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Oggetto : GIGLIO GROUP SPA: SHAREHOLDERS'
MEETING OF 24 MAY 2023

Testo del comunicato

Vedi allegato.

PRESS RELEASE**SHAREHOLDERS' MEETING OF 24 MAY 2023**

Milan, 21 May 2023 – Giglio Group S.p.A. (the “Company”) (Euronext Milan, Ticker GG) publishes the following information.

Correct use of the assumption of going concern

1) Clarifications regarding the elements supporting the reasonableness of the assumptions underlying the 2023 Plan, with particular reference to:

i. The financial sustainability of the Plan.

With reference to the business continuity and sustainability of the Plan, it is specified that:

- The new credit lines envisaged for 2023 have been disbursed to date for a total of €3.5 million. A further € 670,000 of which € 150,000 (of which 25% non-repayable) will be disbursed shortly by Simest to the subsidiary Salotto di Brera Duty Free S.r.l. and € 520,000 (of which € 130,000 as non-repayable co-financing), this loan has been approved but not yet disbursed to the subsidiary E-Commerce Outsourcing S.r.l..
- The capital increase was scheduled for the end of 2023, and in relation to it expressions of interest were produced, of which two from independent investors and two from related parties. The binding and unconditional expressions of interest received from related parties amount to a total of € 1.4 million. The related parties are Meridiana Holding S.p.A. and Luxury Cloud S.r.l.. Meridiana Holding S.p.A. undertook to subscribe a part of the share capital increase up to € 700,000 , of which approximately € 470,000 already disbursed to the Company and recorded in the reserve account for future share capital increases and a further € 230,000 to be paid upon resolution of the capital increase. On this point it should be noted that with regard to the payment of € 230,000, Meridiana Holding S.p.A. has sufficient liquidity and investments to be able to easily support this amount; among other things, the company has a substantial real estate assets. Luxury Cloud S.r.l. presented a binding expression of interest for the subscription of the increase expected for the end of 2023 for the maximum amount of € 700,000. Luxury Cloud S.r.l. is a related party as Anna Maria Lezzi, sole director and majority shareholder of Luxury Cloud S.r.l., is also a member of the Board of Directors and vice-president of Giglio Group S.p.A..
- Furthermore, a non-recourse factoring contract was signed with Banca Progetto, aimed at ensuring ample liquidity to support future projects. At present, advances of € 3,450,000 have already been authorised - an amount expandable with additional names of new customers.

ii. The expected growth rates for revenues, higher than those expected for the reference market.

With reference to the growth rates for revenues, the industrial plan for the period 2023/2027 envisages achieving higher growth than that expected by the market. In particular, the B2C revenues of the industrial plan are approximately 3% higher than the reference markets. This difference can be attributed to the impact of the new initiatives and additional businesses (merchandising and B2C) launched by the Group which integrate the corporate core businesses (e-commerce, distribution and travel retail). In any case, the 3% increase (approximately € 1.2 million) is marginal if one takes into account that only transactions for the e-commerce market are estimated for 2023 at approximately € 54 billion and are constantly growing (source: Casaleggio associati “Ecommerce italia 2023” Rapporto#24 Aprile 2023 e Netcomm “B2B digital Commerce Report 2023” – IV edizione).



It should be noted that the new initiatives undertaken on the basis of the Industrial Plan - which at the time of preparation of the audit report were in the pipeline but not yet formalized - as of today, have all been contractualised.

iii. *The state of implementation of the actions envisaged in the same Plan with particular reference to the improvement of profit margins.*

The company constantly monitors, through its control and management function, the activities and, in particular: the progress of the activities carried out in relation to customers; the improvement of processes and the consequent reduction of costs following the process of rationalizing the scope of corporate activities and other saving activities achieved thanks to intra-group synergies (such as, for example, reduction of legal costs, payroll, consultancy and administrative costs).

iv. *The amount, as of 31 March 2023, of debts overdue by more than 60 days.*

As of the date of this press release, no injunctions have been received but only good-natured reminders without notice of suspension of the service or supply, and debts overdue by more than 60 days amount to € 3,340,000, recording a 32% decrease if compared to the same figure as of 31 December 2022.

2) *Information on the leading consultancy firm used by the Company for the analysis of the 2023 Plan.*

The consultancy firm used by the Giglio Group to carry out the analysis and verification procedures of the 2023-2027 strategic plan prepared by the directors is Deloitte Financial Advisory S.r.l. S.B..

The verification of the assumptions and hypotheses of an economic nature made by the management in the preparation of the 2023-2027 Plan was conducted by Deloitte Financial Advisory S.r.l. S.B. by carrying out the analyses listed below:

- Critical analysis of the hypotheses and of the basic elements taken as a reference by the management in the formulation of the forecast economic, equity and financial data;
- Analysis and comparison of the hypotheses and assumptions formulated by the management with respect to historical trends and market evidence;
- Analysis of the mathematical correctness of the formulas on a sample basis;
- Analysis and quantification of the various operational risk profiles underlying the Industrial Plan;
- Activities aimed at identifying the possible risks existing in relation to the achievement of company strategies and objectives.

The assignment was carried out by Deloitte Financial Advisory S.r.l. S.B on the basis of discussions with Group management and personnel, by reading the supporting documentation and documentary evidence.

3) *Clarifications on the issue of the audit report containing the declaration of the impossibility of expressing an opinion on Meridiana Holding S.p.A. Financial Statements as of 31.12.2021 and on the resignation of the auditing firm from this position.*

On 30 March 2023, the company BDO Italia issued a declaration of the impossibility of expressing an opinion on the 2021 Annual and Consolidated Financial Statements of Meridiana Holding S.p.A.. This report was contested by the Directors of the Company on 11 April 2023. The resignations were sent on 16 May 2023, the day following the one in which they were sent to the Giglio Group.



4) Considerations of the Directors and indication of the assessments carried out regarding the actual ability (i) of the controlling shareholder Meridiana Holding S.p.A., and (ii) of other subjects who have expressed an interest in subscribing capital increases of the Company to lend their financial support to Giglio Group.

With reference to the ability to obtain financial support, the directors have verified the ability of the parties who have sent expressions of interest to Giglio Group for future capital increases:

- The non-binding expressions of interest for a total of € 3.5 million were produced by two independent investors, well-known companies that operate professionally in the financial sector;
- Two expressions of interest, binding and unconditional, were presented by two related parties:
 - (i) Meridiana Holding S.p.A., which committed itself to a capital increase of up to € 700,000, of which approximately € 470,000 have already been paid in and entered under the account for future capital increases and a further € 230,000 to be paid upon resolution of the capital increase. On this point it should be noted that with regard to the payment of € 230,000, Meridiana Holding S.p.A. has sufficient liquidity and investments to be able to easily support this amount; among other things, the company has a substantial real estate assets;
 - (ii) Luxury Cloud S.r.l., which has undertaken a capital increase of up to € 700,000, is a related party given that Anna Maria Lezzi, sole director and majority shareholder of Luxury Cloud S.r.l., is a member of the Board and Vice-President of Giglio Group S.p.A..

5) With reference to the EBB S.r.l. bond loan, updates on the release of the waiver for failure to comply with the Financial Parameters "Leverage Ratio" and "Gearing Ratio" in relation to the verification date of 30 June 2023.

The Company requested an extension of the waiver of the test date of 30 June 2023. Giglio Group has scheduled a special meeting on 26 May 2023 with the bondholder and with Sace S.p.A. to discuss waivers.

Execution of the impairment test on the book value of equity investments (separate financial statements) and on the book value of goodwill (consolidated financial statements)

6) Results of the analyses carried out in relation to the items "Shareholdings" and "Goodwill" with reference to the sensitivity analyses described in the paragraph "Sensitivity analysis and stress test" of the Annual and Consolidated Financial Statements as of 31 December 2022.

With reference to the sensitivity analyses described in the paragraph "Sensitivity analysis and stress test" of the Annual and Consolidated Financial Statements as of 31 December 2022, it was requested to provide the results of the analyses carried out in relation to the items "Equity investments" and "Goodwill", assuming a revenue reduction by 10%, 20% and 30%. The results of this analysis are the following:



Euro Thousands	Sensitivity 1	Sensitivity 2	Sensitivity 3
Consolidated Goodwill	7,915	323	-7,269
B2C Goodwill	7,016	2,255	-2,506
B2B Goodwill	3,251	97	-3,058

Stability of Investments' Book Values			
Ibox	-344	-2,458	-4,573
Terashop	1,461	-1,186	-3,832
Salotto	-382	-1,527	-2,673

The results of the sensitivity analyses applied to the operating flows of the Industrial Plan shown above were obtained through the application of the Company's impairment procedure. These sensitivity analyses act on the revenue variable and in particular are declined in the application of a percentage of reduction of the revenues of the industrial plan increasing in the three sensitivities and respectively equal to 10%, 20% and 30%.

It is recalled that the WACC applied in the valuation of assets implements an "execution risk" of 3% as a precaution in the event that the cash flow values envisaged in the Industrial Plan are not reached; this is equivalent to saying that the discount rate was increased by 25% to take into account any underperformance of the Company. The sensitivity was carried out with the same WACC.

7) Provide the results of the sensitivity analysis carried out assuming a revenue growth rate consistent with the growth forecasts of the reference market.

The sensitivity analyses carried out in the market scenario determined by an alternative Industrial plan prepared by the Company, which differs from the one approved by the Directors mainly with reference to the growth of prospective revenues. In particular, the forecast growth of revenues for each year of the Ibox, E-Commerce Outsourcing ("Terashop") and Salotto di Brera plans is aligned with the market forecast, equal to 7.6%, 22.7% and 12.9% respectively.

Euro Thousands	Market Scenario
Consolidated Goodwill	7,988
B2C Goodwill	5,514
B2B Goodwill	4,763

Stability of Investments' Book Values	
Ibox	-777
Terashop	393
Salotto	-234



The application of the market scenario would lead to the write-down of the book value of the equity investments in Ibox and Salotto di Brera in the Annual Financial Statement, while no write-downs would be determined to be applied to the Consolidated Financial Statements. The result of the application of the sensitivity reduction of revenues of 10%, 20% and 30% is shown below. The sensitivity was carried out with the same WACC.

Euro Thousands	Sensitivity 1	Sensitivity 2	Sensitivity 3
Consolidated Goodwill	1,128	-5,742	-12,611
B2C Goodwill	1,394	-2,725	-6,844
B2B Goodwill	1,732	-1,300	-4,332
Stability of Investments' Book Values			
Ibox	-2,619	-4,460	-12,611
Terashop	-1,885	-4,163	-6,844
Salotto	-1,256	-2,277	-4,332

It is recalled that the WACC applied in the valuation of assets implements an "execution risk" of 3% as a precaution in the event that the cash flow values envisaged in the Industrial Plan are not reached; this is equivalent to saying that the discount rate was increased by 25% to take into account any underperformance of the Company.

Corporate Governance Report 2022

Supplement to the 2022 Corporate Governance Report, taking into account what is represented, respectively: (i) in the Report of the Board of Statutory Auditors in the paragraphs "Supervision of the adequacy of the organizational structure of the Company and of the Group" and "Supervision of the adequacy and effectiveness of the internal control system and the adequacy and reliability of the accounting administrative system", which contain a description of the ongoing adjustment activities of the corporate procedures and of the Company's organizational structure, also in light of the findings and recommendations represented by the Internal Auditor, the Control and Risk Committee and the Supervisory Body; and (ii) in the 2022 Corporate Governance Report, in paragraph 9 "Internal control and risk management system", where it is highlighted, inter alia, that the Company is proceeding with the organizational and procedural adjustments identified as a result of the checks carried out also on the basis of an action plan.

It should be noted that the Company has proceeded to prepare the integrations required within the 2022 Corporate Governance Report, and in particular in paragraph 9 "Internal control and risk management system", providing detailed information on the initiatives envisaged for the aforementioned adjustments, as well as specifying the actions already undertaken and those still to be implemented with the relative timing; the document accompanied by the additional information was published with the same methods already adopted for its first disclosure.

Considerations of the Board of Statutory Auditors



Consob, asked the Board of Statutory Auditors to provide its considerations with regard to:

- 1) The existence of the assumption of business continuity, in the light of the findings made by BDO and the considerations presented by the Company in the aforementioned press release of May 14, 2023;
- 2) The contents of BDO's Letter referred to in point 2 above, as well as to what is reported in this regard by the Company in the press release dated 17 May;
- 3) The compliance with legal and regulatory provisions and the clarity and completeness of information in the 2022 Remuneration Report, taking into account that the Report of the Board of Statutory Auditors states that, with reference to these aspects, "the Board has examined the same and reserves the right to report consequently to the Shareholders' Meeting".

Preamble

It seems appropriate to state first that the Board of Statutory Auditors, in its capacity as the internal control and auditing committee, supervised the procedure for preparing and approving the Industrial Plan, for the preparation of which the Company made use of the support of Deloitte Financial Advisory S.r.l. S.B., as a consultant in order to analyse the hypotheses formulated by the Management for the preparation of the forecast data contained in the industrial plan. Following the approval of the plan, which took place on 30 March, the Chairman of the Board of Statutory Auditors participated in a number of meetings with the Auditor (7 and 12 April) organized by the Company aimed at describing the Industrial Plan, the first of which was also attended by Deloitte. In this context, it has not received from the independent auditor any "report of any information that could lead to serious regulatory violations, significant shortcomings in the control system and significant threats or doubts for business continuity".¹

There is no evidence that BDO has ever sent to the Company, nor to the Board of Statutory Auditors, formal communication regarding the assessments underlying the opinion issued on last May 2.

Given the above, the Board, reiterating what has already been stated in its Report on the financial statements, expresses its considerations below, further specifying the following.

- 1) ***With regard to the existence of the assumption of business continuity, in the light of the findings formulated by the independent auditors BDO Italia S.p.A. ("BDO") and the considerations presented by the Company in the press release dated May 14, 2023***

BDO Italia S.p.A. ("BDO") declared the impossibility of expressing an opinion, linked to the lack of adequate and sufficient probative evidence to support the reasonableness of the assumptions of the Industrial Plan, thereby noting multiple uncertainties with reference to:

- i) Expected growth rates for revenues approximately 3% higher than the market;
- ii) The financial availability to support the increase in working capital;
- iii) The determination of operating costs.

In its report, it also stated that the aforementioned issues would also have been identified by the Company's consultant ("Deloitte") appointed by the Company to carry out the analysis and verification procedures.

¹ Standard (Q.5.3) Exchange of information with the statutory auditing firm.



With reference to these exceptions, the Board of Statutory Auditors promptly requested some clarifications from the Company and, following further checks and investigations carried out, reports the following.

On 3 May, the Company sent the Board a letter from Deloitte in which it is specified that *“Our assessments have not highlighted any critical issues such as to consider the assumptions formulated by Management unreliable or unreasonable, but have made it possible to highlight how some of the aforementioned assumptions require greater attention and monitoring in order to verify the effective implementation of the related strategic actions at the basis of the Industrial Plan.”*. We also underline that, in order to consider the uncertain aspects of the plan, in calculating the Impairment Test, the basic WACC was adjusted due to the effect of the "premium" represented by the Execution Risk, with an increase of 3%.

In support of the execution of the plan, both with reference to revenues and financial resources, and also with regard to what was declared in the press release dated May 14th, the Board received reassurances from management and verified that:

- Revenues for 2023 Q1 appear substantially in line with those of the plan, as per the approved quarterly report;
- On 2 and 9 May 2023, two contracts relevant to the plan were signed;
- The Caput Mundi The Mall store was opened to the public on March 16, 2023;
- In the archive of the Risk Office of the Bank of Italy, as of today, there are no reports with respect to the latest available date.

In its audit report, BDO highlighted the failure to increase the capital of € 5 million, as envisaged in the 2022-2026 Industrial Plan; with regard to this circumstance, also referred to by BDO in its letter dated May 16, 2023, it is stated that:

- The 2022-2026 multi-annual Industrial Plan was approved by the Directors on 28 March 2022.
- The Russo-Ukrainian conflict started on February 27, 2022;
- The macroeconomic effects developed starting from 2022 Q2 and worsened in 2022 Q3;
- On 14 September 2022, BDO released the Limited Audit Report on the Condensed Consolidated Interim Financial Statements as of 30 June 2022 without highlighting any finding.

At the time of approval of the 2022-2026 Industrial Plan, the effects of the conflict had not yet fully manifested; in Q4 the management, acknowledging the continuing instability, also of the markets, decided to postpone a capital increase to 2023 subject to the preparation of a new industrial plan which would incorporate the changed scenario. In this context, given the geopolitical and socio-economic situation, the Company decided not to carry out an immediate capital increase, which would have led to a considerable devaluation of the stock. Therefore, other ways were identified, including obtaining funding that would have provided the necessary liquidity. On 28 February 2023, a loan of € 520,000 was granted to the company E-Commerce Outsourcing S.r.l. On 10 March 2023 the subsidiary Salotto di Brera Duty Free S.r.l. obtained two loans from Banca Progetto for a total of € 3.5 million, with a guarantee from SACE S.p.A.

The new Plan then envisaged a new capital increase of € 2 million for which binding offers were produced by the Company in support of the same. In particular, we highlight the one received by the majority shareholder Meridiana holding S.p.A. for a total of € 700,000, of which we have evidence of the recognition in the reserve for future capital increases for € 470,000 due to the simultaneous waiver of a loan.

2) *With regard to the contents of BDO's Letter referred to in point 2 above, as well as to what is reported in this regard by the Company in the press release dated 17 May 2023*

With reference also to the BDO Letter of 16 May 2023, the Board requested a meeting with the Auditor, who however deemed it unnecessary, referring in full to the content of the letter.



Having said that, without prejudice to what is stated in the previous point, to which reference is made for matters of interest therein, the following is further specified.

The Board of Statutory Auditors learned from the BDO letter dated May 16 that the latter had issued a similar opinion of the impossibility of expressing its opinion on the financial statements of the parent company Meridiana on the 2021 Financial Statements, with reference to the previous 2022-2026 Plan.

This opinion was issued on the same day as the approval of the new 2023-2027 Industrial Plan by the Board of Directors of Giglio Group S.p.A.. The information of the impossibility of the same, if deemed relevant, could have been transmitted in good time so as to provide for any further clarifications or possible interventions by the Company.

As for the resignation tendered by BDO, the Board highlights that it has already urged the Company to immediately activate the process for appointing a new auditor.

3) *With regard to the compliance with legal and regulatory provisions and the clarity and completeness of information in the 2022 Remuneration Report.*

On this point, the Board of Statutory Directors specifies that what is indicated in its report regarding the 2022 Remuneration Report is to be considered a mere formal postponement due to the tight deadlines. The Board of Statutory Auditors examined the Remuneration Report and verified its conformity with legal and statutory requirements, as well as the clarity and completeness of its information with regard to the remuneration policy adopted by the Company.

Finally, it should be noted that this press release contains the information provided in compliance with Consob's request pursuant to Art. 114, par. 5 of Legislative Decree no 58/1998 ("CFA"), received on May 18, 2023.

Information on Giglio Group:

Founded by Alessandro Giglio in 2003 and listed on the EURONEXT MILAN 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, Food, Healthcare and Merchandising 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.

For further information:

Investor Relator, Elena Gallo: ir@giglio.org; elena.gallo@giglio.org (+39)0283974207

Giglio Group S.p.A. Press Office: SprianoCommunication&Partners

Matteo Russo, mob. +39 3479834881 - mrusso@sprianocommunication.com

Cristina Tronconi, mob. +39 3460477901 - ctronconi@sprianocommunication.com

Jacopo Ghirardi, mob. + 39 3337139257 - jghirardi@sprianocommunication.com

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