

PORTOBELLO

**Financial statements
as at 31 December 2020**

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CORPORATE OFFICES AND GENERAL INFORMATION

Board of Directors

Roberto Bacchi	Chairman
Simone Prete	Chief Executive Officer
Pietro Peligra	Director
Fabio Pignatelli	Independent Director

Board of Statutory Auditors

Alessandro Cirone	Chairman
Massimo Veneziano	Standing auditor
Barbara Molle	Standing auditor
Luigi Rimessa	Alternate Auditor
Claudio Mariotti	Alternate Auditor

Independent Auditors' Company

Audirevi S.p.a.

Nomad

Integrae Sim S.p.a.

Company name and registered office

Portobello S.p.A.
Piazzale della Stazione Snc
00071 Pomezia (RM)
Tax Code and VAT no. 13972731007
Listed in the Rome Register of Companies at no. 13972731007
Fully paid-up share capital of Euro 533,690

The Board of Directors and the Board of Statutory Auditors were appointed on 1 June 2018 and will remain in office for the following three years or until the date of approval of the financial statements as at 31 December 2020.

On 15 June 2018, the Board of Directors confirmed the existence, for the Independent Director Fabio Pignatelli, of the independence requirements pursuant to art. 148, paragraph 3, of the TUF, as referred to in art. 147-ter, paragraph 4, of the TUF and in compliance with art. 19 of the Articles of Association.

The independent auditors were appointed on 12 June 2018 and will remain in office until the date of approval of the financial statements as at 31 December 2020.

Report on the Financial Statements as at 31 December 2020

REPORT ON THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

1. FOREWORD

This report on operations of Portobello S.p.A. as at 31 December 2020 (the "Report") was prepared in accordance with the provisions of art. 2428 of the Italian Civil Code, as well as the Italian Accounting Standards formulated by the National Council of Chartered Accountants and of by the Italian Accounting Body (OIC). This report, drawn up with amounts expressed in Euro, is presented to accompany the Financial Statements in order to provide income, equity, financial and operational information on the Company accompanied, where possible, by historical elements and forward-looking valuations.

2. PORTOBELLO S.p.A.

The Company was established at the end of 2016 following many months of analysis by the founding shareholders regarding the evolution of the competitive scenario of the retail market, the needs and purchasing habits of modern consumers, as well as the opportunities associated with the management of media spaces and barter operations.

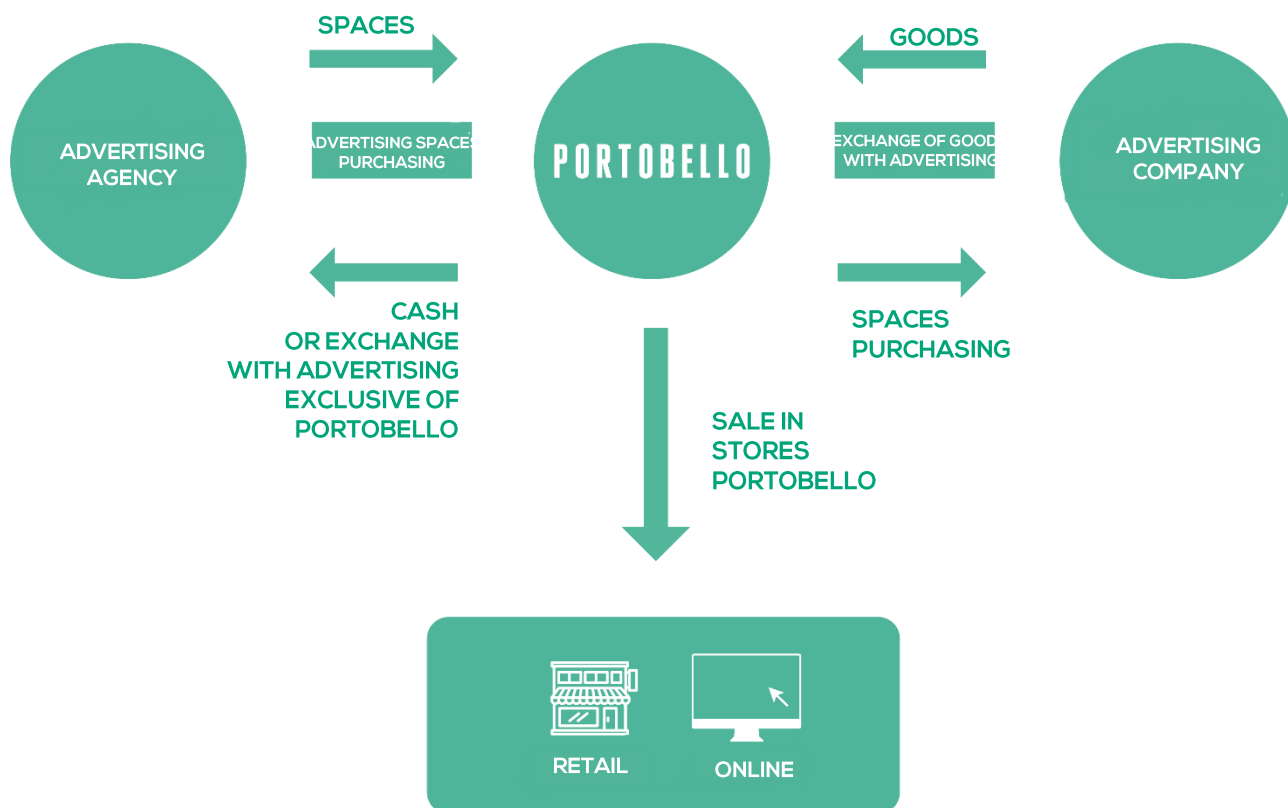
Portobello's business is structured in several highly integrated business lines for the achievement of maximum profitability. In addition to an efficient and fast administration of the structure, this integration allows a strong scalability of the business model, customers' growth rates, very promising appreciation by the same, and margins on par with those of the best competitors in the sector.

THE BUSINESS MODEL

Portobello has created a business model scientifically designed to capture product acquisition opportunities at extremely competitive prices and provide, through an appealing and efficient format, the possibility for consumers to buy these products at lower prices than those of other players on the market.

This circular business model starts from the media activity, an activity that is mainly used by Portobello to engage potential customers in commercial advertising bartering relationships, as well as in the direct sale of advertising. Portobello has both proprietary or exclusively managed advertising spaces (such as magazines, video-walls, rotary news-stands, etc.) and third-party spaces (such as outdoor, digital totems displays, etc.): the Company achieves revenue or other advertising spaces, or other physical products, from goods sales or exchange activities. The second step of the model is the resale of physical products acquired in exchange for goods acquired through exchange or purchased directly from suppliers.

These products are intended for the Company's B2C channels: first of all the Portobello stores, then the online channel (Portobello e-commerce and marketplace) and, in the future, franchise stores. Everything that, due to size or type, cannot be sold on these channels, is sold to other resellers on the B2B channel.



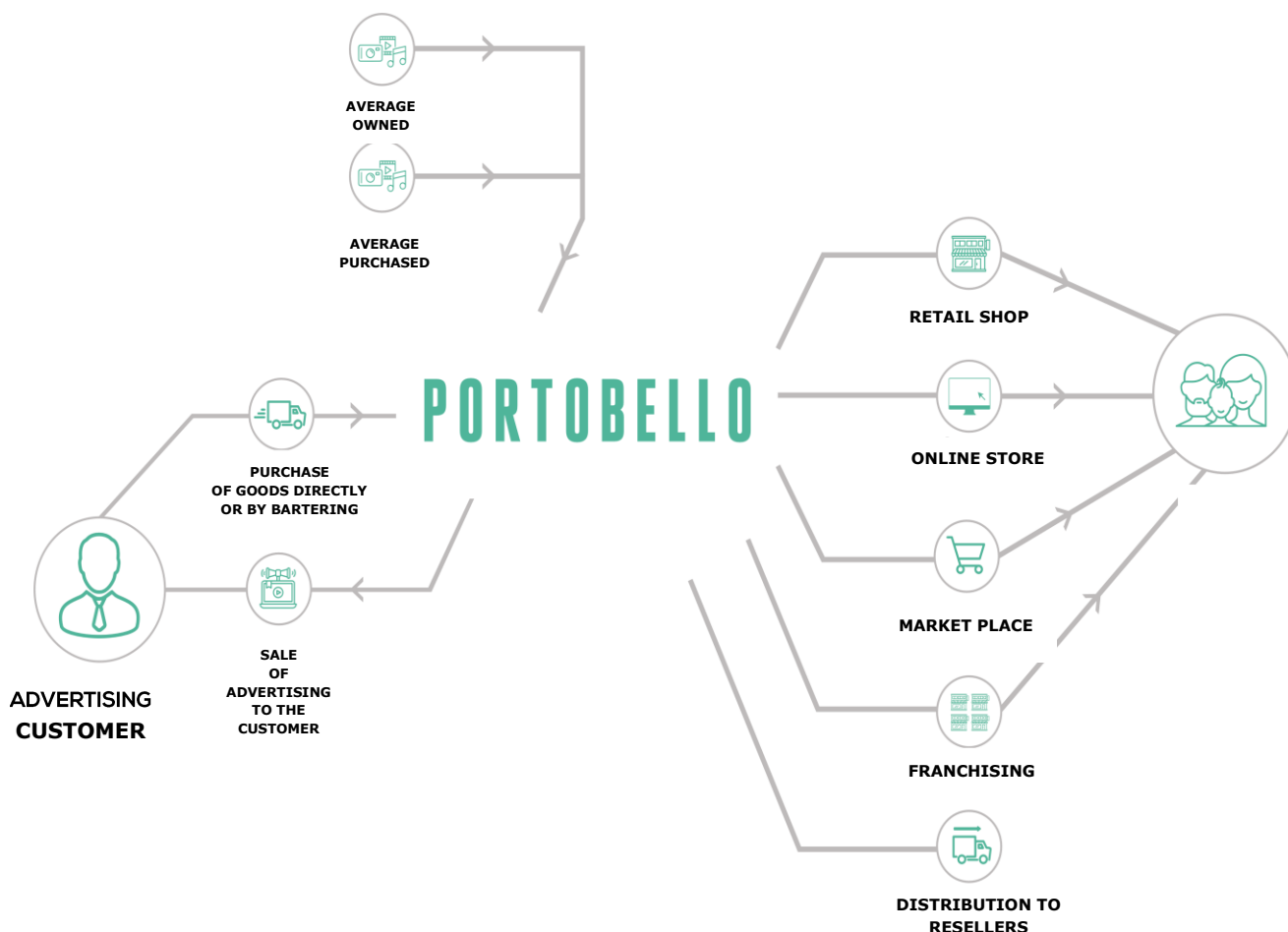
In order to develop its business, the Company has set up the Strategic Business Units ("SBUs") listed below:

- **retail:** the retail formula includes stores with a size of about 250/350 square meters with high turnover of products, Portobello's e-commerce sales portal, www.portobello-club.com, and the resale on the main marketplaces;
- **media & advertising:** this area includes both the purchase and resale of classic third-party advertising spaces in high traffic areas, and the development of managed media, rotary circuits displayed on news-stands and through the distribution of entertainment magazines. The spaces are sold or used in bartering activities in order to acquire products to be resold through the other channels. In addition, in 2018 Portobello became a publisher, launching various periodicals on the market ranging from the world of gossip, cooking, the family to women's fashion and news. The activity is carried out through the distribution of periodicals on a national scale, thus catering for the average Italian reader. Editorial content as well as printing and distribution are fully outsourced. This allows for an excellent management control in terms of costs and offsetting any sales seasonality issues. The magazines, in terms of content and user audience, are also perfectly in line with the potential advertisers of the Media SBU, thus acting as an accelerator also for the latter sector, which handles the sale of advertising spaces.
- **B2B:** to ensure the best turnover of residual goods, part of the inventories are sold through B2B channels. This activity makes it possible to improve margins on products sold on other channels, improve the cash cycle and enter into agreements with international players.

What makes Portobello's business model unique is the strong and close interrelationship between the four SBUs, which is "unique", which creates value thanks to its circular, efficient and integrated business model.

The benefits of this circular model are many:

- **Optimisation of resources and asset use.** Through its circular business model, the Company is able to create a strong synergy between the different business units and to fully exploit all available resources, which, taken individually, would certainly generate lower returns and greater risks. In addition, the integrated management model makes the Company's value proposition more interesting for corporate customers, as Portobello is able to guarantee a wide average offer and a very selective channel for the disposal of inventories;
- **Strategy and competitive positioning.** Portobello has outlined a strategy that allows it to hold a position in the market with clear competitive advantages over its competitors in the reference market. The Company's business model, in fact, allows it to grow quickly in industries that are very difficult and subject to great pressure on prices and margins, achieving scale efficiency and brand awareness with consumers. In the media industry, for example, against a stable or slightly decreasing market on some channels, Portobello is able to grow by acquiring more high margins advertising assets than those of other operators in the sector. Thanks to the Company's strategy, these assets are able to be enhanced and produce significant economic benefits. For this reason, Portobello's circular business model allows it to counter the declining trend experienced by many competitors. This is also true in the retail sector, where its management expertise has allowed the Company to create a highly appealing format for the consumer, structured in an efficient and scalable manner.
- **Scalability (media, retail).** The strategy and management model adopted entail, as a direct consequence, a strong appeal to consumers looking for a better quality-price ratio. This generates growth in sales, volumes and sales outlets, as well as, at the same time, growth of already good margins, which further improves thanks to economies of scale. The strong pressure on prices caused by the emergence of the online sales channel has reduced the margins of many players and is squeezing all operators unable to achieve large scale efficiencies out of the market. This could represent an opportunity for Portobello, which, having an alternative business model, will be able to grow in line with the increasing pressures on prices and, consequently, the difficulties of its competitors.



3. SIGNIFICANT EVENTS

The economic scenario of the year 2020 was strongly affected by the rapid spread of the COVID-19 virus, which impacted with varying intensity all areas of the planet, determining a transversal block to social and economic activities and which completely upset the international scenario. The block imposed by national governments on more than half of the world population to flatten the contagion curve hit the world like a meteorite, pushing the global economy into the worst recession since the Second World War. Since January, the impact of the epidemic has gone from being a localised supply shock focused on China - which in any case sent shock waves on global supply chains - to being a violent shock on demand that has damaged consumption and investments not only in China, but also in Europe, the United States and Latin America. We thus witnessed a deep global recession in the first two quarters of 2020 in the vast majority of developed and emerging economies. This situation was followed by a recovery starting from the second half of the year, with a reopening of the world economies and of the various sectors given the easing of the confinement measures. However, after the summer, there was a new wave of contagions and the new strategy based on light and targeted lockdowns actually cooled recovery expectations in the second half of the year. Italy, which in Europe is one of the most affected countries in terms of infections and human lives lost, saw a loss in GDP of 8.8% in 2020, the causes of which are obviously the suspension of internal social and production activities, but also greater dependence of our economy on services with respect to Germany: for example, tourism is the sector most impacted by containment measures. All Governments and Central Banks have implemented extraordinary measures, both monetary and fiscal ones, to face this crisis. The significant state aid in particular contributed to absorb the shock caused by the crisis, helping many companies affected by the pandemic to avoid bankruptcy procedures, at least for the moment. At global level, in fact, there has been a 10% decrease in corporate defaults, but a more detailed analysis cannot ignore the fact that the pandemic has caused a 23% increase in large-scale insolvencies, i.e. those concerning companies with a turnover of more than Euro 50 million. In 2021, global insolvencies could grow by 25% year-on-year mainly due to a possible rebound after the decline recorded in 2020. However, it is equally important to keep in mind that the latter could remain at artificial low levels if Governments decide to continue to protect companies from the harsh reality of the situation that we will have to face. The challenge today is represented by the success of the vaccine campaign: the greater the immunisation speed of the part of the population most exposed to the risk of infection or weaker with respect to the effects of the virus, the faster national economies will recover.

The year 2020 was, as discussed above, characterised by the effects of the health emergency that occurred from the end of February with the spread of Coronavirus, an event to which the Portobello Company promptly reacted. Safety and proximity were the guidelines through which the Company approached the emergency situation from COVID-19 from the very beginning, with great attention to its employees, customers, suppliers and the entire community.

Since mid-February, the Company has adopted an internal security protocol in order to provide guidelines to all head office personnel and the sales force, necessary to guarantee the performance of their duties in maximum safety. Following the general closure of commercial activities from 12 March 2020, the Company closed the entire sales network, making use of Cassa Integrazione Guadagni (the wage supplementation scheme) for all personnel employed in the sales network as well as for head office personnel with tasks related to the retail channel. Where possible, smart working procedures were activated for the remaining head office personnel, while those who continued to work at the head office did so by paying the utmost attention to the strict internal procedures aimed at containing the risk of possible contagion. During the period of the stores' forced closure, the Company invested resources in the online channel, achieving excellent results until 26 March when, following a further squeeze due to deterioration of the contagion situation in Italy, it also became necessary to close the online channel. All headquarters personnel then operated in smart working mode until 13 April, when the restrictive measures were partially relaxed and it was possible to reactivate the online channel. Before the reopening of stores on 18 May 2020, the company arranged for the sanitisation of all the work areas as well as the integration and updating of all the DVRs (Risk Assessment Documents), also planning training activities for all personnel.

Despite the extraordinary conditions that characterised the year 2020, the results achieved by Portobello Spa clearly and effectively demonstrate its capacity for resilience and resolve in responding to the crisis affecting the world economy. Despite having suffered the significant repercussions - with highly variable impacts in the various business areas - of the deep and sudden crisis affecting the entire globe, the Company has nonetheless managed to achieve results that are excellent in absolute terms, and even exceptional if viewed in the extremely complicated context such as we have experienced and are still experiencing.

RETAIL

In addition to being the year of the pandemic, 2020 will also be remembered as the boom in e-commerce. Social distancing measures, mobility restrictions and the closure of commercial activities to combat the pandemic generated an extraordinary demand crisis, with a drop in retail sales of 5.4%, a combination of an increase of 3.7% in food sales and a 12.2% drop in non-food products. Losses in non-food products retail sales in 2020 (-12.1%) are higher than the drop in sales recorded over the two previous recessions: between 2007 and 2014, the index of non-food retail sales, in fact, fell by 10.1%.



In 2020, retail sales recorded the most drastic decreases in the average for photo-optics, film, compact-disc, audio-video cassettes and musical instruments (-14.0%), stationery products, books, newspapers and magazines (-14.1%), games, toys, sports and camping articles (-15.2%); the decreases were dramatic for clothing and furs (-24.2%) and footwear, leather and travel items (-24.5%). In the case of fashion products, the drop in sales in 2020 is more than double the loss recorded after the two previous recessions, between 2007 and 2014: in fact, over a period of seven years, sales fell by 12.4% for clothing and 11.1% for footwear and leather goods.

The figures for December, historically the most important month of the year, recorded a 3.1% drop in retail sales compared to December of the previous year: this trend is the combination of an increase of 6.6% sales of

food products and a severe decline of 9.4% in those of non-food products, the most marked fall over the last 20 years.

In this extremely complex context, the Portobello retail channel recorded a 44% increase in turnover in 2020 compared to the same period of 2019. The increase in turnover in absolute terms is mainly linked to the increase in sales area as a result of the opening of new stores in 2019 which became fully operational in 2020. However, also with reference to the same perimeter of the stores as at 31 December 2019, the like-for-like turnover is in line with that of the same period of 2020 net of the period of forced closure (12 March - 17 May). Obviously, this result of substantial stability in turnover is the result of very different dynamics between one store and another: the stores located in areas with a strong traditional tourist presence suffered the most, recording substantial decreases in turnover, a situation however largely offset by the growth in turnover recorded in other stores less driven by tourism. Very positive results were also recorded in relation to the first level margin, which grew by 46.2% in absolute value (11.2% in relation to turnover) compared to 2019.

The online channel, on the other hand, recorded an extremely positive performance, with a growth in turnover of 306% in 2020 compared to the same period of 2019.

Three new stores were opened in 2020:

- **Corso Buenos Aires in Milan.** Over a kilometre and a half long, in a space between Piazza Oberdan and Piazzale Loreto, Corso Buenos Aires is one of the busiest streets of the Milanese capital. With over 350 stores and an average of one hundred thousand visitors per day, the Corso is often compared to New York's Fifth Avenue. The Portobello store is located at street number 29 and covers an area of almost 450 square meters spread over two levels, with an escalator.
- **Corso Genova in Milan.** Adjacent to the Navigli, the beating heart of Milanese dynamism and creativity, Corso Genova is a reference point not only for the city's nightlife but much more beside. The Portobello store, spread over two levels, with a lift, covers almost 650 square metres.
- **Via dei Colli Portuensi in Rome.** In an area with a high population density, with a strong commercial presence and a high spending customer base. The store has an area of about 200 square meters with 5 shop windows and a great visual impact on the street. The opening of the store was scheduled for 15 March but due to the lockdown it was postponed to 18 May, the date of reopening of the Portobello branded stores.

OPERATING SALES POINTS AS AT 31 DECEMBER 2020

CITY	ADDRESS
MILAN	Corso Buenos Aires
MILAN	Corso Genova
ROME (Capena)	Via Tiberina km 1700
ROME	Via Tiburtina 541
ROME	Via dei Castani 171-175
ROME	Viale Ippocrate 78
ROME	Piazza Santa Maria Maggiore 9-10
ROME	Via Francesco Grimaldi 76/78
ROME (Ostia)	Via delle Gondole 20
ROME	Viale Libia 204
ROME	Via Tuscolana 1048/1058
ROME	Via dei Colli Portuensi 453/455
VITERBO	State Road Cassia Nord 270
FROSINONE	Viale Europa snc

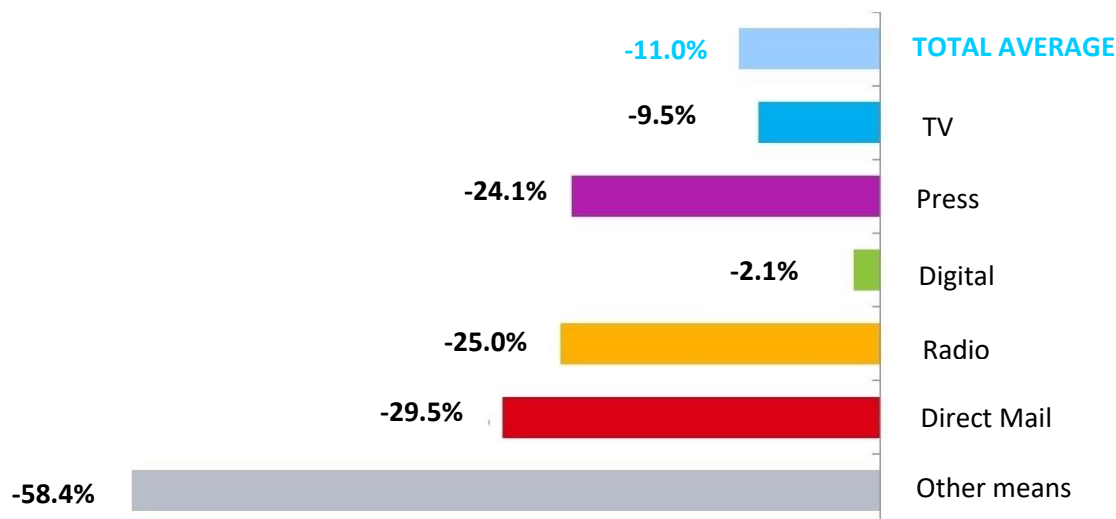


MEDIA and PUBLISHING

Despite the faint signs of recovery recorded in December on some collection channels, the advertising market in Italy closed down 11% compared to 2019. More specifically, television advertising revenues recorded a drop of 9.5% and that of newspapers of 16.2%, while radio and magazines recorded poorer performances, closing down by 25% and 36.6% respectively.

MEDIA PERFORMANCE

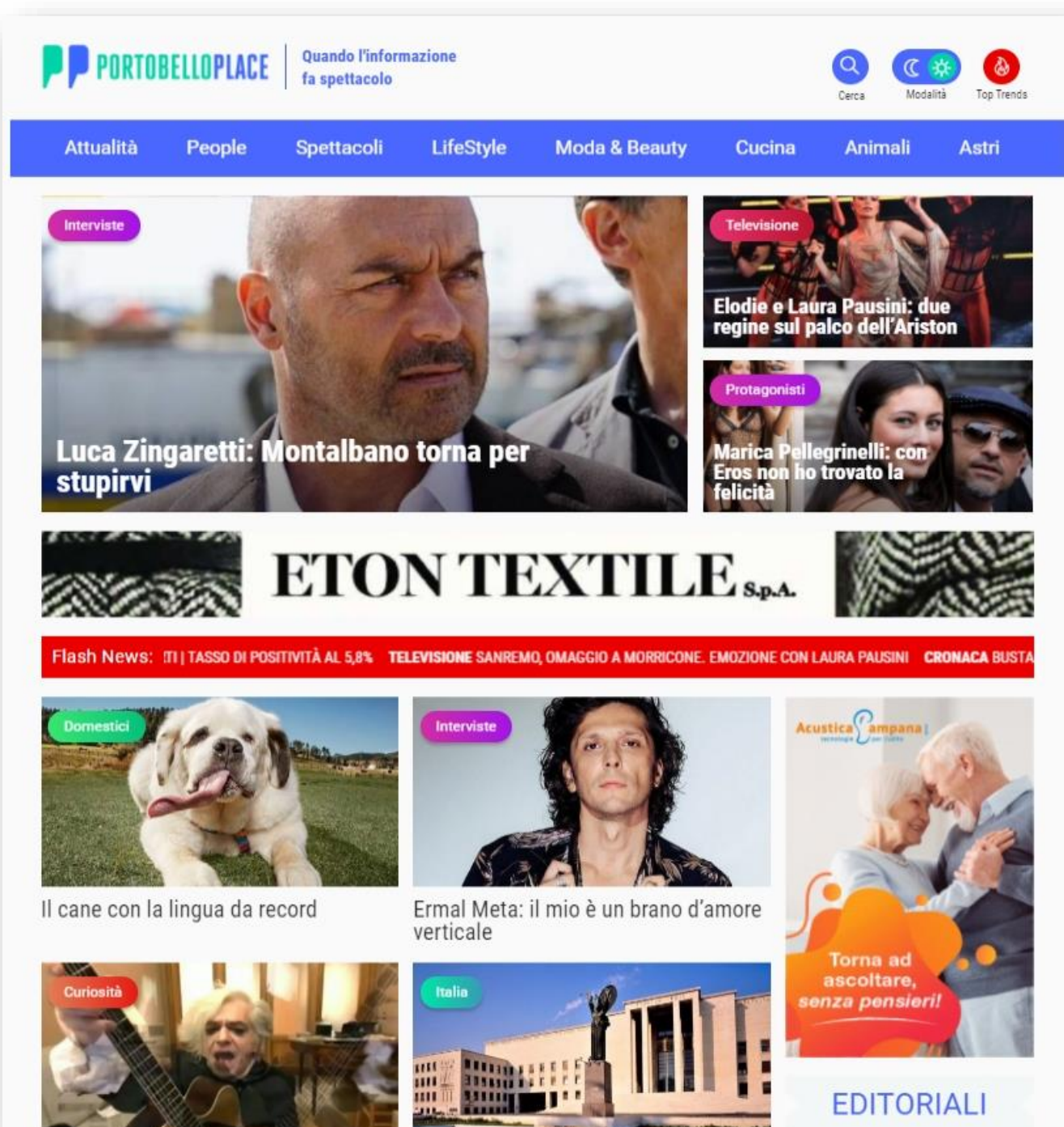
YEAR 2020

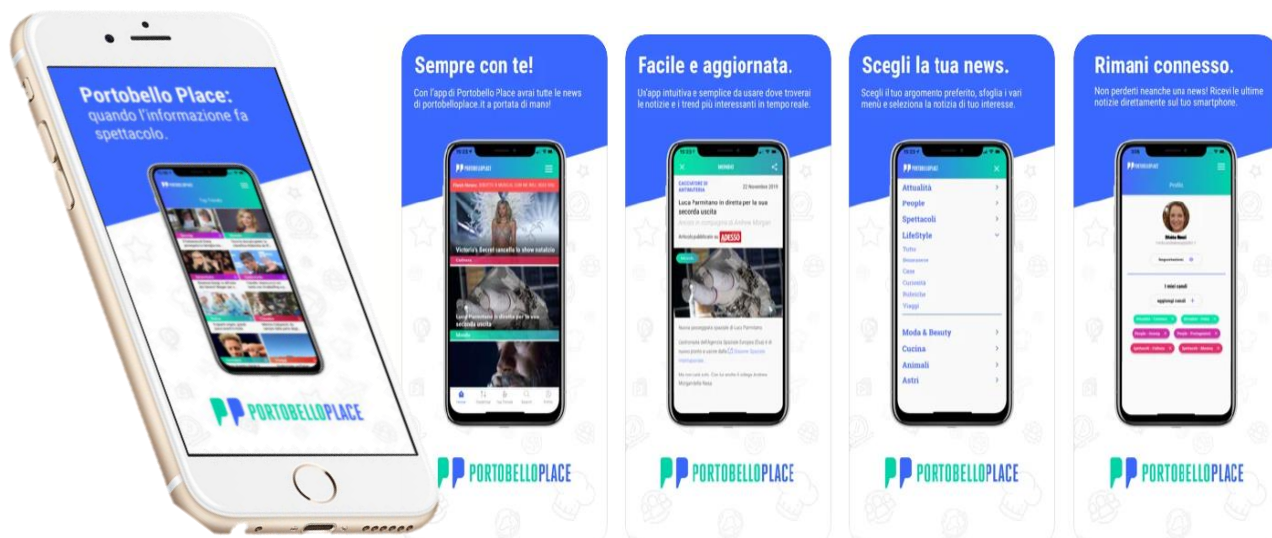
€7,825 MILLION

Source: Nielsen, Ad Intel, net estimated data - all types + Nielsen estimate of digital (OTT + other + FCP AssolInternet)

Monitoring the behaviour of the main categories of investors - such as automotive, food and entertainment - showed a significant reduction in communication in the brands operating in the sectors where the impact of COVID-19 was greatest. In particular, sectors such as tourism, fashion and clothing have practically stopped communicating. It is clear that in dealing with a completely new situation, both consumers and companies cannot predict the future and do not know how to react. It is equally clear that since there are margins to be protected and forecasts of a collapse in consumption, companies prefer to cut their budgets rather than invest in stereotyped messages. In this very difficult context, the peculiarity of the Portobello business actually constituted a strong point for the Company because, thanks to the innovative business model, companies can plan their advertising campaigns without the need to draw on their own financial resources, purchasing advertising services in exchange of goods sold by them, therefore achieving a double benefit: the possibility of building promotional campaigns without burdening the company liquidity and reducing inventory stocks having to use taxable write-downs. Moreover, these companies can take advantage of the tax credit (advertising bonus) up to 50% of the advertising investment made in 2020. This entails additional cash savings as the bonus can be used to offset any tax or contribution. Additional benefits for companies/customers are the optimisation of accounting/tax management, an increase in turnover, the rotation of unsold products, the removal of the risk of loss of value of the same and the use of an alternative sales channel. And it is significant that, despite the fact that this channel also suffered a slowdown in operations, especially in March and April, when the uncertainty on the developments of the pandemic and the repercussions on the economic and social structure of the country reached their peak, it then quickly recovered in terms of performance given the growing interest of Companies in bartering activities, which led to significant growth in contracts concluded in the second half of the year.

The turnover of the Media channel recorded an increase of 42% in 2020, from Euro 30 million as at 31 December 2019 to Euro 43 million as at 31 December 2020. The growth of the channel was therefore very important and the result is very positive, on all funding channels. Excellent results were recorded by the Portobello Place portal which, in addition to being reached through the main search engines, is made accessible to mobile devices through a native App, developed for both Android and IOS technology, which allows users to read the publisher's contents at any time, also in offline mode. The web portal was developed and updated to ensure the best user experience. During navigation, Adv content is offered to the user in the form of editorial texts so as to capture the attention of the potential consumer without interrupting or disrupting the browsing experience.





The "PortobelloPlace - Blockchain Voucher" project was launched in 2019 as a multi-year project for the realisation of:

- an infotainment portal (already developed and active at www.portobelloplace.it)
- an innovative marketplace for the sale of services in the form of vouchers with underlying blockchain

Through the creation of two integrated sections of the same site, the Company's objective is to combine the editorial component (information and entertainment portal) with the commercial component (voucher marketplace), making the most of all possible synergies, both from the point of view of the sale of advertising space and of the acquisition and resale of services/products.

During 2020, through the coordination of an internal team, two project streams were activated, which also involved external suppliers:

1. Marketplace - The objective of this stream was to define the logical flow and the customer journey. In parallel with the development of some pilot solutions by the supplier, the internal team carried out customisation and integration activities, and in particular:
 - a. Customisation of all graphic aspects and user interface, as well as all marketing and commercial positioning logics
 - b. Integration with the technological and IT solutions already in place in the company (by way of example only: payment systems, interfaces with management control and business intelligence systems, etc.)
2. Legal & GDPR - In order to guarantee the correct issue, management and archiving of vouchers, the state of the art of the current regulations regarding the stipulation of contracts with underlying blockchain was studied. To this end, the following activities were activated:
 - a. definition of all procedures in compliance with the GDPR regulations;
 - b. drafting of terms & conditions of purchase as well as all contracts related to the issue of blockchain contracts

The search and selection of suppliers for the development of the project was carried out by means of a tender that involved some of the main sector leaders.

At the end of the same, two suppliers were selected on their respective streams:

1. BIP for the actual development of the marketplace in its full commercial functionality, starting from the loading of vouchers to their sale, collection and registration of transactions on the blockchain;
2. In2Law (Deloitte partner) for the study of the regulations concerning the issue of vouchers with blockchain technology and, consequently, the definition of the guidelines, procedures and obligations necessary for the completion of sales contracts with underlying blockchain technology

To date, the architecture of the solution has been completed in all its parts. Through the marketplace, the company is therefore able to:

1. Upload and manage vouchers (quantities, prices, discounts, marketing policies, etc.)
2. Selling vouchers and collecting payments (through the main forms of electronic payment, credit cards - VISA, Mastercard, Maestro, etc. - and Paypal)
3. Writing and recording on blockchain the smart contracts associated with the vouchers (instrument that acts as a guarantee of the veracity and authenticity of the voucher itself)

The solution is available at the link <https://shopdemo.portobelloplace.it/> and is already technically capable of generating revenues. However, the company reserves the right to wait for the completion of the compliance checks with regard to the GDPR part, before proceeding with the actual launch of the solution on the market.

Following the launch of the editorial sector, which took place during the first half of 2018, Portobello boasts the publication of three magazines with national distribution, through which it manages its own advertising pages:

- ORA.IT SETTIMANALE: weekly gossip and entertainment magazine;
- LEI STYLE: monthly magazine dedicated to fashion and style;
- VOI: a bi-weekly magazine that is positioned in the family segment, transversally suitable for a young and also a mature audience, both male and female, focused on current Italian issues;



B2B

B2B sales recorded an increase of Euro 3 million in 2020 compared to the same period of 2019, with an increase of 27%, confirming its accessory function with respect to the main media and retail business lines that significantly greater growth rates. It should be remembered that this type of activity is opportunistic and useful for monetising products that are not in line with the Portobello stores, or relating to purchases that have volumes that are too high compared to the stores currently open, and therefore does not constitute a priority channel in the Company's development strategies.

ACQUISITION OF EQUITY INVESTMENTS

In 2020, the company acquired an equity investment in the company SAE (Sapere Aude Editori) Group, an Italian company with registered office in Livorno (LI), Viale Vittorio Alfieri 9, registered with the Register of Companies

of Maremma and Tirreno, with Tax Code and VAT No. 01954630495, R.E.A. no. 215701. The company in question took over from the Gedi News Network Spa group the business units relating to the following publications:

- Il Tirreno
- La Gazzetta di Reggio
- La Nuova Gazzetta di Modena
- La Nuova Ferrara

To date, Portobello holds 507,617 ordinary shares of SAE (at a nominal value of Euro 1 each), equal to 20.30% of the authorised share capital (2,500,000). The acquisition is part of Portobello's development plan and assumes a strategic role given the possibility of obtaining, through privileged commercial agreements due to the effect of this investment, access to quality media able to increase advertising space available to the Company, given the saturation of the spaces available on owned media.

Moreover, the direct participation in these publications is an important tool to promote the company's retail activities in the areas covered by these publications (Tuscany and Emilia Romagna).

EXECUTION OF THE 2019 - 2021 STOCK OPTION AND STOCK GRANT PLAN

On 28 May 2020, after verifying the fulfillment of the Vesting Conditions of the rights relating to the beneficiaries, the Board of Directors assigned 32,100 Portobello ordinary shares following the vesting of the first tranche of the 2019-2021 Stock Grant Plan for Portobello's employees. The above-mentioned assigned shares are newly issued shares - without indication of nominal value - in execution of the share capital increase resolved by the Shareholders' Meeting of 23 December 2019 to service the Plan. The Directors also amended art. 6 of the Articles of Association in order to adjust the amount of the Share Capital resulting from the assignment of the rights as well as the related deposit with the competent Register of Companies.

With reference to the First Tranche of the "2019-2021 Stock Option Plan", on 20 October 2020 the Directors benefiting from the plan exercised the related option on a total of 60,000 shares at the price of Euro 2.40 each. The above-mentioned assigned shares are newly issued shares - without indication of nominal value - in execution of the share capital increase resolved by the Shareholders' Meeting of 23 December 2019 to service the Plan. The Directors also amended art. 6 of the Articles of Association in order to adjust the amount of the Share Capital resulting from the assignment of the rights as well as the related deposit with the competent Register of Companies.

ACCELERATED BOOK BUILDING PROCEDURE PROMOTED BY THE SHAREHOLDER PATRIZIA AMICUCCI

On 10 June 2020, the shareholder Patrizia Amicucci promoted the start of an accelerated book-building procedure - concluded the following day - for the sale of up to 159,900 Portobello ordinary shares to be reserved exclusively for:

- *"qualified investors", as defined by art. 34-ter, paragraph 1, lett. b) of the issuers' regulation adopted with Consob resolution no. 11971 of 14 May 1999 and its amendments and additions*
- *Foreign "institutional investors" pursuant to Regulation S of the United States Securities Act (1993), or other entities in the European economic area, excluding Italy, who are "qualified/institutional investors" pursuant to art. 2(1)(e) of Directive 2003/71/EC and its amendments and additions (and in any case with the exclusion of institutional investors of Australia, Canada, Japan and the United States and of any other country in which the offer or sale of the Shares for Sale would be prohibited by law or in the absence of exemptions*

Following the completion of the ABB transaction, the Selling Shareholder holds 506,767 Portobello ordinary shares, equal to 18.4% of the share capital of the Company, still subject to the lock-up obligations assumed

respectively on 5 July 2018 and 13 June 2019. For further information on Portobello's shareholding structure, please refer to point 6 (Subsequent events) of the Report.

CHANGE IN SHAREHOLDERS' STRUCTURE

On 7 August 2020, the shareholder Patrizia Amicucci further reduced her equity investment in the capital of Portobello Spa, dropping below the 10% threshold. In particular, she transferred a total of 240,000 ordinary shares of the Company - equal to 8.73% of the relative share capital - respectively to:

- (i) Pietro Peligra, for 120,000 shares
- (ii) Simone Prete, for 40,000 shares
- (iii) Roberto Panfili, for 80,000 shares

This change has seen an increase in the holding of Shareholders who also play an operational role within the Company and who will therefore be more incentivised in increasing its productivity.

With reference to the acquired equity investment, the purchasers (Pietro Peligra, Simone Prete and Roberto Panfili) took over the same lock-up commitment to the Nominated Adviser and the Company, assumed at the time of listing, while the seller (Patrizia Amicucci) took steps to assume an express lock-up commitment, with reference to the residual holding in her possession, to the Nominated Adviser and the Company, for a period of 24 months from the same date of transfer of the aforementioned equity investment.

Therefore, the updated table of the Company's significant/relevant shareholders is shown below.

Name	Number of Shares	% of the number of shares outstanding
Simone Prete	670,000	23.86%
Finnat Fiduciaria Spa *	600,000	21.37%
Patrizia Amicucci	266,767	9.50%
Hi Capital Advisors Ltd	271,500	9.67%
Pietro Peligra **	150,000	5.34%
Expandi Srl	133,333	4.75%
Roberto Panfili	80,000	2.85%
Market	636,300	22.66%

(*) Investment held in trust on behalf of Mr. Stefano Caporicci

(**) Directly (150,000 shares) and through Hi Capital Advisors Ltd. (271,500 shares)

NEW HEADQUARTERS AND WAREHOUSE

In August 2020, the Company transferred its operational headquarters and its warehouse to Pomezia, to one of the historic offices of the multinational Angelini SpA. Adjacent to the "Pomezia" railway station, directly connected to the "Roma Termini" station, the new operations centre is equipped with ample parking spaces for employees and visitors, green spaces and easy transit areas for heavy vehicles.

Characterised by a technologically innovative structure aimed at reducing the environmental impact, the new site has approximately 2,500 sq m of office space and approximately 7,500 sq m of warehouse space. The distribution of spaces was designed to allow the Company to operate with maximum efficiency and through methods in line with the highest standards for the safeguarding of health and the safety of people, IT and sustainability data. Significant investments were also made to equip the warehouses with an innovative, market-leading management software that ensures constant improvement in performance.



LOANS

Despite the fact that the Company has demonstrated resilience and efficiency in countering the negative effects of the economic crisis triggered by the pandemic linked to the spread of the COVID-19 virus, as demonstrated by the excellent results achieved in an extremely complicated context, the extent of the shock that struck the global economy has in any case had an impact on the company's overall business, with reference to the retail channel, investment program and liquidity requirements. The forced closure of the sales channel led to a shortfall in liquidity given the total block of retail collections and the need to bear in any case most of the fixed costs that could not be significantly contracted. The Company also chose to honour its commitments with suppliers, providing for the timely payment of the goods despite the total block of sales in physical stores. Although the company reviewed its investment planning, it had in any case to bear a

series of commitments already made and which could not be deferred, although it expected to see the relative returns in terms of cash and profitability over time. Lastly, the collection of receivables from customers - although not particularly significant in terms of relative value - together with the additional conditions that occurred during the 2020 financial year led to a temporary cash tension that prompted the Directors to make recourse to the instruments envisaged by the Liquidity Decree, with reference to facilitated access to credit. New loans were therefore activated to support working capital and investments as detailed below:

- A loan with BNL for the amount of Euro 500,000.00, with a 1-month Euribor rate and a 2% spread, repayable in 19 months, 6 of which are pre-amortisation;
- A loan with Banca Popolare di Sondrio of Euro 750,000.00, with a 1-month Euribor rate and a 2% spread, repayable in 42 months, 6 of which are pre-amortisation;
- A loan with Banca Finanziaria Internazionale Spa of Euro 1,500,000.00, with an interest rate of 3.75%, repayable in 60 months, of which 12 months of pre-amortisation;
- A loan with Banca del Fucino for the amount of Euro 1,625,000.00, with a 6-month Euribor rate and a 2% spread repayable in 72 months, of which 18 months of pre-amortisation;
- A loan with Deutsche Bank for the amount of Euro 3,000,000.00 with a 3-month Euribor rate and a 0.90% spread, repayable in 72 months, of which 6 months of pre-amortisation;
- A loan with Banca del Fucino of Euro 2,880,000.00 with a rate of 2% repayable in 72 months, of which 18 months of pre-amortisation.

The Company also continued to invest despite the difficult market situation and, in particular, started the change of location, significant investments in new logistics in order to support the development of the network of direct stores and franchises in the coming years, as well as new and important flagship store openings. These investments, whose returns will be seen in the medium term, together with the difficulty of collection from some customers and as well as the temporary forced closure of some stores, produced an increase in the company's net debt which, however, having almost completely been used up in investments, will allow the company to have significant returns in the coming years.

BUSINESS EVOLUTION

A year after the appearance of the first cases of COVID-19 outside China, the uncertainties related to the pandemic are still high despite the announcement of the arrival of several vaccines at the end of 2020. These uncertainties can be summarised in one question: when will herd immunity be achieved? It will depend on the speed with which the population will be vaccinated, which will determine the end of the “hiccup cycles”, or the subsequent confinement processes harmful to economic activity. According to forecasts, the first half of 2021 will be similar to 2020, marked by the deepest global recession since the end of the Second World War. Assuming that the main advanced economies manage to vaccinate at least 60% of their population by summer 2021, global growth could reach an average of +4.3% in 2021, while world trade should increase by +6.7% in volume (after -5.2% in 2020). Therefore, at the moment it is not possible to predict the duration of these problems nor their economic and financial effect on the 2021 financial statements of Portobello.

However, the results achieved in 2020 clearly and effectively demonstrated the Company's capacity for resilience and determination in responding to the crisis that hit the world economy. We believe that our reference market still offers enormous opportunities that the Company intends to exploit, continuing and even accelerating the business' growth and development. We believe that the tensions that persist on small and medium enterprises favour Portobello's business model, and we expect the barter activity to continue to growth also in 2021, promoted by the extension to the 2021-2022 two-year period of the advertising credit tax on advertising in its new formulation. Investments in new direct stores will continue and the Franchising project will take shape, the launch of which, initially scheduled for the second half of 2020, was postponed with respect to the initial forecasts following an in-depth assessment of the reference context by the Company Management.

4. ECONOMIC AND FINANCIAL PERFORMANCE OF PORTOBELLO S.p.A.

Operating income data

The main operating income figures of Portobello S.p.a. as at 31 December 2020, prepared in accordance with national accounting standards, are shown below:

Income statement of the Company (figures in Euro)	31/12/2020	31/12/2019	Absolute Change	Change %
Revenues from sales and services	62,694,936	45,343,658	17,351,278	38.3%
Other revenues and income	1,308,851	690,983	617,868	89.4%
VALUE OF PRODUCTION	64,003,787	46,034,641	17,969,146	39.0%
raw materials, consumables and goods	51,240,993	31,048,470	20,192,523	65.0%
services	4,409,893	2,812,332	1,597,561	56.8%
use of third party assets	1,831,503	969,938	861,565	88.8%
personnel	2,624,428	1,874,375	750,053	40.0%
Change in inventories of raw materials, consumables and goods	(7,376,691)	887,268	(8,263,959)	-931.4%
Other operating expenses	407,048	199,812	207,236	103.7%
EBITDA	10,866,613	8,242,446	2,624,167	31.8%
%	17.3%	18.2%	(-0.8%)	
Amortisation, depreciation, provisions and write-downs	2,288,730	1,453,186	835,544	57.5%
EBIT	8,577,883	6,789,260	1,788,623	26.3%
%	13.7%	15.0%	(-1.3%)	
Other financial income	529	5,705	(5,176)	-90.7%
Interest and other financial charges	(294,218)	(141,059)	(153,159)	108.6%
EBT	8,284,194	6,653,906	1,630,288	24.5%
Income taxes for the year, current, deferred and prepaid	2,329,548	1,903,491	426,057	22.4%
Profit (loss) for the year	5,954,646	4,750,415	1,204,231	25.4%
%	9.5%	10.5%	(-1.0%)	

(*) EBITDA indicates the result before financial and extraordinary management, taxes, amortisation and depreciation of fixed assets, provisions and write-down of receivables. The EBITDA thus defined represents the indicator used by the Directors of Portobello S.p.A. to monitor and assess the operating performance of the company. Since EBITDA is not identified as an accounting measure within the scope of accounting standards, it should not be considered an alternative measure for the assessment of the performance of the operating results of Portobello S.p.A. Since the composition of the EBITDA is not regulated by the reference accounting standards, the calculation criterion applied by Portobello S.p.A. may not be the same as that adopted by other entities and/or groups and therefore not comparable.

(**) EBIT indicates the result before financial charges and taxes for the year. EBIT therefore represents the result of operations before return on both third-party and own capital. The EBIT thus defined represents the indicator used by the Company's directors to monitor and assess the operating performance of the company. Since EBIT is not identified as an accounting measure within the scope of national accounting standards and its composition is not regulated by the reference accounting standards, the calculation criterion applied by the Company may not be the same as that adopted by other entities and therefore not be comparable with them.

(***) The percentages indicated represent the incidence of values in relation to the Company's typical revenues. Since these incidences are not identified as accounting measures under national accounting standards and their composition is not regulated by the reference accounting standards, the calculation criterion applied by the Company may not be the same adopted by other entities and therefore not be comparable with them.

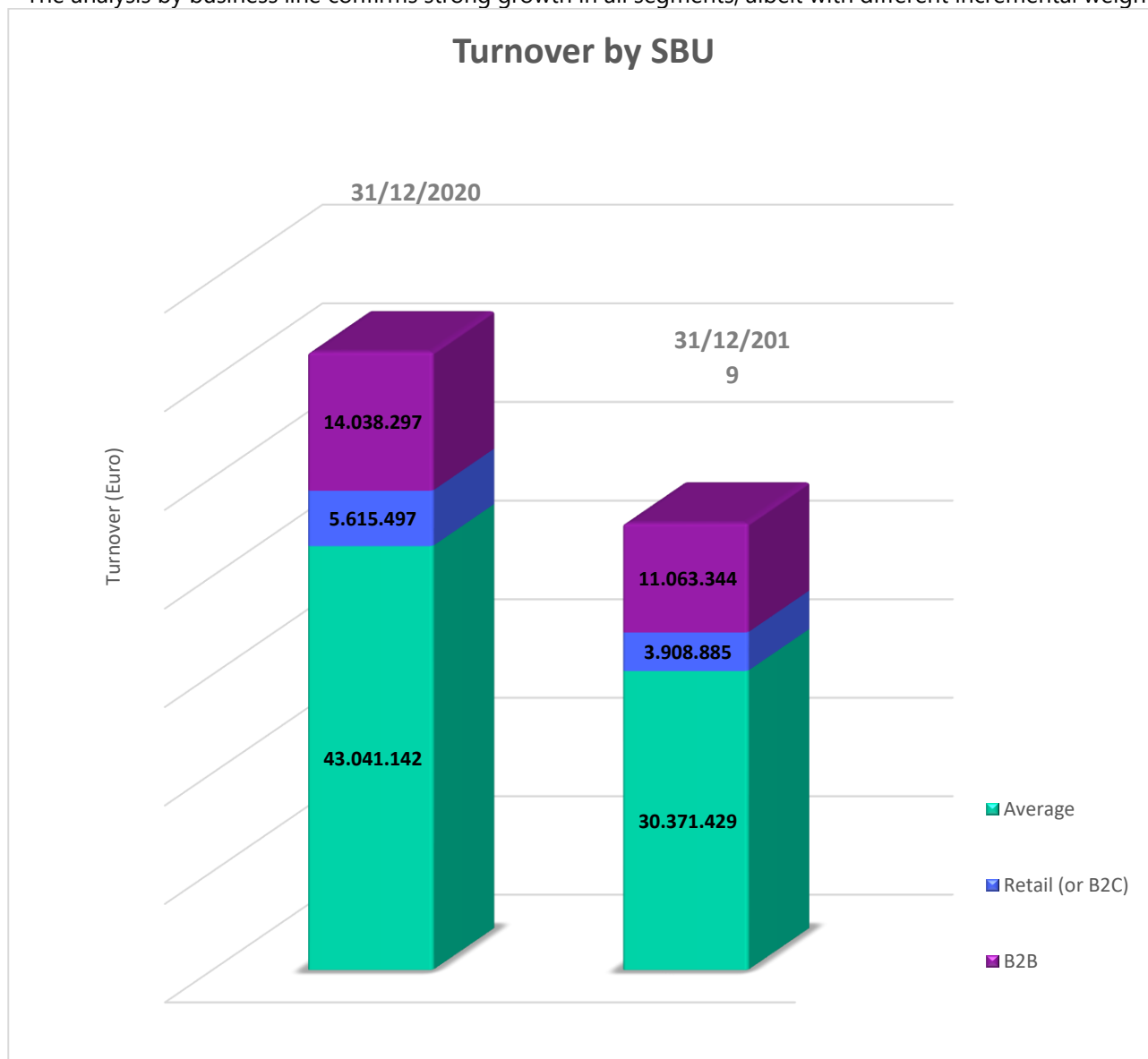
Value of production

The year 2020 recorded an increase of 39% compared to the same period of 2019, reaching a total of Euro 64 million compared to Euro 46 million as at 31 December 2019.

The value of production for 2020 is shown below, compared with 2019, broken down by business area:

SBU	31/12/2020	31/12/2019	Absolute change	Change %
Average	43,041,142	30,371,429	12,669,713	42%
Retail (or B2C)	5,615,497	3,908,885	1,706,612	44%
B2B	14,038,297	11,063,344	2,974,953	27%
Other revenues	1,308,851	690,983	617,868	89%
TOTALS	64,003,787	46,034,641	17,969,146	39%

The analysis by business line confirms strong growth in all segments, albeit with different incremental weight.



2020 was an extremely complicated year for the entire retail sector due to the limitations imposed by government authorities in order to contain coronavirus contagion. In addition to the extremely impactful measure of the generalised lockdown between March and May 2020, the limitation of revenues and the

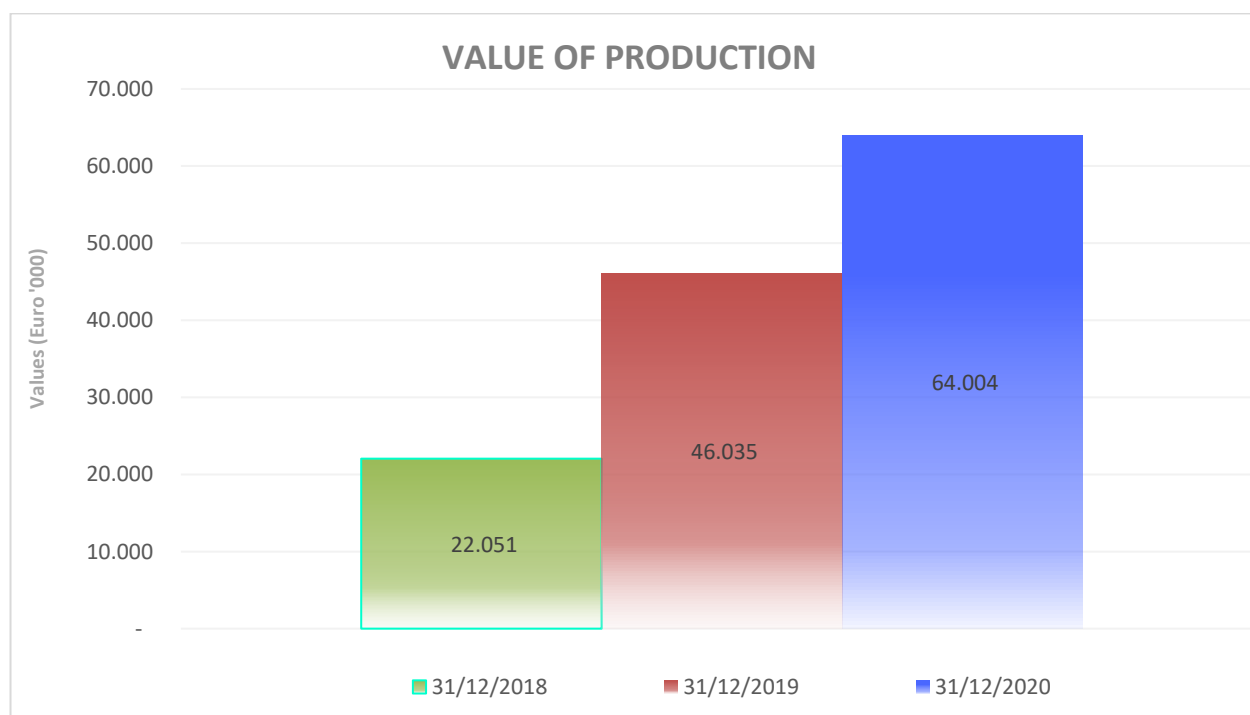
additional measures aimed at encouraging citizens to stay in their homes had an impact on the results of the sector, with clear repercussions on businesses' affluence. The explosion of the second wave, the introduction of the yellow, orange and red areas, the forced closures between November and December, which is the most important period for the sector, generated enormous uncertainties that also affected procurement policies, on the planning of promotional advertising activities as well as on the calendar of store openings, with direct impacts on the potential of the retail chain. Despite the extremely difficult environment, the Retail sector (B2C) recorded an increase of 44%, equal to Euro 1.7 million, standing at Euro 5.6 million as at 31 December 2020. The increase in volumes is linked to the opening of the new store in Rome in Via Dei Colli Portuensi (and to a lesser extent to the opening of the two new stores in Milan in Corso Genova and Corso Buenos Aires, which were only able to open in December) and the consolidation of customers and stores opened in 2019. The like-for-like turnover also achieved good results, in line with those of 2019.

The Media Business Unit consolidated sales of Euro 43 million as at 31 December 2020, for an increase of Euro 12.7 million compared to the same period of 2019, with a 42% increase in percentage terms. The BU's main growth drivers are attributable to the strengthening of Portobello's position in the national market as a reliable and competitive player in the advertising sector, to the ability of management to acquire high media impact advertising spaces and also thanks to the increase in sales of own advertising pages related to the publishing SBU.

Lastly, B2B sales increased by Euro 3 million, closing the period as at 31 December 2020 at Euro 14 million. The increase in the channel was mainly concentrated in the second half of the year.

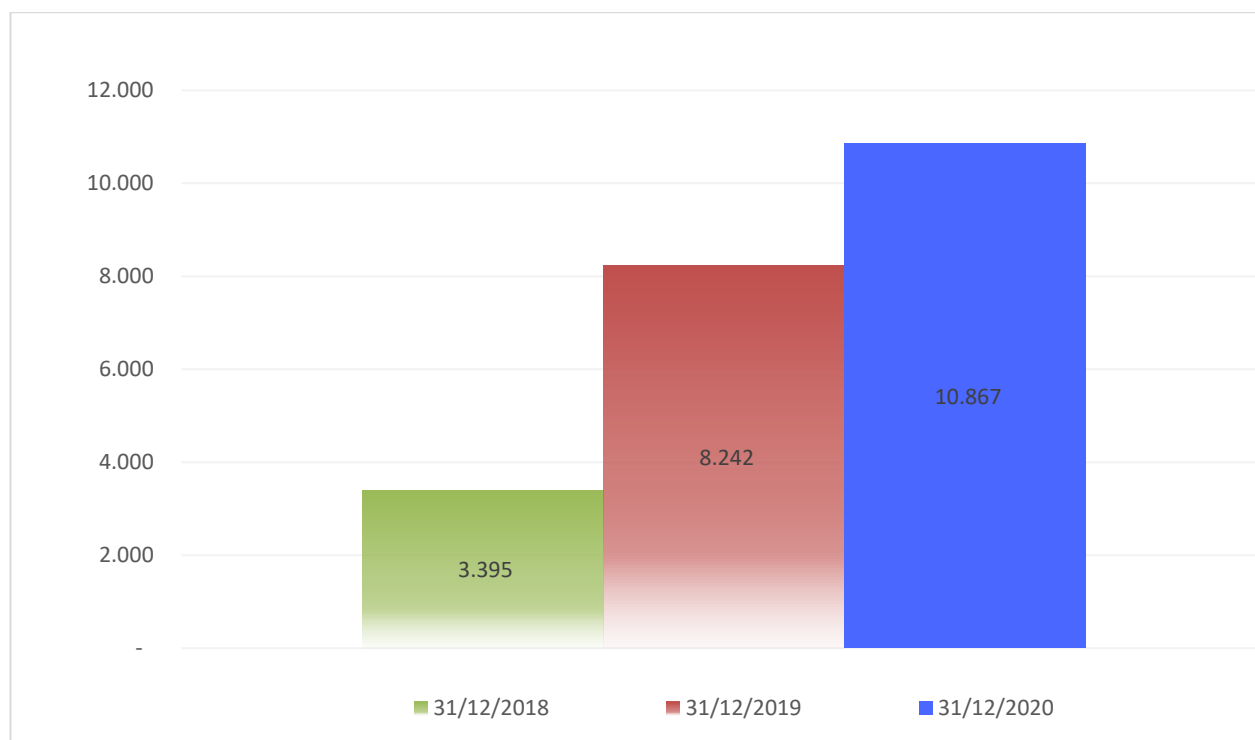
The improved performance of all business units demonstrates the advantages of the circularity and scalability of the Company's business model.

To better understand the evolution of the Company's business, the following chart compares the Value of Production in the last three years:



EBITDA

EBITDA, equal to Euro 10.87 million as at 31 December 2020, improved by Euro 2.62 million compared to 31 December 2019, equal to a percentage change of 31.8%. EBITDA as a percentage of turnover amounted to 17.3%, demonstrating how the Company was able to maintain a high profitability index even in a context with markedly complex elements.



EBIT/EBT

EBIT recorded a positive change of 26.3%, amounting to Euro 8.58 million compared to Euro 6.79 million as at 31 December 2019, demonstrating the high profitability of the Business model.

EBT also increased by 24.5% compared to the figures as at 31 December 2019, standing at Euro 8.28 million as at 31 December 2020 compared to Euro 6.65 million in the same period of 2019.



Net profit

The Net profit as at 31 December 2020 amounted to Euro 5.9 million, also up sharply compared to the same period of 2019, which closed at Euro 4.7 million, with an increase of 25.4%. The incidence on turnover was 9.5%, demonstrating how the Company was able to maintain a high profitability index.

The main economic values of the last three years are as follows:

ITEM	31/12/2020	31/12/2019	31/12/2018
Value of production	64,003,787	46,034,641	22,050,782
EBITDA	10,866,613	8,242,446	3,394,794
Profit before taxes	8,284,194	6,653,906	2,341,814

Details of costs incurred

The table below provides details of the costs incurred by the Company in 2020:

ITEM	31/12/2020	31/12/2019	Absolute change	Change %
Costs for raw materials, consumables and goods	51,240,993	31,048,470	20,192,523	+65%
Costs for services	4,409,893	2,812,332	1,597,561	+57%
Costs for use of third-party assets	1,831,503	969,938	861,565	+89%
Personnel costs	2,624,428	1,874,375	750,053	+40%

- wages and salaries	1,914,029	1,447,468	466,561	+32%
- social security contributions	571,114	348,368	222,746	+64%
- provision for employee severance indemnity	126,071	69,583	56,488	+81%
- other personnel costs	13,214	8,956	4,258	+48%
Changes in inventories of raw materials, consumables and goods	(7,376,691)	887,268	(8,263,959)	(931%)
Other provisions	300,000	250,000	50,000	+20%
Other operating expenses	407,048	199,812	207,236	+104%
Production costs	53,437,174	38,042,195	15,394,979	+40%

In general, costs as at 31 December 2020 amounted to Euro 53 million, recording an overall increase of 40% compared to 2019, in line with the increase in turnover in the same period. The positive change should be analysed considering that business volumes increased equally and the operating costs changed also due to the organisation and expansion process carried out by the Company starting from the listing.

Statement of Financial Position

The financial position of Portobello S.p.a. as at 31 December 2020 and the comparison with the corresponding values as at 31 December 2019 are shown below:

Company Balance Sheet (figures in Euro)	31/12/2020	31/12/2019	Absolute Change	Change %
Intangible fixed assets	2,921,276	2,322,550	598,726	25.8%
Tangible fixed assets	747,154	486,494	260,660	53.6%
Financial fixed assets	1,415,056	765,061	649,995	85.0%
NET FIXED ASSETS	5,083,486	3,574,105	1,509,381	42.2%
Inventories	16,409,403	9,332,712	7,076,691	75.8%
Customers	2,634,326	6,664,007	(4,029,681)	(-60.5%)
Suppliers	3,494,928	11,140,722	(7,645,794)	(-68.6%)
Other trade receivables	2,445,188	12,331,474	(9,886,285)	(-80.2%)
Other trade payables	4,321,483	2,871,379	1,450,104	50.5%
COMMERCIAL WORKING CAPITAL	13,672,506	14,316,092	(643,585)	(-4.5%)
Other assets	22,764,134	6,315,544	16,448,590	260.4%
Other Liabilities	11,765,585	9,235,899	2,529,686	27.4%
NET WORKING CAPITAL	24,671,055	11,395,737	13,275,319	116.5%
Employee severance indemnity	197,362	85,377	111,985	131.2%
Other provisions	69,556	-	69,556	#DIV/0!
NET INVESTED CAPITAL	29,487,623	14,884,465	14,603,159	98.1%
Capital	533,690	515,270	18,420	3.6%
Reserves	9,642,959	4,836,520	4,806,439	99.4%
Profit (loss) for the year	5,954,646	4,750,415	1,204,231	25.4%
SHAREHOLDERS' EQUITY	16,131,295	10,102,205	6,029,090	59.7%
Financial payables	499,803	466,545	33,257	7.1%
Bank payables	1,680,967	2,000,000	(319,033)	(-16.0%)
Cash and cash equivalents	14,812,755	4,283,109	10,529,646	245.8%
NFP	2,637,591	1,034,304	1,603,287	155.0%
TOTAL SOURCES	13,356,328	4,782,260	8,574,069	179.3%

(*) Trade working capital is represented by the overall algebraic sum of receivables and payables net of guarantee deposits and deferred tax assets, while net invested capital is represented by the algebraic sum of current assets, fixed assets, accrued income and current liabilities, long-term liabilities and accrued liabilities, excluding assets and liabilities to banks and other lenders. Commercial working capital and Net invested capital are not identified as an accounting measure within the scope of the reference accounting standards. The calculation criterion

applied by the Company may not be consistent with that adopted by other entities and, therefore, the balance obtained by the Company may not be comparable with that determined by other entities.

(**) It should be noted that in the preparation of the following table, receivables from BEXB were reclassified under Cash and cash equivalents for a total of Euro 499,803 (Euro 466,545 as at 31 December 2019) as it is believed that they can be treated as cash, considering that these are tokenised credits that allow, through a special platform, the purchase of goods and services as if they were cash.

Fixed assets increased by Euro 1.5 million, equal to 42.2%, net of depreciation of Euro 1.9 million.

Inventories of finished products increased by approximately Euro 7 million to Euro 16 million as at 31 December 2020, an increase in line with the Company's development plan. The other commercial working capital items improved significantly and, net of the inventories component, recorded a negative value of Euro -2.7 million compared to Euro 5 million in 2019, with a lower absorption of resources for a total of Euro 7.7 million and an improvement of 282% compared to the previous year. Overall, net commercial working capital decreased by Euro 0.6 million, equal to -4.5%.

The increase in the algebraic sum of other assets and liabilities is linked to the trend of deferred income and expenses, which are a typical feature of the Company's activities. In fact, it should be remembered that the bartering activity essentially consists of an exchange of customers' goods and services with advertising services offered by the Company whose consumption is diluted over time (generally advertising services offered by Portobello Spa in exchange for goods or other services must be consumed within the current financial year or, at the latest, within the financial year following the signing of the relative contract). With regard to the above, the performance of the item deferred income and expense provides indications on the evolution of the business and can be equated to an "Order Portfolio" both in terms of purchases (Prepaid Expenses) and sales (Deferred income) and is linked to the timing of consumption of the related advertising services. Therefore, the increase in the item does not result in a cash absorption since the invoicing of the exchange contracts are settled by offsetting of the items and therefore does not result in cash outflows.

Leases	229,038
Leases initial payments	36,261
Other ordinary payments	588,131
Advertising	21,910,704
Total other assets	22,764,134

Accrued expenses	2,783
Ordinary deferred income	24,301
Advertising	11,738,501
Total other liabilities	11,765,585

Shareholders' equity of Euro 16.1 million increased thanks to the profit achieved in 2020.

The net financial position of Portobello S.p.A. at 31 December 2020 is shown below:

Details of NFP (Figures in Euro)	31/12/2020	31/12/2019	Absolute change	Change %
Cash	33,222	80,628	(47,406)	(-58.8%)
Other cash and cash equivalents	3,104,172	1,420,221	1,683,951	118.6%
LIQUIDITY (a)+(b)+(c)	3,137,394	1,500,849	1,636,545	109.0%
Current bank payables	(993,696)	(96,183)	(897,513)	933.1%
Current portion of non-current debt	(2,753,597)	(564,173)	(2,189,424)	388.1%
Other current financial payables	(562,407)	(428,236)	(134,171)	31.3%
CURRENT FINANCIAL DEBT (f)+(g)+(h)	(4,309,700)	(1,088,592)	(3,221,108)	964.5%
NET CURRENT FINANCIAL DEBT (i)-(e)-(d)	(1,172,306)	412,257	(1,584,563)	(-384.4%)

(**) It should be noted that in the preparation of the following table, receivables from BEXB were reclassified under Cash and cash equivalents for a total of Euro 499,803 (Euro 466,545 as at 31 December 2019) as it is believed that they can be treated as cash, considering that these are tokenised credits that allow, through a special platform, the purchase of goods and services as if they were cash.

The net current financial position was negative by around Euro 4.3 million, compared to Euro 1.1 million as at 31 December 2019.

Current bank and financial payables refer to short/medium-term advance loan agreements.

The following table shows the net financial position of Portobello S.p.A., restated on the basis of CONSOB Resolution no. 15519 of 27 July 2006:

Details of NFP (Figures in Euro)	31/12/2020	31/12/2019	Absolute change	Change %
Cash	33,222	80,628	(47,406)	(-58.8%)
Other cash and cash equivalents	3,104,172	1,420,221	1,683,951	118.6%
LIQUIDITY (a) + (b) + (c)	3,137,394	1,500,849	1,636,545	109.0%
Current bank payables	(993,696)	(96,183)	(897,513)	933.1%
Current portion of non-current debt	(2,753,597)	(564,173)	(2,189,424)	388.1%
Other current financial payables	(562,407)	(428,236)	(134,171)	31.3%
CURRENT FINANCIAL DEBT (f)+(g)+(h)	(4,309,700)	(1,088,592)	(3,221,108)	1352.5%
NET CURRENT FINANCIAL DEBT (i)-(e)-(d)	(1,172,306)	412,257	(1,584,563)	(-384.4%)
Non-current bank payables	(11,065,463)	(3,622,753)	(7,442,710)	205.4%
Other non-current payables	(1,118,560)	(1,571,764)	453,204	(-28.8%)
NON-CURRENT FINANCIAL DEBT (k)+(l)+(m)	(12,184,023)	(5,194,517)	(6,989,506)	134.6%
NET CURRENT FINANCIAL DEBT (i)-(e)-(d)	(13,356,328)	(4,782,260)	(8,574,068)	179.3%

Other non-current payables refer to loans taken out by the Company as described in more detail above.

The Net Working Capital of Portobello S.p.A. as at 31 December 2020 is shown below:

NWC (figures in euro)	31/12/2020	31/12/2019	Absolute change	Change %
Inventories	16,409,403	9,332,712	7,076,691	+75.8%
Loans	5,079,514	18,582,347	(13,502,833)	(72.7%)
Other current assets	22,764,134	6,315,544	16,448,590	+260.4%
Payables	(7,816,411)	(14,012,101)	6,195,690	(44.2%)
Other current liabilities	(11,765,585)	(9,235,899)	(2,529,686)	+27.4%
NET WORKING CAPITAL	24,671,055	10,982,603	13,688,452	+124.6%
Cash and cash equivalents	3,137,394	1,500,849	1,636,545	109.04%
WORKING CAPITAL	27,808,449	12,483,452	15,324,997	122.76%

Working capital underwent a positive change of 123% for an absolute value of Euro 27.8 million.

MAIN PROFITABILITY RATIOS

For a better understanding of the economic situation and the result of the company, some economic indicators are compared for the two reference periods which, although not identified with accounting measures directly in the financial statements, allow a better understanding of the Company's business performance.

The indicators listed below should be used as additional information to the provisions of UCITS to assist users of the report on operations in a better understanding of the Company's performance.

Return on Asset

ROA	31/12/2020	31/12/2019	Change
Net operating income	8,577,883	6,785,189	1,792,694
Total Assets	52,473,931	39,718,691	12,755,240
Net Operating Income/Total Assets	16.35%	17.08%	(-4.3%)

The index measures the return on invested capital with reference to the result before financial management

Return on Equity

ROE	31/12/2020	31/12/2019	Change
Net profit	5,954,646	4,750,415	1,204,231
Shareholders' Equity	16,131,295	10,102,205	6,029,090
Net profit/Shareholders' Equity	36.91%	47.02%	(-21.5%)

The index measures the return on equity invested in the company

Return on Investment

ROI	31/12/2020	31/12/2019	Change
Net operating income	8,577,883	6,785,189	1,792,694
Net Invested Operating Capital (*)	29,754,541	14,969,842	14,784,699
Net Operating Income/Net Invested Operating Capital	28.83%	45.33%	(-16.5%)

(*) Net Invested Operating Capital is the sum of Net Fixed Assets and Net Working Capital

The index measures the profitability and efficiency of the invested capital with respect to the core business operations

Return on Sales

ROS	31/12/2020	31/12/2019	Change
Net operating income	8,577,883	6,785,189	1,792,694
Revenues from Sales and Services	62,694,936	45,343,658	17,351,278
Net Operating Income/Revenue from Sales and Services	13.68%	14.96%	(-1.3%)

The index measures the profitability of the company to generate profits from sales

ADJUSTED EBIT	31/12/2020	31/12/2019	Change
ADJUSTED EBIT	8,578,412	6,790,889	1,787,523
Value	8,578,412	6,790,889	1,787,523

The profit margin measures the result for the year without taking into account extraordinary items and financial charges. It includes the result of the ancillary area and the financial area, net of financial charges.

Primary structure margin

	31/12/2020	31/12/2019	Change
Equity	16,131,295	10,102,205	6,029,090
Fixed Assets	5,083,486	3,574,105	1,509,381
Primary structure margin = Equity - Fixed assets	11,047,809	6,528,100	4,519,709
Primary structure ratio = Equity/Fixed assets	3.17	2.83	0.35

The absolute value of the Company's ability to hedge its investments in fixed assets with its own resources.

Secondary structural margin

	31/12/2020	31/12/2019	Change
Equity	16,131,295	10,102,205	6,029,090
Consolidated liabilities	12,459,548	5,338,501	7,121,047
Fixed Assets	5,083,486	3,574,105	1,509,381
Secondary structural margin = (Equity + Consolidated Liabilities) - Fixed assets	23,507,357	11,866,601	11,640,756
Secondary structure ratio = (Equity + Consolidated Liabilities)/Fixed Assets	5.62	4.32	1.30

It expresses in absolute terms the Company's ability to hedge investments in fixed assets with consolidated sources.

5. SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

At the date of preparation of this Report, no significant events occurred after the end of the year ended 31 December 2020.

7. MANAGEMENT AND COORDINATION ACTIVITIES

Pursuant to paragraph 5 of art. 2497-bis of the Italian Civil Code, we state that the company is not subject to management and coordination by others.

8. MAIN RISKS AND UNCERTAINTIES TO WHICH THE COMPANY IS EXPOSED

Pursuant to and for the purposes of the first paragraph of art. 2428 of the Italian Civil Code, a description of the main risks and uncertainties to which the company is exposed is provided below:

Risks associated with the sector in which the Company operates

The Company's economic, equity and financial situation is influenced by the various factors that affect the macro-economic situation in the various countries in which it operates, including the level of consumer and business confidence.

Credit risk in relation to commercial relations with customers

Almost all of the trade receivables derive from barter transactions that envisage settlement by exchange, therefore there are no risk profiles in the management of receivables, nor are there any negative impacts determined by the current emergency situation. With reference to the residual part of the receivables not deriving from barter contracts, all the appropriate valuations were made and a bad debt provision was set up to cover the related risk.

Liquidity risks

Liquidity risk, relating to the availability of financial resources and access to the credit market. Liquidity risk is to be considered medium/low, given the level of indebtedness of the Company with respect to business volumes and shareholders' equity.

Interest rate risks

Interest rate risk relating to the Company's exposure to financial instruments that generate interest. The Company is not exposed to a significant extent and therefore there are no risks relating to interest rates on bank debt. However, the Company has taken out a medium/long-term loan with a variable rate linked to the performance of the Euribor for which a corresponding hedging transaction was entered into. The details of the transaction are reported in the explanatory notes to the financial statements.

Exchange rate risks

The Company operates almost entirely in the Eurozone. Transactions settled in currencies other than the euro, if present, are very limited. Therefore, there are no significant exchange rate risks.

9. RESEARCH AND DEVELOPMENT ACTIVITIES

It is stated that during the 2020 financial year, research and development activities were started in relation to two projects and in particular:

- search for technologies for the creation of vouchers based on non-fungible services that are developed on a dedicated blockchain that guarantees their origin and transferability. The vouchers will then be marketed through a dedicated marketplace that is characterised as an infotainment and branded content portal.
- search for Artificial Intelligence technologies for the production of content, automating part of the generation process through the development of tools able to support creators. Specifically, the focus is mainly on three categories of content: scripts for documentaries, articles, and social media posts. Since all existing solutions require an intense re-processing of the generated text, the aim is to give the user the possibility to intervene during all phases of the automated process, allowing the machine and human beings to work side by side in a co-creative process, in which the machine can explain how it makes certain decisions and the human being can interact with the machine during the entire process. At the same time, the machine can update itself through feedback loops that emerge from this framework.

The costs incurred in 2020 and identified in the related technical certification were not capitalised during the year and the portion that will have a multi-year benefit was allocated to fixed assets in progress and advances for the amount of Euro 398,000. The tax credit envisaged by current legislation will be drawn on the costs incurred.

10. TREASURY SHARES

Pursuant to art. 2435-bis and 2428 of the Italian Civil Code, it should be noted that the company held no treasury shares at the reporting date.

11. USE OF RELEVANT FINANCIAL INSTRUMENTS FOR THE ASSESSMENT OF THE EQUITY AND FINANCIAL POSITION AND THE ECONOMIC RESULT FOR THE PERIOD

Pursuant to and for the purposes of the provisions of point 6-bis) of the third paragraph of art. 2428 of the Italian Civil Code, it is hereby stated that the company has not undertaken any particular financial risk management policies, as this is not considered relevant. However, it should be noted that in relation to the loan from Deutsche Bank (for the details of the transaction, see page 17), an Interest Rate Swap (IRS) derivative contract was signed to hedge against any fluctuations of the variable rate applied to the loan in question.

12. MAIN NON-FINANCIAL INDICATORS

Pursuant to the second paragraph of art. 2428 of the Italian Civil Code, it is hereby stated that, due to the specific activities carried out and for a better understanding of the company situation, the performance and the results of operations, the exposure of non-financial indicators is not considered relevant.

13. ENVIRONMENTAL INFORMATION

It is hereby stated that the company has not undertaken any particular environmental impact policies as they are not necessary in relation to the activity carried out.

14. INFORMATION ON PERSONNEL MANAGEMENT

There are no significant information regarding personnel management.

15. SHARES/UNITS OF THE PARENT COMPANY

It is hereby stated that the company is not subject to control by any company or corporate group.

16. SECONDARY OFFICES

In compliance with the provisions of art. 2428 of the Italian Civil Code, the company's secondary operating offices are shown below:

Address	Location
CORSO VENEZIA 45	MILAN

17. RELATIONS WITH SUBSIDIARIES, ASSOCIATES, PARENT COMPANIES AND COMPANIES SUBJECT TO THE CONTROL OF PARENT COMPANIES

With reference to this point, please refer to the dedicated section of the Explanatory Notes.

Rome, 16/03/2021

The Board of Directors

Roberto Bacchi, Chairman

Simone Prete Deputy Chairman and Chief Executive Officer

Fabio Pignatelli, Director

Pietro Peligra, Director

**Financial statements as at
31 December 2020**

General information on the company

Personal data

Name: PORTOBELLO SPA

Headquarters: P.LE DELLA STAZIONE SNC - 00071 POMEZIA (RM)

Share capital: 533,690.00

Fully paid-up share capital: yes

Chamber of Commerce Code: RM

VAT number: 13972731007

Tax code: 13972731007

REA number: 1486865

Legal form: JOINT-STOCK COMPANY

Main business sector (ATECO): 731102

Company in liquidation: no

Company with sole shareholder: no

Company subject to management and coordination
by third parties: no

Name of the company or entity that exercises
management and coordination:

Membership of a group: no

Name of the parent company:

Country of parent company:

Registration number in the register of
cooperatives:

Financial statements as at 31/12/2020

Ordinary Balance Sheet

	31/12/2020	31/12/2019
Assets		
B) Fixed assets		
I - Intangible fixed assets	-	-
1) start-up and expansion costs	4,588	560,281
3) industrial patent rights and intellectual property rights	1,138,381	517,507
4) concessions, licenses, trademarks and similar rights	32,635	25,520
6) work in progress and payments on account	480,000	841,970
7) others	1,265,672	377,272
<i>Total intangible fixed assets</i>	<i>2,921,276</i>	<i>2,322,550</i>
II - Tangible fixed assets	-	-
1) Land and buildings	47,750	128,050
2) plants and machinery	135,253	51,156
3) industrial and commercial equipment	125,420	122,575
4) other assets	438,731	184,713
<i>Total tangible fixed assets</i>	<i>747,154</i>	<i>486,494</i>
III - Financial fixed assets	-	-
1) equity investments in	-	-
d-bis) other companies	1,415,056	765,061
<i>Total equity investments</i>	<i>1,415,056</i>	<i>765,061</i>
<i>Total financial fixed assets</i>	<i>1,415,056</i>	<i>765,061</i>
<i>Total fixed assets (B)</i>	<i>5,083,486</i>	<i>3,574,105</i>
C) Current assets		
I - Inventories	-	-
4) finished products and goods	16,409,403	9,332,712
<i>Total inventories</i>	<i>16,409,403</i>	<i>9,332,712</i>
II - Receivables	-	-
1) from customers	2,634,326	6,664,007
due within the next financial year	2,634,326	6,664,007
5-bis) tax credits	1,595,541	876,589
due within the next financial year	1,595,541	876,589
5-ter) deferred tax assets	12,295	16,512
5-quater) from others	1,337,155	11,904,918

	31/12/2020	31/12/2019
due within the next financial year	958,861	11,508,296
due after the next financial year	378,294	396,622
<i>Total receivables</i>	<i>5,579,317</i>	<i>19,462,026</i>
IV - Cash and cash equivalents	-	-
1) bank and postal deposits	2,604,369	953,676
3) cash and cash equivalents	33,222	80,628
<i>Total cash and cash equivalents</i>	<i>2,637,591</i>	<i>1,034,304</i>
<i>Total current assets (C)</i>	<i>24,626,311</i>	<i>29,829,042</i>
D) Accruals and deferrals	22,764,134	6,315,544
<i>Total assets</i>	<i>52,473,931</i>	<i>39,718,691</i>
Liabilities		
A) Shareholders' Equity	16,131,295	10,102,205
I - Share capital	533,690	515,270
II - Share premium reserve	2,816,250	2,684,250
IV - Legal reserve	103,054	99,807
VI - Other reserves, indicated separately	-	-
Extraordinary reserve	6,793,212	2,052,464
Reserve to hedge derivative cash flow transactions	(69,556)	
Various other reserves	(1)	(1)
<i>Total other reserves</i>	<i>6,723,655</i>	<i>2,052,463</i>
IX - Profit (loss) for the year	5,954,646	4,750,415
Total shareholders' equity	16,131,295	10,102,205
B) Provisions for risks and charges	69,556	-
C) Employee severance indemnity	197,362	85,377
D) Payables		
4) due to banks	14,812,755	4,283,109
due within the next financial year	3,747,292	660,356
due after the next financial year	11,065,463	3,622,753
5) payables to other lenders	1,680,967	2,000,000
due within the next financial year	562,407	428,236
due after the next financial year	1,118,560	1,571,764
6) advances	-	219,894
due within the next financial year	-	219,894
7) trade payables	3,494,928	11,140,722
due within the next financial year	3,494,928	11,140,722
12) tax payables	3,723,722	2,199,880

	31/12/2020	31/12/2019
due within the next financial year	3,723,722	2,199,880
13) payables to welfare and social security institutions	127,093	92,968
due within the next financial year	127,093	92,968
14) other payables	470,668	358,637
due within the next financial year	462,061	300,030
due after the next financial year	8,607	58,607
<i>Total payables</i>	<i>24,310,133</i>	<i>20,295,210</i>
E) Accruals and deferrals	11,765,585	9,235,899
<i>Total liabilities</i>	<i>52,473,931</i>	<i>39,718,691</i>

Ordinary Income Statement

	31/12/2020	31/12/2019
A) Value of production		
1) revenues from sales and services	62,694,936	45,343,658
5) other revenues and income	-	-
operating grants	519	37,369
Others	1,308,332	653,614
<i>Total other revenues and income</i>	<i>1,308,851</i>	<i>690,983</i>
<i>Total value of production</i>	<i>64,003,787</i>	<i>46,034,641</i>
B) Production costs		
6) for raw and secondary materials, consumables and goods	51,240,993	31,048,470
7) for services	4,409,893	2,812,332
8) for use of third party assets	1,831,503	969,938
9) for personnel	-	-
a) wages and salaries	1,914,029	1,447,468
b) social security contributions	571,114	348,368
c) employee severance indemnity	126,071	69,583
e) other costs	13,214	8,956
<i>Total personnel costs</i>	<i>2,624,428</i>	<i>1,874,375</i>
10) amortisation, depreciation and write-downs	-	-
a) amortisation of intangible fixed assets	1,792,694	1,052,471
b) depreciation of tangible fixed assets	146,036	107,392
d) Write-downs receivables included in current assets and cash and cash equivalents	50,000	43,323
<i>Total amortisation, depreciation and write-downs</i>	<i>1,988,730</i>	<i>1,203,186</i>
11) changes in inventories of raw materials, consumables and goods	(7,376,691)	887,268
13) Other provisions	300,000	250,000
14) sundry operating expenses	407,048	199,812
<i>Total production costs</i>	<i>55,425,904</i>	<i>39,245,381</i>
Difference between value and costs of production (A - B)	8,577,883	6,789,260
C) Financial income and charges		
16) other financial income	-	-
d) income other than the above	-	-
Others	529	5,705
<i>Total income other than the above</i>	<i>529</i>	<i>5,705</i>
<i>Total other financial income</i>	<i>529</i>	<i>5,705</i>
17) interest and other financial charges	-	-
others	294,218	141,059
<i>Total interest and other financial charges</i>	<i>294,218</i>	<i>141,059</i>

	31/12/2020	31/12/2019
17-bis) exchange gains and losses	-	-
<i>Total financial income and charges (15 + 16-17 + -17-bis)</i>	<i>(293,689)</i>	<i>(135,354)</i>
Profit before tax (A-B+-C +-D)	8,142,809	6,653,906
20) Income taxes for the year, current, deferred and prepaid		
current taxes	2,325,331	1,917,903
deferred and prepaid taxes	4,217	(14,412)
<i>Total income taxes for the year, current, deferred and prepaid</i>	<i>2,329,548</i>	<i>1,903,491</i>
21) Profit (loss) for the year	5,954,646	4,750,415

Cash flow statement, indirect method

CASH FLOW STATEMENT INDIRECT METHOD	31/12/2020	31/12/2019
A) Cash flows from operating activities (indirect method)		
Profit (loss) for the year	5,954,646	4,750,415
Income taxes	2,329,548	1,903,491
Interest expense/(income)	293,689	135,354
<i>1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses on disposal</i>	<i>8,577,883</i>	<i>6,789,260</i>
Adjustments for non-monetary items that did not have a counterparty in net working capital		
Allocations to provisions	126,071	319,583
Depreciation/amortisation of fixed assets	1,938,730	1,159,863
Write-downs for impairment		
<i>Total adjustments for non-monetary items not offset in net working capital</i>	<i>2,064,801</i>	<i>1,479,446</i>
<i>2) Cash flow before changes in net working capital</i>	<i>10,642,684</i>	<i>8,268,706</i>
Changes in net working capital		
Decrease/(Increase) in inventories	(7,076,691)	1,137,268
Decrease/(Increase) in trade receivables	4,029,681	(940,052)
Increase/(decrease) in trade payables	(7,645,794)	2,213,701
Decrease/(Increase) in accrued income and prepaid expenses	(16,448,590)	(3,411,348)
Increase/(decrease) in accrued expenses and prepaid income	2,529,686	(4,594,032)
Other decreases/(Other increases) in net working capital	9,810,962	(7,294,923)
<i>Total changes in net working capital</i>	<i>(14,800,746)</i>	<i>(12,889,386)</i>
<i>3) Cash flow after changes in net working capital</i>	<i>(4,158,062)</i>	<i>(4,620,680)</i>
Other adjustments		
Interest collected/(paid)	(293,689)	(135,354)
(Income taxes paid)	(805,706)	(335,732)
(Use of funds)	(14,086)	(287,556)
Other collections/(payments)	(31,672)	2,336,075
<i>Total other adjustments</i>	<i>(1,145,153)</i>	<i>1,577,433</i>
Cash flow from operating activities (A)	(5,303,215)	(3,043,247)
B) Cash flows from investment activities		
Tangible fixed assets		
(Investments)	(406,696)	(287,609)
Intangible fixed assets		
(Investments)	(2,391,420)	(1,261,753)
Financial fixed assets		
(Investments)	(649,995)	(765,056)
Current financial assets		
Sale price of divestments		
Cash flow from investment activities (B)	(3,448,111)	(2,314,418)
C) Cash flows from financing activities		
Third party means		
Increase/(decrease) in short-term payables to banks	960,587	180,065
Opening of loans	10,255,000	5,622,753
(Repayment of loans)	(1,004,974)	
Shareholders' Equity		
Share capital increase against payment	144,000	(1)
Cash flow from financing activities (C)	10,354,613	5,802,817
Increase (decrease) in cash and cash equivalents (A ± B ± C)	1,603,287	445,152

Cash and cash equivalents at the beginning of the year		
Bank and postal deposits	953,676	570,003
Cash and cash equivalents	80,628	19,149
Total cash and cash equivalents at the beginning of the year	1,034,304	589,152
Cash and cash equivalents at the end of the year		
Bank and postal deposits	2,604,369	953,676
Cash and cash equivalents	33,222	80,628
Total cash and cash equivalents at the end of the year	2,637,591	1,034,304

Explanatory notes, opening part

Introduction

Dear Shareholders, These explanatory notes are an integral part of the financial statements as at 31/12/2020.

The financial statements comply with the provisions of art. 2423 et seq. of the Italian Civil Code and with the national accounting standards as published by the Italian Accounting Body; it therefore clearly, truthfully and correctly represents the equity and financial position of the company and the economic result for the year.

The contents of the balance sheet and the income statement are those envisaged by art. 2424 and art. 2425 of the Italian Civil Code, while the cash flow statement was prepared pursuant to art. 2425-ter.

The explanatory notes, prepared pursuant to art. 2427 of the Italian Civil Code, also contain all the information necessary to provide a correct interpretation of the financial statements.

The company Portobello S.p.A. is exempted from the preparation of Consolidated Financial Statements since, together with the subsidiaries, it did not exceed two of the three size limits set forth in art. 27 paragraph 1 of Italian Legislative Decree 127/91.

Formation criteria

Preparation of the financial statements

The information contained in this document is presented in the order in which the related items are indicated in the balance sheet and income statement.

With reference to what is indicated in the introductory part of these explanatory notes, it is hereby stated that, pursuant to art. 2423, paragraph 3 of the Italian Civil Code, if the information required by specific legal provisions is not sufficient to give a true and fair view of the company situation, additional information necessary for the purpose is provided.

The financial statements, as well as these explanatory notes, have been drawn up in units of Euro.

Reporting principles

Comment

The valuation of the financial statement items was carried out in compliance with the principle of prudence, relevance and on a going concern basis. Pursuant to art. 2423-bis, paragraph 1, point 1-bis of the Italian Civil Code, the recognition and presentation of items is carried out taking into account the substance of the transaction or contract. In the preparation of the financial statements, charges and income were recorded according to the accrual principle regardless of the time of their manifestation and only the profits realised at the end of the year were indicated. The risks and losses pertaining to the year were also taken into account, even if they became known after the end of the year.

Structure and content of the financial statements

The balance sheet, income statement, cash flow statement and accounting information contained in these explanatory notes comply with the accounting records, from which they were directly derived.

In the presentation of the balance sheet and of the income statement, no groupings of items preceded by Arabic numerals were made, as optionally provided for by art. 2423 ter of the Italian Civil Code.

Pursuant to art. 2424 of the Italian Civil Code, it is confirmed that there are no asset or liability items that fall under more than one item of the financial statements.

Exceptional cases pursuant to art. 2423, fifth paragraph, of the Italian Civil Code

Comment

There were no exceptional cases that required the use of exceptions pursuant to art. 2423, paragraphs 4 and 5 of the Italian Civil Code.

Changes in accounting standards

Comment

There were no exceptional cases that made it necessary to use the exceptions set forth in art. 2423-bis, paragraph 2 of the Italian Civil Code.

Comparability and adaptation issues

Comment

Pursuant to art. 2423-ter of the Italian Civil Code, it should be noted that all items in the financial statements were comparable with the previous year; there was therefore no need to adjust any item from the previous year.

Valuation criteria applied

Comment

The criteria applied in the valuation of the financial statement items and in the value adjustments comply with the provisions of the Italian Civil Code and the indications contained in the accounting standards issued by the Italian Accounting Body. The same were also unchanged compared to the previous year.

Pursuant to art. 2427, paragraph 1, no. 1 of the Italian Civil Code, the most significant measurement criteria adopted in compliance with the provisions contained in art. 2426 of the Italian Civil Code are illustrated, with particular reference to those items in the financial statements for which the legislator allows different measurement and adjustment criteria or for the which no specific criteria are provided.

At the end of the year, the company did not hold any receivables or payables in foreign currency.

Intangible fixed assets

Intangible fixed assets are recognised in the balance sheet at purchase and/or production cost and are amortised on a straight-line basis based on their future usefulness.

The value of fixed assets is stated net of accumulated amortisation and write-downs.

Amortisation was carried out in accordance with the following pre-established plan, which is deemed to ensure a correct allocation of the cost incurred over the useful life of the fixed assets in question:

Intangible fixed assets	Period
Corporate expenses	5 years on a straight-line basis
Organizational expenses (AIM listing)	3 years on a straight-line basis
Capitalised software	5 years on a straight-line basis
Intellectual property rights	3 years on a straight-line basis
Trademarks	10 years on a straight-line basis - lease duration
Concessions and licenses	5 years on a straight-line basis
Other intangible assets	5 years on a straight-line basis
Leasehold expenses	Lease term

Any disposals of intangible assets during the year resulted in the elimination of their residual value.

The amortisation criterion of intangible fixed assets was applied systematically and in each year, in relation to the residual economic use of each asset or expense.

Pursuant to and for the purposes of art. 10 of Law no. 72 of 19 March 1983, and as also referred to by the subsequent monetary revaluation laws, it should be noted that no monetary revaluation was ever carried out for intangible assets still included in equity.

It should be noted that it was not necessary to apply write-downs to these capitalised expenses pursuant to art. 2426 paragraph 1 no. 3 of the Italian Civil Code since, as envisaged by accounting standard OIC 9, no indicators of potential impairment of intangible fixed assets were found.

Start-up and expansion costs

Start-up and expansion costs were recognised in the balance sheet assets with the consent of the Board of Statutory Auditors as they have multi-year benefits; these costs were amortised over a period not exceeding five years.

Intangible assets

Intangible assets are recognised at purchase cost, including accessory costs, and are amortised within the legal or contractual limit envisaged for them.

Work in progress and payments on account

Intangible fixed assets under construction, recorded under item B.I.6, are initially recognised on the date on which the first costs for the construction of the asset are incurred and include the internal and external costs

incurred for its construction. These costs remain recorded under work in progress until the project is completed and are not subject to amortisation until that moment.

Tangible fixed assets

Tangible fixed assets, recognised on the date on which the risks and benefits related to the acquired asset are transferred, are recorded in the financial statements at purchase cost, increased by any accessory charges incurred up to the time when the assets are ready for use and in any case within the limit of their recoverable value. These assets are stated in the balance sheet assets net of accumulated depreciation and write-downs.

The book value of the assets, grouped into homogeneous classes by type and year of acquisition, is divided across the years in which they will presumably be used. This procedure is implemented through the systematic allocation to the income statement of depreciation amounts corresponding to pre-established plans, defined at the time the asset is available and ready for use, with reference to the presumed residual possibility of use of said assets. These plans, subject to annual verification, are formed with reference to the gross value of the assets and assuming the realisable value at the end of the process is zero.

The depreciation of tangible fixed assets, the use of which is limited over time, was carried out in accordance with the following pre-established plan:

Tangible fixed assets items	Rates %
Land and buildings	3%
Air conditioning system	15%
Other general plant and machinery	30%
Specific warehouse systems	7.5%
Specific equipment	10%
Furniture and furnishings	12%
Electronic office machines	20%
Other tangible assets	100% - lease duration

Any disposals of assets (disposals, scrapping, etc.) occurred during the year led to the elimination of their residual value. Any difference between the carrying amount and the disposal value was recognised in the income statement.

For fixed assets acquired during the year, the aforementioned rates were reduced by half as the portion of depreciation thus obtained does not differ significantly from the portion calculated from the time the asset is available and ready for use.

The depreciation criteria for tangible fixed assets did not change compared to those applied in the previous year.

Pursuant to and for the purposes of art. 10 of Law no. 72 of 19 March 1983, as also referred to by subsequent monetary revaluation laws, it should be noted that no monetary revaluation was ever carried out for tangible assets still in equity.

It should be noted that it was not necessary to make any write-downs pursuant to art. 2426, paragraph 1, no. 3 of the Italian Civil Code since, as required by accounting standard OIC 9, no indicators of potential impairment of tangible fixed assets were found.

Financial fixed assets

Equity investments

All equity investments recorded in the financial statements were valued using the cost method, where cost means the expense incurred for the purchase, regardless of the payment method, including any accessory charges (bank commissions and expenses, stamp duty, financial brokerage, etc.).

Company name	Registered office	Current share capital	% Shareholding	Book value
CLUBDEAL SRL	Milan	19,409	4.90%	400,056
WEB MAGAZINE MAKER SRL	Milan	10,000	24.50%	250,000
AXANTI SRL	Milan	100,000	10.00%	10,000
SAE SPA GROUP	Livorno	2,500,000	20.30%	500,000

In the context of financial investments, in addition to what is expressed in the table above, the following are allocated:

- Euro 250,000 for future capital increase of Web Magazine Maker
- Euro 5,000 for future share capital increase of Axanti

With reference to the equity investment in the SAE Group, it should be noted that the subscribed capital is equal to Euro 2,500,000 and that paid-in capital is equal to Euro 2,462,500. With reference to the portion relating to Portobello, a portion equal to Euro 507,614 was subscribed and a portion of Euro 500,000 has been paid.

Inventories

Inventories of assets were recorded at the lower of the purchase cost and the realisable value based on market trends. Its value is stated net of the related bad debt provision.

The purchase cost includes any directly attributable accessory charges.

Finished products

The cost of inventories of finished products and goods of a fungible nature was calculated using the weighted average cost method as an alternative to the specific cost given the technical or administrative impossibility of keeping each remaining physical unit separate.

The value thus determined was appropriately compared, as explicitly required by art. 2426 no. 9 of the Italian Civil Code, with the realisable value based on market trends. The comparison between the purchase/production cost calculated with the weighted average cost method and the realisable value inferred from the market did not reveal, for any of the goods in stock, the conditions for the valuation based on the lower market value.

Advances to suppliers for the purchase of goods included in inventories recorded in item C.1.5 are initially recognised at the date on which the obligation to pay these amounts arises or, in the absence of such an obligation, at the time they are paid.

Receivables recorded under current assets

Receivables recorded under current assets were recognised in the financial statements according to the amortised cost criterion, as defined by art. 2426, paragraph 2 of the Italian Civil Code, taking into account the time factor and the estimated realisable value, in accordance with the provisions of art. 2426, paragraph 1, no. 8 of the Italian Civil Code.

For receivables for which the application of the amortised cost and/or discounting method was verified as irrelevant, for the purposes of providing a true and fair view of the corporate equity and economic situation, the recognition according to the estimated realisable value was retained. This occurred, for example, in the presence of receivables with a maturity of less than twelve months or, with reference to the amortised cost criterion, in the case in which the transaction costs, commissions and any other difference between the initial value and the value at maturity are of little relevance or, in the case of discounting, in the presence of an interest rate inferred from the contractual conditions not significantly different from the market interest rate.

Cash and cash equivalents

Cash and cash equivalents are measured at nominal value.

Accrued income and prepaid expenses

Accruals and deferrals were calculated on the basis of the accrual principle, through the distribution of revenues and/or costs common to several years.

In the recognition as well as in the review of deferred income with a multi-year duration, the existence or permanence of the time condition was verified.

Shareholders' Equity

The items are stated in the financial statements at their book value in accordance with the indications contained in accounting standard OIC 28.

Employee severance indemnity

The employee severance indemnity was calculated in accordance with the provisions of art. 2120 of the Italian Civil Code, taking into account the legislative provisions and the specificities of the contracts and professional categories, and includes the annual amounts accrued and the revaluations carried out on the basis of ISTAT coefficients.

The amount of the provision is recognised net of the advances paid and the amounts used for terminations of employment during the year and represents the certain amount due to employees at the reporting date.

Payables

Payables were recognised in the financial statements according to the amortised cost criterion, as defined by art. 2426, paragraph 2 of the Italian Civil Code, taking into account the time factor, in accordance with the provisions of art. 2426, paragraph 1, no. 8 of the Italian Civil Code. For payables for which the application of the amortised cost and/or discounting method has been verified as irrelevant, for the purposes of providing a true and fair view of the corporate equity and economic situation, recognition at face value was retained. This occurred, for example, in the presence of payables with a maturity of less than twelve months or, with reference to the amortised cost criterion, in the case in which the transaction costs, commissions and any other difference between the initial value and the value at maturity are of little relevance or, in the case of discounting, in the presence of an interest rate inferred from the contractual conditions not significantly different from the market interest rate.

Accrued expenses and prepaid income

Accruals and deferrals were calculated on the basis of the accrual principle, through the distribution of costs and/or revenues common to several years.

In the recognition as well as in the review of deferred income with a multi-year duration, the existence or permanence of the time condition was verified. Where this condition has changed, the appropriate changes are highlighted below.

Other information

Comment

Transactions with repayment obligation

The company, pursuant to art. 2427 no. 6-ter, states that during the year it did not carry out any transaction subject to repayment obligation.

Explanatory notes, assets

Introduction

The movements of the individual financial statement items are analysed in detail below, in accordance with current regulations.

Fixed assets

Intangible fixed assets

Movements in intangible fixed assets

Introduction

After the recognition in the income statement of the amortisation for the year, amounting Euro 1,792,694, intangible fixed assets amount to Euro 2,921,276.

The table shows the changes in the fixed assets in question.

Included in the same changes, note the reclassification of intangible fixed assets in progress and advances (item B.I.6) for the amount of Euro 759,970, relating to assets previously recorded in this item and which have now become available and ready for use, appropriately placed in these financial statements under Other intangible fixed assets. In addition, the following amounts were recognized in 2020:

- Euro 70,000 relative to a research project on technologies for the creation of vouchers based on non-fungible services that are developed on a dedicated blockchain that guarantees their origin and transferability;
- Euro 328,000 relative to a research project on Artificial Intelligence technologies for the production of content, automating part of the generation process through the development of tools able to support creators.

In addition to the above, a further Euro 82,000 relating to long-term expenses recognised in 2019 and incurred for the start-up of the franchise activity expected to be launched in 2021, for a total amount for the item of Euro 480,000.

Analysis of changes in intangible fixed assets

	Start-up and expansion costs	Industrial patent rights and intellectual property rights	Concessions, licenses, trademarks and similar rights	Intangible fixed assets in progress and payments on account	Other intangible fixed assets	Total intangible fixed assets
Value at the beginning of the year						
Cost	560,281	517,507	25,520	841,970	377,272	2,322,550
Book value	560,281	517,507	25,520	841,970	377,272	2,322,550
Changes during the year						

	Start-up and expansion costs	Industrial patent rights and intellectual property rights	Concessions, licenses, trademarks and similar rights	Intangible fixed assets in progress and payments on account	Other intangible fixed assets	Total intangible fixed assets
Increases due to acquisitions	0	1,578,359	16,640	398,000	398,420	2,391,419
Changes in category	0	0	0	(759,970)	759,970	0
Amortisation/depreciation for the year	555,693	957,486	9,525		269,990	1,792,694
<i>Total changes</i>	<i>(555,693)</i>	<i>620,873</i>	<i>7,115</i>	<i>(361,970)</i>	<i>888,400</i>	<i>598,725</i>
Value at the end of the year						
Cost	4,588	1,138,381	32,635	480,000	1,265,672	2,921,276
Book value	4,588	1,138,381	32,635	480,000	1,265,672	2,921,276

Comment

Breakdown of multi-year costs

Start-up and expansion costs

The following table shows the details of the start-up and expansion costs, highlighting the changes with respect to the previous year. As regards the reasons for their recognition and the respective amortisation criteria, please refer to the above.

Description	Detail	2020	2019	Absolute change	Change %
<i>start-up and expansion costs</i>					
	Corporate expenses	4,422	7,191	(2,769)	(39)
	AIM listing expenses	166	553,090	(552,924)	(100)
	Total	4,588	560,281	(555,693)	

Tangible fixed assets

Movements in tangible fixed assets

Introduction

Tangible fixed assets net of accumulated depreciation amounted to Euro 747,154. Amortisation for the year 2020 amounted to Euro 146,036. In the "Industrial and commercial equipment" category, the amount of Euro 106,500 refers to the residual value of the transaction carried out in 2018 with the Related Party Nova Spa.

The table below shows the changes in the fixed assets in question

Analysis of movements in tangible fixed assets

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Total tangible fixed assets
Value at the beginning of the year					
Cost	130,000	78,986	144,500	316,237	669,723
Depreciation (accumulated depreciation)	(1,950)	(27,830)	(21,925)	(131,524)	(183,229)
Book value	128,050	51,156	122,575	184,713	486,494
Changes during the year					
Increases due to acquisitions		122,005	19,217	343,068	484,290
Decreases due to disposal	80,000				80,000
Amortisation/depreciation for the year	2,707	37,908	16,372	89,050	146,037
<i>Total changes</i>	<i>(82,707)</i>	<i>84,097</i>	<i>2,845</i>	<i>254,018</i>	<i>258,253</i>
Value at the end of the year					
Cost	50,000	200,991	163,717	659,305	1,074,013
Depreciation (accumulated depreciation)	(2,250)	(65,738)	(38,297)	(220,574)	(326,859)
Book value	47,750	135,253	125,420	438,731	747,154

Comment

The most significant items in the “Other tangible fixed assets” category refer to shop fittings and furnishings for 254,473 for Euro 208,603; electronic office equipment for Euro 62,749 and motor vehicles for Euro 19,373. The increases in the year refer mainly to investments for the adaptation of the technological infrastructure and the opening of new stores.

Financial leasing transactions**Introduction**

Financial leasing transactions are recorded in the financial statements according to the equity method, recognising the fees paid in the income statement according to the accrual principle. The additional information required by law relating to the representation of financial lease contracts according to the financial method is provided below.

As at 31 December 2020, the company has three finance lease agreements in place, two relating to the furniture of the Tuscolana and Castani stores, the last relating to specific warehouse systems. In compliance with the indications of document OIC 12, the contracts are represented in the financial statements according to the equity method, therefore the value of the assets is not recorded under fixed assets and the rentals are recognised in the income statement on an accrual basis.

As required by art. 2427, no. 22 of the Italian Civil Code, we provide a supplementary statement useful for the comparison of the equity and economic effects resulting from the application of the so-called financial method:

Asset category	Contract number	Contract effective date	Contract duration (months)	Current value of unexpired instalments	Actual financial charge	Interest rate year 2020
Furniture	1481093	17/12/19	60	49,961	877	6.73%
Furniture	1481092	17/12/19	60	22,205	439	7.57%
Warehouse systems	1156177	02/07/20	60	88,573	684	6.82%

The table below shows the data of leases in progress, valued as if they had been considered fixed assets:

Asset category	Contract number	Depreciation rate	Cost of the asset	Accumulated depreciation as at 01/01/2020	Amortization 2020	Book value
Furniture	1481093	12.00%	72,000	4,320	8,640	59,040
Furniture	1481092	12.00%	32,000	1,920	3,840	26,240
Warehouse systems	1156177	7.50%	140,000	-	5,250	134,750

Comparison of the financial method - equity method

In accordance with the indications provided by document OIC 12, the following table provides information on the effects that would have been produced on the Shareholders' Equity and on the Income Statement by recognising finance lease transactions with the financial method with respect to the so-called capital criterion of the charge to the Income Statement of the fees paid.

Income Statement 2020

Accrued fees	30,583
Amortisation/Depreciation	-17,730
Interest	-2,000
Increased pre-tax profit	10,853
Increased tax	3,128
Increased profit for the year	7,725

Balance Sheet 2020

Increased fixed assets	244,000
Increased accumulated depreciation	-23,970
Increased Activities	220,030
Increased payables	160,739
Increased profit for the year	7,725
Increased Liabilities	168,464

Financial fixed assets***Movements in equity investments, other securities and long-term financial derivatives assets*****Introduction**

The following table shows the changes in the fixed assets in question. For details of the individual equity investments, please refer to the table on page 45.

Analysis of the movements of equity investments, other securities, derivative financial instruments fixed assets

	Equity investments in other companies	Total equity investments
Value at the beginning of the year		
Cost	765,061	765,061
Book value	765,061	765,061
Value at the end of the year		
Cost	1,415,056	1,415,056
Book value	1,415,056	1,415,056

Current assets**Inventories****Introduction**

The following table shows information on changes in inventories.

The value of inventories is mainly made up of the goods subject to exchange contracts of the last quarter or the one with the greatest activity for the Media sector.

Analysis of changes in inventories

	Value at the beginning of the year	Changes during the year	Value at the end of the year
finished products and goods	9,582,712	7,376,691	16,959,403
Inventory write-down provision	250,000	300,000	550,000
<i>Total</i>	<i>9,332,712</i>	<i>7,076,691</i>	<i>16,409,403</i>

From an analysis of inventories as at 31 December 2020, it was deemed appropriate to set aside a provision for write-downs of Euro 300,000. The bad debt provision as at 31 December 2020 amounts to Euro 550,000.

Receivables recorded under current assets***Changes and maturity of receivables recorded under current assets*****Introduction**

The following table shows information on changes in current receivables and, if significant, information on their maturity.

Analysis of changes and maturity of receivables recorded under current assets

	Value at the beginning of the year	Change during the year	Value at the end of the year	Portion due within the year	Portion falling due after the year
Receivables from customers	6,664,007	(4,029,681)	2,634,326	2,634,326	
Tax receivables	876,589	718,952	1,595,541	1,595,541	
Deferred tax assets	16,512	(4,217)	12,295	12,295	
Receivables from others	11,904,918	(10,567,763)	1,337,155	958,861	378,294
Total	19,462,026	(13,882,709)	5,579,317	5,201,023	378,294

The item "Receivables from customers" includes Euro 1,071,006 with reference to Related Parties, within which the significant amounts refer to: Expandi Srl (Euro 607,849), Portobello Consulting Srl (Euro 256,505), RS Production Srl (Euro 14,640), Nova Spa (Euro 1,355).

Breakdown of current receivables by geographical area

Introduction

The following table provides a breakdown of receivables by geographical area

	Italy	EU	Non-EU	Total
Receivables from customers	2,634,326	-	-	2,634,326
Tax receivables	1,595,541	-	-	1,595,541
Deferred tax assets	12,295	-	-	12,295
Receivables from others	1,337,155	-	-	1,337,155
Total	5,579,317	-	-	5,579,317

Cash and cash equivalents

Introduction

The following table shows information on changes in cash and cash equivalents.

Analysis of changes in cash and cash equivalents

	Value at the beginning of the year	Changes during the year	Value at the end of the year
bank and postal deposits	953,676	1,650,693	2,604,369

	Value at the beginning of the year	Changes during the year	Value at the end of the year
cash and cash equivalents	80,628	(47,406)	33,222
Total	1,034,304	1,603,287	2,637,591

Accrued income and prepaid expenses

Introduction

The following table shows information on changes in accrued income and prepaid expenses.

Analysis of changes in accrued income and prepaid expenses

	Value at the beginning of the year	Changes during the year	Value at the end of the year
Accrued income	9,879	(9,879)	-
Prepaid expenses	6,305,665	16,458,469	22,764,134
Total accrued income and prepaid expenses	6,315,544	16,448,590	22,764,134

Comment

The following table illustrates the breakdown of these items, as they are recorded in the financial statements.

Description	Detail	Amount for the current year
	Miscellaneous prepaid expenses	817,169
	Prepaid advertising	21,910,704
	Leases initial payment	36,261
	Total	22,764,134

Capitalised financial charges

Introduction

All interest and other financial charges were fully paid during the year. For the purposes of art. 2427, par. 1, no. 8 of the Italian Civil Code, we therefore state that there are no capitalisations of financial charges.

Explanatory notes, liabilities and shareholders' equity

Introduction

The movements of the individual financial statement items are analysed in detail below, in accordance with current regulations.

Shareholders' Equity

Changes in shareholders' equity

Introduction

With reference to the year in question, the following tables show the changes in the individual items of shareholders' equity, as well as the details of the other reserves, if present.

Analysis of changes in shareholders' equity

	Value at the beginning of the year	Other changes - Increases	Other changes - Decreases	Profit for the year	Value at the end of the year
Share capital	515,270	18,420	-	-	533,690
Share premium reserve	2,684,250	132,000	-	-	2,816,250
Legal reserve	99,807	3,247	-	-	103,054
Extraordinary reserve	2,052,465	4,740,748	-	-	6,793,213
Various other reserves	(1)	(69,557)	-	-	(69,558)
Total other reserves	2,052,464	4,671,191	-	-	6,723,655
Profit (loss) for the year	4,750,415	5,954,646	(4,750,415)	5,954,646	5,954,646
Total	10,102,205	6,546,551	1,796,137	4,750,415	16,131,295

Details of the various other reserves

Description	Amount
Reserve diff. from rounding Euros	(1)
Reserve to hedge derivative cash flow transactions	(69,557)
Total	(69,558)

Comment

At the end of the year, the share capital was broken down as follows:

Name	Number of Shares	% of the number of shares outstanding
Simone Prete	670,000	23.86%
Finnat Fiduciaria Spa *	600,000	21.37%
Patrizia Amicucci	266,767	9.50%

Hi Capital Advisors Ltd	271,500	9.67%
Pietro Peligra **	150,000	5.34%
Expandi Srl	133,333	4.75%
Roberto Panfili	80,000	2.85%
Market	636,300	22.66%

(*) Investment held in trust on behalf of Mr. Stefano Caporicci

(**) Directly (150,000 shares) and through Hi Capital Advisors Ltd. (271,500 shares)

Availability and use of shareholders' equity

Introduction

The following tables provide a breakdown of the shareholders' equity items, specifying their origin, possibility of use and distribution, as well as their use in the previous three years.

Origin, possibility of use and distribution of shareholders' equity items

Description	Amount	Origin/Nature	Possibility of use	Amount available	Summary of uses made in the three previous years - for other reasons
Share capital	533,690	Share capital	B	533,690	-
Share premium reserve	2,816,250	Share capital	A; B; C	2,816,250	-
Legal reserve	103,054	Share capital	A;B	103,054	-
Extraordinary reserve	6,793,213	Share capital	A; B; C	6,793,213	46,420
Various other reserves	(69,558)	Share capital		-1	-
Total other reserves	6,723,655	Share capital		6,723,655	-
Total	16,131,295			16,131,295	46,420
Non-distributable portion				636,744	
Residual distributable portion				9,609,463	
Key: A: for share capital increase; B: to cover losses; C: for distribution to shareholders; D: for other statutory restrictions; E: other					

Origin, possibility of use and distributability of the various other reserves

Description	Amount	Origin/Nature	Possibility of uses
Reserve diff. from rounding Euros	(1)	Share capital	
Derivative cash flow hedge reserve	(-69,558)	Share capital	
Total	(69,559)		
Key: A: for share capital increase; B: to cover losses; C: for distribution to shareholders; D: for other statutory restrictions; E: other			

Employee severance indemnity

Introduction

The following table shows the information relating to the changes in the employee severance indemnity.

Analysis of changes in employee severance indemnity

	Value at the beginning of the year	Changes during the year - Provision	Changes during the year - Use	Changes during the year - Total	Value at the end of the year
EMPLOYEE SEVERANCE INDEMNITY	85,377	126,071	(14,086)	111,985	197,362
Total	85,377	126,071	(14,086)	111,985	197,362

Payables

Changes and maturity of payables

Introduction

The following table shows information on changes in payables and any information relating to their maturity.

Analysis of changes and maturity of payables

	Value at the beginning of the year	Changes during the year	Value at the end of the year	Portion due within the year	Portion falling due after the year
Due to banks	4,283,109	10,529,646	14,812,755	3,747,292	11,065,463
Payables to other lenders	2,000,000	(319,033)	1,680,967	562,407	1,118,560
Advances	219,894	(219,894)	-	-	-
Payables to suppliers	11,140,722	(7,645,794)	3,494,928	3,494,928	-
Tax payables	2,199,880	1,523,842	3,723,722	3,723,722	-
Payables to pension and social security institutions	92,968	34,125	127,093	127,093	-
Other payables	358,637	112,031	470,668	462,061	8,607
Total	20,295,210	4,014,923	24,310,133	12,117,503	12,192,630

Comment

Payables to suppliers

The item "Payables to suppliers" includes the amount of Euro 288,784 relating to the Related Party RS Production Srl.

Due to banks

The following table shows the breakdown of the item “Due to banks”.

Item	Payables for medium-term loans	Other items to be settled	Total
4)	14,784,009	28,746	14,812,755

Other payables

Description	Detail	Amount for the current year
<i>Other payables</i>		
	Payables to supplementary pension funds	1,829
	Guarantee deposits received	8,607
	Payables due to directors and collaborators	83,191
	Payables to credit card issuers	4,352
	Payables due to employees	194,284
	Payables to employees for deferred remuneration	140,111
	Sundry payables	38,294
	Total	470,668

Breakdown of payables by geographical area

Introduction

The following table shows the breakdown of payables by geographical area

	Italy	EU	Non-EU	Total
Due to banks	14,812,755	-	-	14,812,755
Payables to other lenders	1,680,967	-	-	1,680,967
Payables to suppliers	3,395,248	97,279	2401	3,494,928
Tax payables	3,723,722	-	-	3,723,722
Payables to pension and social security institutions	127,093	-	-	127,093
Other payables	470,668	-	-	470,668
Total	24,210,453	97,279	2,401	24,310,133

Payables secured by collateral on company assets

Introduction

Pursuant to and for the purposes of art. 2427, par. 1 no. 6 of the Italian Civil Code, it is hereby stated that there are no corporate payables secured by collateral.

Loans from shareholders of the company**Introduction**

The company has not received any loans from shareholders.

Accrued expenses and prepaid income**Introduction**

The following table shows information on changes in accrued expenses and prepaid income.

The item deferred income was correctly reclassified during the current year.

Analysis of changes in accrued expenses and prepaid income

	Value at the beginning of the year	Change during the year	Value at the end of the year
Accrued expenses	75,582	(72,799)	2,783
Deferred income	9,160,317	2,602,485	11,762,802
Total accrued expenses and prepaid income	9,235,899	2,529,686	11,765,585

Comment

The following table illustrates the breakdown of these items, as they are recorded in the financial statements.

Description	Detail	Amount for the current year
	Miscellaneous accrued expenses	2,782
	Miscellaneous deferred income	24,301
	Deferred income for advertising	11,738,502
	total	11,765,585

Explanatory notes, income statement

Introduction

The income statement shows the economic result for the year.

It provides a representation of operating transactions, through a summary of the positive and negative components of income that contributed to determining the economic result. The positive and negative components of income, recorded in the financial statements in accordance with the provisions of art. 2425-bis of the Italian Civil Code, are differentiated depending on the type of various operations: ordinary, ancillary and financial.

The core business identifies the income components generated by transactions that occur on an ongoing basis and in the relevant sector for the performance of operations, which identify and qualify the particular and distinctive part of the economic activity carried out by the company, to which the same is finalised.

Financial assets consist of transactions that generate financial income and expenses.

On a residual basis, ancillary activity consists of transactions that generate income components that are part of ordinary activities but do not fall within core and financial activities.

Value of production

Introduction

Revenues are recorded in the financial statements on an accrual basis, net of returns, allowances, discounts and premiums, as well as the taxes directly related to them.

With regard to the sale of assets, the related revenues are recorded when the substantial and non-formal transfer of the title of ownership has occurred, assuming the transfer of risks and benefits as the reference parameter for the substantial transfer.

Revenues from the provision of services are recognised when the service is rendered, or when the service has been performed; in the particular case of the provision of continuous services, the related revenues are recognised for the portion accrued.

Breakdown of revenues from sales and services by business category

Introduction

The following table shows the breakdown of revenues from sales and services by activity category.

ACTIVITY CATEGORY	31/12/2020	31/12/2019
Average	43,041,142	30,371,429
Retail (or B2C)	5,615,497	3,908,885
B2B	14,038,297	11,063,344
Other revenues	1,308,851	690,983
- contributions	519	37,369
- Other	1,308,332	653,614
Value of production	64,003,787	46,034,641

Breakdown of revenues from sales and services by geographical area**Introduction**

The following table shows the breakdown of revenues from sales and services by geographical area.

ACTIVITY CATEGORY	Italy	EU	Non-EU	Total
Average	43,041,142	-	-	43,041,142
Retail (or B2C)	5,615,497	-	-	5,615,497
B2B	14,038,297	-	-	14,038,297
Other revenues	1,308,851	-	-	1,167,466
- contributions	519	-	-	519
- Other	1,308,332	-	-	1,166,947
Value of production	64,003,787	-	-	63,862,402

Production costs**Comment**

Costs and charges are allocated on an accrual basis and according to nature, net of returns, allowances, discounts and premiums, in compliance with the principle of correlation with revenues, and recorded in the respective items in accordance with the provisions of accounting standard OIC 12. With regard to purchases of assets, the related costs are recorded when the substantial and non-formal transfer of the title of ownership has occurred, assuming the transfer of risks and benefits as the reference parameter for the substantial transfer. In the case of the purchase of services, the related costs are recorded when the service has been received, or when the service is completed, while, in the presence of continuous services, the related costs are recorded for the portion accrued.

The following table shows the breakdown of production costs

ITEM	31/12/2020	31/12/2019
Costs for raw materials, consumables and goods	51,240,993	31,048,470
Costs for services	4,409,893	2,812,332
Costs for use of third-party assets	1,831,503	969,938
Personnel costs	2,624,428	1,874,375
- wages and salaries	1,914,029	1,447,468
- social security contributions	571,114	348,368
- provision for employee severance indemnity	126,071	69,583
- other personnel costs	13,214	8,956
Changes in inventories of raw materials, consumables and goods	(7,376,691)	887,268
Other provisions	300,000	250,000
Other operating expenses	407,048	199,812
Production costs	53,437,174	38,042,195

Financial income and charges

Introduction

Financial income and charges are recognised on an accrual basis in relation to the portion accrued during the year.

The following tables show the amount recorded in the income statement for the current year.

Financial income	Amount for the current year
Interest income on bank current accounts	83
Financial discounts	446
Total	529

Financial charges	Amount for the current year
Interest expense on bank current accounts	22,631
Interest expense on arrears	125
Derivative interest expense	7,765
Interest expense on bank loans	158,784
Interest expense on third party loans	104,913
Total	294,218

Breakdown of income from equity investments

Introduction

There is no income from equity investments pursuant to art. 2425, no. 15 of the Italian Civil Code.

Breakdown of interest and other financial charges by type of payable

Introduction

The following table shows the interest and other financial charges pursuant to art. 2425, no. 17 of the Italian Civil Code, with a specific subdivision between those relating to bond loans, loans from banks and other cases.

Breakdown of interest and other financial charges by type of payable**Comment**

	Due to Banks	Due to other lenders	Others	Total
Interest and other financial charges	189,180	104,913	125	294,218

Exchange gains/losses

During the year, no transactions were carried out in currencies other than the euro that resulted in exchange gains or losses.

Amount and nature of the individual elements of revenue/cost of exceptional size or impact**Introduction**

During the current year, no revenues or other positive components deriving from events of exceptional size or impact were recognised.

Introduction

No costs deriving from events of exceptional size or impact were recognised during the current year.

Income taxes for the year, current, deferred and prepaid**Introduction**

The company allocated taxes for the year on the basis of the application of current tax regulations. Current taxes refer to taxes for the year as resulting from tax returns; taxes relating to previous years include direct taxes from previous years, including interest and penalties and also refer to the positive (or negative) difference between the amount due following the settlement of a dispute or an assessment with respect to the value of the provision set aside in previous years. Lastly, deferred taxes and prepaid taxes concern positive or negative income components subject to taxation or deduction in years other than those related to the current financial year.

The tables below show the calculation schedules of taxes for the year, with an expression of increases and decreases and deductions for IRES and IRAP purposes.

IRES

Description	Amount	Total
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Profit (loss) for the year after taxes		5,954,646
INCREASE CHANGES		
Non-deductible or unpaid taxes	2,329,548	
Directors and continuous collaboration contract fees resolved but unpaid	3,750	
Imu	727	
Transport costs	72,180	
Non-deductible interest	125	
Contingent liabilities	2,438	
Non-deductible amortisation/depreciation	10,537	
Provision for inventory write-downs	300,000	
Entertainment expenses (gifts) deductible within the revenue limit	5,668	
Other increases	120,682	
Total increases		2,845,655
DECREASES		
Deductible entertainment expenses (gifts)	5,636	
Other decreases	770,750	
Total decreases		776,386
TAX INCOME		
IRES income gross of donations		8,023,915
ACE deduction for invested capital		132,296
Deductible expenses		50,000
Net IRES income		7,841,619
IRES accrued 24%		1,881,989

IRAP

Description	Amount	Total
Total positive components		64,003,788
Total negative components		52,451,476
Total section II		
INCREASES		
Non-deductible IRAP for continuous collaboration contracts	229,988	
Imu	727	
Total increases		230,715
DECREASES		
Other decreases for IRPEF/IRES and IRAP purposes	770,750	
Decreases from previous years		
Total decreases		770,750
VALUE OF PRODUCTION		
Total gross production value		11,012,277

Deduction of personnel costs		1,814,300
Total net production value		9,197,977
Current IRAP taxes		301,957

Deferred and prepaid taxes

This item includes the impact of deferred taxes on these financial statements. The same is due to the temporary differences between the values attributed to an asset or liability according to statutory criteria and the corresponding values recognised for tax purposes.

The company determined the deferred taxation with exclusive reference to IRES, as there were no temporary changes in IRAP.

Deferred and prepaid taxes were calculated using the following rates, respectively:

Rates	
IRES	24%

The information required by art. 2427 no. 14 of the Italian Civil Code, are reported below, namely:

- a description of the temporary differences that led to the recognition of deferred and prepaid taxes, specifying the rate applied and the changes compared to the previous year, the amounts credited or debited to the income statement or to shareholders' equity;
- the amount of deferred tax assets recognised in the financial statements relating to losses for the year or previous years and the reasons for recognition; the amount not yet recorded and the reasons for non-recognition;
- the items excluded from the calculation and the related reasons.

Recognition of deferred and prepaid taxes and consequent effects

	IRES	IRAP
A) Temporary differences		
Total taxable temporary differences	51,230	-
Net temporary differences	51,230	-
B) Tax effects		
Deferred (prepaid) taxes for the year	12,295	-
Provision for deferred (prepaid) taxes at year end	12,295	-

Details of taxable temporary differences

Description	Amount at the end of the previous year	Change during the year	Amount at the end of the year	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
TARI tax not paid	12,108	12,108	0	24	0	-	-
Director's fee	47,941	3,289	51,230	24	12,295	-	-

Explanatory notes, cash flow statement**Comment**

The company has prepared the cash flow statement that represents the summary document that reconciles the changes occurred during the year in the company assets with the changes in the financial situation; it highlights the values relating to the financial resources that the company needed during the year as well as the related uses.

With regard to the method used, it is specified that, in accordance with the provisions of OIC 10, the company adopted the indirect method on the basis of which the cash flow is reconstructed by adjusting the result for the year of non-monetary components.

Explanatory notes, other information**Introduction**

The other information required by the Italian Civil Code is provided below.

Employment data**Introduction**

The following table shows the average number of employees, broken down by category and calculated considering the daily average.

Average number of employees broken down by category

	Middle managers	White collar workers	Blue collar workers	Total employees
Average number	4	74	8	86

Comment

The change in the number of employees compared to the previous year can be illustrated as follows:

- 32 sales staff were hired to support the development of the sales network and to replace expired and non-renewed contracts.
- Sales staff were reduced by 6 units due to the expiry of fixed-term contracts.
- 6 new units were hired to implement office resources (administrative and commercial area, new areas such as IT and Marketing) or to replace personnel on resignation.

- A reduction of 2 units in the sales and administrative structure, of which 1 due to dismissal and 1 due to resignation.
- Provision was made for the recruitment of 6 units for the warehouse to support the development of the sales and logistics network.
- A reduction of 2 units for the warehouse, 1 of which due to resignation and 1 due to expiry of the fixed-term contract.

	Middle managers	White collar workers	Blue collar workers	Total employees
Data as at 31/12/2019	2	39	3	44
Net increases/decreases in 2020	2	35	5	42
Data as at 31/12/2020	4	74	8	86

Fees, advances and loans granted to directors and statutory auditors and commitments undertaken on their behalf

Introduction

The following table shows the information required by art. 2427 no. 16 of the Italian Civil Code, specifying that there are no advances and receivables and no commitments have been undertaken on behalf of the administrative body as a result of guarantees of any type given.

Amount of fees, advances and loans granted to directors and statutory auditors and commitments undertaken on their behalf

	Directors	Auditors
Fees	220,000	28,000

Fees to the statutory auditor or independent auditors

Introduction

The following table shows the fees due to the independent auditors, broken down by type of service.

Amount of fees due to the statutory auditor or independent auditors

	Statutory audit of the annual accounts	Assignment to record and process accounting and administrative procedures	Total fees due to the statutory auditor or independent auditors
Value	12,500	43,000	55,500

Categories of shares issued by the company

Introduction

The following table shows the number of shares of the company, as well as any changes occurred during the year.

Share category	Number	Nominal Value
Ordinary shares:		
Initial amount	2,715,800	515,270
Subscription for the year	92,100	18,420
Reduction in the year	-	-
Final balance	2,807,900	533,690

Analysis of the categories of shares issued by the company

Securities issued by the company

Introduction

The company has not issued any security or similar document falling under the provisions of art. 2427 no. 18 of the Italian Civil Code.

Details on other financial instruments issued by the company

Introduction

The company has not issued any other financial instruments pursuant to art. 2346, paragraph 6 of the Italian Civil Code.

Commitments, guarantees and contingent liabilities not shown in the balance sheet

Introduction

The following table shows the information required by art. 2427 no. 9 of the Italian Civil Code:

- Surety given to guarantee the lease contract for the store located in Via dei Castani in Rome, in favour of S.A.M.A.V. s.r.l. for an amount of Euro 72,000 and expiring on 31 March 2025.
- Surety given to guarantee the lease of the store located in Viale Libia in Rome, in favour of Ennio Romoli Venturi, Sonia Romoli Venturi and Andrea Romoli Venturi, for an amount of Euro 60,000 and expiring on 30 June 2020, renewable until 30 June 2025.
- Surety given to guarantee the lease contract for the store located in Via Tusconala in Rome, in favour of Serenella Colasanti for an amount of Euro 18,000 and expiring on 31 July 2020 renewable until 31 July 2031.
- Surety given to guarantee the lease contract for the store located in Via Tuscolana in Rome, in favour of Marco Colasanti for an amount of Euro 36,000 and expiring on 31 July 2020 renewable until 31 July 2031.

- Surety given to guarantee the lease contract of the property located in Piazzale della Stazione in Santa Palomba - Pomezia, in favour of Angelini Immobiliare S.p.A. for an amount of Euro 53,000 and expiring on 31 July 2021.
- Surety given to guarantee the lease contract for the store located in Corso Genova in Milan, in favour of Gecfin s.r.l. for an amount of Euro 146,250 and expiring on 31 July 2021.
- Surety given to guarantee the lease contract for the store located in Corso Buenos Aires in Milan, in favour of Estate s.r.l. for an amount of Euro 400,000 and expiring on 31 August 2021, renewable until 31 August 2032.
- Surety given to guarantee the lease contract of the property located in Corso Venezia in Milan, in favour of Immobiliare Automobile Club di Milano S.p.A. for an amount of Euro 85,000 and expiring on 14 December 2021.
- Surety given to guarantee the lease contract for the store located in Viale dei Colli Portuensi in Rome, in favour of Cristiana Marrucco for an amount of Euro 27,000 and expiring on 3 December 2021.

	Amount
Guarantees	897,250
of which real	-

Information on assets and loans allocated to a specific business

Comment

Assets allocated to a specific business

It is hereby stated that, at the closing date of the financial statements, there were no assets allocated to a specific business as per no. 20 of art. 2427 of the Italian Civil Code.

Loans for a specific business

It is hereby stated that, at the closing date of the financial statements, there were no loans for a specific business as per no. 21 of art. 2427 of the Italian Civil Code.

Information on transactions with related parties

Comment

Transactions with related parties were carried out during the year; these transactions were concluded at arm's length, therefore, based on current regulations, no additional information is provided.

COMPANY NAME	Trade receivables	Trade payables	Financial receivables	Financial payables	Other receivables	Other payables	Purchases	Sales
Expandi	607,849						264,000	231,952
Clubdeal								211,500
Hi Capital Advisors Ltd		66,000					66,000	
Kat Srl								411,000
Nova Spa	1,355						270,319	97,043
Portobello Consulting	256,505						38,912	210,250
RS production	14,640	288,784					1,206,200	312,000

Salubermd Srl		600,000	600,000
Wins Srl	53,513	28,013	265
Wolt Spa		203,972	
Web Magazine Maker	147,347	509,476	498,685

COMPANY NAME	Revenues as at 31 December 2020	% Revenues as at 31/12/2020
Expandi	231,952	0.36%
Clubdeal	211,500	0.33%
Kat Srl	411,000	0.64%
Nova Spa	97,043	0.15%
Portobello Consulting	210,250	0.33%
RS production	312,000	0.49%
Salubermd Srl	600,000	0.94%
Wins Srl	265	0.00%
Web Magazine Maker	498,685	0.78%

Information on agreements not resulting from the balance sheet

Comment

During the year, no agreement was put in place that did not appear in the balance sheet.

Information on significant events after year end

Comment

With reference to point 22-quater of art. 2427 of the Italian Civil Code, as regards the reporting of the main significant events occurring after the end of the year that had a significant impact on the equity, financial and economic performance, please refer to the specific section in the Report on Operations.

Companies that prepare the financial statements of the largest/smallest group of companies to which they belongs as a subsidiary

Introduction

There are no cases pursuant to art. 2427, numbers 22-quinquies and sexies of the Italian Civil Code.

Information on derivative financial instruments pursuant to art. 2427-bis of the Italian Civil Code

Comment

It is hereby stated that in 2020 the Company activated an Interest Rate Swap (IRS) contract to hedge any fluctuations in the variable rate applied to the medium/long-term loan with a variable rate linked to the performance of the Euribor subscribed with Deutsche Bank.

The contract makes it possible to transform the interest payments on the variable-rate loan to which it is linked into fixed-rate cash flows. On a quarterly basis, the positive/negative difference is settled, calculated on the reference notional (amount of the loan), between the fixed rate and 3MEURIBOR:

3MEURIBOR > SWAP RATE, the Company receives the differential payment;

3MEURIBOR < SWAP RATE, the Company makes the differential payment;

There are no significant terms and/or conditions that may affect the amount, due dates and certainty of future cash flows.

The market value of the derivative as at 31 December 2020 was Euro 69,556

The relative value is recorded under Provisions for risks and charges and as a negative reserve under "Other reserves".

Summary statement of the financial statements of the company that exercises management and coordination

Introduction

Pursuant to art. 2497-bis, par. 4 of the Italian Civil Code, we state that the company is not subject to management and coordination by others.

Proposal for the allocation of profits or coverage of losses

Comment

Dear Shareholders, in light of the above, the management body proposes to allocate the profit for the year as follows:

- Euro 3,684 to the legal reserve;
- Euro 5,950,962 to the extraordinary reserve.

Explanatory notes, final part

Comment

Dear Shareholders, We confirm that these financial statements, consisting of the balance sheet, income statement, cash flow statement and explanatory notes, provide a true and fair view of the equity and financial position of the company, as well as the economic result for the year and correspond to the accounting

records. We therefore invite you to approve the draft financial statements as at 31 December 2020 together with the proposed allocation of the profit for the year, as prepared by the administrative body.

The financial statements are true and correspond to the accounting records

Rome, 16/03/2021

The Board of Directors

Roberto Bacchi, Chairman

Simone Prete Deputy Chairman and Chief Executive Officer

Fabio Pignatelli, Director

Pietro Peligra, Director