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giglio GROUP S.p.A.

Interim Financial Report as of 30 September 2021

CONTENTS

Interim Financial Report

of the Condensed Consolidated Financial Statement as of

30 September 2021

Company Information

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

Legal Information
Share Capital subscribed and paid-in € 4,393,604.40
Economic & Admin. Register No. 1028989 Tax no. 07396371002
Registered at Milan Companies Registration Office with no. 07396371002
Website www.giglio.org

Registered office and Headquarters
Piazza Diaz 6, Milan

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

Corporate Boards

Board of Directors

Alessandro Giglio	Chairman and Executive Director
Marco Riccardo Belloni	CEO
Anna Lezzi	Vice-Chairwoman and Executive Board Member
Sara Armella	Independent Member
Francesco Gesualdi	Independent Member

Board of Statutory Auditors

Giorgio Mosci	Chairman
Lucia Tacchino	Standing Auditor
Marco Centore	Statutory Auditor
Chiara Cosatti	Alternate Auditor
Gianluca Fantini	Alternate Auditor

Internal Control, Risk and Related-Parties Committee

Francesco Gesualdi	Chairman
Sara Armella	

Appointment and Remuneration Committee

Sara Armella	Chairwoman
Francesco Gesualdi	

Independent Auditor
EY S.p.A.

1. Introduction

Giglio Group is engaged in the e-commerce and international distribution sector 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 and B2B2C 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 and beauty sectors, Giglio Group boasts 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 the first nine months of 2021, 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, it is noted that, 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.

With regard to the Healthcare division that influenced significantly 2020 results and, more specifically, 2020 H1, following the evolution of the pandemic, it experienced a sharp slowdown. The Company's management is currently assessing new prospects for the division in 2022, leveraging on its digital know-how and on its international presence.

THE REFERENCE MARKET

The 2021 research called "True-Luxury Global Consumer Insight" signed by the Boston Consulting Group (BCG) in collaboration with the Altagamma Foundation, that has now reached its eighth edition, is the most complete and innovative research on "True-Luxury" consumers. The research was drafted with the aim to provide an exclusive and all-comprehensive outlook on "True-Luxury" consumers: • All luxury categories taken into account: from personal luxury (clothing products, accessories, jewellery, watches, perfumes and cosmetics...) to experiential luxury (hotels, restaurants, wines and liquors...); • Size and relevance of the sample: the research involved more than 12.000 interviewees with an average expenditure on luxury goods of about € 33.000 per year, whose decrease if compared to 2020 is in line with the market's decline caused by Covid-19 pandemic; • Wide geographical coverage: the research includes the 10 countries with the highest level of luxury goods expenditure in the world - United States of America, United Kingdom, Italy, France, Germany, Brazil, China, Japan, South Korean and Russia - with the addition of the United Arab Emirates and Saudi Arabia; Ad hoc advisory committee: composed of more than 20 companies of the luxury sector, the Committee provides recommendations on main trends. Following the harsh stop of 2020 due to the Covid-19 pandemic, which generated a loss for the personal and experiential global luxury market of 22% and 50% respectively, both markets are now in full recovery and it is assessed that 2021 will end with a 20-30% growth for personal luxury and 60-70% one for the experiential luxury, if compared to 2020. This recovery is strongly linked to the positive evolution of the pandemic situation, which is presenting an even better outlook for the future, in particular thanks to the development of a vaccine, which allowed for the governments to launch vaccination campaign and thus progressively relax, if not completely remove, the restrictions. Under these conditions, people can gradually return to go shopping and to travel, thus boosting the sales of luxury goods. Nevertheless, it is assessed that this renewed optimism will not suffice to push the global luxury market to pre-pandemic levels by the end of this year; more specifically, it is assessed that the personal luxury market will close 2021 between -5% and the same market values of 2019, while the experiential market, still suffering from the uncertainty of most travellers, is assessed to close up between -15% and -20% if compared to 2019 figures. Despite the above, however, the progress made with the global vaccination campaign and the gradual return to a pre-pandemic lifestyle will allow to both markets to recover 2019 levels by the end of 2022; more specifically, the assessment for the personal luxury market are more optimistic, given that they provide for a 2022 closure between 5% and 10% above 2019 market value. Conversely, the experiential market is subject to more conservative projections, that place it between -3% and +3% if compared to pre-pandemic figures.

2021 recovery signals, already evident from the market models, come also from the mouth of the consumers themselves, whose sentiment was measured through Altagamma's survey with the purpose of collecting their feelings for the next 12 months. In general, to the question of expenditure expectations on personal luxury goods for the next year, 35% of the interviewees declared to expect an increase in their consumption within their country of habitual residence, while 24% of the consumers expects an expenditure reduction. On the basis of this data, a 2.5% increase in the average expenditure (€) is expected in the countries of habitual residence, while the projections for expenditure abroad are more pessimistic (an assessed 4.7% drop): only 29% of consumers expects an expenditure increase, while 36% of them is expecting a drop in consumption. With regard to experiential luxury goods, 36% of consumers expect an increase in consumptions within their countries of habitual residence, a figure that soars to 52% for consumptions abroad. These figured are counterbalanced by 25% and 35% respectively of consumers with downward expectations, with consequent projections of expenditure increase that reach a higher level for the consumption abroad (+14.1%) if compared to that in the country of habitual residence (+2.4%). As of now, the consumers' sentiment about personal and experiential luxury goods is, in some respects, contrasting; the first is assessed to benefit mostly from local expenditure, while the second from consumptions abroad. Before the Covid-19 emergency took hold of the world, the most consistent consumers group, the so-called "Other Aspirational" one, represented 62% of the global luxury market in value terms and 90% in population terms, followed by "True-Luxury", with 31% of market value, and "Top Aspirational" with 7%. With the pandemic outbreak, the "Other Aspirational" category suffered particularly, with a loss of almost 20% of its consumers and a decrease in market share form 62% to 55% in value terms. By contrast, the "True-Luxury" category better withstood the shock, thus achieving an increase in market share between 30% and almost 40%. This increase was possible thanks to the two wealthiest consumers categories, the "Beyond Money" and the "Top Absolute", characterised by an annual luxury expenditure of more than € 20,000. Both categories grew by about 17% in value terms, increasing their overall share from 6% to 12%. This boost was strongly facilitated by smart working policies, popular during the pandemic, which allowed these categories to obtain greater flexibility and time, thus promoting an increased expenditure.

Looking ahead, in 2025, it is expected that 30% of the global luxury market's growth - assessed at about € 580 billion (15% CAGR if compared to 2020) - will be generated by "True-Luxury" consumers. About 60% of it, on the other hand, will be coming from the "Other Aspirational" category that, thanks to a 16% expected growth (CAGR) in market value, will raise again their market share to 57%, albeit still below pre-pandemic levels. This increase will be strongly driven by a 30% growth in the number of consumers belonging to this category, boosted in turn by the growing trend of the Chinese middle class to progressively gain interest in the luxury market.

In a general context that sees caution in European luxury goods consumers with regard to domestic expenditure (the expenditure change expectations go from -1% to +1% if compared to the previous year), as well as pessimism with regard to the consumption abroad (with the exception of Germany, that records values around -1%, the other figures reach -5.7% in the United Kingdom and -11% in Italy) for the next 12 months, North American and Chinese consumers stand out for their optimism, serving as possible promoters of the personal luxury goods market's growth in the near future. However, the implications arising from said bullish expectations are different for each territory. On the one hand, Chinese consumers expect to spend 6% more in the coming 12 months if compared to the previous year, counterbalanced by a -5.6% expected consumption abroad. These expectations, together with the intention expressed by 70% of Chinese consumers to repatriate at least half of their luxury goods expenditure even after the end of the healthcare emergency, further strengthens the chance that the expenditure repatriation trend by Chinese consumers, which had begun with the outbreak of the pandemic, may continue in the near future. The share of consumption abroad, assessed at 56% in 2019, is destined to further shrink in the following years and, given the great influence that these consumers have on the global luxury market, the brands may be forced to make investments in order to strengthen their presence on the Chinese territory, thus avoiding the risk to lose the opportunities arising from this scenario. Conversely, North American consumers showed a certain optimism both on local and abroad consumption, with the first one enjoying particularly positive expectations (bringing the expected expenditure difference to +7.7% in the coming year, if compare to the previous one), while the second one record milder expenditure projections (+1.4%). The United States of America thus seem to be ready to recover their importance on the global luxury market, which was partially lost in the previous years, even though the implications for luxury brands, in this case, are not as relevant as in the Asian country, given the substantial continuity with pre-Covid market trends that do not require relevant changes in strategy. In any case, it is assessed that both North American and Chinese consumers will overcome the pre-pandemic estimates in terms of financial impact. More specifically, North Americans are expected to record a +2-3% increase on pre-Covid figures, with an estimated relevance between 19-21% in 2025. For Chinese consumers, the acceleration on the pre-pandemic estimates was quantified at +3-4%, with an expected relevance between 43-45% in 2025.

With regard to categories, the outbreak and propagation of the pandemic throughout the world produced different effects on the different type of goods. More specifically, the best performances in terms of recovery came from Perfumes & Cosmetics and from Leather Goods & Accessories, which showed a high degree of resilience to the pandemic. Consequently, it is assessed that these will be the only two categories that will return to pre-Covid levels by the end of 2021. More specifically, it is assessed that the two categories, having suffered between 2019 and 2020 a 15-25% drop (Perfumes & Cosmetics) and a 10-20% drop (Leather Goods & Accessories), will close 2021 on par with 2019 levels in the worst case scenario, and with +10% in the best one.

The virtualization of luxury goods is a strongly rising market that can constitute a great opportunity for brands in terms of creation of new revenue flows. More specifically, the interactions between brands and consumers through online videogames are a phenomenon that is currently undergoing different evolutions in the various territories of the world. As a matter of fact, the popularity of these initiatives between the consumers is greater in China and in the United States, with about 50% of consumers aware of these initiatives, regardless of their age. Conversely, in Europe and in the rest of the world, the phenomenon is less advanced, with about 3 consumers out of 10 declaring to be aware of this. The research highlights how these initiatives have a high potential both in terms of alternative revenue sources and as marketing tools to support the sales of physical goods: indeed, 55% of consumers who declared to be aware of the existence of online videogames that involve a luxury brand also bought a virtual item within the game and, among them, 86% states to have also purchased the corresponding "non-virtual" version. In addition to this, a further 13% declared to be interested in said purchase in the future. This constitutes a great opportunity for luxury brands that, should they be capable of increasing the popularity of said initiatives, will create an alternative income source and will benefit from a marketing instrument with a high-conversion potential. The fear of a potential negative perception of the consumers with regard to the partnership between brands and videogames providers is completely unfounded, given that the interviewees expressed positive opinions in more than 50% of the cases and negative ones in less than 10% of them. "Non-Fungible Tokens", also known as

NFT, that is, those digital certification instruments aimed at ensuring the authenticity of these virtual items, can also be exploited for the development of other applications outside of the gaming sector, such as, for example, the creation of virtual showrooms aimed at selling and showcasing digital items, thus replicating the experience of the physical store in the virtual world.
Last year, 46% of "True-Luxury" consumers finalised their purchases within the store, whit 30% of them stating that they carried out online researches before finalising the purchase. This phenomenon goes to underline the importance, for brands, to provide a seamless sales experience, thus emphasizing the need to redesign the role of each channel with the purpose of creating an ecosystem in which the service points strengthen one another, as well as to satisfy the consumers who are starting to establish a relationship with the brand that is disregarding more and more the single sales channel. More specifically, the physical store will be the one to undergo the greater change in role in light of the gradual switch of their main target from sales generation to experience creation. This will allow clients, even potential ones to relate with the products and the values of the brand, leaving most of the sales conversion work to online channels. This phenomenon became even more important after the pandemic outbreak, which accelerated the online migration and increased the importance of omni-channel experience. As a matter of fact, the luxury market pre-Covid estimates as of 2023 expected a 25% share for offline sales, 55% for omni-channel and the remaining 20% divided between brand-com and multi-brand and platforms; nowadays, the updated estimates show an even smaller importance of the offline channel, expected at 15%, and an increased relevance for omni-channel (at 60%) and brand-com and multi-brand and platform strategies (11% and 14% respectively). In general, if compared to e-commerce, the omni-channel experience generates an even greater value, estimated between +30% and +50% in terms of cross-selling on Click & Collect transactions, from 2 to 3 times in terms of ATV from in-store appointments booked online if compared to the AOV for pure online transactions and, in addition to this, also a minor "cost-to-serve" (e.g., logistic and shipping costs, less returns).
SOCIAL MEDIA BOOST & LIVE COMMERCE (LIVESTREAMING) With ever more direct and digital-centred interactions between brands and consumers, the need to involve clients through different channels and in a differentiated manner is more and more urgent. Consumers purport to develop their opinions and to reach their consumption decisions on luxury goods mainly through digital communications (such as digital magazines, blogs, chats and even e-sports), within the store (e.g. through the salesperson of a store) and through the various brands' websites, thus highlighting once more the importance for luxury brands to reach an excellent omni-channel strategy in order

to effectively influence the consumers' decisions. Digitally, one of the most effective tools is the virtual livestream, famous for its capability to activate needs, to create highly interactive shopping experiences, to reach different audiences and to promote an experience with great dynamism. As it is the case with the partnerships between luxury brands and online videogames, virtual livestream have different degrees of penetration according to the territory in which they take place. Once again, the United Stated of America and, even more so, China, lead the market in terms of instrument popularity, with 55% and 73% of consumers respectively who declare to be aware of the use of livestreams by online shopping platforms or physical stores, in contrast with Europe's more modest 30% and an overall average of 46%. On average, livestream sessions prove to have a high-conversion potential, with 70% of the interviewees declaring to have bought something during or after one such stream. Even though their popularity is not the same in all territories, as mentioned above, it is worth noticing that the conversion rate is always high, with the USA reaching a surprising 80%, thus leading the ranking in front of Europe and rest of the world (70%) and China (63%) where, despite the popularity of the instrument, conversion rates remain the lowest. More specifically, the North American livestream market potential was quantified at € 25 billion in 2023.

Following the problems generated by the pandemic, the global luxury market is gradually recovering and it is assessed to recover per-Covid levels by 2022. Considering their relevance on the global market, the renewed optimism of North American consumers towards local and abroad consumption is a brilliant projection for the future. This positive projection is further reinforced by Chinese consumers, even though their consumption models are steering toward the local expenditure, and this financial repatriation may have strong implications for the future, thus potentially forcing brands to strengthen their presence on the Chinese territory in order not to lose big market opportunities. Moreover, the polarization trend between the East and the West, triggered by the pandemic outbreak, may have some implications for the brands, too, since even the consumers seem to suggest that the trend may not be temporary. In this case, brands could find themselves at a crossroads; on the one hand, they can decide to follow a more sober style in order to meet Western tastes, on the other hand, they can follow the Chinese market preferences, thus adopting a more outgoing style. Regardless of the strategic decision, an ever greater focus should be put on the consumer and his/her preferences. Firstly, clients interactions are becoming more and more direct and diversified, and the creation of effective omni-channel ecosystems (together with the customisation of client relations) is becoming a key factor to successfully influence decision-making processes. In this direction, the emerging instruments such as virtual livestreams are proving to be effective in conversing purchase intentions, but their low popularity in markets such as Europe's may require a greater publicity effort on these instruments. Secondly, brands must aim at becoming more and more present in the various moments of the daily life of consumers, now that digital environments represent such a big part of it. In this sense, the virtualization of luxury goods, as it happens with the brands' partnerships with online videogames, is becoming an ever more profitable opportunity, with positive perceptions among the consumers and a great potential both for the creation of new income sources and as a high-conversion potential marketing instrument. Once more, however, the difference in popularity of these instruments between the various territories may be an obstacle that needs to be overcome before accessing the full potential of this opportunity. Ultimately, the new, emerging model to access, or own, luxury goods, must be taken into account. The second-hand market is growing in popularity between the younger generations, that see this model as a possible solution to their budget and product scarcity issues, as well as a way to adopt a more sustainable consumption model. In this sense, it is important to remember that the sustainability issue is acquiring an increasing importance in the consumption behaviours, especially amongst the younger generations, who are ready to punish those brands that do not adopt sustainable practices, thus violating the animals' well-being, providing little to no transparency on the materials used or resorting to unfair employment policies, amongst other things.

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

Starting from 2020 and continuing well into 2021, 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 sector, that better endured the prolonged uncertainties of the Pandemic, and with other in the Premium sector, that is still subject to uncertainties due to the failure to recover consumptions.

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. The Luxury sector's 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 Q3.

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 lockdown of all non-essential physical stores, an online sales strategy aimed at supporting the brands in recovering from the massive losses of turnover caused by the health emergency.

Overall, the B2B e-commerce sector has suffered from the slowdowns generated by the effects of the pandemic and of the postponement of orders from many clients in Europe and in the United States of America, recording a € 10.8 million drop if compared to the budget of Q3.

With regard to the Travel division, in 2021 H2 several retail travel and cruises initiatives opened up again, and for this reason, a positive result for this division is expected for Q4.

The B2C e-commerce sector showed signs of recovery for the online sales of fashion products, and Q3 ended with a performance in line with the budgeted one.
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 a revenue increase from the annual growth of its current client base, both due to the seasonality between the first and second half of the year, and because of the constantly expanding functionalities that Terashop has been releasing to its clients in order to improve its revenues.

Moreover, an increase in managed brands is planned on the budget for the end of the year and 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 Business and Structure

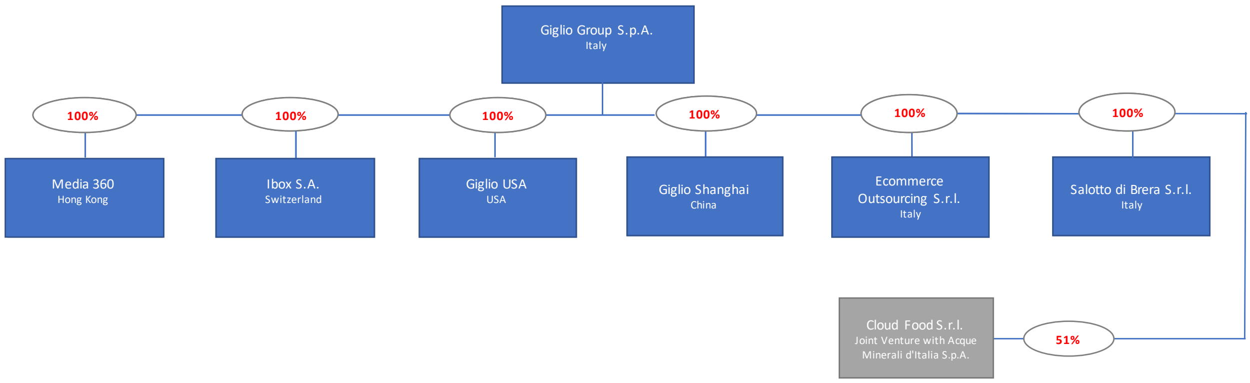
Founded in 2003 by Alessandro Giglio, Giglio Group is today an e-commerce 4.0 company capable of promoting and distributing luxury “Made in Italy” commercial brands across the globe. Listed initially on the Italian Stock Exchange AIM Italia market since August 2015, and on the STAR segment since March 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. (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 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. Giglio Group collaborates with client e-commerce platforms on the basis of a defined sales plan which further diminished the risk of unsold items. The difference between brands' payment time, usually at the beginning of the season for stock-booking, and marketplaces collection time, usually 90 days after the end of the season, generates a financial requirement optimised by a careful use of the instruments supporting the working capital.

The Group corporate structure is reported below:



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. Significant Events During the First Nine Months of the Fiscal 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 3 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 executed the residual part of the share capital increase already delegated by the Shareholders' Meeting of 12 November 2020, amounting to € 2.2. million.

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

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 01 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 windfall gain was not recorded in the Interim Condensed Consolidated Financial Statements as of 30 June 2021, as the operation was completed on 5 August 2021.

On 5 August 2021, the subsidiary E-Commerce Outsourcing S.r.l. obtained a € 2 million funding from Banca Progetto in order to support its technological investments. This funding is refundable in 72 monthly instalments starting from 31 March 2022 and ending on 31 August 2027, with an interest rate equal to one-month Euribor increased by 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 specialised in AI-powered Marketing Automation software for e-commerce for an even faster customised messaging service designed for sales.

On 10 September 2021, the Company reached an agreement with Meridiana Holding S.r.l. for the reimbursement in one single instalment of the funding granted by the latter to the former by 31 January 2023, while Giglio Group S.p.A. shall have to pay, starting from 30 September 2021 and until 31 January 2023, the interests accrued monthly. The agreement is aimed at allowing the Company to complete its corporate reorganisation plan, thus postponing to 31 January 2023 the reimbursement cash flows previously set between September 2021 and September 2022.

On 15 September, the Company signed two important framework trade cooperation and distribution agreements for luxury products, one with the Chinese company Eursell and the other with the Belarussian MarketLiga. Eursell is a global platform of luxury brands and shall promote the e-commerce market in China. Market Liga is a network of 24/7 duty-free stores operating in Minsk's airport (Belarus).

3. Significant Events Following the First Nine Months of the Fiscal Year

On 5 October, the Company, through its subsidiary E-Commerce Outsourcing S.r.l., currently engaged in marketing automation activities through its leased business branch "7Hype", developed an innovative product validated by Tech Data, which allows for the hyper-customised communication with both the final users and all companies, resellers, distributors and business partners involved in each specific sector.

On 9 October, the Company reimbursed one of the MiniBond SACE instalments, which was due to expire.

4. Outlook

The permanence of risks and uncertainties related to COVID-19 pandemic requires further prudence in facing the near future. Even though, apparently, the e-commerce may seem to be aided by the forced slowdown of physical retail, and the ongoing cultural shift may reasonably lead towards the growth of digital stores (as seen also in the first months of 2021), the fact that the economic system is currently facing an incessant consumption crisis cannot be undervalued. It is evident, then, that the benefit of digital sales increases is not enough to support the decline of the other channels and, as such, productive companies will have to accelerate on the implementation of change, operational streamlining and digitalization processes. In this scenario, out B2C - E-Commerce Service Provider division will inevitably become subject to pressure for the numerous technological updates requested by our clients in order to increase sales and services more than proportionally if compared to an organic channel evolution that should have happened were we in a normal context. This situation, which is obviously going to saturate the productive capacity of the Group, calling for a constant investment to support growth, also implies a constant analysis on the strategic nature of its role with partnering brands (clients), thus becoming more and more a technical and process partner, but also an outsourcing service provider. The challenge the Group has to face in the following months is to remain in line with the requests of its clients, giving them greater attention, and to focus on new projects only in order to build long-term relationship with an elevate added value for the client and the Group both. In this context, the Group shall differentiate between sectors so as to reduce its dependence on the fashion world, thus focusing also in those sectors were business is already operative, such as e-commerce for retail, design, home decor, healthcare and food products.

At the same time, given the new business strategies of some large clients, who relied only on the online channel as their trade source, thus deciding to recentralise all of the activities outsourced up to that moment, the reference target of the Group was confirmed to be excellent, medium-sized companies in their own category.

The B2B division, enabler for the marketing of products towards the marketplaces and the international distribution, on the one hand, benefits from the growth of its clients' marketplaces that, in turn, increases its volumes and market share in a quick and constant way, and on the other hand, is subject to a constant pressure on prices brought about by consumers' impoverishment, that leads marketplaces to implement significant promotions in order to keep purchases on a constant basis. Along with said context, the duties applied by the USA in China for import goods further squeeze the division's chances of growth, which shall operate more and more strategically and selectively with its partnering brands, increasing the number of marketplaces and countries and integrating the processes so as to boost efficiency. The expectations for this division are of being driven by the growth of its clients, albeit more and more demanding, by investing in business development in order to constantly consider new operators and new channels, but also by increasing the product categories in which to operate (fashion sector aside).

From the sales analyses of 2021 Q3, a substantial stability of the B2C emerged, recording growing numbers on a constant scope of clients, thus confirming 2021 budget as of Q3. Indeed, the current negative change, if compared to the previous year, is mainly due to the loss of some clients in April-July 2020. A slowdown in the B2B sector is recorded, because the PPEs business active in the same period of 2020 was not adequately replaced during 2021, as the Group's expected to offset the effect of such lack of turnover with Christmas' and Black Friday's sales.

Moreover, the potential of the newly-acquired Salotto di Brera is not still fully expressed, as the Company operates mainly with international clients that, working on cruise ships, airports and NATO bases, recovered their activities, albeit partially, only during 2021 Q2. Signals of strong recovery can be recorded especially in Asian and Middle-Eastern countries, thus generating expectations for an increase in the turnover of the subsidiary starting from 2021 Q4.

5. Accounting Standards

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

6. Financial Highlights as of 30 September 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 Financial Report and of the comparative periods and not to the expected performance of the Group and must not be considered as replacement of the indicators required by the accounting standards (IFRS).

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

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

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

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

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

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

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 income statement 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, adjusted for non-recurring charges.

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 September 2021

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

(Euro thousands)	30.09.2021	31.12.2020	Change
Intangible Assets	16,375	15,411	964
Property, Plant and Equipment	1,169	1,356	(187)
Financial Fixed Assets	486	671	(185)
Total Fixed Assets	**18,030**	**17,438**	**592**
Inventories	3,222	1,754	1,468
Trade receivables	11,234	9,951	1,283
Trade payables	(11,531)	(13,591)	2,060
Operating/Commercial Working Capital	**2,925**	**(1,886)**	**4,811**
Other current assets and liabilities	(5,312)	(4,072)	(1,240)
Net Working Capital	**(2,387)**	**(5,958)**	**3,571**
Provisions for risks and charges	(718)	(885)	167
Deferred tax assets and liabilities	695	442	253
Net Invested Capital	**15,620**	**11,037**	**4,583**
Net Invested Capital of Sales Activities	**-**	**-**	**-**
Total Net Invested Capital	**15,620**	**11,037**	**4,583**
Equity	**535**	**(325)**	**860**
Net financial liabilities*	**(16,155)**	**(10,712)**	**(5,443)**
Total Sources	**(15,620)**	**(11,037)**	**(4,583)**

The Net Invested Capital of the Group as of 30 September 2021, equal to € 15.6 million, is mainly comprised of Net Fixed Assets of € 18.2 million, of Net Working Capital totalling € -2.4 million and of the Provisions for risks and charges, which mainly includes the Provisions for employee benefits.

Property, plant and equipment, equal to € 1.1 million (€ 1.4 million as of 31 December 2020), are stable if compared to the previous year.

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. The movement (net of the period's amortisations) refers to 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 2021 Q1, pursuant to IFRS 3, this difference has been attributed temporarily to the goodwill; it is noted that the Group reserved the right to finalise the accounting of said acquisition in the coming 12 months following the purchase.

Financial Fixed Assets, equal to € 0.5 million, are 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) at 30 September 2021 and 31 December 2020 is as follows:

	(Euro thousands)	30.09.2021	31.12.2020	Change
A.	Cash	3,115	5,085	(1,970)
B.	Bank and short-term deposits and cheques	-	-	-
C.	Securities held for trading	2	2	-
D.	**Cash & cash equivalents (A)+(B)+(C)**	**3,117**	**5,087**	**(1,970)**
E.	Current financial receivables	240	480	(240)
F.	Current bank payables	(2,150)	(826)	(1,324)
G.	Current portion of non-current liabilities	(2,183)	(1,851)	(331)
H.	Current bond loan	(770)	(500)	(270)
I.	Other current financial payables	(409)	(919)	510
	of which with Related Parties	*0*	*(493)*	*493*
J.	**Current financial liabilities (F)+(G)+(H)**	**(5,511)**	**(4,096)**	**(1,415)**
K.	**Net current financial liabilities (I) + (E) + (D)**	**(2,154)**	**1,471**	**(3,625)**
L.	Non-current bank payables	(8,085)	(6,412)	(1,673)
M.	Bonds issued	(4,056)	(4,304)	248
N.	Other non-current payables	(1,859)	(1,467)	(392)
	of which with Related Parties	*(637)*	*(417)*	*(220)*
O.	**Non-current financial liabilities (K)+(L)+(M)**	**(14,000)**	**(12,183)**	**(1,818)**
P.	**Net financial liabilities (J)+(N)**	**(16,155)**	**(10,712)**	**(5,443)**

The Group net financial debt amounts to € -16.2 million, highlighting a deterioration on 31 December 2020 (€ -10.7 million) of € 5.4 million. This change is mainly due to the drop in liquidity related to the e-commerce business seasonality, which provides for an increase in liquidity over Christmas and Black Friday.

The Group highlights an increase in financial debt: for the current part, of € 1.4 million ascribable to greater banks' exposures; for the non-current part, of € 1.8 million of net balance between new funding obtained and paid reimbursements.

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 September 2021

The key consolidated economic highlights are shown below.

(Euro thousands)	30.09.2021	30.09.2020	Change
Revenues from contracts with customers	28,409	34,252	(5,843)
Operating Costs	(25,214)	(28,151)	2,937
Gross Margin	**3,195**	**6,101**	**(2,906)**
Gross Margin %	**11.2%**	**17.8%**	**(6.6)%**
Payroll expenses	(4,148)	(3,873)	(275)
EBITDA	**(953)**	**2,228**	**(3,181)**
EBITDA%	**(3.4)%**	**6.5%**	**(9.9)%**
Amortisation, depreciation & write-downs	(1,139)	(1,281)	142
EBIT	**(2,092)**	**947**	**(3,039)**
Net financial charges	(881)	(607)	(274)
PROFIT BEFORE TAXES	**(2,973)**	**340**	**(3,313)**
Income taxes	105	(268)	372
PROFIT FOR THE PERIOD	**(2,868)**	**73**	**(2,942)**
EBIT %	**(7.4)%**	**2.8%**	**(10.1)%**
PROFIT FOR THE PERIOD%	**(10.1)%**	**0.2%**	**(10.3)%**

The consolidated revenues, equal to € 28.4 million, dropped by € 5.8 million (-17.1 %) if compared to the consolidated figures of the same period for the previous fiscal year (€ 34.2 million as of 30 September 2020). This decrease is mainly ascribable to the B2B sector, because the PPEs sales, worth about € 10 million and present in the same period of 2020, were not repeated in 2021.
The total of operational costs, accounting for € 25.2 million (€ 28.1 million consolidated figures as of 30 September 2020), slightly decreased in proportion with the revenues' decrease.

Payroll costs dropped by € 275,000 in witness of the current streamlining of structural costs.

The EBITDA, negative by € 0.9 million (€ 2.2 million consolidated figures as of 30 September 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 trying to replace. It is also noted that the Company is currently providing new digital services such as Marketing Automation, besides carrying out an intense research activity for new clients.

The EBIT is negative by € -2.1 million (€ 0.3 million consolidated figures as of 30 September 2020).

The Net Profit amounts to € -2.9 million (€ 0.07 million consolidated figures of the same period in the previous fiscal year).

7. Segment disclosure

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

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

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

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

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

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

	2021			
(Euro thousands)	**B2B e-commerce**	**B2C e-commerce**	**Corporate**	**Total**
Revenues from contracts with customers	18,895	8,156	0	27,051
Other incomes	44	1,046	63	1,154
Capitalised costs		204		204
Total revenues	**18,939**	**9,406**	**63**	**28,409**
EBITDA	**1,549**	**1,230**	**(3,732)**	**(953)**
EBIT	**1,526**	**388**	**(4,007)**	**(2,092)**
EBT	**1,456**	**246**	**(4,676)**	**(2,974)**
Profit for the period	**1,381**	**217**	**(4,467)**	**(2,869)**

Over the course of the first quarter, a drop in the B2B e-commerce sector was recorded, mainly ascribable to the postponed goods' delivery, which took place after 2021 Q1, as well as to the end of the Healthcare sector's sales, which contributed to drive the revenue's growth in 2020 for more than € 10 million.

The B2C e-commerce sector recorded better performances if compared to 2020 Q1, especially thanks to a judicious costs reduction activity, which had become pressing due to the pandemic of the last year.

The results of sectors at 30 September 2020 are as follows:

	30 September 2020			
(Euro thousands)	**B2B e-commerce**	**B2C e-commerce**	**Corporate**	**Total**
Revenues from contracts with customers	24,244	9,630	0	33,874
Other incomes	40	317	20	378
Total revenues	**24,285**	**9,947**	**20**	**34,252**
EBITDA	**4,584**	**754**	**(3,110)**	**2,228**
EBIT	**4,573**	**(5)**	**(3,621)**	**948**
EBT	**4,556**	**(205)**	**(4,010)**	**341**
Profit for the period	**4,545**	**(350)**	**(4,122)**	**73**

8. 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 quarter affected by the COVID-19 emergency.

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 shareholders and shares of the Issuer

At the date of the present interim financial report (30 September 2021) the official data indicates the following significant shareholders:

- 55,67% of shares held by Meridiana Holding S.r.l. (company held 99% by Mr Alessandro Giglio and 1% by his wife Ms Yue Zhao);

○

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
- Consolidation scope

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Condensed Consolidated Statement of Financial Position

Condensed Consolidated Statement of Financial Position (Euro thousands)	30.09.2021	31.12.2020
Non-current assets		
Property, plant & equipment	346	404
Right-of-use assets	823	952
Intangible assets	3,022	3,058
Goodwill	13,353	12,353
Investments in joint ventures	8	8
Receivables	478	663
Deferred tax assets	901	829
Total non-current assets	**18,931**	**18,267**
Current assets		
Inventories	3,222	1,754
Trade receivables	11,234	9,951
Financial receivables	2	2
Tax receivables	510	1,061
Other assets	1,845	2,310
Cash and cash equivalents	3,115	5,085
Total current assets	**19,928**	**20,163**
Total Assets	**38,859**	**38,430**
Equity		
Issued capital	4,394	4,149
Reserves	22,108	20,376
FTA Reserve	4	4
Retained earnings	(24,164)	(21,542)
Foreign Currency Translation reserves	(11)	(15)
Net profit	(2,868)	(2,647)
Total Group Equity	**(535)**	**325**
Minority interest in equity	-	-
Total Net Equity	**(535)**	**325**
Non-current liabilities		
Provisions for risks and charges	43	155
Post-employment benefit funds	675	730
Deferred tax liabilities	206	387
Financial payables (non-current portion)	14,000	12,183
Total non-current liabilities	**14,924**	**13,455**
Current liabilities		
Trade payables	11,531	13,591
Financial payables (current portion)	5,511	4,096
Tax payables	3,149	3,219
Other liabilities	4,277	3,744
Total current liabilities	**24,468**	**24,650**
Total liabilities and Equity	**38,857**	**38,430**

Condensed Consolidated Statement of Profit or Loss

Condensed Consolidated Statement of Profit or Loss (Euro thousands)	30.09.2021	30.09.2020
Total revenues from contracts with customers	**27,822**	**33,658**
Other revenues	383	378
Capitalised costs	204	216
Change in inventories	747	298
Purchase of raw materials, ancillary, consumables and goods	*(17,390)*	*(18,716)*
Service costs	*(8,737)*	*(9,237)*
Rent, lease and similar costs	*(140)*	*(122)*
Operating costs	**(26,267)**	**(28,075)**
Salaries and wages	*(3,270)*	*(3,024)*
Social security charges	*(729)*	*(703)*
Post-employment benefits	*(148)*	*(146)*
Payroll expenses	**(4,147)**	**(3,873)**
Amortisation	*(800)*	*(609)*
Depreciation	*(354)*	*(665)*
Write-downs	*16*	*(6)*
Amortisation, depreciation & write-downs	**(1,138)**	**(1,280)**
Other operating costs	*306*	*(374)*
Operating profit	**(2,090)**	**948**
Financial income	*61*	*678*
Net financial charges	*(942)*	*(1,285)*
Profit before taxes	**(2,971)**	**341**
Income taxes	*104*	*(268)*
Profit for the period (continuing operations)	**(2,867)**	**73**
Profit for the period (discontinued operations)	**0**	**0**
Profit for the period	**(2,868)**	**73**
Of which minority interest	**-**	**-**
Basic and diluted profit from continuing operations	**(0.1305)**	**0.0046**
Basic and diluted profit from discontinued operations	**0.0000**	**0.0000**
Profit per share – basic and diluted	**(0.1773)**	**0.0044**

Condensed Consolidated Statement of Comprehensive Income

Condensed Consolidated Statement of Comprehensive Income (Euro thousands)	30.09.2021	30.09.2020
Profit for the period	(2,868)	73
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	8	(18)
Total other comprehensive income that may be reclassified to profit/(loss) in subsequent periods (net of tax)	**8**	**(18)**
Other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods (net of tax)		
Actuarial loss on employee benefits obligations	14	25
Total other comprehensive income that will not be reclassified to profit/(loss) in subsequent periods (net of tax)	**14**	**25**
Total Comprehensive Income for the period	**(2,846)**	**80**

Condensed Consolidated Statement of Changes in Equity

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	245						245
Share premium reserve		1,717					1,717
Retained earnings			-		(2,647)	2,647	-
IAS 19 Reserve		14					14
Exchange rate effect				8			8
Giglio TV HK deconsolidation					24		24
Group profit/(loss)						(2,868)	(2,868)
Balance at 30 September 2021	**4,394**	**22,107**	**4**	**(7)**	**(24,165)**	**(2,868)**	**(535)**

Condensed Consolidated Statement of Cash Flows

Euro thousands	30.09.2021	30.09.2020
Cash flows from operating activities		
Net profit from continuing operations	(2,868)	73
Net profit from discontinued operations	-	-
Adjustments to reconcile profit before tax to net cash flow:		
Depreciation and impairment of property, plant and equipment	104	130
Amortisation of right-of-use assets	251	535
Amortisation and impairment of intangible assets	800	609
Non-cash changes of provisions	(147)	(127)
Write-downs/(Revaluations)	(16)	6
Net foreign exchange differences	881	607
Income taxes	(104)	268
Changes in:		
Inventories	(1,916)	(613)
Trade receivables	(1,556)	1,668
Tax receivables	552	5,076
Current financial receivables	-	-
Other assets	394	(130)
Deferred tax liabilities	(181)	5
Trade payables	(1,544)	(7,050)
Tax payables	134	(1,476)
Right-of-use assets	(121)	285
IFRS16 financial payables	43	(768)
Other liabilities	1,041	(559)
Change in net working capital	**(3,154)**	**(3,562)**
Changes in assets/liabilities held for sale/Discontinued operations	-	-
Cash flow generated from operating activities	**(4,253)**	**(1,461)**
Interest paid	(468)	-
Net cash flow generated from operating activities	**(4,721)**	**(1,461)**
Cash flows from investing activities		
Investments in property, plant & equipment	(27)	(19)
Investments in intangible assets	(738)	(325)
Acquisition of Salotto di Brera net of liquidity acquired	(1,582)	-
Changes in other intangible assets	129	316
Increase in investments in joint ventures	-	(1)
Net cash flow used in investing activities	**(2,218)**	**(29)**
Cash flow from financing activities		
Share capital increase	2,001	-
Change in Shareholders' Equity	7	(13)
New financing	2,000	3,672
Repayment of loans	(636)	(1,684)
Change in financial liabilities	1,599	(2,671)
Net cash flow used in financing activities	**4,971**	**(696)**
Net increase/(decrease) in cash and cash equivalents	**(1,968)**	**(2,186)**
Cash and cash equivalents at 1 January	5,085	2,991
Cash and cash equivalents at 30 September	3,116	803

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	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 subscribed and paid-in € 4,393,604.40.

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

Since 20 March 2018, the Company has been listed on the STAR segment of the Italian Stock Exchange (MTA market), with a free float of about 44%; 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) TECNOLOGY LIMITED COMPANY

Registered Office: Shanghai International Finance Center

Century Avenue 8

Room 874, Level 8, Tower II

Shanghai, 200120

Share Capital € 196,000

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

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**

Statement of the Executive Officer for Financial Reporting in accordance with article 154-bis, par. 2 of Legislative Decree No. 58/1998 (Consolidated Finance Act)

I, the undersigned, Carlo Micchi, in my quality as Financial Reporting Officer of Giglio Group S.p.A., hereby certify that, pursuant to the provisions set forth in Art. 154-bis, par. 2 of Legislative Decree no. 58 of 24 February 1998, the Interim Financial Report as of 30 September 2021 corresponds to the accounting figures, books and documents.

Milan, 11 November 2021

The Financial Reporting Officer

Carlo Micchi