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Testo del comunicato

Vedi allegato.

GIGLIO

PRESS RELEASE

GIGLIO GROUP'S BOARD OF DIRECTORS

- APPROVES THE RESULTS AS OF 31 MARCH 2023,

- EXPRESSES ITS CONTRARY POSITION WITH REGARD TO "BDO" AUDITING FIRM REPORT ON THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

- AND REQUESTS THE TRANSITION FROM EURONEXT STAR MILAN TO EURONEXT MILAN.

- ***The consolidated revenues, equal to € 7.8 million, recorded a drop of € 3.8 million as of 31 March 2022. Part of this reduction (equal to € 1.7 million) is attributable to the fact that last year the proceeds deriving from the sale of the Loyalty branch (€ 1.3 million), completed on 6 March 2022, as well as the turnover achieved in the first two months of 2022 (€ 0.4 million), were also included. The trend in revenues is due to a focus of management on sales contracts with higher margins.***
- ***The EBITDA, equal to € -364,000 against € 1.2 million, which as of 31 March 2022, net of the sale of the Loyalty branch, would have been negative by € -0.1 million.***
- ***Revenues and EBITDA are in line with the forecasts expressed for the Q1 in the Industrial Plan approved by the Directors.***
- ***The Net result is equal to € -974,000 (€ 463,000 as of 31 March 2022), this difference is mainly attributable to the sale of the Loyalty branch (€ 1.3 million) in addition to the increase in interest rates.***
- ***The Group's Net Financial Debt amounts to € -17.5 million, in line with 31 December 2022 figures.***
- ***Corporate costs decreased compared to the same period of the previous year by approximately € 0.2 million, generated by the structural saving activities which started in 2023, as implemented by the management.***
- ***The Board of Directors confirms its confidence in the Industrial Plan and expresses its contrary position regarding the BDO auditor's report on the Financial Statements as of 31 December 2022.***
- ***The CDA requests the transition from Euronext Star Milan to Euronext Milan.***

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Milan, 14 May 2023 - The Board of Directors of **Giglio Group S.p.A. (Ticker GG.MI)** ("**Giglio Group**" o the "**Company**") –a company listed on the Euronext Star Milan segment - which met on Friday 12 and ended on Sunday 14 May, approved the Interim Financial Report as of 31 March 2023 prepared in accordance with the IFRS international accounting standards and confirmed its confidence in the Industrial Plan drawn up and approved on 30 March 2023, and analysed by part of a leading consultancy firm ("Advisor"); the Company believes that the decision of BDO Italia S.p.A (the "Auditing Firm") not to express its opinion on the Annual and Consolidated Financial Statements of Giglio Group as of 31 December 2022 is seriously erroneous.

More specifically, the Board of Directors sent to the Auditing Firm - and, for reference, also to the Italian National Commission for Companies and Stock Exchange ("**Consob**"), and to Borsa Italiana S.p.A. ("**Borsa Italiana**") – a letter, the content of which is hereby summarised.

- The Board of Directors believes that Auditing Firm's decision not to express its opinion on the Annual and Consolidated Financial Statements of Giglio Group as of 31 December 2022 (asserting that it was unable to "*acquire sufficient and appropriate audit evidence on which to base the [...] opinion on the Financial Statements*") is seriously erroneous and therefore in violation of the professional auditing assignment.

- With regard to the content of the aforementioned report, the Board deems erroneous the finding of the Auditing Firm concerning the "*reasonableness of the assumptions underlying the new 2023-2027 Industrial Plan*", with respect to which the Auditing Firm purported to have"*detected multiple uncertainties regarding", first of all, "the growth rates expected for revenues, which are approximately one third higher than those expected for the reference market, also through the increase and rotation of the brand portfolio, which are assumed to be significantly increased compared to the historical experience*". In this regard, the Company proceeded to acquire an independent analysis by the Advisor, in which no high-level critical issues were highlighted (on a low-medium-high scale) in relation to the assumptions underlying the Industrial Plan such as to compromise the reliability or imply the unreasonableness of the aforementioned assumptions

- Furthermore, the Board of Directors believes the Auditing Firm's finding that the analysis of the Industrial Plan would also have highlighted an "*uncertainty*" regarding the "*determination of operating costs, which is parametrized to the hypothesis of an increase in revenues and not to the autonomous variables that determine them*" to be erroneous. On this point, it should be recalled that the Company, since the drafting of the 2019 five-year plan, has adopted a model for recognizing direct variable costs calculated as a percentage of revenues. The other fixed costs, such as personnel costs and depreciation, are calculated on a timely basis.

- The Board, in definitive confirmation of the erroneousness of the findings made by the Auditing Firm regarding the "*assumptions placed at the basis of the new Industrial Plan*", observes that Giglio Group has actually launched the so-called Caput Mundi sales outlet (on 16 March 2023) and signed two important new agreements in May 2023 which constitute the main elements underlying the aforementioned assumptions, thus further demonstrating the reliability and full reasonableness of the latter. In this regard, the Company cannot help but recall that the imminent signing of these contracts was announced to the Auditing Firm and, therefore, well known to the same.

- The erroneousness of the Auditing Firm's decision not to express its opinion on the Annual and Consolidated Financial Statements of Giglio Group as of 31 December 2022 clearly follows from the foregoing; the Firm's opinion, as shown by reading the Reports of the Auditing Firm, was motivated by:

- The uncertainties highlighted by the Auditing Firm regarding the use, by the Directors of Giglio Group, of the "*assumption of business continuity, even in the presence of the significant uncertainties described by them*", adopted by the same Directors as they are "*confident in achieving the results expected in the new Industrial Plan*";

- The recognition, in the Consolidated Financial Statements, of "*a goodwill of € 13,353,000*", validated by an "*Impairment Test developed by a consultant and approved by the Directors [...] which did not reveal any permanent losses in value,* [which]*was based on data from the new 2023-2027 Industrial Plan whose limitations* [proved wrong above] *have been highlighted above and which extend to the impairment test itself*".

- The Board of Directors also deems it necessary to highlight the manifest erroneousness of the other two findings in the light of which the Auditing Firm - with specific reference only to the Consolidated Financial Statements of Giglio Group as of 31 December 2022 - justified their decision not to express an opinion:

- With regard to the finding concerning the "*Inventories account, equal to € 1,559,000*", we highlight the contradiction of such a finding with respect to what emerged in the context of the auditing activities, during which (also during the numerous meetings held with the Auditing Firm) the Company has always taken steps to punctually check all the requests transmitted from time to time by the Auditing Firm regarding the assessment of the consistency of the inventories;

- With regard to the finding concerning the "*Intangible Assets account, equal to € 2,083,000*" with respect to which the Auditing Firm purported that "*there are recorded capitalized costs of approximately € 220,000, referable to improvements to the multi-user platforms of the subsidiary E-Commerce Outsourcing S.r.l., for which we have not obtained adequate and sufficient audit evidence that would allow us to express ourselves on the correct capitalisation*", it should be recalled that the Group incurred in internal development costs for the implementation and integration of the IT platforms which were capitalized as intangible fixed assets against an already significant portfolio of contractual orders and a very large pipeline of brands under negotiation. In light of the above, the Group will begin to amortize these intangible fixed assets as soon as the integration of the platforms can produce its effects and in any case starting from 1 January 2023.

- Lastly, the Board of Directors considers that the Auditing Firm's statement according to which the amount of payables to suppliers overdue for more than 60 days is equal, at a consolidated level, to € 4,898,000 is symptomatic of the fact that the Auditing Firm has carried out its duties in clear violation of the standards of professional diligence incumbent upon it. In fact, this statement is clearly incorrect as it does not take into account that the payments (not associated in the schedule) of the receivables from the same parties with open positions (so-called netting) must be deducted from this gross amount of the overdue payables to suppliers of which the amount past due by more than 60 days is equal, at a consolidated level, to € 1,456,000.

In consideration of the above, the Company has therefore reserved the right to undertake the most appropriate initiatives to protect its image and the Board of Directors of Giglio Group S.p.A. also resolved to ask Borsa Italiana, pursuant to Art. 2.5.7 of the Regulation of the Markets Organised and Managed by Borsa Italiana S.p.A., the transition from the Euronext STAR Milan segment to the Euronext Milan segment. This choice was made as a consequence of the conclusions of the report issued by the Auditing Firm BDO Italia S.p.A on the Annual and Consolidated Financial Statements of the Company as of 31 December 2022, in the terms already communicated to the market on 3 May 2023. It is believed that at this stage it is appropriate to clarify the above disputes reserving the possibility, once the matter has been clarified, of requesting reintegration into the Euronext Milan segment and in view of this possibility, the Company will in any case maintain the current governance structure, which responds to the need for transparency and fairness towards investors. The Company shall also fulfil Consob's request for monthly dissemination of information pursuant to Art. 114, par. 5 of Legislative Decree No. 58/98 ("CFA") starting from 31 May 2023 with reference to the situation as of 30 April 2023.

Consolidated Financial Activity Overview as of 31 March 2023

The key consolidated economic highlights are shown below.

(Euro thousands)	31.03.2023	31.03.2022	Change
Revenues from contracts with customers	7,780	11,595	(3,815)
Operating Costs	(7,217)	(9,372)	2,155
Gross Margin	**562**	**2,223**	**(1,661)**
Gross Margin %	**7.2%**	**19.2%**	**(11.9)%**
Payroll expenses	(926)	(1,008)	82
EBITDA	**(364)**	**1,215**	**(1,579)**
EBITDA%	**(4.7)%**	**10.5%**	**(15.2)%**
Non-recurring revenues (charges)	24	0	24
Amortisation, depreciation & write-downs	(288)	(459)	170
EBIT	**(628)**	**757**	**(1,385)**
Net financial charges	(346)	(242)	(104)
PROFIT BEFORE TAXES	**(974)**	**513**	**(1,487)**
Income taxes	(1)	(52)	51
PROFIT FOR THE PERIOD	**(974)**	**463**	**(1,438)**
RESULT ATTRIBUTABLE TO MINORITY INTERESTS	(2)	(1)	(1)
GROUP PROFIT/(LOSS)	**(973)**	**464**	**(1,437)**

Consolidated revenues of € 7.8 million show a decrease of € 3.8 million compared to the same period of the previous year. Part of this reduction (equal to € 1.7 million) is attributable to the fact that last year the proceeds deriving from the sale of the Loyalty branch (€ 1.3 million), completed on 6 March 2022, as well as the turnover achieved in the first two months of 2022 (€ 0.4 million), were also included.
The trend in revenues is due to a focus of management on sales contracts with higher margins.

Payroll expenses are in line with the same period of the previous year.
Corporate costs decreased compared to the same period of the previous year by approximately € 0.2 million, generated by the structural saving activities, as implemented by the management.
EBITDA is in line with the forecasts expressed for the Q1 in the budget approved by the Directors.
EBITDA at 31 March 2022, net of the sale of the Loyalty branch, would have been negative by € 0-.1 million.
The Net result shows the financial cost of the loans taken out in previous years and in the current year, whose interest rates have increased due to the variable rate of the same.

Consolidated Financial Statements Overview as of 31 March 2023

The main balance sheet figures of the Group as of 31 March 2023 are specified below:

(Euro thousands)	31.03.2023	31.12.2022	Change
Intangible Assets	15,263	15,436	(173)
Property, Plant and Equipment	778	456	322
Financial Fixed Assets	242	247	(5)
Total Fixed Assets	**16,283**	**16,139**	**144**
Inventories	2,270	1,559	712
Trade receivables	10,384	10,134	249
Trade payables	(13,716)	(11,957)	(1,759)
Operating/Commercial Working Capital	**(1,062)**	**(264)**	**(798)**
Other current assets and liabilities	(3,456)	(3,328)	(128)
Net Working Capital	**(4,518)**	**(3,592)**	**(926)**
Provisions for risks and charges	(361)	(365)	4
Deferred tax assets and liabilities	877	875	2
Other non-current liabilities	-	-	-
Net Invested Capital	**12,281**	**13,057**	**(776)**
Total Net Invested Capital	**12,281**	**13,057**	**(776)**
Equity	**5,286**	**4,317**	**969**
Minority interest in equity	**(41)**	**(43)**	**-**
Net financial debt*	**(17,525)**	**(17,331)**	**(194)**
Total Sources	**(12,281)**	**(13,057)**	**776**

The Net Invested Capital of the Group at 31 March 2023, equal to € 12.2 million, is principally comprised of Net Fixed Assets (€ 16.3 million), and of Net Working Capital (€ -4.5 million).
Intangible Assets, equal to € 15.3 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 the period's amortisations, net of increases for capitalised development costs borne entirely for the implementation and integration of IT platforms on subsidiary E-Commerce Outsourcing S.r.l..
Property, Plant and Equipment (which include also the right-of-use on existing leasing contracts), equal to € 0.8 million, increased (net of the period's amortisations) mainly due to the leasing contract for the business unit "Caput Mundi The Mall" signed by Salotto di Brera S.r.l., whose right was valued on the basis of IFRS 16.
Financial Fixed Assets, equal to € 0.3 million, are ascribable to the guarantee deposits paid relating to rental contracts for the buildings at Milan and Rome.

The following table shows the Company's net financial debt in detail:

	(Euro thousands)	31.03.2023	31.12.2022	Change
A	Cash and cash equivalents	2,521	1,794	727
B	Cash and cash equivalents			-
C	Other current financial assets	2	2	0
D	**Cash & cash equivalents (A)+(B)+(C)**	**2,523**	**1,796**	**727**
AND	Current financial liabilities	(1,700)	(2,881)	1,181
	of which with Related Parties	*(472)*	*(732)*	*260*
F	Current part of the non-current financial liabilities	(5,744)	(5,268)	(476)
G	**Current financial liabilities (E)+(F)**	**(7,444)**	**(8,149)**	**705**
H	**Net current financial liabilities (G) - (D)**	**(4,921)**	**(6,353)**	**1,432**
I	Non-current financial liabilities	(9,521)	(7,896)	(1,625)
	of which with Related Parties			-
J	Debt instruments	(3,005)	(3,005)	(0)
K	Non-current trade and other payables	(76)	(76)	(1)
L	**Non-current financial liabilities (I)+(J)+(K)**	**(12,603)**	**(10,977)**	**(1,626)**
M	**Total financial liabilities (H)+(L)**	**(17,525)**	**(17,331)**	**(194)**

The Group's Net Financial Debt amounts to € -17.5 million, in line with 31 December 2022 figures.

Significant Events During the First Three Months of the Fiscal Year

- On 14 February 2023, the transfer of the 51% stake in Cloud Food S.r.l., previously approved by the Board of Directors on 21 December 2022, was completed.
- On 23 February 2023, the Parent Company subscribed the capital share increase of its subsidiary Salotto di Brera S.r.l. for a total amount of € 975,000, thus bringing its Share Capital to € 1 million. The capital share increase was aimed at strengthening the subsidiary's assets.
- On 16 March 2023, the "Caput Mundi The Mall" shopping centre in the Vatican City was opened to the public, where the subsidiary Salotto di Brera S.r.l. signed an agreement for the lease of the business unit with Gasak S.r.l. at the end of 2022. The company is engaged in the retail sector for the first time.
- On 30 March 2023, the Board of Directors approved the new Industrial Plan 2023-2027, which replaces the Industrial Plan 2022-2026 and its underlying assumptions. In this regard, the Company proceeded to acquire an independent analysis by an Advisor of international standing, in which no high-level critical issues were highlighted (on a low-medium-high scale) in relation to the assumptions underlying the Industrial Plan such as to compromise the reliability or imply the unreasonableness of the aforementioned assumptions

Significant Events Following the First Three Months of the Fiscal Year

- On 4 April 2023, the Board of Directors approved the impairment test based on the results of the Industrial Plan, on which a leading consultancy firm has drawn up an in-depth report.

- On 13 April 2023, the Board of Directors approved the Annual Financial Statements and the Consolidated Financial Statements as of 31 December 2022.

- On 2 May 2023, the Auditing Firm BDO Italia S.p.A. released its report on the audit of the annual financial statements and the consolidated financial statements, in which it declared the impossibility of expressing an opinion. The Board of Directors acknowledged the conclusions reached by the Auditing Firm in the knowledge that it has acted correctly in the interests of the Company and reserved further comments following a more in-depth examination of the Reports.

Outlook

Over the last three years, the global context was characterised by a sequence of three extraordinary events: i) the pandemic emergency, ii) the Russian-Ukrainian conflict, with the consequent energy and food crisis and iii) the return of a rising inflation and the end of ultra-expansive monetary policies.

The risks of the global macroeconomic outlooks are still significant and prone to deteriorate. The evolution of the Russian-Ukrainian conflict continues to represent one of the negative factors that may accentuate the slowdown of the world's economic activity. Moreover, the inflation represents a watershed in the various alternative scenarios hypothesised, which range from the most negative one - which foresees a 0.7% global economic growth with a 6.1% inflation - to the most positive one - 2.2% growth in the world's GDP with a 4.6 inflation (source: Oxford Economics, World Economics Prospects Monthly, January 2023).

In addition to this, China's decision to eliminate the so-called "zero-Covid" policy in December 2022 brought about a slowdown in industrial production, logistics services and consumption in that same month before leading to a significant increase in the following ones. There is optimism for the recovery of consumption, which should benefit from the sharp increase in the population's saving rate during the pandemic years, with positive impacts on domestic industries such as hospitality, tourism, textiles and clothing.

In this context, the e-commerce segment benefited from a cultural shift characterised by a constant growth in digital stores, facilitated by the slowdown of the physical retail.

Our B2C -E-Commerce Service Provider Division division is currently under pressure due to the numerous requests of technological updates made by our clients, aimed at increasing both sales and services to final consumers.

This situation calls for a constant investment in new developments for the platforms and for the constant maintenance of the same so as to support growth, also implying 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.

In addition to maintaining solid relationships with the historical customers of the Giglio Group, the strengthening of the marketing activity already begun at the end of 2022 continues, also through the recruitment of qualified personnel, which made it possible in the first three months of the year to reach new significant contracts both from an economic point of view and for the quality of the contractors.

The expansion of the Travel Retail business of Salotto di Brera continues thanks to the organic growth given by the increase in tourism on cruise ships (Leisure Travel) and to the non-organic growth deriving from the growing number of ships reached following the conclusion of framework agreements with the Starboard and Harding groups, which are estimated to double the number of ships served by Salotto di Brera during 2023. The development of the Travel Retail business also continues in the Airports sector (with Vienna and Shenzhen as the next openings) and agreements with eight other airports are expected to be concluded by the end of the year. This is joined by two new agreements which will affect the performance of the business in 2023.

- ✓ The opening inside the Caput Mundi Mall in Vatican City, a destination for tourists and pilgrims, especially in the vicinity of the next Jubilee, of a Salotto di Brera sales space which, right from the first days of its inauguration, in mid-March, has obtained a positive response in terms of sales, which it is believed will increase as the peak tourist period in Rome approaches. An estimated 10,000 people pass through the Mall each day.
- ✓ The subscription of an agreement which involves all the business units of the Group for the creation of a complete service to one of the main companies operating in the transport sector at European level, in detail:
  - Creation of e-commerce site;
  - Production and digital sale of all merchandising;
  - Creation, production and sale of co-branded products with big brands;
  - Agreements with important companies in other sectors for the sale on board of their carriers of the products of the most important brands distributed by Salotto Brera.

In the B2B segment, it is believed that contracts with new distribution customers can be completed, in addition to the signing of contracts with four new leading fashion brands in the world.
The growth of the new business unit, launched in 2022 H2, relating to the production of merchandising for artists and large companies is expected, engaged as it were throughout 2023 in the production and online and on-tour distribution of the merchandising of the "Maneskin" rock band . The company is engaged in advanced negotiations with other artists and companies of the same calibre.

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Carlo Micchi, in his quality of Financial Reporting Officer of Giglio Group S.p.A., hereby certifies 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 31 March 2023 corresponds to the accounting figures, books and documents.

Deposit of documents:

The Interim Condensed Consolidated Financial Statements as of 31 March 2023 shall be made available to the public at the registered office of the Company, on the website of the Company *at www.giglio.org and on the authorised e-market storage mechanism at www.emarketstorage.com.*

Information on Giglio Group:

Founded by Alessandro Giglio in 2003 and listed on the STAR segment of Borsa Italiana ever since 2018, Giglio Group is the leading company for the design, creation and management of high value-added e-commerce platforms in Italy for Fashion, Design, Lifestyle and, more recently, Food and Healthcare sectors. The Company is based in Milan, but it is also present with offices in New York, Rome, Lugano and Genoa. Thanks to its remarkable expertise, Giglio Group accompanies its customers in the online distribution of their products through a unique platform, starting from the implementation of fully tailor-made and managed monobrand e-store. Moreover, the Company integrates its business with the dedicated placement on main marketplaces worldwide, ensuring the online management of both new collections and inventories stock. The uniqueness of a "complete-supply-chain" online service thus ensures a 100% sell-through rate.

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