TABLE OF CONTENTS

ANNUAL FINANCIAL REPORT ON OPERATIONS AT 31 MARCH 2018 1

NOTICE OF CALL OF THE SHAREHOLDERS' MEETING 4

REPORT ON OPERATIONS AT 31 MARCH 2018 7

CORPORATE BODIES HOLDING OFFICE AT 31 MARCH 2018 9

THE GROUP STRUCTURE 10

INFORMATION ON OPERATIONS 11

RESEARCH AND DEVELOPMENT ACTIVITY 20

RELATIONS WITH RELATED PARTIES 20

PERFORMANCE OF PIQUADRO S.P.A. 21

SIGNIFICANT EVENTS AFTER THE YEAR-END 26

OUTLOOK 26

OTHER INFORMATION 27

LEGISLATIVE DECREE NO. 231/2001 29

CONSOLIDATED NON-FINANCIAL DECLARATION 30

EQUITY INVESTMENTS HELD BY THE MEMBERS OF CORPORATE BODIES 31

CORPORATE GOVERNANCE AND SELF-REGULATORY CODE 32

MANAGEMENT AND COORDINATION ACTIVITY 35

TRANSACTIONS WITH RELATED PARTIES 36

INFORMATION REQUIRED BY ARTICLES 36 AND 39 OF THE MARKETS' REGULATION....37

INFORMATION BY BUSINESS SEGMENTS AND ANALYSIS OF THE PERFORMANCE OF THE GROUP'S OPERATIONS 38

CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2018 49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION 50

CONSOLIDATED INCOME STATEMENT....52

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME....53

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY....54

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2018....56

CERTIFICATION ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-*TER* OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED AND SUPPLEMENTED....107

INDEPENDENT AUDITORS' REPORT AT 31 MARCH 2018....108

PIQUADRO S.P.A. FINANCIAL STATEMENTS AT 31 MARCH 2018....110

STATEMENT OF FINANCIAL POSITION....111

INCOME STATEMENT....113

STATEMENT OF COMPREHENSIVE INCOME....114

STATEMENT OF CHANGES IN EQUITY....115

CASH FLOW STATEMENT....116

STATEMENT OF FINANCIAL POSITION PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006....118

INCOME STATEMENT PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006120

CASH FLOW STATEMENT PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006....121

NOTES TO THE FINANCIAL STATEMENTS OF PIQUADRO S.P.A. AT 31 MARCH 2018....122

CERTIFICATION ON THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED AND SUPPLEMENTED....171

HIGHLIGHTS OF FINANCIAL STATEMENTS OF SUBSIDIARIES AT 31 MARCH 2018....172

BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING AT 31 MARCH 2018....177

INDEPENDENT AUDITORS' REPORT AT 31 MARCH 2018....187

Piquadro S.p.A.
Registered office: Località Sassuriano, 246 - 40041 Silla di Gaggio Montano (Province of Bologna)
Authorised Share Capital: Euro 1,099,998
Subscribed and paid-up Share Capital: Euro 1,000,000
Bologna Register of Companies, Fiscal Code and VAT no. 02554531208

NOTICE OF CALL OF THE SHAREHOLDERS' MEETING

The Shareholders' Meeting of Piquadro S.p.A. is hereby called on 19 July 2018 at 11:00 a.m., on first call, at the registered office, Località Sassuriano, 246, Silla di Gaggio Montano (Province of Bologna), and, if required, on second call, on 23 July 2018, in the same place and at the same time, in order to discuss and resolve on the following

Agenda

Ordinary session

1. Approval of the financial statements and presentation of the consolidated financial statements relating to the financial year ended 31 March 2018; proposed allocation of profits; Board of Directors' Report on operations; Independent Auditors' Report; Report of the Board of Statutory Auditors; inherent and consequent resolutions.
2. Presentation of the Annual report on remuneration and consultative vote of the Shareholders' Meeting on the Section 1 of the Report on Remuneration pursuant to article 123-*ter* of Legislative Decree no. 58/1998.
3. Proposed adjustment to the fees due to the Independent Auditors for the financial years from 2018 to 2025; inherent and consequent resolutions.
4. Proposed authorisation submitted to the Board for the purchase and sale of treasury shares; inherent and consequent resolutions.

Extraordinary session

1. Proposed approval of the full revocation, in a nominal amount of Euro 93,998, of the increase in the share capital of Piquadro S.p.A., which was the object of a resolution passed by the Shareholders' Meeting on 24 July 2012, to serve the 2012-2017 stock option plan; consequent amendments to section 6 of the Company's By-laws; inherent and consequent resolutions.

Share capital and voting rights
The current share capital of Piquadro S.p.A., subscribed and paid up, is Euro 1,000,000 and is divided into no. 50,000,000 ordinary shares of no par value; each ordinary share is entitled to one vote at the ordinary and extraordinary shareholders' meetings of the Company.
As of today the Company does not hold treasury shares.
Any information about the composition of the share capital is available in the Investor Relations section on the Company's website at the address: www.piquadro.com.

Attendance to the Shareholders' Meeting

Pursuant to law, article 13 of the Company's By-Laws and Article 83-*sexies* of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented ("TUF", Testo Unico della Finanza, Consolidated Act on Finance), the right to attend the Shareholders' Meeting and to exercise voting rights is certified by a special notice to be given to the Company by an authorised intermediary, pursuant to law and according to its accounting records, in favour of the person who is entitled to vote on the basis of the records relating to the end of the accounting session of the seventh open-market day prior to the date set for the Shareholders' Meeting, falling on 10 July 2018.

Those who will become holders of shares after that date will not be entitled to attend and vote at the Shareholders' Meeting. Therefore, the credit and debit entries entered in the accounts after this date are not relevant for the purposes of the right to exercise voting rights at the Shareholders' Meeting.

In order to facilitate the assessment of the right, the entitled persons are invited to produce a copy of the notice given to the Company by the intermediary which, in accordance with the regulations in force, is required to make available to them.

The abovementioned notices shall be sent to the Company by the intermediary within the time limits set out by the regulations in force, i.e. by the end of the third open-market day prior to the date set for the Shareholders' Meeting (i.e. 16 July 2018). This provision shall apply without prejudice to the right to attend the meeting and to vote in the event of the notices being received by the Company after the time limits specified, provided they are received by the beginning of the meeting's proceedings. The attendance by the shareholders at the Shareholders' Meeting is regulated by the relevant laws and regulations.

Each Shareholder who is entitled to attend the Shareholders' Meeting may be represented by others, by a written proxy pursuant to the current provisions of law. A proxy form is also available on the Company's website: www.piquadro.com, in the Section on Investor Relations, as well as at the registered office. The proxy may be notified to the Company, by registered letter to be sent to the registered office of the Company or by e-mail to be sent to the e-mail address investor.relator@piquadro.com. The preliminary notification (if any) does not exempt the proxy from the obligation to certify, at the time of the accreditation to access the meeting's proceedings, the compliance by the notified copy with the original document and the identity of the appointing party.

Pursuant to article 135-*undecies* of the TUF, the Company has appointed Società per Amministrazioni Fiduciarie "SPAFID" S.p.A., with registered office in Milan, as Representative of the Shareholders.
The proxy must include voting instructions on all or part of the proposals on the agenda and is only effective for the proposals in relation to which voting instructions have been given. No proxy may be granted to Spafid S.p.A., unless in its capacity as the designated Representative of the Company.
in compliance with the Italian regulations in force, the proxy must be granted through the execution, by autograph signature or qualified electronic signature or digital signature, of the specific form available on the Company's website at the address: www.piquadro.com, in the Section on Investor Relations, at the registered office and shall be received as an original document by the end of the second Open-market day prior to the date set for the shareholders' meeting, including on second call (i.e. by 17 July 2018 or, if the Shareholders' Meeting is held on second call, on 19 July 2018). The proxy shall be accompanied by a copy of a current and valid identity document of the Appointing Shareholder or, if the Appointing Shareholder is a legal person, of the *pro-tempore* legal representative or of any other person who is duly empowered, together with such documents as are appropriate to certify their title and powers and sent to Spafid S.p.A., at the following address: Foro Buonaparte, 10 – 20121 Milan, Ref. "Proxy for the Shareholders' Meeting of Piquadro - 2018", by hand delivery in business hours (from 9:00 a.m. to 5:00 p.m.) or sent by registered letter with return receipt or by courier. Without prejudice to the service of the original document of the proxy accompanied by voting instructions, it may also be served by email sent to the certified email address: assemblee@pec.spafid.it. The service of the proxy through the aforesaid certified email address, as duly executed by digital signature pursuant to the regulations in force, meets the requirement of written form. The proxy and the voting instructions may be revoked within the same time limits referred to above.
The shares for which the proxy has been granted, even partially, are included in the calculation for the purposes of duly establishing the Shareholders' Meeting; in relation to the proposals for which no voting instructions have been given, the shares are not included in the calculation for the purposes of setting out the majority and the capital quota required for the approval of resolutions.

Questions
Pursuant to article 127-*ter* of the T.U.F., the Shareholders may make questions on the issues on the agenda, also before the Shareholders' Meeting, provided this occurs by 16 July 2018, by sending the same to the Company's registered office by registered letter or by e-mail to the e-mail address investor.relator@piquadro.com; the questions shall be accompanied by an appropriate notice issued by the authorised intermediary, proving the entitlement to exercise the voting right. The questions received before the Shareholders' Meetings will be given a reply at the latest during the same. The Company may provide a single reply to the questions having the same content.

Voting procedures may not be carried out by correspondence or by electronic means.

Additions to the agenda

Pursuant to article 126-*bis* of the TUF, the Shareholders who represent, also jointly, at least a fortieth of the share capital, may ask, within 10 days of the publication of this notice (i.e. by 25 June 2018), to make additions to the list of issues to be discussed, specifying the additional proposed issues in the request.
The questions, together with the certification proving the ownership of the shareholding, shall be sent in writing, by registered office with return receipt, to the registered office or by email sent to the address: investor.relator@piquadro.com.
The applicant shareholders shall deliver, by the time limit set out for the submission of request for additions, a report to the Board of Directors on the proposed issues for discussion. Additions to the agenda are not allowed for issues on which the Shareholders' Meeting resolves, pursuant to law, at the proposal of the Board of Directors or based on a project or report prepared by the same, other than the reports that are usually prepared by the Board of Directors on the issues on the agenda.
With reference to the limits, the procedures and/or the time limits for these additions, reference is made to the current laws and regulations and section 12.5 of the Company's By-Laws.

Documentation

The Company's By-Laws, whose current text is available to the Shareholders at the registered office, may be perused on the Company's website www.piquadro.com, in the Section on Investor Relations.

The documentation relating to the issues on the agenda required by the current regulations, the full texts of the proposed resolutions, together with the explanatory reports required by the current regulations and any other information under article 125-*quater* of the TUF are made available to the public at the registered office and published on the Company's website www.piquadro.com, in the Section on Investor Relations, and at the authorised storage system named "eMarket Storage" that can be accessed from the address: www.emarketstorage.com, within the time limits set out by law and according to the procedures envisaged by the current regulations.

The annual financial report (including the draft financial statements, the consolidated financial statements, the report on operations and the certification required by article 154-*bis*, paragraph 5, of the TUF), the independent auditors' report, as well as the Board of Statutory Auditors' report will be made available to the public, at the registered office and made available on the Company's website www.piquadro.com, in the Section on Investor Relations, and at the authorised storage system named "eMarket Storage" that can be accessed from the address: www.emarketstorage.com, within the time limits set out by law and according to the procedures envisaged by the current regulations. The Shareholders are entitled to obtain a copy thereof.

The Shareholders' Meeting may be attended by experts, financial analysts and journalists who are invited to send, for this purpose, a request for participation at least two days before the meeting on first call to the following fax number: fax +39 0534 409090.

Silla di Gaggio Montano, 15 June 2018

The Chairman of the Board of Directors
Marco Palmieri

The abstract of this notice of call was also published by the Company in the daily newspaper *Il Giornale* on 15 June 2018.

Corporate details

Piquadro S.p.A.

Registered office: Località Sassuriano, 246 - 40041 Silla di Gaggio Montano (Province of Bologna)

Authorised Share Capital: Euro 1,099,998

Subscribed and paid-up Share Capital: Euro 1,000,000

Bologna Register of Companies, Fiscal Code and VAT no. 02554531208

Production plants, offices and directly operated stores ("DOSs") through which the Group operates

Silla di Gaggio Montano, Località Sassuriano (Province of Bologna)	*Headquarters, logistics and Offices*
Guangdong, The People's Republic of China (registered office of Uni Best Leather Goods Zhongshan Co. Ltd)	*Production plant*
Milan - Via della Spiga 33 (Piquadro S.p.A.)	*Point of sale*
Milan - Linate Airport (Piquadro S.p.A.)	*Point of sale*
Barcelona - Paseo de Gracia 11, Planta Baja (Piquadro España SLU)	*Point of sale*
Rome - Galleria Colonna (Piquadro S.p.A.)	*Point of sale*
Bologna - Piazza Maggiore 4/B (Piquadro S.p.A.)	*Point of sale*
Barberino del Mugello (FI) – "Factory Outlet Centre" (Piquadro S.p.A.)	*Retail outlet*
Fidenza (PR) - "Fidenza Village" (Piquadro S.p.A.)	*Retail outlet*
Rome - c/o Centro Commerciale Cinecittà (Piquadro S.p.A.)	*Point of sale*
Rome - c/o Galleria N. Commerciale di "Porta Roma"(Piquadro S.p.A.)	*Point of sale*
Vicolungo (NO) - Parco Commerciale (Piquadro S.p.A.)	*Retail outlet*
Rome - c/o Euroma 2 (Piquadro S.p.A.)	*Point of sale*
Valdichiana (AR) - "Valdichiana Outlet Village" (Piquadro S.p.A.)	*Retail outlet*
Noventa di Piave (VE) - "Factory Outlet Centre" (Piquadro S.p.A.)	*Retail outlet*
Rome - Fiumicino Airport (Piquadro S.p.A.)	*Point of sale*
Milan - Via Dante 9 (Piquadro S.p.A.)	*Point of sale*
Bologna - "G. Marconi" Airport (Piquadro S.p.A.)	*Point of sale*
Taipei (Taiwan) - Eslite Dun Nan (Piquadro Taiwan Co. Ltd.)	*Point of sale*
Taipei (Taiwan) - Xin Yin Shop (Piquadro Taiwan Co. Ltd.)	*Point of sale*
Marcianise (CE) - c/o "Factory Outlet Centre" (Piquadro S.p.A.)	*Retail outlet*
Agira (EN) - Sicilia Fashion Outlet Centre (Piquadro S.p.A.)	*Retail outlet*
Rimini - Shopping Mall "Le Befane" (Piquadro S.p.A.)	*Point of sale*
Milan – Corso Buenos Aires 10 (Piquadro S.p.A)	*Point of sale*
Kaohsiung City (Taiwan) - Shopping Mall "Dream Mall" (Piquadro Taiwan Co. Ltd.)	*Point of sale*
Pescara – Via Trento 10 (Piquadro S.p.A)	*Point of sale*
Mantova – Shopping Mall "Fashion District" (Piquadro S.p.A)	*Retail outlet*
Rozzano (MI) – Shopping Mall "Fiordaliso" (Piquadro S.p.A.)	*Point of sale*
Rome – Via Frattina 149 (Piquadro S.p.A.)	*Point of sale*
Mendrisio (Switzerland) – Fox Town Outlet Centre (Piquadro Swiss SA)	*Retail outlet*
Barcelona (Spain) – El Corte Inglés, Placa Catalunya 14 (Piquadro España SLU)	*Point of sale*
Verona – Piazza delle Erbe 10 (Piquadro S.p.A.)	*Point of sale*
Milan - Malpensa Airport Terminal 1 - Tulipano Area (Piquadro S.p.A.)	*Point of sale*
Castelromano (RM) – "Factory Outlet Centre" (Piquadro S.p.A.)	*Retail outlet*
Venice – Mercerie del Capitello 4940 (Piquadro S.p.A.)	*Point of sale*
Turin – Via Roma 330/332 (Piquadro S.p.A.)	*Point of sale*
Florence – Via Calimala 7/R (Piquadro S.p.A.)	*Point of sale*
Forte dei Marmi (LU) – Via Mazzini 15/b (Piquadro S.p.A.)	*Point of sale*
Valencia (Spain) – El Corte Inglés, Calle Pintor Sorolla (Piquadro España SLU)	*Point of sale*
Barcelona (Spain) – El Corte Inglés Diagonal, Av. Diagonal (Piquadro España SLU)	*Point of sale*
London (United Kingdom) – Regent Street 67 (Piquadro UK Limited)	*Point of sale*
Castelguelfo (BO) - "The Style Outlets" (Piquadro S.p.A.)	*Retail outlet*
Tainan City (Taiwan) – Mitsukoshi Taipei Xinyi (Piquadro Taiwan Co. Ltd.)	*Point of sale*
New York (USA) - New York Madison Avenue (Piquadro LLC)	*Point of sale*

Serravalle Scrivia (AL) - ”Serravalle Designer Outlet” (Piquadro S.p.A.)	*Retail outlet*
Barcelona (Spain) - “La Roca Village”, Local 154/A (Piquadro España SLU)	*Retail outlet*
Rome – Fiumicino Airport, Area D (Piquadro S.p.A.)	*Point of sale*
Milan - Malpensa Airport, Terminal 2 - Ferno (VA) (Piquadro S.p.A.)	*Point of sale*
Moscow (Russia) – Afimall TC (OOO Piquadro Russia)	*Point of sale*
Moscow (Russia) – Metropolis TC (OOO Piquadro Russia)	*Point of sale*
Moscow (Russia) – Mega Balaja Dacha (OOO Piquadro Russia)	*Point of sale*
Moscow (Russia) – Atrium TEC (OOO Piquadro Russia)	*Point of sale*
Milan – Scalo Milano City Style (Piquadro S.p.A.)	*Retail outlet*
Rome - Fiumicino Airport, Terminal 3 (Piquadro S.p.A.)	*Point of sale*
Moscow (Russia) – Vuknovo (OOO Piquadro Russia)	*Point of sale*
Milan - City Life (Piquadro S.p.A.)	*Point of sale*
Hong Kong - Time Square (Piquadro Hong Kong)	*Point of sale*

Milan - Via Landolfo 1 (The Bridge S.p.A.)	*Point of sale*
Turin - Via Lagrange 19 (The Bridge S.p.A.)	*Point of sale*
Bari - Via Argiro 16-16/A (The Bridge S.p.A.)	*Point of sale*
Serravalle Scrivia (AL) - Serravalle Designer Outlet (The Bridge S.p.A.)	*Retail outlet*
Marcianise (CE) - “Factory Outlet Centre” (The Bridge S.p.A.)	*Retail outlet*
Castelromano (Rome) - Factory outlet store (The Bridge S.p.A.)	*Retail outlet*
Dittaino (EN) - Sicily Outlet Village (The Bridge S.p.A)	*Retail outlet*
Fidenza (PR) - “Fidenza Village” (The Bridge S.p.A.)	*Retail outlet*

Introduction

This Report on Operations (or the "Report") relates to the consolidated and separate financial statements of Piquadro S.p.A. (hereinafter also referred to as the "Company" or the "Parent Company") and its Subsidiaries ("Piquadro Group" or the "Group") at 31 March 2018, as prepared in accordance with IAS/IFRS ("International Accounting Standards" and "International Financial Reporting Standards") issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission and supplemented by the related interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC), which was previously named Standing Interpretations Committee (SIC), as well as with the orders enacted in the implementation of article 9 of Legislative Decree no. 38/2005.

The Report must be read together with the Financial Statements and the related explanatory Notes, which make up the financial statements relating to the financial year 1 April 2017 – 31 March 2018 (the "FY 2017/2018").

The financial year under consideration is compared to the data for the 2016/2017 financial year (the "FY 2016/2017"), which relates to the period from 1 April 2016 to 31 March 2017.

Some items for the previous year have been reclassified for the purposes of a more detailed reporting in the financial statements. Below are the reclassifications made on the Group's consolidated financial statements:

a) **"Other current receivables" at 31 March 2017 included a balance of Euro 3,411 thousand; the item includes the reclassification of receivables from employees of Euro 62 thousand, stated as a reduction in the balance of "Payables to employees", from "Other current liabilities"; "Other current receivables" at 31 March 2017, including the aforesaid reclassification, amounted to Euro 3,473 thousand;**

b) **"Other current liabilities" at 31 March 2017 included a balance of Euro 4,344 thousand; the item includes the reclassification of receivables from employees of Euro 62 thousand to "Other current receivables", stated as a reduction in the balance of "Payables to employees" among "Other current liabilities".**
An amount of Euro 1,380 thousand relating to IRPEF tax payables was also reclassified from "Other current liabilities" to "Tax payables".
"Other current liabilities" at 31 March 2017, including the aforesaid reclassifications, amounted to Euro 3,026 thousand;

c) **"Tax payables" at 31 March 2017 included a balance of Euro 464 thousand; the item includes the reclassification of an amount of Euro 1,380 thousand of IRPEF tax payables from "Other current liabilities". "Tax payables" at 31 March 2017, including the aforesaid reclassification, amounted to Euro 1,844 thousand.**

As regard the subsidiary The Bridge S.p.A., it should be noted that its results of operations for the FY 2016/2017 were consolidated within the Piquadro Group for the last quarter only (from 1 January 2017 to 31 March 2017).

Except as otherwise indicated, in this Report the accounting balances are shown in thousands of Euro, in order to facilitate its reading and to improve its clarity.

CORPORATE BODIES HOLDING OFFICE AT 31 MARCH 2018

- **BOARD OF DIRECTORS**
  (holding office for three years until the date of the Shareholders' Meeting called to approve the financial statements at 31 March 2019)

Marco Palmieri	*Chairman and CEO*
Marcello Piccioli	*Managing director*
Roberto Trotta	*Managing director*
Pierpaolo Palmieri	*Managing director*
Paola Bonomo	*Independent non-executive Director*
Catia Cesari	*Independent non-executive Director*
Barbara Falcomer	*Independent non-executive Director*

- **AUDIT AND RISK COMMITTEE**
  (holding office for three years until the date of the Shareholders' Meeting called to approve the financial statements at 31 March 2019)

Barbara Falcomer	*Chairman*
Paola Bonomo	*Independent non-executive Director*
Catia Cesari	*Independent non-executive Director*

- **REMUNERATION COMMITTEE**
  (holding office for three years until the date of the Shareholders' Meeting called to approve the financial statements at 31 March 2019)

Catia Cesari	*Chairman*
Paola Bonomo	*Independent non-executive Director*
Barbara Falcomer	*Independent non-executive Director*

- **LEAD INDEPENDENT DIRECTOR**
  Paola Bonomo

- **BOARD OF STATUTORY AUDITORS**
  (holding office for three years until the approval of the financial statements at 31 March 2019)

Regular members

Pietro Michele Villa	*Chairman*
Giuseppe Fredella	
Patrizia Lucia Maria Riva	

Substitute members
Giacomo Passaniti
Maria Stefania Sala

- **INDEPENDENT AUDITORS**
  (holding office for nine years until the approval of the financial statements at 31 March 2025)

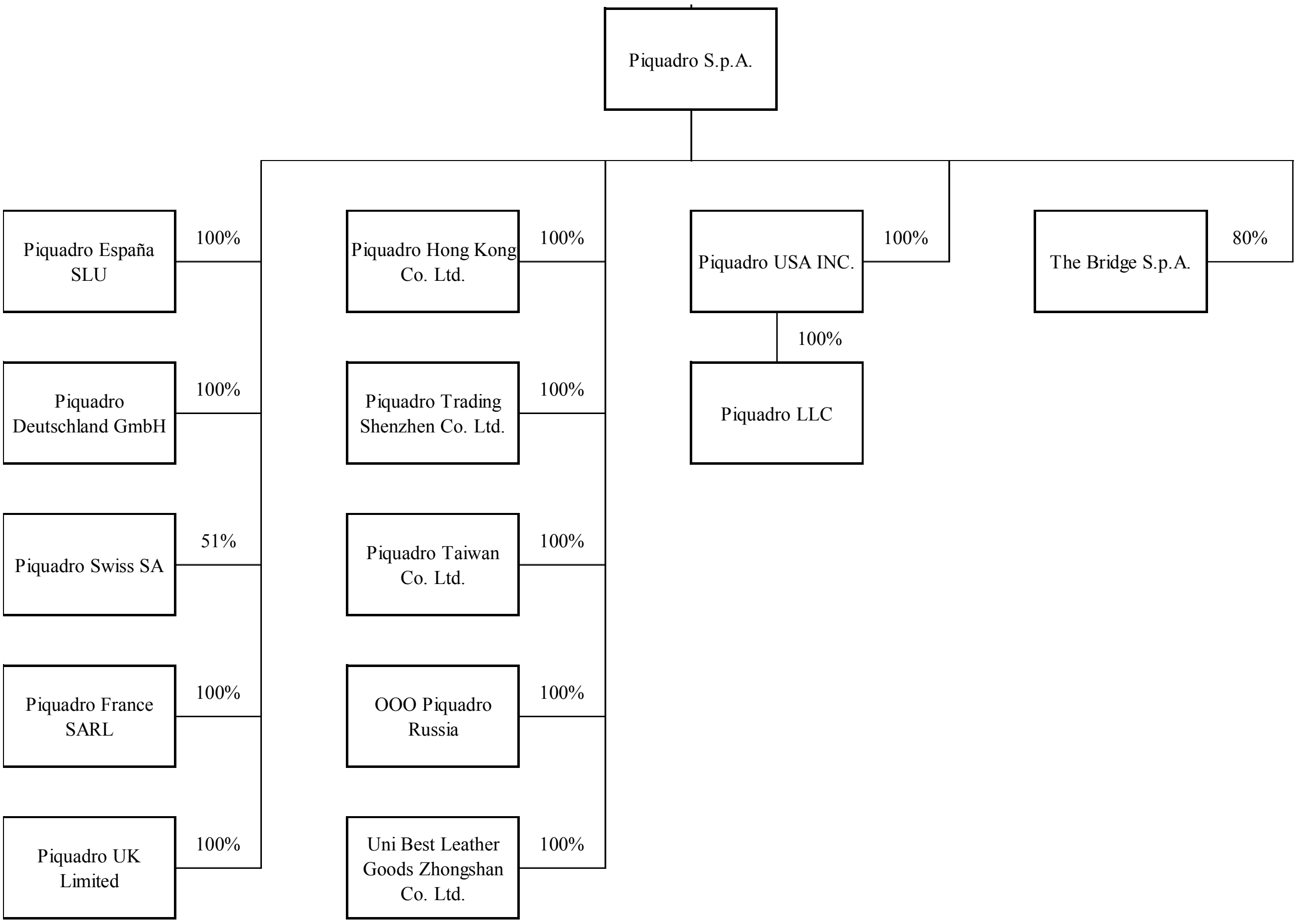
  Deloitte & Touche S.p.A.

- **FINANCIAL REPORTING OFFICER**
  Roberto Trotta

- **SUPERVISORY BOARD**
  Mario Panzeri

THE GROUP STRUCTURE

The chart below shows the structure of the Piquadro Group at 31 March 2018:



The Group's business

The Piquadro Group operates in the leather goods market and designs, manufactures and markets goods under its own brand names (Piquadro and The Bridge); these goods are distinguished by a focus on design and on technical and functional innovation, which is then transferred to the manufacture of bags, suitcases and accessories.
The flexibility of the business model adopted by the Group allows it to maintain control over all of the critical phases of the production and distribution chain. Indeed, the Group carries out the design, planning, production, purchasing, quality, marketing, communication and distribution phases wholly within the confines of its organisation and only resorts to outsourcing for a part of the production activities, although it also retains control over the quality and efficiency of the phases that are currently outsourced.
As regards Piquadro-branded products, as of 31 March 2018, part of the small leather goods and of some lines of briefcases, which accounts for about 34.9% of the Piquadro-branded turnover, were produced internally, through the Subsidiary Uni Best Leather Goods Zhongshan Co. Ltd. at the plant located in Zhongshan in the region of Guangdong (People's Republic of China). Production activities, which are partially carried out by companies outside the Group for Piquadro and The Bridge-branded products, are outsourced to external suppliers of proven competence and quality, mainly located in China, Hong Kong, Italy, India and the Czech Republic. This activity is carried out on the basis of prototypes that are engineered and supplied by the Group, whose own employees then carry out direct checks of the quality of the manufactured products.
The products are sold through a network of specialist stores that are able to enhance the prestige of the Piquadro and The Bridge brands. For this purpose, the Group makes use of a distribution network focused on two channels:

(i) a direct channel which, at 31 March 2018, included 63 directly operated single-brand stores (the so-called "Directly Operated Stores" or "DOSs"), of which 55 Piquadro-brand stores and 8 The Bridge-brand stores;

(ii) an indirect channel (Wholesale), which is represented by multi-brand shops/department stores, single-brand shops run by third parties linked to the Group by franchise agreements (51 shops at 31 March 2018, of which 44 Piquadro-brand stores and 7 The Bridge-brand stores) and by distributors who then resell the articles in specialist multi-brand shops.

In the financial year ended 31 March 2018, about 31% of the Group's consolidated revenues were achieved through the direct Piquadro-brand channel (+6.7% compared to the financial year ended 31 March 2017), while 44.6% was achieved through the indirect Piquadro-brand channel (+2.7% compared to the financial year ended 31 March 2017) and 24.3% through the sale of The Bridge-branded products.

Operations

In the financial year ended 31 March 2018 the Piquadro Group recorded, at revenue level, an increasing performance of 28.6% compared to the FY 2016/2017. In fact, the Piquadro Group reported net sales revenues equal to Euro 97,627 thousand compared to Euro 75,912 thousand recorded in the previous year. The increase in revenues, which is commented on in detail below in this Report, was attributable both to the inclusion of The Bridge S.p.A. in the consolidation area for the entire tax year and to an increase in sales of Piquadro-branded products (+4.3%).
While excluding sales from The Bridge S.p.A., sales volumes, in terms of quantities sold during the financial year ended 31 March 2018, were equal to about 1,072 thousand units, down by about 4.2% compared to the value posted in the financial year ended 31 March 2017 (about 1,119 thousand units sold). While excluding sales from The Bridge S.p.A., as regards average selling prices, the financial year ended 31 March 2018 reported an increase equal to about 4.3% compared to the previous year, including the mix effect.

Sales revenues

In the financial year ended 31 March 2018 the Piquadro Group reported sales revenues equal to Euro 97,627 thousand, up by 28.6% compared to the financial year ended 31 March 2017. The increase in the turnover was determined both by the inclusion of The Bridge S.p.A. in the consolidation area for the entire tax year, which recorded revenues from sales of The Bridge-branded products for Euro 23,760 thousand, and by the growth of the sales of Piquadro-branded products, in particular in the DOS channel. The latter channel also includes the sales from the Group's e-commerce website, which showed an increase of 19.7% compared to the financial year ended 31 March 2017.
The relevant tables report the breakdown of sales revenues by brand (Piquadro and The Bridge). The brand is then further broken down into direct (DOS) and indirect (Wholesale) sales channels. The latter segment is not significant

for The Bridge brand: for this reason, the breakdown of the two channels is not commented on below in this Annual Financial Report.
Below are reported the breakdowns of revenues by distribution channel and geographical area.

Breakdown of revenues by distribution channel

The table below reports the breakdown of consolidated sales revenues by distribution channel, expressed in thousands of Euro for the financial year ended 31 March 2018 and compared to the financial year ended 31 March 2017:

Sales channel *(in thousands of Euro)*	**Sales revenues at 31 March 2018**	**%**	**Sales revenues at 31 March 2017**	**%**	**% Change 2018/2017**
Piquadro DOSs	30,303	31.0%	28,405	37.4%	6.7%
Piquadro Wholesale	43,564	44.6%	42,423	55.9%	2.7%
The Bridge	23,760	24.3%	5,084	6.7%	367.3%
Total	**97,627**	**100.0%**	**75,912**	**100.0%**	**28.6%**

With reference to the Piquadro brand, the revenues reported by the DOS channel increased by 6.7% compared to the financial year ended 31 March 2017; this increase was mainly determined both by the marginal increase in the quantities sold in the already existing shops in the previous year. The DOS channel also included the sales from the Group's e-commerce website, which showed an increase of 19.7%. Assuming that the perimeter remained unchanged and then deducted the sales recorded by the shops which were not present in the previous financial year, the sales revenues reported by the DOS channel recorded an increase equal to about 3.3% (assuming an equal number of days of opening and constant rates of exchange, the Same Store Sales Growth – SSSG – figures reported an increase equal to about 3.4%).

The strategy planned by the Group is aimed at also developing sales activities through the DOS shops in view of the capacity to maximise the prestige of the Piquadro and The Bridge brands, in addition to allowing distribution to be controlled more directly and greater attention to be paid to satisfying the end consumer.

With reference to the Piquadro brand, sales reported by the Wholesale channel**,** which accounted for 44.6% of the Group's total turnover at 31 March 2018, recorded an increase of 2.7% compared to the FY 2016/2017. This increase was mainly driven by higher sales in domestic and European markets. The sales from the Wholesale channel in the domestic market, which account for 33.0% of consolidated sales (40.9% at 31 March 2017) showed an increase of 3.8%. Sales reported by the Wholesale channel in the European market, at 31 March 2018, accounted for 10.6% % of the Wholesale sales of the Piquadro Group, showing an increase of 13.3%. At 31 March 2018, sales reported by the Wholesale channel in the non-EU market accounted for 1.1% of consolidated sales (3.0% at 31 March 2017) showing a decrease of 54.4% (equal to about Euro 1.2 million).

Breakdown of revenues by geographical area

The table below reports the breakdown of net revenues by geographical area (in thousands of Euro):

(in thousands of Euro)	**Sales revenues at 31 March 2018**	**%**	**Sales revenues at 31 March 2017**	**%**	**% Change 2018/2017**
Italy	74,225	76.0%	56,545	74.5%	31.3%
Europe	20,615	21.1%	15,434	20.3%	33.6%
Rest of the World	2,787	2.9%	3,933	5.2%	(29.1%)
Total	**97,627**	100.0%	**75,912**	**100.0%**	**28.6%**

From a geographical point of view, at 31 March 2018, the Group's revenues showed an increase of 31.3% in the sales on the Italian market, which accounts for a percentage of the Group's total turnover which is still high, equal to 76.0% (74.5% of consolidated sales at 31 March 2017). Without considering the increase in revenues due to the sale of The Bridge-branded products, the sales relating to Piquadro-branded products in the Italian market showed an increase of 6.1%.

On the contrary, in the European market, the Group recorded a turnover of Euro 20.6 million, equal to 21.1% of consolidated sales (20.3% of consolidated sales at 31 March 2017), up by 33.6% compared to the FY 2016/2017. Without considering the increase in revenues due to the sale of The Bridge-branded products, the sales relating to Piquadro-branded products in the European market showed an increase of 9.8%.
In the non-European geographical area (named "Rest of the World"), where the Group sells in 23 Countries, turnover decreased by 29.1% (equal to about Euro 1.1 million) compared to the FY 2016/2017.

To complete the analysis of turnover reported above, the Management believes that the main factors which had a significant impact on the Group's volume of sales revenues in the current financial year are linked to the following:

(i) inclusion of The Bridge S.p.A. in the consolidation area for the entire tax year;
(ii) a positive SSSG data in the comparable Piquadro shops, equal to about 3.4% at current exchange rates;
(iii) an increase in average prices, including the mix effect, equal to about 4.3% in the financial year ended 31 March 2018 compared to the financial year ended 31 March 2017, net of the effect of the acquisition of The Bridge S.p.A.;
(iv) an increase of 2.7% in the Wholesale turnover of Piquadro.

The financial statements for the year ended 31 March 2018 saw a performance of the Group's profitability showing a sharp increase compared to the same period in the previous year, with an improved operating result compared to the FY 2016/2017 (from Euro 5,689 thousand – equal to 7.5% of total sales revenues - in the financial year ended 31 March 2017 to Euro 7,871 thousand – equal to 8% of total sales revenues - in the financial year ended 31 March 2018). It should be noted that the operating result of the financial statements for the year ended 31 March 2017 was affected by the positive effect, equal to Euro 1,088 thousand, relating to the disposal of the point of sale located at Saint Honoré, the only one managed by the French subsidiary Piquadro France SARL.

In the opinion of the Management, the performance of the operating result, compared to the previous financial year, was attributable to the combined effect of the following key factors:

d) **an increased profitability in the DOS segment (DOSs and e-commerce) as a result of positive performances in terms of SSSG from Directly Operated Stores, specifically at the Italian shops, and of an increased profitability from sales recorded through the e-commerce website operated by the Group;**
e) **an increase in the margins from the Wholesale segment, as a result of higher sales;**
f) **the contribution given by The Bridge S.p.A., whose positive differential at operating result level was equal to about Euro 700 thousand.**

In general the Piquadro Group reported an improvement in manufacturing margins, also due to a more favourable Euro/USD exchange rate, which affected direct production costs.
At pre-tax result level, the Group recorded an improved result by 30.4%, from Euro 5,371 thousand at 31 March 2017 to Euro 7,006 thousand recorded in the financial year ended 31 March 2018.

Summary economic-financial data and alternative performance indicators

The Piquadro Group uses the Alternative Performance Indicators (APIs) in order to provide information on the performance of profitability of the businesses in which it operates, as well as on its own financial position and results of operations, in a more effective manner. In accordance with the guidelines published by the European Securities and Markets Authority (ESMA/2015/1415) on 5 October 2015 and consistently with the CONSOB notice no. 92543 of 3 December 2015, the content and the criterion to determine the APIs used in these financial statements are described below.

g) **EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation, or Gross Operating Margin) is an economic indicator that is not defined by the International Accounting Standards. EBITDA is a unit of measurement utilised by the Management to monitor and assess the Group's operational performance. The Management believes that EBITDA is an important parameter for the measurement of the Group's performance, as it is not affected by the volatility due to the effects of the various criteria for the determination of taxable income, by the amount and characteristics of the capital employed, as well as by the amortisation and depreciation policies. EBITDA is defined as the Earnings for the period before depreciation and write-downs of property, plant and equipment and amortisation of intangible assets, financial income and charges and the income taxes for the period.**

h) **Operating result (EBIT – Earnings Before Interest and Taxes) is the Earnings for the period before financial income and charges and income taxes.**
i) **The Net Financial Position ("NFP") utilised as a financial indicator of borrowing, is represented as the sum of the following positive and negative components of the Statement of Financial Position, as required by CONSOB Notice no. 6064293 of 28 July 2006. Positive components: cash and cash equivalents, liquid securities under current assets, short-term financial receivables. Negative components: payables to banks, payables to other lenders, leasing and factoring Companies.**
j) **The ROI, i.e. the return on net invested capital, is given by the ratio of net Operating Margin to net invested capital (for the related breakdown reference is made to the paragraph on the "Balance sheet" structure) and is expressed as a percentage. This indicator is used as a financial target in both internal (business plans) and external (analysists and investors) presentations and intends to measure the ability to produce wealth through operations and therefore to remunerate both net worth and borrowed capital.**
k) **The ROE, i.e. the return on equity, is given by the ratio of net profit to equity and is expressed as a percentage. This indicator is used as a financial target in both internal (business plans) and external (analysists and investors) presentations and intends to measure the profitability obtained by investors on account of risks.**
l) **The ROS, i.e. the average operating result by revenue unit. This ratio expresses the Company's profitability in relation to the revenue flow's ability to generate remuneration.**
m) **Net Working Capital: this item includes "Trade receivables", "Inventories", current non-financial "Other Receivables", net of "Trade payables" and current non-financial "Other Payables".**
n) **The cash flow is given by cash flows from operating activities (operating cash flow), net of distributed dividends. The operating cash flow is calculated on the basis of the gross operating margin, to which must be added the changes in net working capital, net of increases in the provision for bad debts, the uses of the provisions for risks and the Staff Severance Pay, operating and financial investments, financial income and charges and taxes. This indicator is used as a financial target in both internal (business plans) and external (analysists and investors) presentations and intends to measure the Company's ability to generate cash and therefore its ability to self-finance its operations.**

Below are reported the Group's main economic-financial indicators at 31 March 2018:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Revenues from sales	97,627	75,912
EBITDA	10,782	8,794
EBIT	7,871	5,689
Pre-tax result	7,006	5,371
Group's profit for the period	4,773	3,405
Amortisation and depreciation of fixed assets and write-downs of receivables	3,754	3,583
Generation of financial resources (Group net result, amortisation and depreciation, write-downs)	8,527	6,988
Net Financial Position / (Net financial debt)	(3,653)	(8,236)
Shareholders' Equity	40,383	38,284

EBITDA for the period came to Euro 10,782 thousand against Euro 8,794 thousand recorded in the financial year ended 31 March 2017 and at 31 March 2018 it accounted for 11.0% of consolidated revenues (11.6% in the financial year ended 31 March 2017).

Below is a restatement of the economic data, which is aimed at representing the performance of the operating profitability indicator EBITDA:

EBITDA *(in thousands of Euro)*	**31 March 2018**	**31 March 2017**
Operating result	7,871	5,689
Amortisation, depreciation and write-downs	2,911	3,105
EBITDA	**10,782**	**8,794**
Non-recurring EBITDA	0	1,385
Recurring EBITDA	**10,782**	**7,409**

Non-recurring EBITDA in the financial year ended 31 March 2017 included the effects arising from the disposal of the DOS store located in Paris at Rue Saint Honoré, which took place on 26 July 2016, including the capital gain realised, as well as the revenues realised and the costs incurred by Piquadro France SARL in the financial year ended 31 March 2017. While not considering non-recurring elements, EBITDA for the FY 2017/2018 amounted to Euro 10.8 million, up by about 45.5% compared to the recurring EBITDA at 31 March 2017, equal to about Euro 7.4 million.

The Group's amortisation and depreciation were equal to Euro 2,746 thousand in the financial year ended 31 March 2018 (Euro 2,540 thousand in the financial year ended 31 March 2017) and are broken down as follows: Euro 711 thousand relating to intangible assets and Euro 2,035 thousand relating to property, plant and equipment.

Net write-downs, equal to Euro 165 thousand, mainly related to the write-down of furniture and fittings of some points of sales in Asia and to the closure of the point of sale located in Russia.

Financial ratios *(in thousands of Euro)*	**31/03/2018**	**31/03/2017**
EBIT	**7,871**	**5,689**
Non-recurring EBIT	0	1,088
Recurring EBIT	**7,871**	**4,604**

Non-recurring EBIT in the financial year ended 31 March 2017 included the effects arising from the disposal of the DOS store located in Paris at Rue Saint Honoré, as already referred to above; therefore, net of this effect, EBIT at 31 March 2018 showed an increase of about 71.0% compared to the previous financial year.

The result from financial operations, which posted a negative value of Euro 866 thousand (against a negative value of Euro 318 thousand at 31 March 2017), was mainly attributable to the differential between foreign exchange gains and losses, equal to Euro 456 thousand at 31 March 2018 (against a positive value of Euro 128 thousand at 31 March 2017), as well as to the costs relating to the adjustment to the value of the option for the acquisition of The Bridge S.p.A. made by an independent appraiser, equal to about Euro 104 thousand, in addition to the performance of net financial debt.

The pre-tax result recorded by the Group in the financial year ended 31 March 2018 came to about Euro 7,006 thousand (up by 30% against the value recorded in the financial year ended 31 March 2017, equal to Euro 5,371 thousand) and was affected by income taxes, including the effects of deferred taxation, equal to Euro 2,233 thousand (Euro 1,966 thousand at 31 March 2017), at an overall tax rate amounting to 31.8% compared to 36.6% of the previous financial year.

The results obtained in the last financial year were positive and were achieved through increased efficiency in the design, manufacturing and distribution processes, as a result of constant and ever increasing research to optimise the flows of the entire process (from product development to distribution to the end consumer) and through the strengthening of the typical consumer's brand perception.

Profitability ratios

Below are reported the main profitability ratios relating to the FYs ended 31 March 2018 and at 31 March 2017:

Profitability Ratio	**Composition of the ratio**	**31 March 2018**	**31 March 2017**
Return on sales (R.O.S.)	EBIT/Net sales revenues	8.1%	7.5%
Return on Investment (R.O.I.)	EBIT/Net invested capital	17.9%	12.2%
Return on Equity (R.O.E.)	Profit for the period/Shareholders' Equity	11.8%	8.9%

Investments

Investments in intangible assets, property, plant and equipment and non-current financial assets were equal to Euro 1,703 thousand in the financial year ended 31 March 2018 (Euro 6,395 thousand at 31 March 2017), as reported below:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Investments		
Intangible assets	490	5,018
Property, plant and equipment	1,213	1,375
Non-current financial assets	0	2
Total	**1,703**	**6,395**

Increases in intangible assets, equal to Euro 490 thousand in the financial year ended 31 March 2018 (Euro 5,018 thousand at 31 March 2017) mainly related to the purchase or renewals of software, licences and other IT products for Euro 333 thousand and to costs for the acquisition of the possessory title of the store located in Hong Kong Time Square for Euro 134 thousand. The data at 31 March 2017 related to the goodwill arising from the acquisition of The Bridge S.p.A. for Euro 4,658 thousand (for more information, reference should be made to the note on "Business Combinations" of the Report at 31 March 2017).
Increases in property, plant and equipment, equal to Euro 1,213 thousand in the financial year ended 31 March 2018 (Euro 1,375 thousand at 31 March 2017) were mainly attributable to the sundry equipment purchased for new DOSs opened in the period under consideration and the refurbishment of some existing shops for Euro 991 thousand, purchases of workshop plant and machinery for Euro 201 thousand and the refurbishment of premises at the Company's headquarters for Euro 21 thousand.

Balance Sheet

Below is summarised the Group's consolidated equity and financial structure:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Trade receivables	27,618	27,747
Inventories	22,027	18,991
(Trade payables)	(22,149)	(20,244)
Total net current trade assets	*27,496*	*26,494*
Other current assets	3,326	3,163
Tax receivables	275	1,011
(Other current liabilities)	(3,233)	(2,681)
(Tax payables)	(2,433)	(1,844)
A) Working capital	***25,431***	***26,143***
Intangible assets	8,545	8,433
Property, plant and equipment	11,115	12,691
Non-current financial assets	2	2
Receivables from others beyond 12 months	707	772
Deferred tax assets	2,318	2,204
B) Fixed assets	***22,687***	***24,102***
C) Non-current provisions and non-financial liabilities	***(4,082)***	***(3,725)***
Net invested capital (A+B+C)	**44,036**	**46,520**
FINANCED BY:		
D) Net financial debt	***3,653***	***8,236***
E) Equity attributable to minority interests	***(191)***	***(137)***
F) Equity attributable to the Group	***40,574***	***38,421***
Total borrowings and Shareholders' Equity (D+E+F)	**44,036**	**46,520**

Net Financial Position

The table below reports the breakdown of the Net Financial Position, which includes the net financial debt determined according to the ESMA criteria (based on the schedule set out in CONSOB Communication no. 6064293 of 28 July 2006):

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
(A) Cash	182	126
(B) Other cash and cash equivalents (available current bank accounts)	23,370	15,162
(C) Liquidity (A) + (B)	**23,552**	**15,288**
(D) Finance leases	(904)	(691)
(E) Current bank debt	0	310
(F) Current portion of current debt	(12,504)	(5,998)
(G) Payables to Il Ponte S.p.A. for the acquisition of The Bridge	(820)	(70)
(H) Current financial debt (D) + (E) + (F) + (G)	**(14,222)**	**(6,449)**
(I) Short-term net financial position (C) + (H)	**9,327**	**8,839**
(L) Non-current bank debt	(11,128)	(13,676)
(M) Finance leases	(12)	(916)
(N) Payables to The Ponte S.p.A. for the acquisition of The Bridge	(1,843)	(2,483)
(O) Non-current financial debt (L) + (M) + (N)	**(12,983)**	**(17,075)**
(P) Net Financial Position (I) + (O)	**(3,653)**	**(8,236)**

As at 31 March 2018 the Net Financial Position posted a negative value of about Euro 3.7 million, showing an improvement of about Euro 4.6 million compared to the debt of about Euro 8.2 million recorded at 31 March 2017. The main reasons for the trend in the Net Financial Position, compared to 31 March 2017, are attributable to the following factors:

- an operating free cash flow of Euro 9.9 million for the period;
- the payment of dividends of Euro 2.0 million;
- investments of Euro 1.7 million in property, plant and equipment and intangible assets;
- an increase of Euro 1.6 million in other working capital items.

Reconciliation of the Parent Company's Shareholders' Equity and result for the period and the corresponding consolidated values

Below is reported the statement of reconciliation of the Shareholders' Equity and the result for the period resulting from the financial statements of the Parent Company and the corresponding consolidated values at 31 March 2108:

(in thousands of Euro)	**Result at 31 March 2018**	**Equity at 31 March 2018**	**Result at 31 March 2017**	**Equity at 31 March 2017**
Equity and result for the period as reported in the separate financial statements of Piquadro S.p.A.	**5,278**	**40,107**	**3,006**	**36,937**
Derecognition of the book value of consolidated equity investments	(8)	767	805	1,718
Dividends	(365)	0	(339)	0
Derecognition of the effects of transactions effected between consolidated Companies:				
Profits included in closing inventories	(54)	(503)	45	(449)
Other minor items	(11)	203	(82)	214
Equity and result for the period attributable to the Group	**4,840**	**40,574**	**3,435**	**38,420**
Profits (Losses) and Equity attributable to minority interests	(67)	(191)	(31)	(136)
Equity and consolidated profit	**4,773**	**40,383**	**3,405**	**38,284**

Human Resources

The products that the Group offers are conceived, manufactured and distributed according to the guidelines of an organisational model whose feature is that it monitors all the most critical phases of the chain, from conception and manufacturing to subsequent distribution. This entails great care with the correct management of human resources, which, while respecting the different local environments in which the Group operates, must necessarily lead to intense personal involvement, above all in what the Group considers the strategic phases for the success of the brands.
As at 31 March 2018 the Group had 805 members of staff compared to 761 units at 31 March 2017. The change was mainly due to an increase in the units of both the Italian companies for the Group's point of sales and the subsidiary. Below is reported the breakdown of staff by Country:

Country	31 March 2018	31 March 2017
Italy	385	358
China	337	325
Hong Kong	5	7
Germany	1	1
Spain	19	15
Taiwan	17	18
France	0	0
Switzerland	4	4
UK	6	5
Russia	27	24
USA	4	4
Total	**805**	**761**

With reference to the Group's organisational structure, at 31 March 2018, 32.3% of staff operated in the Production area, 33.9% in the Retail area, 21.2% in the support functions (Administration, IT Systems, Purchasing, Human Resources, Marketing, etc.), 8.0% in the Research and Development area and 4.6% in the Sales area.

Corporate social responsibility

The Piquadro Group has been committed to corporate social responsibility starting from 2010, when the Parent Company started its first solidarity initiative in support of local areas, the "Happy Box" project implemented in cooperation with the Palmieri Family Foundation established by Marco Palmieri, Chairman of Piquadro, and by his wife Beatrice in order to give continuity to their philanthropic activity through the enhancement of diversities. As an acknowledgment of its value to local areas, the project obtained the Sponsorship of the Municipality of Bologna.

Health, safety and environment

For the Piquadro Group, safety and working environments are protected by complying with the regulations in force in the individual countries.
The Group is committed to pursuing high standards in the protection of the health and safety of its employees at work; in this regard, the Italian companies have adopted a specific management procedure, including a "safety organisation chart", which has been prepared following the analysis and assessment of risks arising at work and from the duties performed by employees.
The Piquadro Group takes actions to ensure the physical and moral integrity of its own in-house employees and collaborators, as well as working conditions that respect the personal dignity in a safe and healthy workplace, in full compliance with the current regulations governing the prevention of accidents at work and the protection of workers.
In the course of the financial year ended 31 March 2018, the Italian companies continued their path to the implementation of an increasingly efficient system of measures aimed at improving safety at work on an ongoing basis, while monitoring, among other things, any possible near-miss and exhorting its employees to report any possible critical issues regarding safety.
Piquadro believes that the desired benefits can be multiplied only through the implementation of a shared system and the main tool to achieve these objectives lies in the compliance by the entire workforce with the safety policies adopted.

Therefore, the Company is committed to spreading a well-established safety culture, among all its in-house workers and collaborators, while developing risk awareness and promoting a responsible behaviour on the part of its personnel.

Furthermore, the Group's Code of Ethics requires the commitment of all collaborators in order to give their contribution to risk prevention and the protection of their own health and safety, as well as of that of their colleagues and third parties, without prejudice to the individual responsibilities pursuant to the provisions of law governing the matter. For this purpose, it calls for a general absolute prohibition, within the scope of the Company's activities, on the abuse of alcohol or the use of drugs, as well as the prohibition on smoking at work, in compliance with the provisions of law and in any case wherever smoking might entail a danger to the Company's facilities and assets or to the health or safety of colleagues and third parties.

The system implemented by the Italian Group companies also considers the risks of interference that can arise inside the points of sales and, in this regard, training course requirements have been also met within the retail system.

RESEARCH AND DEVELOPMENT ACTIVITY

The Piquadro brand's Research and Development activity is carried out by the Parent Company in house through a dedicated team that currently consists of 15 persons mainly engaged in the product Research and Development department and the style office at the head office of the Company.
Furthermore, the plants of the Chinese subsidiary Uni Best Leather Goods Zhongshan Co. Ltd. employ a team of 31 people dedicated to prototyping and the implementation of new models according to the instructions defined by the central organisation.
Piquadro-branded products are conceived within the Group and occasionally in collaboration with outside industrial designers, taking account of the information regarding market trends supplied by the Group's internal departments (Product Management and Sales departments). In this manner, the Group develops its collections trying to meet the needs of end customers that are not yet satisfied by the market. The internal unit dedicated to the design of products manages operating activities and also coordinates the external consultants of which the Group makes use. In some cases, in fact, the Group only uses external designers for the product design phase, while the development and implementation phase is in any case carried out in house.

In the financial year ended 31 March 2018 the Group's Research and Development activity for the Piquadro brand was particularly focused on the development of travel products, which will be strategic in next years, by setting up and putting collections such as PC2Plus and Seeker on the market, in addition to the development of a new line named "CUBICA".
The CONNEQU App, which is the core of the BAGMOTIC project and which allows for new opportunities of interaction with suitcases and bags, was upgraded with new functionalities during the year; the new products are now equipped with i) an integrated battery that recharges smartphones and tablets simply by contact, ii) an alert device for theft or loss, iii) a device to check the remaining battery level of the powerbank, iv) a handle used to weigh the trolley and to provide information on which airlines allow passengers to take it in the cabin, v) a Bluetooth padlock and vi) a device named Tracker GSM Wi-Fi that allows its traceability all over the world.
Efforts continued which were devoted to setting up the new continuous collections, in particular for the BRIEF line created with a technical fabric and washed leather.

On the contrary, the Research and Development activity involving The Bridge brand is carried out by subsidiary The Bridge S.p.A. through a team of 18 people.

RELATIONS WITH RELATED PARTIES

The "Regulation bearing provisions governing transactions with related parties" was adopted by CONSOB Resolution no. 17221 of 12 March 2010, as amended by CONSOB resolution no. 17389 of 23 June 2010. On 18 November 2010 the Board of Directors of Piquadro S.p.A. adopted the procedure concerning related parties, which was also drawn up by taking account of the instructions subsequently provided by CONSOB for the application of the new regulations by DEM/10078683 notice of 24 September 2010.
The said procedure, which is published on the website of Piquadro (www.piquadro.com), has the purpose to determine the criteria to be complied with for the approval of the transactions with related parties to be effected by Piquadro or its subsidiaries, in order to ensure transparency, as well as the material and procedural correctness of the transactions themselves. The identification of transactions with related parties is made as required by the CONSOB regulation referred to.
Relations with related parties are largely commented on in the consolidated financial statements, in the separate financial statements and in the Notes to the Financial Statements.

In reporting the performance of the Group, the main events were already implicitly illustrated in relation to the Parent Company whose revenues from the separate financial statements, including relations with Group Companies, account for about 72% of consolidated revenues.

Operations

The financial year ended 31 March 2018 saw an increase in sales revenues equal to 4.9% compared to the financial year ended 31 March 2017. The performance of revenues, which is commented on in detail below in this Report, mainly derives from the domestic market, where the Company holds a leadership position. As regards average selling prices of Piquadro-branded products, the financial year ended 31 March 2018 reported an increase equal to about 4.3%, including the mix effect.

Sales revenues

In the financial year ended 31 March 2018 the Company reported net sales revenues equal to Euro 70,505 thousand, up by 4.9% compared to the revenues reported in the financial year ended 31 March 2017 (Euro 67,240 thousand). The performance of revenues is attributable to the positive performances recorded both in the domestic market (+7.3%), in the European market (+6.7%), and in the DOS and Wholesale channels; Italy reported revenues up by 7.3% compared to the previous financial year, while Europre showed an increase of 6.7% compared to the previous year and the Rest of the World recorded a decrease of 45.8% due to a reduction in the orders mainly relating to the Asia and US areas.

Breakdown of revenues by distribution channel

The table below reports the breakdown of sales revenues of Piquadro S.p.A. by distribution channel, expressed in thousands of Euro for the financial year ended 31 March 2018 and compared to the financial year ended 31 March 2017:

Sales channel *(in thousands of Euro)*	**Sales revenues at 31 March 2018**	**%**	**Sales revenues at 31 March 2017**	**%**	**% Change 2018/2017**
DOS	27,107	38.4%	24,824	36.9%	9.2%
Wholesale	43,397	61.6%	42,415	63.1%	2.3%
Total	**70,505**	**100.0%**	**67,240**	**100.0%**	**4.9%**

The revenues reported by the DOS channel increased by 9.2% compared to the financial year ended 31 March 2017; this rise was determined by a general increase in sales revenues arising from a strategy planned by the Company and aimed at developing sales activities through the DOS shops in view of the capacity to maximise the prestige of the Piquadro brand, in addition to allowing distribution to be controlled more directly and greater attention to be paid to satisfying the end consumer.

Sales reported by the Wholesale channel, which account for about 61.6% of the Company's total turnover, recorded an increase of 2.3% compared to the financial year ended 31 March 2017 and were mainly affected from the increase both in the domestic and European markets.

Below are reported the breakdowns of revenues by geographical area:

(in thousands of Euro)	**Sales revenues at 31 March 2018**	**%**	**Sales revenues at 31 March 2017**	**%**	**% Change 2018/2017**
Italy	57,344	81.3%	53,456	79.5%	7.3%
Europe	11,565	16.4%	10,838	16.1%	6.7%
Rest of the World	1,596	2.3%	2,946	4.4%	(45.8%)
Total	**70,505**	**100.0%**	**67,240**	**100.0%**	**4.9%**

The Company's revenues for the FY 2017/2018 show that the Italian market still accounts for a very significant percentage of the total turnover (81.3%). In the FY 2017/2018, the Company opened, in the domestic market, 2

DOS points of sale, one in Russia and the other one in Hong Kong. Within the European market, the Company achieved a turnover equal to Euro 11,565 thousand, up by 6.7% compared to the financial year ended 31 March 2017, which is equal to 16.4% in terms of percentage impact of the total turnover of the year 2017/2018. In the geographical area named "Rest of the World", where the Company sells in 28 Countries, the Company reported a decrease in the turnover of 45.8%.

Summary economic-financial data

Below are reported the results of Piquadro S.p.A. at 31 March 2018 compared to the same indicators at 31 March 2017:

Economic and financial ratios *(in thousands of Euro)*	**31 March 2018**	**31 March 2017**
Revenues from sales	70,505	67,240
EBITDA	9,368	6,175
EBIT	7,759	4,340
After-tax result	5,278	3,006
Depreciation of property, plant and equipment, amortisation of intangible assets and write-downs of receivables	2,389	2,275
Cash flow (net result before amortisation, depreciation and write-downs)	7,667	5,280

EBITDA for the period came to Euro 9.4 million against Euro 6.2 million reported in the FY 2016/2017, accounting for 13.3% of the Company's revenues at 31 March 2018 (9.2% in the financial year ended 31 March 2017).

In the FY 2017/2018, the Company used Euro 3.6 million for marketing and communication activities, in order to develop and promote the Piquadro brand (Euro 3.7 million in the FY 2016/2017).

During the financial year ended 31 March 2018 amortisation and depreciation amounted to about Euro 1,790 thousand (about Euro 1,835 thousand at 31 March 2017). The accrual to the provision for bad debts from customers amounted to Euro 600 thousand (Euro 440 thousand at 31 March 2017).

EBIT came to around Euro 8.0 million, equal to 11.4% of sales revenues, up by 84% compared to the value recorded in the FY 2016/2017 (a percentage equal to 6.5% of sales revenues).

The result from financial operations, which posted a negative value equal to about -Euro 112 thousand (against a positive value of Euro 9 thousand at 31 March 2017), was attributable to the adjustment to the value of investee The Bridge, defined by an independent appraiser, for Euro 180 thousand, as well as to the differential between foreign exchange gains and losses which posted a negative value equal to Euro 431 thousand at 31 March 2018 (against a positive value equal to Euro 179 thousand at 31 March 2017) and to a positive value of Euro 220 thousand arising from the net effect resulting from the write-down and revaluation of equity investments held by the Parent Company (for more details, see note 34).

The pre-tax result recorded by the Company in the financial year ended 31 March 2018 came to Euro 7.3 million (Euro 4.3 million at 31 March 2017) and was affected by income taxes, including the effects of deferred taxation, equal to about Euro 2.0 million for an overall tax rate amounting to 26.9% (30.9% for the financial year ended 31 March 2017).

The net result recorded by the Company in the financial year ended 31 March 2018 recorded an increase of 75.6%, from Euro 3.0 million in the financial year ended 31 March 2017 to Euro 5.3 million in the financial year ended 31 March 2018.

Profitability ratios

Below are reported the main Profitability ratios relating to the FYs ended 31 March 2018 and 31 March 2017:

Profitability ratios	**Composition of the ratio**	**31 March 2018**	**31 March 2017**
Return on sales (R.O.S.)	EBIT/Net sales revenues	10.7%	6.5%
Return on Investment (R.O.I.)	EBIT/Net invested capital	16.0%	9.3%
Return on Equity (R.O.E.)	Profit for the period/Shareholders'	13.2%	8.1%

Equity	

Gross investments

Gross investments in fixed assets concerning the Company's operations were equal to Euro 1,447 thousand in the financial year ended 31 March 2018 (Euro 5,474 thousand in the financial year ended 31 March 2017). Below is reported the breakdown by type:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Investments		
Intangible assets	211	360
Property, plant and equipment	730	880
Non-current financial assets	506	4,234
Total	**1,447**	**5,474**

Increases in intangible assets, equal to Euro 211 thousand in the financial year ended 31 March 2018 (Euro 360 thousand at 31 March 2017), mainly related to software and IT products.

Increases in property, plant and equipment, equal to Euro 730 thousand in the financial year ended 31 March 2018 (Euro 880 thousand at 31 March 2017), were mainly attributable to equipment and machinery for Euro 125 thousand, to furniture and fittings of the stores for Euro 584 thousand and to buildings for works at the headquarters for Euro 21 thousand.

The increase in non-current financial assets related to the capital payments made in favour of Subsidiary OOO Piquadro Russia for Euro 200 thousand and to The Bridge S.p.A. for Euro 306 thousand.

Balance sheet

Below is reported the performance of the Company's equity structure at 31 March 2018:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Trade receivables	33,146	35,331
Inventories	12,501	11,419
(Trade payables)	(16,202)	(20,075)
Total net current trade assets	*29,445*	*26,675*
Other current assets	2,076	2,000
Tax receivables	17	487
(Other current liabilities)	(1,862)	(2,681)
(Tax payables)	(2,239)	0
A) Working capital	***27,436***	***26,480***
Intangible assets	1,597	1,836
Property, plant and equipment	8,702	9,343
Non-current financial assets	9,730	8,800
Receivables from others beyond 12 months	304	292
Deferred tax assets	1,001	791
B) Fixed assets	***21,333***	***21,063***
C) Non-current provisions and non-financial liabilities	***(1,535)***	***(1,109)***
Net invested capital (A+B+C)	**47,234**	**46,434**
FINANCED BY:		
D) Net financial debt	***7,128***	***9,497***
E) Equity	***40,107***	***36,937***

Total borrowings and Shareholders' Equity (D+E)	47,234	46,434

Net Financial Position

The table below reports the breakdown of the Net Financial Position, which includes the net financial debt determined according to the ESMA criteria (based on the schedule set out in CONSOB Communication no. 6064293 of 28 July 2006):

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
(A) Cash	117	71
(B) Other cash and cash equivalents (available current bank accounts)	19,429	13,275
(C) Liquidity (A) + (B)	**19,546**	**13,346**
(D) Finance leases	(830)	(600)
(E) Current bank debt	0	310
(F) Current portion of current debt	(12,335)	(5,838)
(G) Payables to Il Ponte S.p.A. for the acquisition of The Bridge	(750)	0
(H) Current financial debt (D) + (E) + (F) + (G)	**(13,916)**	**(6,128)**
(I) Short-term Net Financial Position (C) + (H)	**5,632**	**7,218**
(L) Non-current bank debt	(11,128)	(13,676)
(M) Finance leases	0	(830)
(N) Payables to Il Ponte S.p.A. for the acquisition of The Bridge	(1,630)	(2,209)
(O) Non-current financial debt (L) + (M) + (N)	**(12,758)**	**(16,715)**
(P) Net Financial Position (I) + (O)	**(7,128)**	**(9,497)**

As at 31 March 2018 the Net Financial Position of Piquadro S.p.A. posted a negative value of Euro 7.1 million, showing an improvement of about Euro 2,370 thousand compared to the debt of about Euro 9.5 million at 31 March 2017. The main reasons for the performance of the Net Financial Position are attributable to the following factors:

- a Free cash flow of about Euro 8.5 million generated in the year;
- dividends paid in relation to the profit for the FY 2016/2017 equal to Euro 2.0 million (with a pay-out equal to about 66.6% of the operating profit of the Company);
- investments in property, plant and equipment for Euro 211 thousand, in intangible assets for Euro 730 thousand and non-current financial assets for Euro 506 thousand;
- an increase of Euro 2.6 million in other items relating to working capital.

Human Resources

The products that the Company offers are conceived, manufactured and distributed according to the guidelines of an organisational model whose feature is that it monitors all the most critical phases of the chain, from conception and manufacturing to subsequent distribution. This entails great care with the correct management of human resources, which must necessarily lead to intense personal involvement, above all in what the Company considers the strategic phases for the success of the Piquadro brand.
As at 31 March 2018 Piquadro S.p.A. had 284 members of staff, compared to 266 units at 31 March 2017. Below is reported the breakdown of staff by area:

Organisational Areas	**31 March 2018**	**31 March 2017**
R&D Area	5.3%	5.6%
Retail Area	55.3%	53.4%
Sales Area	9.9%	10.5%
Supporting Areas	29.6%	30.5%
Total	**100.0%**	**100.0%**

Health, safety and environment

Piquadro S.p.A. continues to pursue high standards in the protection of the health and safety of its employees at work.
The Company continued its path to the improvement of collective awareness of safety issues during the financial year ended 31 March 2018.
In particular the prevention and protection measures aimed at improving safety on an ongoing basis are becoming increasingly specific and verifiable.
During the period under consideration, data on accidents are completely encouraging since no significant critical issues can be found which relate to workplaces and/or the working conditions of operators. The recording of possible Near Miss events constitutes an active safety management tool, as well as a method to spread the culture of "Shares Responsibility". At all company levels, the safety asset is regarded as a whole. Work cannot disregard the check of safety conditions. Furthermore, Piquadro's policy is also shared with outsourcers, such as suppliers and maintainers, through a careful selection of eligible firms and active supervision.
This shared system is expected to be able to positively affect the performance of the whole product chain throughout the sales network spread all over the country.
As regards the retail channel, the efforts are above all evident which relate to the management of so-called "risks of interference" and to the management of training course requirements of a type of workers which is always very dynamic.
The same attention paid to workers' health and safety issues was also confirmed in relation to environment. It is confirmed that Piquadro's activity has no impact on the environment and does not present characteristics such as to be capable of causing events with negative effects on the territory and the environment.
The good relations with the closest stakeholders and the Local Entities confirm a total absence of critical issues.

Relations with related parties

The "Regulation bearing provisions governing transactions with related parties", which was adopted by CONSOB Resolution no. 17221 of 12 March 2010, as amended by CONSOB resolution no. 17389 of 23 June 2010, implemented article 2391-*bis* of the Italian Civil Code. On 18 November 2010 the Company's Board of Directors adopted the procedure concerning related parties, which was also drawn up by taking account of the instructions subsequently provided by CONSOB for the application of the new regulations by DEM/10078683 notice of 24 September 2010.
The said procedure, which is published on the website of Piquadro (www.piquadro.com), has the purpose to determine the criteria to be complied with for the approval of the transactions with related parties to be effected by Piquadro or its subsidiaries, in order to ensure transparency, as well as the material and procedural correctness of the transactions themselves. The identification of the transactions with related parties is made as required by the CONSOB regulation referred to.
In the financial year ended 31 March 2018 several intergroup transactions were effected, all of which were implemented within the ordinary course of business and at arm's length. Intergroup relations concerned both production activities (Piquadro S.p.A. directly controls Companies which produce leather goods for the Group) and commercial activities (Piquadro S.p.A. directly or indirectly controls all foreign Companies in the retail chain which manage Piquadro-branded shops). The Companies in the Piquadro Group also maintain financial relations, which were also established within the ordinary course of business and at arm's length.
Relations with related parties are largely commented on in the separate financial statements under Note 38 of the Notes to the Financial Statements.

SIGNIFICANT EVENTS AFTER THE YEAR-END

2 June 2018 saw the execution of the contract for the sale and the completion of the acquisition of Lancel International S.A. ("Lancel International") – a Swiss company wholly owned by the Richemont Group, which owns the "Lancel" brand and holds 99.9958% of the share capital of the French company Lancel Sogedi S.A. and of the Spanish and Italian companies that operate the Lancel boutiques opened in Spain and Italy (Lancel International and its subsidiaries hereinafter referred to as the "Lancel Group").
Maison Lancel, which is based in Paris and was founded in 1876, creates and distributes quality luxury leather goods, as well as stylish gifts and accessories, for men and women. Maison Lancel has developed a selected network of 60 DOSs and 11 franchise stores. Lancel operates in 39 countries, including China, through its retail and wholesale sales network. During the financial year ended 31 March 2018, the Lancel Group achieved sales of Euro 50 million. Richemont will receive a share of profits realised by the Lancel Group during the ten years after the closing as consideration for the acquisition; the total share of profits that may be allocated to Richemont based on this mechanism may not exceed Euro 35 million.

OUTLOOK

During the FY 2018/2019 the Piquadro Group will even more speed up its process of international expansion, also as a result of the acquisition of Maison Lancel.
Therefore, the Management expects that in the FY 2018/2019 the Group's turnover will achieve, including the acquisition of Lancel International SA, sales in an amount of around Euro 150 million and record growth rates, the perimeter remaining equal, in line with those recorded in the financial year ended 31 March 2018. As regards the profitability, the Management expects, within the current perimeter that includes the Piquadro and The Bridge brands, increased manufacturing margins, even when the EUR/USD exchange rate remains in line with the previous year. The Management will monitor margins and operating costs and work hardly to implement the turnaround of Maison Lancel, in order to be able to increase commitments in Research and Development and to increase visibility and knowledge of the brands at an international level.

In light of the information commented on above and of the financial and capital soundness of the Piquadro Group, the consolidated financial statements and the separate financial statements of Piquadro S.p.A. were prepared on a going concern basis.

The Group's business is generally exposed to a number of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Piquadro Group's financial risks are managed centrally within precise organisational policies which govern the management of the risks and the control of all the transactions which are closely relevant to the composition of financial and/or trade assets and liabilities.

In order to minimise these risks, the Group has established control times and methods which allow the Board of Directors to give its approval as to all transactions which bind the Group to third-party lenders.

Liquidity risk

The objective of the Group is to ensure that it is able to meet its financial obligations at any time, maintaining an adequate level of available cash and diversifying the instruments for raising financial resources by obtaining adequate credit lines.
The Group keeps a surplus of credit lines available in order to be able to take up business opportunities that cannot be planned for or in order to cover unexpected cash outflows.
The excess cash is invested temporarily on the money market in transactions that can be liquidated immediately.
The essential tool for the measurement, management and daily monitoring of the liquidity risk is the cash budget, which provides an overview of the liquidity that is always up-to-date. Daily planning and cash flow forecasts are carried out on the basis of this overview.
It is believed that the funds and credit lines currently available, in addition to the cash flow generated by the business, will suffice to meet the Group requirements.

Credit risk

The credits of the Group, particularly in Italy, are rather fragmented as a result of sales being to a diverse clientele that is made up of leather goods retailers, stationery retailers and international distributors or, through the sales of the DOS channel, end consumers. Receivables outstanding at the end of the financial year were mainly trade receivables, as resulting from the explanatory notes to the statement of financial position to which reference is made.
Historically there have not been any significant or particularly problematic situations regarding the solvency of customers, insomuch as it is the Group's policy to sell to customers after assessing carefully their credit rating and therefore remaining within prefixed credit limits, periodically monitoring the situation of expired loans.
Accordingly, the credit risk to which the Group is exposed is considered to be limited as a whole.

Foreign exchange risk

Foreign exchange risk is the risk that the currency parities could change in an unfavourable way in the period between the moment in which the target exchange rate is defined, that is the date when commitments arise to receive and pay amounts in foreign currency at a future date, and the time at which those commitments become firstly orders and finally turnover (for purchase or sale). In the absence of foreign exchange risk hedging on specific commercial transactions, there is no application of hedge accounting.

The Group pays the contract work done (external production) in US dollars, while the wages and salaries relating to the employees of the subsidiary Uni Best Leather Goods Zhongshan Co. Ltd. are paid in Renminbi. The operating costs incurred by the Company and by the Group's European subsidiaries are mainly denominated in Euro. The result of this is that the net result of the Group is partially affected by the fluctuations of the exchange rate between USD and the Euro and, to a lesser extent, between the Chinese Renminbi and the Euro.

During the financial year ended 31 March 2018, the Parent Company carried out currency (USD) forward purchases in order to hedge expected payments of invoices of foreign subcontractors and of the subsidiary Uni Best Leather Goods Zhongshan Co. Ltd. If these derivative financial instruments have fulfilled all the conditions laid down for the accounting treatment of hedging derivatives (hedge accounting), they are accounted for at fair value against an entry in the Statement of comprehensive income.

Interest rate risk

Interest rate risk is the risk of an uncontrolled increase in charges arising from the payment of real floating interest rate on medium- to long-term loans raised by the Group.

The purpose of the interest risk management is to limit and stabilise payable flows due to interest paid on such loans.
Hedging activities were carried out on every occasion that it was considered useful with regard to the taking out of loans. The Group uses derivative financial instruments to hedge the exposure to interest rate risks. However, in cases in which the derivative financial instruments do not fulfil all the conditions laid down for the accounting treatment of hedging derivatives (hedge accounting), these have been accounted for at fair value against an entry in the Income Statement.
The forecast outflows, connected with the repayment of the liability, are determined by making reference to the provisions laid down in the loan agreement (amortisation schedule).

LEGISLATIVE DECREE NO. 231/2001

Starting from June 2008, the Company adopted both the Group's Code of Ethics and the Parent Company's Organisational, management and control model pursuant to Legislative Decree no. 231/2001, with the objective to arrange for a structured and organic system of rules aimed at preventing the possible commission of crimes which entail the administrative liability of the Parent Company.

The Board of Directors, in the application of the regulations in force, has also established a single-member Supervisory Board and appointed Mario Panzeri as single member who has been granted the powers and duties under Legislative Decree no. 231/2001.

The organisational, management and control model of Piquadro and the Code of Ethics can be found on the Company's website, www.piquadro.com, in the Section on Investor Relations.

The consolidated non-financial declaration of the Piquadro Group, which relates to the financial year ended 31 March 2018 (also referred to as the "Sustainability Report") and has been prepared pursuant to Legislative Decree 254/16, constitutes a separate report with respect to this report on operations, as required by Art. 5, paragraph 3, letter b), of Legislative Decree 254/16, and is available on the website: www.piquadro.com, in the Section on Investor Relations.

EQUITY INVESTMENTS HELD BY THE MEMBERS OF CORPORATE BODIES

Below is reported the chart containing the equity investments held by the Directors, Statutory Auditors, General Managers, Key Executives and their spouses and minor children in Piquadro S.p.A. and its subsidiaries, which is contained in Section II of the Report on Remuneration prepared pursuant to article 123-*ter* of Legislative Decree no. 58/1998 and article 84-*quater* of the Issuers' Regulation, as adopted by CONSOB by Resolution no. 11971 of 14 May 1999, and in accordance with Annex 3A Charts 7-*bis* and 7-*ter* of the same Regulation.
For more information, including any information on the fees due to the Directors, Statutory Auditors and Key Executives, reference is expressly made to said Report on Remuneration, which can be found on the Company's website, www.piquadro.com, in the Section on Investor Relations.

First and last name	**Position**	**Investee company**	**Number of shares owned at the end of the previous financial year**	**Number of shares purchased**	**Number of shares sold**	**Number of shares held at the end of the current financial year**
Marco Palmieri	Chairman; CEO[1]	Piquadro S.p.A.	31,909,407	0	0	31,909,407
Pierpaolo Palmieri	Vice-Chairman; Executive Director[2]	Piquadro S.p.A.	2,276,801	0	0	2,276,801
Marcello Piccioli	Executive Director	-	0	0	0	0
Roberto Trotta	Executive Director	Piquadro S.p.A.	3,000	0	0	3,000

[1] At the end of the FY 2017/2018, the Chairman of the Board of Directors and CEO of Piquadro S.p.A., Marco Palmieri, owned a stake equal to 93.34% of the Share Capital of Piquadro Holding S.p.A., through Piqubo S.p.A., a Company wholly owned by the latter. Piquadro Holding S.p.A., in turn, owns 68.37% of the Share Capital of Piquadro S.p.A..
[2] At the end of the FY 2017/2018, the Vice-Chairman of the Board of Directors of Piquadro S.p.A., Pierpaolo Palmieri, owned a stake equal to 6.66% of the Share Capital of Piquadro Holding S.p.A., which in turn, owns 68.37% of the Share Capital of Piquadro S.p.A..

The Company applies the Self-Regulatory Code promoted by Borsa Italiana S.p.A, which was approved by the Corporate Governance Committee.
In making use of the right laid down in article 123-*bis*, paragraph 3, of the TUF, the Company has taken steps to prepare the Report on Corporate Governance and ownership structures separately from the Report on Operations.
Therefore, as regards the information on the Company's corporate governance system and ownership structures and the application of the Self-Regulatory Code, reference should be made to the Report on Corporate Governance and ownership structures that can be found on the Company's website, www.piquadro.com, in the Section on Investor Relations.

Below is provided some of the main information disclosed in the abovementioned Report on Corporate Governance and ownership structures.

Structure of the Share Capital

The amount of the subscribed and paid-up Share Capital is equal to Euro 1,000,000, divided into 50,000,000 ordinary shares, without any indication of their par value.

Categories of shares making up the Share Capital:

	No. of shares	**% compared to the share capital**	**Listed**	**Rights and obligations**
Ordinary shares	50,000,000	100	STANDARD 1	The shares are registered and confer the right of voting at ordinary and extraordinary shareholders' Meetings, as well as the right to profit sharing.

At the date of this Report, the Chairman of the Board of Directors and CEO of Piquadro S.p.A., Marco Palmieri, owned a stake equal to 93.34% of the Share Capital of Piquadro Holding S.p.A., through Piqubo S.p.A., a company wholly owned by the latter, while the Vice-Chairman of the Board of Directors of Piquadro S.p.A., Pierpaolo Palmieri, owns a stake equal to 6.66% of the Share Capital of Piquadro Holding S.p.A..

Piquadro Holding S.p.A., in its turn, owns 68.37% of the Share Capital of Piquadro.

* * *

Restrictions on the transfer of securities

There are no restrictions on the transfer of securities, such as for example limits on the ownership of securities or the need to obtain approval from the issuer or from other holders of securities.

Significant stakes held in the Capital

At the date of this Report, the significant stakes held in the Capital of the issuer, as resulting from the notices given pursuant to article 120 of the TUF, as supplemented by notices relating to transactions subject to Internal Dealing under articles 152-sexies and ff. of the Issuers' regulation, were the following:

SIGNIFICANT STAKES HELD IN THE CAPITAL			
Declarant	**Direct Shareholder**	**% share on ordinary capital**	**% share on voting capital**
Palmieri Marco	Piquadro Holding S.p.A.	68.37%	68.37%
Mediobanca Banca di credito Finanziario S.p.A.	Mediobanca Banca di credito Finanziario S.p.A.	5.01%	5.01%

New 2012-2017 Stock Option Plan

As at the date of this Report, no option awarded under the 2012-2017 stock option (the "New 2012 -2017 Plan"; for more details, reference is made to the Report on Corporate Governance for the FY 2016/2017, which can be found on the website: www.piquadro.com, in the Section on Investor Relations) had been accrued and therefore no option had been exercised. Specifically, all three tranches of options awarded are now cancelled, since the related EBIT targets had not been achieved as at the date of approval of financial statements for the FYs 2014/2015, 2015/2016 and 2016/2017.

At present the New 2012-2017 Plan has been cancelled in full as a result of the above provisions.

Securities which confer special rights

The Company has not issued securities which confer special rights of control. Furthermore, it should be noted that the Company's By-Laws do not provide for shares with increased or plural voting rights.

Employee share ownership: exercise of voting rights

There is no employee share ownership system.

Restrictions on voting rights

The By-Laws do not provide for any restrictions on voting rights.

Shareholders' Agreements

At the date of this Report, there were no Shareholders' Agreements pursuant to article 122 of the TUF.

Delegated powers to increase Share Capital and authorisations to purchase treasury shares

No delegated powers to increase the Share Capital had been granted as at the date of this Report.

The Shareholders' Meeting of Piquadro held on 20 July 2017 resolved to authorise a plan for the purchase of the Company's ordinary shares, in one or more instalments, up to the maximum number permitted by law, having regard to the treasury shares held directly and to those held by Subsidiary companies.

The authorisation to purchase treasury shares was granted up to the approval of the financial statements at 31 March 2018, while the authorisation to dispose of them was granted without any time limit.

The plan to purchase treasury shares pursues the following objectives:
(a) to support stabilisation of the stock performance and liquidity, and, in this framework, to acquire the Company's shares at prices lower than their actual value, based on the income prospects of the business, with the consequent enhancement of the Company;
(b) to establish an "inventory of securities" so that the Issuer may maintain, and dispose of, shares for a possible use of the same as consideration in extraordinary operations, including in exchange of equity investments, with other parties within transactions of interest to the Company itself.

The purchase price of the shares will be identified from time to time, having regard to the methods selected to carry out the transaction and in accordance with the legislative, regulatory provisions or permitted market practices, within a minimum and maximum number that can be determined according to the following criteria:
(i) in any case, the minimum consideration for the purchase shall not be less, by 20%, than the reference price that the stock shall have recorded on the trading day prior to every individual transaction;
(ii) in any case, the maximum consideration for the purchase shall not be higher, by 10%, than the reference price that the stock shall have recorded on the trading day prior to every individual transaction.

Except for the implementation of the distribution plans, with or without payment, of options on shares or shares, which will take place at the prices set in the plans themselves, the consideration for any other sale of treasury shares, which will be set by the Board with the right of sub-delegating powers to one or more Directors, may not be less, by 20% at least, than the reference price that the stock shall have recorded on the trading day prior to every individual transaction.

Purchases may take place according to methods other than those specified above pursuant to article 132, paragraph 3, of the TUF or other provisions applicable from time to time at the time of the transaction.

The disposal of the shares may take place according to the most appropriate methods in the interests of the Company, and in any case in accordance with the applicable regulations and the permitted market practices.

Except for the implementation of the distribution plans, with or without payment, of options on shares or shares, which will take place at the prices set in the plans themselves, the consideration for any other sale of treasury shares, which will be set by the Board with the right of sub-delegating powers to one or more Directors, may not be less, by 20% at least, than the reference price that the stock shall have recorded on the trading day prior to every individual transaction.

Piquadro, in accordance with the terms and conditions and according to the procedures set out in the regulations in force, is required to notify the competent Authorities of the transactions of purchase or sale carried out, in terms of number of shares acquired/sold, average price, total number of shares acquired/sold as at the date of the notice and the amount invested on the same date.

As at the date of this Report, no transaction had been carried out for the purchase of treasury shares on the part of the Company and the Company did not hold any treasury share.

Clauses of Change of control

Neither Piquadro S.p.A. nor any of its subsidiaries have entered into significant agreements which become effective, are amended or are terminated in case of change of control of the contracting Company.

Indemnity due to the Directors in the case of resignation, dismissal or termination of the relationship following a take-over bid

No agreements have been entered into between the Company and the Directors which provide for indemnities in the case of resignation or dismissal/disqualification without cause or if the employment relationship is terminated following a take-over bid.

The information referred to above is disclosed in the Report on Corporate Governance and ownership structures, which is available on the website www.piquadro.com, in the Section on Investor Relations.

MANAGEMENT AND COORDINATION ACTIVITY

The Company is not subject to management and coordination activities pursuant to Article 2497 and ff. of the Italian Civil Code. In fact, although under Article 2497-*sexies* of the Italian Civil Code "*it is presumed, unless there is evidence to the contrary, that the activity of management and coordination of Companies is carried out by the Company or an entity that is required to consolidate their financial statements or that controls them in any way pursuant to Article 2359",* neither Piqubo S.p.A. nor Piquadro Holding S.p.A., i.e. the companies controlling Piquadro S.p.A., carries out management and coordination activities in relation to the Company, in that (i) they do not give instructions to their subsidiary; and (ii) there is no significant organisational/functional connection between these Companies and Piquadro S.p.A..
In addition to directly carrying out operating activities, Piquadro S.p.A., in its turn, also carries out management and coordination activities in relation to the Companies it controls, pursuant to Articles 2497 and ff. of the Italian Civil Code.

TRANSACTIONS WITH RELATED PARTIES

In compliance with the CONSOB Regulation on Related Parties, the Board's meeting held on 18 November 2010 adopted the "Regulation governing transactions with Related Parties". This document is available on the website of Piquadro, www.piquadro.com, in the Section on Investor Relations.

INFORMATION REQUIRED BY ARTICLES 36 AND 39 OF THE MARKETS' REGULATION

With reference to the "Requirements for listing of shares of Companies controlling Companies established and regulated by the law of States not belonging to the European Union" ("*Condizioni per la quotazione di azioni di Società controllanti Società costituite e regolate dalla legge di Stati non appartenenti all'Unione Europea*") under Article 36 of the Markets' Regulation, the Piquadro Group declares that the Group Company as of today that meets the significance requirements under title VI, chapter II, of the Issuers' Regulation, is the Subsidiary Uni Best Leather Goods Zhongshan Co. Ltd..
Specifically, the Parent Company certifies that, with regard to said Subsidiary:

a) it makes available to the public the Subsidiaries' accounting positions prepared for the purposes of drawing up the consolidated accounts, including at least the Balance Sheet and the Income Statement. These accounting positions are made available to the public by filing it with the registered office or by publishing it on the website of the Controlling Company;
b) it gathers from the subsidiaries the by-laws and the composition and powers of the corporate bodies;
c) it ensures that the Subsidiaries: (i) provide the Controlling Company's independent auditors with the information they require to conduct their audit of annual and interim accounts of the Controlling Company itself; (ii) are equipped with an administrative and accounting system that is suitable to allow the information on financial data, results of operations and cash flows required for preparing consolidated accounts to be regularly received by the Management and the independent auditors of the Controlling Company. The Controlling Company's control body will timely notify CONSOB and the market management Company of any facts and circumstances as a result of which said system would be no longer suitable to satisfy the conditions referred to above.

INFORMATION BY BUSINESS SEGMENTS AND ANALYSIS OF THE PERFORMANCE OF THE GROUP'S OPERATIONS

The table below illustrates the segment data of the Piquadro Group as broken down by sales channel (DOSs and Wholesale), in relation to the financial years ended 31 March 2018 and 31 March 2017. Economic segment data are monitored by the Company's Management until EBITDA.

	31 March 2018					31 March 2017					
	Business Segment PIQUADRO		THE BRIDGE			*Business Segment PIQUADRO*		THE BRIDGE	Total for the Group	Impact % (*)	% Change 2018-2017
(in thousands of Euro)	*DOS*	*Wholesale*		Total for the Group	Impact % (*)	*DOS*	*Wholesale*				
Sales revenues	**30,303**	**43,564**	**23,760**	**97,627**	**100.0%**	**28,405**	**42,423**	**5,084**	**75,912**	**100.0%**	**28,6%**
Other income	309	684	266	1,259	1.3%.	1,705	564	63	2,332	3.1%	(46.0%)
Costs for purchases of raw materials	(5,595)	(11,624)	(6,514)	(23,733)	(24.3%)	(5,334)	(12,185)	(1,736)	(19,255)	(25.4%)	23.3%
Costs for services and leases and rentals	(13,743)	(17,092)	(11,567)	(42,401)	(43.4%)	(13,075)	(17,242)	(2,007)	(32,324)	(42.6%)	31.2%
Personnel costs	(8,908)	(7,553)	(4,131)	(20,592)	(21.1%)	(8,514)	(7,328)	(976)	(16,818)	(22.2%)	22.4%
Provisions and write-downs	0	(691)	(153)	(844)	(0.9%)	0	(440)	(38)	(478)	(0.6%)	76.4%
Other operating costs	(140)	(285)	(110)	(535)	(0.8%)	(101)	(442)	(32)	(575)	(0.8%)	(6.9%)
EBITDA	**2,226**	**7,003**	**1,553**	**10,782**	**11.0%**	**3,086**	**5,351**	**357**	**8,794**	**11.6%**	**22.6%**
Amortisation, depreciation and write-downs of fixed assets				(2,911)	(3.0%)				(3,105)	(4.1%)	(6.3%)
Operating result				**7,871**	**8.1%**				**5,689**	**7.5%**	**38.4%**
Financial income and charges				(865)	(0.9%)				(318)	(0.4%)	171.4%
Pre-tax result				**7,006**	**7.2%**				**5,371**	**7.1%**	**30.5%**
Income taxes				(2,233)	(2.3%)				(1,966)	(2.6%)	13.6%
Profit for the period				**4,773**	**4.9%**				**3,405**	**4.5%**	**40.2%**
Group net result				**4,773**	**4.9%**				**3,405**	**4.5%**	**40.2%**

(*) percentage impact compared to total sales revenues

As a segment analysis of the balance sheet, below are reported the assets, liabilities and fixed assets broken down by sales channel in the financial years ended 31 March 2018 and 31 March 2017:

	31 March 2018					31 March 2017				
	Business Segment					*Business Segment*				
(in thousands of Euro)	*DOS* Piquadro	*Wholesale Piquadro*	*The Bridge*	Unallocated	Total	*DOS* Piquadro	*Wholesale Piquadro*	*The Bridge*	Unallocated	Total
Assets	11,596	43,032	20,877	23,980	99,485	11,231	44,719	16,465	18,197	90,613
Liabilities	7,323	14,351	20,317	17,112	59,102	6,950	15,026	16,787	13,565	52,329
Fixed assets	5,249	11,605	2,808	0	19,662	5,738	12,599	2,788	0	21,126

The assets allocated to the segments include property, plant and equipment, intangible assets, trade receivables, inventories, cash and other receivables other than tax receivables. Segment assets do not include loans receivable, tax or fiscal receivables, deferred tax liabilities and cash and cash equivalents.

The liabilities allocated to the segments include trade payables, provisions for risks and charges, provisions for personnel, payables to other lenders and other payables other than loans payable to credit institutions and tax and fiscal payables. Segment liabilities do not include loans payable to credit institutions, current accounts payable, tax or fiscal payables and deferred tax liabilities.

Sales revenues

Below is reported a breakdown of sales revenues by sales channel, geographical area and product family.

Breakdown of revenues by sales channel

The table below reports the Group's sales revenues broken down by distribution channel:

Sales channel *(in thousands of Euro)*	Sales revenues at 31 March 2018	%(*)	Sales revenues at 31 March 2017	%(*)	% Change 2018-2017
Piquadro DOSs	30,303	31.0%	28,405	37.4%	6.7%
Piquadro Wholesale	43,565	44.6%	42,423	55.9%	2.7%
The Bridge	23,760	24.3%	5,084	6.7%	367.3%
Total	**97,627**	**100.0%**	**75,912**	**100.0%**	**28.6%**

(*) Percentage impact compared to sales revenues.

Sales revenues achieved in the financial year ended 31 March 2018 reported an increase of 28.6% compared to the financial year ended 31 March 2017, from Euro 75,912 thousand in the financial year ended 31 March 2017 to Euro 97,627 thousand in the financial year ended 31 March 2018. The increase in sales revenues arises from the positive performance recorded in the DOS channel and from the inclusion of The bridge S.p.A. in the consolidation area for a total of 12 months (in the previous financial year the revenues of The Bridge only related to the first three months of 2017).
Below are reported the breakdowns of revenues by distribution channel:

Piquadro Wholesale channel

Sales revenues achieved in the Wholesale channel in the financial year ended 31 March 2018 reported an increase equal to 2.7%, from Euro 42,423 thousand in the financial year ended 31 March 2017 to Euro 43,565 thousand in the financial year ended 31 March 2018.
This increase was mainly driven by higher sales in domestic and European markets. The sales in the Wholesale channel in the domestic market, which account for 33.0% % of consolidated sales (40.9 % at 31 March 2017) showed an increase of 3.8%. At 31 March 2018 the sales in the Wholesale channel in the European market accounted for 17.2% of sales recorded by the Piquadro Group in the Wholesale channel, showing an increase of 13.3%. At 31 March 2018 the sales in the Wholesale channel in the non-EU market accounted for 1.1% of consolidated sales (3.0% at 31 March 2017), showing a reduction of 54.0%.

In the financial year ended 31 March 2018, the Group opened 7 new franchise shops (as at 31 March 2018, the franchise shops opened were 45) of which 2 in Italy, 2 in Europe and 3 in the Rest of the World and closed 8 shops, of which 2 in Italy and 6 in the Rest of the World.

Piquadro DOSs

Sales revenues achieved in the DOS Channel - which includes sales generated from the e-commerce website of the Group, showing an increase of 19.7% - in the financial year ended 31 March 2018 reported an increase of 6.7%, from Euro 28,405 thousand in the financial year ended 31 March 2017 to Euro 30,303 thousand in the financial year ended 31 March 2018.
In terms of impact on the total sales revenues, the values in the DOS channel remained in line, in percentage terms, with those posted in the financial year ended 31 March 2017 (an impact of 41.0% at 31 March 2018 against a percentage of 40.1% in the FY 2016/2017).
The increase, which is equal to Euro 1,898 thousand in absolute terms, is also due to the following factors:

(i) an increase in the quantities sold, equal to about 12.8%;
(ii) SSSG, which recorded an increase, in the tax year ended 31 March 2018, equal to 3.3% (assuming an equal number of days of opening and constant rates of exchange, the Same Store Sales Growth – SSSG- reported an increase equal to about 3.4%);
(iii) the opening by the Group of 3 new DOS shops (as detailed below) during the financial year ended 31 March 2018, which entailed an increase in turnover equal to Euro 300 thousand (corresponding to a growth of about 1.1% in the total turnover from the DOS channel);
(iv) the opening by the Group of 2 new DOS shops (as detailed below) during the financial year ended 31 March 2017 which contributed, for twelve months, to the turnover recorded at 31 March 2018 and which entailed an increase in turnover equal to Euro 1,000 thousand (corresponding to a growth of about 3.5% in the total turnover from the DOS channel);

(v) 3 shops were closed (of which 1 in Italy, 1 in Russia and 1 in Asia) which accounted for Euro 543 thousand, equal to about 1.9% of the turnover in the DOS channel of the previous year.

In general, it should be noted that in the DOS channel one of the significant factors for achieving high volumes of sales is the position of the outlets. Indeed, the Group tries to open its points of sale in the main streets (business and/or shopping ways) of each city in which it operates; such strategy has had a positive effect in terms of increase in sales revenues. Placing stores in strategic areas involves higher initial costs in some cases (with the payment, in some cases, of key money, especially in Europe) and subsequently higher rental charges compared to less central locations; however, these costs are subsequently recovered thanks to the higher sales volumes that the strategic position allows to achieve. During the FY 2017/2018 the Group did not pay any key money.
The opening of the DOSs in outlets allows the Group to dispose of those product stock which, for a variety of reasons (change in colour fashions, end of range etc.), could be difficult to sell at the full selling price, in this way solving the problems linked to possible obsolescence of inventories of finished products.
On the basis of the data processed by the Company in relation to the turnover per individual Piquadro shop, the perimeter remaining unchanged (Same Store Sales Growth analysis, "SSSG", or considering the same DOS points of sale existing as at both 1 April 2017 and 31 March 2018), the performance in the turnover of the DOS channel showed an increase of about 3.3% (assuming an equal number of days of opening and constant rates of exchange, the Same Store Sales Growth – SSSG - reported an increase equal to about 3.4%).
For a better understanding of the DOS channel, below are reported the 63 shops which were opened as at 31 March 2018, together with the month of the start of operations:

Month of opening	Location	Brand	Channel
November 2000	Milan - Via della Spiga 33	Piquadro	DOS
December 2002	Milan – Linate Airport	Piquadro	DOS
December 2003	Rome - Galleria Alberto Sordi	Piquadro	DOS
September 2004	Barcelona (Spain) - Paseo de Gracia 11, Tienda 7	Piquadro	DOS
December 2004	Bologna - Piazza Maggiore 4/B	Piquadro	DOS
March 2006	Barberino del Mugello (FI) – "Factory Outlet Centre"	Piquadro	DOS (Outlet)
March 2007	Fidenza (PR) – "Fidenza Village"	Piquadro	DOS (Outlet)
May 2007	Rome - Centro Commerciale Cinecittà	Piquadro	DOS
July 2007	Rome - Galleria N. Commerciale di "Porta di Roma"	Piquadro	DOS
April 2008	Vicolungo (NO) – Parco Commerciale	Piquadro	DOS (Outlet)
June 2008	Rome – Euroma 2	Piquadro	DOS
August 2008	Valdichiana (AR) - "Valdichiana Outlet Village"	Piquadro	DOS (Outlet)
August 2008	Serravalle Scrivia (AL) – "Serravalle Designer Outlet"	The Bridge	DOS (Outlet)
September 2008	Noventa di Piave (VE) - "McArthurGlen Designer Outlets"	Piquadro	DOS (Outlet)
December 2008	Milan - Via Dante 9	Piquadro	DOS
March 2009	Bologna – "G. Marconi" Airport	Piquadro	DOS
April 2009	Taipei (Taiwan) - Eslite Dun Nan	Piquadro	DOS
October 2009	Taipei (Taiwan) – Taipei Xin Yin Shop	Piquadro	DOS
February 2010	Marcianise (CE) – c/o "Outlet Centre"	Piquadro	DOS (Outlet)
November 2010	Agira (EN) - c/o "Sicilia Fashion Outlet"	Piquadro	DOS (Outlet)
February 2011	Rimini – Shopping Mall "Le Befane"	Piquadro	DOS
September 2011	Milan – Corso Buenos Aires 10	Piquadro	DOS
February 2012	Turin - Via Lagrange 19	The Bridge	DOS
April 2012	Kaohsiung City (Taiwan) - Shopping Mall "Dream Mall"	Piquadro	DOS
May 2012	Pescara – Via Trento 10	Piquadro	DOS
June 2012	Mantova - Shopping Mall "Fashion District"	Piquadro	DOS (Outlet)
September 2012	Rome – Via Frattina 149	Piquadro	DOS
September 2012	Rozzano (MI) - Shopping Mall "Fiordaliso"	Piquadro	DOS
October 2012	Mendrisio (Switzerland) – Fox Town Outlet Centre	Piquadro	DOS (Outlet)
November 2012	Barcelona (Spain) – El Corte Inglés, Plaza Catalunya 14	Piquadro	DOS

November 2012	Verona – Piazza delle Erbe 10	Piquadro	DOS
December 2012	Milan –Malpensa Airport, Tulipano Terminal 1	Piquadro	DOS
December 2012	Bari - Via Argiro 16-16/A	The Bridge	*DOS*
December 2012	Marcianise (CE) - c/o "Factory Outlet Centre"	The Bridge	DOS (Outlet)
April 2013	Castelromano (RM) – "Factory Outlet Centre"	Piquadro	DOS (Outlet)
May 2013	Venice – Mercerie del Capitello 4940	Piquadro	DOS
July 2013	Florence - Via Calimala 7/R	Piquadro	DOS
July 2013	Forte dei Marmi (LU) – Via Mazzini 15/b	Piquadro	DOS
September 2013	Turin - Via Roma 330/332	Piquadro	DOS
September 2013	Valencia (Spain) – El Corte Inglés, Calle Pintor Sorolla 26	Piquadro	DOS
October 2013	Barcelona (Spain) – El Corte Inglés, Av. Diagonal 617	Piquadro	DOS
October 2013	Milan - Via Landolfo 1	The Bridge	DOS
March 2014	London (Great Britain) – Regent Street 67	Piquadro	DOS
April 2014	Rome –Fiumicino Airport, Terminal 1	Piquadro	DOS
June 2014	Castelromano (RM) – "Factory Outlet Centre"	The Bridge	DOS (Outlet)
July 2014	Dittaino (EN) – "Sicily Outlet Village"	The Bridge	DOS (Outlet)
December 2014	Castelguelfo (BO) - "The Style Outlets"	Piquadro	DOS (Outlet)
December 2014	Tainan City (Taiwan) – Dream Mall Tainan	Piquadro	DOS
June 2015	New York (USA) - Madison Avenue 509	Piquadro	DOS
August 2015	Serravalle Scrivia (AL) – "Serravalle Designer Outlet"	Piquadro	DOS (Outlet)
September 2015	Barcelona (Spain) - "La Roca Village", Local 154/A	Piquadro	DOS (Outlet)
December 2015	Rome –Fiumicino Airport, area D	Piquadro	DOS
December 2015	Milan –Malpensa Airport, Terminal 2 – Ferno (VA)	Piquadro	DOS
February 2016	Moscow (Russia) – Afimall TC	Piquadro	DOS
February 2016	Moscow (Russia) – Metropolis TC	Piquadro	DOS
February 2016	Moscow (Russia) – Mega Balaja Dacha	Piquadro	DOS
February 2016	Moscow (Russia) – Atrium TEC	Piquadro	DOS
October 2016	Milan – Scalo Milano City Style	Piquadro	DOS (Outlet)
December 2016	Rome - Fiumicino Airport, Terminal 3	Piquadro	DOS
October 2017	Moscow (Russia) – Vnukovo	Piquadro	DOS (Outlet)
November 2017	Milan –Milano City Life	Piquadro	DOS
November 2017	Fidenza (Parma), "Fidenza Village"	The Bridge	DOS
January 2018	Hong Kong – Time Square Mall	Piquadro	DOS

The Bridge

The sales revenues recorded by The Bridge S.p.A. in the FY 2017/2018 were equal to Euro 23,760 thousand while it should be noted that, during the previous financial year, the company had been included in the consolidation area for the period from January to March 2017 and had achieved revenues of Euro 5,084 thousand.

Breakdown of revenues by geographical area

The geographical areas in which the Piquadro Group operates, as defined by the Management as a secondary segment of segment reporting, have been defined as Italy, Europe and Rest of the World.
The table below reports the Group's sales revenues broken down by geographical area, for the financial years ended 31 March 2018 and 31 March 2017:

(in thousands of Euro)	**Revenues from sales 31 March 2018**	**%(*)**	**Revenues from sales 31 March 2017**	**%(*)**	**% Change 2018-2017**
Italy	74,225	76.0%	56,545	74.5%	31.3%
Europe	20,615	21.1%	15,434	20.3%	33.6%

Rest of the World	2,787	2.9%	3,933	5.2%	(29.1%)
Total	**97,627**	**100.0%**	**75,912**	**100.0%**	**28.6%**

(*) Percentage impact compared to sales revenues.

Italy

The Group's revenues achieved in Italy in the financial year ended 31 March 2018 showed an increase of 31.3% compared to the financial year ended 31 March 2017, from Euro 56,545 thousand to Euro 74,225 thousand; the Italian market still accounts for a considerable percentage of the Group's total turnover, equal to 76.0% (74.5% of consolidated sales at 31 March 2017). Without considering the increase in revenues due to the sale of The Bridge-branded products, the sales relating to the Piquadro brand showed an increase of 6.1%.

Europe

In the European market the Group recorded a turnover of Euro 20.6 million, equal to 21.1% of consolidated sales (20.3% of consolidated sales at 31 March 2017), showing an increase of 33.6% compared to the FY 2016/2017. Without considering the increase in revenues due to the sale of The Bridge-branded products, the sales relating to the Piquadro brand showed a growth of 9.8% in the European market.
The first three most significant European countries in terms of impact of the Group's total turnover from Piquadro-branded products are Germany, Russia and Spain, which overall account for 13.8% of the Group's turnover from Piquadro-branded products and 64.3% of the turnover from Piquadro-branded products relating to the geographical area Europe.

The Group operates through the two sales DOS and Wholesale channels in 37 European countries. Sales reported by Piquadro-branded products in the Wholesale channel in Europe recorded an increase of 13.3%.

Rest of the World

In the geographical non-EU area (named the "Rest of the World"), in which the Group sells in 23 Countries, the turnover reported a decrease of 29.1% compared to the FY 2016/2017, mainly as a result of lower sales in countries such as Iran, the Unites States and China.
Without considering the increase in revenues due to the sale of The Bridge-branded products, the sales relating to the Piquadro brand showed a reduction of 54.4%.

Other income

The table below reports the Group's other revenues broken down by sales channel:

	31 March 2018					**31 March 2017**					
	Business Segment PIQUADRO		**THE BRIDGE**			***Business Segment PIQUADRO***		**THE BRIDGE**			**% Change 2018-2017**
(in thousands of Euro)	***DOS***	***Wholesale***		**Total for the Group**	**% Impact (*)**	***DOS***	***Wholesale***		**Total for the Group**	**% Impact (*)**	
Charge-backs of transportation and collection costs		150	0	150	0.2%	0	129		129	0.2%	16.3%
Insurance and legal refunds	30	0	0	30	0.03%	36	0		36	0.05%	(16.7%)
Capital gain on the disposal of Key Money	0	0	0	0	0.0%	1,470	0		1,470	1.9%	(100.0%)
Other sundry income	279	534	266	1,079	1.1%	199	435	63	697	0.9%	54.8%
Total Other income	**309**	**684**	**266**	**1,259**	**1.3%**	**1,705**	**564**	**63**	**2,332**	**3.1%**	**(46.0%)**

(*) Percentage impact compared to sales revenues.

In the financial year ended 31 March 2018 other income decreased by 46.0%, from Euro 2,332 thousand in the financial year ended 31 March 2017 to Euro 1,259 thousand in the financial year ended 31 March 2018, in particular as a result of the capital gain realised from the disposal of the point of sale located in Paris at Rue Saint

Honoré, which is the only one store that is operated by the French subsidiary Piquadro France SARL, in the previous year. This disposal entailed a capital gain concerning the Key Money, equal to about Euro 1,470 thousand.

Consumption of materials

The table below reports the Group's costs for consumption of materials, net of changes in inventories, broken down by sales channel:

	31 March 2018					31 March 2017					
	Business Segment PIQUADRO		**THE BRIDGE**	**Total for the Group**	**% Impact (*)**	***Business Segment PIQUADRO***		**THE BRIDGE**	**Total for the Group**	**% Impact (*)**	**% Change 2018-2017**
(in thousands of Euro)	***DOS***	***Wholesale***				***DOS***	***Wholesale***				
Costs for consumption of materials	5,595	11,624	6,514	23,733	24.3%	5,334	12,185	1,736	19,225	25.4%	23.3%
Total Costs for consumptions of materials	**5,595**	**11,624**	**6,514**	**23,733**	**24.3%**	**5,334**	**12,185**	**1,736**	**19,225**	**25.4%**	**23.3%**

(*) Percentage impact compared to sales revenues.

The change in consumption must be read together with the change in external manufacturing, as specified in the item "Costs for services and leases and rentals" and relating to production costs.

Costs for services and leases and rentals

The table below reports the Group's costs for services and leases and rentals broken down by sales channel for the financial years ended 31 March 2018 and 31 March 2017:

	31 March 2018					31 March 2017					
	Business Segment PIQUADRO		**THE BRIDGE**	**Total for the Group**	**% Impact (*)**	***Business Segment PIQUADRO***		**THE BRIDGE**	**Total for the Group**	**% Impact (*)**	**% Change 2018-2017**
(in thousands of Euro)	***DOS***	***Wholesale***				***DOS***	***Wholesale***				
Costs for leases and rentals	6,892	663	1,276	8,832	9.0%	6,867	691	305	7,863	10.4%	12.3%
External Production	2,702	5,614	5,610	13,926	14.3%	2,444	5,584	915	8,944	11.8%	55.7%
Advertising and marketing	898	2,917	1,285	5,100	5.2%	805	3,165	47	4,017	5.3%	26.9%
Administration	302	1,032	254	1,588	1.6%	297	1,038	89	1,423	1.9%	11.6%
Commercial services	4	2,561	1,526	4,091	4.2%	9	2,878	313	3,200	4.2%	27.8%
Production services	1,751	1,364	1,105	4,220	4.3%	1,705	1,264	247	3,217	4.2%	31.2%
Transport services	1,194	2,940	511	4,645	4.8%	947	2,622	91	3660	4.8%	26.9%
Total Costs for services and leases and rentals	**13,743**	**17,092**	**11,567**	**42,401**	**43.4%**	**13,075**	**17,242**	**2,007**	**32,324**	**42.6%**	**31.2%**

(*) Percentage impact compared to sales revenues.

As at 31 March 2018 costs for services and leases and rentals increased by 31.2% compared to the previous financial year, and the percentage impact on sales revenues increased from 42.6% in the financial year ended 31 March 2017 to 43.4%. This change was due to the fact that in the previous financial year the costs of The Bridge only related to three months.

Breakdown by sales channel

DOSs

Costs in the DOS channel reported an increase of 5.1% from Euro 13,074 thousand in the financial year ended 31 March 2017 to Euro 13,743 thousand in the financial year ended 31 March 2018. In particular the increase was due to indirect costs that are allocated to the channel on the basis of sales volumes and that showed an increase of 12.8%, compared to the previous year, in the DOS channel.

Wholesale channel

Costs for services and leases and rentals in the Wholesale channel reported a decrease of 1.0%, from Euro 17,242 thousand in the financial year ended 31 March 2017 to Euro 17,091 thousand in the financial year ended 31 March 2018.

Personnel costs

The table below reports the Group's personnel costs broken down by sales channel for the financial years ended 31 March 2018 and 31 March 2017:

	31 March 2018					31 March 2017					
	Business Segment PIQUADRO		**THE BRIDGE**			***Business Segment PIQUADRO***		**THE BRIDGE**			**% Change 2018-2017**
(in thousands of Euro)	***DOS***	***Wholesale***		**Total for the Group**	**% Impact (*)**	**DOS**	***Wholesale***		**Total for the Group**	**% Impact (*)**	
Wages and salaries	7,119	6,037	2,974	16,130	16.5%	6,833	5,862	712	13,407	17.6%	20.3%
Social security contributions	1,418	1,203	880	3,501	3.6%	1,356	1,167	214	2,737	3.6%	27.9%
Staff Severance Pay	371	314	276	961	1.0%	325	299	50	674	0.9%	42.6%
Total Personnel costs	**8,908**	**7,553**	**4,131**	**20,592**	**21.1%**	**8,514**	**7,328**	**976**	**16,818**	**22.2%**	**22.4%**

(*) Percentage impact compared to sales revenues.

The table below reports the number of staff employed by the Group at 31 March 2018 and 31 March 2017:

	31 March 2018	31 March 2017
Executives	7	5
Office workers	416	392
Manual workers	382	364
Total for the Group	**805**	**761**

In the financial year ended 31 March 2018, personnel costs reported an increase of 22.4%, from Euro 16,818 thousand in the financial year ended 31 March 2017 to Euro 20,592 thousand in the financial year ended 31 March 2018. The increase in personnel costs was due, in particular, to the consolidation of The Bridge S.p.A. for the entire FY 2017/2018. The increase in personnel costs by the Piquadro-brand companies was due, in particular, to the appointment of new professionals.

Breakdown by sales channel

DOSs

According to the breakdown by sales channel, the DOS channel reported an increase in personnel costs of 4.6%, from Euro 8,514 thousand in the financial year ended 31 March 2017 to Euro 8,908 thousand in the financial year ended 31 March 2018. The increase is mainly due to both the effect of the opening of shops in the course of the financial year ended 31 March 2017, which remained operational for the entire FY 2017/2018 and the allocation of indirect personnel costs resulting from higher sales volumes.

Wholesale channel

According to the breakdown by sales channel, the Wholesale channel recorded an increase of 3.0% due to the appointment of new professionals in the sales area.

Provisions

The table below reports the Group's provisions for the financial years ended 31 March 2018 and 31 March 2017:

(in thousands of Euro)	31 March 2018					31 March 2017					% Change 2018-2017
	Business Segment PIQUADRO		THE BRIDGE			*Business Segment*		THE BRIDGE			
	DOS	*Wholesale*		Total for the Group	% Impact (*)	*DOS*	*Wholesale*		Total for the Group	% Impact (*)	
Provisions	0	691	153	844	0.86%	0	440	38	478	0.63%	76.4%
Total Provisions	**0**	**691**	**153**	**844**	**0.86%**	**0**	**440**	**38**	**478**	**0.63%**	**76.4%**

(*) Percentage impact compared to sales revenues.

The amount of Euro 843 thousand in the financial year ended 31 March 2018 (Euro 478 thousand in the financial year ended 31 March 2017) relates to the provision for bad debts which has been fully allocated to the Wholesale channel, as the sales in the DOS segment generate almost exclusively instant receipts.

Amortisation, depreciation and write-downs of fixed assets

The table below reports the Group's costs for amortisation and depreciation for the financial years ended 31 March 2018 and 31 March 2017:

(in thousands of Euro)	**31 March 2018**	**(*)%**	**31 March 2017**	**(*) %**	**% Change 2018-2017**
Amortisation of intangible assets	711	0.7%	587	0.8%	21.1%
Depreciation of property, plant and equipment	2,035	2.1%	1,953	2.6%	4.2%
Impairment losses of assets	165	0.2%	565	0.7%	(70.8%)
Total amortisation, depreciation and write-downs of fixed assets	**2,911**	**3.0%**	**3,105**	**4.1%**	**(6.3%)**

(*) Percentage impact compared to sales revenues.

In the financial year ended 31 March 2018 amortisation, depreciation and write-downs reported a decrease of 6.3%, from Euro 3,105 thousand in the financial year ended 31 March 2017 to Euro 2,911 thousand in the financial year ended 31 March 2018, of which Euro 711 thousand relate to amortisation of intangible assets, Euro 2,035 thousand relate to property, plant and equipment and Euro 165 thousand relate to the write-downs of fixed assets.
Amortisation of intangible assets increased by 21.1%, compared to the previous financial year, from Euro 587 thousand at 31 March 2017 to Euro 711 thousand at 31 March 2018.

The costs for depreciation of property, plant and equipment increased from Euro 1,953 thousand at 31 March 2017 to Euro 2,035 thousand at 31 March 2018, due to the consolidation of The Bridge S.p.A. for the entire FY 2017/2018.

Net write-downs, equal to Euro 165 thousand, related to the write-down of furniture and fittings of the point of sale located in Hong Kong, which was closed in September 2017 and of a point of sale located in Russia, which was closed in November 2017.

Other operating costs

The table below reports the Group's other operating costs broken down by sales channel for the financial years ended 31 March 2018 and 31 March 2017:

(in thousands of Euro)	31 March 2018					31 March 2017					% Change 2018-2017
	Business Segment PIQUADRO		THE BRIDGE			*Business Segment*		THE BRIDGE			
	DOS	*Wholesale*		Total for the Group	% Impact (*)	*DOS*	*Wholesale*		Total for the Group	% Impact (*)	
Taxes other than income taxes	140	202	110	452	0.5%	101	304	32	437	0.6%	3.3%
Donations	0	26	0	26	0.03%	0	25	0	25	0.03%	2.2%

Losses from Receivables	0	57	0	57	0.1%	0	113	0	113	0.1%	(49.3%)
Total Other operating costs	**140**	**285**	**110**	**535**	**0.5%**	**101**	**442**	**32**	**575**	**0.8%**	**(7.1%)**

(*) Percentage impact compared to sales revenues.

As at 31 March 2018 other operating costs, equal to Euro 535 thousand, decreased by Euro 40 thousand compared to 31 March 2017.

EBITDA and operating result

As per the details provided in the previous paragraphs as to the changes that occurred in any individual Income Statement item in the financial years ended 31 March 2017 and 31 March 2018, in general the increase in EBITDA was attributable to the contribution given by The Bridge S.p.A. for Euro 1,196 thousand and by the improvement in profitability of the Piquadro brand, against the capital gain generated from the disposal of the shop located in Paris, at Rue Saint Honoré, in the previous year ended 31 March 2017.

The table below reports the data relating to the EBITDA, broken down by sales channel, and to the Group's operating result, for the financial years ended 31 March 2018 and 31 March 2017:

(in thousands of Euro)	**31 March 2018**	**% Impact (*)**	**31 March 2017**	**% Impact (*)**	**Change 2018-2017**	**% Change 2018-2017**
EBITDA	**10,782**	**11.0%**	**8,794**	**11.6%**	**1,988**	**22.6%**
Breakdown by channel:						
DOS	2,226	2.3%	3,086	4.1%	(860)	(27.9%)
Wholesale	7,003	7.2%	5,351	7.0%	1,652	30.9%
The Bridge	1,553	1.6%	357	0.5%	1,196	335.0%
Operating result	**7,871**	**8.1%**	**5,689**	**7.5%**	**2,182**	**38.4%**

(*) Percentage impact compared to sales revenues.

Specifically, EBITDA increased from Euro 8,794 thousand (11.6% of revenues) in the financial year ended 31 March 2017 to Euro 10,782 thousand (11.0% of revenues) in the financial year ended 31 March 2018; the operating result increased from Euro 5,689 thousand (7.5% as a percentage impact on revenues) in the financial year ended 31 March 2017 to Euro 7,871 thousand (8.1% as a percentage impact on revenues) in the financial year ended 31 March 2018.

In the opinion of the Management, the performance of the operating result, compared to the previous financial year, was attributable to the combined effect of the following key factors:

- o) **an increased profitability in the DOS segment (DOSs and e-commerce) as a result of positive performances in terms of SSSG from Directly Operated Stores, specifically at the Italian and Russian shops, and of an increased profitability from sales recorded through the e-commerce website operated by the Group;**
- p) **an increase in the margins from the Wholesale segment, as a result of an increase in turnover both in the domestic market and in the European market;**
- q) **the consolidation of The Bridge S.p.A. for the entire financial year ended 31 March 2018 (the epriod of consolidation for the previous year had been equal to 3 months), whose positive contribution at operating result level was equal to about Euro 768 thousand;**
- r) **an increase in personnel costs, which was also due to higher costs recorded following the strengthening of the Group's corporate structure;**
- s) **the disposal of the point of sale located at Saint Honoré, which was the only shop operated by the French subsidiary Piquadro France SARL and which had generated, during the financial year ended 31 March 2017, a positive effect of Euro 1,088 thousand on the operating result;**
- *t)* **lower write-down of assets for about Euro 400 thousand, which had been due to the closure of the point of sale located in Paris, at Rue Saint Honoré, in the previous year.**

Financial income and charges

The table below reports the Group's financial income and charges for the financial years ended 31 March 2018 and 31 March 2017*:*

(in thousands of Euro)	**31 March 2018**	**% Impact (*)**	**31 March 2017**	**% Impact (*)**	**Change 2018-2017**	**% Change 2018-2017**
Financial income	782	0.8%	880	1.2%	(98)	(11.1%)
Financial charges	(1,505)	(1.5%)	(1,128)	(1.5%)	(377)	33.4%
The Bridge	(143)	(0.1%)	(70)	(0.1%)	(73)	104.3%
Total	**(866)**	**(0.9%)**	**(318)**	**(0.2%)**	**(445)**	**172.3%**

(*) Percentage impact compared to sales revenues.

This item includes the total of interest expense, commissions and net charges payable to banks and to other lenders and the effect of exchange fluctuations (gains and losses, both realised and estimated).
Net financial income and charges reported a deterioration compared to the financial year ended 31 March 2017, from Euro (318) thousand in the financial year ended 31 March 2017 to Euro (866) thousand in the financial year ended 31 March 2018.
The increase in financial charges at 31 March 2018 compared to 31 March 2017 was mainly attributable to higher foreign exchange losses, both realised and estimated, for Euro 613 thousand (about Euro 1,146 thousand at 31 March 2018 and about Euro 533 thousand at 31 March 2017), as well as to the charges arising from the evaluation of the option for the acquisition of 20% of the share capital of The Bridge S.p.A., equal to Euro 104 thousand, net of additional charges included in the financial statements at 31 March 2017, equal to Euro 332 thousand and relating to the acquisition of The Bridge S.p.A.
Financial income and charges of The Bridge S.p.A. recorded a negative balance of Euro (143) thousand at 31 March 2018, showing a deterioration of about Euro 73 thousand compared to the corresponding value at 31 March 2017 as a result of foreign exchange losses of Euro 16 thousand, higher financial costs for Euro 80 thousand determined by the collection of sales invoices, due to the different period of consolidation in the two financial years, as well as of lower bank charges for Euro 40 thousand and charges arising from the discounting-back of the staff severance pay for about Euro 20 thousand.

Income tax expenses

The table below reports the percentage impact of taxes on pre-tax profit for the financial years ended 31 March 2017 and 31 March 2018:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Pre-tax profit	7,006	5,371
Income taxes	(2,233)	(1,966)
Average tax rate	**31.9%**	**36.6%**

The table below reports the breakdown of the Group's taxes for the financial years ended 31 March 2018 and 31 March 2017:

(in thousands of Euro)	**31 March 2018**	**% Impact (*)**	**31 March 2017**	**% Impact (*)**
IRES tax and other foreign taxes	1,896	1.9%	1,534	2.0%
IRAP tax	468	0.5%	333	0.4%
Deferred tax liabilities	(8)	0.0%	66	0.1%
Deferred tax assets	(125)	0.0%	33	0.0%
Total	**2,233**	**2.3%**	**1,966**	**2.6%**

(*) Percentage impact compared to sales revenues.

In the financial year ended 31 March 2018 income tax increased, in absolute value, by 14% from Euro 1,966 thousand in the financial year ended 31 March 2017 to Euro 2,233 thousand in the financial year ended 31 March 2018, while showing a considerable reduction of about 5% compared to the previous year, which was mainly attributable to the reduction in the tax rate applicable in Italy.
Current taxes (IRES [*Imposta sul Reddito delle Società*, Corporate Income Tax] and IRAP [*Imposta Regionale sulle Attività Produttive,* Local Tax on Production Activities] taxes for the Parent Company and the equivalent income taxes for foreign subsidiaries) relate to the tax burden calculated on the respective taxable bases.

Net result

The table below reports the net result for the period for the financial years ended 31 March 2018 and 31 March 2017:

(in thousands of Euro)	**31 March 2018**	**% Impact (*)**	**31 March 2017**	**% Impact (*)**
Net result	4,733	4.9%	3,405	4.5%

(*) Percentage impact compared to sales revenues.

The net result for the financial year ended 31 March 2018 reported an increase of 40.2%, from Euro 3,405 thousand in the financial year ended 31 March 2017 to Euro 4,733 thousand in the financial year ended 31 March 2018.
In the financial year ended 31 March 2018 the percentage impact on sales revenues was equal to 4.9% (4.5% at 31 March 2017).

Silla di Gaggio Montano (BO), 11 June 2018

FOR THE BOARD OF DIRECTORS

THE CHAIRMAN
(Marco Palmieri)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)	**Notes**	**31 March 2018**	**31 March 2017**
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	(1)	3,887	3,775
Goodwill	(2)	4,658	4,658
Property, plant and equipment	(3)	11,115	12,691
Non-current financial assets	(4)	2	2
Receivables from others	(5)	707	772
Deferred tax assets	(6)	2,318	2,204
TOTAL NON-CURRENT ASSETS		**22,687**	**24,102**
CURRENT ASSETS			
Inventories	(7)	22,027	18,991
Trade receivables	(8)	27,618	27,747
Other current assets	(9)	3,326	3,473
Derivative assets	(10)	0	0
Tax receivables	(11)	275	1,011
Cash and cash equivalents	(12)	23,552	15,288
TOTAL CURRENT ASSETS		**76,798**	**66,511**
TOTAL ASSETS		**99,485**	**90,613**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)	**Notes**	**31 March 2018**	**31 March 2017**
LIABILITIES			
EQUITY			
Share Capital		1,000	1,000
Share premium reserve		1,000	1,000
Other reserves		415	1,042
Retained earnings		33,319	31,942
Group profit for the period		4,840	3,435
TOTAL EQUITY ATTRIBUTABLE TO THE GROUP		**40,574**	**38,420**
Capital and Reserves attributable to minority interests		(124)	(105)
Profit/(loss) attributable to minority interests		(67)	(31)
TOTAL EQUITY ATTRIBUTABLE TO MINORITY INTERESTS		**(191)**	**(136)**
TOTAL EQUITY	(13)	**40,383**	**38,284**
NON-CURRENT LIABILITIES			
Borrowings	(14)	11,128	13,676
Payables to other lenders for lease agreements	(15)	12	916
Other non-current liabilities	(16)	1,838	2,209
Provision for employee benefits	(17)	1,885	1,756
Provisions for risks and charges	(18)	2,197	1,970
Deferred tax liabilities	(19)	0	0
TOTAL NON-CURRENT LIABILITIES		**17,060**	**20,527**
CURRENT LIABILITIES			
Borrowings	(20)	12,345	5,987
Payables to other lenders for lease agreements	(21)	904	691
Derivative liabilities	(22)	159	11
Trade payables	(23)	22,149	20,244
Other current liabilities	(24)	4,052	3,026
Current income tax liabilities	(25)	2,433	1,844
TOTAL CURRENT LIABILITIES		**42,042**	**31,802**
TOTAL LIABILITIES		**59,102**	**52,329**
TOTAL EQUITY AND LIABILITIES		**99,485**	**90,613**

CONSOLIDATED INCOME STATEMENT

(in thousands of Euro)	**Notes**	**31 March 2018**	**31 March 2017**
REVENUES			
Revenues from sales	(26)	97,627	75,912
Other income	(27)	1,259	2,332
TOTAL REVENUES (A)		**98,886**	**78,244**
OPERATING COSTS			
Change in inventories	(28)	(3,248)	2,848
Costs for purchases	(29)	26,981	16,407
Costs for services and leases and rentals	(30)	42,401	32,323
Personnel costs	(31)	20,592	16,818
Amortisation, depreciation and write-downs	(32)	3,754	3,583
Other operating costs	(33)	535	575
TOTAL OPERATING COSTS (B)		**91,015**	**72,555**
OPERATING PROFIT (A-B)		**7,871**	**5,689**
FINANCIAL INCOME AND CHARGES			
Financial income	(34)	812	885
Financial charges	(35)	(1,678)	(1,203)
TOTAL FINANCIAL INCOME AND CHARGES		**(866)**	**(318)**
PRE-TAX RESULT		**7,006**	**5,371**
Income tax expenses	(36)	(2,233)	(1,966)
PROFIT FOR THE PERIOD		**4,773**	**3,405**
attributable to:			
EQUITY HOLDERS OF THE PARENT COMPANY		4,840	3,435
MINORITY INTERESTS		(67)	(31)
(Basic) Earnings per share in Euro	(37)	0.095	0.068

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Profit/(Loss) for the period (A)	**4,773**	**3,405**
Components that can be reclassified to profit or loss		
Profit/(loss) arising from the translation of financial statements of foreign companies	(497)	148
Profit/(loss) on cash flow hedge instruments	(107)	(59)
Components that cannot be reclassified to profit or loss*:*		
Actuarial gains (losses) on defined-benefit plans	(69)	0
Total Profits/(Losses) recognised in Equity (B)	**(673)**	**89**
Total comprehensive Profits/(Losses) for the period (A) + (B)	**4,100**	**3,494**
Attributable to		
- the Group	4,087	3,524
- Minority interests	13	(31)

It should be noted that the items of the consolidated Statement of Comprehensive Income are reported net of the related tax effect. For more details, reference should be made to Note 6.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

Description	Share capital	Share premium reserve	Other reserves: Translation reserve	Other reserves: Fair value reserve	Other reserves: Reserve for Employee Benefits	Other reserves: Other reserves	Other reserves: Total Other Reserves	Retained earnings	Group profit	Equity attributable to the Group	Capital and Reserves attributable to minority interests	Profit/ (Loss) attributable to minority interests	Total Equity attributable to the Group and minority interests
Balances as at 31.03.2016	**1.000**	**1.000**	**450**	**51**	**(45)**	**497**	**737**	**29,996**	**3,946**	**36,895**	**(37)**	**(68)**	**36,790**
Profit for the period									3,435	**3,435**		(31)	**3,405**
Other comprehensive result as at 31 March 2017:													
-Exchange differences from translation of financial statements in foreign currency			148				**148**			**148**			**148**
- Reserve for actuarial gain (losses) on defined-benefit plans					0		**0**			**0**			**0**
- Other changes							**0**			**0**			**0**
- Fair value of financial instruments				(59)			**(59)**			**(59)**			**(59)**
Comprehensive Income for the period	**0**	**0**	**148**	**(59)**	**0**	**0**	**89**	**0**	**3,435**	**3,524**	**0**	**(31)**	**3,494**
- Distribution of dividends to shareholders									(2,000)	**(2,000)**			**(2,000)**
-Allocation of the result for the year ended 31.03.2016 to reserves								1,946	(1,946)	**0**	(68)	68	**0**
Fair value of Stock Option Plans							**0**			**0**			**0**
Balances as at 31.03.2017	**1.000**	**1,000**	**598**	**(8)**	**(45)**	**497**	**826**	**31,942**	**3,435**	**38,420**	**(105)**	**(31)**	**(38,284)**
Other comprehensive result as at 31 March 2017:													
-Exchange differences from translation of financial statements in foreign currency			(510)				**(510)**			**(510)**	13		**(497)**
- Reserve for actuarial gain (losses) on defined-benefit plans					(69)		**(69)**			**(69)**			**(69)**
- Other changes							**0**			**0**			**0**
- Fair value of financial instruments				(107)			**(107)**			**(107)**			**(107)**
Comprehensive Income for the period	**0**	**0**	**(510)**	**(107)**	**(69)**	**0**	**(686)**	**0**	**4,840**	**4,154**	**13**	**(67)**	**4,100**
- Distribution of dividends to shareholders									(2,000)	**(2,000)**			**(2,000)**
											(31)	31	
-Allocation of the result for the year ended 31.03.2017 to reserves								1,435	(1,435)	**0**			**0**
										0			**0**
Fair value of Stock Option Plans													
Balances as at 31.03.2018	**1,000**	**1,000**	**88**	**(115)**	**(114)**	**497**	**140**	**33,378**	**4,840**	**40,574**	**(123)**	**(67)**	**40,383**

CONSOLIDATED CASH FLOW STATEMENT

(*in thousands of Euro*)	31 March 2018	31 March 2017
Pre-tax profit	**7,006**	**5,370**
Adjustments for:		
Depreciation of property, plant and equipment/Amortisation of intangible assets	2,746	2,492
Write-downs of property, plant and equipment/intangible assets	405	565
Accrual to provision for bad debts	843	(478)
Adjustment to the provision for employee benefits	0	0
Net financial charges/(income), including exchange rate differences	866	318
Cash flows from operating activities before changes in working capital	**11,865**	**8,268**
Change in trade receivables (gross of the provision)	(714)	2,520
Change in inventories	(3,036)	2,467
Change in other current assets	212	(3,173)
Change in trade payables	1,254	(6,536)
Change in provisions for risks and charges	227	(590)
Change in other current liabilities	655	1,758
Change in tax receivables/payables	147	(539)
Cash flows from operating activities after changes in working capital	**10,611**	**4,175**
Payment of taxes	(2,365)	(1,866)
Interest paid	(214)	(189)
Cash flow generated from operating activities (A)	**8,031**	**2,119**
Investments in and disinvestments from intangible assets	(490)	(315)
Change in the Consolidation Area (The Bridge S.p.A.)	0	620
Disinvestment for the disposal of the Paris store "Saint Honoré"	0	1,530
Investments in and disinvestments from property, plant and equipment	(1,197)	(1,116)
Changes generated from investing activities (B)	**(1,687)**	**719**
Financing activities		
Change in long-term financial receivables	0	0
Change in short- and medium/long-term borrowings	3,810	4,633
New issues of long-term borrowings	10,164	18,500
Repayments and other net changes in borrowings	(6,354)	(13,867)
Changes in financial instruments	148	59
Leasing instalments paid	(691)	(605)
Change in the translation reserve	484	148
Other minor changes	168	0
Payment of dividends	(2,000)	(2,000)
Cash flow generated from/(absorbed by) financing activities (C)	**1,920**	**2,236**
Net increase (decrease) in cash and cash equivalents A+B+C	8,264	5,074
Cash and cash equivalents at the beginning of the period	**15,288**	**10,214**
Cash and cash equivalents at the end of the period	**23,552**	**15,288**

The Group's business

Piquadro S.p.A. (hereinafter also referred to as "Piquadro", the "Company" or "the Parent Company") and its Subsidiaries (collectively "the Piquadro Group" or "the Group") design, produce and market leather goods - bags, suitcases and accessories - characterised by attention to design and functional and technical innovation.
The Company was established on 26 April 2005. The Share Capital has been subscribed through the contribution of the branch of business relating to operating activities on the part of the former Piquadro S.p.A (now Piqubo S.p.A., the ultimate company controlling the Company), which became effective for legal, accounting and tax purposes on 2 May 2005.
Effective from 14 June 2007, the registered office of Piquadro S.p.A. was moved from Riola di Vergato (Bologna), via Canova no. 123/O-P-Q-R to Località Sassuriano 246, Silla di Gaggio Montano (Bologna).
As of today's date, the Company is owned by Marco Palmieri through Piqubo S.p.A., which is 100% owned. Piqubo S.p.A., in fact, holds 93.34% of the Share Capital of Piquadro Holding S.p.A., which in its turn holds 68.37% of the Share Capital of Piquadro S.p.A., a Company which is listed on the Milan Stock Exchange since 25 October 2007.
It should be noted that for a better understanding of the economic performance of the Company and of the Group, reference is made to the extensive information reported in the Report on operations prepared by the Directors.
The data of these financial statements can be compared to the same of the previous financial year, except as reported below.

These financial statements were prepared by the Board of Directors on 11 June 2018 and will be submitted to the Shareholders' Meeting called on first call for 19 July 2018.

Main events that occurred in the course of the financial year ended 31 March 2018 and related significant accounting effects

No events are reported which occurred during the financial year ended 31 March 2018, with significant accounting effects.

Structure and content of the consolidated financial statements and the relevant Accounting Standards

In compliance with Regulation (EU) no. 1606/2002, the consolidated financial statements of Piquadro S.p.A. at 31 March 2018 were prepared in accordance with the IAS/IFRS (International Accounting Standards and International Financial Reporting Standards, hereinafter also referred to as "IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, as supplemented by the related interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC), which was previously named Standing Interpretations Committee (SIC), as well as by the related measures issued in the implementation of article 9 of Legislative Decree no. 38/2005.

Basis of preparation

This document reports the consolidated financial statements, including the consolidated statement of financial position, the consolidated Income Statement, the consolidated Statement of Comprehensive Income, the consolidated cash flow statement and the statement of changes in consolidated equity for the financial years ended 31 March 2018 and 31 March 2017 and the related explanatory notes.
IFRS means all the "International Financial Reporting Standards" (IFRS), all the International Accounting Standards (IAS), all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously named Standing Interpretations Committee (SIC).
Specifically, it should be noted that IFRS were consistently applied to all periods presented in this document.

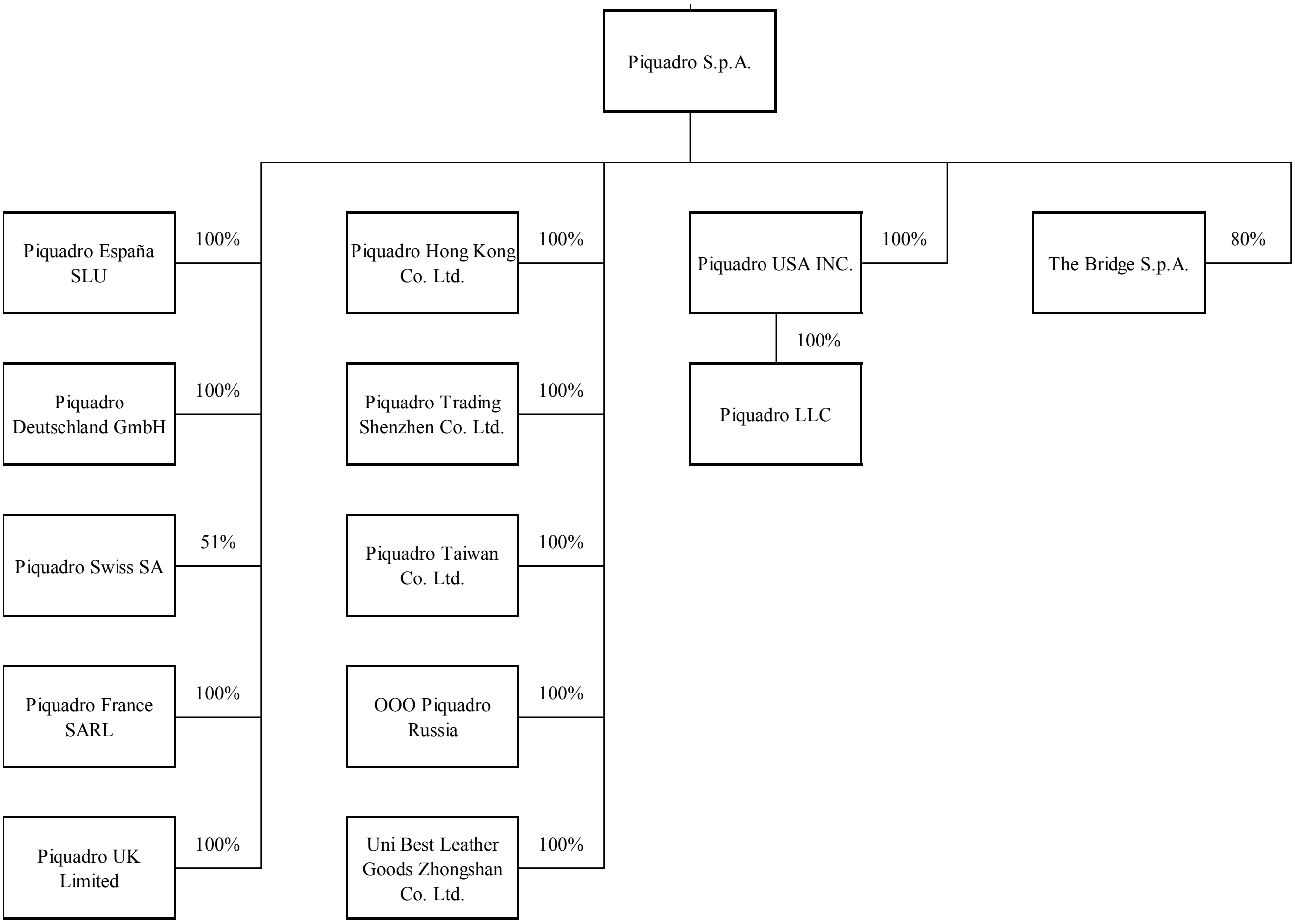
As to the procedures for presentation of the financial statements' schedules, the Company adopted the distinction "current/non-current" for the statement of financial position, the single-step scheme for the Income Statement, classifying costs by nature and the indirect method of representation for the Cash Flow Statement. The Statement of Comprehensive Income is presented in a separate document, as permitted by IAS 1 (revised) with respect to the Income Statement. The consolidated financial statements were prepared in Euro, i.e. the current money used in the economies in which the Group mainly operates.

All amounts included in the tables of the following notes, except as otherwise indicated, are expressed in thousands of Euro.

Except for the acquisition of The Bridge S.p.A. on 20 December 2016, the Management believe that no significant non-recurring events or transactions occurred either in the FY 2017/2018 or in the FY 2016/2017 nor any atypical or unusual transactions.

Chart of the Group structure

For the purpose of providing a clear representation, below is reported the chart of the Group structure at 31 March 2018:



Consolidation area

The consolidated financial statements at 31 March 2018 include the separate financial statements of the Parent Company Piquadro S.p.A. and the financial statements of all the Companies in which it retains control, either directly or indirectly.

The financial statements being consolidated were prepared as at 31 March 2018, i.e. the reporting date of the consolidated financial statements and include those especially prepared and approved by the Boards of Directors of the individual Companies, as appropriately adjusted, if required, in order to be brought in line with the Accounting Standards of the Parent Company.

The complete list of the equity investments included in the consolidation area at 31 March 2018 and 31 March 2017, with the related Shareholders' Equity and Share Capital recognised according to local Accounting Standards (as the Subsidiary Companies have prepared their separate financial statements according to local regulations and Accounting Standards, and have prepared the consolidation file according to IFRS functionally to the consolidation into Piquadro) are reported in the tables below:

Consolidation area at 31 March 2018

Name	HQ	Country	Currency	Share Capital (local currency /000)	Shareholders' equity (local currency/000)	Control %
Piquadro S.p.A.	Gaggio Montano (BO)	Italy	Euro	1,000	40,107	Parent Company
Piquadro España SLU	Barcelona	Spain	Euro	898	824	100%
Piquadro Deutschland GmbH	Munich	Germany	Euro	25	35	100%
Uni Best Leather Goods Zhongshan Co. Ltd.	Guangdong	People's Republic of China	CNY	22,089	3,680	100%
Piquadro Hong Kong Co. Ltd.	Hong Kong	Hong Kong	HKD	2,000	642	100%
Piquadro Trading Shenzhen Co. Ltd.	Shenzhen	People's Republic of China	CNY	13,799	6,111	100%
Piquadro Taiwan Co. Ltd.	Taipei	Taiwan	TWD	25,000	30,194	100%
Piquadro France SARL	Paris	France	EUR	100	109	100%
Piquadro Swiss SA	Mendrisio	Switzerland	CHF	100	(471)	51%
Piquadro UK Limited (*)	London	United Kingdom	GBP	1,000	1,025	100%
Piquadro USA INC.	Delaware	USA	USD	1,000	988	100%
Piquadro LLC	Delaware	USA	USD	995	995	100%
OOO Piquadro Russia	Moscow	Russia	RUB	10	55,020	100%
The Bridge S.p.A.	Scandicci	Italy	EUR	50	560	80%

(*) Piquadro UK Limited has made use of the right of exemption from control for 2018 according to the provisions of the New Section 479A of the 2006 Companies Act. For this purpose it is stated that Piquadro UK Limited is included in this Annual Financial Report.

Consolidation area at 31 March 2017

Name	HQ	Country	Currency	Share Capital (local currency /000)	Shareholders' equity (local currency/000)	Control %
Piquadro S.p.A.	Gaggio Montano (BO)	Italy	Euro	1,000	36,936	Parent Company
Piquadro España SLU	Barcelona	Spain	Euro	898	799	100%
Piquadro Deutschland GmbH	Munich	Germany	Euro	25	45	100%
Uni Best Leather Goods Zhongshan Co. Ltd.	Guangdong	People's Republic of China	CNY	22,090	4,457	100%
Piquadro Hong Kong Co. Ltd.	Hong Kong	Hong Kong	HKD	2,000	977	100%
Piquadro Trading Shenzhen Co. Ltd.	Shenzhen	People's Republic of China	CNY	13,799	7,121	100%
Piquadro Taiwan Co. Ltd.	Taipei	Taiwan	TWD	25,000	30,189	100%
Piquadro France SARL	Paris	France	EUR	100	459	100%
Piquadro Swiss SA	Mendrisio	Switzerland	CHF	100	(316)	51%
Piquadro UK Limited (*)	London	United Kingdom	GBP	1,000	1,019	100%
Piquadro USA INC.	Delaware	USA	USD	1,000	996	100%
Piquadro LLC	Delaware	USA	USD	995	987	100%

OOO Piquadro Russia	Moscow	Russia	RUB	10	45,030	100%
The Bridge S.p.A.	Scandicci	Italy	EUR	2,500	(322)	80%

(*) Piquadro UK Limited has made use of the right of exemption from control for 2016 according to the provisions of the New Section 479A of the 2006 Companies Act. For this purpose it is stated that Piquadro UK Limited is included in this Annual Financial Report.

All Group Companies are consolidated on a line-by-line basis.

There are no differences relating to the consolidation area compared to the financial year ended 31 March 2017.

Accounting policies

The accounting policies used in preparing the consolidated financial statements at 31 March 2018, which do not differ from those used in the previous financial year, are indicated below.

Consolidation criteria and techniques

The consolidated financial statements include the financial statements of the Company and of the Companies over which it exercises control, either directly or indirectly, starting from the date when the control was acquired up to the date when control ceases. In this case, control is exercised both by virtue of the direct or indirect possession of the majority of voting shares and as a result of the exercise of a dominant influence expressed by the power to affect, also indirectly by virtue of contractual or legal agreements, the financial and operational decisions of the entities, obtaining the relative benefits thereof, also regardless of shareholding relations. The existence of potential voting rights exercisable as at the reporting date is taken into account for the purposes of determining control.

The Companies that the Parent Company Piquadro S.p.A. controls, either directly or indirectly, and either legally or in practice, are consolidated according to the line-by-line consolidation method, which consists in reporting all the asset and liability items in their entirety from the date on which control was acquired up to the date when control ceases.

The main consolidation criteria adopted for the application of the line-by-line method are the following:

- **u) Subsidiary Companies are consolidated starting from the date when control is actually transferred to the Group and cease to be consolidated on the date when control is transferred outside the Group;**
- **v) if required, adjustments are made to the financial statements of subsidiary companies in order to bring the accounting criteria used in line with those adopted by the Group;**
- **w) assets and liabilities, income and charges of companies consolidated on a line-by-line basis are fully recognised in the consolidated financial statements; the book value of the equity investments is derecognised against the corresponding portion of Equity of the investee companies, entering the individual elements of balance sheet assets and liabilities at their current value at the date of acquisition of control. Any residual difference, if positive, is entered under the asset item "Goodwill"; if negative, in the Income Statement;**
- **x) debt and credit relationships, costs and revenues, financial income and charges between Companies consolidated on a line-by-line basis, as well as the effects of all transactions effected between the same are derecognised;**
- **y) the portions of Equity and of the result for the period attributable to minority interests are indicated separately in consolidated Equity and Income Statement, respectively.**

Financial statements expressed in currencies other than that of the Group's consolidated financial statements, i.e. the Euro, are consolidated following the methodology described above after translating them into Euro. The translation is made as follows:

- (i) assets and liabilities are translated using the exchange rates prevailing at the reporting date of the consolidated financial statements;
- (ii) costs and revenues are translated at the average exchange rate of the financial year;
- (iii) exchange rate differences generated by the translation of the economic values at a rate other than the closing rate and those generated by the translation of the opening Equity at an exchange rate other than the closing rate of the reporting period are classified under a special Equity item up to the sale of the equity investment;

(iv) goodwill and fair value adjustments generated by the acquisition of a foreign company are recognised in the related currency as assets and liabilities of the foreign entity and are translated using the period-end exchange rate.

The financial statements expressed in a foreign currency other than that of the Countries which have adopted the Euro are translated into Euro by applying the rules indicated above. Below are reported the exchange rates applied for the FY 2017/2018 (foreign currency corresponding to Euro 1):

Foreign Currency	Average exchange rate (*)		Final exchange rate (*)	
	2018	**2017**	**2018**	**2017**
Hong Kong Dollar (HKD)	9.14	8.51	9.67	8.31
Renminbi (RMB)	7.75	7.38	7.75	7.36
Taiwan Dollar (TWD)	35.08	34.84	35.93	32.46
Swiss Franc (CHF)	1.14	1.08	1.18	1.07
Great Britain Pound (GBP)	0.88	0.84	0.87	0.86
US Dollar (USD)	1.17	1.10	1.23	1.07
Russian Rouble (RUB)	67.74	69.23	70.89	60.31

(*) Exchange rates are rounded up to the second decimal place.

Intangible assets

Intangible assets purchased or internally produced are entered under assets when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset may be determined reliably. These assets are valued at their purchase or production cost.
Intangible assets relate to assets without an identifiable physical substance, which are controlled by the company and are able to generate future economic benefits, as well as any possible goodwill.

Intangible assets with a definite useful life are systematically amortised over their useful life, to be intended as the estimated period in which assets will be used by the company. Goodwill and any other intangible assets, where existing, with an indefinite useful life are not amortised, but are tested for impairment at least on an annual basis, for the purposes of verifying the existence of impairment losses (if any).
The rates applied are:

Development Costs	25%
Patents	33.3%
Trademarks	10%
Key money (Rights to replace third parties in lease agreements for points of sale)	lease term
Concessions	33.3%

(i) Research and Development costs

Research costs are charged to the Income Statement in the financial year in which they are incurred. Development costs are instead entered under intangible assets where all the following conditions are fulfilled:

- the project is clearly identified and the related costs can be identified and measured reliably;
- the technical feasibility of the project has been demonstrated;
- the intention to complete the project and to sell the intangible assets generated by the project has been demonstrated;
- a potential market exists or, in the case of internal use, the benefit of the intangible asset has been demonstrated for the production of the intangible assets generated by the project;
- the technical and financial resources necessary for the completion of the project are available.

Amortisation of Development costs entered under intangible assets will start from the date when the result generated by the project is marketable. Amortisation is made on a straight-line basis over a period of 4 years, which represents the estimated useful life of capitalised expenses.

(ii) Industrial patent and intellectual property rights, Licences and other Rights

Charges relating to the acquisition of industrial patent and intellectual property Rights, Licences and other Rights are capitalised on the basis of the costs incurred for their purchase.

Amortisation is calculated on a straight-line basis so as to allocate the cost incurred for the acquisition of the right over the shorter of the period of the expected use and the term of the related contracts, starting from the time when the acquired Right may be exercised; usually, this period has a duration of 5 years.

(iii) Trademarks

Trademarks have a definite useful life and are valued at cost. Amortisation is calculated on a straight-line basis in order to distribute their value over the estimated useful life and in any case for a period not exceeding 10 years.

(iv) Key money

Amortisation of the key money (that is payments to third parties to obtain the rights to take over lease agreements for points of sale) is calculated on a straight-line basis according to the lease term of the points of sale.

The recoverability of the entry value of intangible assets, including goodwill, if any, is verified by adopting the criteria indicated in point "Impairment losses of assets".

(v) Goodwill

Goodwill arising from the acquisition of subsidiaries, classified under non-current assets, is stated, upon initial recognition, at the cost consisting of the excess consideration paid and of the amount stated for minority interests, recognised as at the date of acquisition, compared to the identifiable net assets acquired and the liabilities assumed by the Group. If the consideration is less than the fair value of the net assets of the acquired subsidiary, the difference is stated through profit or loss. Goodwill is regarded by the Piquadro Group as an asset with indefinite useful life. Accordingly, this asset is not amortised but is tested for impairment periodically. Goodwill is allocated to the operating units that generate cash flows that are identifiable separately and are monitored in order to allow the impairment test to be conducted.

Property, plant and equipment

Property, plant and equipment are entered at their purchase price or production cost, including any directly-attributable additional charges required to make the assets available for use.
Costs incurred subsequent to the purchase are capitalised only if they increase the future economic benefits inherent in the asset to which they refer.
The assets whose sale is highly probable as at the reporting date of the financial statements are classified under current assets under item "Current assets available for sale" and measured at the lower of the book value and the related fair value, net of estimated selling costs. The sale of an asset classified under non-current assets is highly probable when the Management has defined, by a formal resolution, a plan for the disposal of the asset (or of the disposal group) and activities have been started to identify a purchaser and to complete the plan. Furthermore, the asset (or the disposal group) has been offered for sale at a reasonable price compared to its current fair value. The sale is expected to be completed within a year of the date of classification and the actions required to complete the sale plan show that it is improbable that the plan can be significantly amended or cancelled.

Property, plant and equipment under finance leases, through which all risks and rewards attached to ownership are substantially transferred to the Group, are entered under the relevant classes of property, plant and equipment and are depreciated by applying the same depreciation rates reported below which have been adopted for the related relevant class, provided the lease term is less than the useful life represented by such rates and there is no reasonable certainty of the transfer of the ownership of the leased asset at the natural expiry of the agreement; in this case, the depreciation period is represented by the term of the lease agreement. Assets are entered against the entry of short- and medium-term payables to the lessor financial entity; rentals paid are allocated between financial charges and reduction in borrowings.

Leases in which the lessor substantially retains the risks and rewards attached to ownership of the assets are classified as operating leases. Costs for rentals arising from operating leases are charged to the Income Statement on a straight-line basis on the basis of the contract term.

Property, plant and equipment are systematically depreciated on a straight-line basis over their useful life, to be intended as the estimated period in which the asset will be used by the company. The value to be depreciated is represented by the entry value as reduced by the presumed net transfer value at the end of its useful life, if it is significant and can be determined reasonably. Land is not subject to depreciation, even if purchased jointly with a building, as well as the tangible assets intended for transfer which are valued at the lower of the entry value and their fair value, net of disposal charges.
The rates applied are:

Land	Unlimited useful life
Buildings	3%
Leasehold improvements (shops)	17.5%*
Machinery and moulds	17.5%
General systems	17.5%
Industrial and business equipment	25%
Office electronic machines	20%
Fittings	12%
Motor vehicles and means of internal transport	20%
Cars	25%

* or over the term of the lease agreement should the same be lower and there is not reasonable certainty of the renewal of the same at the natural expiry of the contract.

Should the asset being depreciated be made up of elements that can be clearly identified and whose useful life significantly differs from that of the other parts making up the asset, depreciation is made separately for each of the parties making up the asset (component approach).

Ordinary maintenance costs are fully charged to the Income Statement. Costs for improvements, refurbishment and transformation increasing the value of property, plant and equipment are charged as an increase in the relevant assets and depreciated separately.
Financial charges directly attributable to the construction or production of a tangible asset are capitalised as an increase in the asset under construction, up to the time when it is available for use.

The recoverability of the entry value of property, plant and equipment is verified by adopting the criteria indicated in point "Impairment losses of assets" below.

Business combinations

Business combinations are accounted for by applying the so-called purchase method (as defined by IFRS 3 (revised) "Business combinations"). The purchase method requires, after having identified the purchaser within the business combination and having determined the acquisition cost, all assets and liabilities acquired (including the so-called contingent liabilities) to be measured at fair value. Goodwill (if any) is determined only on a residual basis as the difference between the cost of the business combination and the relevant portion of the difference between acquired assets and liabilities measured at fair value. If negative, it is recognised as a positive component of the result for the period in which the business combination takes place. Transaction costs are directly charged to the Income Statement.

Business combinations of entities under common control

Business combinations of entities under common control are business combinations of entities which are ultimately controlled by the same persons both before and after the business combination and the control is not of a temporary nature. The presence of minority interests in each of the entities being combined before or after the combination

transaction is not significant in order to determine whether the combination involves entities under common control.
Business combinations of entities under common control are accounted for so that the net assets of the acquired entity and of the acquiring entity are recognised at the book values they had in the respective accounts before the transaction (continuity of values), without recognising, in the consolidated financial statements, surplus values (if any) arising from these combinations and accounted for in the separate financial statements of the Company.

Equity investments in Associated companies and other companies

If existing, investments in associated companies are valued at Equity.
Equity investments in other companies are measured at fair value; if the fair value cannot be estimated reliably, the investment is valued at cost.
The recoverability of their entry value is verified by adopting the criteria indicated in point "Impairment losses of assets".

Receivables and other non-current and current assets

Receivables and the other non-current and current assets are classified under financial assets "Loans and receivables". These are non-derivative financial instruments which mainly relate to receivables from customers and which are not listed on an active market, from which fixed or determinable payments are expected. They are included in the current portion, except for those with a maturity exceeding twelve months compared to the reporting date, which are classified under the non-current portion. Initially these assets are recognised at fair value; subsequently, they are valued at amortised cost on the basis of the actual interest rate method. Should an objective evidence exist of any impairment, the asset is reduced so as to be equal to the discounted value of the flows that may be obtained in the future. Impairment losses are recognised in the Income Statement. If the reasons for the previous write-downs no longer apply in the subsequent periods, the value of the assets is restored up to the amount of the value which would be derived from the application of amortised cost had no write-down been made.

Inventories

Inventories are valued and entered at the lower of the purchase or production cost, including additional charges, as determined according to the weighted average cost method, and the value of presumed realisable value inferable from the market performance.

Cash and cash equivalents

The item relating to cash and cash equivalents includes cash, current bank accounts, demand deposits and other short-term high-liquidity financial investments, which are readily convertible into cash, or which can be transformed into cash and cash equivalents within 90 days of the date of original acquisition, and are subject to a non-significant risk of changes in value.

Impairment of assets

Assets with an indefinite useful life are not amortised and are tested for impairment at least annually, as well as whenever there is evidence of any possible impairment loss. Assets subject to amortisation are tested for impairment whenever events or changes in situations indicate that the book value might not be recoverable. The impairment loss is recognised in an amount equal to the excess book value compared to recoverable value, equal to the greater of current value, net of selling costs, and value in use. In order to assess an impairment loss, assets are grouped at the lowest level for which cash flows are expected to arise which can be identified separately (cash generating units) as required by IAS 36. The abovementioned impairment test necessarily requires the use of subjective evaluations based on the information available within the Group, target market prospects and historical trends. Furthermore, if it is assumed that a potential impairment loss might have occurred, the Group proceeds with its determination by using appropriate valuation techniques. The same impairment tests and the same valuation techniques are applied to intangible assets and property, plant and equipment with definite useful life when there is any evidence that there might be difficulties in recovering the related net book value through their use. The correct identification of any indicator of a potential impairment loss, as well as the estimates for its determination, mainly

depend on factors and conditions that can vary over time, even significantly, thus affecting the evaluations and estimates made by the Directors.
The evaluation requiring goodwill to be recognised at a value not exceeding its recoverable value (Impairment test) is performed by testing, as first step, the recoverability of the value of goodwill divided into Cash Generating Units (CGUs). The recoverable value is calculated in accordance with the criteria set out in IAS 36 and is determined as value in use by discounting the cash flows expected to arise from the use of the asset or of a CGU, as well as from the value that is expected from its disposal at the end of its useful life. This process entails the use of estimates and assumptions to determine both the amount of future cash flows and the corresponding discount rates. Future cash flows are based on the most recent economic and financial plans prepared by the Management of each CGU with reference to the operation of production assets and to the market context.

Equity

The Share Capital is made up of the outstanding ordinary shares and is entered at its nominal value. Costs relating to the issue of shares or options are classified as a reduction in Equity (net of the tax benefit related thereto) as a deduction of the income arising from the issue of such instruments.

In case of purchase of treasury shares, the price paid, including directly-attributable additional charges (if any), is deducted from the Group's Equity up to the time of cancellation, reissue or disposal of the shares. When the said treasury shares are resold or reissued, the price received, net of directly-attributable additional charges (if any) and of the related tax effect, is accounted for as an increase in the Group's Equity.

Entries are made in the translation reserve at the time of recognition of the exchange rate differences relating to the consolidation of the Companies which prepare the financial statements in a currency other than the Euro.
Entries are made in the legal reserve through provisions recognised pursuant to article 2430 of the Italian Civil Code, or the reserve is increased to an extent equal to the 20th part of the net profits achieved by the Parent Company until the reserve in question reaches a fifth of the Share Capital of the Parent Company. Once a fifth of the Share Capital is reached, if for whatever reason the reserve is decreased, it shall be replenished with the minimum annual provisions as indicated above.

Hedging financial instruments

The Group carries out transactions in derivative financial instruments to hedge exposure to foreign exchange and interest rate risks. The Group does not hold financial instruments of a speculative nature, as required by the risk policy approved by the Board of Directors. Consistently with IAS 39, hedging financial instruments are accounted for according to the procedures laid down for hedge accounting if all the following conditions are fulfilled:

(i) at inception of the hedge, there is formal documentation of the hedging relationship and the company's risk management objective and strategy for undertaking the hedge;
(ii) the hedge is expected to be highly effective in offsetting changes in fair value (fair value hedge) or cash flows (cash flow hedge) that are attributable to the hedged risk;
(iii) for cash flow hedges, any forecast transaction being hedged is highly probable and presents an exposure to the changes in cash flows which could finally affect the economic result for the period;
(iv) hedge effectiveness is reliably measurable, i.e. the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured;
(v) the hedge must be assessed on an on-going basis and be highly effective for the entire life of the derivative.

The criterion for measuring hedging instruments is represented by their fair value as at the designated date. The fair value of foreign exchange derivatives is calculated in relation to their intrinsic value and time value. On each closing date of the financial statements, hedging financial instruments are tested for effectiveness, in order to verify whether the hedge meets the requirements to be qualified as effective and to be accounted for according to hedge accounting. When the financial instruments are eligible for hedge accounting, the following accounting treatments will be applied:

Fair value hedge - If a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a balance sheet asset or liability attributable to a specific risk that might impact the Income Statement, the profit or loss arising from the subsequent measurements at fair value of the hedging instrument are recognised in the Income Statement. The profit or loss on the hedged item, attributable to the hedged risk, modify the book value of this item and are recognised in the Income Statement.

Cash flow hedge - If a derivative financial instrument is designated as a hedge of the exposure to changes in future cash flows of an asset or liability entered in the accounts or of a forecast transaction which is highly probable and which could have effects on the Income Statement, changes in fair value of the hedging instrument are taken to the Statement of Comprehensive Income, the ineffective portion (if any) is recognised in the Income Statement.
If a hedging instrument or a hedging relationship are terminated, but the transaction being hedged has not yet been effected, the combined profits and losses, which have been entered under the Statement of Comprehensive Income up to that time, are recognised in the Income Statement at the time when the related transaction is carried out.
If the transaction being hedged is no longer deemed probable, the profits or losses not yet realised and deferred to Equity are immediately recognised in the Income Statement.
If the hedge accounting cannot be applied, the profits or losses arising from the measurement at fair value of the derivative financial instrument are immediately entered in the Income Statement.

Earnings per share

Basic
Basic earnings per share are calculated by dividing the Group's economic result by the weighted average of the ordinary shares outstanding in the financial year, excluding treasury shares (if any).

Diluted
Diluted earnings per share are calculated by dividing the Group's economic result by the weighted average of the ordinary shares outstanding in the financial year, excluding treasury shares (if any). For the purposes of the calculation of the diluted earnings per share, the weighted average of outstanding shares is modified by assuming the conversion of all potential shares having dilutive effects, while the Group's net result is adjusted to take account of the effects, net of taxes, of the conversion.

Financial liabilities

Financial liabilities are related to loans, trade payables and other obligations to pay and are initially recognised at fair value, while they are subsequently valued at amortised cost, using the actual interest rate method. Should a change occur in the expected cash flows and should it be possible to estimate them reliably, the value of the loans is recalculated to reflect this change on the basis of the present value of the new expected cash flows and of the internal rate of return determined initially. Financial liabilities are classified under current liabilities, unless the Group has an unconditional right to delay their payment for at least 12 months after the reporting date.
Financial liabilities are derecognised from the accounts at the time of their discharge or when the Group has transferred all the risks and charges relating to the instruments themselves. As the Group's financial liabilities have been incurred at variable interest rates, their fair value is substantially in line with the balance sheet value.

Financial instruments and IFRS 7

The category of financial instruments

As required by IFRS 7**,** below is reported the breakdown of the financial instruments by category relating to the financial years ended 31 March 2018 and 31 March 2017.

(in thousands of Euro)	**31/03/2018**	**FVTPL**	**LAR**	**AFS**	**FLAC**	**IAS 17 Leases**	**Measurement at fair value**
Trade receivables	27,618	0	27,618	0	0	0	27,618
Assets for financial instruments	0	0	0	0	0	0	0
Cash and cash equivalents	23,552	0	23,552	0	0	0	23,552
Assets	**51,170**	**0**	**51,170**	**0**	**0**	**0**	**51,170**
Non-current borrowings	11,128	0	0	0	11,128		11,128
Payables to other lenders for non-current lease agreements	12	0	0	0		12	

Current borrowings	12,345	0	0	0	12,345		12,345
Payables to other lenders for current lease agreements	904	0	0	0	0	904	
Trade payables	22,149	0	22,149	0	0	0	22,149
Liabilities for financial instruments	159	0	159	0	0	0	159
Other non-current liabilities	1,838	1,838		0	0	0	1,838
Liabilities	**48,535**	**1,838**	**22,308**	**0**	**23,473**	**916**	**47,619**

(in thousands of Euro)	31/03/2017	FVTPL	LAR	AFS	FLAC	IAS 17 Leases	Measurement at fair value
Trade receivables	27,747	0	27,747	0	0	0	27,747
Assets for financial instruments	0	0	0	0	0	0	0
Cash and cash equivalents	15,288	0	15,288	0	0	0	15,288
Assets	**43,035**	**0**	**43,035**	**0**	**0**	**0**	**43,035**
Non-current borrowings	13,676	0	0	0	13,676	0	13,676
Payables to other lenders for non-current lease agreements	916	0	0	0	0	916	0
Current borrowings	5,987	0	0	0	5,987	0	5,987
Payables to other lenders for current lease agreements	691	0	0	0	0	691	0
Trade payables	20,244	0	20,244	0	0	0	20,244
Liabilities for financial instruments	11	0	11	0	0	0	11
Other non-current liabilities	2,209	2,209	0	0	0	0	2,209
Liabilities	**43,734**	**2,209**	**20,255**	**0**	**19,663**	**1,607**	**42,127**

Key

FVTPL: Fair value Through Profit and Loss
LAR: Loans And Receivables
AFS: Available For Sale
FLAC: Financial Liabilities at Amortised Cost

Risk factors

The Piquadro Group is exposed to risks associated with its own business, which are specifically referable to the following cases:

(i) Credit risk arising from business transactions or financing activities;
(ii) Liquidity risk relating to the availability of financial resources and to the access to the credit market;
(iii) Market risk which is identified in detail as follows;
   - Foreign exchange risk, relating to operations in currencies other than currencies of denomination;
   - Interest rate risk, relating to the Group's exposure on financial instruments which bear interest.

Credit risk

The operational management of this risk is delegated to the Credit Management function which is shared by the Administration, Finance and Control Department with the Sales Department and is carried out as follows:

(i) assessing the credit standing of the customers;
(ii) monitoring the related expected incoming flows;
(iii) the appropriate payment reminder actions;
(iv) debt collection actions, if any.

The write-down necessary to bring the nominal value in line with the expected collectable value has been determined by analysing all of the expired loans in the accounts and using all the available information on individual debtors. Loans which are the object of disputes and for which there is a legal or insolvency procedure have been fully written down, while fixed write-down percentages have been applied to all the other receivables, again taking account of both legal and actual situations. Below is reported the summary statement of the changes in the Provision for bad debts.

(in thousands of Euro)	**Provision at 31 March 2018**	**Provision at 31 March 2017**
Balance at the beginning of the period	**2,280**	1,304
Accrual	753	441
Change in the consolidation area	0	1,042
Uses	(211)	(507)
Total Provision for bad debts	**2,822**	**2,280**

The change in the consolidation area reflects the acquisition of control over The Bridge S.p.A., which took place during the previous year.

Position of the loans

As required by IFRS 7, below is reported a breakdown of expired loans:

(in thousands of Euro)		Loans falling due	Expired loans			Provision for bad debts
31/03/2018	Amount in the accounts		1-60 days	61-120 days	Over 120 days	
DOS	238	0	0	0	0	0
Wholesale	20,953	7,527	9,000	1,071	4,995	(1,640)
The Bridge	6,427	5,126	531	315	1,637	(1,182)
Total	**27,618**	**12,653**	**9,531**	**1,386**	**6,632**	**(2,822)**

(in thousands of Euro)		Loans falling due	Expired loans			Provision for bad debts
31/03/2017	Amount in the accounts		1-60 days	61-120 days	Over 120 days	
DOS	221	221	0	0	0	0
Wholesale	21,538	14,371	1,279	1,073	6,052	0
The Bridge	5,988	5,734	502	520	275	(1,043)
Total	**27,747**	**20,326**	**1,781**	**1,593**	**6,327**	**(2,280)**

Liquidity risk

The financial requirements of the Group are affected by the dynamics of receipts from customers in the Wholesale channel, a segment which is mainly made up of points of sale/shops; as a consequence, credits are highly fragmented, with variable average payment times.
Nevertheless, the Group is able to finance the growing requirements of net working Capital with ease, through the cash flows generated by operations, including the short-term receipts generated by the DOS channel and, when necessary, through recourse to short-term loans.
In support of the above, below are reported the main ratios of financial management:

	31 March 2018	**31 March 2017**
Cash Ratio (*)	0.56	0.48
Quick Ratio (**)	1.30	1.50
Current Ratio (***)	1.83	2.09
Net financial debt/EBITDA	0.34	0.94
Interest coverage ratio (****)	9.09	17.87

(*)Cash and cash equivalents/Current liabilities
(**) (Current assets- inventories)/Current liabilities
(***)Current assets, including inventories/Current liabilities
(****)Operating result/Financial income (charges)

The various liquidity ratios reported above (Cash, Quick and Current Ratios) show that the Group's current operations have a good ability to generate cash flows which ensure an adequate coverage of short-term commitments.
In addition, the management ratios do not show any problematic aspects as regards the coverage of costs deriving from the debt structure through operating profitability.
Furthermore, policies and processes have been adopted which are aimed at optimising the management of financial resources, thus reducing liquidity risks:

(i) maintaining an adequate level of available funds;
(ii) obtaining adequate credit lines;
(iii) monitoring the perspective liquidity conditions, in relation to the corporate process

Liquidity schemes:

Type of instruments	Amount in the accounts	Within 1 year	From 1 year to 5 years	Beyond 5 years	Total
31/03/2018					
Payables to banks for loans	23,473	12,345	11,128	0	23,473
Payables to banks for credit lines	0	0	0	0	0
Trade payables	22,149	22,149	0	0	22,149
Other borrowings (leases)	916	904	12	0	916
Derivative liabilities	159	159	0	0	159
Total	**46,697**	**35,557**	**11,140**	**0**	**46,697**

Type of instruments	Amount in the accounts	Within 1 year	From 1 year to 5 years	Beyond 5 years	Total
31/03/2017					
Payables to banks for loans	19,663	5,987	13,676	0	19,663
Payables to banks for credit lines	0	0	0	0	0
Trade payables	20,244	20,244	0	0	20,244
Other borrowings (leases)	1,607	691	916	0	1,607
Derivative liabilities	11	11	0	0	0
Total	**41,525**	**26,933**	**14,592**	**0**	**41,525**

Below are reported the main assumptions for the table above:

(i) Loans payable: the future cash flows have been provided directly by the banks concerned;
(ii) Current bank accounts: by virtue of the worst case in which the worst scenario is equal to the repayment on demand of the use of the credit line, the related cash out has been charged to the first time band;
(iii) Foreign exchange forwards: the cash out in Euro has been reported which has been envisaged as per contract at the time of the subscription of the derivative instruments;
(iv) Finance leases: instalments, plus interest, have been reported.

As at 31 March 2018, the Group could rely on about Euro 46,970 thousand of credit lines (about Euro 40,855 thousand at 31 March 2017), of which unused lines of about Euro 23,497 thousand (about Euro 21,192 thousand at 31 March 2017) and on cash and cash equivalents of about Euro 23,552 thousand (Euro 15,288 thousand at 31 March 2017). As regards the balance of Current Assets, and specifically the coverage of payables to suppliers, it is also ensured by the amount of net trade receivables, which amounted to Euro 27,618 thousand at 31 March 2018 (Euro 27,747 thousand at 31 March 2017).

Market risk

Foreign exchange risk

The Group is subject to market risk arising from fluctuations in the exchange rates of the currencies, as it operates in an international context in which transactions, mainly those with suppliers, are settled in US Dollars (USD); furthermore, wages and salaries of the employees of the subsidiary Uni Best Leather Goods in Zhongshan Co. Ltd. are paid in Renminbi. It follows that the Group's net result is partially affected by the fluctuations in the USD/Euro exchange rate and, to a lower extent, the Renminbi/Euro exchange rate.
The necessity to manage and control financial risks has induced the Management to adopt a risk containment strategy, better defined as "hedge accounting policy". This consists in continuously hedging the risks relating to purchases over a time period of six months on the basis of the amount of the orders issued that shall be settled in US dollars. This conduct can be classified as a "Cash flow hedge" or the hedge of the risk of changes in the future cash flows; these flows can be related to assets or liabilities entered in the accounts or to highly probable future transactions. In compliance with IAS 39, the portion of profit or loss accrued on the hedging instrument, which is considered effective for hedging purposes, has been recognised directly in the Statement of Comprehensive Income and classified under a special Equity reserve.

During the financial year ended 31 March 2018, the Parent Company executed forward currency contracts for USD 19,000 thousand, equal to an aggregate counter-value of Euro 16,233 thousand, with an average exchange rate of USD 1,170.
During the financial year ended 31 March 2017, the Parent Company executed forward currency contracts for USD 11,750 thousand, equal to an aggregate counter-value of Euro 10,426 thousand, with an average exchange rate of USD 1.127.

Furthermore, it should be noted that some Group Companies are located in Countries which do not belong to the European Monetary Union, i.e. China, Hong Kong, Taiwan, the United Kingdom, Russia and the United States of America. As the relevant currency is the Euro, the Income Statements of these Companies are translated into Euro at the average exchange rate for the period and, the revenues and margins being equal in the local currency, any changes in the exchange rates may entail effects on the Euro counter-value of revenues, costs and economic results. The effects of these changes, as well as those deriving from the translation of Balance sheets, are recognised immediately in the Statement of Comprehensive Income, as required by the Accounting Standards.

For an analysis of the effects of these risks, reference is made to the table reported below (sensitivity analysis):

			Foreign exchange risk (FER)			
			+10% Euro/USD		**-10% Euro/USD**	
	Book value	**Of which subject to FER**	**Profits (Losses)**	**Other changes in Equity**	**Profits (Losses)**	**Other changes in Equity**
Financial assets						
Cash and cash equivalents	23,552	288	(26)	0	32	0
Trade receivables	27,618	32	(3)	0	4	0
Derivative financial instruments	0	0	0	0	0	0
			(29)	**0**	**36**	**0**
Financial liabilities						
Borrowings	19,663	0	0	0	0	0
Payables to other lenders for lease agreements	916	0	0	0	0	0
Trade payables	22,149	2,787	(253)	0	310	0
Derivative financial	159	0	0	0	0	0

instruments						
			(253)	**0**	**310**	**0**
Total effect at 31/03/2018			**(282)**	**0**	**345**	**0**

			Foreign exchange risk (FER)			
			+10% Euro/USD		-10% Euro/USD	
	Book value	**Of which subject to FER**	**Profits (Losses)**	**Other changes in Equity**	**Profits (Losses)**	**Other changes in Equity**
Financial assets						
Cash and cash equivalents	15,288	197	(18)	0	22	0
Trade receivables	27,747	33	(3)	0	4	0
Derivative financial instruments	0	0	0	0	0	0
			(21)	**0**	**26**	**0**
Financial liabilities						
Borrowings	19,663	0	0	0	0	0
Payables to other lenders for lease agreements	1,607	0	0	0	0	0
Trade payables	20,244	2.959	(269)	0	329	0
Derivative financial instruments						
			(269)	**0**	**329**	**0**
Total effect at 31/03/2017			**(271)**	**445**	**(290)**	**0**

The variability parameters applied were identified in the context of changes that are reasonably possible on exchange rates with all other variables being equal.

Interest rate risk

			Interest rate risk (IRR)			
			+50 bps on IRR		-50 bps on IRR	
	Book value	**Of which subject to IRR**	**Profits (Losses)**	**Other changes in Equity**	**Profits (Losses)**	**Other changes in Equity**
Financial assets						
Cash and cash equivalents	23,552	23,552	118	0	(118)	0
Trade receivables	27,618	0	0	0	0	0
Derivative financial instruments	0	0	0	0	0	0
			118	0	(118)	0
Financial liabilities						
Borrowings	23,473	23,473	(117)	0	117	0

Payables to banks for credit lines	0	0	0	0	0	0
Trade payables	22,149	0	0	0	0	0
Other borrowings (leases)	916	916	(5)	0	5	0
Derivative financial instruments	159	0	0	0	0	0
			(122)	0	122	0
Total effect at 31/03/2018			**(4)**	**0**	**4**	**0**

			Interest rate risk (IRR)			
			+50 bps on IRR		**-50 bps on IRR**	
	Book value	**Of which subject to IRR**	**Profits (Losses)**	**Other changes in Equity**	**Profits (Losses)**	**Other changes in Equity**
Financial assets						
Cash and cash equivalents	15,288	15,288	76	0	(76)	0
Trade receivables	27,747	0	0	0	0	0
Derivative financial instruments	0	0	0	0	0	0
			76	**0**	**(76)**	**0**
Financial liabilities						
Borrowings	19,663	19,663	(98)	0	98	0
Payables to banks for credit lines	0	0	0	0	0	0
Trade payables	20,244	0	0	0	0	0
Other borrowings (leases)	1,607	1,607	(8)	0	8	0
Derivative financial instruments						
			(106)	**0**	**106**	**0**
Total effect at 31/03/2017			**(34)**	**0**	**(30)**	**0**

The variability parameters applied were identified in the context of changes that are reasonably possible on exchange rates with all other variables being equal.

Capital risk Management

The Group manages the Capital with the objective of supporting the core business and optimising the value for Shareholders, while maintaining a correct structure of the Capital and reducing its cost.
The Group monitors the Capital on the basis of the gearing ratio, which is calculated as the ratio between net debt and net Invested Capital.

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Net Financial Position	(3,653)	(8,236)
Equity	40,383	38,284
Net invested capital	44,036	46,520
Gearing ratio	**7.5%**	**17.7%**

Employee benefits

Employee benefits substantially include the Provisions for Staff Severance Pay (TFR, *Trattamento di Fine Rapporto*) of the Italian Company of the Group and pension funds.

Law no. 296 of 27 December 2006, the 2007 Finance Law, introduced considerable amendments as regards the allocation of funds of the Provision for TFR. Until 31 December 2006, TFR was included within the scope of post-employment benefit plans, of the "defined benefit" type of plans and was measured according to IAS 19, using the Projected Unit Credit method made by independent actuaries. This calculation consists in estimating the amount of the benefit that an employee will receive on the alleged date of termination of the employment relationship using demographic and financial assumptions. The amount that is thus calculated is then discounted back and re-proportioned on the basis of the length of service built up against the total length of service and is a reasonable estimate of the benefits that each employee has already accrued with respect to the work performed. Actuarial gains and losses arising from changes in the actuarial assumptions used are recognised in the Income Statement.
As a result of the reform of supplementary pension schemes, the Provision for TFR, as regards the portion accrued from 1 January 2007, is to be considered as being substantially assimilated to a "defined contribution plan". In particular, these amendments introduced the possibility for workers to choose where to allocate the TFR that is accruing. In companies with more than 50 employees, the new TFR flows may be allocated by the worker to selected pension schemes or kept in the company and transferred to INPS (*Istituto Nazionale di Previdenza Sociale*, National Social Security Institute).

In short, following the reform on supplementary pension schemes, the Group has carried out an actuarial measurement of the TFR accrued before 2007, without further including the component relating to future pay increases. On the contrary, the portion accrued after 2007 has been accounted for according to the procedures attributable to defined contribution plans.

Provisions for risks and charges

Provisions for risk and charges cover certain or probable costs and charges of a fixed nature, whose timing or amount was uncertain at the closing date of the financial year. Provisions are recognised when:

- **(i) it is probable that a current obligation (legal or constructive) exists as a result of paste events;**
- **(ii) it is probable that the fulfilment of the obligation will require the payment of a consideration;**
- **(iii) the amount of the obligation can be estimated reliably.**

Provisions are entered at the value representing the best estimate of the amount that the Group would rationally pay to discharge the obligation or to transfer it to third parties at the closing date of the period. When the financial effect of time is significant and the payment dates of the obligations can be estimated reliably, the provision is discounted back; the increase in the Provision connected with the passage of time is charged to the Income Statement under item "Financial income (Charges)". The Provision for supplementary clientele indemnity, as well as any other Provisions for risks and charges, is set aside on the basis of a reasonable estimate of the future probable liability, taking account of the available elements and also taking account of the estimates made by independent third-party actuaries.

Income taxes

Taxes for the period represent the sum of current and deferred taxes.
Current taxes are determined on the basis of a realistic forecast of charges to be paid in the application of the tax regulations in force; the related debt is reported net of advances, taxes withheld and tax credits that can be offset, under item "Current tax payables". If there is a credit, the amount is reported under item "Current tax receivables " under current assets.
Deferred tax assets and liabilities are calculated on the temporary differences between the values of assets and liabilities entered in the accounts and the corresponding values recognised for tax purposes. Deferred tax assets are entered when it is probable that they will be recovered. Deferred tax assets and liabilities are classified under non-current assets and liabilities and are offset if they refer to taxes that can be offset.
The balance of the set-off is entered under item "Deferred tax assets" if positive and under item "Deferred tax liabilities" if negative".

Both current and deferred taxes are recognised under item “Income tax expenses” in the Income Statement, except when these taxes are originated from transactions whose effects are recognised directly in Equity. In this case, the contra-entry of the recognition of the current tax debt, of deferred tax assets and liabilities is charged as a reduction in the Equity item from which the effect being recorded originated.
Deferred tax assets and liabilities are calculated on the basis of the tax rates which are expected to be applied in the tax year when these assets will be realised or these liabilities will be discharged.

Furthermore, for a better representation of the rules laid down under “IAS 12 – Income Taxes” in relation to the offsetting of deferred taxation, the Group has deemed it appropriate to reclassify portions of deferred tax assets and liabilities where there is a legal right to setoff current tax assets and the corresponding current tax liabilities.

Currency translation

Receivables and payables initially expressed in a currency other than the functional currency of the Company which recognises the receivable/payable (foreign currency) are translated into the functional currency of said Company at the exchange rates prevailing at the dates on which the related transactions take place. The exchange rate differences realised on the occasion of the collection of receivables and the payment of debts in foreign currency are entered in the Income Statement. As at the reporting date of the financial statements, receivables and payables in foreign currency are translated at the exchange rates prevailing at that date, charging any changes in the value of the receivable/payable to the Income Statement (estimated foreign exchange gains and losses).

Revenue recognition

Revenues are recognised at the time of the transfer of all the risks and charges arising from the ownership of the transferred assets.
Revenues and income are recognised net of returns, discounts, allowances and premiums, as well as of the taxes connected to the sale or performance of services.
With reference to the main types of revenues achieved by the Group, they are recognised on the basis of the following criteria and as required by IAS 18:
Sales of goods - retail segment. The Group operates in the retail business through its own network of DOSs. Revenues are accounted for at the time of the delivery of the goods to the customers, when all the risks are substantially transferred. Sales are usually collected directly or through credit cards.
Sales of goods - Wholesale segment. The Group distributes products in the Wholesale market. The related revenues are accounted for at the time of the shipment of the goods, when all the risks are substantially transferred.
Performance of services. These revenues are accounted for proportionally to the state of completion of the service rendered as at the relevant date.
Sales based on repurchase commitments. Revenues and receivables from the buyer are recognised at the time of the delivery of the goods, while reversing the value of the sold goods from the assets. As at the reporting date, revenues and receivables are reversed on the basis of the sales made by the buyer in relation to the sold goods, with a consequent change in the item “Inventories”.

Financial income and revenues from services are recognised on an accruals basis.

Cost recognition

Costs are recognised when they relate to goods and services purchased and/or received during the period or relate to the systematic apportionment of an expense from which future benefits derive that can be apportioned over time.
Financial charges and charges from services are recognised on an accruals basis.

Use of estimates

The process of drawing up the financial statements involves the Group’s Management making accounting estimates based on complex and/or subjective judgements; these estimates are based on past experiences and assumptions that are considered reasonable and realistic on the basis of information known at the moment of making the estimate. The use of these accounting estimates affects the value of assets and liabilities and the disclosure on potential assets and liabilities as at the balance sheet date, as well as the amount of revenues and costs in the relevant period. The final results, or the actual economic effect that is recognised when the event takes place, of the financial statement items for which the abovementioned estimates and assumptions were used, may differ from those reported in the financial statements that recognise the effects arising from the event that is subject to estimation, due to the uncertainty that is characteristic of assumptions and the conditions on which the estimates are based. Estimates and assumptions are reviewed periodically and the effects of each change are reported immediately in the accounts.

Main estimates adopted by the Management

Below are briefly described the aspects which, more than others, require greater subjectivity on the part of the Directors in working out the estimates and for which a change in the conditions underlying the assumptions applied could have a significant impact on the consolidated financial data:

Impairment of assets: in accordance with the Accounting Standards applied by the Group, property, plant and equipment and intangible assets with a definite life are subject to verification in order to ascertain if an impairment has occurred. This impairment shall be recognised by means of a write-down when indicators exist that could lead to an expectation of difficulties in recovering the relative book value through usage of the asset. Verifying that the abovementioned indicators exist requires the Directors to exercise subjective valuations based on information available within the Group and inferable from the market, as well as using past experience. Moreover, should the likelihood of a potential impairment be ascertained, the Group will set about calculating this using the evaluation techniques that it considers appropriate. Correctly identifying the items that indicate the existence of a potential impairment and the estimates used for calculating the same depend on factors which can vary over time and affect the valuations and estimates carried out by the Directors;

Amortisation and depreciation of fixed assets: the cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the related assets. The useful economic life of the Group’s fixed assets is determined by the Directors at the time when the fixed asset has been purchased; it is based on past experience for similar fixed assets, market conditions and expectations regarding future events which could have an impact on the useful life, including changes in technology. Therefore, the actual economic life may differ from the estimated useful life. The Group periodically evaluates technological and sector changes in order to update the residual useful life. This periodical update could involve a variation in the depreciation period and therefore also in the depreciation rate for future financial years.

Deferred taxes: deferred tax assets are accounted for on the basis of the income expected in the future financial years. The measurement of the expected income for the purposes of accounting for deferred taxes depends on factors which can vary over time and determine significant effects on the measurement of deferred tax assets.

Provisions for legal and tax risks: provisions are made for legal and tax risks, if required, which represent the risk of being the losing party. The amount of the Provisions (if any) entered in the accounts relating to such risks represents the best estimate at that time made by Management. This estimate entails the adoption of assumptions which depend on factors which can vary over time and which could therefore have effects compared to the current estimates made by the Directors for the preparation of the financial statements.

Below are reported the critical accounting estimates of the process of drawing up the financial statements for which the Management has availed itself of the support and valuations of independent third-party experts (actuaries and financial advisors). Please note that future amendments (if any) to the conditions underlying the judgments, assumptions and estimates adopted could have an impact on the results of financial years after 2017/2018.

Actuarial calculation of defined-benefit pension plans: the estimates, demographic and economic-financial assumptions adopted, with the support of the valuations of an actuarial expert, in the actuarial calculation for the determination of defined-benefit plans within post-employment benefits are broken down as follows:

Annual rate of inflation	Probability of exit of the employee from the Group	Probability of advance payments of the TFR
1.75% for 2018 and 1.75% for 2017	Frequency of 0.15% for 2018 and 0.15% for 2017	3.50% for 2018 and 3.50% for 2017

Finally, it is specified that the actuarial valuations have been made by using the curve of the interest rates of the corporate securities with rating AA.

Segment reporting – breakdown of segments by divisions

In order to provide disclosures regarding the economic, financial and equity position by segment (segment reporting), the Group has chosen the distinction by brands/distribution channels as the primary model for presenting segment data.
This method of representation reflects how the Group's business is organised and the structure of its internal reporting on the basis of the consideration that risks and rewards are influenced by the distribution channels used by the Group.

The distribution channels selected as those being presented are the following ones:
(i) Piquadro Brand - DOS channel;
(ii) Piquadro Brand - Wholesale channel;
(iii) "The Bridge" Brand.

In fact, the Group distributes its products through two distribution channels: (i) a direct channel, which includes single-brand stores directly operated by the Group (the so-called "Directly Operated Stores" or "DOSs"); (ii) an indirect channel ("Wholesale"), which is represented by multi-brand shops/department stores, single-brand shops run by third parties linked to the Group by franchise agreements and distributors, under both Piquadro and The Bridge brands.
All of the shops are, directly or indirectly, selected (through agents and importers) on the basis of their coherence with the positioning of the Piquadro and The Bridge brands, their location, the level of service guaranteed to the end customer, the visibility that they are able to guarantee the Group's products and, finally, the soundness of their equity and financial position.
These consolidated financial statements provide segment information as reported above.

Amendments to Accounting Standards

Accounting Standards, amendments and interpretations

The following accounting standards, amendments and IFRS interpretations were applied by the Group for the first time as from 1 January 2017:

- **z) Amendment to IAS 7 "Disclosure Initiative" (published on 29 January 2016). The document's purpose is to provide some clarifications in order to improve disclosures on financial liabilities. Specifically, the amendments require information that allows the users of the financial statements to understand the changes in liabilities arising from financing transactions. The Group has provided this disclosure in paragraph 14.**

- **aa) Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses" (published on 19 January 2016). The document's purpose is to provide some clarifications on the recognition of deferred tax assets on unrealised losses in the measurement of "Available for Sale" financial assets upon the occurrence of certain circumstances and based on estimated taxable income for future financial years. The adoption of these amendments has not entailed any impact on the Group's consolidated financial statements.**

Accounting standards, amendments and interpretations endorsed by the European Union but not yet applicable and not adopted in advance by the Piquadro Group at 31 March 2018.

IFRS 15 – *Revenue from Contracts with Customers* (published on 28 May 2014 and supplemented by additional clarifications published on 12 April 2016), which is intended to replace IAS 18 – *Revenue* and IAS 11 – *Construction Contracts*, as well as the interpretations IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfers of Assets from Customers* and SIC 31 – *Revenues-Barter Transactions Involving Advertising Services*. The standard establishes a new method to account for revenues, which shall apply to any and all contracts entered into with customers, except for those that fall within the scope of application of other IAS/IFRS, such as leases, insurance contracts and financial instruments. According to the new model, the basic steps to account for revenues are: -identify the contract with a customer; -identify the performance obligations in the contract; -determine the transaction price; -allocate the transaction price to the performance obligations in the contract; -recognise revenue when (or as) the entity satisfies a performance obligation. The standard shall apply from 1 January 2018. The amendments to IFRS 15, Clarifications to IFRS 15 – Revenue from Contracts with Customers were endorsed by the European Union on 6 November 2017. On the basis of the analyses conducted, the directors expect that the application of IFRS 15 will have no significant impact on the amounts stated on account of revenues and on the related disclosure reported in the Group's consolidated financial statements.
Final version of IFRS 9 – *Financial Instruments* (published on 24 July 2014). The document describes the results of the project to replace IAS 39: - i introducing new criteria for the classification and measurement of financial assets and liabilities (together with the measurement of changes in financial liabilities which are not substantial); - with reference to impairment, the new standard requires credit losses to be estimated on the basis of the expected-loss model (rather than the incurred-loss model used by IAS 39), using supportable information, which is reasonably available without undue cost and which includes historical data, both present and prospective; -introducing a new hedge accounting model (increased eligibility for hedge accounting, change in the method to account for forward contracts and options when they are embedded in a hedge accounting relationship, changes in the effectiveness test). The new standard shall apply to the financial statements for the years beginning on or after 1 January 2018. On the basis of the analyses conducted, the directors expect that the application of IFRS 9 will have no significant impact on the amounts and on the related disclosure reported in the Group's consolidated financial statements.
IFRS 16 – Leases (published on 13 January 2016), intended to replace IAS 17 – Leases, as well as the interpretations IFRIC 4 Determining whether an Arrangement contains a Lease.

SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard provides a new definition of lease and sets out a control model (right of use) of an asset, distinguishing leases from service contracts, on the basis of whether the following key requirements are met, i.e. an identified asset, the right to substitute an identified asset, the right to obtain substantially all economic benefits from the use of the asset and the right to direct the use of the asset underlying the contract. The standard provides for a single model to account for and measure lease agreements for lessees, which provides for the recognition of the leased asset, including under operating leases, among assets against an entry under borrowings, while also providing for the possibility of not recognising agreements involving "low-value assets" and agreements with a term equal to or less than 12 months as leases. On the contrary, the Standard does not include significant amendments for lessors. The standard will be applicable from 1 January 2019, with early adoption permitted, only for the Companies that have already applied IFRS 15 - Revenue from Contracts with Customers. The Directors expect that the application of IFRS 16 might have a significant impact on the amounts and on the related disclosure reported in the Group's consolidated financial statements; however, it is not possible to provide estimated effects until the Company has completed a detailed analysis. The impact will mainly concern the accounting for property lease payments.

Document named "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (published on 12 September 2016). As regards the entities the core business of which consists of insurance, the amendments are aimed at clarifying the concerns about the application of the new standard IFRS 9 (from 1 January 2018) to financial assets, before the IASB replaces the current standard IFRS 4 with the new standard that is currently being prepared, on the basis of which financial liabilities are measured. The directors expect that the adoption of these amendments will not entail any significant impact on the Group's consolidated financial statements.

Accounting standards, amendments and interpretations not yet endorsed by the European Union

As at the reporting date of these Financial Statements, the competent bodies of the European Union had not yet completed the endorsement process required for the adoption of the amendments and standards described below.

• On 18 May 2017 the IASB published IFRS 17 – Insurance Contracts, which is intended to replace IFRS 4 – Insurance Contracts. The purpose of the new standard is to ensure that an entity provides relevant information that gives a true view of the rights and obligations arising from insurance contracts. The IASB has developed the standard in order to eliminate inconsistencies and weaknesses of existing accounting policies, providing a single principle-based framework to take account of any type of insurance contract, including reinsurance contracts held by an insurer. The standard will be applicable from 1 January 2021, with early adoption permitted, only for entities that apply IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. The directors expect that the adoption of this standard will not entail any significant impact on the Group's consolidated financial statements.

• Amendment to IFRS 2 "*Classification and Measurement of Share-based Payment Transactions*" (published on 20 June 2016), which contains some clarifications relating to the accounting treatment of the effects of vesting conditions in the case of cash-settled share-based payments, the classification of share-based payments with characteristics of net settlement and the accounting treatment of amendments to the terms and conditions of a share-based payment that change its classification from cash-settled to equity-settled. The amendments shall apply from 1 January 2018. The directors expect that the adoption of these amendments will not entail any significant effect on the Group's consolidated financial statements.

• Annual Improvements to IFRSs: 2014-2016 Cycle", published on 8 December 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard), which partially make additions to the pre-existing standards. The most amendments shall apply from 1 January 2018. The directors expect that the adoption of these amendments will not entail any significant effect on the Group's consolidated financial statements.

• IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (published on 8 December 2016). The purpose of the interpretation is to provide guidelines for transactions effected in foreign currency where non-cash prepayments or advances are stated in the accounts before the recognition of the related asset, cost or revenue. This document provides instructions on how an entity must set the date of a transaction, and, accordingly, the spot exchange rate to be used when foreign currency transactions take place, within which payments are made or received in advance. IFRIC 22 will be applicable from 1 January 2018. The directors expect that the adoption of these amendments will not entail any significant effect on the Group's consolidated financial statements.

• Amendment to IAS 40 "*Transfers of Investment Property*" (published on 8 December 2016). These amendments clarify the transfers of a property to, or from, investment property. Specifically, an entity must reclassify a property to, or from, investment property only when there is evidence that a change occurred in the intended use of the property. This change must be attributed to a specific event that has occurred and, therefore, it must not be limited to a change in the intentions of the entity's Management. These amendments will be applicable from 1 January 2018. The directors expect that the adoption of these amendments will not entail any significant effect on the Group's consolidated financial statements.

• On 7 June 2017 the IASB published the interpretation IFRIC 23 – Uncertainty over Income Tax Treatments. The document deals with the uncertainty over income tax treatments and provides for uncertainties in measuring tax assets or liabilities to be recognised only when it is probable that the entity will pay or recover the amount in question. Furthermore, the document does not provide for any new disclosure obligation but points out that the entity shall establish whether it is necessary to provide information on the considerations made by the management in relation to the uncertainty over tax treatments, in accordance with IAS 1. The new interpretation will be applicable from 1 January 2019, with early adoption permitted. The directors expect that the adoption of this interpretation will not entail any significant effect on the Group's consolidated financial statements.

• Amendment to IFRS 9 "Prepayment Features with Negative Compensation (published on 12 October 2017). This document specifies that the instruments providing for early redemption might pass the "SPPI" test even when the "reasonable additional compensation" to be paid for early redemption is a "negative compensation" for the lending entity. The amendment will be applicable from 1 January 2019, with early adoption permitted. The directors expect that the adoption of these amendments will not entail any significant effect on the Group's consolidated financial statements.

• Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures" (published on 12 October 2017)". This document clarifies the requirements to apply IFRS 9, including impairment requirements, to other long-term interests in associates and joint ventures for which the equity method is not applied. The amendment will be applicable from 1 January 2019, with early adoption permitted. The directors expect that the adoption of these amendments will not entail any significant effect on the Group's consolidated financial statements.

• "Annual Improvements to IFRSs 2015-2017 Cycle", published on 12 December 2017 (including IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Remeasurement of previously held interests in a joint operation, IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity, IAS 23 Borrowing costs - Disclosure of Interests in Other Entities – Borrowing costs eligible for capitalisation) which adopt the amendments to some standards within the related annual improvement process. The amendments will be applicable from 1 January 2019, with early adoption permitted. The directors expect that the adoption of these amendments will not entail any significant effect on the Group's consolidated financial statements.

• Amendment to IFRS 10 and IAS 28 "*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*" (published on 11 September 2014). The document was published for the purpose of solving the present conflict between IAS 28 and IFRS 10 relating to the measurement of profits or losses arising from the sale or contribution of a non-monetary asset to a joint venture or associate in exchange for an interest in the latter's capital. At present the IASB has suspended the application of this amendment.

• IFRS 14 – Regulatory Deferral Accounts (published on 30 January 2014) which only allows IFRS first-time adopter entities to continue to recognise the amounts relating to Rate Regulation Activities according to the previous accounting standards adopted. Since the Group is not a first-time adopter, this standard is not applicable.

COMMENTS ON THE ITEMS IN THE STATEMENT OF FINANCIAL POSITION

ASSETS

Non-current assets

The following statements have been prepared for the two classes of fixed assets (intangible assets and property, plant and equipment) which report, for each item, historical costs, the previous amortisation and depreciation, the changes that occurred in the last two financial years and the closing balances.

Note 1 – Intangible assets

The table below reports the opening balance, the changes that occurred in the FY 2016/2017 and FY 2017/2018 and the final balance of intangible assets:

(in thousands of Euro)	**Development costs**	**Industrial patent rights**	**Software, licences, trademarks and other rights**	**Other fixed assets**	**Fixed assets under development**	**Goodwill**	**Total**
Gross value	592	57	2,517	6,645	0	0	9,611
Amortisation fund	(592)	(55)	(2,165)	(2,692)	0	0	(5,504)
Net value at 31/03/2016	**0**	**2**	**352**	**3,753**	**0**	**0**	**4,107**
Increases for the period	0	3	355	0	2	0	360
Change from consolidation area	0	0	1,422	0	0	4,658	6,080
Decrease for the period	0	0	0	(1,530)	0	0	(1,530)
Reclassifications	0	0	17	0	(17)	0	0
Amortisation	0	(3)	(214)	(322)	0	0	(539)
Write-downs	0	0	0	0	0	0	0
Other reclassifications of historical cost	0	0	0	0	0	0	0
Other reclassifications of amortisation fund	0	0	1	0	0	0	0
Exchange differences on gross value	0	0	(6)	(39)	0	0	(45)
Exchange differences on amortisation fund	0	0	0	0	0	0	0
Gross value	592	60	4,288	4,876	2	4,658	14,476
Amortisation fund	(592)	(58)	(2,379)	(3,014)	0	0	(6,043)
Net value at	**0**	**2**	**1,909**	**1,862**	**2**	**4,658**	**8,433**

(in thousands of Euro)	**Development costs**	**Industrial patent rights**	**Software, licences, trademarks and other rights**	**Other fixed assets**	**Fixed assets under development**	**Goodwill**	**Total**
31/03/2017							
Increases for the period	0	2	333	134	210		490
Change from consolidation area	0	0	0	0	0	0	0
Decrease for the period	0	0	0	0	0	0	0
Reclassifications	0	0	10	0	(10)	0	0
Amortisation	0	(1)	(454)	(256)	0	0	(711)
Write-downs	0	0	0	0	0	0	0
Other reclassifications of historical cost	1	1	0	524	0	0	526
Other reclassifications of amortisation fund	0	0	0	(155)	0	0	(155)
Exchange differences on gross value	0	0	0	(48)	0	0	(48)
Exchange differences on amortisation fund	0	0	0	11	0	0	11
Gross value	593	63	4,631	5,486	13	4,658	15,444
Amortisation fund	(592)	(59)	(2,833)	(3,414)	0	0	(6,898)
Net value at 31/03/2018	**1**	**4**	**1,798**	**2,072**	**13**	**4,658**	**8,546**

Increases in intangible assets, equal to Euro 490 thousand in the financial year ended 31 March 2018 (Euro 360 thousand in the financial year ended 31 March 2017) mainly related for Euro 333 thousand to the purchase or renewals of software, licenses and other IT products. The reclassifications concern the costs relating to the purchase of the possessory title for the store located in New York..

In the course of the FY 2017/2018 no trigger events occurred as to the key moneys outstanding at the year-end (Milan – Via della Spiga, Bologna - Piazza Maggiore, Rome – Cinecittà, Milan – Corso Buenos Aires, Pescara, Milan – Fiordaliso Shopping Mall, Verona – Piazza delle Erbe, Venice, Forte dei Marmi, Florence and London), which could indicate potential impairment losses of the same.

The trademark item relates to the value of the trademark recognised in the accounts of The Bridge S.p.A..

Note 2 – Goodwill

The goodwill item arises from the purchase and sale of the investment in The Bridge, which has been accounted for as required by IFRS 3 and, therefore, a measurement of fair values of acquired assets or liabilities has been carried out for the purposes of accounting for business combinations. The differential between the price paid and the corresponding share of equity of the acquired company has been allocated to goodwill. The value of goodwill also includes the measurement of third-party goodwill based on IFRS 3, which has been determined on the basis of the valuation of the put option relating to 20% of shares of The Bridge S.p.A. on the basis of future results of operations and cash flows. This option may be exercised between 1 April and 15 June 2012 or between 15 June 2023 and 15 July 2023. The Group verifies whether goodwill may be recovered at least once a year or more frequently if there is evidence of any impairment loss. This check is carried out by determining the recoverable value of the relevant Cash Generating Unit (CGU), i.e. “The Bridge”, through the “Discounted cash flow” method. The impairment test relating to goodwill stated at 31 March 2018 was approved by the Board of Directors on 11 June 2018.

The rate (WACC) used reflects the current market valuation of the time value of money for the period under consideration and the specific risks of the Piquadro Group company.

The discount rate used corresponds to an estimate, net of tax, determined on the basis of the following main assumptions: • risk-free rate equal to the average yield on the relevant 10-year government bonds; • indebtedness depending on the financial structure of comparables.

For the purposes of conducting the impairment test on goodwill, the discounted cash flow has been calculated on the basis of the 2019-2023 plan that was approved by the Directors of subsidiary The Bridge on 29 May 2018. The plan is based on the Management’s best estimate on the future operating performance of the Company. It should be noted that during the current year The Bridge recorded better final results than those forecast in the plan that had been approved during the previous year.

The WACC used to discount future cash flows, equal to 8.5%, has been determined on the basis of the following assumptions: • The average cost of capital results from the weighted average cost of debt (prepared by considering the relevant rates plus a “spread”); • the cost of net worth is determined by using the levered beta value and the financial structure of a panel of comparables in the sector, only except for specific risk-free rate and risk premium per country; • the terminal value has been determined on the basis of a long-term growth rate (g) that is prudentially equal to zero.

On the basis of an agreement signed for the acquisition of the remaining 20% of The Bridge, a portion of deferred price and the value of the put & call option to be settled in future years shall be measured depending on the results of operations and cash flows that will be realised by the CGU; the value of goodwill has been recognised initially by using the best estimate of the current value of the deferred exercise price and of the option, determined on the basis of the business plan envisaged initially.

The impairment test conducted in accordance with IAS 36 and by applying criteria shared by the Board of Directors has not reported any impairment loss on the stated goodwill. The outcome of the test was positive, showing a carrying amount of Euro 9,843 thousand and a cover of Euro 6,282 thousand. Furthermore, also on the basis of the instructions laid down in the document no. 4 that was prepared jointly by the Bank of Italy, CONSOB and ISVAP on 3 March 2010, the Group has taken steps to prepare the sensitivity analysis based on the results of the impairment test with respect to the changes in the basic assumptions that affect the value in use of the CGU. Likewise, the analyses did not report any impairment loss in the case of a positive change of 3.5% in the WACC and of 10% in cash flows.

Note 3 – Property, plant and equipment

The table below reports the opening balance, the changes that occurred in the FY 2016/2017 and FY 2017/2018 and the final balance of property, plant and equipment:

(in thousands of Euro)	**Land**	**Buildings**	**Plant and equipment**	**Industrial and business equipment**	**Other assets**	**Fixed assets under constructio n and advances**	**Total**
Gross value	878	6.310	2,978	16,034	366	0	26,230

(in thousands of Euro)	**Land**	**Buildings**	**Plant and equipment**	**Industrial and business equipment**	**Other assets**	**Fixed assets under constructio n and advances**	**Total**
Depreciation fund	0	(1,912)	(2,694)	(8,997)	(345)	0	(13,612)
Net value at 31/03/2016	**878**	**4,398**	**284**	**7,037**	**21**	**0**	**12,618**
Increases for the period	0	0	91	1,284	0	0	1,375
Change in consolidation area	0	0	161	1,205	0	0	1,366
Sales and derecognitions (gross value)	0	0	(63)	(278)	0	0	(341)
Sales and derecognitions (depreciation fund)	0	0	60	22	0	0	82
Depreciation	0	(211)	(77)	(1,526)	(6)	0	(1,820)
(Write-down of gross value)	0	0	(22)	(953)	0	0	(975)
Write-down of depreciation fund	0	0	22	388	0	0	410
Reclassification s	0	0	0	0	0	0	0
Other reclassifications of historical cost	0	0	0	0	0	0	0
Other reclassifications of depreciation fund	0	0	0	0	0	0	0
Exchange differences on gross value	0	0	(28)	5	0	0	(23)
Exchange differences on depreciation fund	0	0	0	0	0	0	0
Gross value	878	6,310	3,117	17,633	366	0	28,304
Depreciation fund	0	(2,123)	(2,689)	(10,449)	(351)	0	(15,612)
Net value at 31/03/2017	**878**	**4,187**	**428**	**7,184**	**15**	**0**	**12,692**
Increases for the period	0	21	201	991	0	0	1,213
Change in consolidation area	0	0	0	0	0	0	0
Sales and derecognitions (gross value)	0	0	0	(485)	0	0	(485)

(in thousands of Euro)	Land	Buildings	Plant and equipment	Industrial and business equipment	Other assets	Fixed assets under construction and advances	Total
Sales and derecognitions (depreciation fund)	0	0	(1)	469	0	0	468
Depreciation	0	(196)	(137)	(1,695)	(6)	0	(2,034)
(Write-down of gross value)	0	0	(12)	(286)	0	0	(298)
Write-down of depreciation fund	0	0	10	123	0	0	133
Reclassifications	0	0	0	(70)	0	0	(70)
Other reclassifications of historical cost	0	0	0	(497)	0	0	(497)
Other reclassifications of depreciation fund	0	0	0	146	0	0	146
Exchange differences on gross value	0	0	(10)	(251)	0	0	(261)
Exchange differences on depreciation fund	0	0	8	99	0	0	107
Gross value	878	6,331	3,296	17,036	366	0	27,907
Depreciation fund	0	(2,319)	(2,809)	(11,307)	(357)	0	(16,792)
Net value at 31/03/2018	**878**	**4,012**	**487**	**5,729**	**9**	**0**	**11,115**

Increases in property, plant and equipment, equal to Euro 1,213 thousand in the financial year ended 31 March 2018 (Euro 1,375 thousand in the financial year ended 31 March 2017) were mainly attributable to sundry equipment acquired for the new DOSs opened during the year under consideration and for the refurbishment of some existing shops for Euro 991 thousand, to the purchase of workshop plant and machinery for Euro 201 thousand and to non-routine works at the Company's headquarters for Euro 21 thousand.

Net write-downs, equal to Euro 165 thousand, related to the write-down of furniture and fittings for the disposal of some points of sales during the financial year ended 31 March 2018.

The change in the consolidation area reflects the acquisition of control over The Bridge S.p.A., as illustrated in the notes to the paragraph on "Business Combinations" of the Annual Financial Report at 31 March 2017.

Below are reported the net book values of the assets held through finance lease agreements:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Land	878	878
Buildings	3,817	3,974
Industrial and business equipment	451	447
Plant and machinery	11	14
Total	**5,157**	**5,313**

Note 4 – Non-current financial assets

Non-current financial assets, equal to Euro 2 thousand, make reference to interests held in minor companies outside the Group.

Note 5 – Receivables from others

Receivables from others equal to Euro 707 thousand at 31 March 2018 (Euro 772 thousand at 31 March 2017) mainly relate to guarantee deposits paid both for various utilities, including those relating to DOSs, and deposits relating to the lease of DOS shops.

Note 6 – Deferred tax assets

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Deferred tax assets:		
- within 12 months	77	253
- beyond 12 months	2,438	2,142
	2,515	**2,395**
Deferred tax liabilities		
- within 12 months	0	69
- beyond 12 months	197	122
	197	**191**
Net Position	**2,318**	**2,204**

Below are reported the relevant changes:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Opening Net Position	**2,204**	**1,182**
Credit/(Debit) to the Statement of Comprehensive Income	81	(99)
Change in consolidation area	0	1,121
Credit/(Debit) to Equity	39	0
Total	**2,318**	**2,204**

Below are reported the main elements that make up deferred tax assets and deferred tax liabilities and their changes in the last two financial years:

Deferred tax assets	**31 March 2018**		**31 March 2017**	
(in thousands of Euro)	**Temporary differences**	**Tax effect (IRES+IRAP)**	**Temporary differences**	**Tax effect (IRES+IRAP)**
Deferred tax assets with effect through P&L:				
Provision for bad debts	1,942	466	1,160	278
Provision for obsolescence of inventories	2,308	554	516	139
Provisions for risks and charges	215	60	274	79
Amortisation and depreciation	711	173	648	155
Change in consolidation area	0	0	5,138	1.233
Effects of consolidation	754	181	624	174
Others	4,329	1,039	1,400	333
-Total	**10,259**	**2,473**	**9,760**	**2,392**
Amount credited (debited) to P&L	*0*	*(81)*	*0*	*(33)*
Deferred tax assets with effect				

through Comprehensive Income:				
Hedging transactions (cash flow hedge)	158	42	11	3
Total	**158**	**42**	**11**	**3**
Amount credited (debited) to Comprehensive Income	*0*	*39*	*0*	*3*
Total tax effect	**10,417**	**2,515**	**9,760**	**2,395**

Deferred tax liabilities	**31 March 2018**		**31 March 2017**	
(in thousands of Euro)	**Temporary differences**	**Tax effect (IRES+IRAP)**	**Temporary differences**	**Tax effect (IRES+IRAP)**
Deferred tax liabilities with effect through P&L:				
Others	822	197	625	150
Change in consolidation area	0	0	171	41
Total	**822**	**197**	**796**	**191**
Amount credited (debited) to P&L	*0*	*(6)*	*0*	*(66)*
Deferred tax liabilities with effect through Comprehensive Income:				
Hedging transactions (cash flow hedge)	0	0	0	0
Defined-benefit plans	0	0	0	0
Total	**0**	**0**	**0**	**0**
Amount credited (debited) to Comprehensive Income	*0*	*0*	*0*	*0*
Total tax effect	**822**	**197**	**796**	**191**

The amount of the receivable for deferred tax assets (equal to Euro 2,473 thousand at 31 March 2018 against Euro 2,392 thousand at 31 March 2017) is mainly made up of temporary tax differences relating to Piquadro S.p.A. (Euro 1,114 thousand at 31 March 2018 against Euro 933 thousand at 31 March 2017), relating to the IRES and IRAP tax effect on taxed funds, in addition to adjustments made at the time of the preparation of the consolidated financial statements (including the reversal of the intercompany profit with an advanced tax effect equal to about Euro 30 thousand).

Current assets

Note 7 - Inventories

The tables below report the breakdown of net inventories into the relevant classes and the changes in the Provision for write-down of inventories (entered as a direct reduction in the individual classes of inventories), respectively:

(in thousands of Euro)	**Gross value at 31 March 2018**	**Provision for write-down**	**Net value at 31 March 2018**	**Net value at 31 March 2017**
Raw materials	6,251	(1,753)	4,498	4,420
Semi-finished products	768	0	768	671
Finished products	17,404	(643)	16,761	13,900

Inventories	24,423	(2,411)	22,027	18,991

Below is reported the breakdown and the changes in the Provision for write-down of inventories:

(in thousands of Euro)	Provision at 31 March 2017	Use	Accrual	Change in consolidation area	Provision at 31 March 2018
Provision for write-down of raw materials	1,613	(152)	292	0	1,753
Provision for write-down of finished products	533	(97)	207	0	643
Total Provision for write-down of inventories	**2,146**	**(249)**	**499**	**0**	**2,411**

At 31 March 2018 an increase of Euro 3,036 thousand was recognised in inventories compared to the corresponding values at 31 March 2017, mainly due to the increase in revenues.

Note 8 - Trade receivables

Below is the breakdown of trade receivables:

(in thousands of Euro)	31 March 2018	31 March 2017
Receivables from customers	30,440	30,027
Provision for bad debts	(2,822)	(2,280)
Current trade receivables	**27,618**	**27,747**

As at 31 March 2018 trade receivables amounted to Euro 27,618 thousand, against Euro 27,747 thousand at 31 March 2017 with a decrease of 0.5% compared to 31 March 2017.
Net of the change in the trade receivables of The Bridge S.p.A. (equal to an increase of Euro 474 thousand), mainly due to the increase in the Wholesale revenues of the subsidiary, net current trade receivables showed a decrease of Euro 129 thousand, which was mainly attributable to a better credit management and to lower average timing for collection.
The adjustment to the face value of receivables from customers at their presumed realisable value is obtained through a special Provision for bad debts, whose changes are showed in the table below:

(in thousands of Euro)	Provision at 31 March 2018	Provision at 31 March 2017
Balance at the beginning of the period	2,280	1,304
Accrual	753	440
Change in consolidation area	0	1,043
Uses	(211)	(507)
Total Provision for bad debts	**2,822**	**2,280**

The change in the consolidation area reflects the acquisition of control over The Bridge S.p.A., as illustrated in the notes to the paragraph on “Business Combinations” of the Annual Financial Report at 31 March 2017.

Note 9 – Other current assets

Below is reported the breakdown of other current assets:

(in thousands of Euro)	31 March 2018	31 March 2017
Other assets	1,730	1,666
Accrued income and prepaid expenses	1,596	1,745
Other current assets	**3,326**	**3,411**

Reclassification		**62**
Other current assets	**3,326**	**3,473**

Other assets related to advances to suppliers for Euro 591 thousand, INAIL advances of Euro 66 thousand and VAT credits related to Parent Company and Subsidiaries for Euro 90 thousand, as well as to others mainly related to Parent Company for Euro 183 thousand.

There was also the recognition of a receivable of Euro 800 thousand from the minority interests of The Bridge S.p.A. in relation to liabilities, including potential liabilities, arising from the outcome of the Tax Audit in progress. The subsidiary The Bridge has been involved in a tax audit since September 2016, which was completed on 16 March 2017 through the service of a report of findings (*Processo Verbale di Constatazione*, PVC). Following a thorough examination of the PVC on the part of tax advisors, a specific provision was set aside for the amount of liabilities for higher tax, sanctions and interest, which are expected to arise, with an appreciable degree of probability, in relation to the objections contained in the PVC. Against this liability, Il Ponte Pelletteria S.p.A., which is the selling party and a minority shareholder of The Bridge S.p.A., has undertaken to reimburse Piquadro S.p.A. for an amount equal to the costs that were accounted for in the 2016 financial statements in relation to liabilities, including potential liabilities, arising from the completion of the tax audit. There is no problem of recoverability in relation to this credit. On 25 May 2018, the dispute was settled by signing an interview report (assessment by agreement) whereby a liability was set out which, also considering litigation management costs, is not significantly different from the amount set aside in the aforesaid provision for risks.

Accrued income and prepaid expenses mainly related to prepaid expenses on rents (equal to Euro 467 thousand, of which Euro 32 thousand relating to The Bridge S.p.A.), as well as to costs relating to advertising, media and fairs (Euro 704 thousand, of which Euro 452 thousand for The Bridge S.p.A.), maintenance contracts, hiring and insurance costs (Euro 76 thousand, of which Euro 20 thousand relating to The Bridge S.p.A.).

As referred to in the paragraph on the "Introduction", the balance of the previous year has been reclassified for a better understanding of the financial statements, in an amount of Euro 62 thousand relating to receivables from employees, from "Other current liabilities", where they had been stated as a reduction in payables to personnel, to "Other current assets".

Note 10 – Derivative assets

As at 31 March 2018 no derivative assets were outstanding.

Note 11 – Tax receivables

As at 31 March 2018 tax receivables were equal to Euro 275 thousand (Euro 1,011 thousand at 31 March 2017) and mainly related to the payable for current taxes for the period**.**

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Receivables for income taxes	258	1,005
Other tax receivables	17	6
Tax receivables	**275**	**1,011**

Note 12 – Cash and cash equivalents

Below is reported the breakdown of cash and cash equivalents (mainly relating to Piquadro S.p.A.):

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Available current bank accounts	23,370	15,162
Money, cash on hand and cheques	182	126
Cash and cash equivalents	**23,552**	**15,288**

The balance represents cash and cash equivalents and the existence of money and cash on hand at the closing dates of the periods.
For a better understanding of the dynamics in the Company's liquidity, reference is made to the Statement of Cash Flows and to the breakdown of Net Financial Position.

LIABILITIES

Note 13 – Shareholders' Equity

a) Share Capital

As at 31 March 2018, the Share Capital of Piquadro S.p.A. was equal to Euro 1,000 thousand and was represented by 50,000,000 ordinary shares, fully subscribed and paid up, with regular enjoyment, with no indication of their par value.

b) Share premium reserve

This reserve, which remained unchanged compared to the previous financial year, was equal to Euro 1,000 thousand.

c) Translation reserve

As at 31 March 2018 the reserve was positive for Euro 101 thousand (it reported a positive balance of Euro 598 thousand at 31 March 2017). This item is referred to the exchange rate differences due to the consolidation of the Companies with a relevant currency other than the Euro, i.e. Piquadro Hong Kong Co. Ltd. (Hong Kong Dollar), Uni Best Leather Goods Zhongshan Co. Ltd. and Piquadro Trading Shenzhen Co. Ltd. (Chinese Renminbi), Piquadro Taiwan Co. Ltd. (Taiwan Dollar), Piquadro Swiss SA (Swiss Franc), Piquadro UK Limited (Great Britain Pound), Piquadro USA Inc., Piquadro LLC (US Dollar), OOO Piquadro Russia (Russian Rouble).

d) Group net profit

This item relates to the recognition of the profit recorded by the Group, equal to Euro 4,733 thousand at 31 March 2018.

During the financial year ended 31 March 2018, the Parent Company's profit for the period, as resulting from the separate financial statements at 31 March 2017, was allocated as follows:
(i) Euro 2,000 thousand to dividends, corresponding to earnings per share equal to about Euro 0.04 per share to 50,000,000 outstanding shares;
(ii) Euro 1,005 thousand to Profits carried forward, as the legal reserve had reached one fifth of the Share Capital.

e) Profits and reserves attributable to minority interests

The item refers to the portions of reserves and profits, equal to a negative value of Euro 191 thousand (at 31 March 2017 profits and reserves attributable to minority interests were equal to Euro 136 thousand), which are attributable to the minority interests of Piquadro Swiss SA.

Non-current liabilities

Note 14 – Borrowings

Below is the breakdown of non-current payables to banks:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Borrowings from 1 to 5 years	11,128	13,676
Borrowings beyond 5 years	0	0
Medium/long-term borrowings	**11,128**	**13,676**

During the FY 2017/2018 ended 31 March 2018, the Parent Company terminated two financing agreements with UBI and a loan agreement with Credem.

On 29 May it entered into a 60-month loan agreement with UBI in an amount of Euro 3 million, expiring on 29 May 2022.
On 26 June a short-term loan was disbursed by Credem in an amount of Euro 2 million, expiring on 23 July 2018.
On 16 November a short-term loan was disbursed by Unicredit in an amount of Euro 5 million, expiring on 29 June 2018.
On 29 November the loan with Mediocredito was rescheduled for the remaining amount of Euro 4.5 million, with a new expiry date falling on 30 September 2020.

As at 31 March 2018, borrowings mainly related to Piquadro S.p.A. and included:

1. Euro 1,125 thousand relating to the unsecured loan granted by BPER – Banca Popolare dell'Emilia Romagna on 10 June 2016 (for an initial amount of Euro 2,000 thousand), of which a current portion of Euro 501 thousand and a non-current portion of Euro 630 thousand.
2. Euro 1,180 thousand relating to the unsecured loan granted by Cassa di Risparmio in Bologna on 30 November 2016 (for an initial amount of Euro 2,500 thousand), of which a current portion of Euro 498 thousand and a non-current portion of Euro 1,383 thousand.
3. Euro 2,067 thousand relating to the unsecured loan granted by Credem – Credito Emiliano on 7 December 2016 (for an initial amount of Euro 3,000 thousand), of which a current portion of Euro 749 thousand and a non-current portion of Euro 1,318 thousand.
4. Euro 2,254 thousand relating to the unsecured loan granted by UniCredit on 10 January 2017 (for an initial amount of Euro 3,000 thousand), of which a current portion of Euro 748 thousand and a non-current portion of Euro 1,506 thousand.
5. Euro 2,694 thousand relating to the unsecured loan granted by Banca Monte dei Paschi di Siena on 30 January 2017 (for an initial amount of Euro 3,000 thousand), of which a current portion of Euro 600 thousand and a non-current portion of Euro 2,100 thousand
6. Euro 3,735 thousand relating to the unsecured loan granted by Mediocredito Italiano S.p.A. 22 March 2017, of which a current portion of Euro 1,500 thousand and a non-current portion of Euro 2,250 thousand.
7. Euro 2,549 thousand relating to the unsecured loan granted by UBI Banca on 22 May 2017 (for an initial amount of Euro 3,000 thousand), of which a current portion of Euro 597 thousand and a non-current portion of Euro 1,957 thousand.

Below is reported the breakdown of loans and borrowings from banks:

(in thousands of Euro)	**Date of granting of the loan**	**Initial amount**	**Currency**	**Current borrowings**	**Amort. cost (S/T)**	**Non-current borrowin gs**	**Amort. Cost (L/T)**	**Total**
BPER Loan	10 June 2016	2,000	Euro	501	(4)	630	(2)	1,125
Carisbo Loan	30 November 2016	2,500	Euro	498	(1)	1,383	(1)	1,880
Credem Loan	07 December 2016	3,000	Euro	749	0	1,318	0	2,067
Unicredit Loan	10 January 2017	3,000	Euro	748	0	1,506	0	2,254
MPS Loan	30 January 2017	3,000	Euro	600	(2)	2,100	(4)	2,694
Mediocredito Loan	29 November 2017	4,500	Euro	1,500	(8)	2,250	(6)	3,735
UBI Loan	29 May 17	3,000	Euro	597	(2)	1,957	(3)	2,549
Credem Loan	26 June 2017	2,000	Euro	2,000	0	0	0	2,000
Unicredit Loan	16 November 2017	5,000	Euro	5,000	0	0	0	5,000
Payables to banks			Euro	169	0	0	0	169

	12,362	**(17)**	**11,144**	**(16)**	**23,474**

No covenants are applicable to these loans.

Note 15 – Payables to other lenders for lease agreements

Below is reported the following breakdown:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Non-current:		
Payables to leasing companies	12	916
Current:		
Payables to leasing companies	904	691
Payables to other lenders for lease agreements	**916**	**1,607**

Below is reported the following additional breakdown:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Payables to other lenders for lease agreements:		
Due within 1 year	916	747
Due from 1 to 5 years	12	916
Due beyond 5 years	0	0
Financial interest to be paid	(17)	(58)
Present value of payables to other lenders for lease agreements	**1,607**	**1,607**

As at 31 March 2018, payables to other lenders for lease agreements, equal to Euro 916 thousand (Euro 1,607 thousand at 31 March 2017), mainly related to the building hosting the Parent Company's operating office (the portion of which is fully reclassified to current liabilities since it shall be repaid in full in August 2018), and to lease agreements involving the fittings of the The Bridge-brand points of sale for Euro 85 thousand, of which an amount of Euro 12 thousand shall be repaid during the subsequent financial year.

Note 16 – Oher non-current liabilities

Below is the related breakdown:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Other payables	1,838	2,209
Other non-current liabilities	**1,838**	**2,209**

As at 31 March 2018 "Other payables", totalling Euro 1,838 thousand, related to the deferred payment of the price of acquisition of The Bridge S.p.A., equal to Euro 1,768 thousand, and to the value of the call option of the remaining stakes valued by an independent expert for Euro 889 thousand.
The amount due within 12 months, equal to Euro 819 thousand, was reclassified to other current liabilities.

Note 17 –Provision for Employee Benefits

This item includes post-employment benefits measured by using the actuarial valuation method of projected unit credit applied by an independent actuary according to IAS 19.

Below are reported the changes that occurred in the course of the last two financial years in the Provision for TFR (which represents the entire value of the Provision for employee benefits), including the effects of the actuarial valuation:

(in thousands of Euro)	**Provision for TFR**

Balance at 31 March 2016	**291**
Change in consolidation area	1,461
Financial charges	0
Net actuarial Losses (Gains) accounted for in the period	0
Indemnities paid in the financial year/Others	4
Balance at 31 March 2017	**1,756**
Change in consolidation area	0
Financial charges	20
Net actuarial Losses (Gains) accounted for in the period	69
Indemnities paid in the financial year/Others	40
Balance at 31 March 2018	**1,885**

As at 31 March 2018 the value of provision, equal to Euro 1,855 thousand (Euro 1,756 thousand at 31March 2017), was determined by an independent actuary and the actuarial assumptions used for calculating the provision are the same as those stated in the paragraph on *Accounting Standards – Provision for employee benefits* in the Notes to the Consolidated Financial Statements ended 31 March 2017.
From the sensitivity analysis carried out on this item, some changes in the provision arise, at the same time as the main actuarial assumptions vary, which are not significant.
The change in the consolidation area reflects the acquisition of control over The Bridge S.p.A., as illustrated in the notes in the paragraph on "Business Combinations" of the Annual Financial Report at 31 March 2017.

Note 18 – Provisions for risks and charges

Below are the changes in provisions for risks and charges during the year:

(in thousands of Euro)	Provision at 31 March 2017	Use	Accrual	Change from consolidation	Provision at 31 March 2018
Provision for supplementary clientele indemnity	895	(65)	288	0	1,118
Other Provisions for risks	1,075		5	0	1,080
Total	**1,970**	**(65)**	**293**	**0**	**2,198**

The "Provision for supplementary clientele indemnity" represents the potential liability with respect to agents in the event of Group Companies' terminating agreements or agents retiring.
As at 31 March 2018 the balance of this provision was equal to Euro 1,118 thousand, up by Euro 223 thousand compared to 31 March 2017 (Euro 895 thousand).
"Other Provisions for risks", equal to Euro 1,080 thousand, are made up as follows:

- the financial statements of subsidiary The Bridge S.p.A. include the recognition of liabilities that are regarded as probable for Euro 800 thousand, in relation to the PVC that has already been referred to above. Specifically, on 16 march 2017 the Florence Tax Police Unit completed the tax audit that had been started on 9 September 2016, through the service of a Report of Findings (*Processo Verbale di Constatazione*, "PVC"). In analysing the objections raised in the PVC, the Directors have deemed appropriate to recognise, on a prudential basis, an amount of tax, sanctions and interest corresponding to that for which there is a risk of sustaining a future outlay. On 25 May 2018, the dispute was settled by signing an interview report (assessment by agreement) whereby a liability was set out which, also considering litigation management costs, is not significantly different from the amount set aside in the aforesaid provision for risks.

- The remaining amount relates to accruals to provisions for risks of the Parent Company Piquadro S.p.A., as detailed below, for Euro 253 thousand. Specifically, this item includes the provision for risks for returns on sales, equal to Euro 61 thousand, the provision for risks on repairs for Euro 10 thousand, the provision for risks on legal disputes for Euro 48 thousand and the provision for risks for taxes that are regarded as probable, equal to Euro 130 thousand, as detailed below. This provision includes the liabilities that are regarded as probable, recognised in relation to the PVC involving Piquadro S.p.A. and includes taxes, interest and charges for tax advice. On 31 May 2017 the Bologna Tax Police Unit concluded the tax audit that had been started on 1 February 2017, through the service of a Report of Findings (*Processo Verbale di Constatazione*, "PVC"). In analysing the objections raised in the PVC, the Company has deemed appropriate to recognise, on a prudential basis, an amount of tax, sanctions and interest corresponding to that for which there is a risk of sustaining a future outlay, in a provision for risks among liabilities. There had been no developments in that regard as at the date of these notes.

Note 19 – Deferred tax liabilities

The amount of deferred tax liabilities, equal to Euro 0 thousand (Euro 193 thousand at 31 March 2017) related to revenues that will be recognised for tax purposes during the next financial years; reference is made to the information reported in Note 6 above.

Current liabilities

Note 20 – Borrowings

As at 31 March 2018 current borrowings were equal to Euro 12,345 thousand compared to Euro 5,987 thousand at 31 March2017. The balance related to a current portion of loans for Euro 5,345 thousand, to payables to banks for the advance on dividends distributed on the profit at 31 March 2017 for Euro 2,000 thousand and to the short-term loan for Euro 5,000 thousand. For more details reference is made to Note 14 above.

Note 21 - Payables to other lenders for lease agreements

As at 31 March 2018 they were equal to Euro 904 thousand (Euro 691 thousand at 31 March 2017), of which an amount of Euro 830 thousand related to the current portion of payables to leasing companies, for the lease agreement that was initially entered into between Piqubo Servizi S.r.l., which was merged by incorporation into Piquadro S.p.A. by a deed dated 24 October 2008, and Centro Leasing S.p.A., concerning the plant, land and automated warehouse located at Località Sassuriano, Silla di Gaggio Montano (Province of Bologna), while an amount of Euro 74 thousand related to the lease agreements involving the fittings of The Bridge-brand points of sales.

Net Financial Position

The table below reports the breakdown of the Net Financial Position, which includes the net financial debt determined according to the ESMA criteria (based on the schedule set out in CONSOB Communication no. 6064293 of 28 July 2006):

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
(A)Cash	182	126
(B) Other cash and cash equivalents (available current bank accounts)	23,370	15,162
(C) Liquidity (A) + (B)	**23,552**	**15,288**
(D) Finance leases	(904)	(691)
(E) Current bank debt	0	310
(F) Current portion of current debt	(12,504)	(5,998)
(G) Payables to Il Ponte S.p.A. for the acquisition of The Bridge	(817)	(70)
(H) Current financial debt (D) + (E) + (F) + (G)	**(14,225)**	**(6,449)**
(I) Short-term Net Financial Position (C) + (H)	**9,327**	**8,839**

(L) Non-current bank debt	(11,128)	(13,676)
(M) Finance leases	(12)	(916)
(N) Payables to Il Ponte S.p.A. for the acquisition of The Bridge	(1,840)	(2,483)
(O) Non-current financial debt (L) + (M) + (N)	**(12,980)**	**(17,075)**
(P) Net Financial Position (I) + (O)	**(3,653)**	**(8,236)**

At 31 March 2018 the Net Financial Position was negative for about Euro 3.7 million, showing an improvement of about Euro 4.6 million compared to the debt recognised at 31 March 2017, equal to about Euro 8.2 million.
The main reasons for the trend in the net financial position, compared to 31 March 2017, are attributable to the following factors:

- an operating free cash flow of Euro 9.9 million for the period;
- the payment of dividends of Euro 2.0 million;
- investments of Euro 1.7 million in property, plant and equipment and intangible assets;
- an increase of Euro 1.6 million in other working capital items.

Note 22 – Derivative liabilities

As at 31 March 2018 derivative liabilities, equal to Euro 159 thousand (Euro 11 thousand at 31 March 2017), related to the hedges of exchange rates connected to purchases of raw materials in US dollars and for contract work done in China, as well as to the measurement of the Interest Rate Swap (IRS) derivative contract linked to the Mediocredito loan, with an initial amount of Euro 5,700 thousand. **The Company hedges the exchange risk connected to purchases of raw materials in US dollars and for contract work done in China. In consideration for this risk, the Company makes use of instruments to hedge the risk attached to the related rate, trying to fix and crystallise the exchange rate at a level that is in line with the budget forecasts.**
During the year there were no transfers between the various fair value levels. Furthermore, the effect on fair value measurement following the application of IFRS 13 concerning the inclusion of non-performance risks was not significant.

Note 23 – Trade payables

Below is the breakdown of current trade liabilities:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Payables to suppliers	**22,149**	**20,244**

As at 31 March 2018 payables to suppliers showed an increase of about Euro 1.9 million compared to 31 March 2017 (equal to Euro 20,244 thousand), mainly due to the increase in purchases of goods and services.

Note 24 – Other current liabilities

Below is the breakdown of other current liabilities:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Payables to social security institutions	569	557
Payables to Pension funds	28	28
Other payables	870	387
Payables to employees	2,379	1,677
Advances from customers	69	84
VAT payables	0	953
IRPEF tax payables and other tax payables	71	578
Accrued expenses and deferred income	66	80

Other current liabilities	**4,052**	**4,344**
Reclassification	0	(1,318)
Other current liabilities	**4,052**	**3,026**

As referred to in the paragraph on the "Introduction", the balance relating to the previous year has been reclassified for the purposes of a better understanding, for a total of Euro 1,318 thousand, of which an amount of Euro (1,380) thousand reclassified to "Tax payables" and an amount of Euro 62 thousand from "Other current assets" relating to receivables from employees that had been stated in netting the item "Payables to employees".

"Other current liabilities", for a total amount of Euro 4,052 thousand, include: payables to social security institutions that mainly relate to the Parent Company's payables due to INPS, payables to employees at 31 March 2018, equal to Euro 2,379 thousand (Euro 1,677 thousand at 31 March 2017) that mainly include the Group's payables for remuneration to be paid and deferred charges with respect to employees. Furthermore "Other payables" include the reclassification of the amount due within 12 months, equal to Euro 819 thousand, concerning the deferred payment of the price for the acquisition of The Bridge S.p.A..

Note 25 – Tax payables

As at 31 March 2018 current tax advances paid by the Group companies (excluding the Parent Company) were lower than the actual tax charge. For this reason, the Group recorded tax payables equal to Euro 569 thousand at 31 March 2018 (Euro 1,844 thousand at 31 March 2017).

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Tax payables	**2,433**	**463**
Reclassification	0	1,318
Tax payables	**2,433**	**1,844**

As referred to in the paragraph on the "Introduction", the balance for the previous year has been reclassified for the purposes of a better understanding in an amount of Euro 1,318 thousand relating to IRPEF tax payables from "Other current liabilities" to "Tax payables".

COMMENTS ON THE INCOME STATEMENT ITEMS

Note 26 – Revenues from sales

In relation to the breakdown of revenues from sales by distribution channel, reference is made to the Directors' Report on Operations.

The Group's revenues are mainly realised in Euro.

Below is the breakdown of revenues by geographical area:

(in thousands of Euro)	**Revenues from sales 31 March 2018**	**%**	**Revenues from sales 31 March 2017**	**%**	**% Change 2018-2017**
Italy	74,225	76.0%	56,545	74.5%	31.3%
Europe	20,615	21.1%	15,434	20.3%	33.6%
Rest of the World	2,787	2.9%	3,933	5.2%	(29.1%)
Total	**97,627**	**100.0%**	**75,912**	**100.0%**	**28.6%**

Revenues from sales showed an increase equal to Euro 21,715 thousand in the financial year ended 31 March 2018, compared to the corresponding revenues realised during the financial year ended 31 March 2017 (+28.6%).
The increase, compared to the previous period, was mainly due to the acquisition of The Bridge S.p.A., which contributes revenues amounting to Euro 11,114 thousand, while the increase was equal to Euro 1,498 thousand (+4.3%) for the per Piquadro brand.

Note 27 – Other income

In the financial year ended 31 March 2018, other income amounted to Euro 1,259 thousand (Euro 2,332 thousand in the financial year ended 31 March 2017) and were broken down as follows:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Charge-backs of transport and collection costs	132	129
Insurance and legal refunds	25	37
Revenues from sales at the corners	1	1
Other sundry income	1,102	2,165
Other income	**1,259**	**2,332**

In the financial year ended 31 March 2018, other income of Piquadro-brand amounted to Euro 1,259 thousand and were made up of Euro 992 thousand for the Piquadro brand and Euro 267 thousand for The Bridge brand.
During the financial year ended 31 March 2017, "Other sundry income" included the capital gain relating to the transfer of the key money for the shop located in Paris, at Rue Saint Honoré, equal to Euro 1,470 thousand.

Note 28 – Change in inventories

The change in inventories of raw materials was negative for Euro 162 thousand (positive for Euro 449 thousand at 31 March 2017); the change in semi-finished and finished products was negative for Euro 3,086 thousand (negative for Euro 3,297 thousand in the financial year ended 31 March 2017), with a net difference between the two periods of Euro 6,096 thousand.

Note 29 - Costs for purchases and information on purchases in foreign currency

Below is reported the breakdown by Company of the costs for purchases (the Parent Company and Uni Best Leather Goods Zhongshan Co. Ltd. are the Companies that purchase raw materials aimed at the production of Piquadro-branded products, while The Bridge S.p.A. for The Bridge brand):

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Piquadro S.p.A.	16,261	13,162
Uni Best Leather Goods Zhongshan Co. Ltd.	2,156	1,801
The Bridge S.p.A.	8,564	1,444
Costs for purchases	**26,981**	**16,407**

The item "costs for raw materials" essentially includes the cost of materials used for the production of the Company's goods and of consumables.

Even if the functional currency of the Group is the Euro, it is specified that the purchase costs of the Group Companies are partially incurred in US Dollars and Renminbi.

The table below reports the amount of purchases of raw and secondary materials, consumables and goods for resale, as well as the amount of other production costs (a portion of these costs is classified under costs for services) incurred in a currency other than the Euro, the Euro counter-value of these purchases in foreign currency and their impact on the total purchases of raw and secondary materials, consumables and goods for resale:

	Currency amount	**Average exchange rate**	**Amount in thousands of Euro**	**Currency Amount**	**Average exchange rate**	**Amount in thousands of Euro**
		31 March 2018			**31 March 2017**	
Renminbi	16,701,060	7.74	2,156	13,291,238	7.38	1,801
US Dollars	11,913,030	1.16	10,266	8,894,678	1.10	8,106
Total operating costs incurred in foreign currency			**12,422**			**9,907**

Overall, the Piquadro Group incurred, in the FY 2017/2018, operating costs denominated in a currency other than the Euro for an equivalent amount of about Euro 12.4 million, equal to 13.65% of total operating costs (Euro 91,015 thousand), while in the financial year ended 31 March 2017 corresponding costs were borne for about Euro 9.9 million equal to 13.65% of operating costs.

During the financial year ended 31 March 2018, the Group reported Net foreign exchange Losses of Euro 456 thousand (Net foreign exchange Gain of Euro 296 thousand at 31 March 2017), as a result of the dynamics of the foreign exchange market.

In the FY 2017/2018, the Parent Company made forward purchases of US Dollars for an overall amount of USD 19.0 million (USD 12.2 million in the FY 2016/2017) including purchases in Dollars made for the supplies of Uni Best Leather Goods Zhongshan Co. Ltd. (net of the sale of leather made by the Company to the Chinese subsidiary) equal to a counter-value of about Euro 16.2 million at the average exchange rate prevailing in the FY 2017/2018 (about Euro 11.1 million at the average exchange rate prevailing in the FY 2016/2017); therefore 99.0% of the purchases in US Dollars made by the Company was covered (in relation to the FY 2016/2017, 74.2% of the purchases in US Dollars made by the Company was covered).

Note 30 - Costs for services and leases and rentals

Below is reported the breakdown of these costs:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
External production	13,926	8,944

Advertising and marketing	5,100	4,017
Transport services	4,645	3,660
Business services	4,091	3,200
Administrative services	1,588	1,423
General services	2,106	1,694
Production services	2,113	1,522
Total Costs for services	**33,569**	**24,460**
Costs for leases and rentals	**8,832**	**7,863**
Costs for services and leases and rentals	**42,401**	**32,323**

The increase in costs for services and costs for leases and rentals was mainly due to the inclusion of subsidiary The Bridge S.p.A. in the consolidation area for the entire FY 2017/2018, with a contribution of Euro 9,560 thousand. Instead, the increase in costs for the Piquadro brand amounted to Euro 518 thousand.

Costs for leases and rentals mainly related to external production on Piquadro- and The Bridge S.p.A.-branded products, as well as to lease rentals relating to the shops of the Parent Company and of Group companies that operate in the product distribution, and showed a decrease due to the closure of some DOSs.

Note 31 - Personnel costs

Below is reported the breakdown of personnel costs:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Wages and salaries	16,253	13,407
Social security contributions	3,501	2,737
TFR	838	674
Personnel costs	**20,592**	**16,818**

The table below reports the exact number of the staff members employed by the Group at 31 March 2018 and 31 March 2017:

Units	**31 March 2018**	**31 March 2017**
Executives	7	5
Office workers	416	392
Manual workers	382	364
Total Group employees	**805**	**761**

In the financial year ended 31 March 2018, personnel costs reported an increase of 22.4%, from about Euro 16,818 thousand in the financial year ended 31 March 2017 to about Euro 20,592 thousand in the financial year ended 31 March 2018. The increase in personnel costs is mainly due to the acquisition of The Bridge S.p.A. and of its entire workforce, which amounted to 101 employees at 31 March 2018. The personnel costs of the Piquadro brand increased by about Euro 619 thousand, while the contribution given by The Bridge S.p.A. was equal Euro 3,155 thousand.

To supplement the information provided, below is also reported the average number of employees for the last two financial years:

Average unit	**31 March 2018**	**31 March 2017**
Executives	6	5
Office workers	401	358
Manual workers	377	347
Total Group employees	**784**	**710**

Note 32 – Amortisation, depreciation and write-downs

In the financial year ended 31 March 2018, amortisation and depreciation were equal to Euro 2,746 thousand (Euro 2,540 thousand in the financial year ended 31 March 2017).

The increase of Euro 206 thousand arose from the combined effect of the inclusion of The Bridge S.p.A. in the consolidation area for the entire FY 2017/2018, which contributed an amount of Euro 502 thousand, while the Piquadro brand reported a decrease of Euro 297 thousand.

The write-downs, equal to Euro 1,008 thousand (Euro 1,043 thousand at 31 March 2017), down by Euro 34 thousand compared to the previous financial year ended 31 March 2017, were made up of the accrual to the provision for bad debts for Euro 843 thousand (Euro 478 thousand at 31 March 2017) and of the write-downs of some categories of assets for Euro 165 thousand (Euro 565 thousand at 31 March 2017).

The accrual to the provision for bad debts, equal to Euro 843 thousand at 31 March 2018 (Euro 478 thousand at 31 March 2017), up by Euro 317 thousand for the Piquadro brand, compared to the financial year ended 31 March 2017 (equal to Euro 795 thousand), was affected by the impact of the inclusion of The Bridge S.p.A. in the consolidation area for Euro 48 thousand.

The write-downs of some categories of assets, equal to Euro 165 thousand in March 2018 (Euro 565 thousand at 31 March 2017 as a result of the closure of the point of sale located in Paris at Rue Saint Honoré) concern the closure of the shop located at I-Square (Hong Kong) and Europejsky (Russia), which took place in September and November 2017, respectively.

Note 33 - Other operating costs

In the financial year ended 31 March 2018, other operating costs were equal to Euro 535 thousand (Euro 575 thousand at 31 March 2017)

Note 34 - Financial income

In the financial year ended 31 March 2018 financial income was equal to Euro 812 thousand (Euro 885 thousand in the financial year ended 31 March 2017) mainly related to Piquadro S.p.A. for Euro 538 thousand and to The Bridge S.p.A. for Euro 30 thousand. The breakdown reports interest of Euro 78 thousand receivable on current accounts and from customers (of which Euro 3 thousand from The Bridge S.p.A.) and foreign exchange gains, either realised and estimated, equal to Euro 734 thousand (of which Euro 26 thousand from The Bridge S.p.A.) (against Euro 837 thousand at 31 March 2017), due to the exchange differences for the consolidation of companies in a reporting currency other than Euro.

Note 35 - Financial charges

Below is the breakdown of financial charges:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Interest payable on current accounts	82	117
Interest and expense subject to final payment	18	21
Financial charges on loans	207	123
Lease financial charges	17	27
Other charges	144	355
Net financial charges on defined-benefit plans	20	0
Foreign exchange losses (either realised or estimated)	1,190	540
Financial charges	**1,678**	**1,203**

The increase in financial charges was mainly due to foreign exchange losses of Piquadro S.p.A. and of its foreign subsidiaries due to the foreign exchange differences for the consolidation of companies in a reporting currency other than Euro. “Other charges” include an amount of Euro 104 thousand relating to the adjustment to the residual value of the Parent Company’s call option towards subsidiary The Bridge S.p.A.

Note 36 – Income tax expenses

Below is reported the breakdown of income tax expenses:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
IRES tax (and income taxes of foreign subsidiaries)	1,897	1,534
Parent Company’s IRAP tax	468	333
Deferred tax liabilities	(7)	66
Deferred tax assets	(125)	33
Total income taxes	**2,233**	**1,966**

Current taxes mainly relate to the tax burden calculated on the Parent Company’s taxable income (Euro 1,969 thousand).

Below is provided the reconciliation of tax charges and the product of the accounting profit multiplied by the applicable tax rate:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Pre-tax result	7,006	5,370
Taxes calculated at the tax rate applicable in the individual Countries	1,964	1,686
Tax effect of income not subject to taxation	(341)	(1,311)
Tax effect of non-deductible costs	142	1,258
IRAP tax	468	333
Total	**2,233**	**1,966**

Note 37 - Earnings per share

As at 31 March 2018 basic earnings per share amounted to Euro 0.095 and were calculated on the basis of the consolidated Net Profit for the period attributable to the Group, equal to Euro 4,773 thousand, divided by the weighted average number of ordinary shares outstanding in the half-year, equal to 50,000,000 shares.

	31 March 2018	**31 March 2017**
Group Net Profit (*in thousands of Euro*)	4,773	3,405
Average number of outstanding ordinary shares (in thousands of shares)	50,000	50,000
Basic earnings per share (in Euro)	**0.095**	**0.068**

Note 38 – Segment reporting

The table below illustrates the segment data of the Piquadro Group broken down by sales channel (DOSs and Wholesale), for Piquadro- and The Bridge-branded products, in relation to the financial years ended 31 March 2018 and 31 March 2017. The economic segment data are monitored by the company’s Management until EBITDA level.

	31 March 2018					**31 March 2017**					
	Business Segment PIQUADRO		**THE BRIDGE**			***Business Segment PIQUADRO***		**THE BRIDGE**			**% Change 2018-2017**
(in thousands of Euro)	***DOS***	***Wholesale***		**Total for the Group**	**% Impact (*)**	***DOS***	***Wholesale***		**Total for the Group**	**% Impact (*)**	

Revenues from sales	**30,303**	**43,564**	**23,760**	**97,627**	**100.0%**	**28,405**	**42,423**	**5,084**	**75,912**	**100.0%**	**28.6%**
Other income	309	684	266	1,259	1.3%	1,705	564	63	2,332	3.1%	(46.0%)
Costs for purchases of materials	(5,595)	(11,624)	(6,514)	(23,733)	(24.3%)	(5,334)	(12,185)	(1,736)	(19,255)	(25.4%)	23.3%
Costs for services and leases and rentals	(13,743)	(17,092)	(11,567)	(42,401)	(43.4%)	(13,075)	(17,242)	(2,007)	(32,324)	(42.6%)	31.2%
Personnel costs	(8,908)	(7,553)	(4,131)	(20,592)	(21.1%)	(8,514)	(7,328)	(976)	(16,818)	(22.2%)	22.4%
Provisions and write-downs	0	(691)	(153)	(844)	(0.9%)	0	(440)	(38)	(478)	(0.6%)	76.4%
Other operating costs	(140)	(285)	(110)	(535)	(0.8%)	(101)	(442)	(32)	(575)	(0.8%)	(6.9%)
EBITDA	**2,226**	**7,003**	**1,553**	**10,782**	**11.0%**	**3,086**	**5,351**	**357**	**8,794**	**11.6%**	**22.6%**
Amortisation, depreciation and write-downs				(2,911)	(3.0%)				(3,105)	(4.1%)	(6.3%)
Operating result				**7,871**	**8.1%**				**5,689**	**7.5%**	**38.4%**
Financial income and charges				(865)	(0.9%)				(318)	(0.4%)	171.4%
Pre-tax result				**7,006**	**7.2%**				**5,371**	**7.1%**	**30.5%**
Income taxes				(2,233)	(2.3%)				(1,966)	(2.6%)	13.6%
Profit for the period				**4,773**	**4.9%**				**3,405**	**4.5%**	**40.2%**
Group Net Result				**4,773**	**4.9%**				**3,405**	**4.5%**	**40.2%**

(*) percentage impact compared to the total sales revenues

As a segment analysis of the balance sheet, below are reported the assets, liabilities and fixed assets broken down by sales channel in the financial years ended 31 March 2018 and 31 March 2017:

	31 March 2018					**31 March 2017**				
	Business Segment					***Business Segment***				
(in thousands of Euro)	***DOS* Piquadro**	***Wholesale* Piquadro**	***The Bridge***	**Unallocated**	**Total**	***DOS* Piquadro**	***Wholesale* Piquadro**	***The Bridge***	**Unallocated**	**Total**
Assets	11,596	43,032	20,877	23,980	99,485	11,231	44,719	16,465	18,197	90,613
Liabilities	7,323	14,351	20,317	17,112	59,102	6,950	15,026	16,787	13,565	52,329
Fixed assets	5,249	11,605	2,808	0	19,662	5,738	12,599	2,788	0	21,126

The assets allocated to the segments include property, plant and equipment, intangible assets, trade receivables, inventories, cash and other receivables other than tax receivables. Segment assets do not include loans receivable, tax or fiscal receivables, deferred tax liabilities and cash and cash equivalents.

The liabilities allocated to the segments include trade payables, Provisions for risks and charges, Provisions for personnel, payables to other lenders and other payables other than loans payable to credit institutions and tax and fiscal payables. Segment liabilities do not include loans payable to credit institutions, current accounts payable, tax or fiscal payables and deferred tax liabilities.

As to a breakdown of the Income Statement by segments, reference is made to the information reported in the Report on Operations in paragraph “Other information”.

Note 39 – Commitments

a) *Commitments for purchases (if any) of property, plant and equipment and intangible assets*

As at 31 March 2018, the Group had not executed contractual commitments that would entail significant investments in property, plant and equipment and intangible assets in the FY 2017/2018.

b) *Commitments on operating lease agreements*

As at 31 March 2018, the Group had executed contractual commitments which will entail future costs for rents and operating leases which will be charged to the Income Statement on an accruals basis from the FY 2017/2018 onwards, mainly for the lease of the Chinese factory of Uni Best Leather Goods Zhongshan Co. Ltd. and the leases of DOS shops, as summarised in the table below:

	At 31 March 2018			
(in thousands of Euro)	Within 12 months	From 1 to 5 years	Beyond 5 years	Total
Property lease	262	349	0	611
Other leases	6,640	15,930	3,184	25,754
Total	**6,902**	**16,280**	**3,184**	**26,365**

Note 40 – Relations with related parties

Piquadro S.p.A., the Parent Company of the Piquadro Group, operates in the leather goods market and designs, produces and markets articles under its own brand. The Subsidiaries, except for The Bridge S.p.A., which sells The Bridge-branded items, mainly carry out activities of distribution of products (Piquadro España SLU, Piquadro Hong Kong Co. Ltd., Piquadro Deutschland GmbH, Piquadro Trading –Shenzhen Co. Ltd., Piquadro Taiwan Co. Ltd., Piquadro France SARL, Piquadro Swiss SA, Piquadro UK Limited, Piquadro LLC and OOO Piquadro Russia), or production activities (Uni Best Leather Goods Zhongshan Co. Ltd.).
The relations with Group companies are mainly commercial at regulated at arm's length. There are also financial relations (intergroup loans) between the Parent Company and some Subsidiaries, conducted at arm's length.

On 18 November 2010 Piquadro S.p.A. adopted, pursuant to and for the purposes of article 2391-*bis* of the Italian Civil Code and of the "Regulation on transactions with related parties" as adopted by CONSOB resolution, the procedures on the basis of which Piquadro S.p.A. and its subsidiaries operate to complete transactions with related parties of Piquadro S.p.A. itself.

The Directors report that, in addition to Piqubo S.p.A., Piquadro Holding S.p.A. and the Palmieri Family Foundation, there are no other related parties (pursuant to IAS 24) of the Piquadro Group.

In the financial year ended 31 March 2018 Piqubo S.p.A., the ultimate Parent Company, charged Piquadro S.p.A. the rent relating to the use of the plant located in Riola di Vergato (Province of Bologna) as a warehouse.

On 29 June 2012, a lease agreement was entered into between Piquadro Holding S.p.A. and Piquadro S.p.A., concerning the lease of a property for office purposes located in Milan, Piazza San Babila no. 5, which is used as a show-room of Piquadro S.p.A. and whose lease cost is reported in the table below. This lease agreement has been entered into at arm's length.

During the first half of FY 2017/2018 no transactions were effected with the Palmieri Family Foundation, which is a non-profit foundation, whose founder is Marco Palmieri and which has the purpose of promoting activities aimed at the study, research, training, innovation in the field for the creation of jobs and employment opportunities for needy persons.

The table below reports the breakdown of the main financial relations maintained with the related companies (thousands of Euro).

	Receivables		**Payables**	
(in thousands of Euro)	**31 March 2018**	**31 March 2017**	**31 March 2018**	**31 March 2017**

Financial relations with Piqubo S.p.A.	0	0	0	0
Financial relations with Piquadro Holding S.p.A.	0	0	0	0
Financial relations with Palmieri Family Foundation	0	0	0	0
Total Receivables from and Payables to Controlling Companies	**0**	**0**	**0**	**0**

The table below reports the breakdown of the main economic relations maintained with the related companies (thousands of Euro).

(in thousands of Euro)	Revenues		Costs	
	31 March 2018	**31 March 2017**	**31 March 2018**	**31 March 2017**
Economic relations with Piqubo S.p.A.	0	0	75	75
Economic relations with Piquadro Holding S.p.A.	0	0	244	244
Economic relations with Palmieri Family Foundation	0	0	0	0
Total Sales to and Costs from Controlling Companies	**0**	**0**	**319**	**319**

Below are reported the following financial relations with Piquadro Holding S.p.A.:

- in the FY 2017/2018, Piquadro S.p.A. distributed to the majority shareholder Piquadro Holding S.p.A. dividends of Euro 1,367,443 relating to the profit for the FY 2016/2017;
- in the FY 2016/2017, Piquadro S.p.A. distributed to the majority shareholder Piquadro Holding S.p.A. dividends of Euro 1,367,448 relating to the profit for the FY 2015/2016;
- in the FY 2015/2016, Piquadro S.p.A. distributed to the majority shareholder Piquadro Holding S.p.A. dividends of Euro 1,367,448 relating to the profit for the FY 2014/2015.

Fees due to the Board of Directors

The table below reports the fees (including emoluments as Directors and current and deferred remuneration, including in kind, as employees) due to Directors and to the members of the Board of Statutory Auditors of Piquadro S.p.A., in relation to the FY 2017/2018, for the performance of their duties in the Parent Company and other Group Companies, and the fees accrued by any Key Executives (as at 31 March 2018 Directors had not identified Key Executives):

(in thousands of Euro)

First and last name	**Position held**	**Period in which the position was held**	**Term of office**	**Fees for the position**	**Non-cash benefits**	**Bonuses and other incentives**	**Other fees**	**Total**
Marco Palmieri	Chairman and CEO	01/04/17-31/03/18	2019	500	7	70	2.5	**579.5**
Pierpaolo Palmieri	Vice-Chairman – Executive Director	01/04/17-31/03/18	2019	250	4	30	2.5	**286.5**
Marcello Piccioli	Executive Director	01/04/17-31/03/18	2019	180	3	30	6.5	**219.5**
Roberto Trotta	Executive Director	01/04/17-31/03/18	2019	1)	3	28	171.5	**202.5**
Paola Bonomo	Independent Director	01/04/17-31/03/18	2019	18	0	0	2	**20**
Catia Cesari	Independent Director	01/04/17-31/03/18	2019	12	0	0	1	**13**
Barbara Falcomer	Independent Director	01/04/17-31/03/18	2019	12	0	0	1	**13**
				984	**17**	**158**	**189**	**1,348**

1) He waived the emolument for the period from 01/04/2017 to 31/03/2018.

Fees due to the Board of Statutory Auditors

(in thousands of Euro)

First and last name	**Position Held**	**Period in which the position was held**	**Term of office**	**Fees in Piquadro**	**Other fees**	**Total**
Pietro Michele Villa	Chairman	01/04/17--31/03/18	2019	24	0	**24**
Giuseppe Fredella	Regular Member	01/04/17--31/03/18	2019	17	0	**17**
Patrizia Riva	Regular Member	01/04/17--31/03/18	2019	17	0	**17**
				58	**0**	**58**

The Statutory Auditors are also entitled to receive the reimbursement of expenses incurred for the reasons of their position, which amounted to Euro 3,069 in the last financial year and the reimbursement of any charges relating to the National Social Security Fund.

Information required by Article 149-*duodecies* of the CONSOB Issuers' Regulation

Type of service	**Entity performing the service**	**Fees** *(in thousands of Euro)*
Statutory audit of annual and half-year accounts	Parent Company's Independent Auditors (Deloitte and Touche S.p.A)	115
Other services (2)	Parent Company's Independent Auditors (Deloitte and Touche S.p.A)	19
Auditing of Subsidiaries	Parent Company's Independent Auditors (Deloitte and Touche S.p.A) and Network of the Parent Company's Independent Auditors	35
Certification services (1)	Parent Company's Independent Auditors (Deloitte and Touche S.p.A)	22.5

(1) Examination of the non-financial declaration
(2) Methodological assistance services in relation to the sustainability reporting on the Financial Statements at 31 March 2017

Note 41 – Events after the year end

2 June 2018 saw the execution of the contract for the sale and the completion of the acquisition of Lancel International S.A. ("Lancel International") – a Swiss company wholly owned by the Richemont Group, which owns the "Lancel" brand and holds 99.9958% of the share capital of the French company Lancel Sogedi S.A. and of the Spanish and Italian companies that operate the Lancel boutiques opened in Spain and Italy (Lancel International and its subsidiaries hereinafter referred to as the "Lancel Group").
Maison Lancel, which is based in Paris and was founded in 1876, creates and distributes quality luxury leather goods, as well as stylish gifts and accessories, for men and women. Maison Lancel has developed a selected network of 60 DOSs and 11 franchise stores. Lancel operates in 39 countries, including China, through its retail and wholesale sales network.
During the financial year ended 31 March 2018, the Lancel Group achieved sales of about Euro 50 million. Richemont will receive a share of profits realised by the Lancel Group during the ten years after the closing as consideration for the acquisition; the total share of profits that may be allocated to Richemont based on this mechanism may not exceed Euro 35 million.

Note 42 – Other information

a) Shares of Piquadro S.p.A. owned by its Directors or Statutory Auditors

Below is reported the chart containing the equity investments (if any) held by Directors, Statutory Auditors, General Managers, Key Executives and their spouses and minor children in Piquadro S.p.A. and its subsidiaries.

First and last name	Position	Investee company	Number of shares owned at the end of the previous financial year	Number of shares purchased	Number of shares sold	Number of shares owned at the end of the current financial year
Marco Palmieri	Chairman - CEO [(1)]	Piquadro S.p.A.	31,909,407	0	0	31,909,407
Pierpaolo Palmieri	Vice-Chairman, Executive Director [(2)]	Piquadro S.p.A.	2,276,801	0	0	2,276,801
Roberto Trotta	Executive Director	Piquadro S.p.A.	3,000	0	0	3,000

[(1)] At the end of the FY 2017/2018, the Chairman of the Board of Directors and CEO of Piquadro S.p.A., Marco Palmieri, owned a stake equal to 93.34% of the Share Capital of Piquadro Holding S.p.A., through Piqubo S.p.A., a Company wholly owned by the latter. Piquadro Holding S.p.A., in turn, owns 68.37% of the Share Capital of Piquadro S.p.A..
[(2)] At the end of the FY 2017/2018, the Vice-Chairman of the Board of Directors of Piquadro S.p.A., Pierpaolo Palmieri, owned a stake equal to 6.66% of the Share Capital of Piquadro Holding S.p.A., which in turn, owns 68.37% of the Share Capital of Piquadro S.p.A..

a) Sale transactions with a reconveyance obligation

As at 31 March 2018, the Group had no sale transactions in place subject to an obligation of reconveyance or repurchase of its own assets sold to third-party customers.

b) Information on the financial instruments issued by the Company and by the Group

The Company and the Group did not issue financial instruments during the financial year.

c) Shareholder loans to the Company

The Company and the Group have no payables to shareholders for loans.

d) Information relating to assets and loans intended for a specific business

The Company and the Group have not constituted assets intended for a specific business, nor has it raised loans intended for a specific business.

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CERTIFICATION ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-*ter* of CONSOB Regulation No. 11971 of 14 May 1999, as amended and supplemented

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We, the undersigned, Marco Palmieri, in his capacity as Chief Executive Officer, and Roberto Trotta, in his capacity as Financial Reporting Officer of Piquadro S.p.A., certify, also taking account of the provisions under Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- adequacy in relation to the characteristics of the business and
- actual application of administrative and accounting procedures for the preparation of the consolidated financial statements in the course of the period from 1 April 2017 to 31 March 2018.

It is also certified that the consolidated financial statements at 31 March 2018:

a) have been prepared in accordance with the applicable International Accounting Standards acknowledged by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
b) correspond to the results in the accounting books and records;
c) are suitable to give a true and correct representation of the equity, economic and financial position of the issuer and of all the companies included in the consolidation area.

The Report on Operations includes a reliable analysis of the performance and of the result of operations, as well as of the position of the Issuer and of the companies included in the consolidation area, together with a description of the main risks and uncertainties to which they are exposed.

Silla di Gaggio Montano (BO), 11 June 2018

Marco Palmieri
Chief Executive Officer
Signed: Marco Palmieri

Roberto Trotta
Financial Reporting Officer
Signed: Roberto Trotta

Deloitte & Touche S.p.A.
Piazza Malpighi, 4/2
40123 Bologna
Italia

Tel: +39 051 65811
Fax: +39 051 230874
www.deloitte.it

INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Piquadro S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Piquadro S.p.A. and its subsidiaries ("Piquadro group" or "Group"), which comprise the statement of financial position as of March 31, 2018, the income statement, statement of comprehensive income, statement of changes in net equity, cash flows statement for the year then ended, a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of March, 31 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Piquadro S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment test on goodwill

Description of the key audit matter

The consolidated financial statements of the Piquadro Group as of 31 March 2018 report goodwill of Euro 4,658 thousand relating to the cash-generating unit (CGU) called "The Bridge" deriving from acquisitions of the subsidiary The Bridge S.p.A., finalized in the previous year.

The goodwill is not amortised but subjected to an impairment test at least once a year, as foreseen in IAS 36 - Impairment of Assets. The impairment test is carried out by comparing the recoverable amount of the CGU identified by the Group - determined according to the value in use method - and the carrying amount, which takes into account both the goodwill and the other assets allocated to individual CGUs.

The assessment process adopted by Management to identify possible impairment losses involved making certain assumptions regarding, in particular, the estimated cash flows of each CGU, the appropriate discount rate (WACC) and the long-term growth rate (*g-rate*). The assumptions reflected in the long-term plans of the CGUs concerned are influenced by future expectations and market conditions, which are affected by uncertainties.

In view of the significance of the goodwill reported in the financial statements and the subjective nature of the estimates made to determine the cash flows of the CGUs and the key variables of the impairment model, we considered the impairment test on goodwill to be a key audit matter of the consolidated financial statements of the Group as of 31 March 2018.

Note 2 of the consolidated financial statement presents information about the goodwill, including a sensitivity analysis that describes the effects of changing the key variables used to carry out the impairment test.

Audit procedures

We first examined the approach taken by Management to determine the value in use of the CGUs, analysing the methods and assumptions applied by Management to carry out the impairment test.

In the context of our audit work we performed the following procedures, among others, partly with assistance from experts of the Deloitte network:

- observation and understanding of the relevant controls implemented by Piquadro Group over the impairment testing process;

- analysis of the reasonableness of the principal assumptions made in order to forecast cash flows, partly by analysing external data and obtaining information from Management that we deemed to be significant;

- analysis of actual values in comparison with the original plans, in order to assess the nature of variances and the reliability of the budgeting process;

- assessment of the reasonableness of the discount rate (WACC) and the long-term growth rate (*g-rate*), partly via the appropriate identification of and reference to external sources that are normally used in professional practice and to key data for main comparable;

- verification of the mathematical accuracy of the model used to determine the value in use of the CGUs;

- verification that the carrying amount of the CGUs was determined properly;

- verification of the sensitivity analysis prepared by Management.

We also examined the adequacy of the information disclosed about the impairment test and its consistency with the requirements of IAS 36.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Piquadro S.p.A. has appointed us on July 26, 2016 as auditors of the Company for the years from March 31, 2017 to March 31, 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Piquadro S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Piquadro Group as of March 31st, 2018, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Piquadro Group as of March 31st, 2018 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Piquadro Group as of March 31, 2018 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Piquadro S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Domenico Farioli
Partner

Bologna, Italy
June 15, 2018

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

STATEMENT OF FINANCIAL POSITION

(in Euro)	**Notes**	**31 March 2018**	**31 March 2017**
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	(1)	1,596,610	1,836,354
Property, plant and equipment	(2)	8,701,738	9,343,147
Equity investments	(3)	9,730,171	8,799,966
Receivables from others	(4)	303,730	292,000
Receivables from subsidiaries	(5)	7,325,000	7,298,000
Deferred tax assets	(6)	1,000,886	791,349
TOTAL NON-CURRENT ASSETS		**28,658,135**	**28,360,816**
CURRENT ASSETS			
Inventories	(7)	12,501,126	11,418,708
Trade receivables	(8)	20,952,539	21,538,394
Receivables from subsidiaries	(9)	4,868,429	6,494,915
Other current assets	(10)	2,075,540	2,371,377
Derivative assets	(11)	0	0
Tax receivables	(12)	16,588	486,690
Cash and cash equivalents	(13)	19,546,335	13,346,382
TOTAL CURRENT ASSETS		**59,960,557**	**55,656,466**
TOTAL ASSETS		**88,618,692**	**84,017,282**

STATEMENT OF FINANCIAL POSITION

(in Euro)	Notes	31 March 2018	31 March 2017
LIABILITIES			
EQUITY			
Share Capital		1,000,000	1,000,000
Share premium reserve		1,000,000	1,000,000
Other reserves		1,127,721	1,234,840
Retained earnings		31,701,562	30,695,785
Profit for the period		5,277,580	3,005,842
TOTAL EQUITY	(14)	**40,106,863**	**36,936,467**
NON-CURRENT LIABILITIES			
Borrowings	(15)	11,127,644	13,676,094
Payables to other lenders for lease agreements	(16)	0	830,480
Other non-current liabilities	(17)	1,631,464	2,209,000
Provision for employee benefits	(18)	268,452	294,147
Provisions for risks and charges	(19)	1,266,601	814,670
TOTAL NON-CURRENT LIABILITIES		**14,294,161**	**17,824,391**
CURRENT LIABILITIES			
Borrowings	(20)	12,176,353	5,826,963
Payables to other lenders for lease agreements	(21)	830,475	600,166
Trade payables	(22)	13,362,033	14,788,269
Payables to subsidiaries	(23)	2,839,639	5,286,741
Derivative liabilities	(24)	158,972	10,940
Other current liabilities	(25)	2,610,913	1,513,345
Tax payables	(26)	2,239,283	1,230,000
TOTAL CURRENT LIABILITIES		**34,217,668**	**29,256,424**
TOTAL LIABILITIES		**48,511,829**	**47,080,815**
TOTAL EQUITY AND LIABILITIES		**88,618,692**	**84,017,282**

INCOME STATEMENT

(in Euro)	Notes	31 March 2018	31 March 2017
REVENUES			
Revenues from sales	(27)	70,504,532	67,239,637
Other income	(28)	1,033,085	760,238
TOTAL REVENUES (A)		**71,537,617**	**67,999,875**
OPERATING COSTS			
Change in inventories	(29)	(1,082,418)	2,374,699
Costs for purchases	(30)	22,110,254	18,895,421
Costs for services and leases and rentals	(31)	28,655,954	28,519,636
Personnel costs	(32)	11,810,556	11,094,901
Amortisation, depreciation and write-downs	(33)	2,389,388	2,274,540
Other operating costs	(34)	295,803	500,578
TOTAL OPERATING COSTS (B)		**64,179,537**	**63,659,775**
OPERATING PROFIT (A-B)		**7,358,080**	**4,340,100**
FINANCIAL INCOME AND CHARGES			
Shares of profits (losses) of investee Companies	(35)	220,488	0
Financial income	(36)	987,429	905,661
Financial charges	(37)	(1,319,482)	(896,951)
TOTAL FINANCIAL INCOME AND CHARGES		**(111,565)**	**8,710**
PRE-TAX RESULT		**7,246,515**	**4,348,810**
Income taxes	(38)	(1,968,935)	(1,342,968)
PROFIT FOR THE PERIOD		**5,277,580**	**3,005,842**

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Profit/ (Loss) for the period (A)	**5,278**	**3,006**
Components that can be reclassified to profit or loss		
Profit/ (Loss) on cash flow hedge instruments	(107)	(59)
Components that cannot be reclassified to profit or loss :		
Actuarial gains (losses) on defined-benefit plans	0	0
Total Profits/(Losses) recognised in equity (B)	**(107)**	**(59)**
Total Comprehensive Income/(Loss) for the period (A) + (B)	**5,171**	**2,947**

It should be noted that the items recognised in the Statement of Comprehensive Income are reported net of the related tax effect.
For more details, reference should be made to Note 5.

STATEMENT OF CHANGES IN EQUITY

(in thousands of Euro)

Description	Share capital	Share premium reserve	Other reserves: Fair value reserve	Other reserves: Reserve for Employee Benefits	Other reserves: Other reserves	Other reserves: Total Other Reserves	Retained earnings	Profit for the period	Equity
Profit for the period								3,006	**3,006**
Other comprehensive result at 31 March 2017:									
- Reserve for actuarial gains (losses) on defined-benefit plans						**0**			**0**
- Fair value of financial instruments			(59)			**(59)**			**(59)**
Comprehensive Income for the period	**0**	**0**	**(59)**	**0**	**0**	**(59)**		**3,006**	**2,947**
- Distribution of dividends to shareholders								(2,000)	**(2,000)**
-Allocation of the result for the year ended 31.03.2016 to reserves							1,818	(1,818)	**0**
Fair value of Stock Option Plans						**0**			**0**
Balances as at 31.03.2017	**1,000**	**1,000**	**(8)**	**(45)**	**1,288**	**1,235**	**30,696**	**3,006**	**36,937**
Profit for the period								5,278	**5,278**
Other comprehensive result at 31 March 2018:									
- Reserve for actuarial gains (losses) on defined-benefit plans						**0**			**0**
- Fair value of financial instruments			(107)			**(107)**			**(107)**
Comprehensive Income for the period	**0**	**0**	**(107)**	**0**	**0**	**(107)**	**0**	**5,278**	**5,171**
- Distribution of dividends to shareholders								(2,000)	**(2,000)**
-Allocation of the result for the year ended 31.03.2017 to reserves							1,006	(1,006)	**0**
Fair value of Stock Option Plans						**0**			**0**
Balances as at 31.03.2018	**1,000**	**1,000**	**(115)**	**(45)**	**1,288**	**1,128**	**31,702**	**5,278**	**40,107**

CASH FLOW STATEMENT

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Pre-tax profit	**7,247**	**4,349**
Adjustments for:		
Depreciation of property, plant and equipment/Amortisation of intangible assets	1,790	1,835
Write-downs of property, plant and equipment and intangible assets	0	0
Other accruals	269	0
Accrual to the provision for bad debts	600	440
Revaluation of equity investments	(542)	0
Adjustment to the provision for employee benefits	0	0
Dividends collected	(365)	(339)
Net financial charges/(income), including exchange rate differences	332	(9)
Cash flows from operating activities before changes in working capital	**9,331**	**6,276**
Change in trade receivables (gross of the provision)	(14)	1,592
Change in receivables from subsidiaries	1,599	(7,580)
Change in inventories	(1,082)	2,375
Change in other current assets	284	(1,058)
Change in trade payables	(1,426)	2,917
Change in payables to subsidiaries	(2,447)	3,118
Change in provisions for risks and charges	(155)	(238)
Change in other current liabilities	1,098	85
Change in tax receivables/payables	1,479	(788)
Cash flows from operating activities after changes in working capital	**8,667**	**6,700**
Payment of taxes	(2,137)	(1,332)
Interest paid	(332)	9
Cash flow generated from operating activities (A)	**6,198**	**5,377**
Investments in intangible assets	(211)	(360)
Investments in property, plant and equipment	(730)	(880)
Disinvestments from property, plant and equipment	32	246
Investments in non-current financial assets	(506)	(332)
Disinvestments from non-current financial assets	0	0
Dividends collected	365	339
Investments for the acquisition of The Bridge	0	(1,675)
Changes generated from investing activities (B)	**(1,050)**	**(2,662)**
Financing activities		
Change in short- and medium/long-term borrowings	3,801	4,760
- **new issues of long-term borrowings**	10,164	18,500
- **repayments and other net changes in borrowings**	(6,363)	(13,740)
Changes in financial instruments	(148)	0
Lease instalments paid	(600)	(606)
Other minor changes	(1)	0
Payment of dividends	(2,000)	(2,000)
Cash flow generated from/(absorbed by) financing activities (C)	**1,052**	**2,154**
Net increase (decrease) in cash and cash equivalents (A+B+C)	6,200	4,869

Cash and cash equivalents at the beginning of the period	**13,346**	**8,478**
Cash and cash equivalents at the end of the period	**19,546**	**13,346**

STATEMENT OF FINANCIAL POSITION PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

Statement of financial position

(in thousands of Euro)	**Notes**	**31 March 2018**	**Related parties**	**Related companies**	**31 March 2017**
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	(1)	1,597			1,836
Property, plant and equipment	(2)	8,702			9,343
Equity investments	(3)	9,730		9,730	8,800
Receivables from others	(4)	304			292
Receivables from subsidiaries	(5)	7,325		7,325	7,298
Deferred tax assets	(6)	1,001			791
TOTAL NON-CURRENT ASSETS		**28,658**		17,055	**28,361**
CURRENT ASSETS					
Inventories	(7)	12,501			11,419
Trade receivables	(8)	20,953			21,538
Receivables from subsidiaries	(9)	4,868		4,868	6,495
Other current assets	(10)	2,076			2,371
Derivative assets	(11)	0			0
Tax receivables	(12)	17			487
Cash and cash equivalents	(13)	19,546			13,346
TOTAL CURRENT ASSETS		**59,961**		**4,868**	**55,656**
TOTAL ASSETS		**88,619**		**21,924**	**84,017**

Statement of financial position

(in thousands of Euro)	Notes	31 March 2018	Related parties	Related companies	31 March 2017
LIABILITIES					
EQUITY					
Share Capital		1,000			1,000
Share premium reserve		1,000			1,000
Other reserves		1,128			1,235
Retained earnings		31,702			30,696
Profit for the period		5,278			3,006
TOTAL EQUITY	(14)	**40,107**		**0**	**36,936**
NON-CURRENT LIABILITIES					
Borrowings	(15)	11,128			13,676
Payables to other lenders for lease agreements	(16)	0			830
Other non-current liabilities	(17)	1,631			2,209
Provision for employee benefits	(18)	268			294
Provisions for risks and charges	(19)	1,267			815
TOTAL NON-CURRENT LIABILITIES		**14,294**		**0**	**17,824**
CURRENT LIABILITIES					
Borrowings	(20)	12,176			5,827
Payables to other lenders for lease agreements	(21)	830			600
Trade payables	(22)	13,362			14,788
Payables to subsidiaries	(23)	2,840		2,840	5,287
Derivative liabilities	(24)	159			11
Other current liabilities	(25)	2,611			1,513
Tax payables	(26)	2,239			1,230
TOTAL CURRENT LIABILITIES		**34,218**		**2,840**	**29,256**
TOTAL LIABILITIES		**48,512**		**2,840**	**47,081**
TOTAL EQUITY AND LIABILITIES		**88,619**		**2,840**	**84,017**

INCOME STATEMENT PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

Income Statement

(in thousands of Euro)	Notes	31 March 2018	Related parties	Related companies	31 March 2017
REVENUES					
Revenues from sales	(27)	70,505		4,462	67,240
Other income	(28)	1,033		125	760
TOTAL REVENUES (A)		**71,538**		**4,587**	**68,000**
OPERATING COSTS					
Change in inventories	(29)	(1,082)			2,375
Costs for purchases	(30)	22,110		7,639	18,895
Costs for services and leases and rentals	(31)	28,656	319	2,524	28,520
Personnel costs	(32)	11,811			11,095
Amortisation, depreciation and write-downs	(33)	2,389			2,275
Other operating costs	(34)	296			501
TOTAL OPERATING COSTS (B)		**64,180**	**319**	**10,163**	**63,660**
OPERATING PROFIT (A-B)		**7,358**	**0**	**0**	**4,340**
FINANCIAL INCOME AND CHARGES					
Shars of profits (losses) of investee Companies	(35)	220			0
Financial income	(36)	987		85	906
Financial charges	(37)	(1,319)		(2)	(897)
TOTAL FINANCIAL INCOME AND CHARGES		**(112)**		**83**	**9**
PRE-TAX RESULT		**7,247**	**0**	**0**	**4,349**
Income taxes	(38)	(1,969)			(1,343)
PROFIT FOR THE PERIOD		**5,278**	**0**	**0**	**3,006**

CASH FLOW STATEMENT PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(*in thousands of Euro*)	31 March 2018	Related parties	Related companies	31 March 2017
Pre-tax profit	**7,247**			**4,349**
Adjustments for:				
Depreciation of property, plant and equipment/Amortisation of intangible assets	1,790			1,835
Write-downs of property, plant and equipment and intangible assets	0			0
Other accruals	269			0
Revaluation of equity investments	600			0
Accrual to the provision for bad debts	(542)			440
Adjustment to the provision for employee benefits	0			0
Dividends collected	(365)			(339)
Net financial charges/(income), including exchange rate differences	332			(9)
Cash flows from operating activities before changes in working capital	**9,331**			**6,276**
Change in trade receivables (gross of the provision)	(14)			1,592
Change in receivables from subsidiaries	1,599		1,599	(7,580)
Change in inventories	(1,082)			2,375
Change in other current assets	284			(1,058)
Change in trade payables	(1,426)			2,917
Change in payables to subsidiaries	(2,447)		(2,447)	3,118
Change in provisions for risks and charges	(155)			(238)
Change in other current liabilities	1,098			85
Change in tax receivables/payables	1,479			(788)
Cash flows from operating activities after changes in working capital	**8,667**			**6,700**
Payment of taxes	(2,137)			(1,332)
Interest paid	(332)			9
Cash flow generated from operating activities (A)	**6,198**			**5,377**
Investments in intangible assets	(211)			(360)
Investments in property, plant and equipment	(730)			(880)
Disinvestments from property, plant and equipment	32			246
Investments in non-current financial assets	(506)			(332)
Disinvestments from non-current financial assets	0			0
Dividends collected	365			339
Investments for the acquisition of The Bridge	0			(1,675)
Changes generated from investing activities (B)	**(1,050)**			**(2,662)**
Financing activities				
Change in short- and medium/long-term borrowings	3,801			4,760
Changes in financial instruments	(148)			0
Lease instalments paid	(600)			(606)
Other minor changes	(1)			0
Payment of dividends	(2,000)	(1,363)		(2,000)
Cash flow generated from/(absorbed by) financing activities (C)	**1,052**			**2,154**
Net increase (decrease) in cash and cash equivalents (A+B+C)	6,200			4,869
Cash and cash equivalents at the beginning of the period	**13,346**			**8,478**
Cash and cash equivalents at the end of the period	**19,546**			**13,346**

General information

These separate financial statements of Piquadro S.p.A. (hereinafter also referred to as the "Company") relate to the financial year ended 31 March 2018 and have been prepared by applying the IFRS adopted by the European Union. Piquadro S.p.A. is a Joint-stock Company established in Italy and registered in the Register of Companies of Bologna, with registered and administrative office in Silla di Gaggio Montano (Bologna).
The separate financial statements are presented in Euro and all values reported therein are presented in Euro, unless otherwise specified.

For a better understanding of the economic performance of the Company, reference is made to the extensive information reported in the Report on Operations prepared by the Directors.

The data of these financial statements can be compared to the same of the previous financial year, except as reported below.

Some items for the previous year have been reclassified for the purposes of a better reporting of the financial statements. Below are the reclassifications made on the financial statements of Piquadro S.p.A.:

bb) "Receivables from subsidiaries" to "Non-current assets", amounting to Euro 7,325 thousand at 31 March 2018, relating to the long-term portion of the loan granted to subsidiary The Bridge S.p.A. at arm's length during the previous year. For the purposes of a more detailed reporting in the accounts, the long-term portion of the loan was also reclassified for the previous year, equal to Euro 7,298 thousand; the short-term portion was reclassified to "Current assets";

cc) "Receivables from subsidiaries" to "Current assets", amounting to Euro 13,793 thousand at 31 March 2017. As a result of the reclassification of the long-term portion of the loan granted to subsidiary The Bridge S.p.A., equal to Euro 7,298 thousand, "Receivables from subsidiaries" among "Current assets" amounted to Euro 6,495 thousand at 31 March 2017;

dd) "Other current assets" at 31 March 2017 included a balance of Euro 2,309 thousand; this item included the reclassification of receivables from employees of Euro 62 thousand from "Other current liabilities", which had been stated as a reduction in the balance of "Payables to employees". "Other current receivables" at 31 March 2017, including the abovementioned reclassification, amounted to Euro 2,371 thousand;

ee) "Other current liabilities" at 31 March 2017 included a balance of Euro 2,681 thousand; this item included the reclassification of receivables from employees of Euro 62 thousand among "Other current receivables", which had been stated as a reduction in the balance of "Payables to employees" in "Other current liabilities".
There also was the reclassification of IRPEF tax payables of Euro (1,230) thousand from "Other current liabilities" to "Tax payables".
"Other current liabilities" at 31 March 2017, including the abovementioned reclassifications, amounted to Euro 1,513 thousand;

ff) "Tax payables" at 31 March 2017 amounted to Euro 0 thousand; this item included the reclassification of IRPEF tax payables of Euro 1,230 thousand from "Other current liabilities". "Tax payables" at 31 March 2017, including the abovementioned reclassification, amounted to Euro 1,230 thousand.

This document was prepared by the Board of Directors on 11 June 2018 and will be submitted for approval by the Shareholders' Meeting called, on first call, for 19 July 2018.

The Company's business

Piquadro S.p.A. designs and markets leather goods - bags, suitcases and accessories - characterised by attention to design and functional and technical innovation.

The Company was established on 26 April 2005. The Share Capital has been subscribed through the contribution of the branch of business relating to operating activities on the part of the former Piquadro S.p.A (then renamed Piqubo S.p.A., the ultimate company controlling the Company), which became effective for legal, accounting and tax purposes on 2 May 2005.
Effective from 14 June 2007, the registered office of Piquadro S.p.A. was moved from Riola di Vergato (Bologna), via Canova no. 123/O-P-Q-R to Località Sassuriano 246, Silla di Gaggio Montano (Bologna).
As of today's date, the Company is owned by Marco Palmieri through Piqubo S.p.A., which is 100% owned. Piqubo S.p.A., in fact, holds 93.34% of the Share Capital of Piquadro Holding S.p.A., which in its turn holds 68.3% of the Share Capital of Piquadro S.p.A., the shares of which are listed on the Milan Stock Exchange since 25 October 2007.
The flexibility of the business model adopted by the Company allows it to maintain control over all of the critical phases of the production and distribution chain. Indeed, the Company carries out the design, planning, purchasing, quality, marketing, communication and distribution phases wholly within the confines of its organisation and only resorts to outsourcing for a part of the production activities, although it also retains control over the quality and efficiency of the phases that are currently outsourced. The Company is particularly focused on the activity of design, planning and development of the product, which is carried out by an internal team whose commitment is aimed at maintaining quality and style innovation which have always characterised the Company's products. In this regard, the design team, in light of the well-established experience of the persons who compose it, represents a fundamental resource for the Company.
The Company makes use of a delocalised production model at the Chinese plant which is leased to the subsidiary Uni Best Leather Goods Zhongshan Co. Ltd., located in the region of Guangdong, China and at third-party workshops located abroad (mainly in China), which are generally divided on the basis of the type of product. About 34.9% of production is carried out internally within the Piquadro Group, at the Chinese plant of Zhongshan - Guangdong, while the residual part is outsourced. This model, in the opinion of the Management, ensures flexibility and efficiency of the production cycle, thus reducing fixed costs, while retaining control over the critical phases of the value chain, also for the purpose of ensuring product quality.

Main events that occurred in the course of the financial year ended 31 March 2018 and related significant accounting effects

No events occurred during the financial year ended 31 March 2018, which had significant accounting effects.

Financial statements formats adopted and reporting currency

At the time of the preparation of the separate financial statements at 31 March 2017 and at 31 March 2018, the Management of Piquadro S.p.A. selected the following formats from among those specified under IAS 1 (revised), as it considered them to be more suitable to represent the Company's equity, economic and financial position:

- classification of the statement of financial position reporting current assets/liabilities and non-current assets/liabilities;
- classification of costs in the Income Statement by nature;
- classification in the Statement of Comprehensive Income presented in a separate document with respect to the Income Statement, as permitted by IAS 1 (revised);
- preparation of the Statement of Cash Flows according to the indirect method.

The format of the Statement of Comprehensive Income has been amended in order to reflect the breakdown into components that can be reclassified and components that cannot be reclassified through profit and loss, as required by the amendments to IAS 1 introduced by Regulation (EC) no. 475/2012 (as illustrated in the paragraph on "Accounting standards, amendments and interpretations").

For a better recognition and ease of reading, except as regards the statement of financial position and the Income Statement, the accounting data both in the Financial Statements Formats and in these Notes to the Financial Statements, are reported in thousands of Euro.
The reporting currency of these separate financial statements is the Euro.

The Management believe that no significant non-recurring events or transactions occurred either in the FY 2017/2018 or in the FY 2016/2017, nor any atypical or unusual transactions.

In compliance with Regulation (EU) no. 1606/2002, the separate financial statements of Piquadro S.p.A at 31 March 2018 were prepared in accordance with IAS/IFRS (International Accounting Standards and International Financial Reporting Standards, hereinafter also referred to as "IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, as supplemented by the related interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRS IC), which was previously named Standing Interpretations Committee (SIC), as well as by the related measures issued in the implementation of article 9 of Legislative Decree no. 38/2005.

Accounting policies

The accounting policies used in preparing the separate financial statements at 31 March 2018, which do not differ from those used in the previous financial year, are indicated below.

Intangible assets

Intangible assets purchased or internally produced are entered under assets when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset may be determined reliably. These assets are valued at their purchase or production cost.
Intangible assets relate to assets without an identifiable physical substance, which are controlled by the company and are able to generate future economic benefits, as well as any possible goodwill.

Intangible assets with a definite useful life are systematically amortised over their useful life, to be intended as the estimated period in which assets will be used by the company. Goodwill and any other intangible asset, where existing, with an indefinite useful life are not amortised, but are tested for impairment at least on an annual basis, for the purposes of verifying the existence of impairment losses (if any).
The rates applied are:

Development costs	25%
Patents	33.3%
Trademarks	10%
Key money (Rights to replace third parties in lease agreements for points of sale)	lease term
Concessions	33.3%

(i) Research and Development costs

Research costs are charged to the Income Statement in the financial year in which they are incurred. Development costs entered under intangible assets where all the following conditions are fulfilled:

a) the project is clearly identified and the related costs can be identified and measured reliably;
b) the technical feasibility of the project has been demonstrated;
c) the intention to complete the project and to sell the intangible assets generated by the project has been demonstrated;
d) a potential market exists or, in the case of internal use, the benefit of the intangible asset has been demonstrated for the production of the intangible assets generated by the project;
e) the technical and financial resources necessary for the completion of the project are available.

Amortisation of Development costs entered under intangible assets will start from the date when the result generated by the project is marketable. Amortisation is made on a straight-line basis over a period of 4 years, which represents the estimated useful life of capitalised expenses.

(ii) Industrial patent and intellectual property rights, Licences and similar Rights

Charges relating to the acquisition of industrial patent and intellectual property Rights, Licences and similar Rights are capitalised on the basis of the costs incurred for their purchase.

Amortisation is calculated on a straight-line basis so as to allocate the cost incurred for the acquisition of the right over the shorter of the period of the expected use and the term of the related contracts, starting from the time when the acquired right may be exercised; usually, this period has a duration of 5 years.

(iii) *Key money*

Amortisation of the key money (that is payments to third parties to obtain the rights to take over lease agreements for points of sale) is calculated on a straight-line basis according to the lease term of the points of sale.
The recoverability of the entry value of intangible assets, including goodwill, is verified by adopting the criteria indicated in point "Impairment losses of assets".

Property, plant and equipment

Property, plant and equipment are entered at their purchase price or production cost, including any directly-attributable additional charges required to make the assets available for use.
Costs incurred subsequent to the purchase are capitalised only if they increase the future economic benefits inherent in the asset to which they refer.
The assets whose sale is highly probable as at the reporting date of the financial statements are separated from property, plant and equipment and classified under current assets under item "Current assets available for sale" and measured at the lower of the book value and the related fair value, net of estimated selling costs. The sale of an asset classified under non-current assets is highly probable when the Management has defined, by a formal resolution, a plan for the disposal of the asset (or of the disposal group) and activities have been started to identify a purchaser and to complete the plan. Furthermore, the asset (or the disposal group) has been offered for sale at a reasonable price compared to its current fair value. Furthermore, the sale is expected to be completed within a year of the date of classification and the actions required to complete the sale plan show that it is improbable that the plan can be significantly amended or cancelled.

Property, plant and equipment under finance leases, through which all risks and rewards attached to ownership are substantially transferred to the Company, are entered under the relevant classes of property, plant and equipment and are depreciated by applying the same depreciation rates reported below which have been adopted for the related relevant class, provided the lease term is less than the useful life represented by such rates and there is no reasonable certainty of the transfer of the ownership of the leased asset at the natural expiry of the agreement; in this case, the depreciation period is represented by the term of the lease agreement. Assets are entered against the entry of short- and medium-term payables to the lessor financial entity; rentals paid are allocated between financial charges and reduction in borrowings.

Leases in which the lessor substantially retains the risks and rewards attached to ownership of the assets are classified as operating leases. Costs for rentals arising from operating leases are charged to the Income Statement on a straight-line basis on the basis of the contract term.

Property, plant and equipment are systematically depreciated on a straight-line basis over their useful life, to be intended as the estimated period in which the asset will be used by the company. The value to be depreciated is represented by the entry value as reduced by the presumed net transfer value at the end of its useful life, if it is significant and can be determined reasonably. Land is not subject to depreciation, even if purchased jointly with a building, as well as the tangible assets intended for transfer which are valued at the lower of the entry value and their fair value, net of disposal charges.
The rates applied are:

Land	Unlimited useful life
Buildings	3%
Leasehold improvements (shops)	17.5%*
Machinery and moulds	17.5%
General systems	17.5%
Industrial and business equipment	25%
Office electronic machines	20%
Fittings	12%
Motor vehicles and means of internal transport	20%

Cars	25%

* Or over the term of the lease agreement should the same be lower and there is not reasonable certainty of the renewal of the same at the natural expiry of the contract.

Should the asset being depreciated be made up of elements that can be clearly identified and whose useful life significantly differs from that of the other parts making up the asset, depreciation is made separately for each of the parties making up the asset (component approach).

Ordinary maintenance costs are fully charged to the Income Statement. Costs for improvements, refurbishment and transformation increasing the value of property, plant and equipment are charged as an increase in the relevant assets and depreciated separately.

Financial charges directly attributable to the construction or production of a tangible asset are capitalised as an increase in the asset under construction, up to the time when it is available for use.

The recoverability of the entry value of property, plant and equipment is verified by adopting the criteria indicated in point "Impairment losses of assets" below.

Business combinations

Business combinations are accounted for by applying the so-called purchase method (as defined by IFRS 3 (revised) "Business combinations"). The purchase method requires, after having identified the purchaser within the business combination and having determined the acquisition cost, all assets and liabilities acquired (including the so-called contingent liabilities) to be measured at fair value. Goodwill (if any) is determined only on a residual basis as the difference between the cost of the business combination and the relevant portion of the difference between acquired assets and liabilities measured at fair value. If negative, it is recognised as a positive component of the result for the period in which the business combination takes place. Transaction costs are directly charged to the Income Statement.

Business combinations of entities under common control

Business combinations of entities under common control are business combinations of entities which are ultimately controlled by the same persons both before and after the business combination and the control is not of a temporary nature. The presence of minority interests in each of the entities being combined before or after the combination transaction is not significant in order to determine whether the combination involves entities under common control.
Business combinations of entities under common control are accounted for so that the net assets of the acquired entity and of the acquiring entity are recognised at the book values they had in the respective accounts before the transaction (continuity of values), without recognising, in the consolidated financial statements, surplus values (if any) arising from these combinations and accounted for in the separate financial statements of the Company.

Equity investments

Equity investments in Subsidiaries are accounted for at cost, which is possibly reduced for lasting impairment losses as required by IAS 36. The original value is reinstated in the subsequent financial years if the reasons for the write-down no longer apply.
Equity investments in other companies are measured at fair value; if the fair value cannot be estimated reliably, the investment is valued at cost.
The recoverability of their entry value is verified by adopting the criteria indicated in point "Impairment losses of assets".

Receivables and other non-current and current assets

Receivables and the other non-current and current assets are classified under financial assets "Loans and receivables". These are non-derivative financial instruments which mainly relate to receivables from customers and which are not listed on an active market, from which fixed or determinable payments are expected. They are included in the current portion, except for those with a maturity exceeding twelve months compared to the reporting date, which are classified under the non-current portion. Initially these assets are recognised at fair value;

subsequently, they are valued at amortised cost on the basis of the actual interest rate method. Should an objective evidence exist of any impairment, the asset is reduced so as to be equal to the discounted value of the flows that may be obtained in the future. Impairment losses are recognised in the Income Statement. If the reasons for the previous write-downs no longer apply in the subsequent periods, the value of the assets is reinstated up to the amount of the value which would be derived from the application of amortised cost had no write-down been made.

Inventories

Inventories are valued and entered at the lower of the purchase or production cost, including additional charges, as determined according to the weighted average cost method, and the value of presumed realisable value inferable from the market performance.

Cash and cash equivalents

The item relating to cash and cash equivalents includes cash, current bank accounts, demand deposits and other short-term high-liquidity financial investments, which are readily convertible into cash, or which can be transformed into cash and cash equivalents within 90 days of the date of original acquisition, and are subject to a non-significant risk of changes in value.

Impairment losses of assets

When events occur that make an impairment of an asset expected, its recoverability is checked by comparing its entry value with the related recoverable value, represented by the higher of the fair value, net of disposal charges, and the value in use.
In the absence of a binding sale agreement, the fair value is estimated on the basis of the values expressed by an active market, by recent transactions or on the basis of the best information available in order to reflect the amount that the business could obtain by selling the asset.
The value in use is determined by discounting back the expected cash flows deriving from the use of the asset and, if they are significant and if they can be determined reasonably, from its transfer at the end of its useful life. Cash flows are determined on the basis of reasonable assumptions that can be proved and that represent a best estimate of the future economic conditions that will arise during the residual useful life of the asset, giving greater importance to external factors. Valuation is carried out for individual assets or for the smallest identifiable group of assets that generate independent cash inflows deriving from their on-going use (the so-called cash generating unit). An impairment is recognised in the Income Statement should the entry value of the asset or of the cash generating unit to which it is allocated be higher than the recoverable value.
If the reasons for the write-downs previously made no longer apply, the assets, excluding goodwill, are reinstated and the adjustment is charged as a revaluation (reinstatement of value) in the Income Statement. The revaluation is made at the lower of the recoverable value and the entry value, including the write-downs previously made and reduced by the amortisation rates which would have been allocated had no write down been made.

Equity

The Share Capital is made up of the outstanding ordinary shares and is entered at its nominal value. Any costs relating to the issue of shares or options are classified as a reduction in Equity (net of the tax benefit related thereto) as a deduction of the income arising from the issue of such instruments.

In case of purchase of treasury shares, the price paid, including directly-attributable additional charges (if any), is deducted from the Companies' Equity up to the time of cancellation, reissue or disposal of the shares. When the said treasury shares are resold or reissued, the price received, net of directly attributable additional charges (if any) and of the related tax effect, is accounted for as an increase in the Company's Equity.

Reserve for financial assets/liabilities at fair value

This reserve refers to the effect of accounting for derivative instruments which are eligible for hedge accounting under Equity.

Legal reserve

Entries are made in the legal reserve through provisions recognised pursuant to art. 2430 of the Italian Civil Code, or the reserve is increased to an extent equal to the 20th part of the net profits achieved by the Company until the reserve in question reaches a fifth of the Share Capital. Once a fifth of the Share Capital is reached, if for whatever reason the reserve is decreased, it shall be replenished with the minimum annual provisions as indicated above.

Hedging financial instruments

The Company carries out transactions in derivative financial instruments to hedge exposure to foreign exchange and interest rate risks. The Company does not hold financial instruments of a speculative nature, as required by the risk policy approved by the Board of Directors. Consistently with IAS 39, hedging financial instruments are accounted for according to the procedures laid down for hedge accounting if all the following conditions are fulfilled:

i. at inception of the hedge, there is formal documentation of the hedging relationship and the company's risk management objective and strategy for undertaking the hedge;
ii. the hedge is expected to be highly effective in offsetting changes in fair value (fair value hedge) or cash flows (cash flow hedge) that are attributable to the hedged risk;
iii. for cash flow hedges, any forecast transaction being hedged is highly probable and presents an exposure to the changes in cash flows which could finally affect the economic result for the period;
iv. hedge effectiveness is reliably measurable, i.e. the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured;
v. the hedge must be assessed on an on-going basis and be highly effective for the entire life of the derivative.

The criterion for measuring hedging instruments is represented by their fair value as at the designated date.
The fair value of foreign exchange derivatives is calculated in relation to their intrinsic value and time value.
On each closing date of the financial statements, hedging financial instruments are tested for effectiveness, in order to verify whether the hedge meets the requirements to be qualified as effective and to be accounted for according to hedge accounting.
When the financial instruments are eligible for hedge accounting, the following accounting treatments will be applied:

Fair value hedge - If a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a balance sheet asset or liability attributable to a specific risk that might impact the Income Statement, the profit or loss arising from the subsequent measurements at fair value of the hedging instrument are recognised in the Income Statement. The profit or loss on the hedged item, attributable to the hedged risk, modify the book value of this item and are recognised in the Income Statement.

Cash flow hedge - If a derivative financial instrument is designated as a hedge of the exposure to changes in future cash flows of an asset or liability entered in the accounts or of a forecast transaction which is highly probable and which could have effects on the Income Statement, changes in fair value of the hedging instrument are taken to the Statement of comprehensive income, while the ineffective portion (if any) is recognised in the Income Statement.
If a hedging instrument or a hedging relationship are terminated, but the transaction being hedged has not yet been effected, the combined profits and losses, which have been entered under the Statement of Comprehensive Income up to that time, are recognised in the Income Statement at the time when the related transaction is carried out.
If the transaction being hedged is no longer deemed probable, the profits or losses not yet realised and deferred to Equity are immediately recognised in the Income Statement.
If the hedge accounting cannot be applied, the profits or losses arising from the measurement at fair value of the derivative financial instrument are immediately entered in the Income Statement.

Financial liabilities

Financial liabilities are related to loans, trade payables and other obligations to pay and are initially recognised at fair value, while they are subsequently valued at amortised cost, using the actual interest rate method. Should a change occur in the expected cash flows and should it be possible to estimate them reliably, the value of the loans is recalculated to reflect this change on the basis of the present value of the new expected cash flows and of the internal rate of return determined initially. Financial liabilities are classified under current liabilities, unless the Company has an unconditional right to delay their payment for at least 12 months after the reporting date.

Financial liabilities are derecognised from the accounts at the time of their discharge or when the Company has transferred all the risks and charges relating to the instruments themselves. As the Company's financial liabilities have been incurred at variable interest rates, their fair value is substantially in line with the balance sheet value.

Financial instruments and IFRS 7

The category of financial instruments

As required by IFRS 7**,** below is reported the breakdown of the financial instruments by category relating to the financial years ended 31 March 2018 and 31 March 2017, as well as their measurement at fair value*e*.

(in thousands of Euro)	**31/03/2018**	**FVTPL**	**LAR**	**AFS**	**FLAC**	**IAS 17 Leases**	**Measurement at fair value**
Trade receivables	20,953	0	20,953	0	0	0	20,953
Receivables from subsidiaries	12,193	0	12,193	0	0	0	12,193
Assets for financial instruments	0	0	0	0	0	0	0
Cash and cash equivalents	19,546	0	19,546	0	0	0	19,546
Assets	**52,692**	**0**	**52,692**	**0**	**0**	**0**	**52,692**
Non-current borrowings	11,128	0	0	0	11,128	0	11,128
Payables to other lenders for non-current lease agreements	0	0	0	0	0	0	0
Current borrowings	12,176	0	0	0	12,176	0	12,176
Payables to other lenders for current lease agreements	830	0	0	0	0	830	830
Trade payables	13,362	0	13,362	0	0	0	13,362
Payables to subsidiaries	2,840	0	2,840	0	0	0	2,840
Liabilities for financial instruments	159	0	159	0	0	0	159
Other non-current liabilities	1,631	1,631		0	0	0	1,631
Liabilities	**42,127**	**1,631**	**16,361**	**0**	**23,304**	**830**	**42,127**

(in thousands of Euro)	**31/03/2017**	**FVTPL**	**LAR**	**AFS**	**FLAC**	**IAS 17 Leases**	**Measurement at fair value**
Trade receivables	21,538	0	21,538	0	0	0	21,538
Receivables from subsidiaries	13,793	0	13,793	0	0	0	13,793
Assets for financial instruments	0	0	0	0	0	0	0

Cash and cash equivalents	13,346	0	13,346	0	0	0	13,346
Assets	**48,677**	**0**	**48,677**	**0**	**0**	**0**	**48,677**
Non-current borrowings	13,676	0	0	0	13,676	0	13,676
Payables to other lenders for non-current lease agreements	830	0	0	0	0	830	0
Current borrowings	5,287	0	0	0	5,287	0	5,287
Payables to other lenders for current lease agreements	600	0	0	0	0	600	0
Trade payables	14,788	0	14,788	0	0	0	14,788
Payables to subsidiaries	5,287	0	5,287	0	0	0	5,287
Liabilities for financial instruments	11	0	11	0	0	0	11
Other non-current liabilities	2,209	2,209	0	0	0	0	2,209
Liabilities	**42,689**	**2,209**	**20,086**	**0**	**18,963**	**1,431**	**41,258**

Key

FVTPL: Fair Value Through Profit and Loss
LAR: Loans And Receivables
AFS: Available For Sale
FLAC: Financial Liabilities at Amortised Cost

RISK FACTORS

The Company is exposed to risks associated with its own business, which are specifically referable to the following cases:

- Credit risk arising from business transactions or financing activities;
- Liquidity risk relating to the availability of financial resources and to the access to the credit market;
- Market risk which is identified in detail as follows:
  - Foreign exchange risk, relating to operations in currencies other than currencies of denomination;
  - Interest rate risks, relating to the Company's exposure on financial instruments which bear interest.

Credit risk

The operational management of this risk is delegated to the Credit Management function which is shared by the Administration, Finance and Control Department with the Sales Department and is carried out as follows:

- assessing the credit standing of the customers;
- monitoring the related expected incoming flows;
- the appropriate payment reminder actions;
- debt collection actions, if any.

The write-down necessary to bring the nominal value in line with the expected collectable value has been determined by analysing all of the expired loans in the accounts and using all the available information on individual debtors.

Loans which are the object of disputes and for which there is a legal or insolvency procedure have been fully written down, while fixed write-down percentages have been applied to all the other receivables, again taking account of both legal and actual situations. Below is reported the summary statement of the changes in the Provision for bad debts.

(in thousands of Euro)	**Provision at 31 March 2017**	**Use**	**Accrual**	**Provision at 31 March 2018**
Provision for bad debts	1,237	(196)	600	1,641
Total Provision	**1,237**	**(196)**	**600**	**1,641**

Position of the loans

As required by IFRS 7, below is reported a breakdown of expired loans:

in thousands of Euro		**Loans falling due**	**Expired loans**			**Provision for bad debts**
31/03/2018	**Amount in the accounts**		**1- 60 days**	**61 - 120 days**	**31/03/2017**	
Dos	0	0	0	0	0	0
Wholesale	20,953	7,527	9,000	1,071	4,995	(1,641)
Subsidiaries	12,193	950	543	570	1,408	0
Total	**33,146**	**8,477**	**9,543**	**1,641**	**6,403**	**(1,641)**

in thousands of Euro		**Loans falling due**	**Expired loans**			**Provision for bad debts**
31/03/2017	**Amount in the accounts**		**1- 60 days**	**61 - 120 days**	**31/03/2017**	
Dos	0	0	0	0	0	0
Wholesale	21538	14,371	1,279	1,073	6,052	(1,237)
Subsidiaries	13,793	9,113	950	47	3,683	0
Total	**35,331**	**23,484**	**2,229**	**1,120**	**9,735**	**(1,237)**

Liquidity risk

The financial requirements are affected by the dynamics of receipts from customers in the Wholesale channel, a segment which is mainly made up of points of sale/shops; as a consequence, credits are highly fragmented, with variable average payment times.
Nevertheless, the Company is able to finance the growing requirements of net working Capital with ease, through the cash flows generated by operations, including the short-term receipts generated by the DOS channel and, when necessary, through recourse to short-term loans.

Furthermore, policies and processes have been adopted which are aimed at optimising the management of financial resources, thus reducing liquidity risks:

i. maintaining an adequate level of available funds;
ii. obtaining adequate credit lines;

iii. monitoring the perspective liquidity conditions, in relation to the corporate process.

Liquidity schemes

Type of instruments	Amount in the accounts	Within 1 year	From 1 to 5 years	Beyond 5 years	Total
31/03/2018					
Payables to banks for Loans	23,304	12,176	11,128	0	23,304
Payables to banks for credit lines	0	0	0	0	0
Trade payables	13,362	13,362	0	0	13,362
Trade payables to Subsidiaries	2,840	0	0	0	0
Other borrowings (leasing)	830	830	0	0	830
Derivative liabilities for IRS contract	0	0	0	0	0
Derivative liabilities for USD forward contracts	159	159	0	0	159
Total	**40,495**	**26,528**	**11.,28**	**0**	**37,657**

Type of instruments	Amount in the accounts	Within 1 year	From 1 to 5 years	Beyond 5 years	Total
31/03/2017					
Payables to banks for Loans	18,963	5,827	13,676	0	18,963
Payables to banks for credit lines	0	0	0	0	0
Trade payables	14,788	14,788	0	0	14,788
Trade payables to Subsidiaries	0	0	0	0	0
Other borrowings (leasing)	1,431	600	831	0	1,431
Derivative liabilities for IRS contract	0	0	0	0	0
Derivative liabilities for USD forward contracts	0	0	0	0	0
Total	**35,182**	**20,675**	**14,507**	**0**	**35,182**

Below are reported the main assumptions for the table above:

(i) Loans payable: the future cash flows have been provided directly by the banks concerned;
(ii) Current bank accounts: by virtue of the worst case in which the worst scenario is equal to the repayment on demand of the use of the credit line, the related cash out has been charged to the first time band;
(iii) Foreign exchange forwards: the cash out in Euro has been reported which has been envisaged as per contract at the time of the subscription of the derivative instruments;
(iv) Finance leases: instalments, plus interest, have been reported.

As at 31 March 2018, the Group could rely on credit lines of about Euro 46,970 thousand (about Euro 40,855 thousand at 31 March 2017), of which unused lines of about Euro 23,497 thousand (about Euro 21,192 thousand at 31 March 2017) and on cash and cash equivalents of about Euro 23,552 thousand (Euro 15,288 thousand at 31 March 2017). As regards the balance of Current Assets, and specifically the coverage of payables to suppliers, it is also ensured by the amount of Net trade receivables, which amounted to Euro 27,618 thousand at 31 March 2018 (Euro 27,747 thousand at 31 March 2017).

MARKET RISK

Foreign exchange risk

The Company is subject to market risks arising from fluctuations in the exchange rates of the currencies, as it operates in an international context in which transactions, mainly those with suppliers, are settled in US Dollars (USD). It follows that the Company's net result is partially affected by the fluctuations in the Euro and US Dollars exchange rate.
The necessity to manage and control financial risks has induced the Management to adopt a risk containment strategy, better defined as "hedge accounting policy". This consists in continuously hedging the risks relating to purchases over a time period of six months on the basis of the amount of the orders issued that shall be settled in US dollars. This conduct can be classified as a "cash flow hedge" or the hedge of the risk of changes in the future cash flows; these flows can be related to assets or liabilities entered in the accounts or to highly probable future transactions. In compliance with IAS 39, the portions of profit or loss accrued on the hedging instrument, which is considered effective for hedging purposes, has been recognised directly in Equity under a special reserve.

During the financial year ended 31 March 2018, the Parent Company executed forward currency contracts for USD 19,000 thousand, equal to an aggregate counter-value of Euro 16,233 thousand, with an average exchange rate of USD 1.170.
During the financial year ended 31 March 2017, the Parent Company executed forward currency contracts for USD 11,750 thousand, equal to an aggregate counter-value of Euro 10,426 thousand, with an average exchange rate of USD 1.127.

For an analysis of the effects of these risks, reference is made to the table reported below (sensitivity analysis):

			Foreign exchange risk (FER)			
			+ 10% Euro/USD		- 10% Euro/USD	
	Book value	Of which subject to FER	Profits (Losses)		Book value	Of which subject to FER
Financial assets						
Cash and cash equivalents	19,546	128	(12)	0	14	0
Trade receivables	20,953	32	(3)	0	4	0
Receivables from subsidiaries	12,193	1,785	(172)	0	210	0
Derivative financial instruments	0					
			(186)	0	228	0
Financial liabilities:						
Borrowings	23,304		0	0	0	0
Payables to other lenders for lease	830		0	0	0	0
Trade payables	13,362	1,806	(164)	0	201	0
Payables to subsidiaries	2,840	935	(88)	0	107	0
Derivative financial instruments	159		0	0	0	0
			(252)	0	308	0
Total increases (decreases) at 31/03/2018			**439**	**0**	**536**	**0**

	Foreign exchange risk (FER)	
	+ 10% Euro/USD	- 10% Euro/USD

	Book value	Of which subject to FER	Profits (Losses)		Book value	Of which subject to FER
Financial assets						
Cash and cash equivalents	13,346	197	(18)	0	22	0
Trade receivables	21,538	33	(33)	0	4	0
Receivables from subsidiaries	13,793	0	0	0	0	0
Derivative financial instruments	0	0	0	0	0	0
			(51)	0	26	0
Financial liabilities:						
Borrowings	19,503	0	0	0	0	0
Payables to other lenders for lease	1,431	0	0	0	0	0
Trade payables	14,788	2,959	(269)	0	329	0
Payables to subsidiaries	5,287	0	0	0	0	0
Derivative financial instruments	11	0	0	0	0	0
			(269)	0	329	0
Total increases (decreases) at 31/03/2017			**(290)**	**0**	**354**	**0**

The variability parameters applied were identified in the context of changes that are reasonably possible on exchange rates with all other variables being equal.

Interest rate risk

			Interest rate risk (IRR)			
			+ 50 bps on IRR		**- 50 bps on IRR**	
	Book value	**Of which subject to IRR**	**Profits (Losses)**	**Other changes in Equity**	**Profits (Losses)**	**Other changes in Equity**
Financial assets:						
Cash and cash equivalents	19,546	19,546	98	0	(98)	0
Trade receivables	20,953	0	0	0	0	0
Receivables from subsidiaries	19,546	0	0	0	0	0
Derivative financial instruments	0	0	0	0	0	0
			98		(98)	
Financial liabilities:						
Payables to banks for Loans	23,304	23,304	(117)		117	
Payables to banks for credit lines	0	0	0	0	0	0
Trade payables	13,362	0	0	0	0	0
Payables to subsidiaries	2,840	0	0	0	0	0
Other borrowings (leasing)	830	830	(4)	0	4	0
Derivative financial instruments	159	0	0	0	0	0
			(121)	0	121	0

Total increases (decreases) at 31/03/ 2018	**(23)**	**0**	**23**	**0**

			Interest rate risk (IRR)			
			+ 50 bps on IRR		- 50 bps on IRR	
	Book value	Of which subject to IRR	Profits (Losses)	Other changes in Equity	Profits (Losses)	Other changes in Equity
Financial assets:						
Cash and cash equivalents	13,346	13,346	67	0	(67)	0
Trade receivables	21,538	0	0	0	0	0
Receivables from subsidiaries	13,793	0	0	0	0	0
Derivative financial instruments	0	0	0	0	0	0
			67	0	(67)	0
Financial liabilities:						
Payables to banks for Loans	18,963	18,963	(95)	0	95	0
Payables to banks for credit lines	0	0	0	0	0	0
Trade payables	14,788	0	0	0	0	0
Payables to subsidiaries	5,287	0	0	0	0	0
Other borrowings (leasing)	1,431	1,431	(7)	0	7	0
Derivative financial instruments	11	0	0	0	0	0
			(102)	0	102	0
Total increases (decreases) at 31/03/ 2017			**(35)**	**0**	**35**	**0**

The variability parameters applied were identified in the context of changes that are reasonably possible on exchange rates with all other variables being equal.

Capital risk Management

The Company manages the Capital with the objective of supporting the core business and optimising the value for Shareholders, while maintaining a correct structure of the Capital and reducing its cost.
Piquadro S.p.A. monitors the Capital on the basis of the gearing ratio, which is calculated as the ratio between net debt and Net Invested Capital.

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Net financial debt	7,128	9,497
Equity	40,107	36,937
Net invested capital	47,234	46,434
Gearing ratio	**15.1%**	**20.5%**

Employee benefits

Law no. 296 of 27 December 2006, the 2007 Finance Law, introduced considerable amendments as regards the allocation of funds of the Provision for TFR. Until 31 December 2006, TFR was included within the scope of post-employment benefit plans, of the "defined benefit" type of plans and was measured according to IAS 19, using the Projected Unit Credit method made by independent actuaries. This calculation consists in estimating the amount of the benefit that an employee will receive on the alleged date of termination of the employment relationship using demographic and financial assumptions. The amount that is thus calculated is then discounted back and re-proportioned on the basis of the length of service built up against the total length of service and is a reasonable estimate of the benefits that each employee has already accrued with respect to the work performed. Actuarial gains and losses arising from changes in the actuarial assumptions used are recognised in the Income Statement.
As a result of the reform of supplementary pension schemes, the Provision for TFR, as regards the portion accrued from 1 January 2007, is to be considered as being substantially assimilated to a "defined contribution plan". In particular, these amendments introduced the possibility for workers to choose where to allocate the TFR that is accruing. In companies with more than 50 employees, the new TFR flows may be allocated by the worker to selected pension schemes or kept in the company and transferred to INPS (*Istituto Nazionale di Previdenza Sociale*, National Social Security Institute).

In short, following the reform on supplementary pension schemes, the Company has carried out an actuarial measurement of the TFR accrued before 2007, without further including the component relating to future pay increases. On the contrary, the portion accrued after 2007 has been accounted for according to the procedures attributable to defined contribution plans.

June 2012 saw the issue of Regulation (EC) no. 475/2012, which adopted, at EU level, the revised version of IAS 19 (Employee benefits), which will be applicable effective from 1 April 2013 on a mandatory and retrospective basis, as required by IAS 8 (Accounting policies, changes in accounting estimates and errors).
As required by this standard, the Company applied said changes starting from the 2012/2013 consolidated financial statements. Specifically, IAS 19 revised provides for the recognition of changes in actuarial gains/losses ("re-measurements") for defined-benefit plans (e.g. the Staff Severance Pay [*Trattamento di Fine Rapporto* – TFR]) under Other Comprehensive Income, thus eliminating any other options previously envisaged (including that adopted by the Piquadro Group, which recognised said components under personnel costs in the Income Statement). Any cost relating to work performance, as well as any interest expense relating to the time value component in actuarial calculations (reclassified under financial charges) remained in the Income Statement.
Below are the effects of the retrospective application of said changes in previous financial statements:

- the reclassification for Euro 32 thousand from the reserve of "Retained earnings" to the reserve for "Employee benefits" (classified under Other reserves), against actuarial effects recognised before 31 March 2013;
- the reclassification of actuarial effects relating to the FY 2012/2013, equal to Euro 6 thousand (including the related tax effect) from the profit for the period to the Statement of Comprehensive Income.

Provisions for risks and charges

Provisions for risk and charges cover certain or probable costs and charges of a fixed nature, whose timing or amount was uncertain at the closing date of the financial year. Provisions are recognised when: (i) it is probable that a current obligation (legal or constructive) exists as a result of past events; (ii) it is probable that the fulfilment of the obligation will require the payment of a consideration; (iii) the amount of the obligation can be estimated reliably. Provisions are entered at the value representing the best estimate of the amount that the Company would rationally pay to discharge the obligation or to transfer it to third parties at the closing date of the period. When the financial effect of time is significant and the payment dates of the obligations can be estimated reliably, the provision is discounted back; the increase in the Provision connected with the passage of time is charged to the Income Statement under item "Financial income (Charges)". The Provision for supplementary clientele indemnity, as well as any other Provisions for risks and charges, is allocated on the basis of a reasonable estimate of the future probable liability, taking account of the available elements and also taking account of the estimates made by independent third-party actuaries.

Income taxes

Taxes for the period represent the sum of current and deferred taxes.

Current taxes are determined on the basis of a realistic forecast of charges to be paid in the application of the tax regulations in force; the related debt is reported net of advances, taxes withheld and tax credits that can be offset, under item “Current tax payables”. If there is a credit, the amount is reported under item “Current tax receivables “ under current assets.

Deferred tax assets and liabilities are calculated on the temporary differences between the values of assets and liabilities entered in the accounts and the corresponding values recognised for tax purposes. Deferred tax assets are entered when it is probable that they will be recovered. Deferred tax assets and liabilities are classified under non-current assets and liabilities and are offset if they refer to taxes that can be offset. The balance of the set-off is entered under item “Deferred tax assets” if positive and under item “Deferred tax liabilities” if negative”.
Both current and deferred taxes are recognised under item “Income tax expenses” in the Income Statement, except when these taxes are originated from transactions whose effects are recognised directly in Equity. In this case, the contra-entry of the recognition of the debt for current taxes, of deferred tax assets and liabilities is charged as a reduction in the Equity item from which the effect being recorded originated.
Deferred tax assets and liabilities are calculated on the basis of the tax rates which are expected to be applied in the tax year when these assets will be realised or these liabilities will be discharged.
Furthermore, for a better representation of the provisions laid down under “IAS 12 – Income Taxes” in relation to the offsetting of deferred taxation, the Group has deemed it appropriate to reclassify portions of deferred tax assets and liabilities where there is a legal right to setoff current tax assets and the corresponding current tax liabilities.

Currency translation

Receivables and payables initially expressed in a currency other than the functional currency of the Company which recognises the receivable/payable (foreign currency) are translated into the functional currency of the said Company at the exchange rates prevailing at the dates on which the related transactions take place. The exchange rate differences realised on the occasion of the collection of receivables and the payment of debts in foreign currency are entered in the Income Statement. As at the reporting date of the financial statements, receivables and payables in foreign currency are translated at the exchange rates prevailing at that date, charging any changes in the value of the receivable/payable to the Income Statement (estimated foreign exchange gains and losses).

Revenue recognition

Revenues are recognised at the time of the transfer of all the risks and charges arising from the ownership of the transferred assets.
Revenues and income are recognised net of returns, discounts, allowances and premiums, as well as of the taxes connected to the sale or performance of services.
With reference to the main types of revenues achieved by the Company, they are recognised on the basis of the following criteria and as required by IAS 18:
Sales of goods - retail segment. The Company operates in the retail business through its own network of DOSs. Revenues are accounted for at the time of the delivery of the goods to the customers, when all the risks are substantially transferred. Sales are usually collected directly or through credit cards.
Sales of goods - Wholesale segment. The Company distributes products in the Wholesale market. The related revenues are accounted for at the time of the shipment of the goods, when all the risks are substantially transferred.
Performance of services. These revenues are accounted for proportionally to the state of completion of the service rendered as at the relevant date.
Sales based on repurchase commitments. Revenues and receivables from the buyer are recognised at the time of the delivery of the goods, while reversing the value of the sold goods from the assets. As at the reporting date, revenues and receivables are reversed on the basis of the sales made by the buyer in relation to the sold goods. The difference between the book value (which corresponds to the production cost) and the estimated resale value is recognised under the item “Inventories”.

Financial income and revenues from services are recognised on an accruals basis.

Cost recognition

Costs are recognised when they relate to goods and services purchased and/or received during the period or relate to the systematic apportionment of an expense from which future benefits derive that can be apportioned over time.

Financial charges and charges from services are recognised on an accruals basis.

Use of estimates

The process of drawing up the financial statements involves the Management making accounting estimates based on complex and/or subjective judgements; these estimates are based on past experiences and assumptions that are considered reasonable and realistic on the basis of information known at the moment of making the estimate. The use of these accounting estimates affects the value of assets and liabilities and the disclosure on potential assets and liabilities as at the reporting date, as well as the amount of revenues and costs in the relevant period. The final results, or the actual economic effect that is recognised when the event takes place, of the financial statement items for which the abovementioned estimates and assumptions were used, may differ from those reported in the financial statements that recognise the effects arising from the event that is subject to estimation, due to the uncertainty that is characteristic of assumptions and the conditions on which the estimates are based.

Main estimates adopted by the Management

Below are briefly described the Accounting Standards which, more than others, require greater subjectivity on the part of the Directors in working out the estimates and for which a change in the conditions underlying the assumptions applied could have a significant impact on the consolidated financial data:

Impairment of assets: property, plant and equipment and intangible assets with a definite life are subject to verification in order to ascertain if an impairment has occurred. This impairment shall be recognised by means of a write-down when indicators exist that could lead to an expectation of difficulties in recovering the relative net book value through usage of the asset. Verifying that the abovementioned indicators exist requires Directors to exercise subjective valuations based on information available and inferable from the market, as well as using past experience. Moreover, should the likelihood of a potential impairment be ascertained, the Company will set about calculating this using the evaluation techniques that it considers appropriate. Correctly identifying the items that indicate the existence of a potential impairment and the estimates used for calculating the same depend on factors which can vary over time and affect the valuations and estimates carried out by the Directors.

Amortisation and depreciation of fixed assets: the amortisation and depreciation of fixed assets constitute a significant cost for the Company. The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the related assets. The useful economic life of the Company's fixed assets is determined by the Directors at the time when the fixed asset has been purchased; it is based on past experience for similar fixed assets, market conditions and expectations regarding future events which could have an impact on the useful life, including changes in technology. Therefore, the actual economic life may differ from the estimated useful life. The Company periodically evaluates technological and sector changes in order to update the residual useful life. This periodical update could involve a variation in the depreciation period and therefore also in the depreciation rates for future financial years.

Deferred taxes: deferred tax assets are accounted for on the basis of the income expected in the future financial years. The measurement of the expected income for the purposes of accounting for deferred taxes depends on factors which can vary over time and determine significant effects on the measurement of deferred tax assets.

Provisions for legal and tax risks: provisions are made for legal and tax risks, if required, which represent the risk of being the losing party. The amount of the Provisions (if any) entered in the accounts statements relating to such risks represents the best estimate at that time made by Management. This estimate entails the adoption of assumptions which depend on factors which can vary over time and which could therefore have effects compared to the current estimated made by the Directors for the preparation of the financial statements.

Below are reported the critical accounting estimates of the process of drawing up the financial statements for which the Management has availed itself of the support and valuations of independent third-party experts (actuaries and financial advisors). Please note that future amendments (if any) to the conditions underlying the judgments, assumptions and estimates adopted could have an impact on the results of financial years after 2016/2017.

Actuarial calculation of defined-benefit pension plans: the estimates, demographic and economic-financial assumptions adopted, with the support of the valuations of an actuarial expert, in the actuarial calculation for the determination of defined-benefit plans within post-employment benefits are broken down as follows:

Annual rate of inflation	Probability of exit of the employee from the Company	Probability of advance payments of the TFR
1.75% for 2018 and 1.75% for 2017	Frequency of 0.15% for 2018 and 0.15% for 2017	3.50% for 2018 and 3.50% for 2017

Finally, it is specified that the actuarial valuations have been made by using the curve of the interest rates of the corporate securities with rating AA 10+.

Amendments to Accounting Standards

Accounting Standards, amendments and interpretations

The following accounting standards, amendments and IFRS interpretations were applied by the Group for the first time as from 1 January 2017:

gg) Amendment to IAS 7 "Disclosure Initiative" (published on 29 January 2016). The document's purpose is to provide some clarifications in order to improve disclosures on financial liabilities. Specifically, the amendments require information that allows the users of the financial statements to understand the changes in liabilities arising from financing transactions. The Group has provided this disclosure in paragraph 15.

hh) Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses" (published on 19 January 2016). The document's purpose is to provide some clarifications on the recognition of deferred tax assets on unrealised losses in the measurement of "Available for Sale" financial assets upon the occurrence of certain circumstances and based on estimated taxable income for future financial years. The adoption of these amendments has not entailed any impact on the Group's consolidated financial statements.

Accounting standards, amendments and interpretations endorsed by the European Union but not yet applicable and not adopted in advance by the Piquadro Group at 31 March 2018.

IFRS 15 – *Revenue from Contracts with Customers* (published on 28 May 2014 and supplemented by additional clarifications published on 12 April 2016), which is intended to replace IAS 18 – *Revenue* and IAS 11 – *Construction Contracts*, as well as the interpretations IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfers of Assets from Customers* and SIC 31 – *Revenues-Barter Transactions Involving Advertising Services*. The standard establishes a new method to account for revenues, which shall apply to any and all contracts entered into with customers, except for those that fall within the scope of application of other IAS/IFRS, such as leases, insurance contracts and financial instruments. According to the new model, the basic steps to account for revenues are: -identify the contract with a customer; -identify the performance obligations in the contract; -determine the transaction price; -allocate the transaction price to the performance obligations in the contract; -recognise revenue when (or as) the entity satisfies a performance obligation. The standard shall apply from 1 January 2018. The amendments to IFRS 15, Clarifications to IFRS 15 – Revenue from Contracts with Customers were endorsed by the European Union on 6 November 2017. On the basis of the analyses conducted, the directors expect that the application of IFRS 15 will have no significant impact on the amounts stated on account of revenues and on the related disclosure reported in the Group's consolidated financial statements.

Final version of IFRS 9 – *Financial Instruments* (published on 24 July 2014). The document describes the results of the project to replace IAS 39: - i introducing new criteria for the classification and measurement of financial assets and liabilities (together with the measurement of changes in financial liabilities which are not substantial); - with reference to impairment, the new standard requires credit losses to be estimated on the basis of the expected-loss

model (rather than the incurred-loss model used by IAS 39), using supportable information, which is reasonably available without undue cost and which includes historical data, both present and prospective; -introducing a new hedge accounting model (increased eligibility for hedge accounting, change in the method to account for forward contracts and options when they are embedded in a hedge accounting relationship, changes in the effectiveness test). The new standard shall apply to the financial statements for the years beginning on or after 1 January 2018. On the basis of the analyses conducted, the directors expect that the application of IFRS 9 will have no significant impact on the amounts and on the related disclosure reported in the Group's consolidated financial statements.
IFRS 16 – Leases (published on 13 January 2016), intended to replace IAS 17 – Leases, as well as the interpretations IFRIC 4 Determining whether an Arrangement contains a Lease.

SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard provides a new definition of lease and sets out a control model (right of use) of an asset, distinguishing leases from service contracts, on the basis of whether the following key requirements are met, i.e. an identified asset, the right to substitute an identified asset, the right to obtain substantially all economic benefits from the use of the asset and the right to direct the use of the asset underlying the contract. The standard provides for a single model to account for and measure lease agreements for lessees, which provides for the recognition of the leased asset, including under operating leases, among assets against an entry under borrowings, while also providing for the possibility of not recognising agreements involving "low-value assets" and agreements with a term equal to or less than 12 months as leases. On the contrary, the Standard does not include significant amendments for lessors. The standard will be applicable from 1 January 2019, with early adoption permitted, only for the Companies that have already applied IFRS 15 - Revenue from Contracts with Customers. The Directors expect that the application of IFRS 16 might have a significant impact on the amounts and on the related disclosure reported in the Group's consolidated financial statements; however, it is not possible to provide estimated effects until the Company has completed a detailed analysis. The impact will mainly concern the accounting for property lease payments.

Document named "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (published on 12 September 2016). As regards the entities the core business of which consists of insurance, the amendments are aimed at clarifying the concerns about the application of the new standard IFRS 9 (from 1 January 2018) to financial assets, before the IASB replaces the current standard IFRS 4 with the new standard that is currently being prepared, on the basis of which financial liabilities are measured. The directors expect that the adoption of these amendments will not entail any significant impact on the Group's consolidated financial statements.

Accounting standards, amendments and interpretations not yet endorsed by the European Union

As at the reporting date of these Financial Statements, the competent bodies of the European Union had not yet completed the endorsement process required for the adoption of the amendments and standards described below.

• On 18 May 2017 the IASB published IFRS 17 – Insurance Contracts, which is intended to replace IFRS 4 – Insurance Contracts. The purpose of the new standard is to ensure that an entity provides relevant information that gives a true view of the rights and obligations arising from insurance contracts. The IASB has developed the standard in order to eliminate inconsistencies and weaknesses of existing accounting policies, providing a single principle-based framework to take account of any type of insurance contract, including reinsurance contracts held by an insurer. The standard will be applicable from 1 January 2021, with early adoption permitted, only for entities that apply IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. The directors expect that the adoption of this standard will not entail any significant impact on the Group's consolidated financial statements.

• Amendment to IFRS 2 "*Classification and Measurement of Share-based Payment Transactions*" (published on 20 June 2016), which contains some clarifications relating to the accounting treatment of the effects of vesting conditions in the case of cash-settled share-based payments, the classification of share-based payments with characteristics of net settlement and the accounting treatment of amendments to the terms and conditions of a share-based payment that change its classification from cash-settled to equity-settled. The amendments shall apply from 1 January 2018. The directors expect that the adoption of these amendments will not entail any significant effect on the Group's consolidated financial statements.

• Annual Improvements to IFRSs: 2014-2016 Cycle", published on 8 December 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures – Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the Standard), which partially make additions to the pre-existing standards. The most amendments shall apply from 1 January 2018. The directors expect that the adoption of these amendments will not entail any significant effect on the Group's consolidated financial statements.

• IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (published on 8 December 2016). The purpose of the interpretation is to provide guidelines for transactions effected in foreign currency where non-cash prepayments or advances are stated in the accounts before the recognition of the related asset, cost or revenue. This document provides instructions on how an entity must set the date of a transaction, and, accordingly, the spot exchange rate to be used when foreign currency transactions take place, within which payments are made or received in advance. IFRIC 22 will be applicable from 1 January 2018. The directors expect that the adoption of these amendments will not entail any significant effect on the Group's consolidated financial statements.

• Amendment to IAS 40 "*Transfers of Investment Property*" (published on 8 December 2016). These amendments clarify the transfers of a property to, or from, investment property. Specifically, an entity must reclassify a property to, or from, investment property only when there is evidence that a change occurred in the intended use of the property. This change must be attributed to a specific event that has occurred and, therefore, it must not be limited to a change in the intentions of the entity's Management. These amendments will be applicable from 1 January 2018. The directors expect that the adoption of these amendments will not entail any significant effect on the Group's consolidated financial statements.

• On 7 June 2017 the IASB published the interpretation IFRIC 23 – Uncertainty over Income Tax Treatments. The document deals with the uncertainty over income tax treatments and provides for uncertainties in measuring tax assets or liabilities to be recognised only when it is probable that the entity will pay or recover the amount in question. Furthermore, the document does not provide for any new disclosure obligation but points out that the entity shall establish whether it is necessary to provide information on the considerations made by the management in relation to the uncertainty over tax treatments, in accordance with IAS 1. The new interpretation will be applicable from 1 January 2019, with early adoption permitted. The directors expect that the adoption of this interpretation will not entail any significant effect on the Group's consolidated financial statements.

• Amendment to IFRS 9 "Prepayment Features with Negative Compensation (published on 12 October 2017). This document specifies that the instruments providing for early redemption might pass the "SPPI" test even when the "reasonable additional compensation" to be paid for early redemption is a "negative compensation" for the lending entity. The amendment will be applicable from 1 January 2019, with early adoption permitted. The directors expect that the adoption of these amendments will not entail any significant effect on the Group's consolidated financial statements.

• Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures" (published on 12 October 2017)". This document clarifies the requirements to apply IFRS 9, including impairment requirements, to other long-term interests in associates and joint ventures for which the equity method is not applied. The amendment will be applicable from 1 January 2019, with early adoption permitted. The directors expect that the adoption of these amendments will not entail any significant effect on the Group's consolidated financial statements.

• "Annual Improvements to IFRSs 2015-2017 Cycle", published on 12 December 2017 (including IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Remeasurement of previously held interests in a joint operation, IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity, IAS 23 Borrowing costs - Disclosure of Interests in Other Entities – Borrowing costs eligible for capitalisation) which adopt the amendments to some standards within the related annual improvement process. The amendments will be applicable from 1 January 2019, with early adoption permitted. The directors expect that the adoption of these amendments will not entail any significant effect on the Group's consolidated financial statements.

• Amendment to IFRS 10 and IAS 28 "*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*" (published on 11 September 2014). The document was published for the purpose of solving the present conflict between IAS 28 and IFRS 10 relating to the measurement of profits or losses arising from the sale or contribution of a non-monetary asset to a joint venture or associate in exchange for an interest in the latter's capital. At present the IASB has suspended the application of this amendment.

• IFRS 14 – Regulatory Deferral Accounts (published on 30 January 2014) which only allows IFRS first-time adopter entities to continue to recognise the amounts relating to Rate Regulation Activities according to the previous accounting standards adopted. Since the Group is not a first-time adopter, this standard is not applicable.

COMMENTS ON THE ITEMS IN THE STATEMENT OF FINANCIAL POSITION

ASSETS

Non-current assets

The following statements have been prepared for the two classes of intangible assets and property, plant and equipment, which report, for each item, historical costs, the previous amortisation and depreciation, the changes that occurred in the last two financial years and the closing balances.

Note 1 – Intangible assets

The table below reports the opening balance, the changes that occurred in the FY 2016/2017 and FY 2017/2018 and the final balance of intangible assets:

(in thousands of Euro)	**Development costs**	**Industrial patent rights**	**Software, licences, trademarks and other rights**	**Other fixed assets**	**Fixed assets under development**	**Total**
Gross value	592	57	2,511	3,538	0	6,698
Amortisation fund	(592)	(55)	(2,160)	(1,983)	0	(4,790)
Net value at 31/03/2016	**0**	**2**	**351**	**1,555**	**0**	**1,909**
Increases for the period	0	3	355	0	2	360
Sales	0	0	(1)	0	0	(1)
Reclassifications	0	0	0	0	0	0
Write-downs	0	0	0	0	0	0
Amortisation	0	(3)	(218)	(210)	0	(431)
Gross value	592	60	2,865	3,538	2	7,057
Amortisation fund	(592)	(58)	(2,378)	(2,193)	0	(5,221)
Net value at 31/03/2017	**0**	**2**	**487**	**1,345**	**2**	**1,836**
Increases for the period	0	2	188	0	22	212
Sales	0	0	0	0	0	0
Reclassifications	0	1	10	0	(11)	0
Write-downs	0	0	0	0	0	0
Amortisation	0	(1)	(248)	(202)		(451)
Gross value	592	63	3,063	3,538	12	7,268
Amortisation fund	(592)	(59)	(2,626)	(2,395)	0	(5,672)
Net value at 31/03/2018	**0**	**4**	**437**	**1,143**	**13**	**1,597**

Increases in intangible assets, equal to Euro 211 thousand in the financial year ended 31 March 2018 (Euro 360 thousand at 31 March 2017), related to investments in software and IT products.
No intangible assets with an indefinite useful life are reported in the accounts.

In the course of the FY 2017/2018 no trigger events occurred as to the key moneys (Milan – Via della Spiga, Bologna - Piazza Maggiore, Rome – Cinecittà, Milan – Corso Buenos Aires, Milan - Assago, Pescara, Milan – Fiordaliso Shopping Mall, Verona – P.zza delle Erbe, Venice, Forte dei Marmi and Florence), which may provide evidence of potential impairment losses of the same.

Note 2 - Property, plant and equipment

The table below reports the opening balance, the changes that occurred in the FY 2016/2017 and FY 2017/2018) and the final balance of property, plant and equipment:

(in thousands of Euro)	Land	Building	Plant and equipment	Industrial and business equipment	Other assets	Fixed assets under construction and advances	Total
Gross value	878	6,311	2,689	12,460	366	0	22,704
Depreciation fund	0	(1,913)	(2,482)	(7,855)	(345)	0	(12,595)
Net value at 31/03/2016	**878**	**4,398**	**207**	**4,605**	**21**	**0**	**10,109**
Increases for the period	0	0	59	821	0	0	880
Sales	0	0	0	-246	0	0	(246)
Depreciation	0	(211)	(65)	(1,121)	(6)	0	(1,403)
Write-down of gross value	0	0	(22)	(43)	0	0	(65)
Write-down of depreciation fund	0	0	22	41	0	0	63
Other changes in historical cost	0	0	0	0	0	0	0
Other changes in depreciation fund	0	0	5	0	0	0	5
Reclassifications	0	0	0	0	0	0	0
Gross value	878	6,311	2,726	12,992	366	0	23,273
Depreciation fund	0	(2,124)	(2,520)	(8,935)	(351)	0	(13,930)
Net value at 31/03/2017	**878**	**4,187**	**206**	**4,057**	**15**	**0**	**9,343**
Increases for the period	0	21	125	584	0	0	730
Sales	0	0	0	(32)	0	0	(32)
Depreciation	0	(196)	(73)	(1,064)	(6)	0	(1,339)
Write-down of gross value	0	0	0	0	0	0	0
Write-down of depreciation fund	0	0	0	0	0	0	0
Other changes in historical cost	0	0	0	0	0	0	0
Other changes in depreciation fund	0	0	0	0	0	0	0
Reclassifications	0	0	(5)	5	0	0	0
Gross value	878	6,332	2,846	13,549	366	0	23,971
Depreciation fund	0	(2,320)	(2,593)	(9,999)	(357)	0	(15,269)
Net value at	**878**	**4,012**	**253**	**3,550**	**9**	**0**	**8,702**

(in thousands of Euro)	Land	Building	Plant and equipment	Industrial and business equipment	Other assets	Fixed assets under construction and advances	Total
31/03/2018							

Increases in property, plant and equipment, equal to Euro 730 thousand in the financial year ended 31 March 2018 (Euro 880 thousand as at 31 March 2017) were mainly attributable to the sundry equipment purchased for new DOSs opened in the period under consideration and the refurbishment of some existing shops for Euro 584 thousand, purchases of workshop plant and machinery for Euro 125 thousand and non-routine works at the Company's headquarters for Euro 21 thousand.

Below are reported the net book values of the assets held through finance lease agreements:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Land	878	878
Buildings	3,817	3,974
Plant and machinery	11	15
Industrial and business equipment	263	18
Total	**4,969**	**4,885**

Note 3 – Equity investments

Below is the breakdown of the item:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Piquadro España SLU	824	700
Piquadro Deutschland GmbH	25	0
Piquadro Hong Kong Co. Ltd.	66	0
Uni Best Leather Goods Zhongshan Co. Ltd.	475	258
Piquadro Trading Shenzhen Co. Ltd.	789	990
Piquadro Taiwan Co. Ltd.	601	491
Piquadro France SARL	96	95
Piquadro Swiss SA	0	3
Piquadro UK Limited	1,171	1,174
Piquadro USA INC.	802	890
OOO Piquadro Russia	672	472
The Bridge S.p.A. (*)	4,208	3,902
Total equity investments in subsidiaries	**9,729**	**8,976**
Equity investments in other companies	1	1
Total equity investments	**9,730**	**8,977**

(*)Company acquired on 20 December 2016.

The following statements specify the equity investments relating to subsidiaries, as well as any additional information required by article 2427 of the Italian Civil Code. The values refer to the last financial statements, as adjusted by IFRS entries.

Company name	**HQ**	**Ownership %**	**Book value**	**Equity**	**Provision for write-down of equity investments**
Piquadro España SLU	Barcelona	100%	824	824	0

Piquadro Deutschland GmbH	Munich	100%	24	35	0
Piquadro Hong Kong Co. Ltd.	Hong Kong	100%	66	66	0
Uni Best Leather Goods Zhongshan Co. Ltd.	Zhongshan	100%	475	475	0
Piquadro Trading Shenzhen Co. Ltd.	Shenzhen	100%	788	788	0
Piquadro Taiwan Co. Ltd.	Taipei	100%	601	840	0
Piquadro France SARL	Paris	100%	96	109	0
Piquadro Swiss SA	Mendrisio	51%	0	(399)	203
Piquadro UK Limited	London	100%	1,171	1,171	0
Piquadro USA INC.	New York	100%	801	802	0
OOO Piquadro Russia	Moscow	100%	672	776	0
The Bridge S.p.A. (*)	Scandicci	80%	4,208	560	0

(*)Company acquired on 20 December 2016.

Below is the breakdown of changes in the value of equity investments:

(in thousands of Euro)	**Book value 31/03/2017**	**Increases**	**Write-downs**	**Revaluation**	**Other changes**	**Book value 31/03/2018**
Piquadro España SLU	700	0	0	124	0	824
Piquadro Deutschland GmbH	0	0	0	25	0	25
Piquadro Hong Kong Co. Ltd.	0	0	0	66	0	66
Uni Best Leather Goods Zhongshan Co. Ltd.	258	0	0	217	0	475
Piquadro Trading Shenzhen Co. Ltd.	990	0	(178)	0	(24)	789
Piquadro Taiwan Co. Ltd.	491	0	0	110	0	601
Piquadro France SARL	95	0	0	0	1	96
Piquadro Swiss SA	3	0	0	0	(3)	0
Piquadro UK Limited	1,174	0	(3)	0	0	1,171
Piquadro USA INC	890	0	(88)	0	0	802
OOO Piquadro Russia	472	200	0	0	0	672
The Bridge S.p.A. (*)	3,902	306	0	0	0	4,208
Total equity investments in subsidiaries	**8,975**	**506**	**(269)**	**542**	**(26)**	**9,729**
Equity investments in other companies	1	0	0	0	0	1
Total equity investments	**8,976**	**506**	**(269)**	**542**	**(26)**	**9,730**

(*) Company acquired on 20 December 2016.

The increase in non-current financial assets related to the payments on account of capital made in favour of Subsidiary OOO Piquadro Russia and of The Bridge S.p.A..
Write-downs and revaluations for the year were due to the realignment between the book value of the subsidiary in in Piquadro and the related Equity value.
Finally, other changes related to reclassifications made during the year for a more correct recognition in the accounts.
The Company has conducted the impairment test of investee The Bridge, which shows a differential between the book value of the investee and the equity equal to Euro 3,627 thousand, in order to recognise losses and/or value reinstatements (if any) to be charged to Profit or Loss, following the procedure required by IAS 36 and thus comparing the book value of the investee and the value in use given by the present value of estimated cash flows that are expected to arise from the continuing use of the asset involved in the impairment test.

The Unlevered Discounted Cash Flow method has been used, which arises from the plan for the 2019-2023 period that was approved by the Company on 29 May 2018. The plan is based on the Management's best estimate on the future operating performance of subsidiary The Bridge and does not include any possible non-recurring operation and/or operations that had not yet been defined on the closing date of the financial year. The impairment test was approved by the Company's Board of Directors' meeting held on 11 June 2018.

The terminal value has been calculated based on the "perpetual annuity" formula, assuming a "g-rate" growth rate equal to zero on a prudential basis and considering an operating cash flow based on the last year of explicit forecasts, as adjusted in order to project a stable situation "perpetually", specifically using the following main

assumptions: - balancing between investments and amortisation and depreciation (with a view to considering an investment level required to maintain the business continuity); - change in working capital equal to zero. The value obtained by adding discounted cash flows for the explicit period to the terminal value ("Enterprise Value"), must be reduced by the net financial debt as at the date of valuation, 31 March 2018, in order to obtain the economic value of the tested equity investments ("Equity Value").
The average cost of capital is the result of the weighted average cost of debt (prepared by considering the relevant rates, plus a "spread"). The cost of net worth is determined by using the levered beta value and the financial structure of a panel of comparables in the sector.
The WACC used has been equal to 8.5%.

The impairment test conducted on this equity investment has not reported any impairment loss to be charged to profit or loss as at 31 March 2018.

Furthermore, also on the basis of the instructions laid down in the document no. 4 that was prepared jointly by the Bank of Italy, CONSOB and ISVAP on 3 March 2010, the Company has taken steps to prepare the sensitivity analysis based on the results of the impairment test with respect to the changes in the basic assumptions that may affect the value in use of the equity investment. Likewise, the analyses did not report any impairment loss in the case of a positive change of 3.5% in the WACC or of 10% in cash flows.

Note 4 - Receivables from others

Receivables from others (equal to Euro 304 thousand as at 31 March 2018 compared to Euro 292 thousand as at 31 March 2017) relate to guarantee deposits paid by the Company for various utilities, including those relating to the operation of Company-owned shops.

Note 5 – Receivables from subsidiaries

At 31 March 2018 these amounted to Euro 7,325 thousand, including the long-term portion of the loan granted to subsidiary The Bridge S.p.A. at arm's length during the previous year.
For the purposes of a more detailed reporting as previously referred to in the paragraph on the £Introduction", the accounts also include the reclassification of the long-term portion of the loan for the previous year, equal to Euro 7,298 thousand. For more details on the current portion of the aforesaid loan, see note 9.

Note 6 – Deferred tax assets

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Deferred tax assets:		
- within 12 months	76	82
- beyond 12 months	1,038	851
	1,114	**933**
Deferred tax liabilities		
- within 12 months	0	60
- beyond 12 months	113	82
	113	**142**
Net Position	**71,001**	**1,001**

Below is reported the relevant change:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Opening Net Position	**791**	**780**
Credit/(Debit) to the Income Statement	171	8
Credit/(Debit) to Equity	39	3
Total	**1,001**	**791**

Below are reported the main elements that make up deferred tax assets and deferred tax liabilities and their changes in the financial years ended 31 March 2018 and 31 March 2017:

Deferred tax assets	31 March 2018		31 March 2017	
(in thousands of Euro)	**Temporary differences**	**Tax effect (IRES+IRAP)**	**Temporary differences**	**Tax effect (IRES+IRAP)**
Deferred tax assets with effect through P&L:				
Provision for bad debts	1,522	365	998	278
Provision for obsolescence of inventories	606	145	516	139
Provisions for risks and charges	213	59	274	79
Amortisation and depreciation	711	173	648	155
Others	1,375	330	998	278
Total	**4,427**	**1,072**	**3,433**	**930**
Amount credited (debited) to P&L		*142*		*2*
Deferred tax assets with effect through Comprehensive Income:				
Hedging transactions (cash flow hedge)	158	42	11	3
Total	**158**	**42**	**11**	**3**
Amount credited (debited) to Comprehensive Income	*0*	*39*	*0*	*3*
Total tax effect	**4,585**	**1,114**	**3,434**	**933**

Deferred tax liabilities	31 March 2018		31 March 2017	
(in thousands of Euro)	**Temporary differences**	**Tax effect (IRES+IRAP)**	**Temporary differences**	**Tax effect (IRES+IRAP)**
Deferred tax liabilities with effect through P&L:				
Others	470	113	590	142
Total				
Amount credited (debited) to P&L		*29*		*6*
Deferred tax liabilities with effect through Comprehensive Income:				
Hedging transactions (cash flow hedge)	0	0	0	0
Defined-benefit plans	0	0	0	0
Total				
Amount credited (debited) to Comprehensive Income	*0*	*0*	*0*	*0*
Total tax effect	**470**	**113**	**590**	**142**

Note 7 – Inventories

The tables below report the breakdown of net inventories into the relevant classes and the changes in the provision for write-down of inventories (entered as a direct reduction in the individual classes of inventories), respectively:

(in thousands of Euro)	**Gross value at 31 March 2018**	**Provision for write-down**	**Net value at 31 March 2018**	**Net value at 31 March 2017**
Raw materials	1,751	(244)	1,507	1,560
Semi-finished products	45	0	45	66
Finished products	11,311	(362)	10,949	9,793
Inventories	**13,307**	**(606)**	**12,501**	**11,419**

Below is reported the breakdown and the changes in the Provision for write-down of inventories:

(in thousands of Euro)	**Provision as at 31 March 2017**	**Use**	**Accrual**	**Provision as at 31 March 2018**
Provision for write-down of raw materials	159	0	85	244
Provision for write-down of finished products	357	0	5	362
Total Provision for write-down of inventories	**516**	**0**	**90**	**606**

As at 31 March 2018, there was the recognition of an increase of Euro 1,082 thousand in inventories compared to the corresponding values at 31 March 2017, mainly due to the effect of the increase in revenues.

Note 8 - Trade receivables

Below is the breakdown of trade receivables:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Receivables from customers	22,594	22,775
Provision for bad debts	(1,641)	(1,237)
Current trade receivables	**20,953**	**21,538**

Gross trade receivables showed a balance of Euro 22,594 thousand at 31 March 2018, showing a decrease of Euro 181 thousand compared to the balance as at 31 March 2017. This decrease was mainly attributable to a better credit management and to lower average collection times.

The adjustment to the face value of receivables from customers at their presumed realisable value was obtained through a special Provision for bad debts, whose changes are showed in the table below:

(in thousands of Euro)	**Provision at 31 March 2018**	**Provision at 31 March 2017**
Balance at the beginning of the period	1,237	1,304
Accrual	600	440
Uses	(196)	(507)
Total Provision for bad debts	**1,641**	**1,237**

Furthermore, there was the recognition of losses from receivables in a total amount of Euro 57 thousand during the period.

Note 8 – Receivables from subsidiaries

Below is the breakdown of short-term receivables from subsidiaries:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Piquadro España SLU	390	241
Piquadro Deutschland GmbH	138	195
Piquadro Hong Kong Co. Ltd.	253	403
Uni Best Leather Goods Zhongshan Co. Ltd.	1,890	2,748
Piquadro Trading Shenzhen Co. Ltd.	0	0
Piquadro Taiwan Co. Ltd.	50	258
Piquadro Swiss SA	499	424
Piquadro France SARL	0	0
Piquadro UK Limited	16	2
OOO Piquadro Russia	585	1,003
Piquadro LLC	14	176
The Bridge S.p.A. (*)	973	1,022
Receivables from subsidiaries	**4,868**	**6,495**

(*)Company acquired on 20 December 2016.

The decrease in receivables from Subsidiaries was mainly due to a more accurate management of intercompany relations between them and the Paent Company. Three loans are recognised between the Parent Company and Piquadro Swiss, Piquadro Deutschland and The Bridge S.p.A., respectively, all disbursed at arm's length.
The receivable relating to The Bridge S.p.A. totalled Euro 8,298 thousand at 31 March 2018 (Euro 8,320 thousand at 31 March 2017). The related long-term portion has been reclassified to non-current assets, for which reference is made to note 5.

Note 9 – Other current assets

Below is reported the breakdown of other current assets:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Other assets	1,347	1,444
Accrued income and prepaid expenses	729	865
Other current assets	**2,076**	**2,309**
Reclassification		**62**
Other current assets	**2,076**	**2,371**

Other assets were mainly made up of advances to suppliers for Euro 356 housand and INAIL advances of Euro 66 thousand.

There was also the recognition of a receivable of Euro 792 thousand from the minority interests of The Bridge S.p.A. in relation to liabilities, including potential liabilities, arising from the outcome of the Tax Audit in progress. The subsidiary The Bridge has been involved in a tax audit since September 2016, which was completed on 16 March 2017 through the service of a report of findings (*Processo Verbale di Constatazione*, PVC). Following a thorough examination of the PVC on the part of tax advisors, a specific provision was set aside for the amount of liabilities for higher tax, sanctions and interest, which are expected to arise, with an appreciable degree of probability, in relation to the objections contained in the PVC. Against this liability, Il Ponte Pelletteria S.p.A., which is the selling party and a minority shareholder of The Bridge S.p.A., has undertaken to reimburse Piquadro S.p.A. for an amount equal to the costs that were accounted for in the 2016 financial statements in relation to liabilities, including potential liabilities, arising from the completion of the tax audit. There is no problem of recoverability in relation to this credit. On 25 May 2018, the dispute was settled by signing an interview report (assessment by agreement) whereby a liability was set out which, also considering litigation management costs, is not significantly different from the amount set aside in the aforesaid provision for risks.

There were no developments concerning this tax dispute as at the date of these notes.

Accrued income and prepaid expenses mainly related to prepaid expenses on rents (Euro 298 thousand at 31 March 2018 against Euro 355 thousand at 31 March 2017) and advertising (Euro 253 thousand at 31 March 2018 against Euro 363 thousand at 31 March 2017).

For the purposes of a better understanding and clarity in reporting the financial statements, as referred to above in the paragraph on the "Introduction", other receivables from others amounting to Euro 62 thousand were reclassified, as at 31 March 2017 too, from "Other current liabilities", where they had been stated in netting the item of "Payables to employees".

Nota 11 – Derivative assets

No derivative assets were outstanding as at 31 March 2018.

Nota 12 – Tax receivables

As at 31 March 2018 tax receivables were equal to Euro 17 thousand (Euro 487 thousand at 31 March 2017). These receivables related to the receivables for the withholding recorded on bank interest income, while this item included receivables arising from higher taxes paid during the previous financial year.

Note 13 – Cash and cash equivalents

Below is reported the breakdown of cash and cash equivalents relating to Piquadro S.p.A.:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Available current bank accounts	19,429	13,275
Money, cash on hand and cheques	117	71
Cash and cash equivalents	**19,546**	**13,346**

The balance represents cash and cash equivalents and the existence of money and cash on hand at the closing date of the period. For a better understanding of the dynamics in the Company's liquidity, reference is made to the Statement of Cash Flows.

LIABILITIES

Note 14 – Shareholders' Equity

a) Share capital

As at 31 March 2018, the Share Capital of Piquadro S.p.A. was equal to Euro 1,000 thousand and was represented by 50,000,000 ordinary shares, fully subscribed and paid up, with regular enjoyment, with no indication of their par value.

Other information on Equity

Below is the statement concerning Equity items, as broken down on the basis of their origin, distributability and availability, in compliance with the provisions under paragraph 7-bis) of Article 2427 of the Italian Civil Code (the values are expressed in thousands of Euro):

Description	Amount	Possible use	Available share	Distributable share	Other reserves Profit (Loss) for the period	
					Coverage	**Other**
Share Capital	1,000	B	0	0		

Capital reserves						
Share premium reserve	1,000	A,B,C	1,000	1,000		
Other reserves						
Fair value reserve	(115)		(115)	0		
Reserve for Employee Benefits	(45)		(45)	0		
Stock Option reserve	222		222	0		
Reserve from merger	(92)		(92)	0		
Other reserves on account of capital	1,158	A,B,C	1,158	1,158		
	1,128		**1,128**	**1,158**		
Revenue reserves						
Undivided profits						
Legal reserve	200	B	200	0		
Reserve of undivided profits	31,502	A,B,C	31,502	31,502		
	31,702		**31,702**	**31,502**		

KEY: "A" for capital increase; "B" for loss coverage; "C" for distribution to shareholders.

a) Share premium reserve

This reserve, which remained unchanged compared to the previous financial year, was equal to Euro 1,000 thousand.

b) Other reserves

Other reserves were equal to Euro 1,128 thousand and included the fair value reserve for derivative instruments (negative and equal to Euro 115 thousand), the reserve for actuarial gains (losses) on defined-benefit plans (negative and equal to Euro 54 thousand), the positive reserve which arose at the time of the contribution of the branch of business made on 2 May 2005 (equal to Euro 1,158 thousand) and the negative merger reserve (equal to Euro 92 thousand).

c) Profit for the period

This item relates to the recognition of the Company profit recorded, equal to Euro 5,278 thousand as at 31 March 2018.
During the financial year ended 31 March 2017, the Company's profit for the period, as resulting from the separate financial statements as at 31 March 2018, was allocated as follows:

- Euro 2,000 thousand to dividends, corresponding to earnings per share equal to about Euro 0.04 per share to 50,000,000 outstanding shares;
- Euro 1,006 thousand to profits carried forward as the legal reserve had achieved one fifth of the Share Capital.

Non-current liabilities

Note 15 – Borrowings

Below is the breakdown of non-current payables to banks:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Borrowings from 1 to 5 years	11,128	13,676
Borrowings beyond 5 years	0	0

Medium/long-term borrowings	**11,128**	**13,676**

During the FY 2017/2018 ended 31 March 2018, the Parent Company terminated two financing agreements with UBI and a loan agreement with Credem.
On 22 May it entered into a 60-month loan agreement with UBI in an amount of Euro 3 million, expiring on 29 May 2022.
On 26 June a short-term loan was disbursed by Credem in an amount of Euro 2 million, expiring on 23 July 2018.
On 16 November a short-term loan was disbursed by Unicredit in an amount of Euro 5 million, expiring on 29 June 2018.
On 29 November the loan with Mediocredito was rescheduled for the remaining amount of Euro 4.5 million, with a new expiry date falling on 30 September 2020.

As at 31 March 2018 borrowings included:

1. Euro 1,125 thousand relating to the unsecured loan granted by BPER – Banca Popolare dell'Emilia Romagna on 10 June 2016 (for an initial amount of Euro 2,000 thousand), of which a current portion of Euro 501 thousand and a non-current portion of Euro 630 thousand.
8. Euro 1,180 thousand relating to the unsecured loan granted by Cassa di Risparmio in Bologna on 30 November 2016 (for an initial amount of Euro 2,500 thousand), of which a current portion of Euro 498 thousand and a non-current portion of Euro 1,383 thousand.
9. Euro 2,067 thousand relating to the unsecured loan granted by Credem – Credito Emiliano on 7 December 2016 (for an initial amount of Euro 3,000 thousand), of which a current portion of Euro 749 thousand and a non-current portion of Euro 1,318 thousand.
10. Euro 2,254 thousand relating to the unsecured loan granted by UniCredit on 10 January 2017 (for an initial amount of Euro 3.000 thousand), of which a current portion of Euro 748 thousand and a non-current portion of Euro 1,506 thousand.
11. Euro 2,694 thousand relating to the unsecured loan granted by Banca Monte dei Paschi di Siena on 30 January 2017 (for an initial amount of Euro 3,000 thousand), of which a current portion of Euro 600 thousand and a non-current portion of Euro 2,100 thousand
12. Euro 3,735 thousand relating to the unsecured loan granted by Mediocredito Italiano S.p.A. on 22 March 2017 of which a current portion of Euro 1,500 thousand and a non-current portion of Euro 2,250 thousand.
13. Euro 2,549 thousand relating to the unsecured loan granted by UBI Banca on 22 May 2017 (for an initial amount of Euro 3,000 thousand), of which a current portion of Euro 597 thousand and a non-current portion of Euro 1,957 thousand.

Below is reported the breakdown of loans:

(in thousands of Euro)	**Date of granting of the loan**	**Initial amount**	**Currency**	**Current borrowings**	**Amort. cost (S/T)**	**Non-current borrowings**	**Amort. Cost (L/T)**	**Total**
BPER Loan	10 June 2016	2,000	Euro	501	(4)	630	(2)	1,124
Carisbo Loan	30 November 2016	2,500	Euro	498	(1)	1,383	(1)	1,879
Credem Loan	7 December 2016	3,000	Euro	749	0	1,318	0	2,067
Unicredit Loan	10 January 2017	3,000	Euro	748		1,506		2,254
MPS Loan	30 January 2017	3,000	Euro	600	(2)	2,100	(4)	2,694
Mediocredito Loan	29 November 2017	4,500	Euro	1,500	(8)	2,250	(6)	3,735
UBI Loan 04/01025637	22 May 2017	3,000	Euro	597	(2)	1,957	(3)	2,549
CREDEM loan no. 3013768 D4	26 June	2,000	Euro	2,000		0		2,000

	2017							
Unicredit no. 2599184	16 November 2017	5,000	Euro	5,000		0		5,000
Bank advances			Euro	0		0		0
Payables to banks			Euro	0		0		0
				12,193	**(17)**	**11,144**	**(16)**	**23,304**

Note 16 – Payables to other lenders for lease agreements

Below is reported the following breakdown:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Non-current:		
Payables to leasing companies	0	831
Current:		
Payables to leasing companies	830	600
Payables to other lenders for lease agreements	**830**	**1,431**

Below is reported the following additional breakdown:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Payables to other lenders for lease agreements:		
Due within 1 year	830	600
Due from 1 to 5 years	0	831
Due beyond 5 years	0	0
Financial interest to be paid	(9)	(47)
Present value of payables to other lenders for lease agreements	**830**	**1,382**

As at 31 March 2018, payables to other lenders were equal to Euro 830 thousand (Euro 1,382 thousand at 31 March 2017) related to the lease agreement initially entered into by Piqubo Servizi S.r.l., which was merged by incorporation into Piquadro S.p.A. by deed of 24 October 2008, with Centro Leasing S.p.A. in relation to the plant, land and the automated warehouse located in Località Sassuriano, Silla di Gaggio Montano (Province of Bologna); the related share was fully reclassified to current liabilities as it shall be repaid in full in August 2018.

Note 17 – Other non-current liabilities

Below is the related breakdown:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Other payables	1,631	2,209
Other non-current liabilities	**1,631**	**2,209**

"Other payables" include the deferred payment of the price of acquisition of The Bridge S.p.A., equal to Euro 724 thousand, and the value of the call option of the remaining stakes valued by an independent expert for Euro 907 thousand. The amount due within 12 months, equal to Euro 750 thousand, was reclassified to other current liabilities.

Note 18 - Provision for Employee Benefits

This item includes post-employment benefits measured by using the actuarial valuation method of projected unit credit applied by an independent actuary according to IAS 19.

Below are reported the changes that occurred in the course of the last two financial years in the Provision for TFR (which represents the entire value of the Provision for employee benefits), including the effects of the actuarial valuation:

(in thousands of Euro)	**Provision for TFR**
Balance at 31 March 2016	**291**
Financial charges	0
Net actuarial Losses (Gains) accounted for in the period	0
Indemnities paid in the financial year/Others	3
Balance at 31 March 2017	**294**
Financial charges	0
Net actuarial Losses (Gains) accounted for in the period	0
Indemnities paid in the financial year/Others	26
Balance at 31 March 2018	**268**

The actuarial criteria and assumptions used for calculating the Provision are indicated in the paragraph *Accounting Standards – Provision for employee benefits* in these Notes.

From the sensitivity analysis, some changes in the provision arise, at the same time as the actuarial assumptions vary, which are not significant.

Note 19 – Provisions for risks and charges

Below are the changes of provisions for risks and charges during the financial year:

(in thousands of Euro)	**Provision at 31 March 2017**	**Use**	**Accrual**	**Reclassifications**	**Provision at 31 March 2018**
Provision for clientele supplementary indemnity	541	0	249	0	788
Other Provisions for risks	274	0	0	0	274
Total	**815**	**0**	**249**	**0**	**1,064**

The "Provision for clientele supplementary indemnity" represents the potential liability with respect to agents in the event of the Company terminating agreements or agents retiring. The amount of the liability has been calculated by an independent actuary as at the reporting date.
The Provision for risks on equity investments was reclassified to "Equity investments in subsidiaries", as per the explanatory Note no. 3.
Other provisions for risks, equal to Euro 274 thousand mainly relate to the provision for risks on returns on sales equal to Euro 61 thousand, to provision for risks on repairs for Euro 10 thousand and to other provisions for risks on potential liabilities generated by current operations for Euro 203 thousand. Specifically, this item includes the provision for risks for returns on sales, equal to Euro 66 thousand, the provision for risks on repairs for Euro 10 thousand, the provision for risks on legal disputes for Euro 47 thousand and the provision for risks for taxes that are regarded as probable, equal to Euro 130 thousand, as detailed below. This provision includes the liabilities that are regarded as probable, recognised in relation to the PVC involving Piquadro S.p.A. and includes taxes, interest and charges for tax advice. On 31 May 2017 the Bologna Tax Police Unit concluded the tax audit that had been started on 1 February 2017, through the service of a Report of Findings (*Processo Verbale di Constatazione*, "PVC"). In analysing the objections raised in the PVC, the Company has deemed it appropriate to recognise, on a prudential basis, an amount of tax, sanctions and interest corresponding to that for which there is a risk of sustaining a future outlay, in a provision for risks among liabilities. There had been no developments in that regard as at the date of these notes.

Current liabilities

Note 20 – Borrowings

As at 31 March 2018 borrowings were equal to Euro 12,176 thousand compared to Euro 5,287 thousand at 31 March 2017; for the breakdown, reference is made to Note 14 above. The balance is made up of the current portion of payables to banks for loans, as well as of the amount of the short-term loan with Credem for Euro 2 million, expiring on 23 July 2018, and of the amount of the short-term loan with Unicredit for Euro 5 million, expiring on 29 June 2018.

Note 21 - Payables to other lenders for lease agreements

As at 31 March 2018 the amount of Euro 830 thousand (Euro 600 thousand at 31 March 2017) fully related to the current portion of Payables to leasing Companies in relation to the lease agreement involving the building of the Parent Company's operational headquarters.

Net Financial Position

The table below reports the breakdown of the Net Financial Position, which includes the net financial debt determined according to the ESMA criteria (based on the schedule set out in CONSOB Communication no. 6064293 of 28 July 2006):

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
(A) Cash	117	71
(B) Other cash and cash equivalents (available current bank accounts)	19,429	13,275
(C) Liquidity (A) + (B)	**19,546**	**13,347**
(D) Finance leases	(830)	(600)
(E) Current bank debt	0	310
(F) Current portion of current debt	(12,335)	(5,838)
(G) Payables to Il Ponte S.p.A. for the acquisition of The Bridge	(749)	0
(H) Current financial debt (D) + (E) + (F) + (G)	**(13,915)**	**(6,128)**
(I) Short-term Net Financial Position (C) + (H)	**5,632**	**7,218**
(L) Non-current bank debt	(11,128)	(13,676)
(M) Finance leases	0	(830)
(N) Payables to Il Ponte S.p.A. for the acquisition of The Bridge	(1,631)	(2,209)
(O) Non-current financial debt (L) + (M) + (N)	**(12,759)**	**(16,716)**
(O) Net Financial Position (I) + (O)	**(7,128)**	**(9,497)**

As at 31 March 2018 the Net Financial Position of Parent Company posted a negative value of Euro 7.1 million, showing an improvement of Euro 2.37 million compared to the debt that was equal to about Euro 9.5 million at 31 March 2017. It was contributed to by:

b) **a free cash flow equal to about Euro 8.5 million;**
c) **dividends paid for Euro 2.0 million;**
d) **investments in property, plant and equipment, intangible assets and non-current financial assets for about Euro 1.45 million;**
e) **an increase of Euro 2.6 million in other working capital items.**

Note 22 – Trade payables

Below is the breakdown of current trade liabilities (including invoices to be received from suppliers):

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Payables to suppliers	13,362	14,788

As at 31 March 2018 payables to suppliers showed a decrease of 9.6% compared to 31 March 2017, which was mainly due to a better financial management during the year.

Note 23 – Payables to subsidiaries

Below is the breakdown of liabilities to Subsidiaries (including invoices to be received and a credit note to be received):

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Piquadro España SLU	27	142
Piquadro Deutschland GmbH	9	83
Piquadro Hong Kong Co. Ltd.	20	217
Uni Best Leather Goods Zhongshan Co. Ltd.	967	2,344
Piquadro Trading Shenzhen Co. Ltd.	723	714
Piquadro Taiwan Co. Ltd.	166	220
Piquadro France SARL	73	536
Piquadro UK Limited	401	309
OOO Piquadro Russia	22	448
Piquadro LLC	386	274
The Bridge S.p.A.	45	0
Payables to subsidiaries	**2,840**	**5,287**

The decrease in payables to Subsidiaries was mainly attributable to a better management of Intercompany relations between subsidiaries and the Parent Company. During the year the Parent Company repaid the almost total amount of the loan payable to Piquadro France SARL.

Note 24 – Derivative liabilities

As at 31 March 2018 forward currency (USD) purchases were outstanding, the negative fair value of which was equal to Euro 151 thousand (Euro 11 thousand at 31 March 2017). The Company hedges the exchange risk connected to purchases of raw materials in US dollars and for contract work done in China. In consideration for this risk, the Company makes use of instruments to hedge the risk attached to the related rate, trying to fix and crystallise the exchange rate at a level that is in line with the budget forecasts.

Note 25 - Other current liabilities

Below is the breakdown of other current liabilities:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Payables to social security institutions	433	474
Payables to Pension funds	26	27
Other payables	755	3
Payables to employees	807	607
Advances from customers	69	84
Accrued expenses and deferred income	515	200
Other tax payables	5	1,287
Other current liabilities	**2,611**	**2,681**
Reclassification	0	(1,168)
Other current liabilities	**2,611**	**1,513**

Payables to social security institutions (Euro 433 thousand) mainly relate to the payables due to INPS (equal to Euro 356 thousand), while payables to employees (equal to Euro 755 thousand) mainly included payables for remuneration and bonuses to be paid to employees of the Company. Furthermore, “Other payables” include the reclassification of the amount due within 12 months, equal to Euro 749 thousand, for the deferred payment of the price for the acquisition of The Bridge S.p.A..

For a better understanding of the financial statements, as referred to above in the paragraph on the “Introduction”, a total of Euro 1,168 thousand was reclassified for the financial year ended 31 March 2017, of which an amount of Euro 1,230 thousand to “Tax payables” for IRPEF tax payables and an amount of Euro 62 thousand to “Other current receivables” for receivables from others.

Note 26 – Tax payables

As at 31 March 2018 advances paid by the Company for IRES and IRAP tax were lower than the actual current tax charge. For a better understanding of the financial statements, as referred to above in the paragraph on the “Introduction”, an amount of Euro 1,230 thousand was reclassified, for the financial year ended 31 March 2017, to “Tax payables” relating to IRPEF tax payables.

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Tax payables	2,239	0
Reclassification	0	1,230
Tax payables	**2,239**	**1,230**

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS

Note 27 – Revenues from sales

The breakdown of revenues from sales according to categories of activities is not reported as it is considered not to be significant for the understanding of and the opinion on the economic results.

The Company's revenues are mainly realised in Euro.

Below is the breakdown of revenues by geographical area:

(in thousands of Euro)	**Revenues from sales 31 March 2018**	**%**	**Revenues from sales 31 March 2017**	**%**	**% Change 2018-2017**
Italy	57,344	81.3%	53,456	79.5%	7.3%
Europe	11,565	16.4%	10,838	16.1%	6.7%
Rest of the World	1,596	2.3%	2,946	4.4%	(45.8%)
Total	**70,505**	**100.0%**	**67,240**	**100.0%**	**4.9%**

Note 28 – Other income

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Charge-backs of transport and collection costs	132	129
Insurance and legal refunds	25	38
Revenues from sales at the corners	1	1
Other sundry income	876	593
Other income	**1,033**	**760**

Other income mainly related to chargebacks of transport and collection costs to customers, income from intermediation and other revenues.

Note 29 – Change in inventories

The change in inventories of raw materials was positive for Euro 57 thousand (positive for Euro 220 thousand as at 31 March 2017), while the change in inventories of semi-finished and finished products was negative for Euro 1,140 thousand (negative for Euro 2,595 thousand as at 31 March 2017).

Note 30 - Costs for purchases

The item essentially includes the cost of materials used for the production of the Company's goods and of consumables. As at 31 March 2018 costs for purchases were equal to Euro 22,110 thousand (Euro 18,895 thousand at 31 March 2017).

The table below reports the amount of purchases of raw and secondary materials, consumables and goods for resale, as well as the amount of other production costs incurred in a currency other than the Euro (a portion of these costs is classified under costs for services), the Euro counter-value of these purchases in foreign currency and their impact on the total purchases of raw and secondary materials, consumables and goods for resale.

	Currency amount	**Average exchange rate**	**Amount in thousands of Euro**	**Currency amount**	**Average exchange rate**	**Amount in thousands of Euro**
		31 March			**31 March**	

		2018			2017	
US Dollars	19,128,287	1,170	16,342	16,371,116	1.10	14,919
Total operating costs incurred in foreign currency			**16,342**			**14,919**

Overall, Piquadro S.p.A. incurred, in the FY 2017/2018, operating costs denominated in a currency other than the Euro for an equivalent amount of Euro 16,342 thousand, equal to 25.5% of the total operating costs (equal to Euro 64,180 thousand).

In the FY 2017/2018, the Parent Company made forward purchases of US Dollars for an overall amount of USD 19.0 million (USD 12.2 million in the FY 2016/2017), including purchases in dollars made for the supplies of Uni Best Leather Goods Zhongshan Co. Ltd. (net of the sale of leather made by the Company towards the Chinese subsidiary), equal to a counter-value of about Euro 16.2 million at the average exchange rate for the 2017/2018 financial year (about Euro 11.1 million at the average exchange rate prevailing in the FY 2016/2017; therefore 99.0% of the purchases in US Dollars made by the Company was covered (in relation to the FY 2016/2017, 74.2% of the purchases in US Dollars made by the Company was covered).

Note 31 - Costs for services and leases and rentals

Below is reported the breakdown of these costs:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
External production	8,060	7,808
Advertising and marketing	3,598	3,779
Transport services	3,761	3,183
Business services	2,565	2,880
Administrative services	891	823
Production services	5,054	5,545
Costs for leases and rentals	4,727	4,502
Costs for services and leases and rentals	**28,656**	**28,520**

Costs for leases and rentals mainly relate to lease rentals relating to the Company's shops.
External production showed an increase compared to the previous year following a higher recourse to external suppliers for product manufacturing.

Note 32- Personnel costs

Below is reported the breakdown of personnel costs:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Wages and salaries	8,931	8,355
Social security contributions	2,335	2,218
TFR	544	521
Personnel costs	**11,811**	**11,095**

The table below reports the exact number of the staff members employed by the Company as at 31 March 2018 and 31 March 2017:

Units	**31 March 2018**	**31 March 2017**
Executives	6	5
Office workers	236	222
Manual workers	42	39
Total	**284**	**266**

Note 33 - Amortisation, depreciation and write-downs

In the FY 2017/2018, amortisation and depreciation were equal to Euro 2,389 thousand (Euro 2,275 thousand in the FY 2016/2017). Write-downs fully related to the Provision for bad debts from customers, as already commented in Note 7.

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Amortisation of intangible assets	450	432
Depreciation of property, plant and equipment	1,339	1,403
Provision for bad debts	600	440
Write-down of other non-current assets	0	0
Amortisation, depreciation and write-downs	**2,389**	**2,275**

Note 34 - Other operating costs

In the FY 2017/2018, other operating costs, equal to Euro 295 thousand (Euro 501 thousand in the FY 2016/2017) mainly related to charges generated from current operations. Furthermore, losses were recognised on receivables in an amount of Euro 57 thousand.

Note 35 – Shares of profits (losses) from investee Companies

Write-downs and revaluations were made for the realignment between the book value of the equity investments held by the Parent Company and the equity of subsidiaries.
The write-downs concerned subsidiaries Piquadro Trading Shenzhen Co. Ltd., Piquadro UK and Piquadro USA INC..
Revaluations concerned subsidiaries Piquadro España, Piquadro Deutschland, Piquadro Hong Kong, Piquadro Taiwan and Unibest.
The accrual to the Provision for risks on equity investments was made against the negative equity of subsidiary Piquadro Swiss S.A..

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Write-down of equity investments in subsidiaries	(269)	0
Revaluation of equity investments in subsidiaries	542	0
Accrual to the Provision for risks on equity investments	(53)	(53)
Shares of profits (losses) from investee companies	**220**	**(53)**

Note 36 - Financial income

The amount of Euro 987 thousand in the FY 2017/2018 (Euro 906 thousand as at 31 March 2017) mainly related to bank interest income of Euro 32 thousand, interest receivable from customers for Euro 15 thousand, foreign exchange gains either realised or estimated for Euro 465 thousand (foreign exchange gains either realised or estimated at 31 march 2017 were equal to Euro 489 thousand), dividends from subsidiaries for Euro 365 thousand and Euro 85 thousand for interest income from subsidiaries.

Note 37 - Financial charges

Below is the breakdown of financial charges:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Interest payable on current accounts	71	65
Interest and expenses subject to final payment	18	21
Financial charges on loans	109	100
Lease charges	9	25
Other charges	218	375
Net financial charges on defined-benefit plans	0	0
Foreign exchange losses (either realised or estimated)	895	312

Financial charges	**1,320**	**897**

The increase in financial charges, equal to Euro 1,320 thousand in FY 2017/2018, was mainly attributable to foreign exchange losses, either realised or estimated, equal to Euro 895 thousand (Euro 312 thousand in the financial year ended 31 March 2017). Other charges include the cost amounting to Euro 180 thousand relating to the adjustment to the value of the Parent Company's call option towards subsidiary The Bridge S.p.A.. This measurement has been made by an independent appraiser.

Note 38 – Income taxes

Below is reported the breakdown of income tax:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
IRES tax	1,739	999
IRAP tax	398	333
Total current taxes	**2,137**	**1,332**

Current taxes relate to the tax burden calculated on the Company's taxable income.

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Deferred tax liabilities	(29)	(6)
Deferred tax assets	(140)	17
Total deferred tax assets and liabilities	**(169)**	**11**

Below is reported the reconciliation between theoretical and actual tax charge:

(in thousands of Euro)	**31 March 2018**	**31 March 2017**
Pre-tax result	7,247	4,349
Theoretical tax charge	24.0%	27.5%
Theoretical income taxes	1,739	1,196
Tax effect of permanent differences	(168)	(197)
Other changes	0	0
Total	**1,571**	**999**
IRAP tax	398	333
Current and deferred taxes in the accounts	**1,969**	**1,332**

Note 39 – Commitments

a) *Commitments for purchases (if any) of property, plant and equipment and intangible assets*

As at 31 March 2018, the Company had not executed contractual commitments that would entail significant investments in property, plant and equipment and intangible assets in the FY 2018/2019.

b) *Commitments on operating lease agreements*

As at 31 March 2018, the Company had executed contractual commitments which will entail future costs for rentals and operating leases which will be charged to the Income Statement on an accruals basis from the FY 2017/2018 onwards, mainly for the leases of DOS shops, as summarised in the table below:

(in thousands of Euro)	**At 31 March 2018** Within 12 months	From 1 to 5 years	Beyond 5 years	Total
Property lease	0	0	0	0
Other leases	3,632	8,122	694	12,448

Total	3,632	8,122	694	12,448

Note 40 – Relations with related parties

Piquadro S.p.A., the Parent Company of the Piquadro Group, operates in the leather goods market and designs, produces and markets articles under its own brand. The Subsidiaries mainly carry out activities of distribution of products (Piquadro España SLU, Piquadro Hong Kong Co. Ltd., Piquadro Deutschland GmbH, Piquadro Trading – Shenzhen Co. Ltd., Piquadro Taiwan Co. Ltd., Piquadro France SARL, Piquadro Swiss SA and Piquadro UK Limited, Piquadro LLC and OOO Piquadro Russia), or production (Uni Best Leather Goods Zhongshan Co. Ltd.), as well as The Bridge S.p.A., which sells The Bridge-branded products.
The relations with Group companies are mainly commercial and regulated at arm's length. There are also financial relations (intergroup loans) between Piquadro S.p.A. and some Subsidiaries, conducted at arm's length.

On 18 November 2010 Piquadro S.p.A. adopted, pursuant to and for the purposes of art. 2391-*bis* of the Italian Civil Code and of the "Regulation on transactions with related parties" as adopted by CONSOB resolution, the procedures on the basis of which Piquadro S.p.A. and its Subsidiaries operate to complete transactions with related parties of Piquadro S.p.A. itself

Below is reported the breakdown of financial receivables from Subsidiaries:

Financial receivables *(in thousands of Euro)*	**31 March 2018**	**31 March 2017**
Controlling companies		
Piqubo S.p.A.	0	0
Piquadro Holding S.p.A.	0	0
Subsidiaries		
Piquadro España SLU	0	0
Piquadro Deutschland GmbH	126	126
Piquadro Taiwan Co. Ltd.	0	75
Piquadro Hong Kong Co. Ltd.	0	3
Piquadro Swiss SA	171	173
OOO Piquadro Russia	0	209
The Bridge S.p.A.	8,319	8,344
Provision for write-down of receivables from subsidiaries	0	0
Total financial receivables from subsidiaries	**8,616**	**8,930**
Total financial receivables	**8,616**	**8,930**
% Impact	**100.0%**	**100.0%**

The table below provides the breakdown of trade receivables from Subsidiaries, included in the items "Receivables from subsidiaries" as commented on in Note 8:

Trade receivables *(in thousands of Euro)*	**31 March 2018**	**31 March 2017**
Controlling companies		
Piqubo S.p.A.	0	0
Piquadro Holding S.p.A.	0	0
Subsidiaries		
Piquadro España SLU	390	240
Piquadro Deutschland GmbH	11	69

Piquadro Hong Kong Co. Ltd.	253	400
Piquadro Taiwan Co. Ltd.	50	183
Uni Best Leather Goods Zhongshan Co. Ltd.	1,890	2,748
Piquadro Swiss SA	328	251
Piquadro France SARL	0	0
Piquadro UK Limited	17	3
Piquadro LLC	14	176
OOO Piquadro Russia	584	794
The Bridge S.p.A.	40	0
Total trade receivables from subsidiaries	**3,577**	**4,863**
Total trade receivables	**33,146**	**35,331**
% Impact	**10.8%**	**13.8%**

Trade receivables from Subsidiaries mainly relate to the sale of products for the subsequent distribution by directly-operated stores, and specifically of Uni Best Leather Goods Zhongshan Ltd, to the sale of raw materials (leather) purchased directly from the Company and then to be used in manufacturing processes.

Below is the breakdown of borrowings from Subsidiaries:

Borrowings *(in thousands of Euro)*	**31 March 2018**	**31 March 2017**
Controlling companies		
Piqubo S.p.A.	0	0
Piquadro Holding S.p.A.	0	0
Subsidiaries		
Piquadro France SARL	73	536
Total borrowings from subsidiaries	**73**	**536**
Total borrowings	**23,304**	**19,503**
% Impact	**0.3%**	**2.7%**

The table below provides the breakdown of trade payables to Subsidiaries, included in the item “Payables to subsidiaries”, as commented on in Note 21:

Trade payables *(in thousands of Euro)*	**31 March 2018**	**31 March 2017**
Controlling companies		
Piqubo S.p.A.	0	0
Piquadro Holding S.p.A.	0	0
Subsidiaries		
Piquadro España SLU	27	142
Piquadro Deutschland GmbH	9	83
Piquadro Hong Kong Co. Ltd.	20	217
Piquadro Trading Shenzhen Co. Ltd.	723	714
Piquadro Taiwan Co. Ltd.	166	220
Uni Best Leather Goods Zhongshan Co. Ltd.	967	2,344
Piquadro France SARL	0	0
Piquadro UK Limited	401	309
Piquadro LLC	386	273

OOO Piquadro Russia	22	448
The Bridge S.p.A.	45	0
Total trade payables to Subsidiaries	**2,840**	**4,751**
Total trade payables	**16,202**	**20,075**
% Impact	**17.5%**	**23.7%**

Trade payables partly derive from the services rendered in relation to the Service Agreements executed with the subsidiaries Piquadro España SLU, Piquadro Deutschland GmbH, Piquadro France SARL, Piquadro Hong Kong Co. Ltd., Piquadro Trading Shenzhen Co. Ltd., Piquadro Taiwan Co. Ltd., Piquadro UK Limited, Piquadro LLC and OOO Piquadro Russia carried out on the basis of market values, and partly from the purchase of finished products realised by the subsidiary Uni Best Leather Goods Zhongshan Co. Ltd..

Below is the breakdown of revenues from (direct and indirect) controlling Companies and from Subsidiaries:

Revenues *(in thousands of Euro)*	**31 March 2018**	**31 March 2017**
Controlling companies		
Piqubo S.p.A.	0	0
Piquadro Holding S.p.A.	0	0
Subsidiaries		
Piquadro España SLU	976	920
Piquadro Deutschland GmbH	62	57
Piquadro Hong Kong Co. Ltd.	155	149
Piquadro Taiwan Co. Ltd.	236	309
Uni Best Leather Goods Zhongshan Co. Ltd.	1,860	1,974
Piquadro Swiss SA	220	225
Piquadro France SARL	0	(66)
Piquadro UK Limited	183	159
Piquadro LLC	67	93
OOO Piquadro Russia	709	504
The Bridge S.p.A.	119	0
Total revenues from Subsidiaries	**4,587**	**4,324**
Total revenues	**71,537**	**67,240**
% Impact	**6.4%**	**6.4%**

Revenues from Subsidiaries essentially relate to the sale of leather products by the Company and the transactions were carried out at arm's length.

Below are reported the operating costs towards Subsidiaries:

Costs *(in thousands of Euro)*	**31 March 2018**	**31 March 2017**
Controlling companies		
Piqubo S.p.A.	75	75
Piquadro Holding S.p.A.	244	244
Subsidiaries		
Piquadro España SLU	103	321
Piquadro Deutschland GmbH	129	137
Piquadro Hong Kong Co. Ltd.	386	453
Piquadro Trading Shenzhen Co. Ltd.	9	87

Piquadro Taiwan Co. Ltd.	388	727
Uni Best Leather Goods Zhongshan Co. Ltd.	7,297	7,476
Piquadro France SARL	0	63
Piquadro UK Limited	268	252
Piquadro LLC	892	908
OOO Piquadro Russia	585	662
The Bridge S.p.a.	105	0
Total costs towards Controlling Companies and Subsidiaries	**10,482**	**11,404**
Total operating costs	**64,180**	**63,660**
% Impact	**16.3%**	**19.8%**

Operating costs towards Subsidiaries mainly relate to the purchase of finished products made by the Company towards the subsidiary Uni Best Leather Goods Zhongshan Co. Ltd. and to the services rendered in relation to the so-called Service Agreements executed with the subsidiaries Piquadro España SLU, Piquadro Deutschland GmbH, Piquadro France SARL, Piquadro UK Limited, Piquadro Hong Kong Co. Ltd., Piquadro Trading Shenzhen Co. Ltd., Piquadro Taiwan Co. Ltd., Piquadro LLC and OOO Piquadro Russia, carried out on the basis of market values. All transactions were carried out at arm's length.

Piqubo S.p.A., the ultimate Parent Company, charged Piquadro the rent relating to the use of the plant located in Riola di Vergato (Province of Bologna) as a warehouse.

On 29 June 2012, a lease agreement was entered into between Piquadro Holding S.p.A. and Piquadro S.p.A., concerning the lease of a property for office purposes located in Milan, Piazza San Babila no. 5, which is used as a show-room of Piquadro S.p.A.. This lease agreement has been entered into at arm's length.

Below is reported the financial income from Subsidiaries:

Financial income *(in thousands of Euro)*	**31 March 2018**	**31 March 2017**
Controlling companies		
Piqubo S.p.A.	0	0
Piquadro Holding S.p.A.	0	0
Subsidiaries		
Piquadro Deutschland GmbH	1	1
Piquadro Swiss SA	2	4
OOO Piquadro Russia	5	8
The Bridge S.p.A.	77	24
Total financial income from Subsidiaries	**85**	**36**
Total financial income	**987**	**906**
% Impact	**8.6%**	**4.0%**

Below is the breakdown of financial costs to related Companies:

Financial costs *(in thousands of Euro)*	**31 March 2018**	**31 March 2017**
Controlling companies		
Piqubo S.p.A.	0	0
Piquadro Holding S.p.A.	0	0

Subsidiaries		
Piquadro France SARL	2	1
Total financial costs to Subsidiaries	**2**	**1**
Total financial costs	**1,320**	**897**
% Impact	**0.2%**	**0.0%**

The Directors report that, in addition to Piqubo S.p.A., Piquadro Holding S.p.A. and the Palmieri Family Foundation, there are no other related parties (pursuant to IAS 24) of the Piquadro Group.

Below are reported the following financial relations with Piquadro Holding S.p.A.:

- **in the FY 2017/2018, Piquadro S.p.A. distributed to the majority shareholder Piquadro Holding S.p.A. dividends of Euro 1,367,443 relating to the profit for the FY 2016/2017;**
- in the FY 2016/2017, Piquadro S.p.A. distributed to the majority shareholder Piquadro Holding S.p.A. dividends of Euro 1,367,448 relating to the profit for the FY 2015/2016.

In the FY 2017/2018 no transactions were effected with the Palmieri Family Foundation, which is a non-profit foundation, whose Founder is Marco Palmieri and which has the purpose of promoting activities aimed at the study, research, training, innovation in the field for the creation of jobs and employment opportunities for needy persons.

Fees due to the Board of Directors

Below are indicated the fees by name (including emoluments due to Directors and current and deferred remuneration, also in kind, by subordinate employment) due to the Directors and to the members of the Board of Statutory Auditors of Piquadro S.p.A. for the FY 2017/2018 for the performance of their duties in the Parent Company and other Group Companies, and the fees accrued by any Key Executives (as at 31 March 2017, the Directors had not identified Key Executives):

(in thousands of Euro)

First and last name	**Position held**	**Period in which the position was held**	**Term of office**	**Fees for the position**	**Non-cash benefits**	**Bonuses and other incentives**	**Other Fees**	**Total**
Marco Palmieri	Chairman and CEO	01/04/17-31/03/18	2019	500	7	70	2.5	**579.5**
Pierpaolo Palmieri	Vice-Chairman– Executive Director	01/04/17-31/03/18	2019	250	4	30	2.5	**286.5**
Marcello Piccioli	Executive Director	01/04/17-31/03/18	2019	180	3	30	6.5	**219.5**
Roberto Trotta	Executive Director	01/04/17-31/03/18	2019	1)	3	28	171.5	**202.5**
Paola Bonomo	Independent Director	01/04/17-31/03/18	2019	18	0	0	2	**20**
Catia Cesari	Independent Director	01/04/17-31/03/18	2019	12	0	0	1	**13**
Barbara Falcomer	Independent Director	01/04/17-31/03/18	2019	12	0	0	1	**13**
				984	**17**	**158**	**189**	**1,348**

2) He waived the emolument for the period from 01/04/2017 to 31/03/2018.

Fees due to the Board of Statutory Auditors

First and last name	Position Held	Period in which the position was held	Term of office	Fees in Piquadro	Other fees	Total
Pietro Michele Villa	Chairman	01/04/17-31/03/18	2019	24	0	**24**
Giuseppe Fredella	Regular Member	01/04/17-31/03/18	2019	17	0	**17**
Patrizia Riva	Regular Member	01/04/17-31/03/18	2019	17	0	**17**
				58	**0**	**58**

The Statutory Auditors are also entitled to receive the reimbursement of expenses incurred for the reasons of their position, which amounted to Euro 3,069 in the last financial year and the reimbursement of any charges relating to the National Social Security Fund.

Information required by Article 149-*duodecies* of the CONSOB Issuers' Regulation

Type of service	Entity performing the service	Fees *(in thousands of Euro)*
Statutory audit of annual and half-year accounts	Parent Company's Independent Auditors (Deloitte and Touche S.p.A)	115
Other services (2)	Parent Company's Independent Auditors (Deloitte and Touche S.p.A)	19
Subsidiary's Auditing	Parent Company's Independent Auditors (Deloitte and Touche S.p.A) and Network of the Parent Company's Independent Auditors	35
Certification services (1)	Parent Company's Independent Auditors (Deloitte and Touche S.p.A)	22.5

(1) Examination of the non-financial declaration
(2) Methodological assistance services in relation to the sustainability reporting on the Financial Statements at 31 March 2017

Note 41 – Events after the year end

2 June 2018 saw the execution of the contract for the sale and the completion of the acquisition of Lancel International S.A. ("Lancel International") – a Swiss company wholly owned by the Richemont Group, which owns the "Lancel" brand and holds 99.9958% of the share capital of the French company Lancel Sogedi S.A. and of the Spanish and Italian companies that operate the Lancel boutiques opened in Spain and Italy (Lancel International and its subsidiaries hereinafter referred to as the "Lancel Group").
Maison Lancel, which is based in Paris and was founded in 1876, creates and distributes quality luxury leather goods, as well as stylish gifts and accessories, for men and women. Maison Lancel has developed a selected network of 60 DOSs and 11 franchise stores. Lancel operates in 39 countries, including China, through its retail and wholesale sales network. During the financial year ended 31 March 2018, the Lancel Group achieved sales of Euro 50 million. Richemont will receive a share of profits realised by the Lancel Group during the ten years after the closing as consideration for the acquisition; the total share of profits that may be allocated to Richemont based on this mechanism may not exceed Euro 35 million.

Note 42 – Other information

a) Shares of Piquadro S.p.A. owned by its Directors or Statutory Auditors

Below is reported the chart containing the equity investments held by Directors, Statutory Auditors, General Managers, Key Executives and their spouses and minor children in Piquadro S.p.A. and its subsidiaries.

First and last name	Position	Investee company	No. of shares owned at the end of the previous financial year	No. of shares purchased	No. of shares sold	No. of shares owned at the end of the current financial year
Marco Palmieri	Chairman CEO [(1)]	Piquadro S.p.A.	31,909,407	0	0	31,909,407
Pierpaolo Palmieri	Vice-Chairman-Executive Director [(2)]	Piquadro S.p.A.	2,276,801	0	0	2,276,801
Roberto Trotta	Executive Director	Piquadro S.p.A.	3,000	0	0	3,000

[(1)] At the end of the FY 2017/2018, the Chairman of the Board of Directors and CEO of Piquadro S.p.A., Marco Palmieri, owned a stake equal to 93.34% of the Share Capital of Piquadro Holding S.p.A., through Piqubo S.p.A., a Company wholly owned by the latter. Piquadro Holding S.p.A., in turn, owns 68.37% of the Share Capital of Piquadro S.p.A..
[(2)] At the end of the 2017/2018, the Vice-Chairman of the Board of Directors of Piquadro S.p.A., Pierpaolo Palmieri, owned a stake equal to 6.66% of the Share Capital of Piquadro Holding S.p.A., which in turn, owns 68.37% of the Share Capital of Piquadro S.p.A..

b) Sale transactions with a reconveyance obligation

As at 31 March 2018, the Company had no sale transactions in place subject to an obligation of reconveyance or repurchase of its own assets sold to third-party customers.

c) Information on the financial instruments issued by the Company

The Company did not issue financial instruments during the financial year.

d) Shareholder loans to the Company

The Company has no payables to Shareholders for loans.

e) Information relating to assets and loans intended for a specific business

The Company has not constituted assets intended for a specific business, nor has it raised loans intended for a specific business.

f) Indication of the controlling entity and information on the management and coordination activity pursuant to article 2497 of the Italian Civil Code

Piquadro S.p.A. is not subject to management and coordination activities pursuant to Article 2497 and ff. of the Italian Civil Code. In fact, although under Article 2497-*sexies* of the Italian Civil Code "*it is presumed, unless there is evidence to the contrary, that the activity of management and coordination of Companies is carried out by the Company or entity that is required to consolidate their financial statements or that controls them in any way pursuant to Article 2359*", neither Piqubo S.p.A. nor Piquadro Holding S.p.A., i.e. the companies controlling Piquadro S.p.A., carries out management and coordination activities in relation to Piquadro S.p.A., in that (i) they do not give instructions to their subsidiary; and (ii) there is no significant organisational/functional connection between these Companies and Piquadro S.p.A..
In addition to directly carrying out operating activities, Piquadro S.p.A., in its turn, also carries out management and coordination activities in relation to the Companies it controls, pursuant to Articles 2497 and ff. of the Italian Civil Code.

CERTIFICATION ON THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-Ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended and supplemented

The undersigned Marco Palmieri, in his capacity as Chief Executive Officer, and Roberto Trotta, in his capacity as Financial Reporting Officer of Piquadro S.p.A., certify, also taking account of the provisions under Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- adequacy in relation to the characteristics of the Company and
- actual application,

of administrative and accounting procedures for the preparation of the separate financial statements in the course of the period from 1 April 2017 to 31 March 2018.

It is also certified that the separate financial statements as at 31 March 2018:

a) have been prepared in accordance with the applicable International Accounting Standards acknowledged by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
b) correspond to the results in the accounting books and records;
c) are suitable to give a true and correct representation of the equity, economic and financial position of the Issuer.

The Report on Operations includes a reliable analysis of the performance and of the result of operations, as well as of the position of the Issuer, together with a description of the main risks and uncertainties to which they are exposed.

Silla di Gaggio Montano (Bologna), 11 June 2018

Marco Palmieri
Chief Executive Officer
Signed: Marco Palmieri

Roberto Trotta
Financial Reporting Officer
Signed: Roberto Trotta

HIGHLIGHTS OF FINANCIAL STATEMENTS OF SUBSIDIARIES AT 31 MARCH 2018

Below are reported, pursuant to art. 2429, last paragraph, of the Italian Civil Code, the highlights of the financial statements of the Subsidiaries included in the consolidation area

Distribution companies

Income Statement *(in thousands of Euro)*	**Piquadro España SLU**	**Piquadro Deutschland GmbH**	**OOO Piquadro Russia (g)**
Revenues and other income	2,242	220	2,597
Operating costs	(2,209)	(202)	(2,566)
Operating result	33	18	31
Financial income (charges)	0	0	(86)
Pre-tax operating result	33	18	(55)
Income taxes	(8)	(27)	(3)
Result for the period	**25**	**(9)**	**58**

Balance Sheet *(in thousands of Euro)*	**Piquadro España SLU**	**Piquadro Deutschland GmbH**	**OOO Piquadro Russia (g)**
Assets			
Non-current assets	274	2	389
Current assets	1,014	186	1,064
Total assets	**1,288**	**188**	**1,453**
Equity and liabilities			
Equity	824	35	776
Non-current liabilities	0	0	0
Current liabilities	464	153	677
Total Equity and liabilities	**1,288**	**188**	**1,453**

Income Statement *(in thousands of Euro)*	**Piquadro Swiss SA (d)**	**Piquadro France SARL**	**Piquadro UK Limited (e)**
Revenues and other income	395	1	778
Operating costs	(507)	(11)	(770)
Operating result	(112)	(10)	8
Financial income (charges)	(24)	2	(1)
Pre-tax result	(136)	(9)	7
Income taxes	0	(24)	(1)
Result for the period	**(136)**	**(15)**	**6**

Balance Sheet *(in thousands of Euro)*	**Piquadro Swiss SA (d)**	**Piquadro France SARL**	**Piquadro UK Limited (e)**
Assets			
Non-current assets	67	0	575
Current assets	226	113	633
Total assets	**293**	**113**	**1,208**
Equity and liabilities			
Equity	(400)	109	1,171
Non-current liabilities	0	0	0
Current liabilities	693	4	37

Total Equity and liabilities	**293**	**113**	**1,208**

Income Statement *(in thousands of Euro)*	**Piquadro Hong Kong Co. Ltd. (a)**	**Piquadro Trading Shenzhen Co. Ltd. (b)**	**Piquadro Taiwan Co. Ltd. (c)**
Revenues and other income	692	8	913
Operating costs	(689)	(98)	(907)
Operating result	2	(89)	6
Financial income (charges)	(43)	33	1
Pre-tax result	(40)	(56)	7
Income taxes	4	(75)	(7)
Result for the period	**37**	**(130)**	**0**

Balance Sheet *(in thousands of Euro)*	**Piquadro Hong Kong Co. Ltd. (a)**	**Piquadro Trading Shenzhen Co. Ltd. (b)**	**Piquadro Taiwan Co. Ltd. (c)**
Assets			
Non-current assets	116	0	227
Current assets	232	789	711
Total assets	**348**	**789**	**938**
Equity and liabilities			
Equity	66	789	840
Non-current liabilities	0	0	16
Current liabilities	282	0	82
Total Equity and liabilities	**348**	**789**	**938**

Income Statement *(in thousands of Euro)*	**Piquadro LLC (f)**	**Piquadro USA INC. (f)**
Revenues and other income	1,027	0
Operating costs	(1,022)	(1)
Operating result	4	(1)
Financial income (charges)	0	(0)
Pre-tax result	4	(1)
Income taxes	3	(5)
Result for the period	**7**	**(6)**

Balance Sheet *(in thousands of Euro)*	**Piquadro LLC (f)**	**Piquadro USA INC. (f)**
Assets		
Non-current assets	468	808
Current assets	498	9
Total assets	**996**	**817**
Equity and liabilities		
Equity	807	802
Non-current liabilities	0	0
Current liabilities	159	15
Total Equity and liabilities	**966**	**817**

Production companies

Income Statement *(in thousands of Euro)*	**Uni Best Leather Goods Zhongshan Co. Ltd. (b)**
Revenues and other income	7,630
Operating costs	(7,691)
Operating result	(61)
Financial income (charges)	(8)
Pre-tax result	(69)
Income taxes	(32)
Result for the period	**(100)**

Balance Sheet *(in thousands of Euro)*	**Uni Best Leather Goods Zhongshan Co. Ltd. (b)**
Assets	
Non-current assets	128
Current assets	2,862
Total assets	**2,990**
Equity and liabilities	
Equity	475
Non-current liabilities	0
Current liabilities	2,515
Total Equity and liabilities	**2,990**

The Bridge brand management company

Income Statement *(in thousands of Euro)*	**The Bridge S.p.A.**
Revenues and other income	25,809
Operating costs	(24,807)
Operating result	1,003
Financial income (charges)	(220)
Pre-tax result	783
Income taxes	214
Result for the period	**569**

Balance Sheet *(in thousands of Euro)*	**The Bridge S.p.A.**
Assets	
Non-current assets	4,051
Current assets	16,893
Total assets	**20,944**
Equity and liabilities	
Equity	560
Non-current liabilities	2,831
Current liabilities	17,553
Total Equity and liabilities	**20,944**

Currency	Average exchange rate (*)		Final exchange rate (*)	
	2018	2017	2018	2107
(a) Hong Kong Dollar (HKD)	9.14	8.51	9.67	8.31
(b) Renminbi (RMB)	7.75	7.38	7.75	7.36
(c) Taiwan Dollar (TWD)	35.08	34.84	35.93	32.46
(d) Swiss Franc (CHF)	1.14	1.08	1.18	1.07
(e) Great Britain Pound (GBP)	0.88	0.84	0.87	0.86
(f) US Dollar (USD)	1.17	1.10	1.23	1.07
(g) Russian Rouble (RUB)	67.74	69.23	70.89	60.31

* The exchange rates have been rounded up to the second decimal figure.

Deloitte & Touche S.p.A.
Piazza Malpighi, 4/2
40123 Bologna
Italia

Tel: +39 051 65811
Fax: +39 051 230874
www.deloitte.it

INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Piquadro S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Piquadro (the "Company"), which comprise the balance sheet as at March 31, 2018, the income statement and the comprehensive income statement, the statement of changes in shareholders' equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment test on investments

Description of key audit matter

The financial statements of Piquadro S.p.A. as of 31 March 2018 report investments in subsidiaries totalling Euro 9,729 thousand of which Euro 4,208 thousand related to investment in The Bridge S.p.A.

In the Company’s financial statements, investments in subsidiaries are valued at cost adjusted for impairment losses. In line with "IAS 36 Impairment of assets", if any impairment indicator exists, the Company carries out an impairment test by comparing the recoverable amount of the investments - determined according to the value in use method – to their carrying amount. In particular, as of 31 March 2018, the requirement to perform the impairment test existed only for the investment in The Bridge S.p.A. and the outcome proved no need to record any impairment loss.

The valuation process adopted by management is complex and is based on a series of assumptions, such as the forecast cash flows, the appropriate discounting rate (WACC) and the long-term growth rate (g-rate). These assumptions are, by nature, influenced by future expectations regarding the evolution of external market conditions, which constitute an element of uncertainty in the estimate.

Considering the significance of the negative differences between the book value of the above investment and the corresponding portion of equity, the subjectivity of the estimates relating to the determination of the cash flows and the key assumptions of the impairment test, we considered the impairment test was a key audit matter for the financial statements of the Company.

Note 3 of the financial statements present information about the investments, including the impairment test, which comprises a sensitivity analysis that describes the effects of changing the key assumptions used to carry out the impairment test.

Audit procedures adopted

We first examined the approach taken by Management to determine the value of the Investments in subsidiaries, analysing the methods and assumptions applied by Management to carry out the impairment test.

In the context of our audit work we performed the following procedures, among others, partly with assistance from experts of the Deloitte network:

- observation and understanding of the relevant controls implemented by Piquadro Group over the impairment testing process and the identification of impairment indicator;

- analysis of the reasonableness of the principal assumptions made in order to forecast cash flows, partly by analysing external data and obtaining information from Management that we deemed to be significant;

- analysis of actual values in comparison with the original plans, in order to assess the nature of variances and the reliability of the budgeting process;

- assessment of the reasonableness of the discount rate (WACC) and the long-term growth rate (*g-rate*), partly via the appropriate identification of and reference to external sources that are normally used in professional practice and to key data for main comparables;

- verification of the mathematical accuracy of the model used to determine the value in use of the investment in the Bridge S.p.A.;

- verification of the sensitivity analysis prepared by Management.

We also examined the adequacy of the information disclosed by the Group about the impairment test and its consistency with the requirements of IAS 36.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Piquadro S.p.A. has appointed us on July 26, 2016 as auditors of the Company for the years from March 31, 2017 to March 31, 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Piquadro S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Piquadro S.p.A. as at March 31, 2018, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Piquadro S.p.A. as at March 31, 2018 and on their compliance with the law, as well as to make a statement about any material misstatement.
In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Piquadro S.p.A. as at March 31, 2018 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Domenico Farioli
Partner

Bologna, Italy
June 15, 2018

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