customised relationship with the clients, who can receive to-the-point information and offers thanks to the CRM technology amplified by the marketing automation software. As of now, the e-commerce channel is the most important one for sales volume per single touchpoint. 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)* and Marketplace: E-tailers represent the main share of online sales worldwide, with main physical department stores generating more than half of their revenues on their own online channels. The Marketplace channel amplifies the international online distribution of brands by increasing the customers' brand awareness and, in turn, the digital sales. Giglio Group's technological and business partnership can face the challenge to keep the brands' desired positioning and to correctly manage the in-season distribution, the specials sales and off-season goods within the high variety of digital supply now available on the market. More specifically, Giglio has accrued a significant experience in managing off-season hoods on main digital channels worldwide.
- *International Distribution and Travel Retail:* A paramount channel for brands' presence on an international level, but also for increasing their sales and expanding their popularity with international consumers. Giglio Group aims at increasing brands' sales via all of the international channels in which its proprietary omni-channel technology can allow for an interaction between the physical and digital retail, also during leisure travels.

Giglio Group's mission is to lead brands through their sales transformation by activating the best combination of sales channels and economic model, accompanying its partner brands along the process in order to obtain a 100% sell-through rate for every season through the correct balancing of national and international physical channels with proprietary or third-party digital channels such as marketplaces.

In 2021 H1, the Company operated with a full focus on the international distribution and e-commerce businesses. 2020 was the first year in which the results of E-Commerce Outsourcing

S.r.l. (user of Terashop's trademark), one of the reference suppliers of outsourced e-commerce services, were fully consolidated. Terashop is an e-commerce company that invested predominantly in omni-channel technologies in Italy, and its innovative platform allows to provide to brands and end customers a complete purchase experience by interconnecting physical and digital retail in all of the users' interaction touchpoints. By integrating Giglio Group's and Terashop's technologies and know-how, 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 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 operational savings. Moreover, it strengthened the Group's technical organisation thanks to the introduction of highly-specialised e-commerce experts in its team.

From 1 March 2021, to complement the proprietary technology of Terashop and its know-how in creating top-standing e-commerce portals and projects, a company branch specialised in marketing automation was leased from 7Hype S.r.l., along with the use of 7Hype's and Marketing Automation Academy's trademarks. The vertical know-how on marketing automation and the international technological partnerships that 7Hype has built over time were inserted in the digital division of the Group, in the "Engagement and Marketing Automation" products category, in order to provided digital services aimed at increasing the performances of e-commerce portals and the digitalisation of B2C and B2B sales strategies of companies.

Moreover, following the purchase of Salotto di Brera S.r.l., which took place on 12 January 2021, the Group has become a reference player in the international distribution in the selective and exclusive travel retail channel, in which Salotto di Brera has built strong business relations over the years with main cruise lines, touristic and diplomatic airports, duty-free chain stores, touristic ports and NATO bases.

Finally, the Healthcare division, which had a significant impact on 2020 results and, more specifically, on 2020 H1, suffered a strong slowdown following the evolution of the pandemics. The Group’s management is currently assessing new horizons for this division in 2022, leveraging on its digital know-how and on its international presence.

## THE REFERENCE MARKET

According to Bain's study "Luxury Study 2021 Spring Update", created in collaboration with Fondazione Altagamma, after a turbulent year following the economic crisis triggered by the COVID-19 pandemic, the luxury market has finally embarked on a path to recovery. In 2021 Q1, the sector started to grow again by 0,1% if compared to 2019, the last comparable year that was not affected by COVID-19.

China is still leading the recovery, while the United States of America have made an unexpected comeback. The acceleration of the Chinese area in 2021 Q1 is one of the new trends worth noticing -a trend driven by the increase in repatriations and the acceleration of the domestic expenditure for luxury products. The renewed consumers' confidence and the quick diffusion of vaccines caused a surprisingly fast-paced recovery of the consumption of luxury goods in the USA market. Europe, on the other hand, is still lagging behind, hindered by a slow vaccination campaign and by the lack of international tourism.

The change brought forth by COVID-19 global pandemic introduced the presence of online activities in every aspect of our lives. In the luxury market, Bain assesses that in 2021, more than 85% of the purchases will be influenced digitally, even though the human touch is still necessary, be it in the store or online. Indeed, the right balance between digitalisation and human contact will play a paramount role in keeping the clients' loyalty.

Accessories are still the main category sold online, ahead of clothing products, while beauty and hard luxury categories (jewels and watches) are in constant growth. Among the channels for online luxury sales, brands' websites gained market shares if compared to the websites of e-tailers and retailers.

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

Starting from 2020 and continuing well into 2021 H1, the COVID-19 pandemic is changing the economic forecasts of whole economy sectors worldwide, which in turn is causing a revision of the turnover for the fashion sector, served by Giglio Group. The Company is mainly engaged in the Fashion sector, with some brands in the Luxury segment, which resisted to the continuous uncertainty of the pandemic, and some others in the Premium one, which is still subject to uncertainties due to the lack of consumptions' recovery.

Due to the lockdowns that were enforced by the authorities 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. Luxuruy goods' online sales stood the test of time, while traditional models of physical stores and malls recorded steep drops in all luxury categories; by way of example, the drop in footwear (12%) was mitigated by sneakers shoes request, the jewellery sector was supported by the Asian demand, which benefited from online sales, while clothing products and watches dropped both by 30%.

Despite the recovery signals sent by the market, uncertainty is still high and, according to Bain, two possible scenarios are coming to the fore in 2021 fashion sector. The first one, more optimistic (with a 30% likelihood to occur), provides for a constant recovery over the current fiscal year that will achieve 2019 market levels before the end of 2021. This should result from the containment of the virus in several geographical areas and from a relatively quick transition to economic recovery. In this scenario, the market could reach over the year € 280-295 billion in worth. In the second scenario (with a 70% likelihood to occur), the momentum of Q1 is followed by a deceleration over the course of 2021, caused by the reduction of domestic luxury purchases and the limited intra-regional tourism. In this case, the virus would continue to cause the same restrictions experienced in 2020, postponing a full recovery in fashion sales to 2022. In this scenario, 2021 market would reach € 250-265 billion in worth.

**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-, and the restriction on travels all had a significant effect on the Group's results as of 2021 H1.

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 developing, following the intermittent lockdown of all non-essential physical stores during the semester, 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 sector has suffered from the slowdowns generated by the effects of the pandemic and of the postponement of orders from many clients, especially in Europe, recording a € 6 million drop in the turnover of traditional distribution if compared to the budget of the first half-year, mainly ascribable to the drop in healthcare products' sales. The revenues performance is monitored constantly and, as a consequence, the Group believes that the B2B economic results estimated for 2021 will be achieved mainly in the second quarter, benefiting at the same time from the seasonality of the e-commerce business, which includes in the second half of the year some digital events such as the Black Friday, the Cyber Monday and Christmas, but also the increased importance of the fashion sector on the turnover during the winter season and the drop in operating costs for the division, which will help maintain the margins envisaged in the budget. With regard to the travel division, several travel retail initiatives started to work again in the second semester, and cruise ships set sail once again, thus giving space for a better second half of the year.

The B2C e-commerce sector showed signs of recovery for the online sales of fashion products, and the first half-year confirmed this trend for stores of the Company's current customer base. The Group focused part of its activities in reorganising its technical division and training its new employees.
With regard to costs, the activities were focused on the reduction of structural costs and on the renegotiation of multi-annual agreements subscribed before the COVID-19 pandemic, which had to be necessarily re-adapted to the new context.

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), renewed by Art. 65 of Legislative Decree 104/2020 (the so-called "August Decree") and extended by Art. 1, par. 248 of the Budget Law 2021 (Law no. 178 of 30 December 2020). Following the latest extension, the suspension terms agreed with the credit institutions in April 2020 and subsequently extended were moved to 31 December 2021. 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**

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, in the Far East and in the other emerging markets. The Group's objective for 2021-2022 is to link a global customer base directly with high-end, medium-sized fashion brands, that is, Italian excellencies that have yet to reach a global positioning and that, due to their size and the need to redesign their strategies, are showing the need to access new market segments by making use of an international business and technological partner such as Giglio Group.

Giglio Group envisages to continue strengthening its positioning as leader in the reference market, i.e. as digital enabler of companies' business transformation through digital, logistic, marketing and international relationships' services 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 revenues for the brands currently under its management, both due to the seasonality between the first and the second half of the year and due to the ever increasing features that Terashop offers to its clients in order to improve their revenues.

Moreover, the Group budgeted an increase in the number of managed brands by the end of the year and for the following years.

Furthermore, Giglio Group extended the supply of its services also to adjacent business areas, with specific focus on the design, retail chain stores, food and DYI industries, offering its omni-channel platform to the main players of each segment, so that it can be integrated with physical sales points and the main reference marketplaces of those sectors.

Giglio Group, also as a response to the health emergency and its consequences, is intensifying its efforts to increase its productive capacity in order to create more and more projects for e-commerce platforms, also by integrating the experience of a travel retail consumer, so as to face the astounding increase in demand for these goods via online sales.

## 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.

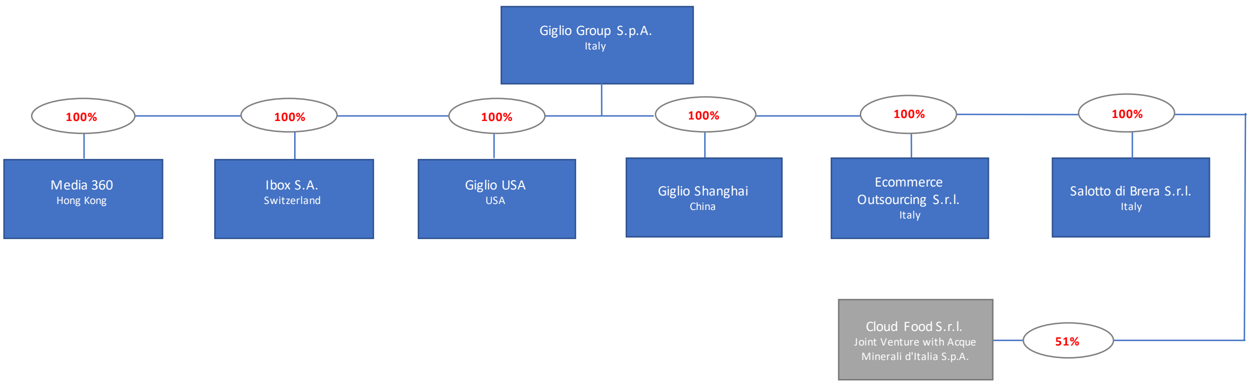
The Company is involved both in B2C and B2B operations. The integration between the two business models, Principal (B2B) and Agent (B2C), allows the Group to manage in an optimal way brand's warehouse stock, both on-season and off-season, aiming at a 100% sell-through rate.

The B2C business model, managed by the subsidiaries Ibox SA and E-Commerce Outsourcing S.r.l. (under Terashop’s brand, the digital core of the group, now integrating also 7Hype's activities), consists in providing digital services for the omni-channel management of monobrand websites for Fashion, Design and Food customers, as well as in offering integrated digital services aimed at improving the overall performances. Terashop is a unique technological platform capable of managing the mono-brand website, the omni-channel marketing requested by the sales points, the connection with the marketplaces, the integration with payment systems, loyalty programmes and logistics. Traded goods belong to the on-season collection and the special sales 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 from the Company, 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.
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.
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. The B2B Travel division presents a business model

that keeps the working capital balance thanks to the control over the advances received upon the clients' confirmation of the order and the advances given upon fulfilment and delivery of the order to the suppliers. Giglio Group also collaborates with client e-commerce platforms on the basis of a defined sales plan which further diminished the risk of unsold items. By cooperating with marketplaces, the difference between brands' payment time (usually between the beginning of the season and the products delivery) and marketplaces collection time (usually 30-90 days after the delivery), generates a financial requirement optimised by a careful use of the instruments supporting the working capital such as factoring and invoice advances.

The Group corporate structure is reported below:




On 8 June 2021, Giglio TV HK transferred its own subsidiary Media 360 HK to Giglio S.p.A. for a countervalue of 100 HKD (€ 11).

On 30 June 2021, Giglio TV HK was transferred to a third party for a countervalue of 100 HKD (€ 11), with the consequent deconsolidation of the investment.

## 2. Accounting Standards

This Interim Financial Report as of 30 June 2021 was prepared according to the same accounting standards used for the preparation of the Giglio Group 2020 Consolidated Annual Financial Statements.

## 3. Financial Highlights as of 30 June 2021

**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 the present Interim Condensed Consolidated 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.

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

**EBIT:** EBIT is the operating result reported in the statement of profit or loss illustrated in the Explanatory Notes.

**ADDED VALUE:** 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.

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

## Consolidated Financial Statements Overview as of 30 June 2021

The main balance sheet figures of the Group as of 30 June 2021 are specified below:

| (Euro thousands) | 30.06.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Intangible Assets | 16,420 | 15,411 | 1,009 |
| Property, Plant and Equipment | 1,289 | 1,356 | (67) |
| Financial Fixed Assets | 201 | 671 | (470) |
| ***Total Fixed Assets*** | **17,910** | **17,438** | **472** |
| Inventories | 2,094 | 1,754 | 340 |
| Trade receivables | 11,472 | 9,951 | 1,521 |
| Trade payables | (11,463) | (13,591) | 2,128 |
| **Operating/Commercial Working Capital** | **2,103** | **(1,886)** | **3,989** |
| Other current assets and liabilities | (5,451) | (4,072) | (1,379) |
| **Net Working Capital** | **(3,348)** | **(5,958)** | **2,610** |
| Provisions for risks and charges | (797) | (885) | 88 |
| Deferred tax assets and liabilities | 710 | 442 | 268 |
| **Net Invested Capital** | **14,475** | **11,037** | **3,438** |
| **Total Net Invested Capital** | **14,475** | **11,037** | **3,438** |
| **Equity** | **(395)** | **(325)** | **(70)** |
| **Net financial liabilities*** | **(14,080)** | **(10,712)** | **(3,368)** |
| **Total Sources** | **(14,475)** | **(11,037)** | **(3,438)** |

The Net Invested Capital of the Group at 30 June 2021, equal to € 14.5 million, is principally comprised of Net Fixed Assets (€ 17.9 million), and of Net Working Capital (€ -3.3 million).

Property, Plant and Equipment (which include also the right-of-use on existing leasing contracts), equal to € 1.3 million, increased (net of the period's amortisations) mainly following the renewal of operating lease contracts and the purchase of subsidiary Salotto di Brera. The account mainly refers to the existing investments in capital goods.

Intangible Assets, equal to € 16.4 million, are mainly ascribable to the goodwill for the acquisition of Giglio Fashion, of the IBOX Group, of E-Commerce Outsourcing S.r.l. an of Salotto di Brera (collectively worth € 13.4 million). 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 purchase of Salotto di Brera is concerned, which took place in January, 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 transfer in the coming 12 months following the purchase.

Financial Fixed Assets, equal to € 0.2 million, are mainly ascribable to the guarantee deposits paid relating to rental contracts for the buildings at Milan and Rome.

The net financial debt (determined in accordance with Consob communication No. DEM/6064293 and illustrated below) as of 30 June 2021 and 31 December 2020 is as follows:

| | (Euro thousands) | 30.06.2021 | 30.06.2020 | Change |
|---|---|---|---|---|
| A. | Cash | 2,344 | 5,085 | (2,741) |
| B. | Bank and short-term deposits and cheques | - | - | - |
| C. | Securities held for trading | 2 | 2 | - |
| **D.** | **Cash & cash equivalents (A)+(B)+(C)** | **2,346** | **5,087** | **(2,741)** |
| E. | Current financial receivables | 360 | 480 | (120) |
| F. | Current bank payables | (1,108) | (826) | (282) |
| G. | Current portion of non-current liabilities | (1,819) | (1,851) | 33 |
| H. | Current bond loan | (4,826) | (500) | (4,327) |
| I. | Other current financial payables | (1,094) | (919) | (175) |
| | *of which with Related Parties* | *(617)* | *(493)* | *(124)* |
| **J.** | **Current financial liabilities (F)+(G)+(H)** | **(8,847)** | **(4,096)** | **(4,751)** |
| **K.** | **Net current financial liabilities (I) + (E) + (D)** | **(6,141)** | **1,471** | **(7,612)** |
| L. | Non-current bank payables | (6,537) | (6,412) | (125) |
| M. | Non-current bond loan | - | (4,304) | 4,304 |
| N. | Other non-current payables | (1,401) | (1,467) | 66 |
| | *of which with Related Parties* | *(138)* | *(417)* | *279* |
| **O.** | **Non-current financial liabilities (K)+(L)+(M)** | **(7,939)** | **(12,183)** | **4,244** |
| **P.** | **Net financial liabilities (J)+(N)** | **(14,080)** | **(10,712)** | **(3,368)** |

The Group net financial debt amounts to € -14.1 million, highlighting a deterioration on 31 December 2020 (€ -10.7 million) of € 3.4 million. This change is mainly due to non-recurring events such as the share capital increase of December 2020, which generated € 0.5 million in cash and the sale of Vertice 360 shares in 2020 Q4, which generated € 3.6 million in cash. The share capital increase of June 2021, on the other hand, generated € 2.2 million in cash. Moreover, the e-commerce business seasonality also contributed to reduce the liquidity, given that the business itself provides for an increase in liquidity over Christmas and Black Friday.

In any case, the Group highlights a drop of € 1.8 million in financial debt, if compared to 2020 (€ 15.9 million).

More specifically, the change in financial debt can also be ascribed to the following factors:

<u>E. Current Financial Receivables</u>: the € 120,000 drop refers to the proceedings from the receivables collected throughout the semester 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;

F. Current bank payables: the increase refers to an increase in advances received from active invoices; the account is in line with the same period of the previous fiscal year;

G. Current portion of non-current liabilities: the decrease is mainly ascribable to the reimbursement of bank loans, which the Group decided to pay without making use of the possibility to suspend the existing instalments' payments (the so-called moratorium); the account is partially offset by the increase due to the loan held by Salotto di Brera (€ 42,000), a company purchased during the semester;

H. Current bond loan: The net financial debt records amongst its short-term liabilities also the financial debt related to the EBB S.r.l. bond. The regulation governing the terms and conditions of said Bond includes 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 26 July 2021, the Company formalised with the bondholder the suspension of the application of the aforementioned financial covenants' thresholds with regard to 30 June 2021 and 31 December 2021 Test Dates, as announced before the end of the fiscal year by the creditor itself.

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

I. Other current financial payables: the account increased mainly due to the reclassification of the Group's payables towards Meridiana Holding from long-term to short-term, net of the instalments paid over the course of the semester;

L. Non-current bank payables: the account increase is mainly due to the extension of the possibility to suspend the payments of the existing instalments (the so-called moratorium);

M. Non-current bond loan: See the account H. Current bond loan;

N. Other non-current payables: the account decreased mainly due to the reclassification of the Group's payables towards Meridiana Holding from long-term to short-term;

As described above, the Company had the chance to halt the payments of the instalments of the outstanding mortgages (so-called moratorium) pursuant to Art. 56 of Legislative Decree 18/2020 ("Heal Italy" decree), renewed by Art. 65 of Legislative Decree 104/2020 (the so-called "August

Decree") and extended by Art. 1, par. 248 of the Budget Law 2021 (Law no. 178 of 30 December 2020). Following the latest extension, the suspension terms agreed with the credit institutions in April 2020 and subsequently extended were moved to 31 December 2021.

**Consolidated Financial Activity Overview as of 30 June 2021**

The key consolidated economic highlights are shown below.

| *(Euro thousands)* | 30.06.2021 | 30.06.2020 | Change |
|---|---|---|---|
| Revenues from contracts with customers | 19,522 | 26,255 | (6,733) |
| Operating Costs | (17,525) | (21,541) | 4,016 |
| **Gross Margin** | **1,997** | **4,714** | **(2,717)** |
| **Gross Margin %** | **10.2%** | **18.0%** | **(7.7)%** |
| Payroll expenses | (2,702) | (2,830) | 128 |
| **EBITDA** | **(705)** | **1,884** | **(2,589)** |
| **EBITDA%** | **(3.6)%** | **7.2%** | **(10.8)%** |
| Non-recurring cots | 0 | 0 | 0 |
| Amortisation, depreciation & write-downs | (844) | (882) | 38 |
| **EBIT** | **(1,549)** | **1,002** | **(2,551)** |
| Net financial charges | (590) | (643) | 53 |
| **PROFIT BEFORE TAXES** | **(2,139)** | **359** | **(2,498)** |
| Income taxes | 163 | (325) | 488 |
| **PROFIT FOR THE PERIOD** | **(1,976)** | **34** | **(2,010)** |
| | | | |
| **EBIT %** | **(7.9)%** | **3.8%** | **(11.8)%** |
| **PROFIT FOR THE PERIOD%** | **(10.1)%** | **0.1%** | **(10.3)%** |

The consolidated revenues, equal to € 19.5 million, dropped by € 6.8 million (-26%) if compared to the consolidated figures of the same period for the previous fiscal year (€ 26.3 million as of 30 June 2020). This decrease is mainly ascribable to the postponed goods' delivery in the B2B e-commerce sector, which took place after 2021 H1, as well as to the end of the Healthcare sector's sales, which contributed to drive the revenue's growth in 2020 for about € 9.9 million. During the fiscal year, the company Salotto di Brera was acquired, which contributed to the Group’s turnover for € 3.8 million.

The total of operational costs, accounting for € 17.5 million (€ 21.5 million consolidated figures as of 30 June 2020), slightly decreased in proportion with the revenues' decrease related to the Healthcare sector.

Payroll costs dropped by € 128,000 in witness of the current streamlining of structural costs.

The EBITDA, negative by € 0.7 million (€ 1.9 million consolidated figures as of 30 June 2020), dropped if compared to the previous year mainly because of the performance of the Healthcare division over the same period, as well as of the loss of some B2C clients between April and June 2020, following their new post-COVID digital strategies, which the Company is currently replacing with better performances for current clients (who are consolidating and strengthening their existing clients), with the new supply of digital services such as marketing automation and with the introduction of new clients at the beginning of the year.

The Net Profit for the year is negative by € 1,976,000(€ 34,000 consolidated figures as of 30 June 2020) because the Company, apart from not benefiting from the additional and non-recurring business of the Healthcare division that had characterised 2020 H1, confirms its seasonal trend for which the first half of the year has a 40% impact on the final results, whilst the second half of the year accounts for 60% of them. As a matter of fact, the main digital and commercial evens of the year such as the Black Friday and Christmas all take place in the last quarter of the year. Moreover, the Group has incurred in significant non-recurring costs in 2021 H1 in order to complete its streamlining process, costs that shall not be incurred in the second half.

## 4. Segment disclosure

IFRS 8 accounting standard – "Operating Segments" requires the provision of detailed information for each operating segment, understood as being a component of an entity 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 and distribution
2. B2C e-commerce
3. Corporate.

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

1. B2B e-commerce and distribution: Giglio Group Spa, Giglio USA, Salotto di Brera and Giglio Shanghai;
2. B2C e-commerce: IBOX Group, E-Commerce Outsourcing S.r.l. and Giglio Shanghai;

3. Corporate: includes centralised Group functions which can not be assigned to the business units and mainly carried out by Giglio Group S.p.A.

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

| 30 June 2021 | | | | |
|---|---|---|---|---|
| **(Euro thousands)** | **B2B e-commerce** | **B2C e-commerce** | **Corporate** | **Total** |
| Revenues from contracts with customers | 13,116 | 5,991 | 0 | 19,107 |
| Other incomes | 60 | 216 | 0 | 276 |
| Capitalised costs | | 139 | | 139 |
| **Total revenues** | **13,176** | **6,346** | **0** | **19,522** |
| **EBITDA Adjusted** | **1,037** | **(72)** | **(1,670)** | **(705)** |
| **EBIT** | **1,018** | **(650)** | **(1,917)** | **(1,549)** |
| **EBT** | **946** | **(720)** | **(2,364)** | **(2,139)** |
| **Profit for the period** | **889** | **(743)** | **(2,123)** | **(1,976)** |

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. Subsequently, over the course of the current fiscal year, the activity was suspended due to the lack of demand from the market.

At the same time, lower sales in the digital B2C area (about € 1 million) were recorded, mainly ascribable to the lockdown of 2021 Q1, which caused a slowdown in the purchase trends of the final customer. The decrease affected all managed brands. On the other hand, the reduced revenues were partially compensated 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 results of the sectors as of 30 June 2020 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 incomes | 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 period** | **3,701** | **(434)** | **(3,232)** | **34** |

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 these Interim Condensed Consolidated Financial Statements.

## 5. 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 last two years affected by the COVID-19 emergency.

## 6. Human resources

The Group workforce totals 94 employees of which 86 in Italy, 6 in Switzerland, 1 in the United States of America and 1 in China.

Employees hired on temporary contracts are four.
Over the course of 2021 H1, 17 resignations and 22 recruitments were recorded. Moreover, the companies Salotto di Brera (purchased during the fiscal year) and 7Hype (with which a lease agreement for a business unit has been signed) brought in 9 further employees.

## 7. Investments

Group investments undertaken in 2021 H1, equal to € 582,000, 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.

## 8. 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 2021 H1, the subsidiary E-Commerce Outsourcing S.r.l. generated capitalised costs equal to € 139,000 (€ 150,000 as of 30 June 2020), inasmuch as they meet the aforementioned requirements:

## 9. 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.

## 10. 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.

## 11. Significant events in the first half-year

On 12 January 2021, Giglio Group S.p.A. signed a binding agreement for the purchase of Salotto Brera - Duty Free S.r.l., a company engaged in a national and international level in the distribution and trading of fashion and food products. Stefania Mariani, who held the totality of the share capital of Salotto di Brera - Duty Free S.r.l., is now part of the team handling the Group's Distribution division, providing her expertise and her experience of more than 20 years in the international distribution sector of fashion, food and luxury products.

The countervalue of the transaction has been agreed as € 1,175,000, including a positive NFP of more than € 450,000 and a total earn-out of € 200,000 to be determined on the basis of the EBITDA recorded over the course of the following two fiscal years.

On 23 February 2021, E-Commerce Outsourcing S.r.l., owned by Giglio Group S.p.A., signed an agreement with 7Hype S.r.l. aimed at integrating a branch of 7Hype into its corporate structure. The agreement consists in the 30-month lease contract of a business unit of 7Hype focused solely on marketing automation activities. Upon the conclusion of the lease, E-Commerce Outsourcing S.r.l. will have the right to purchase said business unit. 7Hype is the first Italian company specialised in Marketing Automation activities and operates at an international level through its brands “7Hype – Marketing Automation” and “Marketing Automation Academy”.

On 03 March 2021, the Board of Directors approved an update to the Industrial Plan 2021-2025. 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 newly-acquired Salotto di Brera - Duty Free S.r.l., the integration of the branch of 7Hype, the business prospects in China/Far East due to the effects of the COVID-19 outbreak, as well as the increased importance to the Distribution area on e-commerce platforms worldwide and to marketplaces' new connection services.

On 10 May 2021, the Board of Directors of the Company, resolved on the following with regard to the Financial Statements as of 31 December 2020:

- 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. Pursuant to the law, the Shareholders' Meeting must be called "to take appropriate measures", however, the law also provides for the postponement of the measures aimed at offsetting the loss, which are required (as per par. 2 of the same article) only in the event that the loss does not diminishes within a third of the capital by the following fiscal year.
- Said deadline for the losses accrued as of 31 December 2020 (€ 8.4 million), 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), postponing to the following fifth fiscal year the obligation to offset the losses.

- The Board of Directors carried out the residual share capital increase already delegated by the Shareholders' Meeting of 12 November 2020 and worth € 2.2 million.

On 8 June 2021, Giglio TV HK transferred to Giglio Group S.p.A. its subsidiary Media 360 HK for 100 HKD (€ 11).

On 21 June 2021, the Ordinary and Extraordinary Shareholders' Meeting of Giglio Group S.p.A. met under the chairmanship of Alessandro Giglio and in the presence of notary Marcello Giuliano. The Ordinary Shareholders' Meeting approved the Annual Financial Report at 31 December 2020, in the terms proposed by the Board of Directors. The Statutory Financial Statements show a loss for the period of € 8,419,120.00 that, considering the existing reserves, produced a reduction of the share capital greater than one-third of said capital and is thus relevant pursuant to Art. 2446, par. 1 of the Italian Civil Code; the Shareholders' Meeting subsequently resolved to carry forward said loss, taking into account the Board of Directors' commitment to proceed with 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 with the emission of a maximum of further 1,221,547 shares by 30 June 2021.

Moreover, the Shareholders' Meeting:

- Appointed the new Board of Directors setting the number of members to 5 and appointing the following new directors:
    - Alessandro Giglio – Chairman of the Board of Directors
    - Anna Maria Lezzi – Member
    - Marco Riccardo Belloni – Member
    - Francesco Gesualdi – Independent Member
    - Sara Armella – Independent Member

  The Shareholders' Meeting also set a three-year limit to the office of the appointed directors, establishing a total of € 450,000 per year as remuneration for the Board's members.
- Appointed two Statutory Auditors, Giorgio Mosci and Marco Andrea Centore, and an Alternate Auditor, Gianluca Fantini. Due to the withdrawal of a Statutory and of an Alternate Auditor's candidacy, pursuant to Art. 2401, of the Italian Civil Code, the Alternate Auditor Gianluca Fantini became Statutory Auditor, while the Company

undertakes to promptly call for a new Shareholders' Meeting in order to integrate the Board of Statutory Auditors. The Meeting resolved on the Chairman's remuneration (€ 38,000 per year) and on the single Statutory Auditors' remuneration (€ 32,000 per year).

- The Board of Directors was authorised to purchase the Company's own shares.
- The adoption of the Stock-Option Plan called "2021-2028 Stock-Option Plan" was approved.
- The Board of Directors, pursuant to Art. 2443 of the Italian Civil Code, was vested with the power to increase the share capital of the Company for a period of five years from the Meeting's resolution, upon payment and in separate issues, for a total amount of € 180,000 by issuing a maximum of 900,000 ordinary shares to be used only within the scope of the "2021-2028 Stock-Option Plan".

On 28 June 2021, Giglio Group S.p.A. completed the allocation of no. 1,221,547 ordinary, newly-issued shares, at a price of € 1.78 per share, for a total value of € 2,174,353.66. The value of the capital increase thus amounted to € 244,309.40 in nominal value and € 1,930,044.26 at share premium. Meridiana Holding S.r.l., the majority shareholder of the Company (for more information on the relationship between the Company and Meridiana Holding S.r.l., see Note 35. Transactions with subsidiaries and related parties), subscribed no. 485,547 shares, equal to 39.75% of the share capital increase. Meridiana Holding's participation in the transaction shall be deemed as a Related-Parties Transaction of lesser importance. With regard to the Related Parties Transaction of greater/lesser importance, see Chapter 2 of the Disclosure Document drafted pursuant to Art. 5 of the Regulation adopted by CONSOB with resolution no. 17221 of 12 March 2010, available on the authorised storage mechanism www.emarketstorage.it as well as on the Company's website at www.giglio.org "Corporate Governance - Shareholders' Meetings - Shareholders' Meeting 12 November 2020" section, together with the opinion of the Internal Control, Risks and Related-Parties Committee.

On 30 June 2021, the transfer of the subsidiary Giglio TV HK to a third party for the countervalue of 100 HKD (€ 10) was completed, with consequent deconsolidation of the investment.

## 12. Subsequent events

On 15 July 2021, Giglio Group S.p.A., via its subsidiary Salotto di Brera, subscribed a framework trade cooperation agreement with multinational Greenland Global Commodity Trading Hub Group, a Chinese state-controlled enterprise engaged in the consumption strategies' sector and in the high-quality international trade. Pursuant to the aforementioned agreement, Giglio Group shall start the operations between Salotto Brera and Greenland Group's buying office, thus promoting the general trade and the duty-free market in China and especially in the Hainan province.

On 29 June 2021, Ibox SA subscribed a private written settlement with a counterparty (a supplier of technical services and software). As a matter of fact, Ibox had caused objections concerning serious technical issues with the software and, pending the settling of the issue, it had accrued € 850,290.23 in trade payables.

The settlement, signed with the counterparty and accepted by the latter on 5 august 2021, provides for, amongst other things:

- The termination of the agreement signed on 25 September 2018 and effective from 1 June 2021;
- The counterparty shall compensate Ibox for the objections raised by the latter with a lump sum of € 450,000.
- Ibox recognizes the payment of € 400,290.23 (including VAT) in no. 8 monthly instalments, the last one expiring on 31 January 2022;
- The supplier agrees to reduce the fees charged in the agreements for a maximum amount of € 70,000 (if compared to the prices applied to Giglio Group) to be applied proportionally to each service required.

  In confirming the acceptance of the agreement on 5 August 2021, the supplier also agreed on a cash discount for a total of € 7,500 should the aforementioned instalments be paid-in before 5 September 2021; on 30 August 2021, Ibox SA completed the final payment.

  Hence, at the reporting date, a windfall gain caused by the reduction of the payable owed to the supplier accrued a total of € 457,500. This gain was not accounted for in the Interim Condensed Consolidated Financial Statements as of 30 June 2021, as the transaction was completed on 5 August 2021.

On 5 August 2021, the subsidiary E-commerce Outsourcing S.r.l. obtained a € 2 million loan from Banca Progetto in order to support its technological investments. The loan shall be reimbursed with 72 monthly instalments starting from 31 March 2022 and ending on 31 August 2027, with an interest rate equal to the one-month Euribor plus a 4.5% spread.

On 1 September 2021, the subsidiary E-commerce Outsourcing S.r.l. signed an important cooperation agreement, in exclusive for Italy, with Edrone, a Polish company expert in the sector of AI-boosted Marketing Automation software for e-commerce; this cooperation will speed up even more the customised sales messaging services.

On 10 September 2021, the Company reached an agreement with Meridiana Holding S.r.l. through which the last term of payment for outstanding debt related to the loans granted by the latter will be reimbursed in one single tranche by 31 January 2023, while Giglio Group will pay for the interests accrued monthly from 30 September 2021 until 31 January 2023. With this agreement, the Company will be able to complete its reorganisation process, thus postponing to 31 January 2023 the cash flows related to the reimbursement (which were expected from September 2021 to September 2022).

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

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 June 2020 and 31 December 2020. Finally, on 26 July 2021, the bondholder resolved to authorise the suspension of the application of the thresholds for the financial covenants with regard to the Test dates of 30 June 2021 and 31 December 2021.

## 14. 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**: 2021 H1 was characterised by the persistence of COVID-19 pandemic, which started during 2020 H1 and is still affecting the market considerably. As of now, despite the countermeasures taken, it is extremely difficult to make reliable estimates on future developments.

**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 2013-2020 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 2021, the Company owes USD 870,000 to Meridiana Holding S.r.l., its majority shareholder, disbursed to the Parent Company Giglio Group S.p.A. in order to address 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.

## 15. Significant shareholders and shares of the Issuer

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

- 55.66% of shares held by Meridiana Holding S.r.l. (company held 99% by Alessandro Giglio and 1% by his wife Ms. Yue Zhao);

Milan, 11 September 2021

Board of Directors

The Chairman

Alessandro Giglio

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

**Share capital**: € 4,393,604

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

**Registered at Milan Companies Registration Office** with no. 07396371002

**Interim Condensed Consolidated Financial Statement as of 30 June 2021**

**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) | | 30.06.2021 | 31.12.2020 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant & equipment | (1) | 380 | 404 |
| Right-of-use assets | (2) | 909 | 952 |
| Intangible assets | (3) | 3,067 | 3,058 |
| Goodwill | (4) | 13,353 | 12,353 |
| Investments in joint ventures | (5) | 8 | 8 |
| Receivables | (6) | 193 | 663 |
| Deferred tax assets | (7) | 952 | 829 |
| **Total non-current assets** | | **18,862** | **18,267** |
| **Current assets** | | | |
| Inventories | (8) | 2,094 | 1,754 |
| Trade receivables | (9) | 11,472 | 9,951 |
| Financial receivables | (10) | 2 | 2 |
| Tax receivables | (11) | 492 | 1,061 |
| Other assets | (12) | 1,948 | 2,310 |
| Cash and cash equivalents | (13) | 2,344 | 5,085 |
| **Total current assets** | | **18,352** | **20,163** |
| **Total Assets** | | **37,214** | **38,430** |
| **Equity** | (14) | | |
| Issued capital | | 4,393 | 4,149 |
| Reserves | | 22,147 | 20,376 |
| FTA Reserve | | 4 | 4 |
| Retained earnings | | (24,165) | (21,542) |
| Foreign Currency Translation reserves | | (8) | (15) |
| Net profit | | (1,976) | (2,647) |
| **Total Group Equity** | | **395** | **325** |
| Minority interest in equity | | - | - |
| **Total Net Equity** | | **395** | **325** |
| **Non-current liabilities** | | | |
| Provisions for risks and charges | (15) | 128 | 155 |
| Post-employment benefit funds | (16) | 669 | 730 |
| Deferred tax liabilities | (17) | 242 | 387 |
| Financial payables (non-current portion) | (18) | 7,939 | 12,183 |
| **Total non-current liabilities** | | **8,978** | **13,455** |
| **Current liabilities** | | | |
| Trade payables | (19) | 11,463 | 13,591 |
| Financial payables (current portion) | (18) | 8,847 | 4,096 |
| Tax payables | (20) | 2,913 | 3,219 |
| Other liabilities | (21) | 4,618 | 3,744 |
| **Total current liabilities** | | **27,841** | **24,650** |
| **Total liabilities and Equity** | | **37,214** | **38,430** |

## Condensed Consolidated Statement of Profit or Loss

| Condensed Consolidated Statement of Profit or Loss (Euro thousands) | | 30.06.2021 | 30.06.2020 |
|---|---|---|---|
| **Total revenues from contracts with customers** | (22) | **19,107** | **25,807** |
| Other revenues | (22) | 276 | 298 |
| Capitalised costs | (23) | 139 | 150 |
| Change in inventories | | (276) | 532 |
| *Purchase of raw materials, ancillary, consumables and goods* | (24) | *(11,020)* | *(15,237)* |
| *Service costs* | (25) | *(6,045)* | *(6,384)* |
| *Rent, lease and similar costs* | (26) | *(98)* | *(104)* |
| **Operating costs** | | **(17,163)** | **(21,725)** |
| *Salaries and wages* | (27) | *(2,090)* | *(2,206)* |
| *Social security charges* | (27) | *(519)* | *(524)* |
| *Post-employment benefits* | (27) | *(93)* | *(100)* |
| **Payroll expenses** | | **(2,702)** | **(2,830)** |
| *Amortisation* | (28) | *(556)* | *(419)* |
| *Depreciation* | (28) | *(247)* | *(463)* |
| *Write-downs* | (28) | *(41)* | *0* |
| **Amortisation, depreciation & write-downs** | | **(844)** | **(882)** |
| Other operating costs | (29) | *(86)* | *(348)* |
| **Operating profit** | | **(1,549)** | **1,002** |
| Financial income | (30) | *51* | *225* |
| Net financial charges | (30) | *(641)* | *(868)* |
| **Profit before taxes** | | **(2,139)** | **359** |
| Income taxes | (31) | *163* | *(325)* |
| **Profit for the period (continuing operations)** | | **(1,976)** | **34** |
| **Of which minority interest** | | **-** | **-** |
| **Basic and diluted profit from continuing operations** | | **(0.1232)** | **0.0021** |
| **Profit per share – basic and diluted** | | **(0.1219)** | **0.0039** |

## Condensed Consolidated Statement of Comprehensive Income

| Condensed Consolidated Statement of Comprehensive Income (Euro thousands) | | 30.06.2021 | 30.06.2020 |
|---|---|---|---|
| Profit for the period | | (1,976) | 34 |
| **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 | | 7 | 1 |
| ***Total other comprehensive income that may be reclassified to profit/(loss) in subsequent periods (net of tax)*** | | **7** | **1** |
| *Other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods (net of tax)* | | | |
| Actuarial loss on employee benefits obligations | (16) | 14 | 28 |
| ***Total other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods (net of tax)*** | | **14** | **28** |
| **Total Comprehensive Income for the period** | | **(1,955)** | **62** |

## Condensed Consolidated Statement of Changes in Equity

| Description *(Euro thousands)* | Issued capital | Reserves | FTA Reserve | Foreign Currency Translation reserves | IAS Reserve | Retained earnings | Net profit/(loss) | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2019** | **3,661** | **16,275** | **4** | **4** | **(35)** | **(5,719)** | **(15,796)** | **(1,606)** |
| Retained earnings | | | - | | | (15,796) | 15,796 | - |
| IAS 19 Reserve | | | | | 28 | | | 28 |
| Exchange rate effect | | | | 1 | | | | 1 |
| Deconsolidation of Giglio TV HK and liquidation of Evolve USA (2) | | | | | | (19) | | (19) |
| Group profit/(loss) | | | | | | | 34 | 34 |
| **Balance at 30 June 2020** | **3,661** | **16,275** | **4** | **5** | **(7)** | **(21,534)** | **34** | **(1,562)** |

| Description *(Euro thousands)* | Issued capital | Reserves | FTA Reserve | Foreign Currency Translation reserves | Retained earnings | Net profit | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2020** | **4,149** | **20,376** | **4** | **(15)** | **(21,542)** | **(2,647)** | **325** |
| Issue of share capital | 244 | | | | | | 244 |
| Share premium reserve | | 1,757 | | | | | 1,757 |
| Shareholders contributions to the corporate funds (or assets) | | - | | | | | - |
| Retained earnings | | | - | | (2,647) | 2,647 | - |
| IAS 19 Reserve | | 14 | | | | | 14 |
| Exchange rate effect | | | | 7 | | | 7 |
| Deconsolidation of Giglio TV HK (2) | | | | | 24 | | 24 |
| Group profit/(loss) | | | | | | (1,976) | (1,976) |
| **Balance at 30 June 2021** | **4,393** | **22,147** | **4** | **(8)** | **(24,165)** | **(1,976)** | **395** |

(1) See Note 14 Equity

(2) **As mentioned in the Directors' Report as of 31 December 2019, amongst the "Significant Events After the End of the Fiscal Year", in March 2020, and in the following interim reports, in the context of the definitive exit from the Media sector, Giglio Group S.p.A. transferred its full shareholding in Giglio TV Hong Kong (hereinafter Giglio TV HK) to a Chinese economic group, against a payment of € 3.0 million, equal to the book value of the subsidiary, through the subscription of a specific agreement.. The transaction was regulated through the winding-up of the receivable that was due to Giglio Group S.p.A. from Giglio TV HK.**

**Following the subscription of the agreement and upon the request of the purchasing party, on 27 April 2020 Giglio TV HK's headquarters and Company Secretary were changed.**

**Subsequent to this, as of the reporting date some events took place that do not allow for the certain exclusion, accounting-wise, of Giglio TV HK from the Group's scope.**

**As it emerged, following in-depth analyses carried out in the first months of 2021 with a view to the draft of 2020 Financial Statements -and following the lawsuit notice at the beginning of 2021 against Giglio TV, deemed by the local lawyer in charge of its rebuttal as "frivolous and vexatious"-, the buyer, who was prompted for this purpose also on September 2020, did not fulfil all necessary formalities with the local authorities for the registration of the shares' transfer.**

**Moreover, the COVID-19 pandemic also had a significant impact on their fulfilment, causing a harsh lockdown in Hong Kong for the whole 2020, during which offices remained close for a long time, only to reopen on an on and off basis, also to this day. For the same reason, the offices of the Company's accountants and financial auditors suffered from the same closures. In this context, another element of delay was the critical relationship between China and Hong Kong, which led, in May 2020, to new demonstrations, which cause most offices, transportation and roads to be closed.**

Therefore, in light of the aforementioned, the Board of Directors deemed it possible to proceed with the consolidation of Giglio TV as of 31 December 2020.

On 30 June 2021, Giglio TV HK was successfully transferred to a third party for a countervalue of 100 HKD (€ 10.87), with the consequent deconsolidation of the investment.

## Condensed Consolidated Statement of Cash Flows

| *Euro thousands* | | **30.06.2021** | **30.06.2020** |
|---|---|---|---|
| ***Cash flows from operating activities*** | | | |
| Net profit from continuing operations | | (1,976) | 34 |
| Net profit from discontinued operations | | - | - |
| Adjustments to reconcile profit before tax to net cash flow: | | | |
| Depreciation and impairment of property, plant and equipment | (1) | 70 | 91 |
| Amortisation of right-of-use assets | (2) | 177 | 373 |
| Amortisation and impairment of intangible assets | (3) | 556 | 419 |
| Non-cash changes of provisions | | (69) | (140) |
| Write-downs/(Revaluations) | (28) | 41 | (1) |
| Net foreign exchange differences | (30) | 590 | 756 |
| Income taxes | (31) | (163) | 325 |
| Changes in: | | | |
| Inventories | (8) | (788) | (536) |
| Trade receivables | (9) | (1,795) | 1,471 |
| Tax receivables | (11) | 570 | 4,707 |
| Current financial receivables | (10) | - | (114) |
| Other assets | (12) | 305 | (188) |
| Deferred tax liabilities | (17) | (146) | 20 |
| Trade payables | (19) | (1,612) | (6,468) |
| Tax payables | (20) | (43) | (1,059) |
| Right-of-use assets | (2) | (133) | 755 |
| IFRS16 financial payables | (18) | 153 | (1,131) |
| Other liabilities | (21) | 1,383 | (274) |
| **Change in net working capital** | | **(2,106)** | **(2,817)** |
| **Cash flow generated from operating activities** | | **(2,880)** | **(960)** |
| Interest paid | (30) | (256) | - |
| **Net cash flow generated from operating activities** | | **(3,136)** | **(960)** |
| ***Cash flows from investing activities*** | | | |
| Investments in property, plant & equipment | (1) | (26) | (4) |
| Investments in intangible assets | (2) | (555) | (260) |
| Acquisition of Salotto di Brera net of liquidity acquired | | (1,582) | - |
| Changes in other intangible assets | (6); (7) | 305 | 276 |
| Increase in investments in joint ventures | (5) | - | (1) |
| **Net cash flow used in investing activities** | | **(1,858)** | **11** |
| ***Cash flow from financing activities*** | | | |
| Share capital increase | | 2,001 | - |
| Change in Shareholders' Equity | | 45 | 7 |
| New financing | (18) | - | 2,060 |
| Repayment of loans | (18) | (357) | (1,209) |
| Change in financial liabilities | (18) | 562 | (903) |
| **Net cash flow used in financing activities** | | **2,251** | **(45)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(2,743)** | **(994)** |
| Cash and cash equivalents at 1 January | | 5,085 | 2,991 |
| Cash and cash equivalents at June 30 | | 2,344 | 1,996 |

# 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 2021 was approved by the Board of Directors on 11 September 2021.

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 as of 30 June 2021 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 as of 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 2020 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 2020, 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 Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Profit or Loss and Comprehensive Income, the Condensed Consolidated Statement of Cash Flows and the Notes to the Interim Condensed Consolidated Financial Statements.

In particular:

- in the Condensed Consolidated Statement of Financial Position, the current and non-current assets and liabilities are shown separately;

- in the Condensed Consolidated Statement of Comprehensive Income, the analysis of the costs is based on their nature;
- for the Condensed Consolidated 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 accounts, 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 Condensed Consolidated 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 each CGU were identified also on the basis of the procedures by which the management monitors and manages them, also through an at least annual control of the presence of any impairment indicator on each CGU, pursuant to the provisions set forth in 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 commercial credits is undertaken on the basis of the so-called expected credit loss model, as explained 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.).

- Payments based on shares or options:

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

It is noted that, on 21 June 2021, the ordinary and extraordinary Shareholders' Meeting took place.

The ordinary Shareholders' Meeting approved the 2021-2028 Stock-Option Plan reserved to the executive directors and/or senior executives of the Company or of its subsidiaries, who shall be identified by the Board of Directors in accordance with the provisions set forth in the regulation of the Stock-Option Plan.

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. 2439, par 2 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 € 180,000.00 in nominal value, through the issue, also in more tranches, of a maximum of no. 900,000.00 ordinary shares without nominal value, to be used only within the scope of the "Stock Option Plan 2021-2028".

The options thus assigned shall be exercised over a three-year vesting period divided in three tranches (up to 30% on the first year, up to 35% on the second year and up to 35% 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 2020 were not met, and that no provision was made necessary with regard to the previous fiscal year. The Company assesses that the objectives related to 2021 will not be met either due to the effects of the COVID-19 pandemics.

- 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 4.

- Intangible Rights: 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 The persistence of the effects of the pandemics and the consequent drop in demand caused a deterioration of the macroeconomic conditions, which affected the 2021 H1 performances of the traditional divisions and, more specifically, of the B2C sector; this drop is deemed, as of 30 June 2021, as an impairment indicator. 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 2021.

- Deferred tax assets are recognised to the extent where it is likely there will be adequate future tax profits against which temporary differences or any tax losses can be utilised. In this regard, the Group's management estimates the probable timing and the amount of the future taxable profits.
- Business combinations and valuation of acquired assets and liabilities:

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

- Contingent liabilities:

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

## E. 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, trade and other payables and financial guarantees. The main objective of these liabilities is to fund Group operations. The Group has financial and other receivables, trade and non-trade receivables, cash and cash equivalents and short-term deposits which directly stem from operations.

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

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

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

Financial risks are monitored through an integrated reporting system aimed at allowing the analytic planning of future activities.

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

The financial risks to which the Giglio Group is exposed are illustrated below.

*Market risk*

Market risk is the risk that the fair value of the future cash flows of a financial instrument will alter on the basis of market price movements. The market price includes three types of risk: currency risk, interest rate risk and other price risks.

*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 2021, the Company has an outstanding payable of USD 870,000 in favour of Meridiana Holding S.r.l.. See Note 35. "Transactions with subsidiaries and related parties" for more information on the transaction.

*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 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 2021 and 31 December 2020 is shown below:

| *(Euro thousands)* | **Year ended at 30 June 2021** | **%** | **Year ended at 31 December 2020** | **%** |
|---|---|---|---|---|
| > 120 days | 1,285 | *15.3 %* | 1,474 | *20.4 %* |
| *90<> 120 days* | *634* | *7.5 %* | *582* | *8.1 %* |
| *60<> 90 days* | *282* | *3.4 %* | *269* | *3.7 %* |
| *30<> 60 days* | *310* | *3.7 %* | *323* | *4.5 %* |
| *0<> 30 days* | *605* | *7.2 %* | *1,048* | *14.5 %* |
| **Total overdue** | ***3,115*** | ***37.1 %*** | ***3,695*** | ***51.1 %*** |
| Not overdue | *5,290* | *62.9 %* | *3,536* | *48.9 %* |
| **Total gross receivables** | **8,406** | ***100.0 %*** | **7,231** | ***100.0 %*** |
| Provision for doubtful accounts | *(992)* | | *(1,393)* | |
| Inc. provision on overdue 120 days | *(77.2)%* | | *(94.5)%* | |
| **Total** | **7,413** | | **5,838** | |

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

| *(Euro thousands)* | **Year ended at 30 June 2021** | **%** | **Year ended at 31 December 2020** | **%** |
|---|---|---|---|---|
| Europe | 6,892 | *82.0 %* | 6,098 | *84.3 %* |
| Asia | *196* | *2.3 %* | *190* | *2.6 %* |
| USA | *1,282* | *15.2 %* | *915* | *12.7 %* |
| Rest of the world | *35* | *0.4 %* | *29* | *0.4 %* |
| **Total gross receivables** | **8,406** | ***100.0 %*** | **7,231** | ***100.0 %*** |
| Provision for doubtful accounts | *(992)* | | *(1,393)* | |
| **Total** | **7,414** | | **5,838** | |

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

As of 30 June 2021, 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 |
|---|---|---|---|---|---|---|---|---|
| Banco BPM | 48 | 39 | 1,002 | 606 | 20 | - | 1,070 | 645 |
| Banca Popolare di Sondrio | 150 | 150 | 40 | 40 | - | - | 190 | 190 |
| IFITALIA Factoring - BNL | 5,950 | 2,136 | - | - | - | - | 5,950 | 2,136 |
| IFIS | 100 | 6 | - | - | - | - | 100 | 6 |
| **Total** | **6,248** | **2,331** | **1,042** | **646** | **20** | **-** | **7,310** | **2,977** |

Reference should also be made to the table in Note 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 Note 40. "Valuation of Going Concern".

## ACCOUNTING POLICIES AND ASSESSMENT CRITERIA

**Consolidation principles**

The Interim Condensed Consolidated Financial Statements include the financial statements of Giglio Group S.p.A and its subsidiaries as of 30 June 2021. In particular, a company is considered "controlled" when the Group has the power, directly or indirectly, to determine the financial and operating policies so as to obtain benefits from its activities.

The consolidated financial statements are prepared based on the financial statements of the individual companies in accordance with IFRS.

Specifically, the Group controls an investee if, and only if, the Group has:

- the power over the investment entity (or holds valid rights which confer it the current capacity to control the significant activities of the investment entity);
- the exposure or rights to variable returns deriving from involvement with the investment entity;
- the capacity to exercise its power on the investment entity to affect its income streams.

Generally, there is presumption that the majority of the voting rights results in control. In support of this presumption and when the Group holds less than the majority of the voting rights (or similar rights), the Group shall consider all the facts and significant circumstances to establish whether control of the investment entity exists, including:

- Contractual agreements with other holders of voting rights;
- Rights deriving from contractual agreements;
- Voting rights or potential voting rights of the Group.

The Group reconsiders if it has control of an investee if the facts and circumstances indicate that there have been changes in one or more of the three significant elements for the definition of control. The consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses this control. The assets, liabilities, revenues and costs of the subsidiary acquired or sold during the year are included in the consolidated financial statements at the date in which the Group obtains control until the date in which the Group no longer exercises control.

Changes in the holdings of subsidiaries which do not result in the loss of control are recognised under net equity.

If the Group loses control of a subsidiary, it must eliminate the relative assets (including goodwill), liabilities, minority interests and other net equity items, while any gain or losses are recorded in the 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 potential payment classified as an asset or liability, as a financial instrument which is subject to IAS 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 net equity of the parent company. On the sale of holdings which do not result in the loss of control of the entity, however, the difference between the price received and the book value of the holding sold is recorded directly as an increase of the Shareholders' Equity, without recording through the 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% |
| Salotto di Brera | Italy | **Subsidiary** | 100% |
| Giglio USA | USA | **Subsidiary** | 100% |
| IBOX SA | Switzerland | **Subsidiary** | 100% |
| Giglio (Shanghai) Technology Company Limited | China | **Subsidiary** | 100% |
| Media 360 HK Limited | HK | **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.

***Salotto di Brera S.r.l.***

Registered Office: Piazza Diaz, 6 | 20123 Milan

Share capital: € 25,000

The company is engaged in B2B supplies for fashion, food and jewellery goods for cruise ships and duty-free stores in ports, airports and NATO bases.

***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.

***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.

***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

***Media 360 HK Limited***

Registered Office: 603 Shung Kwong Comm. Bldg

8 Des Vouex Road West'

Hong Kong

Share capital: HKD 100

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

**Business Combinations**

On 12 January 2021, the Group acquired 100% of Salotto di Brera S.r.l.'s shares, in exchange for € 1,175,000.

*Assets acquired and liabilities assumed*

| | Fair value recognised upon acquisition |
|---|---|
| **Assets** | |
| Properties, plants and machineries (Note 1) | 21 |
| Intangible assets (Note 3) | 4 |
| Deferred tax assets (Note 7) | 1 |
| Inventories (Note 8) | 447 |
| Trade receivables (Note 9) | 273 |
| Cash and cash equivalents (Note 13) | 764 |
| | **1,511** |
| **Liabilities** | |
| Trade and other payables (Note 15) | 1,135 |
| Financial payables (Note 18) | 184 |
| Post-employment benefit funds (Note 16) | 17 |
| | **1,336** |
| **Total net identifiable assets at Fair Value** | **175** |
| Goodwill arising on acquisition (Note 4) | 1,000 |
| **Consideration of the acquisition** | **1,175** |

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

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

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

The difference between the overall cost of the transaction and the fair value of the net assets and liabilities of the subsidiary has been temporarily allocated at goodwill. On the basis of the IFRS 3 standard, the company, within the 12 month subsequent to the acquisition, shall carry out the purchase price allocation and, under this, shall confirm the current accounting.

The € 1 million goodwill includes the value of the expected synergies arising from the purchase of an customer base active in the reference sectors, as well as from the expansions of the Group's B2B sector activities also to the Duty Free market.

| **Consideration of the acquisition** | |
|---|---|
| Price for the acquisition of Salotto di Brera's shares | 1,175 |
| **Total consideration** | **1,175** |

From the acquisition date, Salotto di Brera S.r.l. contributed to revenues of the Group for € 3.8 million and to the pre-tax net profit of the Group for € 0.4 million.

## 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 statement of profit or loss and comprehensive income 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 Note 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 2020 Consolidated Annual Financial Statements.

## New accounting standards, amendments and interpretations applied from 1 January 2021

### Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IAS 16

The amendments include the temporary relief of the requirements with regard to the effects on the accounts when the interest rate offered on the interbank market (IBOR) is replaced by a substantially risk-free alternative rate (Risk-Free Rate - RFR).

The amendments include the following practical measures:

- A practical measure that allows for the treatment of changes in contractual terms (or of changes in cash flows required directly by the reform) as changes of a variable interest rate, equivalent to the movement of an interest rate on the market;
- A practical measure that allows for the application of the changes required by the IBOR reform in the context of the designation of the hedging and of the hedging documents without having to discontinue the hedging relationship;
- A practical measure that provides temporary relief to entities when it comes to respecting the requirements of separate identification upon designation of an RFR as hedging for a risk component.

These amendments had no impact on the Group's Interim Condensed Consolidated Financial Statements. The Group shall use said practical measure in the future, when they shall be applicable.

## Employment data

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

| Workforce | 30.06.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Executives | 2 | 3 | (1) |
| Managers | 18 | 14 | 4 |
| White-collar | 74 | 66 | 8 |
| Blue-collar | - | - | - |
| Others | - | - | - |
| **Total** | **94** | **83** | **11** |

## ASSETS

### B) Non-current assets

### 1. Property, plant & equipment

**Balance at 30.06.2021** **380**

**Balance at 31.12.2020** **404**

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

| Property, plant & equipment | Plant | Equipment | Furniture & fittings | EDP | Vehicles | Others | Total |
|---|---|---|---|---|---|---|---|
| **Change in Acquisition Cost** | | | | | | | |
| **31 December 2020** | **3,544** | **122** | **331** | **803** | | **574** | **5,375** |
| Additions | - | - | - | 25 | - | 1 | 26 |
| Business Combinations | 1 | - | 10 | 8 | 12 | - | 31 |
| Decreases | - | - | - | (122) | - | - | (122) |
| **30 June 2021** | **3,545** | **122** | **341** | **715** | **12** | **575** | **5,310** |
| **Change in Amortisations** | | | | | | | - |
| **31 December 2020** | **(3,523)** | **(109)** | **(248)** | **(570)** | **-** | **(521)** | **(4,971)** |
| Depreciations | (5) | (2) | (17) | (28) | (2) | (16) | (70) |
| Business Combinations | (1) | - | (2) | (3) | (4) | - | (10) |
| Decreases | - | - | - | 122 | - | - | 122 |
| **30 June 2021** | **(3,528)** | **(112)** | **(267)** | **(479)** | **(6)** | **(537)** | **(4,929)** |
| **Net Book Value 30 June 2021** | **16** | **11** | **74** | **235** | **6** | **39** | **380** |

As of 30 June 2021, the amortisations of Property, Plant and Equipment amount to € 70,000, highlighting the disposal of servers related to the B2C division, whose historical cost amounted to € 122,000, and the purchase of new servers in 2020 Q4.

The purchase of Salotto di Brera accounted for a net increase in Property, Plant and Equipment of € 21,000.

At the reporting date, the Company did not find any impairment indicator regarding the aforementioned Property, plant & equipment, which were included in the Net Invested Capital of the goodwill impairment test at TIER 1. For more information, see Note 4, Goodwill

## 2. Right-of-use assets

**Balance at 30.06.2021** **909**

**Balance at 31.12.2020** **952**

The breakdown of assets of the Group is illustrated below:

| Right-of-use assets | Properties | Vehicles | Total |
|---|---|---|---|
| **Change in Acquisition Cost** | | | |
| **31 December 2020** | **2,355** | **256** | **2,610** |
| Business Combinations | - | - | - |
| Additions | 98 | 154 | 252 |
| Transfers | - | - | - |
| Exchange differences | - | - | - |
| Decreases | (1,309) | (180) | (1,489) |
| Disposals | - | - | - |
| **30 June 2021** | **1,144** | **230** | **1,374** |
| **Change in Amortisations** | | | - |
| **31 December 2020** | **(1,533)** | **(125)** | **(1,658)** |
| Depreciations | (142) | (35) | (177) |
| Business Combinations | - | - | - |
| Transfers | - | - | - |
| Exchange differences | - | - | - |
| Decreases | 1,277 | 93 | 1,369 |
| Disposals | - | - | - |
| **30 June 2021** | **(399)** | **(67)** | **(465)** |
| **Net Book Value 30 June 2021** | **745** | **163** | **909** |

As of 30 June 2021, the amortisation of right-to-use assets amount to € 177,000, highlighting the subscription of various agreements which led to the account's increase of € 252,000, as well as to the termination of car leasing contracts whose value, not yet amortised, amounted to € 87,000.

Moreover, the current leasing agreement with Max Factory (company belonging to Meridiana Holding's group) were extended upon favourable opinion of the Related-Parties Committee. More specifically, for the lease of Rome's headquarters, the fees paid in 2021 H1 are accounted for on 2021 and 2022 without any further expense, while for Genoa's headquarters the agreement expiring on 31 December 2021 was extended, without any additional charge, until 31 December 2023.

As of 30 June 2021, no impairment indicators existed and consequently an impairment test was not carried out relating to the above-mentioned RoU assets.

## 3. Intangible assets

**Balance at 30.06.2021** **3,067**

**Balance at 31.12.2020** **3,058**

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

| Intangible Assets | Know-How | Development Activities | Other intangible assets | Total |
|---|---|---|---|---|
| **Change in Acquisition Cost** | | | | |
| **31 December 2020** | **1,164** | **1,841** | **4,810** | **7,815** |
| Reclassification capitalised costs | | | - | - |
| Additions | 255 | 267 | 33 | 555 |
| Business Combinations | - | - | 10 | 10 |
| Transfers | - | (30) | (231) | (260) |
| Exchange differences and Reclassifications | - | 4 | 1 | 5 |
| Decreases | - | - | - | - |
| Disposals | - | - | - | - |
| **30 June 2021** | **1,419** | **2,082** | **4,624** | **8,125** |
| **Change in Amortisations** | | | | |
| **31 December 2020** | **(263)** | **(408)** | **(4,086)** | **(4,757)** |
| Depreciations | (147) | (177) | (232) | (556) |
| Business Combinations | - | - | (6) | (6) |
| Transfers | | 30 | 231 | 260 |
| Exchange differences and Reclassifications | | (1) | (0) | (1) |
| Decreases | | - | - | - |
| Disposals | | - | - | - |
| **30 June 2021** | **(410)** | **(555)** | **(4,093)** | **(5,058)** |
| **Net Book Value 30 June 2021** | **1,010** | **1,527** | **530** | **3,067** |

Other intangible fixed assets refer to trademarks, software and know-how.

As of 30 June 2021, additions equal to € 0.6 million are recorded, ascribable by € 255,000 to the accounting of the lease of 7Hype's business unit via the application of IFRS16 standards and the allocation of the reference intangible fixed asset to the Know-How. The other additions mainly concern the acquisition costs for software assets (€ 0.3 million) and internal development costs (€ 0.3

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 have been amortised starting from 1 January 2020 and for six years on the basis of the assessed useful life for the developed platform, 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 with regards to the procedure described in Note 4.

## 4. Goodwill

| | |
|---|---|
| **Balance at 30.06.2021** | **13,353** |
| **Balance at 31.12.2020** | **12,353** |

Goodwill includes:

- € 7,595,000 related to the goodwill arising from the acquisition of the Ibox Group in April 2017, net of the impairment write-down of € 0.7 million, recorded as of 31 December 2020;
- € 2,477,000 related to the acquisition of Giglio Fashion in March 2016, net of the impairment write-down of € 1.6 million, recorded as of 31 December 2020.
- € 2,281,000 relating to the acquisition of E-Commerce Outsourcing S.r.l. in October 2019.
- € 1,000,000 relating to the acquisition of Salotto di Brera in January 2021. Pursuant to IFRS 3, the amount was temporarily recorded as goodwill and shall be confirmed within the following 12 months from the acquisition date via PPA.

The Group undertakes an impairment test at least annually (on December 31) when circumstances indicate the possibility of a reduction in the recoverable value of the goodwill.

The persistence of the effects of the pandemics and the consequent drop in demand caused a deterioration of the macroeconomic conditions, which affected the 2021 H1 performances of the traditional divisions; this drop is deemed, as of 30 June 2021, as an impairment indicator. Hence, also in the light of recent recommendations by CONSOB and ESMA, the Company's management considered it appropriate to prepare an impairment test on the goodwill also for the Interim Condensed Consolidated Financial Statements as of 30 June 2021.

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 has been kept constant if compared to 31 December 2020.

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 24%, while the terminal value (TV) was calculated as the average of UFCFs of the explicit forecast period until 2024, aligning amortisations to the average Capex level in the four-year period and maintaining a growth rate “g” at 0, conservatively.

Taking into account the risk brought about by COVID-19 pandemic, the discount rate applied is the adjusted WACC at 16.03% (15.38% used as of 31 December 2020).

The 2021-2025 multi-annual Industrial Plan was approved by the Directors on 03 March 2021.

TIER 1

The Tier 1 (consolidated level) shows that, upon a Net Capital Invested of € 13.9 million, the consolidated enterprise value amounts to € 18.3 million (of which € 6.7 million resulting from the discounting of flows from explicit forecast and € 11.6 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 € 13.4 million) gave positive results against a headroom of € 4.4 million.

As of 31 December 2020, these figures were represented as follows:

The Tier 1 (consolidated level) showed that, upon a Net Capital Invested of € 13.5 million, the consolidated enterprise value amounted to € 23.4 million (of which € 9.1 million resulting from the discounting of flows from explicit forecast and € 14.3 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 million) had given positive results against a headroom of € 9.9 million.

TIER 2 – B2C

The Tier 2 of B2C CGU (Business to Consumer) shows that, upon a Net Capital Invested of € 9.3 million, the enterprise value amounts to € 12.4 million (of which € 4.4 million resulting from the discounting of cash flows from explicit forecast and € 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 € 9.9 million) gave positive results against a headroom of € 3.1 million.

As of 31 December 2020, these figures were represented as follows:

The Tier 2 of B2C CGU (Business to Consumer) showed that, upon a Net Capital Invested of € 10.1 million, the enterprise value amounted to € 13.4 million (of which € 5.8 million resulting from the discounting of cash flows from explicit forecast and € 7.6 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) had given positive results against a headroom of € 3.4 million, of which € 0.2 ascribable to Ibox goodwill and € 3.2 to Terashop.

TIER 2 – B2B

The Tier 2 of B2B CGU (Business to Business) shows that, upon a Net Capital Invested of € 6.2 million, the enterprise value amounts to € 6.5 million (of which € 2.5 million resulting from the discounting of cash flows from explicit forecast and € 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 € 3.5 million) gave positive results against a headroom of € 0.3 million.

As of 31 December 2020, these figures were represented as follows:

The Tier 2 of B2B CGU (Business to Business) showed that, upon a Net Capital Invested of € 5.7 million, the enterprise value amounted to € 5.3 million (of which € 2.5 million resulting from the discounting of cash flows from explicit forecast and € 2.8 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 shown a negative spread of € 0.4 million, forcing the consequent writedown of the goodwill recorded in 2020 Financial Statements.

## 5. Investments in joint ventures

| | |
|---|---|
| **Balance at 30.06.2021** | **8** |
| **Balance at 31.12.2020** | **8** |

The account as of 30 June 2020 equal to € 8,000, mainly includes the investment consequent to the Joint Venture, together with Acque Minerali Italiane, of the company Cloud Food S.r.l under liquidation. 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 the company, as of 30 June 2021, is not operative and no transaction has been carried out with Giglio Group S.p.A..

## 6. Receivables and other non-current assets

| | |
|---|---|
| **Balance at 30.06.2021** | **193** |
| **Balance at 31.12.2020** | **663** |

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

| Receivables and non-current assets | 30.06.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Guarantee deposits | 183 | 210 | (27) |
| Others | 10 | 453 | (443) |
| **Total** | **193** | **663** | **(470)** |

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.

In the previous fiscal year, "Others" referred 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. Said credit, in the current fiscal year, is totally classified as short-term.

## 7. Deferred tax assets

| | |
|---|---|
| **Balance at 30.06.2021** | **952** |
| **Balance at 31.12.2020** | **829** |

The item, equal to € 952,000 in 30 June 2021, 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 (€ 105,000). For more information, see Note 31.

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

## 8. Inventories

| | |
|---|---|
| **Balance at 30.06.2021** | **2,094** |
| **Balance at 31.12.2020** | **1,754** |

The inventories of the Group comprise finished products for sale.

At 30 June 2021 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 company Salotto di Brera, purchased over the course of the fiscal year, holds goods in containment stock with duty-free stores and on board of cruise ships. The increase in inventories recorded in the first semester is mainly ascribable to the entrance of Salotto di Brera in the Group's consolidation scope. The Group assesses that said account will decrease in H2 thanks to the restart of cruise ships' fares and to the sale of goods delivered in the first days of July.

As of 30 June 2021, no further provision was made. Instead, part of the obsolescence provision (€ 20,000) 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.

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## 9. Trade receivables

**Balance at 30.06.2021** **11,472**

**Balance at 31.12.2020** **9,951**

The breakdown of the account is as follows:

| Trade receivables | 30.06.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Trade receivables | 10,575 | 9,566 | 1,009 |
| Advances to suppliers | 1,802 | 1,662 | 140 |
| Guarantee deposits | 73 | 73 | (0) |
| Other receivables | 14 | 43 | (29) |
| Provision for doubtful accounts | (992) | (1,393) | 401 |
| **Total** | **11,472** | **9,951** | **1,521** |

The Advances to suppliers of B2B e-commerce division relate to advances on orders of the PE and AI 2022 collection.

The Trade receivables increased following the acquisition of Salotto di Brera.

The geographic breakdown of gross trade receivables as of 30 June 2021 and 31 December 2020 is as follows:

| *(Euro thousands)* | **Year ended at 30 June 2021** | **%** | **Year ended at 31 December 2020** | **%** |
|---|---|---|---|---|
| Europe | 6,892 | *82.0 %* | 6,098 | *84.3 %* |
| Asia | *196* | *2.3 %* | *190* | *2.6 %* |
| USA | *1,282* | *15.2 %* | *915* | *12.7 %* |
| Rest of the world | *35* | *0.4 %* | *29* | *0.4 %* |
| **Total gross receivables** | **8,406** | ***100.0 %*** | **7,231** | ***100.0 %*** |
| Provision for doubtful accounts | *(992)* | | *(1,393)* | |
| **Total** | **7,414** | | **5,838** | |

The ageing of the gross trade receivables as of 30 June 2021 and 31 December 2020 is shown below:

| *(Euro thousands)* | **Year ended at 30 June 2021** | **%** | **Year ended at 31 December 2020** | **%** |
|---|---|---|---|---|
| > 120 days | 1,285 | *15.3 %* | 1,474 | *20.4 %* |
| *90<> 120 days* | *634* | *7.5 %* | *582* | *8.1 %* |
| *60<> 90 days* | *282* | *3.4 %* | *269* | *3.7 %* |
| *30<> 60 days* | *310* | *3.7 %* | *323* | *4.5 %* |
| *0<> 30 days* | *605* | *7.2 %* | *1,048* | *14.5 %* |
| **Total overdue** | ***3,115*** | ***37.1 %*** | ***3,695*** | ***51.1 %*** |
| Not overdue | *5,290* | *62.9 %* | *3,536* | *48.9 %* |
| **Total gross receivables** | **8,406** | ***100.0 %*** | **7,231** | ***100.0 %*** |
| Provision for doubtful accounts | *(992)* | | *(1,393)* | |
| Inc. provision on overdue 120 days | *(77.2)%* | | *(94.5)%* | |
| **Total** | **7,413** | | **5,838** | |

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

| **Provision for doubtful accounts (Euro thousand)** | |
|---|---|
| **Balance at 31 December 2020** | **1,393** |
| Provisions | 17 |
| Exchange differences | 3 |
| Utilisations | (421) |
| **30 June 2021 Balance** | **992** |

The provision for the year amounting to € 17,000 predominantly refers to the subsidiary Giglio USA, 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 30.06.2021** **2**

**Balance at 31.12.2020** **2**

The account 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 and deferred tax assets

**Balance at 30.06.2021** **492**

**Balance at 31.12.2020** **1,061**

The breakdown of tax receivables is shown below:

| Tax receivables | 30.06.2021 | 31.12.2020 | Change |
|---|---|---|---|
| IRES | 253 | 545 | (292) |
| IRAP | 14 | 146 | (132) |
| Withholding taxes | 5 | 3 | 2 |
| INPS | - | - | - |
| INAIL | 1 | - | 1 |
| VAT | 187 | 273 | (86) |
| Others | 32 | 94 | (62) |
| **Total current tax receivables** | **492** | **1,061** | **(569)** |

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

The decrease recorded in the semester is mainly ascribable to minor advances on taxes paid over the period.

## 12. Other assets and other current receivables

**Balance at 30.06.2021** **1,948**

**Balance at 31.12.2020** **2,310**

| Other assets | 30.06.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Other assets | 36 | 56 | (20) |
| Prepayments and accrued income | 1,913 | 2,254 | (341) |
| **Total** | **1,948** | **2,310** | **(362)** |

Prepayments and accrued income mainly relate:

- for € 1,175,000 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 € 200,000, 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. The change, if compared to 31 December 2021, is due to the collection of the shares of said receivable.
- The remainder refers to the costs for discounted services for the share not attributable to the Group.

## 13. Cash and cash equivalents

**Balance at 30.06.2021** **2,344**

**Balance at 31.12.2020** **5,085**

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

| Cash and cash equivalents | 30.06.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Bank and short-term deposits | 2,340 | 5,081 | (2,741) |
| Cash on hand | 4 | 4 | - |
| **Total** | **2,344** | **5,085** | **(2,741)** |

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

## LIABILITIES

### 14. Equity

The share capital as of 30 June 2021 consists of 21,968,022 ordinary shares, without express nominal value.

The movements in the first half of 2021 related to:

- Allocation of the consolidated result at 31 December 2020 (€ 2,647,000);
- Recognition of actuarial profit- IAS 19 (€ 14,000);
- Recognition of exchange differences (€ 7,000);
- Share capital increase via private allocation of no 1,221,547 ordinary newly-issued shares without nominal value, at a price of € 1.78 per share, for a total value of € 2.2 million. The value of the share capital increase, fully paid-up, is equal to € 0.2 million at nominal value and € 1.9 million at share premium. Said amount is adjusted to the subscription costs directly attributable (€ 0.2 million). Meridiana Holding S.r.l. subscribed no. 485,547 shares, equal to 39.75% of the capital increase. The participation of Meridiana Holding in the transaction shall be deemed as a Related-Parties Transaction of lesser importance, for more information on the relationship between the Company and Meridiana, see Note 35 - Transactions with subsidiaries and related parties; moreover, with regard to Related-Parties Transactions of greater importance, see Chapter 2 of the Disclosure Document drafted pursuant to Art. 5 of the Regulation adopted by CONSOB with resolution no. 17221 on 12 March 2010, available on the authorised storage mechanism www.emarketstorage.it, as well as on the Company's website at www.giglio.org, "Corporate Governance, Shareholders' Meetings, Shareholder Meeting 12 November 2020" section, together with the opinion issued by the Internal Control, Risks and Related-Parties Committee; paid capital increase via ABB procedure for € 1,310,000, of which € 147,000 at nominal value and € 1,163,000 at share premium;
- Consolidated result for the period (€ -1,796,000).

## 15. Provisions for risks and charges

**Balance at 30.06.2021** **128**

**Balance at 31.12.2020** **155**

As of 30 June 2021, this account mainly includes the provision for returns mainly ascribable to the company Ibox SA for € 115,000 and the provision for risks allocated by the Parent Company in order to offset any loss generated by Media 360 HK.

## 16. Post-employment benefit provisions

**Balance at 30.06.2021** **669**

**Balance at 31.12.2020** **730**

As of 30 June 2021, the Post-employment benefit provision amounts to € 669,000, and its movements are as follows:

| *(Euro thousands)* | |
|---|---|
| **Post-employment benefit provision at 31.12.2020** | **730** |
| Business Combinations | 17 |
| 2021 Q1 provision | 93 |
| Advances/Util. | (104) |
| Actuarial gains (losses) | (69) |
| Net Interest | 3 |
| **30 June 2021 Balance** | **669** |

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 2019 (source ISTAT – 2020 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; from 2027, this required contribution was adapted to the increase in life expectancy. 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: 0.6% for 2021 H2, 1.1% for 2022 and 1% for 2023 (source: *"Update of 2020 Economic and Finance Document"*); from 2024 onwards, the annual rate of 1.5% was hypothesised;
- 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 as of 30 June 2021 of AA securities issued by corporate issuers in the Eurozone and based on the average residual duration of the Post-employment benefit as of 30 June 2021; therefore, considering that the average residual duration of the liabilities was equal to 17 years, the annual nominal discount rate assumed in the valuation was 1.5% (1% as of 31 December 2020).

The sensitivity analysis on the discount rate was applied by using a rate that was respectively lower and higher than 1.5% by half a percentage point. Valuation results based on the rate of 1% and 2% (Euro thousands) are shown in the table below:

| (amount in €/000) | Rate 1% | Rate 2% |
|---|---|---|
| DBO | 698.7 | 595.9 |

Moreover, it is noted that the same demographical hypotheses of 31 December 2020 have been adopted, while the update of the discount rate (1.5% instead of 1% adopted on 31 December 2020) produced a DBO increase of € 48.1 thousand.

## 17. Deferred tax liabilities

| | |
|---|---|
| **Balance at 30.06.2021** | **242** |
| **Balance at 31.12.2020** | **387** |

As of 30 June 2021, the total payable amounted to € 242,000. This balance mainly includes the tax effect following the application of the PPA on the acquisition of E-Commerce Outsourcing, which took place in October 2019.

## 18. Current and non-current financial liabilities

| | |
|---|---|
| **Balance at 30.06.2021** | **16,786** |
| **Balance at 31.12.2020** | **16,279** |

The financial liabilities are illustrated in the table below:

| Financial payables | 30.06.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Current | 8,847 | 4,096 | 4,751 |
| Non-current | 7,939 | 12,183 | (4,244) |
| **Total** | **16,786** | **16,279** | **507** |

In absolute values, the net financial debt is in line with 31 December 2020; indeed, due to the persistence of the pandemics, the Company has started the negotiation with some major credit institutions in order to make use of the possibility to suspend the payments of the instalments of the outstanding mortgages (so-called moratorium) pursuant to Art. 56 of Legislative Decree 18/2020 ("Heal Italy" decree), renewed by Art. 65 of Legislative Decree 104/2020 (the so-called "August Decree") and extended once by Art. 1, par. 248 of the Budget Law 2021 (Law no. 178 of 30 December 2020) and then by Art. 16 of the Legislative Decree no. 73/2021. Following the latest extension, the suspension terms agreed with the credit institutions in April 2020 and subsequently extended, were moved to 31 December 2021. 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.

With regard to the financial debt 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 26 July 2021, the Company formalised with the bondholder the suspension of the application of the aforementioned financial covenants' thresholds with regard to 30 June 2021 and 31 December 2021 Test Dates, as announced before the end of the fiscal year by the creditor itself.

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

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

| Current financial liabilities | 30.06.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Loans (current portion) | 1,818 | 1,852 | (33) |
| **Total current loans** | **1,818** | **1,852** | **(33)** |
| Advances on invoices/Credit Lines | 1,041 | 824 | 218 |
| Bank overdrafts | 67 | 2 | 65 |
| Earn-out | 12 | 12 | - |
| Rental liabilities | 465 | 414 | 51 |
| EBB bond | 4,826 | 500 | 4,327 |
| Payables towards related parties | 617 | 493 | 124 |
| **Total** | **8,847** | **4,096** | **4,751** |

The current financial liabilities relate to:

- The short-term portion of unsecured loans;
- The self-liquidating credit lines as advances on invoices;
- The current portion of payables owed to related parties, in USD. For more information, see Note 35. "Transactions with subsidiaries and related parties".
- 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.
- As explained before, on 26 July 2021, the Company formalised with the bondholder the suspension of the application of the aforementioned financial covenants' thresholds for which Meridiana Holding S.r.l. main shareholder of Giglio Group S.p.A. released an indemnity and guarantee deed in its name for an amount of up to € 1 million, with regard to 30 June 2021 and 31 December 2021 Test Dates. Therefore, in the light of the above, the payment shall be requested by the bondholder only upon the maturities originally agreed upon in the agreement. Nevertheless, in spite of the above, the debenture bond has been classified among the short-term liabilities, in formal execution of the provisions set forth in IAS 1, par. 74.

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

| Non-current financial liabilities | 30.06.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Loans | 7,112 | 6,874 | 238 |
| EBB bond | - | 4,304 | (4,304) |
| Rental liabilities | 689 | 587 | 102 |
| Payables towards related parties | 138 | 417 | (279) |
| **Total** | **7,939** | **12,183** | **(4,244)** |

The non-current financial liabilities relate to:

- The long-term unsecured loans;
- The non-current portion of payables owed to related parties, in USD. For more information, see Note 35. Transactions with subsidiaries and related parties;

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 2021 and highlights the amounts due within and beyond one year:

| Bank | Interest rate | Loan amount | Date of subscription | Outstanding debt at 30/06/2021 | Expiration | 0<>12 months | 1 year<>2 years | 2 year<>3 years | More than 3 years |
|---|---|---|---|---|---|---|---|---|---|
| **INTESA** | | | | | | | | | |
| Unsecured loan no. 0IC1047064869 | Euribor 1 month + 2% spread | 1,000 | 28/06/2017 | 481 | 28/04/2024 | 101 | 204 | 177 | - |
| | | | | | | | | | |
| **BANCA POP di BERGAMO** | | | | | | | | | |
| Unsecured loan no. 004/01187014 | 2.1% | 600 | 29/07/2016 | 78 | 29/10/2021 | 78 | - | - | - |
| | | | | | | | | | |
| **CREDEM** | | | | | | | | | |
| Loan no. 052/7059285, MCC guarantee | 0.72% | 700 | 21/06/2016 | 59 | 21/04/2022 | 59 | - | - | - |
| | | | | | | | | | |
| **CARIGE** | | | | | | | | | |
| Loan no. 11597713 | 1.65% | 550 | 23/11/2020 | 546 | 31/10/2026 | | 89 | 136 | 321 |
| | | | | | | | | | |
| **BancoBPM** | | | | | | | | | |
| Loan no. 11597713 | Euribor 1 month + 2.1% spread | 2,000 | 23/11/2020 | 1,964 | 23/11/2026 | 347 | 355 | 362 | 900 |
| | | | | | | | | | |
| **UNICREDIT** | | | | | | | | | |
| Unsecured loan no. 8426426 | 5.90% | 5,000 | 23/01/2020 | 5,185 | 30/04/2024 | 1,014 | 2,045 | 2,126 | - |
| | | | | | | | | | |
| **TOTAL Giglio Group** | - | **9,850** | | **8,313** | | **1,599** | **2,693** | **2,801** | **1,221** |
| - | - | | | | | | | | |
| **Deutsche Bank** | - | | | | | | | | |
| Loan no. 2392069 | Euribor 3 month + 2.01% spread | 200 | 07/08/2020 | 166 | 07/08/2025 | 39 | 40 | 40 | 56 |
| | | | | | | | | | |
| **TOTAL SALOTTO DI BRERA** | - | **200** | | **166** | | **39** | **40** | **40** | **56** |
| | | | | | | | | | |
| | | **Overall Total** | | **8,479** | | **1,638** | **2,733** | **2,841** | **1,277** |

## 19. Trade payables

**Balance at 30.06.2021** **11,463**

**Balance at 31.12.2020** **13,591**

| Trade payables | 30.06.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Customer advances | 1,120 | 682 | 438 |
| Supply of goods and services | 10,234 | 12,840 | (2,606) |
| Credit notes to be issued | 109 | 69 | 40 |
| **Total** | **11,463** | **13,591** | **(2,128)** |

The account change, if compared to 31 December 2020, must be ascribed to both to the seasonality and to the exploitation of the increased cash and cash equivalents generated during 2021 H1 in order to reduce the indebtedness of current suppliers.

For more information, see Note 6 - Business seasonality, in the Directors' Report.

The breakdown of trade payables is shown below:

| *(Euro thousands)* | **Year ended at 30 June 2021** | **Year ended at 31 December 2020** |
|---|---|---|
| Trade payables | 11,463 | 13,591 |
| *- of which overdue beyond 60 days* | *2,155* | *4,034* |
| *- % overdue payables on total* | *18.8%* | *29.7%* |

## 20. Tax payables

**Balance at 30.06.2021** **2,913**

**Balance at 31.12.2020** **3,219**

| Tax payables | 30.06.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Withholding taxes | 336 | 261 | 75 |
| Foreign VAT | 2,097 | 2,176 | (79) |
| Income taxes | 334 | 630 | (296) |
| Social security institutions | 146 | 152 | (6) |
| **Total** | **2,913** | **3,219** | **(306)** |

Tax payables relate to:

- withholding taxes and taxes related to the normal operating activities of the company for € 336,000;
- 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 € 146,000.

### 21. Other current liabilities

**Balance at 30.06.2021** **4,618**

**Balance at 31.12.2020** **3,744**

| Other current liabilities | 30.06.2021 | 31.12.2020 | Change |
|---|---|---|---|
| Employee payables | 585 | 555 | 30 |
| Prepayments and accrued expenses | 680 | 500 | 180 |
| Other payables | 3,353 | 2,689 | 664 |
| **Total** | **4,618** | **3,744** | **874** |

The account "Other payables" mainly includes the residual part of the amounts arising from the agreement finalised upon the transfer of Vertice 360, equal to € 2.6 million.

The account increased in 2021 H1 mainly due to the acquisition of Salotto di Brera and to the consequent accounting of the payable owed to the former partner of the purchased company.

The account "Accrued expenses" mainly refers to revenues to be recognised in future periods.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED 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:

| | 30.06.2021 | 30.06.2020 | Change |
|---|---|---|---|
| Revenues from contracts with customers | 19,107 | 25,807 | (6,700) |
| Other revenues | 276 | 298 | (22) |
| **Total** | **19,383** | **26,105** | **(6,722)** |

As of 30 June 2021 revenues from sales and services amounted to Euro 19.1 million compared to Euro 25.8 million as of 30 June 2020. This decrease is mainly ascribable to the postponed goods' delivery in the B2B e-commerce sector, which took place after 2021 H1, as well as to the end of the Healthcare sector's sales, which contributed to drive the revenue's growth in 2020.

The revenues include € 3.8 million related to Salotto di Brera's turnover (purchased on January) and € 0.3 million related to 7Hype's turnover (business unit leased from March).

## 23. Increases in assets due to own work

The increases in assets due to own work as of 30 June 2021 amounted to € 139,000, as already reviewed in the context of the dedicated Note 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:

| | 30.06.2021 | 30.06.2020 | Change |
|---|---|---|---|
| Costs of goods | 10,996 | 15,218 | (4,222) |
| Consumables | 24 | 19 | 5 |
| **Total** | **11,020** | **15,237** | **(4,217)** |

The account mainly includes the costs borne by the B2B segment of Giglio Group; the decrease over 2020 H1 is mainly ascribable to the Giglio Salute division, whose sales reduction has already been described in Note 22. Revenues from contracts with customers. The Costs of goods include € 3.7 million related to Salotto di Brera’s turnover, a company acquired on January.

## 25. Service costs

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

| | 30.06.2021 | 30.06.2020 | Change |
|---|---|---|---|
| Agents | 1,276 | 1,047 | 229 |
| Other service costs | 43 | 223 | (180) |
| Insurance | 92 | 70 | 22 |
| Bank, postal & collection commissions | 476 | 561 | (85) |
| Directors, statutory auditors and supervisory board fees | 193 | 220 | (27) |

| | | | |
|---|---|---|---|
| Consulting | 1,469 | 1,453 | 16 |
| Administrative costs | 740 | 222 | 518 |
| Customer service | 170 | 314 | (144) |
| Warehousing | 255 | 242 | 13 |
| Maintenance | 7 | 9 | (2) |
| Advertising, promotions, shows and fairs | 77 | 70 | 7 |
| Cleaning and surveillance | 14 | 13 | 1 |
| Transport & shipping | 993 | 1,650 | (657) |
| Utilities | 131 | 122 | 9 |
| Web marketing | 63 | 130 | (67) |
| Sales representatives | 46 | 38 | 8 |
| **Total** | **6,045** | **6,384** | **(339)** |

The account principally refers to:

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

- The B2C division: agents costs for € 1.2 million, transport and shipping for € 0.8 million, bank commissions for € 0.4 million and customer services for € 0.2 million.

Consulting and administrative/IT costs mainly refer to the corporate division and to Ibox SA.

## 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:

| | 30.06.2021 | 30.06.2020 | Change |
|---|---|---|---|
| Rental | 56 | 60 | (4) |
| Hire | 29 | 27 | 2 |
| Operating leases | 13 | 17 | (4) |
| **Total** | **98** | **104** | **(6)** |

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:

| | 30.06.2021 | 30.06.2020 | Change |
|---|---|---|---|
| Salaries and wages | 2,090 | 2,206 | (116) |
| Social security charges | 519 | 524 | (5) |
| Post-employment benefits | 93 | 100 | (7) |
| **Total** | **2,702** | **2,830** | **(128)** |

The payroll expenses decreased by € 128,000 if compared to 30 June 2020 following the ongoing streamlining of structural costs.

## 28. Amortisation, depreciation & write-downs

The breakdown of the account is shown below:

| Amortisation, depreciation & write-downs | 30.06.2021 | 30.06.2020 | Change |
|---|---|---|---|
| Amortisation intangible assets | 556 | 419 | 137 |
| Amortisation tangible fixed assets | 247 | 463 | (216) |
| Write-downs (Revaluations) | 41 | - | 41 |
| **Total** | **844** | **882** | **(38)** |

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

The write-downs 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:

| | 30.06.2021 | 30.06.2020 | Change |
|---|---|---|---|
| Other taxes | 9 | 16 | (7) |
| Other charges | 17 | 250 | (233) |
| Penalties and fines | 60 | 53 | 7 |
| Prior year charges | - | 29 | (29) |
| **Total** | **86** | **348** | **(262)** |

The account "Operating costs" as of 30 June 2020 is mainly due to penalties and fines. In the previous fiscal year, the balance included expenses related 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 | 30.06.2021 | 30.06.2020 | Change |
|---|---|---|---|
| Interest income on bank accounts | 7 | - | 7 |
| Incomes on transfer of securities | - | 184 | (184) |
| Other interest | - | - | - |
| Exchange gains | 44 | 42 | 2 |
| **Financial income** | **51** | **225** | **(174)** |
| Interests on current bank accounts | 22 | 13 | 9 |
| Other interests | 174 | 86 | 88 |
| Interests on invoice advances and factoring | 33 | 32 | 1 |
| Interests on mortgage loans | 65 | 296 | (231) |
| Interests on bond loans | 167 | 143 | 24 |
| Bank charges | 34 | 128 | (94) |
| SIMEST financial charges | - | 20 | (20) |
| IFRS 16 financial charges | 14 | 19 | - |
| Exchange losses | 132 | 131 | 1 |
| **Financial charges** | **641** | **868** | **(227)** |
| **Total** | **(590)** | **(643)** | **53** |

## 31. Income taxes

The breakdown of income taxes is as follows:

| Income taxes | 30.06.2021 | 30.06.2020 | Change |
|---|---|---|---|
| Current taxes | (110) | (251) | 141 |
| Deferred taxes | 273 | (74) | 347 |
| **Total** | **163** | **(325)** | **488** |

Income taxes amount to € 110,000 (€ 251,000 as of 30 June 2020).

The increase in Deferred taxes is mainly ascribable to the increase in interest payables transferable to the consolidated tax regime and deductible from future fiscal years. The cancellation of the liabilities for deferred taxes is mainly ascribable to the settlement of difference of exchange.

In accordance with the law, the total annual 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 |
| A. Lezzi | 25 |
| S. Olivotto | 14 |
| F. Gesualdi | 20 |
| S. Armella | 13 |
| M. Belloni | 98 |
| **Total** | **370** |

| Board of Statutory Auditors (Euro thousand) | |
|---|---|
| C. Tundo (until 20/06/2021) | 12 |
| M. Centore | 26 |
| M. Mannino (until 20/06/2021) | 9 |
| G. Mosci (from 20/06/2021) | 20 |
| G. Fantini (from 20/06/2021) | 17 |
| **Total** | **84** |

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

The company undertook related-parties transactions (as per Article 2427, paragraph 2, of the Civil Code) in line with market conditions. Financial and operating transactions with the subsidiaries and the related parties are illustrated in detail in the Note 35 below.

## 33. Commitments, guarantees and contingent liabilities

### Guarantees

Mr. Alessandro Giglio, reference partner of the holding company Meridiana Holding S.r.l., has provided personal guarantees on some Loans held by the company as of 30 June 2021.

Concerning EBB Bond, Meridiana Holding S.r.l. main shareholder of Giglio Group S.p.A. released an indemnity and guarantee deed in its name for an amount of up to € 1 million. The Company formalised with the bondholder the suspension of the application of the aforementioned financial covenants' thresholds with regard to 30 June 2021 and 31 December 2021 Test Dates.

The details are shown below:

**Commitments and guarantees (Euro thousand)**

| Entity | Guarantee Value | Residual amount guaranteed |
|---|---|---|
| B.POP Sondrio | 900 | 190 |
| Banco BPM | 650 | 650 |
| UNICREDIT | 536 | 536 |
| Banca IFIS | 181 | 127 |
| **Total bank guaranties** | **2,267** | **1,503** |
| EBB Bond | 1,000 | 1,000 |
| **Total Guaranties** | **3,267** | **2,503** |

## Contingent liabilities

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

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

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

of the aforementioned Agreement, the amount of € 120,000 in three consecutive instalments within August 2019.

On 5 August 2019, Giglio contested to Servizi Italia its serious non-performance of the Addendum, specifically for the illegal continuation of use of the trademarks, logos and designations of Giglio Group, with consequent claim of illegal competition and trademark infringement, thus halting the payments.

By letter dated 8 August 2019, the law firm representing Servizi Italia rebuked all claims made by Giglio Group, ordering the Group to pay for the Addendum, which amounted to € 80,000.

By letter dated 4 September 2019, Servizi Italia decided to order to Giglio Group the termination of the Addendum, with the consequent renewal of the Agreement. The Agreement provides for the payment, in favour of Servizi Italia, of an amount to be determined, as a result of Art. 5.1 and 5.2 of the same, of the sales volumes actually achieved and/or of the revenues generated by the advertising contents applied directly thanks to the services offered by Servizi Italia.

Giglio Group appeared in court, arguing the total and/or partial invalidity of the agreement entered between the parties and/or its articles, given the absolute vagueness and/or indeterminability of the subject of the agreement and/or the lack of cause of action and/or, in the alternative, the partial invalidity of the agreement due to the lack of cause of action because of the difference in performances.

The total and/or partial invalidity of the agreement did not move forward, even though the counterparty did not provide any relevant element regarding the effective execution of the activities and services reported in the agreement concerning the strategic-organisational advisory activity. Moreover, the arguments presented for its contribution in defining agreements with the clients mentioned by the same (agreements that, as per communication, in their larger part were never actually completed) were still absolutely general and vague. The lawyer representing Giglio Group S.p.A. believes the positive outcome of the lawsuit to be possible. Nevertheless, the Company kept the debt at € 285,000.

**Normal lawsuit (dispute):** With a writ of summons notified on 3 November 2020, Chiomenti law firm sued Giglio Group S.p.A. for the payment of € 221,000, plus default interests, as reimbursement for the fees incurred during the performance of its professional activity in favour of Giglio. Chiomenti law firm purports that its professional activity comprised the complex assistance for the legal and strategic planning of the activities aimed at the execution of the agreements subscribed with Vertice 360. For the fulfilment of this task, Chiomenti law firm inferred the agreement of a total amount of € 190,000 with Giglio as fees, plus expenses and ancillary costs. According to the counterparty, also in light of the documents produced, said amount was recognised as due by Giglio, which expressly confirmed the acceptance of the overall quote of Chiomenti, agreeing to a contract payment that, however, was never executed. The lawsuit was listed with the Civil Court of Milan, and the judge set the first hearing at 21 April 2021.

The position was resolved with a settlement, with consequent withdrawal of the proceedings, through the recognition of an amount of € 140,000 in favour of Vertice 360 (including VAT and ancillary costs, plus withholding tax), to be paid in 6 monthly instalments.

**Normal lawsuit (dispute):** Within the scope of the more detailed agreements signed on July 2019 by Giglio Group, on the one hand, and **Vertice Trescientos Sesenta Grados S.A.** and **Squirrel Capital S.L.U.** on the other hand (the "Contribution Agreement"), together with the other implementing agreements of the Head of Term defined between the companies, a closing date was set, upon Vertice 360's solicitation, on 31 October 2019.

Following the closing, having highlighted that, pursuant to the Contribution Agreement, the Closing Letter could not supersede the Agreement itself, Giglio Group challenged the debt claim, both in its integrations and in its totality. More specifically, Giglio Group challenged the amount due of € 2,037,000.

The disputes outside of court, as of now, did not lead to a solution and thus, Giglio Group is determined to submit a case to the Civil Court of Milan in order to request:

- to ascertain an declare the unlawfulness of the Closing Letter of 30 October 2019 due to the incorrect information of the debt items to be borne by Giglio Group hereby reported and to proceed to its amendment, pursuant Art. 1430 of the Italian Civil Code, as explained above;
- Secondarily,_to annul the Closing Letter of 30 October 2019, due to a mistake in its subscription, pursuant Art. 1427, 1428, 1429 and 1431 of the Italian Civil Code;
- In alternative, to ascertain and declare the unlawfulness of the Closing Letter, considering the invalidity of Art. 2.4.2 and 7.5 of the Contribution Agreement, for the reasons explained above, pursuant to Art. 1418, 1322 and 1325 of the Italian Civil Code;

- Due to the aforementioned verifications, to ascertain and declare that nothing is owed by Giglio Group to the defendant companies and/or to M3 and M360 Italy, against the sums already paid for, for a total of € €659,000;

- To ascertain and declare, in any case, Vertice 360' and Squirrel's breach of contract against Giglio Group, for the aforementioned reasons and, as a consequence, condemn the defendant companies, in the person of their legal representatives, to reimburse the losses incurred and still to be incurred in favour of the complainant company.

This being said, during the health emergency and the consequent interruption of all judicial operations, on 29 April 2020, Vertice 360, Squirrel Capital SLU, M-Three Satcom S.r.l., Media 360 Italy Corporate Capital S.r.l., and Nautical Channel Limited notified Giglio Group with a writ of summons that demanded to the court seised:

- To ascertain and declare Giglio's breach of contract, pursuant to the Contribution and Investment Agreement subscribed on 8 July 2019 and to the Closing Letter subscribed on 30 October 2019, as better described above and, as a consequence, to condemn Giglio Group S.p.A., in the person of its legal representative, to disburse € 4,545,000.
- To ascertain and declare the liability for compensation of Giglio Group for breaching the undertaking of transferring the Target Companies for a total amount of € 12.5 million, or, in any case, for the incidental fraud as per Art. 1440 of the Italian Civil Code and/or for violating the representations and warranties of the Contribution and Investment Agreement of 8 July 2019 or, in the alternative, for violating the undertaking of good faith and fair dealing as per Art. 2043 of the Italian Civil Code and, as a consequence, to condemn Giglio to the payment of € 9,523,000.00 to Vertice 360;

**State of the dispute**: The dispute received the General Registry number 15747/2020, and the judge set the first hearing at 23 February 2021. Giglio appeared in court, objecting and challenging the foundation of the adversary claim and formulating its cross-claim.

The Company challenges Vertice 360's untruthfulness of the share-exchange value declared by V360 to PWC and appraised by the latter, in light of the unreliability of the Industrial Plan and of the further allegations and declarations provided for by its management. With the consequent possibility for Giglio Group to seek compensation from Squirrel and Vertice 360 for the damages equal to the value of the transferred assets (€ 12.5 million), less the stock-exchange value of the shares (about € 3.5 million).

In light of the aforementioned considerations, the Company, in its appearance before judgement, request the Court seised:

*- To ascertain and declare Vertice 360' and Squirrel's breach of contract with Giglio Group, which caused an unjust damage to the latter, quantifiable in € 12,832,000 as damages suffered and loss of profits, in € 341,000 as delays in the transfer of Vertice shares and in € 2,564,000 as receivable of Giglio Group from Nautical Channel Ltd.;*

*- To completely reject all adversary demands, being groundless and unproven on both facts and points of law, for all the reasons and exceptions reported above;*

*- To ascertain and declare the unlawfulness of the Closing Letter of 30 October 2019 due to the errors in the debt balance appointed to Giglio Group.*

The Judge granted the aforementioned terms for the deposit of supplementary statements and for the articulation of preliminary evidence, adjourning the eventual admission of evidence to the hearing of 14 December 2021.

**Risk of adverse outcome of legal proceedings:** notwithstanding the liabilities recorded in "Other liabilities" with regard to the amounts claimed in the Closing Letter, the content of the adversary's writ of summons still proves to be unfounded.

Indeed, as already objected by Giglio Group with its letter dated 15 May 2020, the claims of lesser value instrumentally brought before the Court by V360 through unfounded depreciations are not only technically unjustified and substantially untruthful, but also judicially inapplicable and groundless.

Additionally, Giglio Group has challenged, as a cross claim, Vertice 360's untruthfulness of the share-exchange value declared by V360 to PWC and appraised by the latter, in light of the unreliability of the Industrial Plan and of the further allegations and declarations provided for by its management. With the consequent possibility for Giglio Group to seek compensation from Squirrel and Vertice 360 for the damages equal to the value of the transferred assets (€ 12.5 million), less the stock-exchange value of the shares (about € 3.5 million).

As of now, the risk of adverse outcome from Vertice 360's claims, also taking into account Giglio Group's cross-claim, can be deemed as **possible**.

## 34. Financial risk management - IFRS 7

The financial risks existing refer entirely to the parent company Giglio Group S.p.A., Ibox SA and to its subsidiary Salotto di Brera S.r.l..

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 Note 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 as of 30 June 2021 is presented below.

| | | 30.06.2021 | | 31.12.2020 | |
|---|---|---|---|---|---|
| **Condensed Consolidated Statement of Financial Position (Euro thousands)** | | **Carrying amount** | **Fair Value** | **Carrying amount** | **Fair Value** |
| **Non-current assets** | | | | | |
| Investments in joint ventures | (5) | 8 | 8 | 8 | 8 |
| Receivables | (6) | 193 | 193 | 663 | 663 |
| **Total non-current assets** | | **18,862** | | **18,267** | |
| **Current assets** | | | | | |
| Financial receivables | (10) | 2 | 2 | 2 | 2 |
| Cash and cash equivalents | (13) | 2,344 | 2,334 | 5,085 | 5,085 |
| **Total current assets** | | **18,352** | | **20,163** | |
| **Total Assets** | | **37,214** | | **38,430** | |
| **Non-current liabilities** | | | | | |
| Financial payables (non-current portion) | (18) | 7,939 | 7,939 | 12,183 | 12,183 |
| **Total non-current liabilities** | | **8,978** | | **13,455** | |
| **Current liabilities** | | | | | |
| Financial payables | (18) | 8,847 | 8,847 | 4,096 | 4,096 |
| **Total current liabilities** | | **27,841** | | **24,650** | |
| **Total liabilities and Equity** | | **37,214** | | **38,430** | |

*Medium-term loan*

The company reports at 30 June 2021 a net financial debt position of approx. € 14.1 million (for the calculation basis and the reconciliation of the data reference should be made to the specific table in the Directors' Report). The liabilities also include the "EBB Export Programme" bond issued in 2019 and medium/long-term unsecured 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 EBB Export Programme bond).

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 and Salotto di Brera S.r.l..

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

On 26 July 2021, 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 2021 and 31 December 2021.

## 35. Transactions with subsidiaries and related parties

The Related Parties and their transactions for 2021 H1 have been identified by applying the provisions set forth in the Procedure for Transactions with Related Parties ("Related-Parties Procedure"), available on the website www.giglio.org, section "Corporate Governance/Governance System and

Rules/Related-Parties Procedure", drafted and applied by the Company pursuant to the Regulation on Transactions with Related Parties adopted with Consob resolution no. 17221 of 12 March 2010, as amended ("Consob Regulation"), as well as pursuant to the provisions set forth in Art. 2427, par. 2 of the Italian Civil Code and to IAS 24 international accounting standard.

The companies defined as Related Parties, along with their relation with the Company, are reported below:

- Meridiana Holding S.r.l. is the majority shareholder of the Company, owning at the reporting date 55.66% of its share capital. Moreover, the share capital of the same company is held at 99% by Alessandro Giglio (Chairman of the Board of Directors of the Company) and at 1% by his wife, Yue Zhao.
- Max Factory S.r.l. is a company fully controlled by Meridiana Holding S.r.l..

The following tables report the transactions and balances with Related Parties at 30 June 2021. The data indicated in the following tables are taken from the consolidated financial statements of the Issuer and/or from the general accounting data.

| | | Trade receivables | Financial receivables | Trade payables | Financial payables | Sales revenues | Operating costs | Financial income | Financial charges |
|---|---|---|---|---|---|---|---|---|---|
| | **Related Party Transactions as of 30 June 2021** | | | | | | | | |
| **A** | **Subsidiaries** | **1,672** | **2,518** | **256** | **1,193** | **1,505** | **439** | | |
| **B** | **Holding companies or subject to joint control** | | | | | | | | |
| **C** | **Related companies** | | | | | | | | |
| **D** | **Subsidiaries** | | | | | | | | |
| **E** | **Joint ventures** | | | | | | | | |
| **F** | **Senior Executives, of which:** | - | - | - | - | - | - | - | - |
| | *Executive Directors* | | | | | | | | |
| | *Non-Executive Directors* | | | | | | | | |
| | *Others* | | | | | | | | |
| **G** | **Other related parties, of which:** | **-** | **-** | **-** | **755** | **-** | **-** | **(24)** | **(17)** |
| | *Board of Statutory Auditors* | | | | | | | | |
| | *Joint ventures* | | | | | | | | |
| | *Close Relatives* | | | | | | | | |
| | *Others* | | | | 755 | | | (24) | (17) |
| | **Total (A;B;C;D;E;F;G)** | **1,672** | **2,518** | **256** | **1,948** | **1,355** | **439** | **(24)** | **(17)** |

The account "Other related parties" refers to Meridiana Holding S.r.l..

With regard to the transactions with subsidiaries, the following table shows their composition for each type of transaction carried out:

**Trade receivables and payables**

| **Receivables/Payables** | **Giglio Group** | **Giglio USA** | **Giglio Shanghai** | **Salotto di Brera** | **E-Commerce Outsourcing** | **IBOX SA** |
|---|---|---|---|---|---|---|
| Giglio Group | | 1,136 | | 47 | 348 | 140 |
| E-Commerce Outsourcing | - | | | | | 26 |
| Giglio USA | - | | | | | |
| Giglio Shanghai | | | | | | |
| Salotto di Brera | 188 | | | | | |
| IBOX SA | 68 | | | | 4 | |

**Financial receivables and payables**

| Receivables/Payables | Giglio Group | Giglio USA | Giglio Shanghai | Salotto di Brera | E-Commerce Outsourcing | IBOX SA |
|---|---|---|---|---|---|---|
| Giglio Group | | 102 | | | 195 | 2,220 |
| E-Commerce Outsourcing | | | | | | |
| Giglio USA | | | | | | |
| Giglio Shanghai | | | | | | |
| Salotto di Brera | | | | | | |
| IBOX SA | 1,193 | | | | | |

**Commercial revenues and costs**

| Revenues/Costs | Giglio Group | Giglio USA | Giglio Shanghai | Salotto di Brera | E-Commerce Outsourcing | IBOX SA |
|---|---|---|---|---|---|---|
| Giglio Group | | 946 | | 197 | 359 | 3 |
| E-Commerce Outsourcing | - | | | | | 64 |
| Giglio USA | | | | | | |
| Giglio Shanghai | 35 | | | | | |
| Salotto di Brera | 402 | | | | | |
| IBOX SA | 2 | | | | 18 | |

The nature of the transactions in the above table are as follows: (i) for Giglio USA, Salotto di Brera and E-Commerce Outsourcing S.r.l., they refer in general to the recharge of administration costs incurred by the Issuer in the name of and on behalf of the subsidiary companies; (ii) for Giglio USA and Salotto di Brera, they concern on the other hand the supply of goods and services, (iii) for Giglio USA, Salotto di Brera, E-Commerce Outsourcing S.r.l. 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, expiring on 31 December 2021, for which Max Factory gave its consent to a its usage without additional charges from 1 January 2022 until 31 December 2023;
    - Rome offices: Via dei Volsci for a total annual cost of € 50,000, whose contract expired,

but given to the Company free of charge until 31 December 2022.

- Meridiana Holding S.r.l. granted a loan to the Group. As of 30 June 2021, the overall debt amounts to € 0.7 million. On 10 September 2021, the Company reached an agreement with Meridiana Holding S.r.l. through which the last term of payment for outstanding debt related to the loans granted by the latter will be reimbursed in one single tranche by 31 January 2023, while Giglio Group will pay for the interests accrued monthly from 30 September 2021 until 31 January 2023. With this agreement, the Company will be able to complete its reorganisation process, thus postponing to 31 January 2023 the cash flows related to the reimbursement (which were expected from September 2021 to September 2022).

## 36. Dividends

In line with the approval of the guidelines of the 2021-2025 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) | | 30.06.2021 | of which related parties | 31.12.2020 | of which related parties |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant & equipment | (1) | 380 | | 404 | |
| Right-of-use assets | (2) | 909 | | 952 | |
| Intangible assets | (3) | 3,067 | - | 3,058 | - |
| Goodwill | (4) | 13,353 | | 12,353 | |
| Investments in joint ventures | (5) | 8 | | 8 | |
| Receivables | (6) | 193 | | 663 | |
| Deferred tax assets | (7) | 952 | | 829 | |
| **Total non-current assets** | | **18,862** | **-** | **18,267** | **-** |
| **Current assets** | | | | | |
| Inventories | (8) | 2,094 | | 1,754 | |
| Trade receivables | (9) | 11,472 | 51 | 9,951 | 51 |
| Financial receivables | (10) | 2 | | 2 | |
| Tax receivables | (11) | 492 | | 1,061 | |
| Other assets | (12) | 1,948 | - | 2,310 | - |
| Cash and cash equivalents | (13) | 2,344 | | 5,085 | |
| **Total current assets** | | **18,352** | **51** | **20,163** | **51** |
| **Total Assets** | | **37,214** | **51** | **38,430** | **51** |
| **Equity** | (14) | | | | |
| Issued capital | | 4,393 | | 4,149 | |
| Reserves | | 22,147 | | 20,376 | |
| FTA Reserve | | 4 | | 4 | |
| Retained earnings | | (24,165) | | (21,542) | |
| Foreign Currency Translation reserves | | (8) | | (15) | |
| Net profit | | (1,976) | | (2,647) | |
| **Total Group Equity** | | **395** | **-** | **325** | **-** |
| Minority interest in equity | | - | | - | |
| **Total Net Equity** | | **395** | **-** | **325** | **-** |
| **Non-current liabilities** | | | | | |
| Provisions for risks and charges | (15) | 128 | | 155 | |
| Post-employment benefit funds | (16) | 669 | | 730 | |
| Deferred tax liabilities | (17) | 242 | | 387 | |
| Financial payables (non-current portion) | (18) | 7,939 | | 12,183 | - |
| **Total non-current liabilities** | | **8,978** | **-** | **13,455** | **-** |
| **Current liabilities** | | | | | |
| Trade payables | (19) | 11,463 | | 13,591 | - |
| Financial payables (current portion) | (18) | 8,847 | 755 | 4,096 | 892 |
| Tax payables | (20) | 2,913 | | 3,219 | |
| Other liabilities | (21) | 4,618 | | 3,744 | |
| **Total current liabilities** | | **27,841** | **755** | **24,650** | **892** |

| | | | | |
|---|---|---|---|---|
| **Total liabilities and Equity** | **37,214** | **755** | **38,430** | **892** |

| Condensed Consolidated Statement of Profit or Loss (Euro thousands) | 30.06.2021 | of which related parties | 30.06.2020 | of which related parties |
|---|---|---|---|---|
| **Total revenues from contracts with customers** | **19,107** | | **25,807** | |
| Other revenues | 276 | | 298 | |
| Capitalised costs | 139 | | 150 | |
| Change in inventories | (276) | | 532 | |
| | | | | |
| *Purchase of raw materials, ancillary, consumables and goods* | (11,020) | | (15,237) | |
| *Service costs* | (6,045) | | (6,384) | |
| *Rent, lease and similar costs* | (98) | | (104) | |
| **Operating costs** | **(17,163)** | **0** | **(21,725)** | **0** |
| *Salaries and wages* | (2,090) | | (2,206) | |
| *Social security charges* | (519) | | (524) | |
| *Post-employment benefits* | (93) | | (100) | |
| **Payroll expenses** | **(2,702)** | **0** | **(2,830)** | **0** |
| *Amortisation* | (556) | | (419) | |
| *Depreciation* | (247) | | (463) | |
| *Write-downs* | (41) | | 0 | |
| **Amortisation, depreciation & write-downs** | **(844)** | **0** | **(882)** | **0** |
| Other operating costs | (86) | | (348) | |
| **Operating profit** | **(1,549)** | **0** | **1,002** | **0** |
| Financial income | 51 | | 225 | |
| Net financial charges | (641) | *(71)* | (868) | |
| **Profit before taxes** | **(2,139)** | **(71)** | **359** | **0** |
| Income taxes* | 163 | | (325) | |
| **Profit for the period** | **(1,976)** | **(71)** | **34** | **0** |
| **Of which minority interest** | **0** | | **0** | |
| | | | | |
| **Basic and diluted profit from continuing operations** | **(0.1232)** | | **0.0021** | |
| **Profit per share – basic and diluted** | **(0.1219)** | | **0.0039** | |

## 40. Valuation of Going Concern

Pursuant to IAS 1, the assessments issued by the Directors regarding the existence of the assumption of the Company's going concern for the purpose of drafting the interim financial statements at 30 June 2021 are reported below.

The condensed consolidated interim financial statements of the Group at 30 June 2021 report an Equity of € 395,000, including a loss of € 1,976,000, highlighting a net financial debt of € 14,080,000.

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 2021 are shown below:

| | | Plan | Final figures as of 30 June 2020 |
|---|---|---|---|
| EBITDA | | 577 | 703 |
| Revenues | (*) | 26,589 | 19,522 |

(*) Including the accounts "Other revenues" and "Capitalised costs"

Albeit the final data as of 30 June 2021 show a positive deviation from the figures forecasted in the Plan, the traditional business recorded a demand 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.

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 2021 forecast of the Industrial Plan 2021-2025, 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 2021-2025, and particularly of the 2021 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 partly to 2021 H2 and partly to 2022 H1, but also to the recovery of a margin on the division's sales and structural costs;

2. Negotiation of medium/long-term loans with the banking system, in line with the guidelines of the Industrial Plan 2021-2025, 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, to this purpose, it is noted that on 5 August 2021, the subsidiary E-commerce Outsourcing S.r.l. subscribed a loan agreement with Banca Progetto for € 2 million in order to support its technological investments. The loan shall be reimbursed with 72 monthly instalments starting from 31 March 2022 and ending on 31 August 2027, with an interest rate equal to the one-month Euribor plus a 4.5% spread;

3. The chairman of Meridiana Holding S.r.l. (majority shareholder) confirmed its availability in supporting the Company with a credit line of up to € 2 million in order to support Giglio Group's access to banking funds.

4. The partner Meridiana Holding S.r.l. reached an agreement with the Company through which the last term of payment for outstanding debt related to the loans granted by the latter (repayable with constant instalments until 30 September 2022) was extended to 31 January 2023, in one single tranche. With this agreement, the Company will be able to complete its reorganisation process, thus postponing to 31 January 2023 the cash flows related to the reimbursement (which were expected from September 2021 to September 2022);

5. Regarding the debt owed to Vertice 360 of € 2.6 million, it is noted that -as reported in the Explanatory Notes- its payment is included in the approved 2021 Plan, which, in the event of an adverse judicial outcome, the Company would deem as repayable in the long-term (2022 or after);

6. 2021 H2 and 2022 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;

7. Grant by EBB Export S.r.l., subscriber of the bond, to waiver of the measurement of the financial covenants on 2021 deadlines (i.e. 30 June 2021 and 31 December 2021); in particular, on 26 July 2021, 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 and 31 December 2021;

8. 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 until 31 December 2021.

The Directors, keeping in mind the aforementioned, 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 2021 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 half-year financial report in the period between 1 January and 30 June 2021.

2. In this context the following key factors are reported:
   - The assessment of the adequacy and effective application of the administrative and accounting procedures has been carried out in a context of structural change, following the completion of the procedure of expansions of the management reporting mechanism to all of the Group's subsidiaries. Moreover, the Company is continuing with both the standardisation of the management reporting processes and the adjustment the administrative, accounting and management reporting systems, along with the relevant procedures in line with the new application platform. 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. The Company finalised the preparation of the administrative and accounting procedures on January

2021, establishing a plan of action for the implementation of the same procedures in the strategic subsidiaries of the Group.

- Pending the complete implementation of the aforementioned plan, compensating control procedures on subsidiaries and companies within the Group have been established, by virtue of which no relevant economic-equity impacts were identified on the declarations made in the Interim Condensed Consolidated Financial Statements as of 30 June 2021. Moreover, it is noted that, on the basis of the activities carried out, a better formalisation is required.

3. Furthermore, it is noted that:

3.1 The Interim Condensed Consolidated Financial Statements as of 30 June 2021:

- 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.

11 September 2021

The Chief Executive Officer
Marco Riccardo Belloni

The Financial Reporting Officer
Carlo Micchi

# Giglio Group S.p.A.

Review report on the interim condensed consolidated financial statements

(Translation from the original Italian text)

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# 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, the statement of comprehensive income, the statement of changes in equity and cash flows and the related explanatory notes of Giglio Group S.p.A. and its subsidiaries (the "Giglio Group") as of 30 June 2021. 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, 2021 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. Valuation of going concern*" to the interim condensed consolidated financial statements as of June 30, 2021, which describes the economic and financial results for the period, that show a loss of Euro 1.975, an equity of Euro 395 and a net financial position equal to Euro 14 million.

The Directors  disclose the variances between the financial forecasts included in the Business 2021-2025 (the “Plan”) and those achieved in the half year 2021 are primarily attributable to lower revenues by Euro 7 million and a lower EBITDA by Euro 1,3 million. The Directors, although having acknowledged those variances, believe that the actions and assumptions described below, some of which already implemented in the first semester of 2021 and deemed necessary for the achievement of the economic results forecasted in the Plan, will guarantee adequate financial resources:

1. Implementing actions in order to update the Business Plan 2021-2025, that are also intended to reflect the new scenario as well as the actual economic results for the half year 2021 and the long-term financial loans renegotiations, consistently with the Plan’s guidelines, including the new financing of Euro 2 million, which the subsidiary eCommerce Outsourcing S.r.l. signed on August 5, 2021;
2. The majority Shareholder will be willing to guarantee up to Euro 2 million in financing facility to Giglio Group;
3. The majority Shareholder will be willing to postpone the outstanding financial loan maturity to January 31, 2023. Such renegotiation allowed Giglio Group to postpone the repayments starting from September 2021 to September 2022;
4. Confirming that, in case of unfavorable outcome of the litigation in place, the liability to Vertice 360, equal to Euro 2,6 million, will be due over the long term;
5. Deferring the payment schedules with non-strategic vendors, as already done in the prior fiscal years;
6. Obtaining a waiver on the financial covenants on the Bond for the calculation dates as at June 30, 2021 and December 31, 2021. Such waiver has been granted by the bond holder on July 26, 2021;
7. Obtaining any economic and financial advantage in order to get access to additional financial resources with respect to the actual cash flow plan, including the moratoria (under the art.56 of the Legislative Decree n. 18/2020 and subsequent amendments) on the repayments of financial loans, currently effective until December 31, 2021.

The Directors, although the above mentioned uncertainties existed and the fact that the targets included in the Business Plan 2021-2025, approved by the Directors themselves on March 3, 2021, have not been met yet, prepared the interim condensed consolidated financial statements on a going concern basis, still being confident of achieving the targets set by the Plan, having, amongst others, the reasonable expectation that the Group may rely on sufficient financial resources for the continuance of the operating activities for at least 12 months from the approval of the interim condensed consolidated financial statements.

The abovementioned assumptions have uncertainties, resulting from: (i) the ability of the Group of implementing the planned actions and achieving the forecasted economic and financial results, (ii) the current market condition as well as (iii) the fact that the accomplishment of future events is not entirely under control of the Directors.

Our conclusion is not modified in respect of this matter.

Milan, September 16, 2021

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

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