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NOTICE OF CALL OF THE SHAREHOLDERS' MEETING

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

NOTICE OF CALL OF THE SHAREHOLDERS' MEETING

The Shareholders' Meeting of Piquadro S.p.A. is hereby called on 25 July 2019 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 26 July 2019, 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 2019; proposed allocation of profits; Board of Directors' Report on operations; Independent Auditors' Report; Report of the Board of Statutory Auditors; relevant and consequent resolutions.
2. Appointment of Directors for the financial years 2019/2020, 2020/2021 and 2021/2022, subject to prior determination of the number, and appointment of the Chairman; determination of the total amount for the fees due to all Directors; relevant and consequent resolutions.
3. Appointment of the Board of Statutory Auditors and of the Chairman for the financial years 2019/2020, 2020/2021 and 2021/2022; determination of fees due to the members of the Board of Statutory Auditors; relevant and consequent resolutions.
4. 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.
5. Proposed authorisation for the purchase and sale of treasury shares; relevant 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 16 July 2019.

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. 22 July 2019). 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 23 July 2019 or, if the Shareholders' Meeting is held on second call, on 24 July 2019). 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 - 2019", 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 19 July 2019, 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 22 June 2019), 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 letter 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.

Appointment of the Board of Directors

With reference to the appointment of the Board of Directors, which may take place on the basis of lists submitted by the Shareholders, reference is made to section 17.2 of the Company's By-Laws and to the information published in the Company's website. In particular, it should be noted that lists may be submitted only by the Shareholders who will represent, either individually or together with other Shareholders, at least an overall percentage of 2.5% of the capital represented by ordinary shares, corresponding to no. 1,250,000 ordinary shares, on the date of submission of the lists at the Company. The lists, accompanied by the documentation required by the Company's By-Laws and by the applicable regulations, must be filed at the Company's registered office at least 25 (twenty-five) days before that set for the Shareholders' Meeting (by 28 June 2019), except for the certifications of the authorised intermediaries that attest to the overall stake held, as at the date of filing of the list, which may be sent to the Company by 3 July 2019. Any registrations made on the accounts of the Shareholder who has submitted the list after the date of submission of the list are not relevant for the purposes of the entitlement to exercise the right.
The composition of the Board of Directors shall take place in compliance with the regulations governing gender equality in force for the time being and in accordance with the provisions of the Self-Regulatory Code, as specified in the Board of Directors' Reports. The Shareholders who intend to submit a list may contact the Legal, Corporate Affairs and Compliance Department in advance, in order to obtain the required operational details at the email address: investor.relator@piquadro.com.
The lists that submit a number of candidates equal to or higher than three shall also include candidates of different gender so as to ensure a composition of the Board of Directors complying with the current regulations governing gender equality. Pursuant to the abovementioned law, a percentage equal at least to one third of elected directors shall be reserved for the less represented gender.
The Shareholders submitting a "minority list" are required to peruse the recommendations set out in CONSOB Communication No. DEM/9017893 of 26 February 2009, concerning the "Appointment of the members of governing and control bodies" and, in particular, to file, together with the list, a declaration attesting that no investment relationships exist, either directly or indirectly, as referred to in Article 147-*ter*, paragraph 3, of the TUF and in Article 144-***quinquies*** of the Issuers' Regulation, with the Shareholders who hold, both individually and collectively, a controlling or relative majority relationship, where these can be identified on the basis of the notices on significant shareholdings referred to in Article 120 of the TUF or of the publication of shareholders' agreement pursuant to Article 122 of the TUF.
This declaration shall also specify such relationships as may be existing, if significant, with those Shareholders who hold, both individually and collectively, a controlling or relative majority relationship, where these can be identified, as well as the reasons for which these relationships have not been regarded as decisive for the existence of the abovementioned investment relationships, or it shall be declared that the relationships referred to above do not exist.
For any other information relating to the procedures for the preparation, submission and voting of the lists for the appointment of the Board of Directors, reference should be made to Section 17.2 of the By-Laws, which are available at the registered office and are published in the Investor Relations Section on the Company's website, at the address: www.piquadro.com.

Appointment of the Board of Statutory Auditors

With reference to the appointment of the Board of Statutory Auditors, which may take place on the basis of lists submitted by the Shareholders, reference is made to section 26.4 of the Company's By-Laws and to the information published in the Company's website. In particular, it should be noted that lists may be submitted only by the Shareholders who will represent, either individually or together with other Shareholders, at least an overall percentage of 2.5% of the capital represented by ordinary shares, corresponding to no. 1,250,000 ordinary shares, on the date of submission of the lists at the Company. The lists, accompanied by the documentation required by the Company's By-Laws and by the applicable regulations, must be sent to the Company at least 25 (twenty-five) days before that set for the Shareholders' Meeting (by 28 June 2019), except for the certifications of the authorised intermediaries that attest to the overall stake held, as at the date of filing of the list, which may be sent to the Company by 3 July 2019. Any registrations made on the accounts of the Shareholder who has submitted the list after the date of submission of the list are not relevant for the purposes of the entitlement to exercise the right.
If only a single list or lists submitted by Shareholders linked by significant relations of connection on the basis of the current provisions of law and regulations have been filed as at the date of expiry of the time limit for the filing, lists may be submitted up to the third day after said time limit and the thresholds of participation in the Share Capital required for the submission of lists are reduced by half.
The composition of the Board of Statutory Auditors shall take place in compliance with the regulations governing gender equality in force for the time being and in accordance with the provisions of the Self-Regulatory Code, as specified in the Board of Directors' Reports. The Shareholders who intend to submit a list may contact the Legal, Corporate Affairs and Compliance Department in advance, in order to obtain the required operational details at the email address: investor.relator@piquadro.com.
In compliance with the current regulations governing gender equality, any lists that, considering both sections, submit a number of candidates equal to or higher than three shall also include candidates of different gender both at the first two positions of the section of the list relating to Standing Auditors, and at the first two positions of the section of the list relating to Alternate Auditors.
For any other information relating to the procedures for the preparation, submission and voting of the lists for the appointment of the Board of Statutory Auditors, reference should be made to Section 26.4 of the By-Laws, which are available at the registered office and are published in the Investor Relations Section on the Company's website, at the address: www.piquadro.com.

With reference to the appointment of the members of corporate bodies, reference is made to the recommendations under CONSOB Communication no. DEM/9017893 of 26 February 2009.

In order to allow the Company to identify the applicant entities, the lists for the appointment of the members of the Board of Directors and of the Board of Statutory Auditors may be filed, together with the related documentation, according to the following procedures: (i) by registered letter to be sent to the registered office or (ii) by certified email to be sent to the address: investor.relator@piquadro.com or to the fax number: +39 0534 409090.
The lists shall be made available to the public through the publication in the Investor Relations Sector on the Company' website at the address: www.piquadro.com, and at the authorized storage system of Spafid Connect S.p.A., which can be accessed from the address: www.emarketstorage.com com by the 21st day prior to the date set for the Shareholder's Meeting (i.e. by 3 July 2019).

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 of Spafid Connect S.p.A. 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 of Spafid Connect S.p.A. 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, 10 June 2019

The abstract of this notice of call was also published by the Company in the daily newspaper *Il Giornale* on 12 June 2019.

The Chairman of the Board of Directors
Marco Palmieri

<u>Corporate details</u>

Piquadro S.p.A

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

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

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

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 2019, 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 2018 – 31 March 2019 (the "FY 2018/2019").

The financial year under consideration is compared to the data for the 2017/2018 financial year (the "FY 2017/2018") which relates to the period from 1 April 2017 to 31 March 2018.

As regard subsidiary Lancel International SA and its subsidiaries ("Lancel Group"), it should be noted that the results of operations for the FY 2018/2019 were consolidated within the Piquadro Group, only for the period from 1 June 2018 to 31 March 2019. For details of this operation, reference shoul be made to the information provided in the paragraph on "Significant events during the financial year".

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 2019

- **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)

Standing auditors

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

Alternate auditors
Giacomo Passaniti
Maria Stefania Sala

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

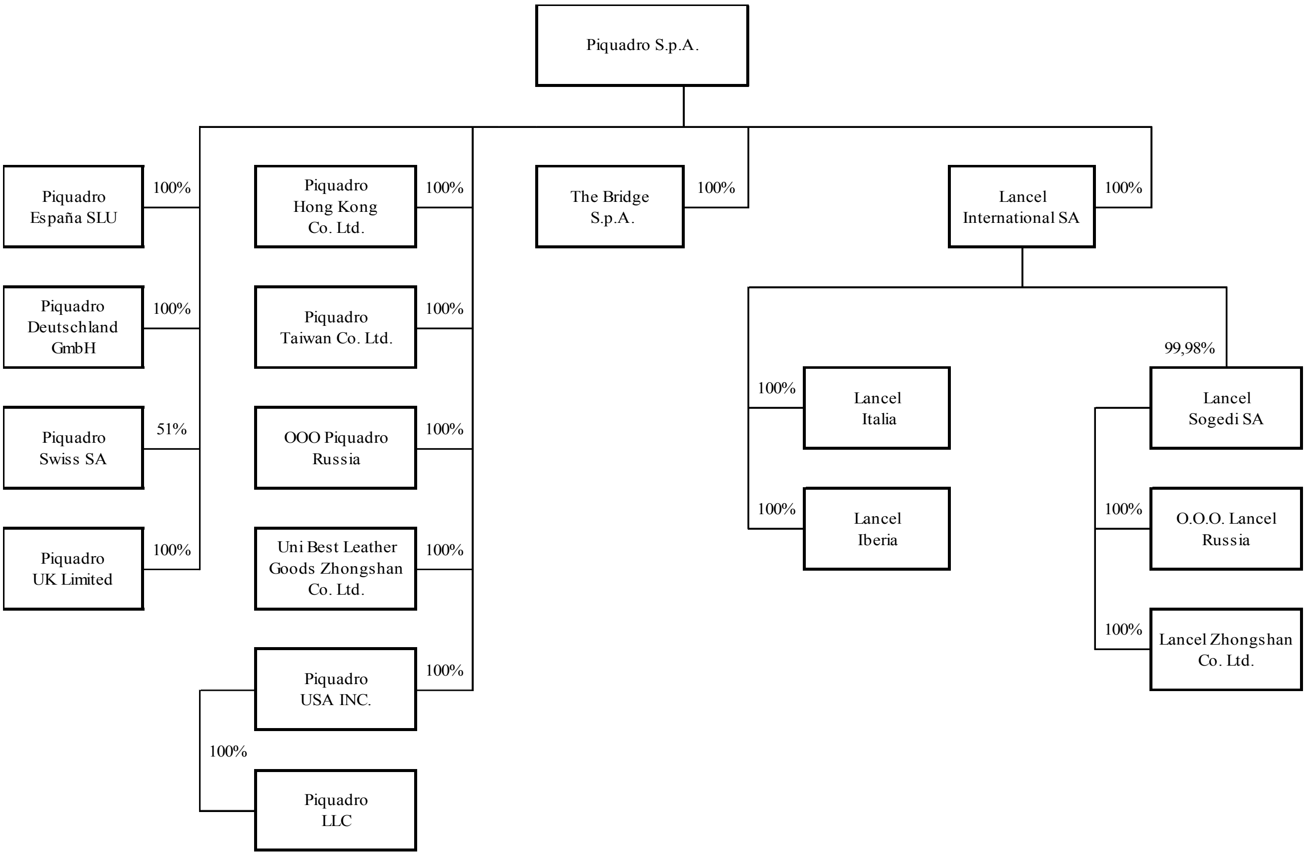
  Deloitte & Touche S.p.A.

- **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 2019:



Significant events during the financial year

On 2 June 2018 Piquadro S.p.A. signed a contract of sale for the acquisition of Lancel International S.A. ("Lancel International") – a Swiss company that is wholly owned by the Richemont Group and is the owner of the "Lancel" brand, holding 99.9958% of the capital of the French company Lancel Sogedi S.A., as well as of the Spanish and Italian companies that operate Lancel's boutiques in their respective countries (Lancel International and its subsidiaries are hereinafter referred to as the "Lancel Group").

The Lancel Group was founded in 1876 and the head office of the operating company (Lancel Sogedi) is located in Paris. It has developed a network of 59 DOSs and 11 franchise shops and is active in 39 countries, including China, through its retail and wholesale sales network.

The sale transaction described above (hereinafter the "Transaction") falls within the scope of the growth and development plan of the Piquadro Group and is of significant strategic importance, with specific regard to the international expansion of the Group.

The price paid on the date of execution amounted to Euro 1 (one), plus an earn-out equal to 20% of profits realised by the Lancel Group on an annual basis ("Annual Earn-Out") during the ten years after the date of completion of the Transaction and to 50% of the price of any possible resale to third parties of the Lancel Group or of most of its assets ("Sale Earn-Out"), should it take place in the same period. However, the parties have agreed that in no case may the earn-out exceed an amount of Euro 35 million. Within the scope of the agreements reached in relation to this transfer, Richemont has undertaken to cover any and all losses suffered by the Lancel Group over a period of 10 years ("Loss Period"), with a maximum limit of no more than Euro 35 million. Therefore, according to these provisions, the commitment undertaken by Richemont will entail, for each financial year included in the Loss Period, Richemont's cash transfer (during the subsequent financial year) to the Lancel Group in an amount equal to the losses suffered by the Lancel Group in that year. Therefore, under the contract of transfer, the Lancel Group is entitled to receive an amount equal to the losses suffered, on the one hand, and, on the other, is under an obligation to transfer to Richemont 20% of the profits achieved by Lancel during the Loss Period.

It should be noted that, within this transaction, in September and December 2018 there was the incorporation of the Russian company OOO Lancel Russia to which a business unit was contributed which concerned a point of sale previously owned by Richemont and Lancel Zhongsham Co. Ltd that now holds an outlet, which was previously owned by Richemont as well.

During the year two Piquadro brand Companies were closed, i.e. the French company Piquadro France Sarl in January 2019 and the Chinese company Trading Shenzhen Co. Ltd in February 2019, respectively, as both of them were not operating.

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, The Bridge and Lancel); 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, procurement, 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 2019, part of the small leather goods and of some lines of briefcases, which accounts for about 32.2% of the Piquadro's 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, The Bridge and Lancel- branded products, are outsourced to external suppliers of proven competence and quality, mainly located in China, Hong Kong, Italy, India, the Czech Republic and Bulgaria. 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 three Piquadro, The Bridge and Lancel brands. For this purpose, the Group makes use of a distribution network focused on two channels:

(i) a direct channel which, at 31 March 2019, included 127 operated single-brand stores (the so-called "Directly Operated Stores" or "DOSs"), of which 55 Piquadro-brand stores, 9 The Bridge-brand stores and 63 Lancel-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 (59 shops at 31 March 2019, of which 47 Piquadro-brand stores, 4 The Bridge-brand stores and 8 Lancel-brand stores) and by distributors who then resell the articles in specialist multi-brand shops.

In the financial year ended 31 March 2019, about 51.4% of the Group's consolidated revenues were achieved by Piquadro-branded products (+2.6% compared to the financial year ended 31 March 2018), 30.6% through the sale of Lancel-branded products and 18.0% through the sale of The Bridge-branded products (+11.6% compared to the financial year ended 31 March 2018).

Operations

In the financial year ended 31 March 2019 the Piquadro Group recorded, at revenue level, an increasing performance of 51.1% compared to the FY 2017/2018. In fact, the Piquadro Group reported net sales revenues equal to Euro 147,472 thousand compared to Euro 97,627 thousand recorded in the previous year. The increase in revenues was mainly due to the consolidation of the Lancel Group, as from June 2018, which recorded revenues of Euro 45,163 thousand, as well as to the positive performance in sales of Piquadro and The Bridge-branded products, as illustrated below.

Net of the effects relating to the Lancel's consolidation, sales volumes, in terms of quantities sold during the financial year ended 31 March 2019, were equal to about 1,384 thousand units, up by about 0.5% compared to the value posted in the financial year ended 31 March 2018 (about 1,377 thousand units sold). Net of the effects relating to the Lancel's consolidation, as regards average selling prices, the financial year ended 31 March 2019 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 2019 the Piquadro Group reported sales revenues equal to Euro 147,472 thousand, up by 51.1% compared to the financial year ended 31 March 2018.
The increase in revenues was determined by the inclusion of the Lancel Group as from June in the scope of consolidation, which recorded revenues of about Euro 45.2 million, as well as by an increase of 2.6% in the sales of Piquadro-branded products and an increase of 11.6% in the sales of The Bridge-branded products, which were reported in both the Wholesale and DOS channels for both brands.

Following the acquisition of Lancel Group, the Piquadro Group's top management review the Group's results of operations obtained by each brand (Piquadro, The Bridge, Lancel) in operational terms; accordingly, the disclosures according to IFRS 8 concerning the Group's sales revenues are now reported on a brand basis (Piquadro, The Bridge and Lancel) with effect from the current financial year.

Therefore, the breakdowns of revenues by Brand and geographical area are reported below.

Breakdown of revenues by Brand

The table below reports the breakdown of consolidated sales revenues by Brand, expressed in thousands of Euro for the financial year ended 31 March 2019 and compared to the financial year ended 31 March 2018:

Sales channel *(in thousands of Euro)*	**Sales revenues at 31 March 2019**	**%(*)**	**Sales revenues at 31 March 2018**	**%(*)**	**% Change 2019/2018**
PIQUADRO	75,789	51.4%	73,867	75.7%	2.6%
THE BRIDGE	26,520	18.0%	23,760	24.3%	11.6%
LANCEL	45,163	30.6%	-	-	-
Total	**147,472**	**100.0%**	**97,627**	**100.0%**	**51.1%**

(*) Percentage impact compared to sales revenues

With reference to the Piquadro brand, the revenues reported in the financial year ended 31 March 2019 increased by 2.6% compared to the financial year ended 31 March 2018; this increase was determined both by the growth in the sales in the DOS channel, which was equal to 4.3% compared to the financial year ended 31 March 2018, and

by a growth in the sales in the Wholesale channel, which was equal to about 1.4% and accounted for 58.3% of the sales of Piquadro-branded products. It should be noted that the DOS channel of the Piquadro brand also included the sales from the Piquadro's e-commerce website.
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 of the Piquadro brand recorded an increase equal to about 1.9% (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 2.5%).

With reference to the The Bridge brand the revenues reported in the financial year ended 31 March 2019 increased by 11.6% compared to the financial year ended 31 March 2018; this increase was determined both by a growth of 14.7% in the sales in the DOS channel and by an increase of 10.3% in the Wholesale channel, which accounted for 68.8% of the sales of The Bridge-branded products.
The DOS channel of The Bridge brand also included the sales from the The Bridge's e-commerce website, which showed an increase of 42.4%. 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 4.4%.

The Lancel Group's sales revenues achieved from June 2018 to March 2019 amounted to about Euro 45.2 million (with a contribution of about 46.3% to growth), 82.8% of which was reported by the DOS channel, which also includes the e-commerce website of Lancel, in which Lancel Group operates through 58 DOSs in France, 2 stores in Italy and 1 in Spain, Russia and China, respectively.

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, The Bridge and Lancel brands, in addition to allowing distribution to be controlled more directly and greater attention to be paid to satisfying the end consumer.

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 2019**	**%(*)**	**Sales revenues at 31 March 2018**	**%(*)**	**% Change 2019/2018**
Italy	79,556	53.9%	74,225	76.0%	7.2%
Europe	63,378	43.0%	20,615	21.1%	207.4%
Rest of the World	4,538	3.1%	2,787	2.9%	62.9%
Total	**147,472**	100.0%	**97,627**	100.0%	**51.1%**

(*) Percentage impact compared to sales revenues

From a geographical point of view, at 31 March 2019, the Group's revenues showed an increase of 7.2% in the sales on the domestic market, which accounts for a percentage of the Group's total turnover equal to 53.9% (76.0% of consolidated sales at 31 March 2018). Without considering the increase in revenues due to the sale of the Lancel-branded products (with a contribution of 2.3% to growth in the domestic market), the sales relating to Piquadro and The Bridge-branded products in the Italian market showed an increase of 4.9%.
On the contrary, in the European market, the Group recorded a turnover of about Euro 63.4 million, equal to 43.0% of consolidated sales (21.1% of consolidated sales at 31 March 2018), up by 207.4% compared to the FY 2017/2018. Without considering the increase in revenues due to the sale of Lancel-branded products, (with a contribution of 199.8% to growth in the European market), the sales relating to Piquadro and The Bridge-branded products in the European market showed an increase of 7.6%.
In the non-European geographical area (named "Rest of the World"), turnover increased by 62.9% compared to the FY 2017/2018 mainly as a result of the inclusion of the Lancel Group whose contribution to growth was equal to 82.3%.

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) the inclusion of the Lancel Group in the consolidation area for the period from June 2018 to March 2019 (10 months);
(ii) a positive SSSG data in the comparable Piquadro and The Bridge 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 2019 compared to the financial year ended 31 March 2018, net of the effects relating to the consolidation of the Lancel Group;

(iv) positive performances of Whosale turnover for the Piquadro and The Bridge brands.

In the financial statements at 31 March 2019, the performance of the Piquadro Group's profitability was heavily affected by the consolidation of the Lancel Group, with an operating result that went from Euro 7,871 thousand recorded in the financial year ended 31 March 2018 to a total operating loss of Euro 4,351 thousand. The Piquadro Group's operating result, excluding the effects of the results achieved by the Lancel Group from June 2018 to March 2019 (10 months), which posted a loss of Euro 11,419 thousand, and of the costs incurred by the Piquadro Group for the acquisition of the Lancel Group, equal to Euro 1,423 thousand, came to Euro 12,013 thousand, up by more than 11.4% compared to 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:

- consolidation of the Lancel Group;
- 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;
- an increase in the margins from the Wholesale segment, as a result of an increase in sales.

The Piquadro Group reported an improvement in manufacturing margins, also due to a more favourable Euro/USD exchange rate, which affected direct production costs.

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.

- 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 of property, plant and equipment and amortisation of intangible assets, financial income and charges and the income taxes for the period.
- Adjusted EBITDA, for the current period, is defined as EBITDA achieved by the business units relating to the Piquadro and The Bridge brands and does not include the result achieved by the Lancel Group, as well as non-recurring income and costs.
- Operating result (EBIT – Earnings Before Interest and Taxes) is the result for the period before financial income and charges and income taxes.
- Adjusted EBIT, for the current period, is defined as EBIT achieved by the business units relating to the Piquadro and The Bridge brands and does not include the result achieved by the Lancel Group, as well as non-recurring income and costs.
- 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.
- 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 (analysts and investors) presentations and intends to measure the ability

to produce wealth through operations and therefore to remunerate both net worth and borrowed capital.
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 (analysts and investors) presentations and intends to measure the profitability obtained by investors on account of risks.
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.
Net Working Capital: this item includes "Trade receivables", "Inventories", current non-financial "Other Receivables", net of "Trade payables" and current non-financial "Other Payables".
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 (analysts 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 2019:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Revenues from sales	147,472	97,627
EBITDA	(828)	10,782
EBIT	(4,351)	7,871
Pre-tax result	37,081	7,006
Group's profit for the period	34,476	4,773
Amortisation and depreciation of fixed assets and write-downs of receivables	4,462	3,754
Generation of financial resources (Group net result, amortisation and depreciation, write-downs)	38,938	8,527
Net Financial Position / (Net financial debt)	25,606	(3,653)
Shareholders' Equity	73,468	40,383

EBITDA for the period came to Euro (828) thousand, against Euro 10,782 thousand recorded in the financial year ended 31 March 2018.

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 2019**	**31 March 2018**
Operating result	(4,352)	7,871
Amortisation, depreciation and write-downs	3,524	2,911
EBITDA	**(828)**	**10,782**
Adjusted EBITDA	**12,013**	**10,782**

EBITDA includes the results achieved by the Lancel Group from June 2018 to March 2019 (10 months), which posted losses of Euro 11,419 thousand and costs of Euro 1,423 thousand incurred by the Piquadro Group for the acquisition of the Lancel Group. Adjusted EBITDA, which is defined as the sum of results achieved by the Piquadro and The Bridge brands, amounted to Euro 12,013 thousand, up by 11.4% compared to the financial year ended 31 March 2018.

The Group's amortisation and depreciation were equal to Euro 2,970 thousand in the financial year ended 31 March 2019 (Euro 2,746 thousand in the financial year ended 31 March 2018) and related to intangible assets for Euro 873 thousand and to property, plant and equipment for Euro 2,097 thousand.

Net write-downs, equal to Euro 533 thousand, mainly related to the write-down of furniture and fittings of Piquadro's point of sale in New York.

Financial ratios *(in thousands of Euro)*	**31/03/2019**	**31/03/2018**
EBIT	**(4,352)**	**7,871**
Adjusted EBIT	**8,739**	**7,871**

The Group's EBIT came to Euro (4,352) thousand and includes the results achieved by the Lancel Group from June to March 2019 (10 months), which posted losses of Euro 11,667 thousand in addition to acquisition costs of Euro 1,423 thousand incurred by the Piquadro Group.
Adjusted EBIT, which is defined as the sum of results achieved by the Piquadro and The Bridge brands, amounted to Euro 8,739 thousand, up by 11.0% compared to the financial year ended 31 March 2018.

The result from financial operations, which posted a positive value of Euro 42,432 thousand (against a negative value of Euro 866 thousand at 31 March 2018), was mainly attributable to a "*Non-recurring income associated with the acquisition of the Lancel Group*" in an amount of Euro 42,176 thousand. This income related to the excess fair value of the assets acquired and of the liabilities assumed by the Lancel Group on the date of acquisition with respect to the acquisition price paid out, as subsequently reported in the explanatory notes in the paragraph on "Business combinations".

Below is a restatement of the results of operations, which is aimed at representing the performance of the Group's net result:

Financial ratios *(in thousands of Euro)*	**31/03/2019**	**31/03/2018**
Net profit (loss) for the year	**34,476**	**4,773**
Adjusted net profit (loss) for the year	**6,157**	**4,773**

Group's Net profit (loss) in the financial year ended 31 March 2019 amounted to Euro 34,476 thousand, showing an improvement of Euro 29,179 thousand compared to the same period in the previous year (equal to Euro 4,773 thousand) and includes the results achieved by the Lancel Group from June to March 2019 (10 months), which posted losses of Euro (12,958) thousand, acquisition costs of Euro 1,423 thousand incurred by the Piquadro Group and a non-recurring income of Euro 42,176 thousand arising from the acquisition of the Lancel Group.

The adjusted Net profit (loss), which is defined as the sum of the results achieved by the Piquadro and The Bridge brands, came to Euro 6,157 thousand, up by 29% compared to the financial year ended 31 March 2018.

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 2019 and 31 March 2018:

Profitability ratios	**Composition of the ratio**	**31 March 2019**	**31 March 2018**
Return on sales (R.O.S.)	EBIT/Net sales revenues	(3.0%)	8.1%
Return on Investment (R.O.I.)	EBIT/Net invested capital	(9.1%)	17.9%
Return on Equity (R.O.E.)	Profit for the period/Shareholders' Equity	46.9%	11.8%

Investments

Investments in intangible assets, property, plant and equipment and non-current financial assets in the financial year ended 31 March 2019 came to Euro 4,097 thousand (Euro 1,703 thousand at 31 March 2018) as reported below:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Investments		
Intangible assets	643	490
Property, plant and equipment	3,434	1,213

Non-current financial assets	20	0
Total	**4,097**	**1,703**

Increases in intangible assets, equal to Euro 643 thousand in the financial year ended 31 March 2019 (Euro 490 thousand at 31 March 2018) related to the purchase or renewals of software, licenses and other IT products for Euro 240 thousand, leasehold improvements for Euro 320 thousand at the San Babila Showroom and at the new offices of subsidiary The Bridge in Scandicci, as well as to costs of Euro 83 thousand relating to trademarks and patents.

Increases in property, plant and equipment, equal to Euro 3,434 thousand in the financial year ended 31 March 2019 (Euro 1,213 thousand at 31 March 2018) 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 2,605 thousand, purchases of workshop plant and machinery for Euro 439 thousand, the refurbishment of premises at the subsidiary The Bridge's headquarters in Scandicci for Euro 155 thousand and to hardware and IT systems for Euro 106 thousand.

The increase in non-current financial assets related to the acquisition of a minority interest in the investee Vintag S.r.l., an online Marketplace for the sale of The Bridge-branded products.

Balance Sheet

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

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Trade receivables	34,543	27,618
Inventories	35,820	22,027
(Trade payables)	(36,219)	(22,149)
Total net current trade assets	*34,144*	*27,496*
Other current assets	5,409	3,326
Tax receivables	1,690	275
(Other current liabilities)	(10,165)	(3,233)
(Tax payables)	(2,284)	(2,433)
A) Working capital	***28,794***	***25,431***
Intangible assets	7,941	8,545
Property, plant and equipment	13,206	11,115
Non-current financial assets	22	2
Receivables from others beyond 12 months	2,252	707
Deferred tax assets	2,448	2,318
B) Fixed assets	***25,869***	***22,687***
C) Non-current provisions and non-financial liabilities	***(6,801)***	***(4,082)***
Net invested capital (A+B+C)	**47,862**	**44,036**
FINANCED BY:		
D) Net financial debt	***(25,606)***	***3,653***
E) Equity attributable to minority interests	***(266)***	***(191)***
F) Equity attributable to the Group	***73,734***	***40,574***
Total borrowings and Shareholders' Equity (D+E+F)	**47,862**	**44,036**

Net Financial Position

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

(in thousands of Euro)	**31 March 2019**	**31 March 2018**

(A) Cash	369	182
(B) Other cash and cash equivalents (available current bank accounts)	51,977	23,370
(C) Liquidity (A) + (B)	**52,346**	**23,552**
(D) Finance leases	(12)	(904)
(E) Current bank debt	0	0
(F) Current portion of current debt	(7,357)	(12,504)
(G) Payables to Il Ponte S.p.A. for the acquisition of The Bridge	(820)	(820)
(H) Current financial debt (D) + (E) + (F) + (G)	**(8,189)**	**(14,222)**
(I) Short-term net financial position (C) + (H)	**44,157**	**9,327**
(L) Non-current bank debt	(13,598)	(11,128)
(M) Finance leases	0	(12)
(N) Payables to The Ponte S.p.A. for the acquisition of The Bridge	(1,084)	(1,843)
(O) Payables to the Richemont Group for the acquisition of the Lancel Group	(3,869)	-
(P) Non-current financial debt (L) + (M) + (N) + (O)	**(18,551)**	**(12,983)**
(Q) Net Financial Position (I) + (P)	**25,606**	**(3,653)**

As at 31 March 2019 the Net Financial Position posted a positive value of about Euro 25,606 thousand, showing an improvement of about Euro 29,259 thousand compared to the debt of about Euro 3,653 thousand recorded at 31 March 2018.

The net financial position at 31 March 2019, compared to that recorded at 31 March 2018, showed an improvement which was mainly due to the consolidation of the Lancel Group and specifically to the Lancel Group's liquid assets of Euro 43.9 million received upon acquisition, including a contribution of Euro 35 million paid by the Richemont Group into Lancel in order to cover any possible future loss of the Lancel Group (for more details, reference should be made to the information provided in the paragraph on "Significant events during the financial year").

Furthermore, the change in the Net Financial Position was affected by the payment of dividends of Euro 3 million, investments of Euro 4.0 million made by the Group, free cash flows of Euro 12.3 million for the period, an increase of Euro 3.4 million in working capital, as well as by an earn-out of Euro 3.8 million envisaged in favour of the Richemont Group as per contract (for more details, reference should be made to what is detailed in the Explanatory Notes in the paragraph on "Business combinations").

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 2019:

(in thousands of Euro)	**Result at 31 March 2019**	**Equity at 31 March 2019**	**Result at 31 March 2018**	**Equity at 31 March 2018**
Equity and result for the period as reported in the separate financial statements of Piquadro S.p.A.	**5,428**	**42,697**	**5,278**	**40,107**
Derecognition of the book value of consolidated equity investments	(11,424)	(9,192)	(8)	767
Non-recurring income associated with the acquisition of the Lancel Group, net of transaction costs	40,752	40,752	0	0

Dividends	0	0	(365)	0
Derecognition of the effects of transactions effected between consolidated Companies:				
-Profits included in closing inventories	(393)	(896)	(54)	(503)
-Other minor items	171	374	(11)	203
Equity and result for the period attributable to the Group	**34,534**	**73,734**	**4,840**	**40,574**
Profits (Losses) and Equity attributable to minority interests	(59)	(266)	(67)	(191)
Equity and consolidated profit	**34,475**	**73,468**	**4,773**	**40,383**

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 2019 the Group had 1,168 members of staff compared to 805 units at 31 March 2018. The change was mainly due to the inclusion of the Lancel Group in the scope of consolidation which employed 327 people on 31 March 2019. Below is reported the breakdown of staff by Country:

Country	31 March 2019	31 March 2018
Italy	400	385
China	343	337
Hong Kong	6	5
Germany	1	1
Spain	23	19
Taiwan	22	17
France	327	0
Switzerland	4	4
UK	4	6
Russia	38	27
USA	0	4
Total	**1,168**	**805**

With reference to the Group's organisational structure, at 31 March 2019, 22.5% of staff operated in the Production area, 46.8% in the Retail area, 19.2% in the support functions (Administration, IT Systems, Procurement, Human Resources, Marketing, etc.), 7.2% in the Research and Development area and 4.3% 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 2019, the Italian companies continued their path to the implementation of an increasingly accurate 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, which cannot disregard the freedom of expression and the sharing of contents between workers and directly-responsible staff.

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.

Any misconduct that could be generated from an improper performance of other duties or tasks is avoided by carefully checking the tasks assigned on a daily basis. 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 Group's Research and Development activity, which is structured into its three distinguishing brands (Piquadro, The Bridge and Lancel) is carried out in house through a dedicated team that currently consists of 84 persons mainly engaged in the product Research and Development department and the style office at the Group's various head offices.

The plants of the Chinese subsidiary Uni Best Leather Goods Zhongshan Co. Ltd. employ a team of 30 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.

The Group's Research and Development activity for the Piquadro brand involves 14 people and in recent years it particularly focused on BAGMOTIC, which integrates technology into briefcases, backpacks, trolleys and suitcases. In the financial year ended 31 March 2019 it was particularly focused on the development of travel products. Piquadro's business, in fact, is focused on various lines in which the cockpit has been created, which is inspired by the cruise control technology of cars and is a kind of control panel integrated into the suitcase. It is possible to load electronic devices in this flap which is outside the cabin baggage without having to open the suitcase; it contains the Connequ application, i.e. the device for tracking luggage.
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; *vi)* a device that allows its traceability all over the world. An aluminium travel collection has been created, which is a unique collection, thanks to the elegant and details fine in style, with the desire to differentiate itself in luggage.

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 21 people. The Bridge products are the result of a combination of craftsmanship and continuous study of design, integrated with new functionalities: the Company has always operated a real handicraft laboratory at which prototypes are created, and employs a team of designers who create new collections for each season, interpreting the needs of the market and the corporate DNA. The collections are the result of a research work that commences long before creating the products from an analysis of trends, which are then substantiated in materials and colours chosen for the season. The proposals are considered together with the sales force, in order to meet functionality and modernity requirements that make the product attractive to an attentive and demanding public.
R&D work involving the Lancel-branded products is performed by a dedicated team of 19 specialists at the Paris office of the Company. The Lancel Group is known for innovation and creativity: the team develops all components and finished products together with the design team. Lancel-branded products are the result of the combination of its own archives, continuous study of design and the expertise in leather goods, including with the help of the Atelier team, operating at Lancel's headquarters, made up of "*compagnon du devoir*" craftsmen who produce the prototype of the new models.

RELATED-PARTY TRANSACTIONS

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 49% of consolidated revenues.

Operations

The financial year ended 31 March 2019 saw an increase in sales revenues equal to 3.2% compared to the financial year ended 31 March 2018. 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 2019 reported an increase equal to about 3.3% including the mix effect.

Sales revenues

In the financial year ended 31 March 2109 the Company reported net sales revenues equal to Euro 72,792 thousand, up by 3.2 % compared to the revenues reported in the financial year ended 31 March 2018 (Euro 70,505 thousand). The performance of revenues is attributable to the positive performances recorded both in the domestic market (+2.6%) in the European market (+11.1%) and in the DOS and Wholesale channels; Italy reported revenues up by 2.6% compared to the previous financial year, while Europe showed an increase of 11.1% 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 2019 and compared to the financial year ended 31 March 2018:

Sales channel *(in thousands of Euro)*	**Sales revenues at 31 March 2019**	**%**	**Sales revenues at 31 March 2018**	**%**	**% Change 2019/2018**
PQ brand DOS	25,875	35.5%	24,698	35.0%	4.8%
PQ brand Wholesale	43,130	59.3%	43,205	61.3%	(0.2)%
Total PQ Brand	**69,005**		**67,903**		
Intercompany revenues	3,787	5.2%	2,602	3.7%	45.5%
Total	**72,792**	**100.0%**	**70,505**	**100.0%**	**3.2%**

The revenues reported by the Piquadro brand in the DOS channel increased by 4.8% compared to the financial year ended 31 March 2018; this rise was determined by a general increase in sales revenues arising from a strategy planned by the Company which aimed at developing sales activities through Piquadro-branded DOSs in view of the capacity to maximise the prestige of the brand itself, 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 Piquadro brand in the Wholesale channel, which account for about 59.3% df the Company's total turnover, recorded a slight decrease of 0.2% compared to the financial year ended 31 March 2018 and were mainly affected by the performance of the domestic and European markets.

Piquadro's sales to its subsidiaries, stated as Intercompany revenues in the table above, showed an increase of 45.5% compared to the financial year ended 31 March 2018, mainly due to the combined effect of the inclusion of the Lancel Group in the consolidation period, when the Parent Company's sales to the French subsidiary Lancel Sogedi amounted to Euro 423 thousand at 31 March 2019 and of the Parent Company's higher sales to subsidiaries O.O.O Piquadro Russia and Piquadro Taiwan.

Below are reported the breakdowns of revenues by geographical area:

(in thousands of Euro)	**Sales revenues at 31 March 2019**	**%**	**Sales revenues at 31 March 2018**	**%**	**% Change 2019/2018**
Italy	58,818	80.8%	57,344	81.3%	2.6%
Europe	12,844	17.6%	11,565	16.4%	11.1%
Rest of the World	1,130	1.6%	1,596	2.3%	(29.2)%
Total	**72,792**	**100.0%**	**70,505**	**100.0%**	**3.2%**

The Company's revenues for the FY 2018/2019 how that the Italian market still accounts for a very significant percentage of the total turnover (80.8%). In the FY 2018/2019, the Company opened 1 DOS point of sale in Russia and the other one in Taiwan. Within the European market, the Company achieved a turnover equal to Euro 12,844 thousand, up by 11.1% compared to the financial year ended 31 March 2018, which is equal to 17.6% in terms of percentage impact of the total turnover of the financial year 2018/2019. In the geographical area named "Rest of the World", where the Company sells in 27 Countries, the Company reported a decrease in the turnover of 29.2%.

Summary economic-financial data

Below are reported the results of Piquadro S.p.A. at 31 March 2019 compared to the same indicators at 31 March 2018:

Economic and financial ratios *(in thousands of Euro)*	**31 March 2019**	**31 March 2018**
Revenues from sales	72,792	70,505
EBITDA	9,544	9,368
EBIT	7,635	7,759
After-tax result	5,428	5,278
Depreciation of property, plant and equipment, amortisation of intangible assets and write-downs of receivables	2,920	2,389
Cash flow (net result before amortisation, depreciation and write-downs)	8,348	7,667

EBITDA for the period came to Euro 9.5 million, showing a slight increase compared to the same value posted in the FY 2017/2018 accounting for 13.1% of the Company's revenues at 31 March 2019 (13.3% in the financial year ended 31 March 2018).

In the FY 2018/2019, the Company used Euro 3.9 million for marketing and communication activities, in order to develop and promote the Piquadro brand (Euro 3.6 million in the FY 2017/2018).

During the financial year ended 31 March 2019 amortisation and depreciation amounted to about Euro 1,734 thousand (about Euro 1,790 thousand at 31 March 2018). The accrual to the provision for bad debts from customers amounted to Euro 1,186 thousand (Euro 600 thousand at 31 March 2018).

EBIT came to around Euro 7.6 million, equal to 10.5% of sales revenues, up by 5.0% compared to the value recorded in the FY 2017/2018 (a percentage equal to 10.8% of sales revenues).

The result from financial operations, which posted an income equal to about Euro 284 thousand (against a loss equal to about Euro 112 thousand at 31 March 2019), was attributable to the adjustment to the value of investee The Bridge, defined by an independent appraiser, for Euro 88 thousand, as well as to the differential between foreign exchange gains and losses which posted a gain equal to Euro 629 thousand at 31 March 2019 (against a loss equal to Euro 431 thousand at 31 March 2018), to the effect of a write-down of equity investments held by the Parent Company for Euro 379 thousand (for more details, see note 34 of the Explanatory Notes).

The pre-tax result recorded by the Company in the financial year ended 31 March 2019 came to Euro 8.1 million (Euro 7.3 million at 31 March 2018) and was affected by income taxes, including the effects of deferred taxation, equal to about Euro 2.7 million for an overall tax rate amounting to about 32.9% (27.2% for the financial year ended 31 March 2018).

The net result recorded by the Company in the financial year ended 31 March 2019 was substantially in line with the value recorded in the financial statements at 31 March 2018, from Euro 5.2 million in the financial year ended 31 March 2018 to Euro 5.4 million in the financial year ended 31 March 2019.

Profitability ratios

Below are reported the main Profitability ratios relating to the FYs ended 31 March 2019 and 31 March 2018:

Profitability ratios	Composition of the ratio	31 March 2019	31 March 2018
Return on sales (R.O.S.)	EBIT/Net sales revenues	10.5%	10.7%
Return on Investment (R.O.I.)	EBIT/Net invested capital	13.9%	16.0%
Return on Equity (R.O.E.)	Profit for the period/Shareholders' Equity	12.7%	13.2%

Gross investments

Gross investments in fixed assets concerning the Company's operations were equal to Euro 6,467 thousand in the financial year ended 31 March 2019 (Euro 1,447 thousand in the financial year ended 31 March 2018). Below is reported the breakdown by type:

(in thousands of Euro)	31 March 2019	31 march 2018
Investments		
Intangible assets	200	211
Property, plant and equipment	888	730
Non-current financial assets	5,379	506
Total	**6,467**	**1,447**

Increases in intangible assets, equal to Euro 200 thousand in the financial year ended 31 March 2019 (Euro 211 thousand at 31 March 2018), mainly related to software and IT products.

Increases in property, plant and equipment, equal to Euro 888 thousand in the financial year ended 31 March 2019 (Euro 730 thousand at 31 March 2018), were mainly attributable to equipment and machinery for offices and stores for Euro 303 thousand and to furniture and fittings of the stores for Euro 514 thousand.

The increase in non-current financial assets mainly related to costs of Euro 1,423 thousand incurred by the Piquadro Group for the acquisition of the Lancel Group and to the fair value of the Annual Earn–Out of Euro 3,869 thousand envisaged in favour of the Richemont Group as per contract and determined with the help of an independent expert (for more details, reference should be made to what is detailed below in the paragraph on "Business combinations").

Balance sheet

Below is reported the performance of the Company's equity structure at 31 March 2019:

(in thousands of Euro)	31 March 2019	31 March 2018
Trade receivables	38,388	33,146
Inventories	13,491	12,501
(Trade payables)	(17,463)	(16,202)
Total net current trade assets	*34,416*	*29,445*
Other current assets	1,302	2,076
Tax receivables	146	17
(Other current liabilities)	(2,069)	(1,862)
(Tax payables)	(2,196)	(2,239)
A) Working capital	***31,599***	***27,436***

Intangible assets	1,334	1,597
Property, plant and equipment	8,275	8,702
Non-current financial assets	14,055	9,730
Receivables from others beyond 12 months	368	304
Deferred tax assets	1,045	1,001
B) Fixed assets	***25,076***	***21,333***
C) Non-current provisions and non-financial liabilities	***(1,675)***	***(1,535)***
Net invested capital (A+B+C)	**55,001**	**47,234**
FINANCED BY:		
D) Net financial debt	***12,304***	***7,128***
E) Equity	***42,697***	***40,107***
Total borrowings and Shareholders' Equity (D+E)	**55,001**	**47,234**

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 2019**	**31 March 2018**
(A) Cash	134	117
(B) Other cash and cash equivalents (available current bank accounts)	13,907	19,429
(C) Liquidity (A) + (B)	**14,041**	**19,546**
(D) Finance leases	0	(830)
(E) Current bank debt	0	0
(F) Current portion of current debt	(7,179)	(12,335)
(G) Payables to Il Ponte S.p.A. for the acquisition of The Bridge	(750)	(750)
(H) Current financial debt (D) + (E) + (F) + (G)	**(7,929)**	**(13,916)**
(I) Short-term Net Financial Position (C) + (H)	**6,112**	**5,632**
(L) Non-current bank debt	(13,598)	(11,128)
(M) Finance leases	0	0
(N) Payables to Il Ponte S.p.A. for the acquisition of The Bridge	(949)	(1,630)
(O) Payables to the Richemont Group for the acquisition of the Lancel Group	(3,869)	0
(P) Non-current financial debt (L) + (M) + (N) + (O)	**(18,416)**	**(12,758)**
(Q) Net Financial Position (I) + (P)	**(12,304)**	**(7,128)**

As at 31 March 2019 the Net Financial Position of Piquadro S.p.A. posted a loss of Euro 12.3 million, showing a worsening of about Euro 5.2 million compared to the debt of about Euro 7.1 million at 31 March 2018. The main reasons for the performance of the Net Financial Position are attributable to the following factors:

- a Free cash flow of about Euro 8.2 million generated in the year;
- dividends paid in relation to the profit for the FY 2017/2018 equal to Euro 3.0 million (with a pay-out equal to about 56.8% of the operating profit of the Company);
- investments in property, plant and equipment for Euro 888 thousand and in intangible assets for Euro 200 thousand;
- an increase of Euro 4.1 million in other items relating to working capital;
- costs of Euro 1.4 million incurred by Piquadro S.p.A. for the acquisition of the Lancel Group;

- an amount of Euro 3.87 million concerning the measurement of the Annual Earn-Out at fair value envisaged in favour of the Richemont Group as per contract.

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 2019 Piquadro S.p.A. had 273 members of staff, compared to 284 units at 31 March 2018. Below is reported the breakdown of staff by area:

Organisational Areas	31 March 2019	31 March 2018
R&D Area	5.1%	5.3%
Retail Area	56.4%	55.3%
Sales Area	10.3%	9.9%
Supporting Areas	28.2%	29.6%
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 2019.
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.
In relation to the operation of the retail channel activities, 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.

Related-party transactions

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 2019 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 40 of the Notes to the Financial Statements.

SIGNIFICANT EVENTS AFTER THE YEAR-END

No significant events are reported which occurred at Company or Group level from 1 April 2109 to the reporting date.

OUTLOOK

During the FY 2019/2020 the Piquadro Group will even more speed up its process of international expansion following the acquisition of the Lancel Group and its process of coordination inside the Group.
Therefore, the Management expects that in the FY 2019/2020 the Group’s consolidated turnover may exceed an amount of Euro160 million, which reflects growth rates, the perimeter remaining equal, in line with those recorded in the financial year ended 31 March 2019. As regards the profitability, the Management expects manufacturing margins in line with the previous year. The Management staff will therefore be strongly committed to continuing and completing the turnaround of the Lancel Group, both in terms of operating costs and of sales, the latter being reported in both direct and indirect distribution channels. The Management then believes that it will be able to bring the Piquadro Group’s EBITDA back to profit from the next year and will also be committed to monitoring the operational performance of each brand in order to be able to increase commitments in Research and Development, with the aim to increase visibility and knowledge of the three 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.

FINANCIAL RISKS

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 2019, 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.

CONSOLIDATED DISCLOSURE OF NON-FINANCIAL INFORMATION

The consolidated disclosure of non-financial information of the Piquadro Group, which relates to the financial year ended 31 March 2019 (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 2018/2019, 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 2018/2019, 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%

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 19 July 2018 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 2019, 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.

RELATED-PARTY TRANSACTIONS

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

Following the acquisition of the Lancel Group, the Piquadro Group's top management reviews the Group's results of operations based on a breakdown by each brand (Piquadro, The Bridge, Lancel) in operational terms; accordingly, the disclosures under IFRS 8 concerning the Group's sales revenues and segment data are now reported on a brand basis (Piquadro, The Bridge, Lancel) as from the current financial year.
The table below illustrates the segment data of the Piquadro Group as broken down by brand (Piquadro, The Bridge and Lancel), in relation to the financial years ended 31 March 2019 and 31 March 2018. Economic segment data are monitored by the Company's Management until EBITDA.

	31 March 2019					31 March 2018				
(in thousands of i Euro)	**Piquadro**	**The Bridge**	**Lancel**	**Total for the Group**	**% Impact (*)**	**Piquadro**	**The Bridge**	**Total for the Group**	**% Impact (*)**	**% Change 2019-2018**
Sales revenues	**75,789**	**26,520**	**45,162**	**147,472**	**100.0%**	**73,867**	**23,760**	**97,627**	**100.0%**	**51.1%**
Other income	981	237	516	1,734	1.2%	993	268	1,259	1.3%	37.7%
Costs for purchases of raw materials	(17,181)	(5,193)	(17,405)	(39,779)	(27.0%)	(17,219)	(6,514)	(23,733)	(24.3%)	(67.6%)
Costs for services and leases and rentals	(31,570)	(14,546)	(24,274)	(70,390)	(47.7%)	(30,834)	(11,567)	(42,401)	(43.4%)	(66.0%)
Personnel costs	(16,233)	(5,432)	(16,924)	(38,590)	(26.2%)	(16,461)	(4,131)	(20,592)	(21.1%)	(87.4%)
Provisions and write-downs	(660)	(215)	(63)	(938)	(0.6%)	(691)	(153)	(844)	(0.9%)	(11.1%)
Other operating costs	(387)	(96)	145	(337)	(0.2%)	(425)	(110)	(535)	(0.8%)	37.0%
EBITDA	**10,738**	**1,275**	**(12,842)**	**(828)**	**(0.6%)**	**9,229**	**1,553**	**10,782**	**11.0%**	
Amortisation, depreciation and write-downs of fixed assets				(3,524)	(2.4%)			(2,911)	(3.0%)	(21.0%)
Operating result				**(4,352)**	**(3.0%)**			**7,871**	**8.1%**	
Financial income and charges				41,432	28.1%			(865)	(0.9%)	
Pre-tax result				**37,080**	**25.1%**			**7,006**	**7.2%**	
Income taxes				(2,605)	(1.8%)			(2,233)	(2.3%)	(16.6%)
Profit for the period				**34,475**	**23.4%**			**4,773**	**4.9%**	
Net profit (loss) for the Group				**34,475**	**23.4%**			**4,773**	**4.9%**	

(*) 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 brand (Piquadro, The Bridge and Lancel) in the financial years ended 31 March 2019 and 31 March 2018:

	31 March 2019				31 March 2018		
(in thousands of Euro)	**Piquadro**	**The Bridge**	**Lancel**	**Total**	**Piquadro**	**The Bridge**	**Total**
Assets	73,990	25,288	56,399	**155,677**	78,608	20,877	**99,485**
Liabilities	46,890	16,267	19,051	**82,208**	38,786	20,317	**59,102**
Fixed assets	15,546	2,971	2,653	**21,170**	16,854	2,808	**19,662**

Sales revenues

Below is reported a breakdown of sales revenues by brand and geographical area.

Breakdown of revenues by Brand

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

Sales channel *(in thousands of Euro)*	Sales revenues at 31 March 2019	%	Sales revenues at 31 March 2018	%	% Change 2019-2018
PIQUADRO	75,789	51.4%	73,867	75.7%	2.6%
THE BRIDGE	26,520	18.0%	23,760	24.3%	11.6%
LANCEL	45,163	30.6%	-	-	-
Total	**147,472**	**100.0%**	**97,627**	**100.0%**	**51.1%**

(*) Percentage impact compared to sales revenues

Sales revenues achieved in the financial year ended 31 March 2019 reported an increase of 51.1% compared to the financial year ended 31 March 2018, from Euro 97,627 thousand in the financial year ended 31 March 2018 to Euro 147,472 thousand in the financial year ended 31 March 2019. The increase in revenues arises from the inclusion of the Lancel Group in the consolidation area from June 2018, which recorded revenues of about Euro 45.2 million, as well as from an increase of 2.6% in sales of Piquadro-branded products and an increase of 11.6% in sales of The Bridge-branded products, which occurred in both Wholesale and DOS channels for both brands.

Below are reported the breakdowns of revenues by Brand:

Piquadro

Sales revenues achieved by the Piquadro brand in the financial year ended 31 March 2019 reported an increase equal to 2.6%, from Euro 73,867 thousand in the financial year ended 31 March 2018 to Euro 75,789 thousand in the financial year ended 31 March 2019. This increase was obtained in both DOS and Wholesale channels.
Sales of Piquadro-branded products in the Wholesale channel, equal to about Euro 44,176 thousand (against Euro 43,564 thousand at 31 March 2018) showed an increase of about 1.4% and were mainly driven by the positive performance of sales in the domestic market, which accounted for 44.3% of sales of Piquadro-branded products, and in the German market.

In the financial year ended 31 March 2019 the Group opened 7 new franchise Piquadro-brand shops (as at 31 March 2019, the franchise shops opened were 45) of which 5 in Italy, 2 in Europe and closed 6 shops of which 2 in Italy, 2 in Europe and 3 in the Rest of the World.

Sales revenues achieved in the DOS Channel - which includes sales generated from the e-commerce website of the Piquadro brand - in the financial year ended 31 March 2019 reported an increase of 4.3%, from Euro 30,303 thousand in the financial year ended 31 March 2018 to Euro 31,613 thousand in the financial year ended 31 March 2019. In terms of impact on the total sales of Piquadro-branded products, the values in the DOS channel remained in line, in percentage terms, with those posted in the financial year ended 31 March 2018 (an impact of 41.7% at 31 March 2019 against a percentage of 41.0% in the financial year ended 31 March 2018). Sales revenues posted by the Piquadro-brand stores, while assuming that the perimeter remained unchanged and then deducted the sales recorded by the shops which were not present in the previous financial year, recorded an increase of about 1.9% (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 2.5%).
The increase in the sales in the DOS channel of the Piquadro-branded products was also due to the following factors:

(i) an increase in the quantities sold, equal to about 4.1%;
(ii) the opening of 3 new DOSs during the financial year ended 31 March 2019, which entailed an increase in turnover equal to about Euro 300 thousand (corresponding to a growth of about 1.1% in the total turnover from the DOS channel);
(iii) the closure of 3 stores (of which 2 in Italy and 2 in the USA), which accounted for Euro 306 thousand, equal to about 1.0% of the turnover in the DOS channel of the previous year;
(iv) the opening of 5 stores during the financial year ended 31 March 2018, which contributed, for 12 months, to the turnover recorded at 31 March 2019 and which entailed an increase in turnover equal to Euro 932 thousand (corresponding to a growth of about 3.1% in the total turnover from the DOS channel).

The Bridge

Sales revenues achieved by The Bridge brand in the financial year ended 31 March 2019 reported an increase equal to 11.6%, from Euro 23,760 thousand in the financial year ended 31 March 2018 to Euro 26,520 thousand in the financial year ended 31 March 2019. This increase was posted in both DOS and Wholesale channels.

The sales of The Bridge-branded products in the Wholesale channel, equal to about Euro 18,249 thousand (against Euro 16,552 thousand at 31 March 2018), up by about 10.3% and were mainly driven by the positive performance of sales in the European market (mainly in Germany, the market in which the The Bridge brand achieves sales of about Euro 4.2 million).
Sales revenues achieved by The Bridge brand in the DOS Channel - which includes sales generated from the e-commerce website of the The Bridge brand, showing an increase of more than 42% - in the financial year ended 31 March 2019 reported an increase of 14.7%, from Euro 7,208 thousand in the financial year ended 31 March 2018 to Euro 8,271 thousand in the financial year ended 31 March 2019. Sales revenues in the DOS channel, assuming that the perimeter remained unchanged and then deducted the sales recorded by the shops which were not present in the previous financial year, recorded an increase of about 4.4%.
The increase in the sales of The Bridge-branded products in the DOS channel was also due to the following factors:
- (i) an increase in the quantities sold, equal to about 9.5%;
- (ii) the opening of 1 new DOS shop in the financial year ended 31 March 2019, which entailed an increase in turnover equal to Euro 423 thousand (equal to a growth of about 5.9% in total sales in the DOS channel);
- (iii) the opening of a 1 new DOS in the financial year ended 31 March 2018, which contributed to the turnover at 31 March 2019 for twelve months and which entailed an increase of Euro 483 thousand in turnover (corresponding to a growth of about 6.7% in the total turnover from the DOS channel).

Lancel

Sales revenues achieved by the Lancel brand in the financial year ended 31 March 2019 (which include the months from June 2018 to March 2019) amounted to Euro 45,162 thousand (with a contribution of about 46.3% to the Piquadro Group's growth). The sales of Lancel-branded products in the Wholesale channel, amounted to about Euro 7,748 thousand. Sales revenues of Lancel-branded products in the DOS Channel - which includes sales generated from the e-commerce website of the Lancel brand – amounted to about Euro 37,414 thousand in the financial year ended 31 March 2019.

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 2018/2019 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.

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 2019 and 31 March 2018:

(in thousands of Euro)	**Revenues from sales 31 March 2019**	**%(*)**	**Revenues from sales 31 March 2018**	**%(*)**	**% Change 2019-2018**
Italy	79,556	53.9%	74,225	76.0%	7.2%
Europe	63,378	43.0%	20,615	21.1%	207.4%
Rest of the World	4,538	3.1%	2,787	2.9%	62.9%
Total	**147,472**	100.0%	**97,627**	100.0%	**51.1%**

(*) Percentage impact compared to sales revenues.

Italy

The Group's revenues achieved in Italy in the financial year ended 31 March 2019 showed an increase of 7.2% compared to the financial year ended 31 March 2018, from Euro 74,223 thousand to Euro 79,556 thousand; the Italian market still accounts for a percentage of the Group's total turnover, equal to 53.9% (76.0% of consolidated sales at 31 March 2018). Without considering the increase in revenues due to the consolidation of the Lancel Group, as from June 2018, the Group's sales showed an increase of 4.9%.

Europe

In the European market the Group recorded a turnover of about Euro 63.4 million, equal to 43.0% of consolidated sales (21.1% of consolidated sales at 31 March 2018), showing an increase of 207.4% compared to the FY 2017/2018. This growth was determined both by the inclusion of the Lancel Group in the consolidation area as from June 2018 (with a contribution equal to about 199.8%) and by the growth in both Piquadro and The Bridge brands, especially in the German, Benelux, Russian and Spanish markets.
Without considering the increase in revenues due to the consolidation of the Lancel Group, the Group's sales showed a growth of 7.6%.
The first three most significant European countries in terms of impact of the Group's total turnover are Germany, France and Spain, which overall account for 80.6% of the Group's turnover and 47.7% of the turnover from Piquadro-branded products in the geographical area of Europe.

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 an increase of 62.9% compared to the FY 2017/2018, mainly as a result of the inclusion of the Lancel Group in the consolidation area (with a contribution equal to about 82.3%). Without considering the increase in revenues due to the consolidation of the Lancel Group, as from June 2018, the Group's sales showed a decrease of about Euro 500 thousand in the geographical non-EU area.

Other income

The table below reports the Group's other revenues broken down by brand (Piquadro, The Bridge and Lancel), in relation to the financial years ended 31 March 2019 and 31 March 2018.

	31 March 2019					31 March 2018				
(in thousands of Euro)	**Piquadro**	**The Bridge**	**Lancel**	**Total for the Group**	**% Impact (*)**	**Piquadro**	**The Bridge**	**Total for the Group**	**% Impact (*)**	**% Change 2019-2018**
Charge-backs of transportation and collection costs	132	0	0	132	0.1%	150	0	150	0.2%	(12.1%)
Insurance and legal refunds	95	0	16	111	0.1%	30	0	30	0.03%	265.9%
Other sundry income	753	237	500	1,491	1.0%	812	266	1,078	1.1%	38.3%
Total Other income	**981**	**237**	**516**	**1,734**	**1.2%**	**993**	**266**	**1,259**	**1.3%**	**37.7%**

(*) Percentage impact compared to sales revenues.

In the financial year ended 31 March 2019 other income increased by 37.7%, from Euro 1,259 thousand in the financial year ended 31 March 2018 to Euro 1,734 thousand in the financial year ended 31 March 2019, as a result of the inclusion of Lancel Group in the consolidation area for the period from June 2018 to March 2019 (10 months), which achieved sundry income of Euro 500 thousand.

Consumption of materials

The table below reports the Group's costs for consumption of materials, net of changes in inventories, broken down by brand (Piquadro, The Bridge, Lancel).

	31 March 2019					31 March 2018				
in thousands of Euro)	**Piquadro**	**The Bridge**	**Lancel**	**Total for the Group**	**% Impact (*)**	**Piquadro**	**The Bridge**	**Total for the Group**	**% Impact (*)**	**% Change 2019-2018**

Costs for consumption of materials	17,181	5193	17,405	39,779	27.0%	17,219	6,514	23,733	24.3%	67.6%
Total Costs for consumptions of materials	**17,181**	**5,193**	**17,405**	**39,779**	**27.0%**	**17,219**	**6,514**	**23,733**	**24.3%**	**67.6%**

(*) Percentage impact compared to sales revenues.

The change in consumption, which showed an increase of 67.6%, specially as a result of the inclusion of the Lancel Group in the consolidation area for the period from June 2018 to March 2019 (10 months), 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 brand (Piquadro, The Bridge and Lancel), for the financial years ended 31 March 2019 and 31 March 2018.

	31 March 2019					**31 March 2018**				
in thousands of Euro)	**Piquadro**	**The Bridge**	**Lancel**	**Total for the Group**	**% Impact (*)**	**Piquadro**	**The Bridge**	**Total for the Group**	**% Impact (*)**	**% Change 2019-2018**
Costs for leases and rentals	7,586	1,508	9,872	18,966	12.9%	7,556	1,276	8,832	9.0%	114.7%
External Production	8,678	7,230	0	15,908	10.8%	8,316	5,610	13,926	14.3%	14.2%
Advertising and marketing	4,017	1,552	6,706	12,274	8.3%	3,815	1,285	5,100	5.2%	140.7%
Administration	1,384	428	2,625	4,438	3.0%	1,334	254	1,588	1.6%	179.4%
Commercial services	2,489	1,666	1,161	5,316	3.6%	2,565	1,526	4,091	4.2%	29.9%
Production services	2,872	1,532	2,944	7,348	5.0%	3,115	1,105	4,220	4.3%	74.1%
Transport services	4,546	629	967	6,142	4.2%	4,134	511	4,645	4.8%	32.2%
Total Costs for services and leases and rentals	**31,570**	**14,546**	**24,274**	**70,390**	**47.7%**	**30,835**	**11,567**	**42,402**	**43.4%**	**66.0%**

(*) Percentage impact compared to sales revenues

As at 31 March 2019 costs for services and leases and rentals increased by 66% compared to the previous financial year, in particular as a result of the inclusion of the Lancel Group in the consolidation area for the period from June 2018 to March 2019 (10 months) and the percentage impact on sales revenues increased from 43.4% in the financial year ended 31 March 2018 to 47.7% in the financial year ended 31 March 2019.

The sum of costs for services and leases and rentals recorded by the Piquadro and The Bridge brands amounted to Euro 46,116 thousand at 31 March 2019, up by 8.8% compared to the previous year, in particular as a result of costs for third-party manufacturing incurred for the production of Lancel-branded products in Italy and higher investments in marketing activities.

Personnel costs

The table below reports the Group's personnel costs broken down by brand (Piquadro, The Bridge and Lancel), for the financial years ended 31 March 2019 and 31 March 2018.

	31 March 2019					**31 March 2018**				
in thousands of Euro)	**Piquadro**	**The Bridge**	**Lancel**	**Total for the Group**	**% Impact (*)**	**Piquadro**	**The Bridge**	**Total for the Group**	**% Impact (*)**	**% Change 2019-2018**

Wages and salaries	12,646	4,246	11,809	28,701	19.5%	13,156	2,974	16,130	16.5%	77.9%
Social security contributions	2,885	1,046	3,935	7,866	5.3%	2,621	880	3,501	3.6%	124.7%
Staff Severance Pay	703	140	1,180	2,023	1.4%	685	276	961	1.0%	110.5%
Total Personnel costs	**16,233**	**5,432**	**16,924**	**38,590**	**26.2%**	**16,461**	**4,131**	**20,592**	**21.1%**	**87.4%**

(*) Percentage impact compared to sales revenues

The table below reports the number of staff employed by the Group at 31 March 2019 and 31 March 2018:

	31 March 2019	31 March 2018
Executives	8	7
Office workers	778	416
Manual workers	382	382
Total for the Group	**1,168**	**805**

In the financial year ended 31 March 2019, personnel costs reported an increase of 87.4%, from Euro 20,592 thousand in the financial year ended 31 March 2018 to Euro 38,590 thousand in the financial year ended 31 March 2019. The increase in personnel costs was due, in particular, to including the Lancel Group in the consolidation area for the period from June 2018 to March 2019 (10 months).
The sum of personnel costs incurred by the Piquadro and The Bridge brands amounted to Euro 21,665 thousand at 31 March 2019, up by 5.2% compared to Euro 20,592 thousand in the previous year, due in particular to the appointment of new professionals in the Retail area and production management.

Provisions

The table below reports the Group's provisions for the financial years ended 31 March 2019 and 31 March 2018:

	31 March 2019					31 March 2018				
in thousands of Euro)	**Piquadro**	**The Bridge**	**Lancel**	**Total for the Group**	**% Impact (*)**	**Piquadro**	**The Bridge**	**Total for the Group**	**% Impact (*)**	**% Change 2019-2018**
Provisions	660	215	63	938	0.6%	691	153	844	0.9%	11.2%
Total Provisions	**660**	**215**	**63**	**938**	**0.6%**	**691**	**153**	**844**	**0.9%**	**11.2%**

(*) Percentage impact compared to sales revenues

The amount of Euro 938 thousand in the financial year ended 31 March 2019 (Euro 844 thousand in the financial year ended 31 March 2018) relates to the provision for bad debts.

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 2019 and 31 March 2018:

(in thousands of Euro)	**31 March 2019**	**(*) %**	**31 March 2018**	**(*) %**	**% Change 2019-2018**
Amortisation of intangible assets	873	0.6%	711	0.7%	22.9%
Depreciation of property, plant and equipment	2,097	1.4%	2,035	2.1%	3.0%
Impairment losses of assets	553	0.4%	165	0.2%	235.6%
Total amortisation, depreciation and write-downs of fixed assets	**3,524**	**2.4%**	**2,911**	**3.0%**	**21.06%**

(*) Percentage impact compared to sales revenues.

In the financial year ended 31 March 2019 amortisation, depreciation and write-downs reported an increase of 21.06%, from Euro 2,911 thousand in the financial year ended 31 March 2018 to Euro 3,524 thousand in the financial year ended 31 March 2019, of which Euro 873 thousand relate to amortisation of intangible assets, Euro 2,097 thousand relate to property, plant and equipment and Euro 553 thousand relate to the write-downs of fixed assets.

Net write-downs, equal to Euro 553 thousand, mainly related to the write-down of furniture and fittings of the point of sale located in New York, which was closed in September 2018.

Other operating costs

The table below reports the Group's other operating costs broken down by brand (Piquadro, The Bridge and Lancel), for the financial years ended 31 March 2019 and 31 March 2018:

	31 March 2019					31 March 2018				
in thousands of Euro)	**Piquadro**	**The Bridge**	**Lancel**	**Total for the Group**	**% Impact (*)**	**Piquadro**	**The Bridge**	**Total for the Group**	**% Impact (*)**	**% Change 2019-2018**
Taxes other than income taxes	291	96	(156)	231	0.2%	342	110	452	0.5%	(49.0%)
Donations	61	0	11	72	0.0%	26	0	26	0.0%	175.1%
Losses from Receivables	35	0	0	35	0.0%	57	0	57	0.1%	(39.0%)
Total Other operating costs	**387**	**96**	**(145)**	**337**	**0.2%**	**425**	**110**	**535**	**0.5%**	**(37.0%)**

(*) Percentage impact compared to sales revenues

As at 31 March 2019 other operating costs, equal to Euro 337 thousand, decreased by Euro 198 thousand compared to 31 March 2018.

EBITDA and operating result

As per the details provided in the previous paragraphs as to the changes that occurred in each Income Statement item in the financial years ended 31 March 2018 and 31 March 2019, in general the decrease in EBITDA was determined by the results achieved by the Lancel Group from June 2018 to March 2019 (10 months), which posted losses of Euro 11,419 thousand and by costs of Euro 1,423 thousand incurred by the Piquadro Group for the acquisition of the Lancel Group. Adjusted EBITDA, which is defined as the sum of the results achieved by the Piquadro and The Bridge brands, came to Euro 12,013 thousand, up by 11.4% compared to the financial year ended 31 march 2018.

The table below reports the data relating to the EBITDA, broken down by brand (Piquadro, The Bridge, Lancel), and to the Group's operating result, for the financial years ended 31 March 2019 and 31 March 2018:

(in thousands of Euro)	**31 March 2019**	**% Impact (*)**	**31 March 2018**	**% Impact (*)**	**Change 2019-2018**	**% Change 2019-2018**
EBITDA	**(828)**	**(0.6%)**	**10,782**	**11.0%**	**(11,610)**	**(107.6%)**
Breakdown by brand:						
Piquadro	10,738	7.3%	9,229	9.4%	1,509	16.4%
The Bridge	1,275	0.9%	1,553	1.5%	(278)	(17.9%)
Lancel	(12,842)	(8.7%)	0	0	0	0
Operating result	**(4,352)**	**(3.0%)**	**7,871**	**(8.1%)**	**(12,223)**	**(155.3%)**

(*) Percentage impact compared to sales revenues.

Specifically, EBITDA decreased from Euro 10,782 thousand (11.0% of revenues) in the financial year ended 31 March 2018 to Euro (828) thousand (-0.6% of revenues) in the financial year ended 31 March 2019; the operating result decreased from Euro 7,871 thousand (8.1% as a percentage impact on revenues) in the financial year ended

31 March 2018 to Euro (4,352) thousand (-3.0% as a percentage impact on revenues) in the financial year ended 31 March 2019.

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:

- the consolidation of the Lancel Group's results;
- an increased profitability in the DOS channel (DOSs and e-commerce) for the Piquadro and The Bridge-branded products as a result of positive performances in terms of SSSG from Directly Operated Stores and an increased profitability from sales recorded through the e-commerce websites operated by the Group for both brands;
- an increase in the margins from the Wholesale channel, for the Piquadro and The Bridge-branded products as a result of an increase in turnover.

Financial income and charges

The table below reports the Group's financial income and charges for the financial years ended 31 March 2019 and 31 March 2018:

(in thousands of Euro)	**31 March 2019**	**% Impact (*)**	**31 March 2018**	**% Impact (*)**	**Change 2019-2018**	**% Change 2019-2018**
Financial income	1,385	0.9%	812	0.8%	573	70.5%
Financial charges	(2,129)	(1.4%)	(1,678)	(1.7%)	(451)	26.8%
Non-recurring income associated with the acquisition of the Lancel Group	42,176	28.6%			42,176	100%
Total	**41,432**	**28.1%**	**(866)**	**(0.9%)**	**42,298**	

(*) 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 an improvement compared to the financial year ended 31 March 2018, from Euro (866) thousand in the financial year ended 31 March 2018 to Euro 41,432 thousand in the financial year ended 31 March 2019.
The increase in this item was due to a "*Non-recurring income associated with the acquisition of the Lancel Group*" in an amount of Euro 42,176 thousand. This income related to the excess fair value of the assets acquired and of the liabilities assumed by the Lancel Group on the date of acquisition with respect to the acquisition price paid out, as previously reported in the Explanatory Notes to the consolidated financial statements in the note on "Business combinations".
The increase in financial charges at 31 March 2019 compared to 31 March 2018 was mainly attributable to higher foreign exchange losses, both realised and estimated, for Euro 466 thousand (about Euro 1,656 thousand at 31 March 2019 and about Euro 1,190 thousand at 31 March 2018).
The increase in financial income at 31 March 2019 compared to 31 March 2018 was mainly attributable to higher foreign exchange gains, both realised and estimated, for Euro 527 thousand (about Euro 1,024 thousand at 31 March 2019 and about Euro 497 thousand at 31 March 2018).

Income tax expenses

The table below reports the percentage impact of taxes on pre-tax profit for the financial years ended 31 March 2018 and 31 March 2019:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Pre-tax profit	37,081	7,006
Income taxes	(2,605)	(2,233)
Average tax rate	**7.0%**	**31.9%**

The table below reports the breakdown of the Group's taxes for the financial years ended 31 March 2019 and 31 March 2018:

(in thousands of Euro)	**31 March 2019**	**% Impact (*)**	**31 March 2018**	**% Impact (*)**
IRES tax and other foreign taxes	2,167	1.4%	1,896	1.9%
IRAP tax	602	0.4%	468	0.5%
Deferred tax liabilities	(293)	(0.1%)	(8)	0.0%
Deferred tax assets	129	0.0%	(125)	0.0%
Total	**2,605**	**1.7%**	**2,233**	**2.3%**

(*) Percentage impact compared to sales revenues.

The average tax rate mentioned above was affected by the fact that the "*Non-recurring income associated with the acquisition of the Lancel Group*" of Euro 42,176 thousand cannot be taxed for Euro 7,146 thousand, while the contingent asset of Euro 35,000 thousand, described below, may be offset against previous tax losses of the Lancel Group.

In the financial year ended 31 March 2019 income tax increased, in absolute value, by 16.6% from Euro 2,233 thousand in the financial year ended 31 March 2018 to Euro 2,605 thousand in the financial year ended 31 March 2019, with an increase of about 2.6% compared to the previous year, which was mainly attributable to the increase in Pre-tax Profit of the Parent Company and of subsidiary The Bridge.
Current taxes (IRES [*Imposta sul Reddito delle Società*, Corporate Income] and IRAP [*Imposta Regionale sulle Attività Produttive,* Local Production Activity] taxes for the Parent Company and the equivalent income taxes for foreign subsidiaries) relate to the tax burden calculated on the respective taxable bases.
The Piquadro Group adopted the IRES tax consolidation by a deed dated 12 September 2017, which includes Piquadro S.p.A. (Parent Company) and The Bridge S.p.A., without any expiry and subject to termination.

Net result

The table below reports the net result for the period for the financial years ended 31 March 2019 and 31 March 2018:

(in thousands of Euro)	**31 March 2019**	**% Impact (*)**	**31 March 2018**	**% Impact (*)**
Net result	34,476	23.3%	4,733	4.9%

(*) Percentage impact compared to sales revenues.

The net result for the financial year ended 31 March 2019 reported an increase of Euro 29,743 thousand from Euro 4,733 thousand in the financial year ended 31 March 2018 to Euro 34,476 thousand in the financial year ended 31 March 2019.
In the financial year ended 31 March 2019 the percentage impact on sales revenues was equal to 23.3% (4.9% at 31 March 2018).

Silla di Gaggio Montano (BO), 10 June 2019

FOR THE BOARD OF DIRECTORS

THE CHAIRMAN
(Marco Palmieri)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)	**Notes**	**31 March 2019**	**31 March 2018**
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	(1)	3,283	3,887
Goodwill	(2)	4,658	4,658
Property, plant and equipment	(3)	13,206	11,115
Non-current financial assets	(4)	22	2
Receivables from others	(5)	2,252	707
Deferred tax assets	(6)	2,448	2,318
TOTAL NON-CURRENT ASSETS		**25,869**	**22,687**
CURRENT ASSETS			
Inventories	(7)	35,820	22,027
Trade receivables	(8)	34,543	27,618
Other current assets	(9)	5,331	3,326
Derivative assets	(10)	78	0
Tax receivables	(11)	1,690	275
Cash and cash equivalents	(12)	52,346	23,552
TOTAL CURRENT ASSETS		**129,808**	**76,798**
TOTAL ASSETS		**155,677**	**99,485**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)	**Notes**	**31 March 2019**	**31 March 2018**
LIABILITIES			
EQUITY			
Share Capital		1,000	1,000
Share premium reserve		1,000	1,000
Other reserves		2,041	415
Retained earnings		35,159	33,319
Group profit for the period		34,534	4,840
TOTAL EQUITY ATTRIBUTABLE TO THE GROUP		**73,734**	**40,574**
Capital and Reserves attributable to minority interests		(207)	(124)
Profit/(loss) attributable to minority interests		(59)	(67)
TOTAL EQUITY ATTRIBUTABLE TO MINORITY INTERESTS		**(266)**	**(191)**
TOTAL EQUITY	(13)	**73,468**	**40,383**
NON-CURRENT LIABILITIES			
Borrowings	(14)	13,598	11,128
Payables to other lenders for lease agreements	(15)	0	12
Other non-current liabilities	(16)	7,159	1,838
Provision for employee benefits	(17)	3,977	1,885
Provisions for risks and charges	(18)	2,824	2,197
Deferred tax liabilities	(19)	0	0
TOTAL NON-CURRENT LIABILITIES		**27,423**	**17,060**
CURRENT LIABILITIES			
Borrowings	(20)	7,351	12,345
Payables to other lenders for lease agreements	(21)	12	904
Derivative liabilities	(22)	6	159
Trade payables	(23)	36,219	22,149
Other current liabilities	(24)	8,779	4,052
Current income tax liabilities	(25)	2,284	2,433
TOTAL CURRENT LIABILITIES		**54,786**	**42,042**
TOTAL LIABILITIES		**82,209**	**59,102**
TOTAL EQUITY AND LIABILITIES		**155,677**	**99,485**

CONSOLIDATED INCOME STATEMENT

(in thousands of Euro)	**Notes**	**31 March 2019**	**31 March 2018**
REVENUES			
Revenues from sales	(26)	147,472	97,627
Other income	(27)	1,734	1,259
TOTAL REVENUES (A)		**149,206**	**98,886**
OPERATING COSTS			
Change in inventories	(28)	(328)	(3,248)
Costs for purchases	(29)	40,107	26,981
Costs for services and leases and rentals	(30)	70,390	42,401
Personnel costs	(31)	38,590	20,592
Amortisation, depreciation and write-downs	(32)	4,462	3,754
Other operating costs	(33)	336	535
TOTAL OPERATING COSTS (B)		**153,557**	**91,015**
OPERATING PROFIT (A-B)		**(4,351)**	**7,871**
FINANCIAL INCOME AND CHARGES			
Financial income	(34)	1,385	812
Non-recurring income associated with the acquisition of the Lancel Group	(34)	42,176	0
Financial charges	(35)	(2,129)	(1,678)
TOTAL FINANCIAL INCOME AND CHARGES		**41,432**	**(866)**
PRE-TAX RESULT		**37,081**	**7,006**
Income tax expenses	(36)	(2,605)	(2,233)
PROFIT FOR THE PERIOD		**34,476**	**4,773**
attributable to:			
EQUITY HOLDERS OF THE PARENT COMPANY		34,535	4,840
MINORITY INTERESTS		(59)	(67)
(Basic) Earnings per share in Euro	(37)	0.690	0.095

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Profit/(Loss) for the period (A)	**34,475**	**4,773**
Components that can be reclassified to profit or loss		
Profit/(loss) arising from the translation of financial statements of foreign companies	1,502	(497)
Profit/(loss) on cash flow hedge instruments	167	(107)
Components that cannot be reclassified to profit or loss:		
Actuarial gains (losses) on defined-benefit plans	(55)	(69)
Total Profits recognised in Equity (B)	**1,614**	**(673)**
Total comprehensive Profit for the period (A) + (B)	**36,089**	**4,100**
Attributable to		
- the Group	36,161	4,154
- Minority interests	(72)	(54)

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			Other reserves										
	Share capital	Share premium reserve	Translation reserve	Fair value reserve	Reserve for Employee Benefits	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 at 31.03.2017	1,000	1,000	657	(8)	(45)	497	1,101	31,884	3,435	38,420	(105)	(31)	38,284
Profit for the period									4,840	**4,840**		(67)	4,773
Other comprehensive result at 31 March 2018:													
-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)
-Allocation of the result for the year ended 31.03.2017 to reserves								1,435	(1,435)	**0**	(31)	31	0
Balances as at 31.03.2018	**1,000**	**1,000**	**147**	**(115)**	**(114)**	**497**	**415**	**33,319**	**4,840**	**40,574**	**(124)**	**(67)**	**40,383**
Profit for the period									34,534	**34,534**		(59)	34,475
Other comprehensive result as at 31 March 2018:													
-Exchange differences from translation of financial statements in foreign currency			1,515				**1,515**			**1,515**	(13)		1,502
					(55)		**55)**			**(55)**			(55)
- Fair value of financial instruments				167			**167**			**167**			167
Comprehensive Income for the period	**0**	**0**	**1,515**	**167**	**(55)**	**0**	**1,627**	**0**	**34,534**	**36,161**	**(13)**	**(59)**	**36,089**
-Other changes (in consolidation area)							**0**			**0**	(4)		(4)
- Distribution of dividends to shareholders									(3,000)	**(3,000)**			(3,000)
-Allocation of the result for the year ended 31.03.2018 to reserves								1,840	(1,840)	**0**	(67)	67	0
Fair value of Stock Option Plans							**0**			**0**			0
Balances as at 31.03.2019	**1,000**	**1,000**	**1,662**	**52**	**(169)**	**497**	**2,041**	**35,159**	**34,534**	**73,734**	**(207)**	**(59)**	**(73,468)**

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Pre-tax profit	**37,081**	**7,006**
Adjustments for:		
Depreciation of property, plant and equipment/Amortisation of intangible assets	2,970	2,746
Write-downs of property, plant and equipment/intangible assets	553	405
Accrual to provision for bad debts	938	843
Non-recurring income associated with the acquisition of the Lancel Group	(42,176)	0
Net financial charges/(income), including exchange rate differences	744	866
Cash flows from operating activities before changes in working capital	**111**	**11,865**
Change in trade receivables (gross of the provision)	(5,435)	(714)
Change in inventories	(750)	(3,036)
Change in other current assets	934	212
Change in trade payables	2,399	1,254
Change in provisions for risks and charges	202	227
Change in other current liabilities	725	655
Change in tax receivables/payables	385	147
Cash flows from operating activities after changes in working capital	**(1,430)**	**10,611**
Payment of taxes	(2,769)	(2,365)
Interest paid	(744)	(214)
Cash flow generated from operating activities (A)	**(4,942)**	**8,031**
Cash and cash equivalents acquired, net of the price for the acquisition of the Lancel Group	43,817	0
Investments in intangible assets	(869)	(490)
Disinvestments from intangible assets	80	0
Investments in property, plant and equipment	(4,285)	(1,213)
Disinvestments from property, plant and equipment	64	17
Equity investments	(20)	0
Changes generated from investing activities (B)	**38,787**	**(1,687)**
Financing activities		
Change in short- and medium/long-term borrowings	(2,524)	3,810
New issues of long-term borrowings	10,000	10,164
Repayments and other net changes in borrowings	(12,524)	(6,354)
Changes in financial instruments	(64)	148
Leasing instalments paid	(904)	(691)
Change in the translation reserve	1,502	484
Other minor changes	(59)	168
Payment of dividends	(3,000)	(2,000)
Cash flow generated from/(absorbed by) financing activities (C)	**(5,050)**	**1,920**
Net increase (decrease) in cash and cash equivalents (A+B+C)	28,794	8,264
Cash and cash equivalents at the beginning of the period	**23,552**	**15,288**
Cash and cash equivalents at the end of the period	**52,346**	**23,552**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2019

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 10 June 2019 and will be submitted to the Shareholders' Meeting called on first call for 25 July 2019.

Main events that occurred in the course of the financial year ended 31 March 2019 and related significant accounting effects

On 2 June 2018 Piquadro S.p.A. signed a contract of sale for the acquisition of Lancel International S.A. ("Lancel International") – a Swiss company that is wholly owned by the Richemont Group and is the owner of the "Lancel" brand, holding 99.9958% of the capital of the French company Lancel Sogedi SA, as well as of the Spanish and Italian companies that operate Lancel's boutiques in their respective countries (Lancel International and its subsidiaries are hereinafter referred to as the "Lancel Group").

The Lancel Group was founded in 1876 and the head office of the operating company (Lancel Sogedi) is located in Paris. It has developed a network of 63 DOSs and 8 franchise shops and is active in 39 countries, including China, through its retail and wholesale sales network.

The sale transaction described above falls within the scope of the growth and development plan of the Piquadro Group and is of significant strategic importance, with specific regard to the international expansion of the Group.

The Lancel Group joined the consolidations scheme of the Piquadro Group with accounting effect from 1 June 2018; the income statement, therefore, includes the Lancel Group's result for 10 months only (from 1 June 2018 to 31 March 2019).

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 2019 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

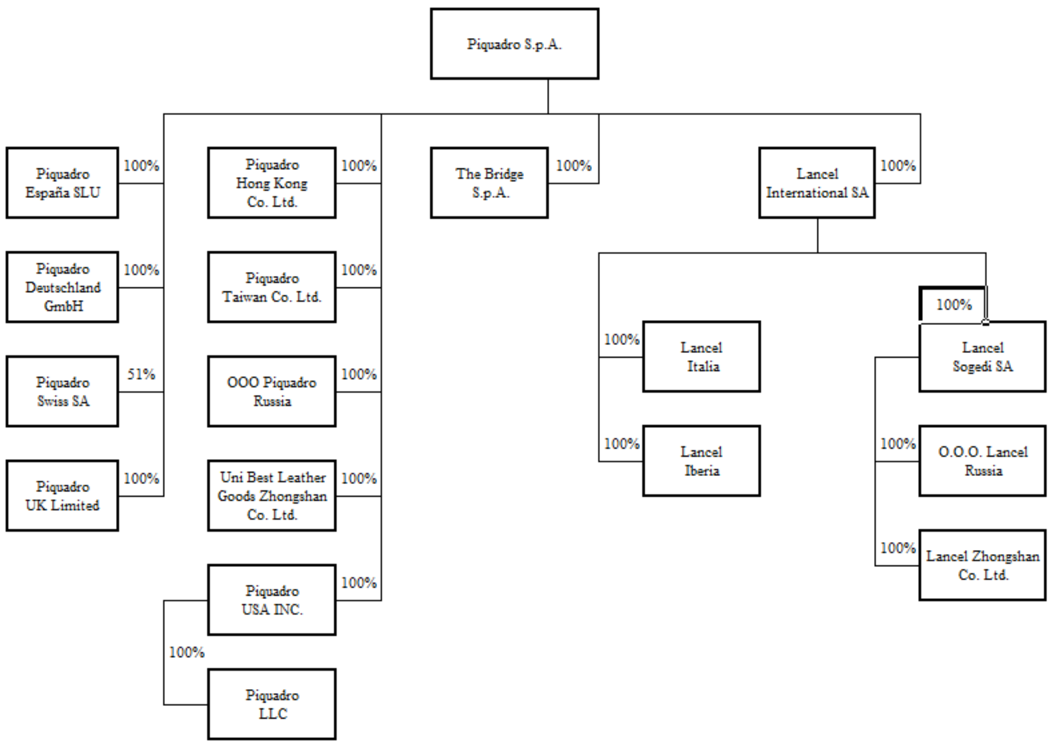
consolidated cash flow statement and the statement of changes in consolidated equity for the financial years ended 31 March 2019 and 31 March 2018 and the related explanatory notes.
IFRS means all the "International Financial Reporting Standards" (IFRS), all the International Accounting Standards (IAS), 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 Lancel International S.a. on 2 June 2018, the Management believe that no significant non-recurring events or transactions occurred either in the FY 2018/2019 or in the FY 2017/2018 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 2019:



Consolidation area

The consolidated financial statements at 31 March 2019 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 2019, 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 2019 and 31 March 2018, 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 2019

Name	HQ	Country	Currency	Share Capital (local currency /000)	Shareholders' equity (local currency/000)	Control %
Piquadro S.p.A.	Gaggio Montano (BO)	Italy	EUR	1,000	42,697	Parent Company
Piquadro España SLU	Barcelona	Spain	EUR	898	848	100%
Piquadro Deutschland GmbH	Munich	Germany	EUR	25	50	100%
Uni Best Leather Goods Zhongshan Co. Ltd.	Guangdong	People's Republic of China	CNY	22,090	2,803	100%
Piquadro Hong Kong Co. Ltd.	Hong Kong	Hong Kong	HKD	2,000	950	100%
Piquadro Taiwan Co. Ltd.	Taipei	Taiwan	TWD	25,000	30,097	100%
Piquadro Swiss SA	Mendrisio	Switzerland	CHF	100	(605)	51%
Piquadro UK Limited*	London	United Kingdom	GBP	1,000	1,039	100%
Piquadro USA INC.	Delaware	USA	USD	1,000	987	100%
Piquadro LLC	Delaware	USA	USD	995	951	100%
OOO Piquadro Russia	Moscow	Russia	RUB	10	55,644	100%
The Bridge S.p.A.	Scandicci	Italy	EUR	50	1,362	100%
Lancel International SA	Villar–Sur-Glane	Switzerland	CHF	35,090	48,759	100%
Lancel Sogedi	Paris	France	EUR	20,000	(5,946)	100%
Lancel Italia	Gaggio Montano (BO)	Italy	EUR	100	49	100%
Lancel Iberia	Barcelona	Spain	EUR	3	154	100%
Lancel Russia	Moscow	Russia	RUB	10	(10,523)	100%
Lancel Zhongshan	Guangdong	People's Republic of China	CNY	3,000	3,552	100%

(*) Piquadro UK Limited has made use of the right of exemption from control for 2018/19 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 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 2017/18 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.

As already mentioned above, it should be noted that the scope of consolidation at 31 March 2019 reported changes due to including six new companies, compared to 31 March 2018, following the acquisition of the Lancel Group and the cancellation of two Piquadro brand's companies. The following companies were included in the consolidation area: Lancel International SA, Lancel Sogedi, Lancel Iberia, Lancel Italia, Lancel Russia and Lancel Zhongshan (Lancel Group), respectively, while Piquadro France Sarl and Piquadro Trading Shenzhen Co. Ltd have been excluded since they are no longer existing.

Business combinations

Acquisition of the Lancel Group

The business combination has been accounted for in accordance with IFRS 3 revised. Specifically, the Management has also carried out, with the help of independent professionals, the measurement of assets or liabilities and potential liabilities at fair value, based on the current information about facts and circumstances available on the date of acquisition (purchase price allocation).

The table below reports acquired assets and liabilities measured at their fair value:

Net assets acquired	Carrying amount of acquirees	Fair value adjustment	Fair value
(in thousands o Euro)			
Intangible assets	3,384	(2,572)	812
Property, plant and equipment	14,956	(14,403)	553
Other non-current assets	3,398	(1,879)	1,519
Inventories	17,378	(4,335)	13,043
Trade receivables and other current assets	7,808	(1,673)	6,135
Cash and cash equivalents	43,905	0	43,905
Trade payables and other current liabilities	(14,301)	(904)	(15,205)
Provisions for risks and charges	(2,201)	(610)	(2,811)
Staff severance pay	(2,316)	409	(1,907)
Total net assets acquired	**72,011**	**(25,967)**	**46,044**
Acquisition price			0
Contingent consideration			(3,869)
Difference between fair value of net assets acquired and acquisition price			**42,175**

With reference to the acquisition of control over the Lancel Group, the Management has measured, with the help of independent experts, the fair values of identifiable assets acquired and liabilities assumed, which have also taken account of their recoverable value (as calculated on the basis of the business plans of the entity being acquired) and have led to identifying the following main significant differences between book values and fair values:

- Lower value of intangible assets in a total amount of Euro 2.6 million arising from the fair value measurement of key money relating to sales outlets.
- Lower value of property, plant and equipment in a total amount of Euro 14.4 million arising from the fair value measurement of these assets, mainly relating to those held with the sales outlets. On the other hand, this write-down was not reported in the relevant balance sheet as at the date of the Transaction, while it had been reported in the acquirees' separate financial statements which were approved after said date.
- Write-down of deferred tax assets for Euro 1.9 million in relation to deferred taxation that, as a result of the change of control, may no longer be recovered within the scope of the Group's tax consolidation.
- Full write-down of the entrance fees stated among non-current assets in the Lancel Group's financial statements for Euro 2.1 million, which may not be realised since they relate to structurally loss-making sales outlets.
- Write-down of inventories for Euro 4.3 million arising from the measurement of warehouse stock at realisable value as at 31 May 2018.

Cash and cash equivalents, equal to Euro 43.9 million, include an advance payment of Euro 35 million made by Richemont to cover expected losses. In relation to this advance payment to cover expected losses, it should be noted that, within the scope of the agreements reached in relation to the transfer of the Lancel Group, Richemont has undertaken to cover any and all losses suffered by the Lancel Group over a period of 10 years ("Loss Period"), with a maximum limit of no more than Euro 35 million. Therefore, according to these provisions, the commitment undertaken by Richemont will entail, for each financial year included in the Loss Period, Richemont's cash transfer to the Lancel Group in an amount equal to the losses suffered by the Lancel Group in that year. Therefore, under the contract of transfer, the Lancel Group is entitled to receive an amount equal to the losses suffered, on the one hand, and, on the other, is under an obligation to transfer to Richemont 20% of the profits achieved by Lancel during the Loss Period. This repayment obligation constitutes a contingent liability for Lancel, which was recognised at fair value as at the date of acquisition. The fair value of this contingent liability has been estimated on the basis of the plan prepared by the Directors. In consideration of the fact that, as at the date of acquisition, Piquadro expected that Lancel was going to record losses equal to or higher than Euro 35 million and, therefore, no obligation to refund the advance payment received was going to arise, no liability has been recognised This event has led to an increase in the book value of the net assets acquired and, other conditions being equal, has entailed a higher "Non-recurring income associated with the acquisition of the Lancel Group" ("bargain purchase").

The price paid on the date of execution amounted to Euro 1 (one), plus an earn-out equal to 20% of profits realised by the Lancel Group on an annual basis ("Annual Earn-Out") during the ten years after the date of completion of the Transaction and to 50% of the price of any possible resale to third parties of the Lancel Group or of most of its assets ("Sale Earn-Out"), should it take place in the same period. However, the parties have agreed that in no case may the earn-out exceed an amount of Euro 35 million. The fair value of the Annual Earn-Out has been calculated, with the help of an independent expert, as follows:

- setting the annual fees payable to Richemont Holdings AG during the period from 1 April 2019 to 31 March 2028 with reference to the expected results envisaged in the plan for the period from 2020 to 2028 in two alternative scenarios. The data includes in this plan are not significantly different from those prepared by the Governing Body of Piquadro S.p.A. upon acquisition of the Lancel Group;
- discounting the aforesaid fees back to 31 May 2018. Given the nature of the flows under consideration, the discount rate has been assumed equal to the unlevered cost of risk capital equal to 8.5%;
- calculating the weighted average of the amounts set as stated in the previous point.

The fair value of the Annual Earn–Out was equal to about Euro 3,869 thousand based on the data processed as above.

The positive difference of Euro 42,175 thousand between the fair value of the net assets acquired and the acquisition price, which has been stated through profit or loss as "non-recurring income associated with the acquisition of the Lancel Group", as required by IFRS 3, finds its reason, in financial terms, in such future operating losses as may be generated in the short- and medium-term.

First-time adoption of new standards

With effect from 1 April 2018 the Group adopted two new accounting standards:

 IFRS 15 “Revenue from Contracts with Customers”, replacing IAS 18 “Revenue”, IAS 11 “Construction contracts” and related interpretations; IFRS 9 “Financial Instruments”, replacing IAS 39 “Financial Instruments: Recognition and measurement”.

IFRS 15 “Revenue from Contracts with Customers” provides for a single general model to establish whether, when and to which extent revenues must be recognised. In general, under IFRS 15 revenues must be recognised when the customer obtains control over goods or services and the determination of the time when conrrol is transferred, at a point in time or over time, requie a valuation on the part of the company management. For more details, refeence should be made to the paragraph on “Revenue recognition”.

The Group has not reported any effect on its financial statements arising from the adoption of this new standard.

IFRS 9 “Financial intsruments” introduces new requirements for the recognition and measurement of financial assets and liabilities and rules for hedge accounting.

To complete the information already reported below, more details are provided herein on the decisions that have been made in adopting (i) the classification of financial assets, (ii) the new method for impairment of financial assets, including receivables and (iii) the rules for hedge accounting.

a. Classification of financial assets: these assets that fall within the scope of application of IFRS 9 are recognised at amortised cost or at fair value according to the entity’s business model for the management of financial assets and of the features relating to contract cash flows arising from financing activities;

b. Expected credit losses model: the new method is based on a predictive approach, according to the counterparty’s probability of default and the recovery capacity in the case that the default event occurs (loss given default);

c. Hedge accounting: the new provisions provide, with respect to IAS 39 previously applicable until 31 March 2018, for changes in the rules to manage hedge accounting, bringing the recognition requirements into line with those applied by the Group in Risk Management. The new standard allows in fact hedge accounting to be also applied, on a prospective basis from 1 April 2018, to groups of elements and to single components of non-financial elements provided that the hedged item can be measured reliably.
The Group has not recognised any effect on its financial statements arising from the adoption of this new standard.

With reference to the new IFRS 16 “Leases”, which was published in the European Union’s Official Journal on 9 November 2017 and which will be adopted, on a prospective basis, from 1 April 2019, it is preliminarily estimated that the FTA impact on financial liabilities will be equal to about Euro 69 million, as reported in the paragraph on “IFRS Accounting standards, amendments and interpretations applied from 1 April 2018”. in the adoption of the new standard with full effect from 2019, account will be taken of the interpretations that will be issued by the IFRS Interpretations Committee (IFRIC) in this regard, as well as the accounting practice that will be applied.

Accounting policies

The accounting policies used in preparing the consolidated financial statements at 31 March 2019, 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:

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;

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;

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;

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;

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 2018/2019 (foreign currency corresponding to Euro 1):

Foreign Currency	**Average exchange rate (*)**		**Final exchange rate (*)**	
	2019	**2018**	**2019**	**2018**
Hong Kong Dollar (HKD)	9.08	9.14	8.82	9.67
Renminbi (RMB)	7.77	7.75	7.54	7.75
Taiwan Dollar (TWD)	35.34	35.08	34.66	35.93
Swiss Franc (CHF)	1.15	1.14	1.12	1.18
Great Britain Pound (GBP)	0.88	0.88	0.86	0.87
US Dollar (USD)	1.16	1.17	1.12	1.23
Russian Rouble (RUB)	75.29	67.74	72.86	70.89

(*) 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.

The consideration (if any) subject to condition resulting from the business combination agreement is measured at fair value on the acquisition date and are included in the value of the consideration transferred for the combinaton for the purposes of determining goodwill.
Minority interests on the acquisition date are measured at fair value or based on the proportional value of net assets of the acquiree. The measurement method is chosen for each transaction.
If business combinations are carried out in steps, the interest previously held by the Group in the acquiree is measured at fair value on the date of acquisition of control and the resulting profit or loss (if any) is recognised in 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. After initial recognition, these investments are measured at fair value through other comprehensive income. This approach does not include any interest that is held for sale only, whose fair value changes are recognised through profit (or loss) for the period. The risk arising from any possible losses exceeding the carrying amount of the investment is recognised in a specific provision to the extent in which the investing company is committed to fulfilling legal or constructive obligations to the investee or in any case to covering its losses.

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

Financial assets

Financial assets, as required by the new IFRS 9, are classified, according to the management methods applied by the Group and based on the related features of contract cash flows, into the following categories:

- Amortised Cost: this category includes financial assets that are held for the sole purpose of collecting contract cash flows. They are measured at amortised cost, with proceeds recognised through profit or loss based on the effective interest rate method.
- Fair value through other comprehensive income ("FVOCI"): this category includes financial assets the contract cash flows of which exclusively consist of the payment of principal and interest and that are held in order to collect contract cash flows, as well as flows deriving from their sale. They are measured at fair value. Interest income, foreign exchange gains and losses, impairment losses (and related value write-backs) of financial assets classified as assets at FVOCI, are accounted for through profit or loss; other changes in the fair value of assets are accounted for among OCI. Upon the sale or reclassification of these financial assets to other categories, because of a change in the business model, cumulative profits or losses recognised in OCI are reclassified to profit or loss.
- Fair value through profit or loss ("FVTPL"): this category includes residual items concerning financial assets that do not fall within the categories of Amortised Cost or FVOCI, such as, for example, financial assets acquired for trading purposes or derivatives, or assets designated at FVTPL on the part of the Management upon initial recognition. They are measured at fair value. Any profits or losses arising from this measurement are recognised through profit or loss.

FVOCI for equity instruments: financial assets consisting of equity instruments issued by other entities (i.e. interests in companies other than subsidiaries, associates and jointly-controlled companies), which are not held for trading purposes, can be classified in the category of FVOCI. This option can be applied on an instrument-by-instrument basis and provides for any change in the fair value of these instruments to be recognised in OCI, without being recycled to profit or loss, either upon their transfer or upon their impairment. Only the dividends arising from these instruments will be recognised through profit or loss.

The fair value of financial assets is determined on the basis of the listed offer prices or through the use of financial models. The fair value of unlisted financial assets is estimated by using appropriate valuation techniques adapted for the specific situation.

Measurements are carried out on a regular basis in order to establish whether there is any objective evidence that a financial asset or a group of assets may have reported an impairment loss. If there is objective evidence, the impairment loss is recognised as a cost in the income statement for the period.

Trade receivables

Upon initial recognition they are measured at fair value, while trade receivables without any significant financial component are valued at the transaction price. The measurement of their recoverable value is made on the basis of the Expected Credit Losses model required by IFRS 9.

They are measured at fair value upon initial recognition and then at amortised cost, using the effective interest method. They are stated net of a provision for bad debts, which is entered as a direct deduction from the receivables themselves to adjust their measurement at their presumed realisable value. Expected credit losses are estimated by using an allocation matrix broken down by maturities of overdue amounts, making reference to the entity's past experience of credit losses, as well as to an analysis of the creditors' financial position, as adjusted to include specific factors of the creditor and a valuation of the current and expected trend in these factors on the reporting date of the financial statements.

An accrual due to impairment losses on trade receivables is recognised when there is any objective evidence that the Group will not be able to collect any and all amounts according to the initial terms and conditions. The amount of the accrual is charged to profit or loss.

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) provides for the stability of the value of goodwill divided into Cash Generating Units (CGUs) to be tested as first step. 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 20^{th} 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 IFRS 9, hedging financial instruments are accounted for according to the procedures laid down for hedge accounting if all the following conditions are fulfilled:

- 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;
- 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;
- 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;
- 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;
- 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 initially accounted for at fair value, net of transaction costs incurred. Subsequently they are stated at amortised cost; the differential between the amount collected, net of transaction costs, and the amount to be repaid is accounted for through profit or loss on the basis of the term of the loans, using the effective interest method.
In the case of non-substantial amendments to the terms and conditions of a financial instrument, the difference between the present value of flows as changed (determined by using the effective interest rate of the instrument outstanding at the date of the change) and the book value of the instrument is stated through profit or loss. The loans are classified among current liabilities if the Group has not any unconditional right to defer the repayment of the liability for at least 12 months after the reporting date.
Financial liabilities are derecognised from the balance sheet when the specific contract obligation is extinguished. This also occurs when the existing contract terms and conditions are amended, if the new terms and conditions have changed the initial arrangements significantly.

Financial instruments and IFRS 7

The category of financial instruments

The disclosure required by IFRS 7, which allows the assessment of the significance of the Group's financial instruments and the nature of risks associated thereto, is reported in different paragraphs of these explanatory notes.

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 2019**	**Provision at 31 March 2018**
Balance at the beginning of the period	**2,822**	**2,280**
Accrual	938	753
Change in the consolidation area	168	0
Uses	(830)	(211)
Total Provision for bad debts	**3,098**	**2,822**

The change in the consolidation area reflects the acquisition of control over the Lancel Group, which took place during the 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
31/03/2019	Amount in the accounts		1-60 days	61-120 days	Over 120 days	
DOS	1,025	1,002	23	0	0	0
Wholesale	33,518	28,115	2,065	1,209	5,226	(3,098)
Total	**34,543**	**29,117**	**2,089**	**1,209**	**5,226**	**(3,098)**

(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)**

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 2019	**31 March 2018**
Cash Ratio (*)	0.96	0.56
Quick Ratio (**)	1.72	1.30
Current Ratio (***)	2.37	1.83
Net financial debt/EBITDA	n.a.	0.34
Interest coverage ratio (****)	0.11	9.09

(*)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
31/03/2019					
Payables to banks for loans	20,949	7,351	13,598	0	20,949
Payables to banks for credit lines	0	0	0	0	0
Trade payables	36,219	36,219	0	0	36,219
Other borrowings (leases)	12	12	0	0	12
Derivative liabilities	6	6	0	0	6
Total	**57,186**	**43,588**	**13,598**	**0**	**57,186**

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**

Below are reported the main assumptions for the table above:

Loans payable: the future cash flows have been provided directly by the banks concerned;
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;
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;
Finance leases: instalments, plus interest, have been reported.

As at 31 March 2019, the Group could rely on about Euro 57,419 thousand of credit lines (about Euro 46,970 thousand at 31 March 2018). 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 34,543 thousand at 31 March 2019 (Euro 27,618 thousand at 31 March 2018).

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 IFRS 9, 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 2019, the Parent Company executed forward currency contracts for USD 17,770 thousand, equal to an aggregate counter-value of Euro 14,577 thousand, with an average exchange rate of USD 1.219.
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.

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	52,346	182	(14)	0	24	0
Trade receivables	34,543	32	(3)	0	4	0
Derivative financial instruments	78	0	0	0	0	0
			(17)	**0**	**28**	**0**
Financial liabilities						
Borrowings	20,949	0	0	0	0	0
Payables to other lenders for lease agreements	12	0	0	0	0	0
Trade payables	36,219	1,806	(164)	0	201	0
Derivative financial instruments	6	0	0	0	0	0
			(164)	**0**	**201**	**0**
Total effect at 31/03/2019			(181)	0	228	0

Foreign exchange risk (FER)

	Book value	Of which subject to FER	+10% Euro/USD		-10% Euro/USD	
			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	
Derivative financial instruments	159	0	0	0	0	0
			(253)	0	310	0
Total effect at 31/03/2018			**(282)**	**0**	**345**	**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

	Book value	Of which subject to IRR	Interest rate risk (IRR) +50 bps on IRR		Interest rate risk (IRR) -50 bps on IRR	
			Profits (Losses)	Other changes in Equity	Profits (Losses)	Other changes in Equity
Financial assets						
Cash and cash equivalents	52,346	52,346	262	0	(262)	0
Trade receivables	34,543	0	0	0	0	0
Derivative financial instruments	78	0	0	0	0	0
			262	**0**	**(262)**	**0**
Financial liabilities						
Borrowings	20,949	20,949	(105)	0	105	0
Payables to banks for credit lines	0	0	0	0	0	0
Trade payables	36,219	0	0	0	0	0
Other borrowings (leases)	12	12	0	0	0	0
Derivative financial instruments	6	0	0	0	0	0
			(105)	**0**	**105**	**0**

Total effect at 31/03/2019		**157**	**0**	**(157)**	**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	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**

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 2019**	**31 March 2018**
Net Financial Position	25,606	(3,653)
Equity	73,468	40,383
Net invested capital	47,862	44,036
Gearing ratio	**153.4%**	**8.3%**

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:

- it is probable that a current obligation (legal or constructive) exists as a result of paste events;
- it is probable that the fulfilment of the obligation will require the payment of a consideration;
- 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 IFRS 15:
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”.
Right of return. Some contracts allow the customer to return the goods within a certain period of time. The Group uses the expected value method to estimate the goods that will not be returned since this is the best method to forecast the amount of the variable consideration to which the Group will be entitled. IFRS 15’s guidance on the restrictions on the recognition of variable consideration applies to the determination of the amount of variable consideration that can be included in the transaction price.
The Group makes an adjustment to revenues and recognises a liability for reimbursements in the case of goods that are expected to be returned.
The right to return an asset (and the corresponding adjustment to cost of sales) is also granted for the right to receive the goods from the customer.

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 2018/2019.

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
1.5% for 2019 and 1.75% for 2018	Frequency of 0.4% for 2019 and 0.15% for 2018	2.70% for 2019 and 3.50% for 2018

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 – DOS channel;
(iv) "The Bridge" Brand – Wholesale channel;
(v) "Lancel" Brand - DOS channel;
(vi) "Lancel" brand – Wholesale channel.

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 and Lancel 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 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

IFRS Accounting Standards, amendments and interpretations applied from 1 April 2019

The following accounting standards, amendments and IFRS interpretations were applied by the Group for the first time as from 1 April 2018:

On 28 May 2014, the IASB published **IFRS 15 – *Revenue from Contracts with Customers*** which, together with additional clarifications published on 12 April 2016, 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* e 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 laid down in the contract;
determine the transaction price;
allocate the transaction price to the performance obligations laid down in the contract;
recognise revenue when (or as) the entity satisfies a performance obligation.

The standard was adopted from 1 January 2018 and did not have any effect on the amounts stated on account of revenues and on the related disclosure.

On 24 July 2014, the IASB published the final version of **IFRS 9 – *Financial Instruments: Recognition and Measurement***. The document describes the results of the IASB's project to replace IAS 39. The new standard must be adopted to financial statements for the financial periods commencing on or after 1 January 2018.
The standard introduces new criteria for the classification and measurement of financial assets and liabilities. Specifically, the new standard uses, for financial assets, a single approach based on the methods to manage financial instruments and on the features of contract cash flows from these financial assets in order to determine their measurement policy, replacing the various rules laid down in IAS 39. As regards financial liabilities, instead, the main amendment concerned the accounting treatment of fair value changes in a financial liability designated as a financial liability measured at fair value through profit or loss, in the case that these changes are due to a change in the credit rating of the issuer of the liability itself. According to the new standard, these changes must be recognised in the "Other comprehensive income" and no longer through profit or loss. Furthermore, it is no longer permitted to report the economic effects of the residual debt rescheduling in the changes in financial liabilities defined as immaterial, modifying the effective interest rate on the maturity date, but the related effect will be required to be recognised through profit or loss.
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. The standard provides for this impairment model to be applied to all financial instruments, i.e. to financial assets measured at amortised cost, as well as to those measured at fair value through other comprehensive income, receivables under lease agreements and trade receivables.
Finally, the standard introduces a new hedge accounting model in order to update the requirements laid down in the present IAS 39, which have sometimes been considered too stringent and not suitable to reflect the risk management policies adopted by the companies. The major developments in the document concern:
An increase in the types of transactions qualifying for hedge accounting, also including the risks of non-financial assets and liabilities qualifying for hedge accounting;
A change in the method to account for forwards and options when they are included in a hedge accounting relationship in order to reduce volatility in the income statement;
the amendments to the effectiveness test by replacing the present methods based on a parameter of 80-125% according to the principle of "economic relationship" between hedged item and hedging instrument; furthermore, a measurement of the retrospective effectiveness of the hedging relationship is no longer required.

The higher flexibility of the new accounting rules is offset by additional requests for disclosures on the entity's risk management.

The standard was adopted from 1 January and did not have any effect on the amounts stated as financial assets and liabilities and on the related disclosure.

On 20 June 2016, the IASB published the 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 were adopted from 1 January 2018.The adoption of this amendment did not have any effect on the Group's consolidated financial statements.
On 8 December 2016, the IASB published "***Annual Improvements to IFRS: 2014-2016 Cycle***", which partially makes additions to the pre-existing standards within the annual process of their improvement process. The main amendments concern:
IFRS 1 *First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*. The amendment was adopted from 1 January 2018 and concerns the deletion of some short-term exemptions laid down in paragraphs E3-E7 of Appendix E of IFRS 1 since the benefit of these exemptions is considered to be no longer applicable.

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. The amendment clarifies that the option for a venture capital organization or any other entity qualified in this manner (such as, for example, an investment fund or a similar entity) to measure investments in associates and joint ventures at fair value through profit or loss (rather than at equity) is exercised for each investment upon initial recognition. The amendment was adopted from 1 January 2018.
IFRS 12 *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*. The amendment clarifies the scope of application of IFRS 12, specifying that the disclosure required by the standard, except for that provided in paragraphs B10-B16, applies to any and all interests that are classified as held for sale, held for distribution to shareholders or as discontinued operations as required by IFRS 5. This amendment was applied from 1 January 2018.

The adoption of these amendments did not have any effect on the Group's consolidated financial statements.

On 8 December 2016, the IASB published the interpretation "*Foreign Currency Transactions and Advance Consideration* (IFRIC Interpretation 22)". 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 (against cash received/paid), 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.
The interpretation clarifies that the transaction date is the earlier of:
The date when the advance payment or the advance received is recognised in the entity's accounts; and
The date when the asset, cost or revenue (or a part thereof) is stated in the accounts (with the consequent reversal of the advance payment or of the advance received).
If there are several payments or amounts collected in advance, a specific transaction date must be set for each of them. IFRIC 22 was adopted from 1 April 2018. The adoption of this interpretation did not have any effect on the Group's consolidated financial statements.

Accounting standards, amendments and interpretations endorsed by the European Union but not yet applicable and not adopted by the Group in advance at 31 March 2019.

On 13 January 2016, the IASB published **IFRS 16 – *Leases,*** which 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, finally, 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. On the contrary, the Standard does not include significant amendments for lessors.
The standard was applicable from 1 January 2019 (1 April 2019 for the Piquadro Group) with early adoption permitted, either on a full or modified retrospective basis.
According to the full retrospective option, IFRS 16 must be applied for 2018 by recognising the impact through equity at 1 April 2018 as if IFRS 16 had always been applied, through a restatement of comparative data.
The modified retrospective option provides as follows:

- for 2018 the adoption of IAS 17 without any restatement of comparative data;
- for 2019 the adoption of IFRS 16 with the impact through equity at 1 April 2019 (as profits carried forward) of the cumulative effect of the new standard upon first-time adoption of the contracts in place on that date only and the reporting of the impact arising from the first-time adoption of the standard in the notes to the financial statements.

The Piquadro Group has decided to apply the modified retrospective option that does not provide for the restatement of 2018 comparative data.

The adoption of the new accounting standard – IFRS 16 *Leases* – entails effects on the financial statements, changing some models of the present accounting system. The objective is to improve transparency in the statements of income and cash flows and the comparability of the accounts.

The Company has completed the preliminary assessment project of potential impacts arising from the adoption of the new standard on the transition date (1 April 2019). This process has been structured into various phases, including the full mapping of contracts that are potentially suitable to contain a lease and their analysis in order to understand their main clauses relevant for the purposes of IFRS 16.

The process is being completed for the implementation of the standard, which provides for setting up the IT structure aimed at the accounting management of the standard and at aligning the administrative processes and audits concerning the monitoring of critical areas dealt with in the standard.

The Company has decided to apply the standard on a retrospective basis, while recognising the cumulative effect arising from the adoption of the standard in equity at 1 April 2019, as required by paragraphs IFRS 16:C7-C13. Specifically, the Company will account, in relation to agreements previously classified as operating leases, for:

- a financial liability, equal to the present value of future payments still outstanding on the transition date, as discounted back by using the incremental borrowing rate applicable on the transition date for each agreement;
- a right to use equal to the value of the financial liability on the transition date, net of accrued income and prepaid expenses, as well as of accrued expenses and deferred income (if any), relating to the lease and recognised in the balance sheet on the reporting date of these financial statements.

The table below reports the estimated impact from the adoption of IFRS 16 at the transition date:

€/mil. **ASSETS**	***Impact on the transition date (01.04.2019)***
Non current assets	
Right to use	*69.2*
Total	***69.2***
SHAREHOLDERS' EQUITY AND LIABILITIES	
Shareholders' equity	
Profits carried forward	*0*
Non-current liabilities	
Financial liabilities for non-current leases	*54.0*
Current liabilities	
Financial liabilities for current leases	*15.2*
Total	***69.2***

In adopting IFRS 16, the Company intends to make use of the exemption granted by paragraph IFRS 16:5(a) in relation to the short-term leases for the following classes of assets:

- Computers, telephones and tablets;
- Printers;
- Other electronic devices;
- Sundry leases

Likewise, the Company intends to make use of the exemption granted by IFRS 16:5(b) as regards lease agreements for which the underlying asset is qualified as a low-value asset (i.e. the assets underlying the lease agreement do not exceed 5.000of Euro when they are new assets). The contracts for which the exemption has been applied mainly fall within the scope of the following categories:

Computers, telephones and tablets;
Printers;
Other electronic devices.

For these agreements the adoption of IFRS 16 will not entail the recognition of the financial liability of the lease and of the related right to use, but lease payments will be recognised through profit or loss on a linear basis for the term of the respective agreements.

The Company intends to use the following practical options provided for in IFRS 16:

Separation of non-lease components: the Company intends to make use of the exemption granted by IFRS 16:15 for the following categories of assets:
Vehicles;
Apartments/Offices;
Shops;
Warehouses/Parking areas.
The non-lease components on these assets will not be separated and accounted for separately with respect to lease components, but will be considered together with the latter in determining the financial liability of the lease and of related right to use.

The transition to IFRS 16 introduces some professional judgment elements that entail the design of some accounting policies and the use of assumptions and estimates in relation to the lease term, as well as to the definition of the incremental borrowing rate. The major of them are summarised below:

The Company has decided not to adopt IFRS 16 for agreements containing a lease, whose underlying asset is an intangible asset;

The Group has analysed all the lease agreements, thus defining the lease term for each of them, which is given by the "non-cancellable" period, together with the effects of possible clauses of extension or early termination the exercise of which has been regarded as reasonably certain. Specifically, this valuation has considered the specific facts and circumstances of each asset for properties.

Since most of lease agreements entered into by the Group do not provide for an implied rate of interest, the discount rate to be applied to future lease payments has been determined as the rate applied to 10-year Bonds of each country in which the agreements have been entered into, with maturities commensurate to the term of each lease agreement, as increased by the specific Credit spread of the Group.

On 12 October 2017, the IASB published an amendment to **IFRS 9 - *Prepayment Features with Negative Compensation***. This document specifies that the instruments providing for early redemption might pass the *Solely Payments of Principal and Interest* ("SPPI") test even when the "reasonable additional compensation" to be paid for early redemption is a "negative compensation" for the lending entity. The amendment was 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.

On 7 June 2017, the IASB published the interpretation "***Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)***" (published on 7 June 2017). The interpretation deals with the uncertainty over income tax treatments. In particular, the Interpretation requires an entity to analyse the uncertain tax treatments (individually or as a whole, depending on their features), while always assuming that the tax authorities consider the tax position in question, being fully aware of any and all material information. If the entity believes that it is not likely that the tax authority will accept the tax treatment applied, the entity must report the effect of uncertainty in the measurement of its current and deferred income taxes. 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 uncertainty inherent in accounting for taxes, in accordance with IAS 1.

The new interpretation was 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.

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

As at the reporting date of this financial report, 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 12 October 2017, the IASB published the document on "***Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)***". 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 April 2019, with early adoption permitted.

On 12 December 2017, the IASB published **"*Annual Improvements to IFRSs 2015-2017 Cycle*"** which adopt the amendments to some standards within the related annual improvement process. The major amendments concern:
IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*: the amendment clarifies that when an entity acquires control over a business that constitutes a joint operation, it must make a new measurement of the interest previously held in this business. This process is not required when there is joint control.
IAS 12 *Income Taxes*: the amendment clarifies that all tax effects arising from dividends (including payments on financial instruments classified in equity) should be accounted for consistently with the transaction that generated these profits (income statement, OCI or equity).
IAS 23 *Borrowing costs*: the amendment clarifies that in case of loans that remain outstanding even after the relevant qualifying asset is already ready for use or sale, they are added to the set of loans used to calculate borrowing costs.
The amendment will be applicable from 1 April 2019, with early adoption permitted..

On 7 February 2018, the IASB published "***Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)"***. The document clarifies how an entity must recognise a change (i.e. a curtailment or a settlement) to defined-benefit plans. The amendments require the entity to update its assumptions and make a new measurement of the net liability or asset arising from the plan. They also clarify that, after the occurrence of this event, an entity uses updated assumptions to measure the current service cost and interest for the remaining period of reference after the event.

On 22 October 2018, the IASB published ***"Definition of a Business (Amendments to IFRS 3)"***. The document provides some clarifications as to the definition of business for the purposes of the correct application of IFRS 3. Specifically, the amendment clarifies that while a business usually produces an output, an output is not strictly required to identify a business in the presence of an acquired set of activities/processes and assets. However, in order to meet the definition of business, an acquired set of activities/processes and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. For this purpose the IASB has replaced the term "ability to create outputs" with the "ability to contribute to the creation of outputs" to clarify that a business can exist even without the presence of all inputs and processes required to create an output.
The amendment has also introduced an optional concentration test for the entity, to determine whether an acquired set of activities/processes and assets is not a business. If the test is passed, the acquired set of activities/processes and assets does not constitute a business and the standard does not require additional audits. If the test is not passed, the entity shall carry out additional analyses on the acquired activities/processes and assets to identify the presence of a business. For this purpose, the amendment has added numerous explanatory examples to IFRS 3 in order allow the practical application of the new definition of business in specific cases. The amendments apply to all business combinations and acquisitions of assets carried out after 1 January 2020, with early adoption permitted.

On 31 October 2018, the IASB published ***"Definition of Material (Amendments to IAS 1 and IAS 8)"***. The document introduced an amendment to the definition of "material" provided for in IAS 1 – *Presentation of Financial Statements* and IAS 8 – *Accounting Policies, Changes in Accounting*

Estimates and Errors. This amendment is aimed at making this definition more specific and has added the concept of "obscured information" to the concepts of omitted or misstated information already provided for in the two standards subject to amendment. The amendment clarifies that information is obscured when it has been described so as to have, on the primary users of the financial statements, an effect similar to the effect that would have been produced had this information been omitted or misstated.

On 11 September 2014, the IASB published an amendment to **IFRS 10 and IAS 28 - *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture***. The document was published for the purpose of solving the present conflict between IAS 28 and IFRS 10.
As required by IAS 28, 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 are limited to the interest held in the joint venture or associate by the other investors that have not taken part in the transaction. On the contrary, IFRS 10 provides for the recognition of the full profit or loss if there is a loss of control over a subsidiary, even if the entity continues to hold a non-controlling interest therein, this case also including the transfer or contribution of a subsidiary to a joint venture or associate. The amendments introduced provide that, in the transfer or contribution of a business or of a subsidiary to a joint venture o associate, the amount of profit or loss to be recognised in the financial statements of the transferor or of the contributing party depends on whether the assets or the subsidiary that are transferred or contributed constitute a business, in the meaning provided for in IFRS 3. If the assets or the subsidiary that are transferred or contributed constitute a business, the entity must recognize the profit or loss on the entire interest previously held; while, otherwise, the amount of profit or loss relating to the interest still held by the entity must be derecognised. At present the IASB has suspended the application of this amendment.

With reference to the new amendments and new interpretations reported above, at present the directors are assessing the possible effects on the Group's consolidated financial statements correlated to their introduction.

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 2017/2018 and FY 2018/2019 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	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 31/03/2017	**0**	**2**	**1,909**	**1,862**	**2**	**4,658**	**8,433**
Increases for the period	0	2	333	134	21	0	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 for the period	0	58	216	320	49		643

(in thousands of Euro)	**Development costs**	**Industrial patent rights**	**Software, licences, trademarks and other rights**	**Other fixed assets**	**Fixed assets under development**	**Goodwill**	**Total**
Change from consolidation area	0	0	182	0	0	0	182
Decrease for the period	0	0	0	(80)	0	0	(80)
Reclassifications	0	0	13	0	(13)	0	0
Amortisation	0	(10)	(564)	(300)	0	0	(873)
Write-downs	0	0	(2)	(518)	0	0	(520)
Other reclassifications of historical cost	27	0	1,588	(601)	0	0	1,014
Other reclassifications of amortisation fund	(28)	0	(1,588)	573	0	0	(1,043)
Exchange differences on gross value	0	0	207	0	0	0	207
Exchange differences on amortisation fund	0	0	(134)		0	0	(134)
Gross value	620	121	6,834	4,607	49	4,658	16,889
Amortisation fund	(620)	(69)	(5,119)	(3,141)	0	0	(8,948)
Net value at 31/03/2019	**0**	**52**	**1,716**	**1,466**	**13**	**4,658**	**7,941**

Increases in intangible assets, equal to Euro 643 thousand in the financial year ended 31 March 2019 (Euro 490 thousand in the financial year ended 31 March 2018) related for Euro 240 thousand to the purchase or renewals of software, licenses and other IT products, for Euro 320 thousand to leasehold improvements at the San Babila Showroom and at the new offices in Scandicci and for Euro 82 thousand to costs relating to trademarks and patents.

In the course of the FY 2018/2019 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.

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 2021 and 15 June 2021 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 2019 was approved by the Board of Directors on 10 June 2019.

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 2020-2024 plan that was approved by the Directors of subsidiary The Bridge on 3 June 2019. The plan is based on the Management’s best estimate on the future operating performance of The Bridge. 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% (equal to the same value used in the previous financial year) 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 10,539 thousand and a cover of Euro 7,810 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 2017/2018 and FY 2018/2019 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	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	0	21	201	991	0	0	1,213

(in thousands of Euro)	Land	Buildings	Plant and equipment	Industrial and business equipment	Other assets	Fixed assets under constructio n and advances	Total
the period							
Change in consolidation area	0	0	0	0	0	0	0
Sales and derecognitions (gross value)	0	0	0	(485)	0	0	(485)
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
Reclassification s	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 for the period	0	0	170	3,200	8	56	3,434
Change in consolidation area	0	0	292	540	0	0	832
Sales and derecognitions (gross value)	0	0	(36)	(28)	0	0	(64)
Sales and derecognitions (depreciation fund)	0	0	11	9	0	0	20
Depreciation	0	(193)	(176)	(1,722)	(6)	0	(2,097)

(in thousands of Euro)	Land	Buildings	Plant and equipment	Industrial and business equipment	Other assets	Fixed assets under construction and advances	Total
(Write-down of gross value)	0	0	0	(34)	0	0	(34)
Write-down of depreciation fund	0	0	0	0	0	0	0
Reclassifications	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	0	0	0	0	0
Exchange differences on depreciation fund	0	0	0	0	0	0	0
Gross value	878	6,331	3,722	20,714	374	56	32,075
Depreciation fund	0	(2,512)	(2,974)	(13,020)	(363)	0	(18,869)
Net value at 31/03/2019	**878**	**3,819**	**748**	**7,694**	**11**	**56**	**13,206**

Increases in property, plant and equipment, equal to Euro 3,434 thousand in the financial year ended 31 March 2019 (Euro 1,213 thousand in the financial year ended 31 March 2018) 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 2,605 thousand, to the purchases of workshop systems and machinery for Euro 439 thousand, to the refurbishment of premises at the Scandicci office for Euro 155 thousand and to hardware and IT devices for Euro 106 thousand.

The change in the consolidation area reflects the acquisition of control over the Lancel Group, as illustrated in the notes to the paragraph on “Business Combinations”.

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

(in thousands of Euro)	31 March 2019	31 March 2018
Land	0	878
Buildings	0	3,817
Industrial and business equipment	251	451
Plant and machinery	0	11
Total	**251**	**5,157**

The lease agreement relating to to the property located in Gaggio Montano was redeemed during the year.

Note 4 – Non-current financial assets

Non-current financial assets, equal to Euro 22 thousand, make reference to interests held in minor companies outside the Group.

Note 5 – Receivables from others

Receivables from others, equal to Euro 2,252 thousand at 31 March 2019 (Euro 707 thousand at 31 March 2018) mainly related to guarantee deposits paid both for various utilities, including those relating to DOSs, and deposits relating to the lease of DOS shops. The increase mainly related to a change in the consolidation area, and in particular to receivables relating to the lease of DOSs of subsidiary Lancel Sogedi.

Note 6 – Deferred tax assets

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Deferred tax assets:		
- within 12 months	77	77
- beyond 12 months	2,588	2,438
	2,665	**2,515**
Deferred tax liabilities		
- within 12 months	0	0
- beyond 12 months	217	197
	217	**197**
Net Position	**2,448**	**2,318**

Below are reported the relevant changes:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Opening Net Position	**2,318**	**2,204**
Credit/(Debit) to the Statement of Comprehensive Income	191	43
Change in consolidation area	0	0
Credit/(Debit) to Equity	(61)	71
Total	**2,448**	**2,318**

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 2019**		**31 March 2018**	
(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	2,039	489	1,942	466
Provision for obsolescence of inventories	2,446	587	2,308	554
Provisions for risks and charges	213	59	215	60
Amortisation and depreciation	777	189	711	173
Change in consolidation area	0	0	0	0
Effects of consolidation	1,348	376	754	181
Others	5,811	952	4,213	1,007
-Total	**12,634**	**2,652**	**10,143**	**2,441**
Amount credited (debited) to P&L	*0*	*211*	*0*	*49*
Deferred tax assets with effect through Comprehensive Income:				

Hedging transactions (cash flow hedge)	(72)	(20)	158	42
Discounting-back IAS 19	119	33	116	32
Total	**47**	**13**	**274**	**74**
Amount credited (debited) to Comprehensive Income	*0*	*(61)*	*0*	*71*
Total tax effect			**10,417**	**2,515**

Deferred tax liabilities	**31 March 2019**		**31 March 2018**	
(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	848	217	822	197
Change in consolidation area	0	0	0	0
Total	**848**	**217**	**822**	**197**
Amount credited (debited) to P&L	*0*	*(20)*	*0*	*(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	**0**	**0**	**0**	**0**
Amount credited (debited) to Comprehensive Income	*0*	*0*	*0*	*0*
Total tax effect	**848**	**217**	**822**	**197**

The amount of the receivable for deferred tax assets (equal to Euro 2,650 thousand at 31 March 2019 against Euro 2,441 thousand at 31 March 2018) is mainly made up of temporary tax differences relating to Piquadro S.p.A. (Euro 1,164 thousand at 31 March 2019 against Euro 1,114 thousand at 31 March 2018), 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 58 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 2019**	**Provision for write-down**	**Net value at 31 March 2019**	**Net value at 31 March 2018**
Raw materials	8,181	(1,761)	6,419	4,498
Semi-finished products	593	0	593	768
Finished products	40,140	(11,333)	28,807	16,761
Inventories	**48,914**	**(13,094)**	**35,820**	**22,027**

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

(in thousands of Euro)	**Provision at 31 March 2018**	**Use**	**Accrual**	**Change in consolidation area**	**Provision at 31 March 2019**
Provision for write-down of raw materials	1,728	(394)	427	0	1,761
Provision for write-down of finished products	668	(178)	280	10,563	11,333
Total Provision for write-down of inventories	**2,396**	**(572)**	**707**	**10,563**	**13,094**

At 31 March 2019, an increase of Euro 13,793 thousand was recognised in inventories compared to the corresponding values at 31 March 2018, mainly due to the change in the consolidation area following the acquisition of the Lancel Group for Euro 10,563 thousand, in addition to the increase in revenues which entailed higher procurement.

Note 8 - Trade receivables

Below is the breakdown of trade receivables:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Receivables from customers	37,641	30,440
Provision for bad debts	(3,098)	(2,822)
Current trade receivables	**34,543**	**27,618**

As at 31 March 2019 trade receivables amounted to Euro 34,543 thousand, against Euro 27,618 thousand at 31 March 2018.
Net of trade receivables of the Lancel Group companies (equal to Euro 4,188 thousand), the increase in trade receivables, including the provision for bad debts, amounted to Euro 3,013 thousand and was mainly linked to an increase in revenues from the Wholesale channel.
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 2019**	**Provision at 31 March 2018**
Balance at the beginning of the period	2,822	2,280
Accrual	938	753
Change in consolidation area	168	0
Uses	(830)	(211)
Total Provision for bad debts	**3,098**	**2,822**

The change in the consolidation area reflects the acquisition of control over the Lancel Group, as illustrated in the notes to the paragraph on "Business Combinations" of the Annual Financial Report.

Note 9 – Other current assets

Below is reported the breakdown of other current assets:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Other assets	1,143	1,730
Accrued income and prepaid expenses	4,188	1,596
Other current assets	**5,331**	**3,326**

Other assets related to advances to suppliers for Euro 258 thousand, INAIL advances of Euro 69 thousand and deferred receipts on credit cards for about Euro 292 thousand.
It should be noted that at 31 March 2018 other assets included a receivable of Euro 800 thousand from the minority shareholders of The Bridge S.p.A. in relation to liabilities, including potential liabilities, arising from the outcome of the Tax Audit which was completed on 13 June 2018, with the payment of a total amount of Euro 548 thousand to the Tax Office. The differential between the amount initially stated and the amount paid was recycled to profit or loss in the current year.

Accrued income and prepaid expenses mainly related to prepaid expenses on rents (equal to Euro 1,076 thousand), as well as to costs relating to advertising, media and fairs (Euro 550 thousand), maintenance contracts, hiring and insurance costs (Euro 106 thousand), in addition to entry fees relating to subsidiary Lancel Sogedi amounting to about Euro 2,080 thousand. It should be noted that the increase compared to the previous year was due to including the Lancel Group in the consolidation area.

Note 10 – Derivative assets

As at 31 March 2019 there were currency forward purchases (USD), the positive fair value of which was equal to Euro 78 thousand (compared to a negative value of Euro 159 thousand as at 31 March 2018). 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 associated interest rate risk, trying to fix the exchange rate at a level that is in line with the budget forecasts.

Note 11 – Tax receivables

As at 31 March 2019 tax receivables were equal to Euro 1,690 thousand (Euro 275 thousand at 31 March 2018) and mainly related to the current tax receivable for the period and to the VAT credit.. The item increased mainly due to the change in consolidation area since the Lancel Group contributed about Euro 1,060 thousand, mainly relating to income taxes.

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Receivables for income taxes	1,066	139
VAT credit	583	119
Other tax receivables	41	17
Tax receivables	**1,690**	**275**

Note 12 – Cash and cash equivalents

Below is reported the breakdown of cash and cash equivalents:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Available current bank accounts	51,977	23,370
Money, cash on hand and cheques	369	182
Cash and cash equivalents	**52,346**	**23,552**

The balance represents cash and cash equivalents and the existence of money and cash on hand at the closing dates of the periods.
The increase in cash and cash equivalents was attributable to including the Lancel Group in the consolidation area. Specifically, this increase arises from the liquid assets received upon the acquisition of the Lancel Group, equal to Euro 43.9 million, including a contribution of Euro 35 million paid by the Richemont Group into Lancel to cover any possible future loss incurred by the Lancel Group. For more details, reference should be made to the paragraph on "Business Combinations – Acquisition of the Lancel Group".
For a better understanding of the dynamics in the Company's liquidity, reference is made to the Cash Flow Statement and to the breakdown of Net Financial Position.

LIABILITIES

Note 13 – Shareholders' Equity

a) Share Capital

As at 31 March 2019, 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 2019 the reserve was positive for Euro 1,662 thousand (it reported a positive balance of Euro 147 thousand at 31 March 2018). 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. (the relevant currency being the Hong Kong Dollar), Uni Best Leather Goods Zhongshan Co. Ltd. and Piquadro Shenzhen (the relevant currency being the Chinese Renminbi), Piquadro Taiwan Co. Ltd (the relevant currency being the Taiwan Dollar), Piquadro Swiss and Lancel International S.A (the relevant currency being the Swiss Franc), Piquadro UK Limited (the relevant currency being the Great Britain Pound), Piquadro USA INC. and Piquadro LLC (the relevant currency being the US Dollar), OOO Piquadro Russia and Lancel Russia (the relevant currency being the Russian Rouble). The substantial increase in the reserve was mainly due to including the Lancel Group during the consolidation period, which contributed an amount of Euro 1,495 thousand.

d) Group net profit

This item relates to the recognition of the profit recorded by the Group, equal to Euro 34,534 thousand at 31 March 2019.

During the financial year ended 31 March 2019, the Parent Company's profit for the period, as resulting from the separate financial statements at 31 March 2018, was allocated as follows:

(i) Euro 3,000 thousand to dividends, corresponding to earnings per share equal to about Euro 0.06 per share to 50,000,000 outstanding shares;
(ii) Euro 1,840 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 266 thousand (at 31 March 2018 profits and reserves attributable to minority interests were negative for Euro 191 thousand), which are attributable to the minority interests of Piquadro Swiss SA, Lancel Sogedi, Lancel Russia and Lancel Zhongshan.

Non-current liabilities

Note 14 – Borrowings

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

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Borrowings from 1 to 5 years	13,598	11,128
Borrowings beyond 5 years	0	0
Medium/long-term borrowings	**13,598**	**11,128**

During the FY 2018/2019, the Parent Company terminated two financing agreements with Unicredit and a loan agreement with Credem.

On 16 November it entered into a loan agreement with Monte dei Paschi di Siena in an amount of Euro 5 million, expiring on 31 December 2023.
On 27 November it entered into a loan agreement with Banca Popolare dell'Emilia Romagna in an amount of Euro 5 million, expiring on 23 November 2023.

As at 31 March 2019, borrowings, mainly attributable to Parent Company Piquadro S.p.A., related to non-current liabilities for Euro 13,598 thousand and current liabilities for Euro 7,351 thousand (Note 20) and included:

1. Euro 627 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 126 thousand.
2. Euro 4,659 thousand relating to the unsecured loan granted by BPER – Banca Popolare dell'Emilia Romagna on 16 November 2018 (for an initial amount of Euro 5,000 thousand), of which a current portion of Euro 983 thousand and a non-current portion of Euro 3,676 thousand.
3. Euro 1,382 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 501 thousand and a non-current portion of Euro 882 thousand.
4. Euro 1,318 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 752 thousand and a non-current portion of Euro 566 thousand
5. Euro 1,506 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.
6. Euro 2,096 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 598 thousand and a non-current portion of Euro 1,498 thousand.
7. Euro 4,985 thousand relating to the unsecured loan granted by Banca Monte dei Paschi di Siena on 27 November 2018 (for an initial amount of Euro 5,000 thousand), of which a non-current portion of Euro 3,991 thousand.
8. Euro 2,244 thousand relating to the unsecured loan granted by Mediocredito Italiano S.p.A. on 22 March 2017, of which a current portion of Euro 1,495 thousand and a non-current portion of Euro 749 thousand.
9. Euro 1,954 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 598 thousand and a non-current portion of Euro 1,357 thousand.
10. Payables to Banks of Euro 178 thousand.

Below is reported the breakdown of loans:

(in thousands of Euro)	**Interest rate**	**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	0.73% p.a.	10 June16	2,000	Euro	503	(2)	126	0	627
BPER Loan	0.125% quarterly	16 November 18	5,000	Euro	988	(5)	3,684	(8)	4,659
Carisbo Loan	0.38% six-monthly	30 November 16	2,500	Euro	501	0	882	0	1,382
Credem Loan	0.4% six-monthly	07 December 16	3,000	Euro	752	0	566	0	1,318

Unicredit Loan	0.51% six-monthly	10 January 17	3,000	Euro	751	0	755	0	1,506
MPS Loan	0.7% p.a.	30 January17	3,000	Euro	600	(2)	1,500	(2)	2,096
MPS Loan	3m Euribor+1.1 spread	27 November 18	5,000	Euro	1,000	(6)	4,000	(9)	4,985
Mediocredito Loan	0.43%+ 2 spread	22 November 17	5,000	Euro	1,500	(5)	750	(1)	2,244
UBI Loan 04/01025637	0.73% p.a.	22 May 17	3,000	Euro	598	(2)	1,358	(2)	1,954
					7,195	**(21)**	**13,621**	**(23)**	**20,772**

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 2019**	**31 March 2018**
Non-current:		
Payables to leasing companies	0	12
Current:		
Payables to leasing companies	12	904
Payables to other lenders for lease agreements	**12**	**916**

Below is reported the following additional breakdown:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Payables to other lenders for lease agreements:		
Due within 1 year	12	904
Due from 1 to 5 years	0	12
Due beyond 5 years	0	0
Financial interest to be paid	0	(17)
Present value of payables to other lenders for lease agreements	**12**	**899**

As at 31 March 2019 payables to other lenders for lease agreements, equal to Euro 12 thousand (Euro 916 thousand at 31 March 2018), related to lease agreements involving the fittings of the The Bridge-brand points of sale.
Following the expiry of the finance lease agreement signed with Cento Leasing S.p.A. on 12 February 2004 (an agreement that is currently held by Mediocredito Italiano S.p.A.), concerning the real estate complex located in the municipal district of Gaggio Montano (Province of Bologna), at Via Sassuriano no. 246, where the present registered office and warehouse of the Company are located, the Company exercised the related purchase option, in accordance with the contract provisions, while on 30 April 2018 it paid, by a certified email dated 2 May 2018, the final redemption instalment, equal to Euro 679 thousand.

Note 16 – Other non-current liabilities

Below is the related breakdown:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Other payables	7,159	1,838
Other non-current liabilities	**7,159**	**1,838**

As at 31 March 2019 “Other payables”, totalling Euro 7,159 thousand, included the residual deferred payment of the price of acquisition of The Bridge S.p.A. for Euro 1,404 thpousand and the value of the purchase option of the remaining stakes valued by an independent expert for Euro 889 thousand. The amount due within 12 months, equal to Euro 820 thousand, was reclassified to other current liabilities.

As regards this item, the Piquadro S.p.A. Group’s Management has quantified, in accordance with IFRS 3, the consideration for the acquisition (“consideration transferred”) of the Lancel Group, as determined by adding the fair value of the Annual Earn-Out, equal to about Euro 3,869 thousand (for more information, reference should be made to the paragraph on “Business combinations – Acquisition of the Lancel Group) to the fixed consideration paid to Richemont Holdings S.A. against the purchase of the stake representing the entire capital of Lancel International S.A., equal to Euro 1.
The increase compared to the previous year was due to including the Lancel Group in the consolidation area; this item, in fact, also includes Euro 2,207 thousand relating to payables for deferred rentals (straight lines) of subsidiary Lancel Sogedi.
These payables for deferred rentals mainly relate to the linearisation of lease payments over the contract lease term of the properties in France.

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 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**
Change in consolidation area	2,006
Financial charges	26
Net actuarial Losses (Gains) accounted for in the period	0
Indemnities paid in the financial year/Others	60
Balance at 31 March 2019	**3,977**

As at 31 March 2019 the value of provision, equal to Euro 3,977 thousand (Euro 1,885 thousand at 31March 2018), was determined by an independent actuary and the actuarial assumptions used for calculating the provision are described in the paragraph on *Accounting Standards – Provision for employee benefits* in these Notes to the Consolidated Financial Statements.
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 Lancel Group, as illustrated in the notes in the paragraph on “Business Combinations”.

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 2018**	**Use**	**Accrual**	**Change from consolidation**	**Provision at 31 March 2018**

Provision for supplementary clientele indemnity	1,118	(65)	147	0	1,200
Other Provisions for risks	1,080	(2,407)	140	2,811	1,624
Total	**2,198**	**(2,472)**	**287**	**2,811**	**2,824**

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 2019 the balance of this provision was equal to Euro 1,200 thousand, up by Euro 82 thousand compared to 31 March 2018 (Euro 1,118 thousand).

As at 31 March 2019 "Other provisions for risk" amounted to Euro 1,624 thousand and were broken down as follows:

Provision for returns, Euro 891 thousand (Euro 66 thousand at 31 March 2018): the increase was generated by the change in consolidation area (inclusion of the Lancel Group in the consolidation area), equal to Euro 884 thousand and by an accrual of Euro 5 thousand relating to subsidiary The Bridge, which was offset by the use of Euro 63 thousand during the period.
Provision for taxes, 130 thousand (Euro 930 thousand at 31 March 2018): 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. No developments in this regard had been reported on the date of these notes. The reduction of Euro 800 thousand reported in the period related to the settlement of 13 June 2018, under the Revenue Agency's Report of Findings served on subsidiary The Bridge S.p.A., which paid a total amount of Euro 547,860.89 to the Tax Office through the procedure of assessment by agreement. Therefore the difference with respect to the amount allocated was recycled to profit or loss during the current year.
Provision for product warranty and repair, Euro 31 thousand (Euro 10 thousand at 31 March 2018): the change related to subsidiary Lancel Sogedi SA.
Provision for Legal Disputes/Employees, Euro 572 thousand (Euro 73 thousand at 31 March 2018): the provision mainly related to the amount set aside for legal risks and disputes with employees. This provision reported a substantial increase of Euro 1,883 thousand, to be attributed to the inclusion of the Lancel Group in the consolidation area, to which the uses and allocations for the period, equal to Euro 1,503 thousand and Euro 135 thousand, respectively, are also attributable. The uses for the period related to the indemnities paid to employees and executives the employment relationship of which has already been terminated.

Note 19 – Deferred tax liabilities

The amount of deferred tax liabilities was equal to Euro 0 thousand; reference is made to the information reported in Note 6 above.

Current liabilities

Note 20 – Borrowings

As at 31 March 2109 current borrowings were equal to Euro 7,351 thousand compared to Euro 12,345 thousand at 31 March 2018. The balance related to a current portion of loans for Euro 6,575 thousand, to the short-term loan for Euro 599 thousand and to payables to banks related to subsidiary Piquadro Swiss for Euro 178 thousand. For more details reference is made to Note 14 above.

Note 21 - Payables to other lenders for lease agreements

As at 31 March 2019 they were equal to Euro 12 thousand (Euro 904 thousand at 31 March 2018) and related to the lease agreements involving the fittings of The Bridge-brand points of sales. The decrease in the item has been dealt with in Note 15.

Note 22 – Derivative liabilities

As at 31 March 2019 derivative liabilities, equal to Euro 6 thousand (Euro 159 thousand at 31 March 2018), related 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.

Note 23 – Trade payables

Below is the breakdown of current trade liabilities:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Payables to suppliers	**36,219**	**22,149**

As at 31 March 2019 payables to suppliers showed an increase of about Euro 14.1 million compared to 31 March 2018 (equal to Euro 22,149 thousand), mainly due to the increase in purchases of goods and services, together with the change in consolidation area.

Note 24 – Other current liabilities

Below is the breakdown of other current liabilities:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Payables to social security institutions	2,199	569
Payables to Pension funds	218	28
Other payables	1,621	870
Payables to employees	4,326	2,379
Advances from customers	70	69
IRPEF tax payables and other tax payables	223	71
Accrued expenses and deferred income	122	66
Other current liabilities	**8,779**	**4,052**

"Other current liabilities", for a total amount of Euro 8,779 thousand, increased by Euro 4,862 thousand compared to 31 March 2018, mainly due to including the Lancel Group in the consolidation area.
This item includes: payables to social security institutions that mainly relate to the Parent Company and Lancel Sogedi's payables due to INPS, payables to employees at 31 March 2019, equal to Euro 4,326 thousand (Euro 2,379 thousand at 31 March 2018), which mainly include the Group's payables for remuneration to be paid and deferred charges with respect to employees, showing an increase due to new hires of about 357 staff members deriving from the acquisition of the Lancel Group.
"Other payables" include the payable to Ponte S.p.A. for the acquisition of The Bridge for Euro 820 thousand, as already commented in Note 16.

Note 25 – Tax payables

IRES and IRAP tax payables, equal to Euro 2,284 thousand (Euro 2,433 thousand at 31 March 2018) related to the allocation of income taxes accrued in the period. The amount was in line compared to the previous year .

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.

Sales channel *(in thousands of Euro)*	**Revenues from sales 31 March 2019**	**%**	**Revenues from sales 31 March 2018**	**%**	**% Change 2019-2018**
Piquadro	75,789	51.4%	73,867	75.7%	2.6%
The Bridge	26,520	18.0%	23,760	24.3%	11.6%
Lancel	45,163	30.6%	-	-	-
Total	**147,472**	**100.0%**	**97,627**	**100.0%**	**51.1%**

The consolidated turnover recorded by the Piquadro Group in the financial year ended 31 March 2019 showed an increase of 51.1% compared to the financial year ended 31 March 2018, from Euro 97,627 thousand in the financial year ended 31 March 2018 to Euro 147,742 thousand in the financial year ended 31 March 2019. The increase in revenues arose from including the Lancel Group in the consolidation area from June 2018, which reported revenues of about Euro 45.2 million, as well as from an increase of 2.6% in sales of Piquadro-branded products and an increase of 11.6% in sales of The Bridge-branded products, these increases being reported in both Wholesale and DOS channels for both brands.

Breakdown of revenues by geographical area

Below is the breakdown of revenues by geographical area:

(in thousands of Euro)	**Revenues from sales 31 March 2019**	**%**	**Revenues from sales 31 March 2018**	**%**	**% Change 2019-2018**
Italy	79,554	53.9%	74,225	76.0%	7.2%
Europe	63,378	43.0%	20,615	21.1%	207.4%
Rest of the World	4,540	3.1%	2,787	2.9%	62.9%
Total	**147,472**	100.0%	**97,627**	100.0%	**51.1%**

From a geographical point of view, at 31 March 2019, the Group's revenues showed an increase of 7.2% in the sales on the domestic market, which accounts for a percentage of the Group's total turnover equal to 53.9% (76.0% of consolidated sales at 31 March 2018). Without considering the increase in revenues due to the sale of Lancel-branded products (with a contribution of 2.3% to growth in the domestic market), the sales relating to Piquadro and The Bridge-branded products showed an increase of 4.9% in the Italian market.
On the contrary, in the European market, the Group recorded a turnover of about Euro 63.4 million, equal to 43.0% of consolidated sales (21.1% of consolidated sales at 31 March 2018), up by 207.4% compared to the FY 2017/2018. Without considering the increase in revenues due to the sale of Lancel-branded products (with a contribution of 199.8% to growth in the European market), the sales relating to Piquadro and The Bridge-branded products showed an increase of 7.6% in the European market.
In the non-European geographical area (named "Rest of the World") turnover increased by 62.9% compared to the FY 2017/2018, mainly as a result of including the Lancel Group, whose contribution to growth was equal to 82.3%.

Note 27 – Other income

In the financial year ended 31 March 2019, other income amounted to Euro 1,734 thousand (Euro 1,259 thousand in the financial year ended 301 March 2018) and were broken down as follows:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Charge-backs of transport and collection costs	129	132
Insurance and legal refunds	112	25
Revenues from sales at the corners	0	1
Other sundry income	1,493	1,102
Other income	**1,734**	**1,259**

In the financial year ended 31 March 2019, other income amounted to Euro 1,734 thousand, of which Euro 1,034 thousand related to the Piquadro brand, Euro 237 thousand related to The Bridge brand and Euro 463 thousand related to the Lancel brand.

Note 28 – Change in inventories

The change in inventories of raw materials was positive for Euro 1,493 thousand (negative for Euro 162 thousand at 31 March 2018); the change in semi-finished and finished products was negative for Euro 1,821 thousand (negative for Euro 3,086 thousand in the financial year ended 31 March 2018), with a net difference between the two periods equal to Euro 328 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, Uni Best Leather Goods Zhongshan Co. Ltd. and Lancel Sogedi are the Companies that purchase raw materials aimed at the production of Piquadro, The Bridge and Lancel-branded products, respectively):

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Piquadro brand	13,378	16,261
Uni Best Leather Goods Zhongshan Co. Ltd.	4,764	2,156
The Bridge brand	11,230	8,564
Lancel brand	10,735	0
Costs for purchases	**40,107**	**26,981**

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 2019			**31 March 2018**	
Renminbi	14,017,525	7.77	1,804	16,701,060	7.74	2,156
US Dollars	16,641,925	1.13	14,441	11,913,030	1.16	10,266
Total operating costs			**16,245**			**12,422**

incurred in foreign currency

Overall, the Piquadro Group incurred, in the FY 2018/2019, operating costs denominated in a currency other than the Euro for an equivalent amount of about Euro 16.2 million, equal to 10.57% of total operating costs (Euro 153,557 thousand), while in the financial year ended 31 March 2018 corresponding costs were borne for about Euro 12.4 million equal to 13.65% of operating costs.

During the financial year ended 31 March 2019, the Group reported Net foreign exchange Losses of Euro 328 thousand (against Foreign exchange losses of Euro 456 thousand at 31 March 2018), as a result of the dynamics of the foreign exchange market.

In the FY 2018/2019, the Parent Company made forward purchases of US Dollars for an overall amount of USD 17.77 million (USD 19.0 million in the FY 2017/2018) 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 14.6 million at the average exchange rate for the FY 2018/2019 (about Euro 16.2 million at the average exchange rate prevailing in the FY 2017/2018); therefore 99.0% of the purchases in US Dollars made by the Company was covered (in relation to the FY 2017/2018, 99.0% 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 2019**	**31 March 2018**
External production	15,909	13,926
Advertising and marketing	12,274	5,100
Transport services	6,143	4,645
Business services	5,316	4,091
Administrative services	4,815	1,588
General services	3,425	2,106
Production services	3,543	2,113
Total Costs for services	**51,425**	**33,569**
Costs for leases and rentals	**18,965**	**8,832**
Costs for services and leases and rentals	**70,390**	**42,401**

The increase in costs for services and costs for leases and rentals was mainly due to the inclusion of the Lancel Group in the consolidation area for 10 months, with a contribution of Euro 14,162 thousand. Instead, the increase in costs for the Piquadro and The Bridge brands amounted to Euro 3,693 thousand.

Costs for leases and rentals mainly related to external production on 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 an increase due to the inclusion of the Lancel Group in the consolidation area with a contribution of Euro 10,163 thousand, mostly relating to rentals payable for the points of sale.

Note 31 - Personnel costs

Below is reported the breakdown of personnel costs:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Wages and salaries	28,701	16,253
Social security contributions	7,866	3,501
TFR	2,023	838

Personnel costs	**38,590**	**20,592**

The table below reports the exact number of the staff members employed by the Group at 31 March 2019 and 31 March 2018:

Units	**31 March 2019**	**31 March 2018**
Executives	8	7
Office workers	778	416
Manual workers	382	382
Total Group employees	**1,168**	**805**

In the financial year ended 31 March 2019, personnel costs reported an increase of 87.4%, from Euro 20,592 thousand in the financial year ended 31 March 2018 to Euro 38,590 thousand in the financial year ended 31 March 2019. The increase in personnel costs was due, in particular, to the inclusion of the Lancel Group in consolidation area in the period from June 2018 to March 2019 (10 months).
The sum of personnel costs for the Piquadro and The Bridge brands amounted to Euro 21,665 thousand at 31 March 2019, up by 5.2% compared to Euro 20,592 thousand in the previous year, due in particular to the appointment of new professionals in the Retail area and production management.

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

Average unit	**31 March 2019**	**31 March 2018**
Executives	8	6
Office workers	631	401
Manual workers	377	377
Total Group employees	**1,016**	**784**

Note 32 – Amortisation, depreciation and write-downs

In the financial year ended 31 March 2019 amortisation and depreciation were equal to Euro 2,970 thousand (Euro 2,746 thousand in the financial year ended 31 March 2018). The increase of Euro 224 thousand arose from the combined effect of the inclusion of the Lancel Group in the consolidation area for 10 months, which contributed an amount of Euro 292 thousand, while the Piquadro and The Bridge brands reported a decrease of Euro 67 thousand.

The write-downs, equal to Euro 1,492 thousand (Euro 1,008 thousand at 31 March 2018), up by Euro 483 thousand compared to the previous financial year ended 31 March 2018, were made up of the accrual to the provision for bad debts for Euro 938 thousand (Euro 843 thousand at 31 March 2018) and of the write-downs of some categories of assets for Euro 553 thousand (Euro 165 thousand at 31 March 2018), in relation to the closure of the points of sale in New York.

The accrual to the provision for bad debts, equal to Euro 938 thousand at 31 March 2019 (Euro 843 thousand at 31 March 2018), showed an increase and was affected by the inclusion of the Lancel Group in the consolidation area for Euro 63 thousand, while the Piquadro and The Bridge brands recorded an increase of Euro 32 thousand compared to the financial year ended 31 March 2018.

Note 33 - Other operating costs

In the financial year ended 31 March 2019, other operating costs were equal to Euro 336 thousand (Euro 535 thousand at 31 March 2018).

Note 34 - Financial income

In the financial year ended 31 March 2019 financial income was equal to Euro 43,561 thousand (Euro 812 thousand in the financial year ended 31 March 2018).
The increase in this item was due to a "*Non-recurring income associated with the acquisition of the Lancel Group*" in an amount of Euro 42,176 thousand. This income related to the excess fair value of the assets acquired and of the liabilities assumed by the Lancel Group on the date of acquisition (2 June 2018) with respect to the acquisition price paid out, as reported in the note on "Business combinations" above.

Note 35 - Financial charges

Below is the breakdown of financial charges:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Interest payable on current accounts	73	82
Interest and expense subject to final payment	12	18
Financial charges on loans	235	207
Lease financial charges	1	17
Other charges	127	144
Net financial charges on defined-benefit plans	26	20
Foreign exchange losses (either realised or estimated)	1,656	1,190
Financial charges	**2,129**	**1,678**

The increase in financial charges was mainly due to inclusion of the Lancel Group in the consolidation area, which reported final foreign exchange losses of Euro 1,180 thousand in the period, together with the combined effect of the Parent Company and of its foreign subsidiaries due to the foreign exchange differences for the consolidation of companies in a reporting currency other than Euro.

Note 36 – Income tax expenses

Below is reported the breakdown of income tax expenses:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
IRES tax (and income taxes of foreign subsidiaries)	2,167	1,897
IRAP tax	602	468
Deferred tax liabilities	(293)	(7)
Deferred tax assets	129	(125)
Total income taxes	**2,605**	**2,233**

Current taxes mainly relate to the tax burden calculated on the Parent Company's taxable income.

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 2019**	**31 March 2018**
Pre-tax result	37,081	7,006
Taxes calculated at the tax rate applicable in the individual Countries	2,167	1,964
Tax effect of income not subject to taxation	(538)	(341)
Tax effect of non-deductible costs	374	142
IRAP tax	602	468
Total	**2,605**	**2,233**

The average tax rate mentioned above was affected by the fact that the "*Non-recurring income associated with the acquisition of the Lancel Group*" of Euro 42,176 thousand cannot be taxed for Euro 7,146 thousand, while the contingent asset of Euro 35,000 thousand, described below, may be offset against previous tax losses of the Lancel Group.

Note 37 - Earnings per share

As at 31 March 2019 basic earnings per share amounted to Euro 0.690 and were calculated on the basis of the consolidated Net Profit for the period attributable to the Group, equal to Euro 34,476 thousand, divided by the weighted average number of ordinary shares outstanding in the year, equal to 50,000,000 shares.

	31 March 2019	31 March 2018
Group Net Profit (*in thousands of Euro)*	34,476	4,773
Average number of outstanding ordinary shares (in thousands of shares)	50,000	50,000
Basic earnings per share (in Euro)	**0.690**	**0.095**

Note 38 – Segment reporting

Following the acquisition of the Lancel Group, the Piquadro Group's top management reviewed the results of its operations obtained by each brand (Piquadro, The Bridge, Lancel) in operational terms; accordingly, the disclosures under IFRS 8 concerning the Group's sales revenues are now reported on a brand basis (Piquadro, The Bridge, Lancel) starting from the current financial year.
The table below illustrates the segment data of the Piquadro Group broken down by brand (Piquadro, The Bridge and Lancel), in relation to the financial years ended 31 March 2019 and 31 March 2018. The economic segment data are monitored by the company's Management until EBITDA level.

	31 March 2019					31 March 2018				
(in thousands of Euro)	**Piquadro**	**The Bridge**	**Lancel**	**Total for the Group**	**% Impact (*)**	**Piquadro**	**The Bridge**	**Total for the Group**	**% Impact (*)**	**% Change 2019-2018**
Revenues from sales	**75,789**	**26,520**	**45,162**	**147,472**	**100.0%**	**73,867**	**23,760**	**97,627**	**100.0%**	**51.1%**
Other income	981	237	516	1,734	1.2%	993	266	1,259	1.3%	37.7%
Costs for purchases of materials	(17,181)	(5,193)	(17,405)	(39,779)	(27.0%)	(17,219)	(6,514)	(23,733)	(24.3%)	(67.6%)
Costs for services and leases and rentals	(31,570)	(14,546)	(24,274)	(70,390)	(47.7%)	(30,834)	(11,567)	(42,401)	(43.4%)	(66.0%)
Personnel costs	(16,233)	(5,432)	(16,924)	(38,590)	(26.2%)	(16,461)	(4,131)	(20,592)	(21.1%)	(87.4%)
Provisions and write-downs	(660)	(215)	(63)	(938)	(0.6%)	(691)	(153)	(844)	(0.9%)	(11.1%)
Other operating costs	(387)	(96)	145	(337)	(0.2%)	(425)	(110)	(535)	(0.8%)	37.0%
EBITDA	**10,738**	**1,275**	**(12,842)**	**(828)**	**(0.6%)**	**9,229**	**1,553**	**10,782**	**11.0%**	
Amortisation, depreciation and write-downs				(3,524)	(2.4%)			(2,911)	(3.0%)	(21.0%)
Operating result				**(4,352)**	**(3.0%)**			**7,871**	**8.1%**	
Financial income and charges				41,432	28.1%			(865)	(0.9%)	
Pre-tax result				**37,080**	**25.1%**			**7,006**	**7.2%**	
Income taxes				(2,605)	(1.8%)			(2,233)	(2.3%)	(16.6%)
Profit for the period				**34,475**	**23.4%**			**4,773**	**4.9%**	
Group Net Result				**34,475**	**23.4%**			**4,773**	**4.9%**	

(*) percentage impact compared to sales revenues

As a segment analysis of the balance sheet, below are reported the assets, liabilities and fixed assets broken down by brand (Piquadro, The Bridge and Lancel) in the financial years ended 31 March 2019 and 31 March 2018:

	31 March 2019				31 March 2018		
(in thousands of Euro)	**Piquadro**	**The Bridge**	**Lancel**	**Total**	**Piquadro**	**The Bridge**	**Total**
Assets	73,990	25,288	56,399	**155,677**	78,608	20,877	**99,485**
Liabilities	46,890	16,267	19,051	**82,209**	38,786	20,317	**59,102**
Fixed assets	15,546	2,971	2,653	**21,169**	16,854	2,808	**19,662**

As to a breakdown of the Income Statement by brand, reference is made to the information reported in the Report on Operations in paragraph "Information by business segments and analysis of the performance of the Group's operations."

Note 39 – Commitments

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

As at 31 March 2019, the Group 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 2019, 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 2018/2019 onwards, mainly for the leases of DOS shops, as summarised in the table below:

	At 31 March 2019			
(in thousands of Euro)	Within 12 months	From 1 to 5 years	Beyond 5 years	Total
Property lease	0	0	0	0
Other leases	17,710	33,040	15,730	66,480
Total	**17,710**	**33,040**	**15,730**	**66,480**

Note 40 – Related-party transactions

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. and the Lancel Group companies, which sell The Bridge and Lancel-branded items, respectively, mainly carry out activities of distribution of products (Piquadro España SLU, Piquadro Hong Kong Co. Ltd., Piquadro Deutschland GmbH., Piquadro Taiwan Co. Ltd., 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 March2019 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, the lease cost of which is reported in the table below. This lease agreement was entered into at arm's length.

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 2018/2019 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 2019**	**31 March 2018**	**31 March 2019**	**31 March 2018**
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).

	Revenues		**Costs**	
(in thousands of Euro)	**31 March 2019**	**31 March 2018**	**31 March 2019**	**31 March 2018**
Economic relations with Piqubo S.p.A.	215	75	75	75
Economic relations with Piquadro Holding S.p.A.	246	246	244	244
Economic relations with Palmieri Family Foundation	0	0	0	0
Total Revenues from and Costs to Controlling Companies	**461**	**321**	**319**	**319**

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

- in the FY 2018/2019, 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 2017/2018;
- 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.

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 2018/2019 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 2019 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	01/04/18-31/03/19	2019	500	7	35	44	**586**
Pierpaolo Palmieri	Vice-Chairman – Executive Director	01/04/18-31/03/19	2019	250	4	20	6	**280**
Marcello Piccioli	Executive Director	01/04/18-31/03/19	2019	180	3	20	10	**213**
Roberto Trotta	Executive Director	01/04/18-31/03/19	2019	1)	3	17.5	213	**233.5**
Paola Bonomo	Independent Director	01/04/18-31/03/19	2019	18	0	0	2	**20**
Catia Cesari	Independent Director	01/04/18-31/03/19	2019	18	0	0	2	**20**
Barbara Falcomer	Independent Director	01/04/18-31/03/19	2019	18	0	0	2	**20**
				984	**17**	**92.5**	**279**	**1,372.5**

1) He waived the emolument for the period from 01/04/2018 to 31/03/2019.

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	01/04/18-31/03/19	2019	24	0	**24**
Giuseppe Fredella	Regular Member	01/04/18-31/03/19	2019	17	0	**17**
Patrizia Riva	Regular Member	01/04/18-31/03/19	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)	144
Other Services (1)	Parent Company's Independent Auditors (Deloitte and Touche S.p.A)	176
Auditing of Subsidiaries	Parent Company's Independent Auditors (Deloitte and Touche S.p.A) and related Network	130

Certification services [2]	Parent Company's Independent Auditors (Deloitte and Touche S.p.A)	36

The item "Statutory audit of annual and half-year accounts" relates to the fees due by Piquadro;
"Other services" relate to the fees relating to Pro-forma accounts and to the DD Advisor;
The item "Auditing of Subsidiaries" relates to the fees relating to Unibest and to the Group companies;
"Certification services" relate to the Disclosure of non-Financial Information.

Note 41 – Events after the year end

No significant events are reported which occurred from 1 April 2109 to the reporting date.

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 2018/2019, 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 2018/2019, 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 2019, 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.

c) 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.

d) Shareholder loans to the Company

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

e) 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.

f) Information required by Article 1, paragraphs 125-129, of Law no. 124 of 4 August 2017

The regulations governing the transparency of government grants under Article 1, paragraphs from 125 to 129, of Law no. 124/2017 falls within the scope of a broader set of provisions aimed at ensuring transparency in financial relationships between public entities and other persons or entities, but the lack of clarity of the wording has immediately raised problems of interpretation and application in relation to companies. In this regard, ANAC (Italian Anti-corruption Authority) passed resolution no. 1134 of 8 November 2017, appointing each administration to implement and control said grants, in addition to be responsible for the proper performance of any consequent obligation. By opinion no. 1149 of 1 June 2018, the Council of State then clarified that the first year of application is that relating to the 2019 financial period for the sums received from 1 January to 31 December 2018.
More recently, under Law no. 12 of 11 February 2019 (Decree Law no. 135 of 14 December 2018), the grants that fall within the scope of the regulations governing the National register of state aids established by the Ministry for Economic Development (MISE) (Law no. 115/2015) are not required to be declared for the purposes of Law no. 124.
Finally, note that both the Assonime (Italian Association of Joint-stock Companies= Circular no. 5 “Business activity and competition”, published on 22 February 2019, and the Circular issued by the Italian accounting Profession (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*) in March 2019, confirm that the operations carried out as part of the entity’s business do not fall within the scope of the purpose of the request and from the scope of disclosures, where bilateral relationships exist which are managed according to market rules and the concessionary measures aimed at companies in general rather than to a specific business entity (for example, tax concession measures). In light of the above provisions it is believed that there are no amounts to be reported for Piquadro S.p.A. and its subsidiaries with reference to this provision of law.

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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

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 2018 to 31 March 2019.

It is also certified that the consolidated financial statements at 31 March 2019:

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), 10 June 2019

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, 2019, the Income statement, statement of comprehensive income, statement of changes in net equity, cash flows statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Piquadro group as of March, 31 2019, 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.

Deloitte.

Accounting recognition of the business combination of Lancel Group

Description of the key audit matter

As reported in the paragraph on "Significant events during the year " of the report on operations and in the paragraph on "Business Combinations – Acquisition of the Lancel Group" of the explanatory notes to the consolidated financial statements, on 2 June 2018 the Company signed a contract for the acquisition of the Lancel Group (the "Transaction"). The price paid on the date of execution amounted to Euro 1 (one), plus an earn-out equal to 20% of profits realised by the Lancel Group on an annual basis ("Annual Earn-Out") during the ten years after the date of completion of the Transaction and to 50% of the price of any possible resale to third parties of the Lancel Group or of most of its assets ("Sale Earn-Out"), should it take place in the same period. However, the parties have agreed that in no case may the earn-out exceed an amount of Euro 35 million. Furthermore, within the scope of the agreements reached in relation to this transfer, the seller (the "Seller") has undertaken to cover any and all final losses reported by the Lancel Group over a period of 10 years ("Loss Period"), with a maximum limit of no more than Euro 35 million. Therefore, according to these provisions, the commitment undertaken by the Seller will entail, for each financial year included in the Loss Period, the Seller's cash transfer (during the subsequent financial year) to the Lancel Group in an amount equal to the final losses reported by the Lancel Group in that year. Therefore, under the contract of sale, the Lancel Group is entitled to receive an amount equal to the final losses reported, on the one hand, and, on the other, is under an obligation to transfer to the Seller an amount of 20% of the profits achieved by Lancel during the Loss Period. The Transaction has been accounted for in the consolidated financial statements as required by IFRS 3 revised "Business Combinations", applying the purchase method that requires identifiable assets acquired and liabilities assumed to be measured at their respective fair values on the date of acquisition. For the purposes of applying the purchase method, the Company, which has made use of the services of independent professionals, has put measurement processes and methods in place which are, by their nature, characterised by inherent uncertainty in forecast estimates and high subjectivity.
The fair value of Annual Earn – Out and Sale Earn-out has been determined, with the help of an independent expert, through an estimation process that has entailed the calculation of the annual consideration payable to the Seller on the basis of the forecasts made in the plan for the period from 2020 to 2028 (hereinafter the "Plan").

Cash and cash equivalents reported in the consolidated financial statements at 31 March 2019, equal to Euro 43.9 million, include an advance payment of Euro 35 million made by the Seller to cover future losses. As described above, the Directors point out that any possible repayment obligation concerning this advance payment constitutes a contingent liability for the Group, which was recognised at fair value as at the date of acquisition on the basis of estimates that were also made with the help of independent professionals. In consideration of the fact that, as at the date of acquisition the Group's Directors expected that the Lancel Group was going to record losses equal to or higher than Euro 35 million over the Loss Period, they have concluded that no obligation to refund the advance payment received will arise, and, therefore, they have not recognised any liability. This circumstance entails an increase in the book value of net assets acquired.

The income statement item of "Non-recurring income associated with the acquisition of the Lancel Group" includes the positive income component (bargain purchase), equal to Euro 42.2 million, resulting from the excess net amount of the fair value of assets and liabilities acquired (including the aforesaid advance payment of Euro 35 million in relation to which, according to the Directors, no repayment obligation will arise, as explained above), with respect to the acquisition price, in accordance with the applicable accounting standard.

In consideration of the subjectivity that characterises both the fair value measurement of balance sheet assets and liabilities being acquired, including the valuations that have led the Directors to believe that no obligation to return the advance payment will arise, and the variable component of the consideration, as well as of the significance of the effects recognised through profit or loss, we have concluded that the recognition of the business combination involving the Lancel Group constitutes a key audit matter to the audit of the Piquadro Group's consolidated financial statements at 31 March 2019.

Audit procedures performed

The main procedures performed by us on the key audit matters of Accounting recognition of the business combination of Lancel Group, among others, as follows:

- analysis of contractual agreements entered into between the parties;
- discussing the application of the purchase method for accounting recognition of the business combination with the Company's management and gaining an understanding of the process and of the relevant controls implemented by the Company in relation to the accounting recognition of the transaction;
- checking the implementation of the relevant controls identified in relation to that process;
- performing an analysis of compliance with the applicable accounting standards of the accounting recognition of the business combination in the consolidated financial statements;
- performing an analysis, also with the support of experts belonging to Deloitte network, of the reasonableness of the main assumptions adopted by the Company in determining the fair value of the assets and liabilities acquired, also by obtaining information from the Company and in-depth analysis with the external advisors;
- performing an analysis, also with the support of experts belonging to Deloitte network, of the reasonableness of the main assumptions adopted by the Company in determining the estimate related to the value of the variable component of variable consideration and the contingent liability, described above;
- review of the adequacy of disclosure provided on recognition of the business combination.

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, 2019 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 27, 2019

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 2019**	**31 March 2018**
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	(1)	1,334,288	1,596,610
Property, plant and equipment	(2)	8,274,687	8,701,738
Equity investments	(3)	14,054,807	9,730,171
Receivables from others	(4)	367,942	303,730
Receivables from subsidiaries	(5)	8,325,000	7,325,000
Deferred tax assets	(6)	1,044,730	1,000,886
TOTAL NON-CURRENT ASSETS		**33,401,454**	**28,658,135**
CURRENT ASSETS			
Inventories	(7)	13,490,543	12,501,126
Trade receivables	(8)	22,756,103	20,952,539
Receivables from subsidiaries	(9)	7,307,309	4,868,429
Other current assets	(10)	1,224,049	2,075,540
Derivative assets	(11)	77,933	0
Tax receivables	(12)	145,710	16,588
Cash and cash equivalents	(13)	14,041,399	19,546,335
TOTAL CURRENT ASSETS		**59,043,046**	**59,960,557**
TOTAL ASSETS		**92,444,500**	**88,618,692**

STATEMENT OF FINANCIAL POSITION

(in Euro)	**Notes**	**31 March 2019**	**31 March 2018**
LIABILITIES			
EQUITY			
Share Capital		1,000,000	1,000,000
Share premium reserve		1,000,000	1,000,000
Other reserves		1,289,713	1,127,721
Retained earnings		33,979,142	31,701,562
Profit for the period		5,427,912	5,277,580
TOTAL EQUITY	(14)	**42,696,767**	**40,106,863**
NON-CURRENT LIABILITIES			
Borrowings	(15)	13,598,304	11,127,644
Payables to other lenders for lease agreements	(16)	0	0
Other non-current liabilities	(17)	4,817,701	1,631,464
Provision for employee benefits	(18)	294,403	268,452
Provisions for risks and charges	(19)	1,380,174	1,266,601
TOTAL NON-CURRENT LIABILITIES		**20,090,582**	**14,294,161**
CURRENT LIABILITIES			
Borrowings	(20)	7,173,888	12,176,353
Payables to other lenders for lease agreements	(21)	0	830,475
Trade payables	(22)	13,419,833	13,362,033
Payables to subsidiaries	(23)	4,042,790	2,839,639
Derivative liabilities	(24)	5,524	158,972
Other current liabilities	(25)	2,819,282	2,610,913
Tax payables	(26)	2,195,834	2,239,283
TOTAL CURRENT LIABILITIES		**29,657,151**	**34,217,668**
TOTAL LIABILITIES		**49,747,733**	**48,511,829**
TOTAL EQUITY AND LIABILITIES		**92,444,500**	**88,618,692**

INCOME STATEMENT

(in Euro)	Notes	31 March 2019	31 March 2018
REVENUES			
Revenues from sales	(27)	72,791,815	70,504,532
Other income	(28)	2,445,376	1,033,085
TOTAL REVENUES (A)		**75,237,191**	**71,537,617**
OPERATING COSTS			
Change in inventories	(29)	(989,417)	(1,082,418)
Costs for purchases	(30)	22,782,188	22,110,254
Costs for services and leases and rentals	(31)	29,819,686	28,655,954
Personnel costs	(32)	12,630,170	11,810,556
Amortisation, depreciation and write-downs	(33)	2,919,630	2,389,388
Other operating costs	(34)	264,726	295,803
TOTAL OPERATING COSTS (B)		**67,426,983**	**64,179,537**
OPERATING PROFIT (A-B)		**7,810,208**	**7,358,080**
FINANCIAL INCOME AND CHARGES			
Shares of profits (losses) of investee Companies	(35)	(175,290)	220,488
Financial income	(36)	1,050,995	987,429
Financial charges	(37)	(591,475)	(1,319,482)
TOTAL FINANCIAL INCOME AND CHARGES		**284,230**	**(111,565)**
PRE-TAX RESULT		**8,094,438**	**7,246,515**
Income taxes	(38)	(2,666,526)	(1,968,935)
PROFIT FOR THE PERIOD		**5,427,912**	**5,277,580**

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of Euro)	31 March 2019	31 March 2018
Profit for the period (A)	**5,428**	**5,278**
Components that can be reclassified to profit or loss		
Profit/ (Loss) on cash flow hedge instruments	167	(107)
Components that cannot be reclassified to profit or loss :		
Actuarial gains (losses) on defined-benefit plans	(5)	0
Total Profits recognised in equity (B)	**162**	**(107)**
Total Comprehensive Income for the period (A) + (B)	**5,590**	**5,171**

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
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**
			(107)			**(107)**			**(107)**
- Fair value of financial instruments	**0**	**0**	**(107)**	**0**	**0**	**(107)**		**5,278**	**5,171**
Comprehensive Income for the period						**60**		**3,818**	**3,878**
- 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
Balances as at 31.03.2018	**1,000**	**1,000**	**(115)**	**(45)**	**1,288**	**1,128**	**31,702**	**5,278**	**40,107**
Profit for the period								5,428	**5,428**
Other comprehensive result at 31 March 2019:									
- Reserve for actuarial gains (losses) on defined-benefit plans				(5)		**(5)**			**(5)**
- Fair value of financial instruments			167			**167**			**167**
Comprehensive Income for the period	**0**	**0**	**167**	**(5)**	**0**	**162**		**5,428**	**5,590**
- Distribution of dividends to shareholders								(3,000)	**(3,000)**
-Allocation of the result for the year ended 31.03.2018 to reserves							2,278	(2,278)	**0**
Balances as at 31.03.2019	**1,000**	**1,000**	**52**	**(50)**	**1,288**	**1,290**	**33,979**	**5,428**	**42,697**

CASH FLOW STATEMENT

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Pre-tax profit	**8,094**	**7,247**
Adjustments for:		
Depreciation of property, plant and equipment/Amortisation of intangible assets	1,734	1,790
Write-downs of property, plant and equipment and intangible assets	0	0
Other accruals	0	269
Accrual to the provision for bad debts	1,186	600
Revaluation of equity investments	174	(542)
Adjustment to the provision for employee benefits	4	0
Dividends collected	0	(365)
Net financial charges/(income), including exchange rate differences	(460)	332
Cash flows from operating activities before changes in working capital	**10,734**	**9,331**
Change in trade receivables (gross of the provision)	(2,990)	(14)
Change in receivables from subsidiaries	(2,554)	1,599
Change in inventories	(989)	(1,082)
Change in other current assets	787	284
Change in trade payables	58	(1,426)
Change in payables to subsidiaries	1,203	(2,447)
Change in provisions for risks and charges	128	(155)
Change in other current liabilities	3,395	1,098
Change in tax receivables/payables	(173)	1,479
Cash flows from operating activities after changes in working capital	**9,599**	**8,667**
Payment of taxes	(2,775)	(2,137)
Interest collected / (paid)	460	(332)
Cash flow generated from operating activities (A)	**7,283**	**6,198**
Investments in intangible assets	(200)	(211)
Disinvestments from intangible assets	3	0
Investments in property, plant and equipment	(852)	(730)
Disinvestments from property, plant and equipment	4	32
Investments in non-current financial assets	(20)	(506)
Disinvestments from non-current financial assets	0	0
Dividends collected	0	365
Investments for the acquisition of the Lancel Group	(5,292)	0
Changes generated from investing activities (B)	**(6,357)**	**(1,050)**
Financing activities		
Change in short- and medium/long-term borrowings	(2,532)	3,801
new issues of long-term borrowings	(10,000)	(7,500)
repayments and other net changes in borrowings	7,468	11,301
Changes in financial instruments	(69)	(148)
Lease instalments paid	(830)	(600)
Other minor changes	0	(1)
Payment of dividends	(3,000)	(2,000)
Cash flow generated from/(absorbed by) financing activities (C)	**(6,432)**	**1,052**
Net increase (decrease) in cash and cash equivalents (A+B+C)	(5,505)	6,200

Cash and cash equivalents at the beginning of the period	**19,546**	**13,346**
Cash and cash equivalents at the end of the period	**14,041**	**19,546**

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 2019	Related parties	31 March 2018
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	(1)	1,334		1,597
Property, plant and equipment	(2)	8,275		8,702
Equity investments	(3)	14,055	14,055	9,730
Receivables from others	(4)	368		304
Receivables from subsidiaries	(5)	8,325	8,325	7,325
Deferred tax assets	(6)	1,045		1,001
TOTAL NON-CURRENT ASSETS		**33,401**	**22,380**	**28,658**
CURRENT ASSETS				
Inventories	(7)	13,491		12,501
Trade receivables	(8)	22,756		20,953
Receivables from subsidiaries	(9)	7,307	7,307	4,868
Other current assets	(10)	1,224		2,076
Derivative assets	(11)	78		0
Tax receivables	(12)	146		17
Cash and cash equivalents	(13)	14,041		19,546
TOTAL CURRENT ASSETS		**59,043**	**7,307**	**59,961**
TOTAL ASSETS		**92,445**	**29,687**	**88,619**

Statement of financial position

(in thousands of Euro)	Notes	31 March 2019	Related parties	31 March 2018
LIABILITIES				
EQUITY				
Share Capital		1,000		1,000
Share premium reserve		1,000		1,000
Other reserves		1,290		1,128
Retained earnings		33,979		31,702
Profit for the period		5,428		5,278
TOTAL EQUITY	(14)	**42,697**		**40,107**
NON-CURRENT LIABILITIES				
Borrowings	(15)	13,598		11,128
Payables to other lenders for lease agreements	(16)	0		0
Other non-current liabilities	(17)	4,818		1,631
Provision for employee benefits	(18)	294		268
Provisions for risks and charges	(19)	1,380		1,267
TOTAL NON-CURRENT LIABILITIES		**20,091**		**14,294**
CURRENT LIABILITIES				
Borrowings	(20)	7,174		12,176
Payables to other lenders for lease agreements	(21)	0		830
Trade payables	(22)	13,420		13,362
Payables to subsidiaries	(23)	4,043	4,043	2,840
Derivative liabilities	(24)	6		159
Other current liabilities	(25)	2,819		2,611
Tax payables	(26)	2,196		2,239
TOTAL CURRENT LIABILITIES		**29,657**	**4,043**	**34,218**
TOTAL LIABILITIES		**49,748**	**4,043**	**48,512**
TOTAL EQUITY AND LIABILITIES		**92,445**	**4,043**	**88,619**

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

Income Statement

(in thousands of Euro)	**Notes**	**31 March 2019**	**Related parties**	**31 March 2018**
REVENUES				
Revenues from sales	(27)	72,792	5,267	70,505
Other income	(28)	2,445	1,460	1,033
TOTAL REVENUES (A)		**75,237**	6,727	**71,538**
OPERATING COSTS				
Change in inventories	(29)	(989)		(1,082)
Costs for purchases	(30)	22,782	8,186	22,110
Costs for services and leases and rentals	(31)	29,820	2,915	28,656
Personnel costs	(32)	12,630		11,811
Amortisation, depreciation and write-downs	(33)	2,920		2,389
Other operating costs	(34)	265		296
TOTAL OPERATING COSTS (B)		**67,427**	**11,101**	**64,180**
OPERATING PROFIT (A-B)		**7,810**	**(4,374)**	**7,358**
FINANCIAL INCOME AND CHARGES				
Shares of profits (losses) of investee Companies	(35)	(175)		220
Financial income	(36)	1,051	92	987
Financial charges	(37)	(591)		(1,319)
TOTAL FINANCIAL INCOME AND CHARGES		**284**	**92**	**(112)**
PRE-TAX RESULT		**8,094**	**(4,282)**	**7,247**
Income taxes	(38)	(2,667)		(1,969)
PROFIT FOR THE PERIOD		**5,428**	**(4,282)**	**5,278**

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

(*in thousands of Euro*)	31 March 2019	Related Parties	31 March 2018
Pre-tax profit	**8,094**		**7,247**
Adjustments for:			
Depreciation of property, plant and equipment/Amortisation of intangible assets	1,734		1,790
Write-downs of property, plant and equipment and intangible assets	0		0
Other accruals	0		269
Accrual to the provision for bad debts	1,186		600
Revaluation /Write-downs of equity investments	174		(542)
Adjustment to the provision for employee benefits	4		0
Dividends collected	0		(365)
Net financial charges/(income), including exchange rate differences	(460)		332
Cash flows from operating activities before changes in working capital	**10,732**		**9,331**
Change in trade receivables (gross of the provision)	(2,990)		(14)
Change in receivables from subsidiaries	(2,554)	(2,554)	1,599
Change in inventories	(989)		(1,082)
Change in other current assets	787		284
Change in trade payables	58		(1,426)
Change in payables to subsidiaries	1,203	1.203	(2,447)
Change in provisions for risks and charges	128		(155)
Change in other current liabilities	3,395		1,098
Change in tax receivables/payables	(173)		1,479
Cash flows from operating activities after changes in working capital	**9,599**	**(1,351)**	**8,667**
Payment of taxes	(2,775)		(2,137)
Interest paid	460		(332)
Cash flow generated from operating activities (A)	**7,283**	**1,351)**	**6,198**
Investments in intangible assets	(200)		(211)
Disinvestments from intangible assets	3		0
Investments in property, plant and equipment	(852)		(730)
Disinvestments from property, plant and equipment	4		32
Investments in non-current financial assets	(20)		(506)
Disinvestments from non-current financial assets	0		0
Dividends collected	0		365
Investments for the acquisition of the Lancel Group	(5,292)		0
Changes generated from investing activities (B)	**(6,357)**	**0**	**(1,050)**
Financing activities			
Change in short- and medium/long-term borrowings	(2,532)		3,801
- New loans	(10,000)		(7,500)
- Repayments and other net changes in Borrowings	7,468		11,301
Changes in financial instruments	(69)		(148)
Lease instalments paid	(830)		(600)
Other minor changes	0		(1)
Payment of dividends	(3,000)	(2,045)	(2,000)
Cash flow generated from/(absorbed by) financing activities (C)	**(6,432)**	**(2,045)**	**1,052**

Net increase (decrease) in cash and cash equivalents (A+B+C)	**(5,505)**	(3,396)	6,200
Cash and cash equivalents at the beginning of the period	**19,546**		**13,346**
Cash and cash equivalents at the end of the period	**14,041**		**19,546**

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 2019 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.

This document was prepared by the Board of Directors on 10 June 2019 and will be submitted for approval by the Shareholders' Meeting called, on first call, for 25 July 2019.

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, procurement, 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 2019 and related significant accounting effects

As detailed in the report on operations, on 2 June 2018 Piquadro S.p.A. signed a contract of sale for the acquisition of Lancel International S.A. ("Lancel International") – a Swiss company that is wholly owned by the Richemont Group and is the owner of the "Lancel" brand, holding 99.9958% of the capital of the French company Lancel Sogedi S.A., as well as of the Spanish and Italian companies that operate Lancel's boutiques in their respective countries (Lancel International and its subsidiaries are hereinafter referred to as the "Lancel Group").
The Lancel Group was founded in 1876 and the head office of the operating company (Lancel Sogedi) is located in Paris. It has developed a network of 63 DOSs and 8 franchise shops and is active in 39 countries, including China, through its retail and wholesale sales network.

Financial statements formats adopted and reporting currency

At the time of the preparation of the separate financial statements at 31 March 2018 and at 31 March 2019, 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 Cash Flow Statement 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.

Except for the acquisition of Lancel International S.a. on 2 June 2018, the details of which are described in the report on operations above, the Management believe that no significant non-recurring events or transactions occurred either in the FY 2018/2019 or in the FY 2017/2018, nor any atypical or unusual transactions i

In compliance with Regulation (EU) no. 1606/2002, the separate financial statements of Piquadro S.p.A at 31 March 2019 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 2019, 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.

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

Financial assets
Financial assets, as required by the new IFRS 9, are classified, according to the management methods applied by the Group and based on the related features of contract cash flows, into the following categories:
- Amortised Cost: this category includes financial assets that are held for the sole purpose of collecting contract cash flows. They are measured at amortised cost, with proceeds recognised through profit or loss based on the effective interest rate method.
- Fair value through other comprehensive income (“FVOCI”): this category includes financial assets the contract cash flows of which exclusively consist of the payment of principal and interest and that are held in order to collect contract cash flows, as well as flows deriving from their sale. They are measured at fair value. Interest income, foreign exchange gains and losses, impairment losses (and related value write-backs) of financial assets classified as assets at FVOCI, are accounted for through profit or loss; other changes in the fair value of assets are accounted for among OCI. Upon the sale or reclassification of these financial assets to other categories, because of a change in the business model, cumulative profits or losses recognised in OCI are reclassified to profit or loss.

- Fair value through profit or loss ("FVTPL"): this category includes residual items concerning financial assets that do not fall within the categories of Amortised Cost or FVOCI, such as, for example, financial assets acquired for trading purposes or derivatives, or assets designated at FVTPL on the part of the Management upon initial recognition. They are measured at fair value. Any profits or losses arising from this measurement are recognised through profit or loss.
FVOCI for equity instruments: financial assets consisting of equity instruments issued by other entities (i.e. interests in companies other than subsidiaries, associates and jointly-controlled companies), which are not held for trading purposes, can be classified in the category of FVOCI. This option can be applied on an instrument-by-instrument basis and provides for any change in the fair value of these instruments to be recognised in OCI, without being recycled to profit or loss, either upon their transfer or upon their impairment. Only the dividends arising from these instruments will be recognised through profit or loss.
The fair value of financial assets is determined on the basis of the listed offer prices or through the use of financial models. The fair value of unlisted financial assets is estimated by using appropriate valuation techniques adapted for the specific situation.
Measurements are carried out on a regular basis in order to establish whether there is any objective evidence that a financial asset or a group of assets may have reported an impairment loss. If there is objective evidence, the impairment loss is recognised as a cost in the income statement for the period.

Trade receivables
Upon initial recognition they are measured at fair value, while trade receivables without any significant financial component are valued at the transaction price. The measurement of their recoverable value is made on the basis of the Expected Credit Losses model required by IFRS 9.
They are measured at fair value upon initial recognition and then at amortised cost, using the effective interest method. They are stated net of a provision for bad debts, which is entered as a direct deduction from the receivables themselves to adjust their measurement at their presumed realisable value. Expected credit losses are estimated by using an allocation matrix broken down by maturities of overdue amounts, making reference to the entity's past experience of credit losses, as well as to an analysis of the creditors' financial position, as adjusted to include specific factors of the creditor and a valuation of the current and expected trend in these factors on the reporting date of the financial statements.
An accrual due to impairment losses on trade receivables is recognised when there is any objective evidence that the Group will not be able to collect any and all amounts according to the initial terms and conditions. The amount of the accrual is charged to profit or loss.

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, and as referred to in IFRS 9, 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 initially accounted for at fair value, net of transaction costs incurred. Subsequently they are stated at amortised cost; the differential between the amount collected, net of transaction costs, and the amount to be repaid is accounted for through profit or loss on the basis of the term of the loans, using the effective interest method.
In the case of non-substantial amendments to the terms and conditions of a financial instrument, the difference between the present value of flows as changed (determined by using the effective interest rate of the instrument outstanding at the date of the change) and the book value of the instrument is stated through profit or loss.
The loans are classified among current liabilities if the Group has not any unconditional right to defer the repayment of the liability for at least 12 months after the reporting date.
Financial liabilities are derecognised from the balance sheet when the specific contract obligation is extinguished. This also occurs when the existing contract terms and conditions are amended, if the new terms and conditions have changed the initial arrangements significantly.

Financial instruments and IFRS 7

The category of financial instruments

The disclosure required by IFRS 7, which allows the assessment of the significance of the Group's financial instruments and the nature of risks associated thereto, is reported in different paragraphs of these explanatory notes.

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 2018**	**Use**	**Accrual**	**Provision at 31 March 2019**
Provision for bad debts	1,641	(301)	660	2,000
Total Provision	**1,641**	**(301)**	**660**	**2,000**

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**
31/03/2019	**Amount in the accounts**		**1- 60 days**	**61 - 120 days**	**over 120 days**	
DOS	0	0	0	0	0	0
Wholesale	22,756	19,328	861	647	3,919	(2,000)
Subsidiaries	15,632	2,088	851	614	2,488	0
Total	**38,388**	**21,416**	**1,713**	**1,261**	**6,407**	**(2,000)**

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	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)**

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
31/03/2019					
Payables to banks for Loans	20,772	7,174	13,598	0	20,772
Payables to banks for credit lines	0	0	0	0	0
Trade payables	13,420	13,420	0	0	13,420
Trade payables to Subsidiaries	4,043	4,043	0	0	4,043
Other borrowings (leasing)	0	0	0	0	0
Derivative liabilities for IRS contract	6	6	0	0	6
Derivative liabilities for USD forward contracts	0	0	0	0	0
Total	**38,240**	**24,642**	**13,598**	**0**	**38,240**

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**	**11,128**	**0**	**37,657**

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 2019 the Group could rely on credit lines of about Euro 57,419 thousand (about Euro 46,970 thousand at 31 March 2018). 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 22,756 thousand at 31 March 2019 (Euro 27,618 thousand at 31 March 2018).

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 2019, the Parent Company executed forward currency contracts for USD 17,700 thousand, equal to an aggregate counter-value of Euro 14,577 thousand, with an average exchange rate of USD 1.219.
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.

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	14,041	117	(11)	0	13	0
Trade receivables	22,756	32	(3)	0	4	0
Receivables from subsidiaries	15,632	1,785	(188)	0	230	0
Derivative financial instruments	78	0	0	0	0	0
			(202)	0	247	0
Financial liabilities:						
Borrowings	20,772	0	0	0	0	0
Payables to other lenders for lease	0	0	0	0	0	0
Trade payables	13,420	1,806	(164)	0	201	0
Payables to subsidiaries	4,043	935	(147)	0	180	0
Other borrowings (leases)	0	0	0	0	0	0
Derivative financial instruments	6	0	0	0	0	0
			(312)	0	381	0
Total increases (decreases) at 31/03/2019			**(514)**	**0**	**628**	**0**

Foreign exchange risk (FER)

	Book value	Of which subject to FER	+ 10% Euro/USD Profits (Losses)	+ 10% Euro/USD Other changes in Equity	- 10% Euro/USD Profits (Losses)	- 10% Euro/USD Other changes in Equity
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**

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

	Book value	Of which subject to IRR	Interest rate risk (IRR) + 50 bps on IRR Profits (Losses)	+ 50 bps on IRR Other changes in Equity	- 50 bps on IRR Profits (Losses)	- 50 bps on IRR Other changes in Equity
Financial assets:						
Cash and cash equivalents	14,041	14,041	70	0	(70)	0
Trade receivables	22,756	0	0	0	0	0
Receivables from subsidiaries	14,041	0	0	0	0	0
Derivative financial instruments	78	0	0	0	0	0
			70	0	(70)	0
Financial liabilities:						
Payables to banks for Loans	20,772	20,772	(104)	0	104	0
Payables to banks for credit lines	0	0	0	0	0	0
Trade payables	13,420	0	0	0	0	0
Payables to subsidiaries	4,043	0	0	0	0	0
Other borrowings (leasing)	0	0	0	0	0	0

Derivative financial instruments	6	0	0	0	0	0
			(104)	0	104	0
Total increases (decreases) at 31/03/ 2019			**(34)**	**0**	**34**	**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	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**

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 2019**	**31 March 2018**
Net financial debt	(12,304)	7,128
Equity	42,697	40,107
Net invested capital	55,001	47,234

Gearing ratio	**(22.4)%**	**15.1%**

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 2018/2019.

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**
1.5% for 2019 and 1.75% for 2018	Frequency of 0.4% for 2019 and 0.15% for 2018	2.70% for 2019 e 3.50% for 2018

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

IFRS Accounting Standards, amendments and interpretations applied from 1 April 2019

The following accounting standards, amendments and IFRS interpretations were applied by the Group for the first time as from 1 April 2018:

On 28 May 2014, the IASB published **IFRS 15 – *Revenue from Contracts with Customers*** which, together with additional clarifications published on 12 April 2016, 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* e 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 laid down in the contract;
determine the transaction price;
allocate the transaction price to the performance obligations laid down in the contract;
recognise revenue when (or as) the entity satisfies a performance obligation.

The standard was adopted from 1 January 2018 and did not have any effect on the amounts stated on account of revenues and on the related disclosure.

On 24 July 2014, the IASB published the final version of **IFRS 9 – *Financial Instruments: Recognition and Measurement***. The document describes the results of the IASB's project to replace IAS 39. The new standard must be adopted to financial statements for the financial periods commencing on or after 1 January 2018.
The standard introduces new criteria for the classification and measurement of financial assets and liabilities. Specifically, the new standard uses, for financial assets, a single approach based on the methods to manage financial instruments and on the features of contract cash flows from these financial assets in order to determine their measurement policy, replacing the various rules laid down in IAS 39. As regards financial liabilities, instead, the main amendment concerned the accounting treatment of fair value changes in a financial liability designated as a financial liability measured at fair value through profit or loss, in the case that these changes are due to a change in the credit rating of the issuer of the liability itself. According to the new standard, these changes must be recognised in

the "Other comprehensive income" and no longer through profit or loss. Furthermore, it is no longer permitted to report the economic effects of the residual debt rescheduling in the changes in financial liabilities defined as immaterial, modifying the effective interest rate on the maturity date, but the related effect will be required to be recognised through profit or loss.
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. The standard provides for this impairment model to be applied to all financial instruments, i.e. to financial assets measured at amortised cost, as well as to those measured at fair value through other comprehensive income, receivables under lease agreements and trade receivables.
Finally, the standard introduces a new hedge accounting model in order to update the requirements laid down in the present IAS 39, which have sometimes been considered too stringent and not suitable to reflect the risk management policies adopted by the companies. The major developments in the document concern:
An increase in the types of transactions qualifying for hedge accounting, also including the risks of non-financial assets and liabilities qualifying for hedge accounting;
A change in the method to account for forwards and options when they are included in a hedge accounting relationship in order to reduce volatility in the income statement;
the amendments to the effectiveness test by replacing the present methods based on a parameter of 80-125% according to the principle of "economic relationship" between hedged item and hedging instrument; furthermore, a measurement of the retrospective effectiveness of the hedging relationship is no longer required.

The higher flexibility of the new accounting rules is offset by additional requests for disclosures on the entity's risk management.

The standard was adopted from 1 January and did not have any effect on the amounts stated as financial assets and liabilities and on the related disclosure.

On 20 June 2016, the IASB published the 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 were adopted from 1 January 2018.The adoption of this amendment did not have any effect on the Group's consolidated financial statements.
On 8 December 2016, the IASB published "***Annual Improvements to IFRS: 2014-2016 Cycle***", which partially makes additions to the pre-existing standards within the annual process of their improvement process. The main amendments concern:
IFRS 1 *First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters*. The amendment was adopted from 1 January 2018 and concerns the deletion of some short-term exemptions laid down in paragraphs E3-E7 of Appendix E of IFRS 1 since the benefit of these exemptions is considered to be no longer applicable.
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. The amendment clarifies that the option for a venture capital organization or any other entity qualified in this manner (such as, for example, an investment fund or a similar entity) to measure investments in associates and joint ventures at fair value through profit or loss (rather than at equity) is exercised for each investment upon initial recognition. The amendment was adopted from 1 January 2018.
IFRS 12 *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*. The amendment clarifies the scope of application of IFRS 12, specifying that the disclosure required by the standard, except for that provided in paragraphs B10-B16, applies to any and all interests that are classified as held for sale, held for distribution to shareholders or as discontinued operations as required by IFRS 5. This amendment was applied from 1 January 2018.

The adoption of these amendments did not have any effect on the Group's consolidated financial statements.

On 8 December 2016, the IASB published the interpretation "*Foreign Currency Transactions and Advance Consideration* (IFRIC Interpretation 22)". 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 (against cash received/paid), 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.
The interpretation clarifies that the transaction date is the earlier of:
The date when the advance payment or the advance received is recognised in the entity's accounts; and
The date when the asset, cost or revenue (or a part thereof) is stated in the accounts (with the consequent reversal of the advance payment or of the advance received).
If there are several payments or amounts collected in advance, a specific transaction date must be set for each of them. IFRIC 22 was adopted from 1 April 2018. The adoption of this interpretation did not have any effect on the Group's consolidated financial statements.

Accounting standards, amendments and interpretations endorsed by the European Union but not yet applicable and not adopted by the Group in advance at 31 March 2019.

On 13 January 2016, the IASB published **IFRS 16 – *Leases,*** which 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, finally, 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. On the contrary, the Standard does not include significant amendments for lessors.
The standard was applicable from 1 January 2019 (1 April 2019 for the Piquadro Group) with early adoption permitted, either on a full or modified retrospective basis.
According to the full retrospective option, IFRS 16 must be applied for 2018 by recognising the impact through equity at 1 April 2018 as if IFRS 16 had always been applied, through a restatement of comparative data.
The modified retrospective option provides as follows:

- for 2018 the adoption of IAS 17 without any restatement of comparative data;
- for 2019 the adoption of IFRS 16 with the impact through equity at 1 April 2019 (as profits carried forward) of the cumulative effect of the new standard upon first-time adoption of the contracts in place on that date only and the reporting of the impact arising from the first-time adoption of the standard in the notes to the financial statements.

The Piquadro Group has decided to apply the modified retrospective option that does not provide for the restatement of 2018 comparative data.

The adoption of the new accounting standard – IFRS 16 *Leases* – entails effects on the financial statements, changing some models of the present accounting system. The objective is to improve transparency in the statements of income and cash flows and the comparability of the accounts.

The Company has completed the preliminary assessment project of potential impacts arising from the adoption of the new standard on the transition date (1 April 2019). This process has been structured into various phases, including the full mapping of contracts that are potentially suitable to contain a lease and their analysis in order to understand their main clauses relevant for the purposes of IFRS 16.

The process is being completed for the implementation of the standard, which provides for setting up the IT structure aimed at the accounting management of the standard and at aligning the administrative processes and audits concerning the monitoring of critical areas dealt with in the standard.

The Company has decided to apply the standard on a retrospective basis, while recognising the cumulative effect arising from the adoption of the standard in equity at 1 April 2019, as required by paragraphs IFRS

16:C7-C13. Specifically, the Company will account, in relation to agreements previously classified as operating leases, for:

a financial liability, equal to the present value of future payments still outstanding on the transition date, as discounted back by using the incremental borrowing rate applicable on the transition date for each agreement;

a right to use equal to the value of the financial liability on the transition date, net of accrued income and prepaid expenses, as well as of accrued expenses and deferred income (if any), relating to the lease and recognised in the balance sheet on the reporting date of these financial statements.

The table below reports the estimated impact from the adoption of IFRS 16 at the transition date:

€/mil. **ASSETS**	***Impact on the transition date*** ***(01.04.2019)***
Non-current assets	
Right to use	*17.5*
Total	***17.5***
SHAREHOLDERS' EQUITY AND LIABILITIES	
Shareholders' equity	
Profits carried forward	*0*
Non-current liabilities	
Financial liabilities for non-current leases	*12.8*
Current liabilities	
Financial liabilities for current leases	*4.7*
Total	***17.5***

In adopting IFRS 16, the Company intends to make use of the exemption granted by paragraph IFRS 16:5(a) in relation to the short-term leases for the following classes of assets:

Computers, telephones and tablets;
Printers;
Other electronic devices;
Sundry leases

Likewise, the Company intends to make use of the exemption granted by IFRS 16:5(b) as regards lease agreements for which the underlying asset is qualified as a low-value asset (i.e. the assets underlying the lease agreement do not exceed 5.000 of Euro when they are new assets). The contracts for which the exemption has been applied mainly fall within the scope of the following categories:

Computers, telephones and tablets;
Printers;
Other electronic devices.

For these agreements the adoption of IFRS 16 will not entail the recognition of the financial liability of the lease and of the related right to use, but lease payments will be recognised through profit or loss on a linear basis for the term of the respective agreements.

The Company intends to use the following practical options provided for in IFRS 16:

Separation of non-lease components: the Company intends to make use of the exemption granted by IFRS 16:15 for the following categories of assets:

Vehicles;
Apartments/Offices;

Shops;
Warehouses/Parking areas.
The non-lease components on these assets will not be separated and accounted for separately with respect to lease components, but will be considered together with the latter in determining the financial liability of the lease and of related right to use.

The transition to IFRS 16 introduces some professional judgment elements that entail the design of some accounting policies and the use of assumptions and estimates in relation to the lease term, as well as to the definition of the incremental borrowing rate. The major of them are summarised below:

The Company has decided not to adopt IFRS 16 for agreements containing a lease, whose underlying asset is an intangible asset;

The Group has analysed all the lease agreements, thus defining the lease term for each of them, which is given by the "non-cancellable" period, together with the effects of possible clauses of extension or early termination the exercise of which has been regarded as reasonably certain. Specifically, this valuation has considered the specific facts and circumstances of each asset for properties.

Since most of lease agreements entered into by Piquadro S.p.A. do not provide for an implied rate of interest, the discount rate to be applied to future lease payments has been determined as the rate applied to 10-year Bonds, with maturities commensurate to the term of each lease agreement, as increased by the specific Credit spread of the Group.

On 12 October 2017, the IASB published an amendment to **IFRS 9 - *Prepayment Features with Negative Compensation***. This document specifies that the instruments providing for early redemption might pass the *Solely Payments of Principal and Interest* ("SPPI") test even when the "reasonable additional compensation" to be paid for early redemption is a "negative compensation" for the lending entity. The amendment was 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.

On 7 June 2017, the IASB published the interpretation "***Uncertainty over Income Tax Treatments (IFRIC Interpretation 23)***" (published on 7 June 2017). The interpretation deals with the uncertainty over income tax treatments. In particular, the Interpretation requires an entity to analyse the uncertain tax treatments (individually or as a whole, depending on their features), while always assuming that the tax authorities consider the tax position in question, being fully aware of any and all material information. If the entity believes that it is not likely that the tax authority will accept the tax treatment applied, the entity must report the effect of uncertainty in the measurement of its current and deferred income taxes. 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 uncertainty inherent in accounting for taxes, in accordance with IAS 1.

The new interpretation was 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.

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

As at the reporting date of this financial report, 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 12 October 2017, the IASB published the document on "***Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)***". 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 April 2019, with early adoption permitted.

On 12 December 2017, the IASB published **"*Annual Improvements to IFRSs 2015-2017 Cycle*"** which adopt the amendments to some standards within the related annual improvement process. The major amendments concern:

IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*: the amendment clarifies that when an entity acquires control over a business that constitutes a joint operation, it must make a measurement the interest previously held in this business. This process is not required when there is joint control.
IAS 12 *Income Taxes*: the amendment clarifies that all tax effects arising from dividends (including payments on financial instruments classified in equity) should be accounted for consistently with the transaction that generated these profits (income statement, OCI or equity).
IAS 23 *Borrowing costs*: the amendment clarifies that in case of loans that remain outstanding even after the relevant qualifying asset is already ready for use or sale, they are added to the set of loans used to calculate borrowing costs.

The amendments will be applicable from 1 April 2019, with early adoption permitted..

On 7 February 2018, the IASB published "***Plant Amendment, Curtailment or Settlement (Amendments to IAS 19)"***. The document clarifies how an entity must recognise a change (i.e. a curtailment or a settlement) to defined-benefit plans. The amendments require the entity to update its assumptions and make a new measurement of the net liability or asset arising from the plan. They also clarify that, after the occurrence of this event, an entity uses updated assumptions to measure the current service cost and interest for the remaining period of reference after the event.

On 22 October 2018, the IASB published ***"Definition of a Business (Amendments to IFRS 3)"***. The document provides some clarifications as to the definition of business for the purposes of the correct application of IFRS 3. Specifically, the amendment clarifies that while a business usually produces an output, an output is not strictly required to identify a business in the presence of an acquired set of activities/processes and assets. However, in order to meet the definition of business, an acquired set of activities/processes and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. For this purpose the IASB has replaced the term "ability to create outputs" with the "ability to contribute to the creation of outputs" to clarify that a business can exist even without the presence of all inputs and processes required to create an output.

The amendment has also introduced an optional concentration test for the entity, to determine whether an acquired set of activities/processes and assets is not a business. If the test is passed, the acquired set of activities/processes and assets does not constitute a business and the standard does not require additional audits. If the test is not passed, the entity shall carry out additional analyses on the acquired activities/processes and assets to identify the presence of a business. For this purpose, the amendment has added numerous explanatory examples to IFRS 3 in order allow the practical application of the new definition of business in specific cases. The amendments apply to all business combinations and acquisitions of assets carried out after 1 January 2020, with early adoption permitted.

On 31 October 2018, the IASB published ***"Definition of Material (Amendments to IAS 1 and IAS 8)"***. The document introduced an amendment to the definition of "material" provided for in IAS 1 – *Presentation of Financial Statements* and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*. This amendment is aimed at making this definition more specific and has added the concept of "obscured information" to the concepts of omitted or misstated information already provided for in the two standards subject to amendment. The amendment clarifies that information is obscured when it has been described so as to have, on the primary users of the financial statements, an effect similar to the effect that would have been produced had this information been omitted or misstated.

On 11 September 2014, the IASB published an amendment to **IFRS 10 and IAS 28 -** ***Sales or Contribution of Assets between an Investor and its Associate or Joint Venture***. The document was published for the purpose of solving the present conflict between IAS 28 and IFRS 10.

As required by IAS 28, 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 are limited to the interest held in the joint venture or associate by the other investors that have not taken part in the transaction. On the contrary, IFRS 10 provides for the recognition of the full profit or loss if there is a loss of control over a subsidiary, even if the entity continues to hold a non-controlling interest therein, this case also including the transfer or contribution of a subsidiary to a joint venture or associate. The amendments introduced provide that, in the transfer or contribution of a business or of a subsidiary to a joint venture o associate, the amount of profit or loss to be recognised in the financial statements of the transferor or of the contributing party depends on whether the assets or the subsidiary that are transferred or contributed constitute a business, in the meaning provided for in IFRS 3. If the assets or the subsidiary that are transferred or contributed constitute a business, the entity must recognize the profit or loss on the entire interest previously held; while, otherwise, the amount of profit or loss relating to the interest still held by the entity must be derecognised. At present the IASB has suspended the application of this amendment.

With reference to the new amendments and new interpretations reported above, at present the directors are assessing the possible effects on the Group's consolidated financial statements correlated to their introduction.

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 2017/2018 and FY 2018/2019 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	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 for the period	0	6	194	0	0	200
Sales	0	0	(3)	0	0	(3)
Reclassifications	0	0	12	0	(12)	0
Write-downs	0	0	0	0	0	0
Amortisation	0	(3)	(254)	(202)	0	(459)
Gross value	592	69	3,266	3,538	0	7,465
Amortisation fund	(592)	(62)	(2,880)	(2,597)	0	(6,131)
Net value at 31/03/2019	**0**	**7**	**386**	**941**	**0**	**1,334**

Increases in intangible assets, equal to Euro 200 thousand in the financial year ended 31 March 2019 (Euro 211 thousand at 31 March 2018), 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 financial year 2018/2019 no trigger events occurred as to the key moneys (Milan – Via della Spiga, Bologna - Piazza Maggiore, Rom – Cinecittà, Milan – Corso Buenos Aires, Pescara, Milan – Fiordaliso Shopping Mall, Verona – Piazza 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 2017/2018 and FY 2018/2019 (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 construction and advances**	**Total**
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 31/03/2018	**878**	**4,012**	**253**	**3,550**	**9**	**0**	**8,702**
Increases for the period	0	0	149	640	7	56	852
Sales	0	0	0	(4)	0	0	(4)
Depreciation	0	(193)	(84)	(981)	(17)		(1,275)
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	(3)	(1)	4	0	0
Gross value	878	6,332	2,992	14,184	374	56	24,816
Depreciation fund	0	(2,513)	(2,677)	(10,980)	(371)	0	(16,541)
Net value at 31/03/2019	**878**	**3,819**	**315**	**3,204**	**3**	**56**	**8,275**

Increases in property, plant and equipment, equal to Euro 852 thousand in the financial year ended 31 March 2019 (Euro 730 thousand at 31 March 2018) were mainly attributable to the sundry equipment purchased for refurbishment of some existing DOS shops per Euro 654 thousand, purchases of workshop plant and machinery for Euro 170 thousand.

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

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Land	0	878
Buildings	0	3,817
Plant and machinery	8	11
Industrial and business equipment	3	5
Total	**11**	**4,711**

The assets used under leases recorded a considerable decrease as a result of the purchase option exercised by the Company in July 2018 in relation to the finance lease agreement signed with Cento Leasing S.p.A. (an agreement that is currently held by Mediocredito Italiano S.p.A.) on 12 February 2004 concerning the real estate complex located in the municipal district of Gaggio Montano (Province of Bologna), at Località Sassuriano no. 246, where the present registered office and warehouse of the Company are located.

Note 3 – Equity investments

Below is the breakdown of the item:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Piquadro España SLU	824	824
Piquadro Deutschland GmbH	25	25
Piquadro Hong Kong Co. Ltd.	66	66
Uni Best Leather Goods Zhongshan Co. Ltd.	372	475
Piquadro Trading Shenzhen Co. Ltd.	0	789
Piquadro Taiwan Co. Ltd.	601	601
Piquadro France SARL	0	96
Piquadro Swiss SA	0	0
Piquadro UK Limited	1,171	1,171
Piquadro USA INC.	802	802
OOO Piquadro Russia	672	672
The Bridge S.p.A.	4,208	4,208
Lancel International S.A. (*)	5,292	-
Total equity investments in subsidiaries	**14,033**	**9,729**
Equity investments in other companies	22	1
Total equity investments	**14,055**	**9,730**

(*)Company acquired on 2 June 2018

The statements below report 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.

During the financial year ended 31 March 2019 Piquadro Trading Shenzhen Co.Ltd and Piquadro France were derecognised.

Company name	**HQ**	**Ownership %**	**Book value**	**Equity**	**Provision for write-down of equity investments**
Piquadro España SLU	Barcelona	100%	824	848	0
Piquadro Deutschland GmbH	Munich	100%	24	50	0
Piquadro Hong Kong Co. Ltd.	Hong Kong	100%	66	108	0
Uni Best Leather Goods Zhongshan Co. Ltd.	Zhongshan	100%	372	372	0
Piquadro Taiwan Co. Ltd.	Taipei	100%	601	868	0
Piquadro Swiss SA	Mendrisio	51%	0	(541)	480

Piquadro UK Limited	London	100%	1,171	1,211	0
Piquadro USA INC.	New York	100%	801	879	0
OOO Piquadro Russia	Moscow	100%	672	763	0
The Bridge S.p.A.	Scandicci	80%	4,208	1,362	0
Lancel International S.A. (*)	Villar–Sur-Glane	99.9958%	5,292	43,609	0

(*)Company acquired on 2 June 2018

Below is the breakdown of changes in the value of equity investments:

(in thousands of Euro)	**Book value 31/03/2018**	**Increases**	**Write-downs**	**Revaluation**	**Other changes**	**Book value 31/03/2019**
Piquadro España SLU	824	0	0	0	0	824
Piquadro Deutschland GmbH	25	0	0	0	0	25
Piquadro Hong Kong Co. Ltd.	66	0	0	0	0	66
Uni Best Leather Goods Zhongshan Co. Ltd.	475	0	(103)	0	0	372
Piquadro Trading Shenzhen Co. Ltd.	789	0	0	0	(789)	0
Piquadro Taiwan Co. Ltd.	601	0	0	0	0	601
Piquadro France SARL	96	1	0	0	(96)	0
Piquadro Swiss SA	0	0	0	0	0	0
Piquadro UK Limited	1,171	0	0	0	0	1,171
Piquadro USA INC	802	0	0	0	0	802
OOO Piquadro Russia	672	0	0	0	0	672
The Bridge S.p.A.	4,208	0	0	0	0	4,208
Lancel International S.A. (*)	-	5.292	0	0	0	5,292
Total equity investments in subsidiaries	**9,728**	**5.293**	**(103)**	**0**	**(885)**	**14,033**
Equity investments in other companies	**1**	22	0	0	0	22
Total equity investments	**9,729**	**5.314**	**(103)**	**0**	**(885)**	**14,055**

(*)Company acquired on 2 June 2018

The increase of Euro 5,292 thousand related to the acquisition of the Lancel Group.
On 2 June 2018 Piquadro S.p.A. signed a contract of sale for the acquisition of Lancel International S.A. (“Lancel International”) – a Swiss company that is wholly owned by the Richemont Group and is the owner of the “Lancel” brand, holding 99.9958% of the capital of the French company Lancel Sogedi S.A., as well as of the Spanish and Italian companies that operate Lancel’s boutiques in their respective countries (Lancel International and its subsidiaries are hereinafter referred to as the “Lancel Group”).

The price paid on the date of execution amounted to Euro 1 (one), plus an earn-out equal to 20% of profits realised by the Lancel Group on an annual basis (“Annual Earn-Out”) during the ten years after the date of completion of the Transaction and to 50% of the price of any possible resale to third parties of the Lancel Group or of most of its assets (“Sale Earn-Out”), should it take place in the same period. However, the parties have agreed that in no case may the earn-out exceed an amount of Euro 35 million.

The fair value of the Annual Earn-Out has been calculated, with the help of an independent expert, as follows:

- setting the annual fees payable to Richemont Holdings AG during the period from 1 April 2019 to 31 March 2028 with reference to the expected results envisaged in the plan for the period from 2020 to 2028 in two alternative scenarios. The data includes in this plan are not significantly different from those prepared by the Governing Body of Piquadro S.p.A. upon acquisition of the Lancel Group;
- discounting the aforesaid fees back to 31 May 2018. Given the nature of the flows under consideration, the discount rate has been assumed equal to the unlevered cost of risk capital equal to 8.5%;
- calculating the weighted average of the amounts set as stated in the previous point.

The fair value of the Annual Earn–Out was equal to about Euro 3,869 thousand based on the data processed as above.

Finally, the amount of annual increase in the investment in Lancel International SA includes costs of Euro 1,423 thousand incurred for the acquisition of the Lancel Group.

Write-downs for the year were due to the realignment between the book value of the subsidiary in Piquadro and the related Equity value in relation to the investees Piquadro Swiss and Unibest.

The decreases for the year were due to the fact that Piquadro Trading Shenzen Co. Ltd. and Piquadro France SARL were derecognised during the current year.

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 2,846 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 2020-2024 period that was approved by the Company on 3 June 2019. 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 10 June 2019.

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. From the value obtained by adding discounted cash flows for the explicit period and of the terminal value ("Enterprise Value") must be deducted the net financial debt as at the date of valuation, i.e. 31 March 2019, in order to obtain the economic value of the equity investments in the process of being measured ("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 2019.

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 368 thousand at 31 March 2019 compared to Euro 304 thousand at 31 March 2018) 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

Receivables from subsidiaries amounted to Euro 8,325 thousand at 31 March 2019, compared Euro 7,325 thousand at 31 March 2018, including the long-term portion of the loan granted to subsidiary The Bridge S.p.A. at arm's length during the previous year.

Note 6 – Deferred tax assets

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Deferred tax assets:		
- within 12 months	76	76
- beyond 12 months	1,088	1,038
	1,164	**1,114**
Deferred tax liabilities		
- within 12 months	0	0
- beyond 12 months	119	113
	119	**113**
Net Position	**1,045**	**1,001**

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 2019 and 31 March 2018:

Deferred tax assets	**31 March 2019**		**31 March2018**	
(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	1,862	447	1,522	365
Provision for obsolescence of inventories	701	168	606	145
Provisions for risks and charges	213	59	213	59
Amortisation and depreciation	777	189	711	173
Others	1,215	321	1,375	330
Total	**4,768**	**1,184**	**4,427**	**1,072**
Amount credited (debited) to P&L		*112*		*142*
Deferred tax assets with effect through Comprehensive Income:				
Hedging transactions (cash flow hedge)	(72)	(20)	158	42
Total	**(72)**	**(20)**	**158**	**42**
Amount credited (debited) to Comprehensive Income	0	(62)	*0*	*39*
Total tax effect	**4,696**	**1,164**	**4,585**	**1,114**

Deferred tax liabilities	**31 March 2019**		**31 March2018**	
(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	498	119	470	113

Total				
Amount credited (debited) to P&L		*(6)*		*29*
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	**498**	**119**	**470**	**113**

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 2019**	**Provision for write-down**	**Net value at 31 March 2019**	**Net value at 31 March 2018**
Raw materials	1,894	(187)	1,707	1,507
Semi-finished products	88	0	88	45
Finished products	12,210	(514)	11,646	10,949
Inventories	**14,192**	**(701)**	**13,491**	**12,501**

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 2018**	**Use**	**Accrual**	**Provision as at 31 March 2019**
Provision for write-down of raw materials	164	0	23	187
Provision for write-down of finished products	442	0	72	514
Total Provision for write-down of inventories	**606**	**0**	**95**	**701**

As at 31 March 2019, there was the recognition of an increase of Euro 981 thousand in inventories compared to the corresponding values at 31 March 2018, mainly due to the effect of the increase in revenues and to the consequent procurement requirements.

Note 8 - Trade receivables

Below is the breakdown of trade receivables:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Receivables from customers	24,756	22,594
Provision for bad debts	(2,000)	(1,641)

Current trade receivables	22,756	20,953

Gross trade receivables showed a balance of Euro 22,756 thousand at 31 March 2019, showing an increase of Euro 1,804 thousand compared to the balance as at 31 March 2018. This increase was mainly due to the effect of the increase in the Wholesales channel revenues.

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 segue:

(in thousands of Euro)	**Provision at 31 March 2019**	**Provision at 31 March 2018**
Balance at the beginning of the period	1,641	1,237
Accrual	660	600
Uses	(301)	(196)
Total Provision for bad debts	**2,000**	**1,641**

Note 9 – Receivables from subsidiaries

Below is the breakdown of short-term receivables from subsidiaries:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Piquadro España SLU	432	390
Piquadro Deutschland GmbH	131	138
Piquadro Hong Kong Co. Ltd.	303	253
Uni Best Leather Goods Zhongshan Co. Ltd.	2,073	1,890
Piquadro Taiwan Co. Ltd.	128	50
Piquadro Swiss SA	588	499
Piquadro UK Limited	120	16
OOO Piquadro Russia	1,227	585
Piquadro LLC	0	14
The Bridge S.p.A.	1,663	973
Lancel Sogedi SA(*)	619	-
Lancel Italia (*)	24	-
Receivables from subsidiaries	**7,307**	**4,868**

(*) Company acquired on 2 June 2018.

The increase in receivables from Subsidiaries was mainly due to the inclusion of the Lancel Group in the consolidation area of the Piquadro Group. 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 9,988 thousand at 31 March 2019 (Euro 8,298 thousand at 31 March 2018). The related long-term portion has been reclassified to non-current assets, for which reference is made to note 5.

Note 10 – Other current assets

Below is reported the breakdown of other current assets:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Other assets	343	1,347
Accrued income and prepaid expenses	881	729
Other current assets	**1,224**	**2,076**

Other assets were mainly made up of advances to suppliers for Euro 277 thousand and INAIL advances of Euro 66 thousand.

Accrued income and prepaid expenses mainly related to prepaid expenses on rents (Euro 308 thousand at 31 March 2019 against Euro 298 thousand at 31 March 2018) and on advertising (Euro 414 thousand at 31 March 2019 against Euro 253 thousand at 31 March 2018).

Other assets included a receivable of Euro 800 thousand at 31 March 2018, claimed from the minority shareholders of The Bridge S.p.A. in relation to liabilities, including potential liabilities, arising from the outcome of the Tax Audit that was completed on 13 June 2018 and that entailed a total payment of Euro 548 thousand to the Tax Office. The differential between the amount initially stated and the amount paid was recycled to profit or loss during the current year.

Note 11 – Derivative assets

As at 31 March 2019 there were currency forward purchases (USD), the positive fair value of which was equal to Euro 78 thousand (compared to a negative value of Euro 159 thousand as at 31 March 2018). 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 related interest rate risk, trying to fix the exchange rate at a level that is in line with the budget forecasts..

Note 12 – Tax receivables

As at 31 March 2019 tax receivables were equal to Euro 146 thousand (Euro 17 thousand at 31 March 2018). 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 2019**	**31 March 2018**
Available current bank accounts	13,907	13,275
Money, cash on hand and cheques	134	71
Cash and cash equivalents	**14,041**	**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 Cash Flow Statement.

LIABILITIES

Note 14 – Shareholders' Equity

a) Share capital

As at 31 March 2019, 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	52		0	0		
Reserve for Employee Benefits	(50)		0	0		
Stock Option reserve	0		0	0		
Reserve from merger	0		0	0		
Other reserves on account of capital	1,676	A,B,C	1,676	1,676		
Revenue reserves						
Undivided profits						
Legal reserve	200	B	200	0		
Reserve of undivided profits	33,391	A,B,C	33,391	33,391		
	37,269		**36,267**	**36,067**		

KEY: “A” for capital increase; “B” for loss coverage; “C” for distribution to shareholders.

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 1,290 thousand and included the fair value reserve for derivative instruments (positive and equal to Euro 52 thousand), the reserve for actuarial gains (losses) on defined-benefit plans (negative and equal to Euro 50 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 5,428 thousand as at 31 March 2019.
During the financial year ended 31 March 2019, the Company’s profit for the period, as resulting from the separate financial statements as at 31 March 2018, was allocated as follows:

- Euro 3,000 thousand to dividends, corresponding to earnings per share equal to about Euro 0.06 per share to 50,000,000 outstanding shares;
- Euro 2,278 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 2019**	**31 March 2018**
Borrowings from 1 to 5 years	13,598	11,128
Borrowings beyond 5 years	0	0
Medium/long-term borrowings	**13,598**	**11,128**

On 16 November it entered into a loan agreement with Monte dei Paschi di Siena in an amount of Euro 5 million, expiring on 31 December 2023.
On 27 November it entered into a loan agreement with Banca Popolare dell'Emilia Romagna in an amount of Euro 5 million, expiring on 23 November 2023.
As at 31 March 2019, borrowings related to non-current liabilities for Euro 13,598 thousand and current liabilities for Euro 7,351 thousand (Note 20) and included:

1. Euro 627 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 503 thousand and a non-current portion of Euro 126 thousand.
2. Euro 4,659 thousand relating to the unsecured loan granted by BPER – Banca Popolare dell'Emilia Romagna on 16 November 2018 (for an initial amount of Euro 5,000 thousand), of which a current portion of Euro 983 thousand and a non-current portion of Euro 3,676 thousand.
3. Euro 1,382 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 501 thousand and a non-current portion of Euro 882 thousand.
4. Euro 1,318 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 752 thousand and a non-current portion of Euro 566 thousand.
5. Euro 1,506 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 751 thousand and a non-current portion of Euro 1,506 thousand.
6. Euro 2,096 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 588 thousand and a non-current portion of Euro 1,498 thousand.
7. Euro 4,985 thousand relating to the unsecured loan granted by Banca Monte dei Paschi di Siena on 27 November 2018 (for an initial amount of Euro 5,000 thousand), of which a current portion of Euro 994 thousand and a non-current portion of Euro 3,991 thousand.
8. Euro 2,244 thousand relating to the unsecured loan granted by Mediocredito Italiano S.p.A. on 22 March 2017, of which a current portion of Euro 1,495 thousand and a non-current portion of Euro 749 thousand.
9. Euro 1,954 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 598 thousand and a non-current portion of Euro 1,357 thousand.

Below is reported the breakdown of loans

(in thousands of Euro)	**Interest rate**	**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	0.73% p.a.	10 June16	2,000	Euro	503	(2)	126	0	627
BPER Loan	0.125% quarterly	16 November	5,000	Euro	988	(5)	3,684	(8)	4,659

		18							
Carisbo Loan	0.38% six-monthly	30 November 16	2,500	Euro	501	0	882	0	1,382
Credem Loan	0.4% six-monthly	07 December 16	3,000	Euro	752	0	566	0	1,318
Unicredit Loan	0.51% six-monthly	10 January 17	3,000	Euro	751	0	755	0	1,506
MPS Loan	0.7% p.a.	30 January17	3,000	Euro	600	(2)	1,500	(2)	2,096
MPS Loan	3m Euribor+1.1 spread	27 November 18	5,000	Euro	1,000	(6)	4,000	(9)	4,985
Mediocredito Loan	0.43%+ spread2	22 November 17	5,000	Euro	1.500	(5)	750	(1)	2,244
UBI Loan 04/01025637	0.73% p.a.	22 May 17	3,000	Euro	598	(2)	1,358	(2)	1,954
					7,195	**(21)**	**13,621**	**(23)**	**20,772**

Note 16 – Payables to other lenders for lease agreements

Below is reported the following breakdown:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Non-current:		
Payables to leasing companies	0	0
Current:		
Payables to leasing companies	0	830
Payables to other lenders for lease agreements	**0**	**830**

Below is reported the following additional breakdown:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Payables to other lenders for lease agreements:		
Due within 1 year	0	830
Due from 1 to 5 years	0	0
Due beyond 5 years	0	0
Financial interest to be paid	0	(9)
Present value of payables to other lenders for lease agreements	**0**	**830**

In August 2018 the short-term lease portion had to be fully repaid to Centro Leasing S.p.A. in relation to the plant, land and automated warehouse located in Località Sassuriano, Silla di Gaggio Montano (Province of Bologna) 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.

Note 17 – Other non-current liabilities

Below is the related breakdown:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**

Other payables	4,818	1,631
Other non-current liabilities	**4,818**	**1,631**

"Other payables" include the value of the purchase option of The Bridge S.p.A., as valued by an independent expert for Euro 88 thousand. The amount falling due within 12 months in relation to the last tranche of the purchase price of The Bridge S.p.A., equal to Euro 750 thousand, was reclassified to other current liabilities.
As regards this item, the Piquadro S.p.A.'s Management has quantified, in accordance with IFRS 3, the consideration for the acquisition ("consideration transferred") of the Lancel Group, as determined by adding the fair value of the Annual Earn-Out, equal to about Euro 3,869 thousand (for more information, reference should be made to the paragraph on "Business combinations – Acquisition of the Lancel Group) to the fixed consideration paid to Richemont Holdings S.A. against the purchase of the stake representing the entire capital of Lancel International S.A., equal to Euro 1.

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 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**
Financial charges	9
Net actuarial Losses (Gains) accounted for in the period	0
Indemnities paid in the financial year/Others	17
Balance at 31 March 2019	**294**

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 2018**	**Use**	**Accrual**	**Reclassifications**	**Provision at 31 March 2019**
Provision for clientele supplementary indemnity	788	(64)	105	0	829
Other Provisions for risks	274	0	0	0	274
Provision for write-downs of equity investments	**202**		**75**		**277**
Total	**1,266**	**(64)**	**180**	**0**	**1,380**

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 was calculated by an independent actuary as at the reporting date.
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 on legal disputes for Euro 73 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.
No developments were noted on the reporting date of these notes.

The provision for write-down of equity investments related to the portion of financial deficit of investee Piquadro Swiss. Specifically, the increase for the year was due to the amount of final loss recorded by said investee in the year.

Current liabilities

Note 20 – Borrowings

As at 31 March 2019 borrowings were equal to Euro 7,175 thousand compared to Euro 12,176 thousand at 31 March 2018; for the breakdown, reference is made to Note 15 above, the balance of which is made up of the current portion of payables to banks for loans.
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Note 21 - Payables to other lenders for lease agreements

As at 31 March 2019 no Payables to other lenders for lease agreements were outstanding (Euro 830 thousand at 31 March 2018) as a result of the purchase option that was exercised by the Company in July 2018 on the finance lease agreement signed with Cento Leasing S.p.A. (an agreement that is currently held by Mediocredito Italiano S.p.A.) on 12 February 2004 concerning the real estate complex located in the municipal district of Gaggio Montano (Province of Bologna), at Via Sassuriano no. 246, where the present registered office and warehouse of the Company are located.

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 2019**	**31 March 2018**
(A) Cash	134	117
(B) Other cash and cash equivalents (available current bank accounts)	13,907	19,429
(C) Liquidity (A) + (B)	**14,041**	**19,546**
(D) Finance leases	0	(830)
(E) Current bank debt	0	0
(F) Current portion of current debt	(6,179)	(12,335)
(G) Payables to Il Ponte S.p.A. for the acquisition of The Bridge	(750)	(750)
(H) Current financial debt (D) + (E) + (F) + (G)	**(6,929)**	**(13,916)**
(I) Short-term Net Financial Position (C) + (H)	**7,113**	**5,632**

(L) Non-current bank debt	(14,598)	(11,128)
(M) Finance leases	0	0
(N) Payables to Il Ponte S.p.A. for the acquisition of The Bridge	(949)	(1,630)
(O) Payables to the Richemont Group for the acquisition of the Lancel Group	(3,869)	0
(P) Non-current financial debt (L) + (M) + (N) + (O)	**(19,416)**	**(12,758)**
(Q) Net Financial Position (I) + (P)	**(12,304)**	**(7,128)**

As at 31 March 2019 the Net Financial Position of Piquadro S.p.A. posted a negative value of Euro 12.3 million, showing a worsening of about Euro 5,176 thousand compared to the debt of about Euro 7.1 million at 31 March 2018. The main reasons for the performance of the Net Financial Position are attributable to the following factors:

- a Free cash flow of about Euro 8.2 million generated in the year;
- dividends paid in relation to the profit for the FY 2017/2018 equal to Euro 3.0 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 888 thousand and in intangible assets for Euro 200 thousand;
- an increase of Euro 4.1 million in other working capital items;
- Euro 1.4 million related to the costs incurred by Piquadro S.p.A. for the acquisition of the Lancel Group;
- Euro 3.87 million concerning the fair value of the Annual Earn–Out envisaged in favour of the Richemont Group as per contract and calculated with the help of an independent expert.

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 2019**	**31 March 2018**
Payables to suppliers	13,420	13,362

As at 31 March 2019 payables to suppliers were substantially in line compared to the amount at 31 March 2018.

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 2019**	**31 March 2018**
Piquadro España SLU	74	27
Piquadro Deutschland GmbH	34	9
Piquadro Hong Kong Co. Ltd.	100	20
Uni Best Leather Goods Zhongshan Co. Ltd.	1,622	967
Piquadro Trading Shenzhen Co. Ltd.	0	723
Piquadro Taiwan Co. Ltd.	219	166
Piquadro France SARL	0	73
Piquadro UK Limited	553	401
OOO Piquadro Russia	46	22
Piquadro LLC	770	386
The Bridge S.p.A.	625	45
Payables to subsidiaries	**4,043**	**2,840**

The increase in payables to Subsidiaries was mainly due to the increase in the balances payable to subsidiaries Uni Best Leather Goods Zhongshan Co. Ltd., The Bridge S.p.A. and Piquadro LLC.
Piquadro France SARL and Piquadro Shenzhen were derecognised during the year.

Note 24 – Derivative liabilities

As at 31 March 2019 derivative liabilities were equal to Euro 6 thousand (Euro 151 thousand at 31 March 2018). 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 2019**	**31 March 2018**
Payables to social security institutions	571	433
Payables to Pension funds	28	26
Other payables	759	755
Payables to employees	951	807
Advances from customers	50	69
Accrued expenses and deferred income	461	515
Other tax payables	0	5
Other current liabilities	**2,819**	**2,611**

Payables to social security institutions (Euro 571 thousand) mainly relate to the payables due to INPS (equal to Euro 428 thousand), while payables to employees (equal to Euro 951 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 750 thousand, for the deferred payment of the price for the acquisition of The Bridge S.p.A.

Note 26 – Tax payables

As at 31 March 2019, Tax payables were equal to Euro 2,196 thousand (Euro 2,239 thousand at 31 March 2018), mainly related to VAT debt. The advances paid by the Company for IRES and IRAP tax were lower than the actual current tax charge.

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Tax payables	**2,196**	**2,239**

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 2019**	**%**	**Revenues from sales 31 March 2018**	**%**	**% Change 2019-2018**
Italy	58,871	80.8%	57,344	81.3%	2.6%
Europe	12,844	17.6%	11,565	16.4%	11.1%
Rest of the World	1,130	1.6%	1,596	2.3%	(29.2)%
Total	**72,792**	**100.0%**	**70,505**	**100.0%**	**3.2%**

Note 28 – Other income

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Charge-backs of transport and collection costs	130	132
Insurance and legal refunds	96	25
Other sundry income	2,219	877
Other income	**2,445**	**1,033**

Other income mainly related to chargebacks to subsidiaries relating to administrative services (administration, finance, control and IT) and strategic services (strategy, marketing and communication, design, product development, sales coordination) performed by the Parent Company. The increase compared to the previous year was due to higher volumes of services delivered to investee The Bridge and to the Lancel Group, which was acquired during the current year.

Note 29 – Change in inventories

The change in inventories of raw materials was negative for Euro 48 thousand (positive for Euro 57 thousand as at 31 March 2018), while the change in inventories of semi-finished and finished products was negative for Euro 941 thousand (negative for Euro 1,140 thousand as at 31 March 2018).

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 2019 costs for purchases were equal to Euro 22,782 thousand (Euro 22,110 thousand at 31 March 2018).

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 2019			**31 March 2018**	
US Dollars	16,641,929	1.130	14,727	19,128,287	1.170	16,342
Total operating costs incurred in foreign currency			**14,727**			**16,342**

Overall, Piquadro S.p.A. incurred, in the FY 2018/2019, operating costs denominated in a currency other than the Euro for an equivalent amount of Euro 14,727 thousand, equal to 21.9% of the total operating costs (equal to Euro 67,427 thousand).

In the FY 2018/2019, Piqaudro S.p.A. made forward purchases of US Dollars for an overall amount of USD 17.77 million (USD 19.0 million in the FY 2017/2018) 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 14.6 million at the average exchange rate for the 2018/2019 financial year (about Euro 16.2 million at the average exchange rate prevailing in the FY 2017/2018); therefore 99.0% of the purchases in US Dollars made by the Company was covered (in relation to the FY 2017/2018, 99.0% 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 2019**	**31 March 2018**
External production	8,468	8,060
Advertising and marketing	3,824	3,598
Transport services	4,121	3,761
Business services	2,477	2,565
Administrative services	871	891
Production services	5,135	5,054
Costs for leases and rentals	4,924	4,727
Costs for services and leases and rentals	**29,820**	**28,656**

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 2019**	**31 March 2018**
Wages and salaries	9,469	8,931
Social security contributions	2,573	2,335
TFR	588	544
Personnel costs	**12,630**	**11,811**

The table below reports the exact number of the staff members employed by the Company as at 31 March 2019 and 31 March 2018:

Units	**31 March 2019**	**31 March 2018**
Executives	6	6
Office workers	230	236
Manual workers	37	42
Total	**273**	**284**

Note 33 - Amortisation, depreciation and write-downs

In the FY 2018/2019, amortisation and depreciation were equal to Euro 2,389 thousand (Euro 2,389 thousand in the FY 2017/2018). Write-downs fully related to the Provision for bad debts from customers, as already commented in Note 7.

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Amortisation of intangible assets	459	450
Depreciation of property, plant and equipment	1,275	1,339
Provision for bad debts	1,186	600
Amortisation, depreciation and write-downs	**2,920**	**2,389**

The "Provision for bad debts" also includes the write-down of the receivable for an amount of Euro 526 thousand claimed from the minority shareholders of The Bridge S.p.A.; for more details, reference should be made to the information reported in Note 10.

Note 34 - Other operating costs

In the FY 2018/2019, other operating costs, equal to Euro 265 thousand (Euro 295 thousand in the FY 2017/2018), mainly related to charges generated from current operations.

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-down concerned subsidiary Unibest, while the accrual to the Provision for risks on equity investments was made against the negative equity of subsidiary Piquadro Swiss SA.

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Write-down of equity investments in subsidiaries	(103)	(269)
Revaluation of equity investments in subsidiaries	0	542
Accrual to the Provision for risks on equity investments	(72)	(53)
Shares of profits (losses) from investee companies	**(175)**	**220**

Note 36 - Financial income

The amount of Euro 1,051 thousand in the FY 2018/2019 (Euro 987 thousand at 31 March 2018) mainly related to bank interest income of Euro 9 thousand, interest receivable from customers for Euro 10 thousand, foreign exchange gains either realised or estimated for Euro 910 thousand (foreign exchange gains either realised or estimated at 31 March 2018 were equal to Euro 465 thousand).

Note 37 - Financial charges

Below is the breakdown of financial charges:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Interest payable on current accounts	65	71
Interest and expenses subject to final payment	12	18
Financial charges on loans	106	109
Lease charges	0	9
Other charges	124	218
Net financial charges on defined-benefit plans	4	0
Foreign exchange losses (either realised or estimated)	280	895
Financial charges	**591**	**1,320**

The decrease in financial charges, equal to Euro 591 thousand in FY 2018/2019, was mainly attributable to foreign exchange losses, either realised or estimated, equal to Euro 280 thousand (Euro 895 thousand in the financial year ended 31 March 2018). Other charges include the cost amounting to Euro 88 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 2019**	**31 March 2018**
IRES tax	2,246	1,739
IRAP tax	529	398
Total current taxes	**2,775**	**2,137**

Current taxes relate to the tax burden calculated on the Company's taxable income.

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Deferred tax liabilities	(108)	(29)
Deferred tax assets	0	(140)
Total deferred tax assets and liabilities	**(108)**	**(169)**

Below is reported the reconciliation between theoretical and actual tax charge:

(in thousands of Euro)	**31 March 2019**	**31 March 2018**
Pre-tax result	8,094	7,247
Theoretical tax charge	24.0%	24.0%
Theoretical income taxes	1,943	1,739
Tax effect of permanent differences	195	(168)
Other changes	0	0
Total	**2,138**	**1,571**
IRAP tax	529	398
Current and deferred taxes in the accounts	**2,667**	**1,969**

Note 39 – Commitments

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

As at 31 March 2019, 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 2019, 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 2018/2019 onwards, mainly for the leases of DOS shops, as summarised in the table below:

(in thousands of Euro)	**At 31 March 2019** Within 12 months	From 1 to 5 years	Beyond 5 years	Total
Property lease	0	0	0	0
Other leases	3,383	6,976	590	10,950
Total	**3,383**	**6,976**	**590**	**10,950**

Note 40 – Related-party transactions

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 Taiwan Co. Ltd, Piquadro Swiss SA, 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. and Lancel Sogedi which sell The Bridge and Lancel-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 2019**	**31 March 2018**
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	0
Piquadro Hong Kong Co. Ltd.	0	0
Piquadro Swiss SA	171	171
OOO Piquadro Russia	0	0
The Bridge S.p.A.	9,294	8,319
Lancel Sogedi S.A.	0	-
Lancel Italia S.r.l.	0	-
Provision for write-down of receivables from subsidiaries	0	0
Total financial receivables from subsidiaries	**9,591**	**8,616**
Total financial receivables	**9,591**	**8,616**

% 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 2019**	**31 March 2018**
Controlling companies		
Piqubo S.p.A.	0	0
Piquadro Holding S.p.A.	0	0
Subsidiaries		
Piquadro España SLU	432	390
Piquadro Deutschland GmbH	6	11
Piquadro Hong Kong Co. Ltd.	303	253
Piquadro Taiwan Co. Ltd.	128	50
Uni Best Leather Goods Zhongshan Co. Ltd.	2,073	1,890
Piquadro Swiss SA	417	328
Piquadro UK Limited	120	17
Piquadro LLC	0	14
OOO Piquadro Russia	1,226	584
The Bridge S.p.A.	694	40
Lancel Sogedi S.A.	618	-
Lancel Italia S.r.l.	24	-
Total trade receivables from subsidiaries	**6,041**	**3,577**
Total trade receivables	**38,388**	**33,146**
% Impact	**15.7%**	**10.8%**

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 or also to charge-back by the Parent Company of administrative and/or strategic services.

Below is the breakdown of borrowings from Subsidiaries:

Borrowings *(in thousands of Euro)*	**31 March 2019**	**31 March 2018**
Controlling companies		
Piqubo S.p.A.	0	0
Piquadro Holding S.p.A.	0	0
Subsidiaries		
Piquadro France SARL	0	73
Total borrowings from subsidiaries	**0**	**73**
Total borrowings	**20,772**	**23,304**
% Impact	**0.0%**	**0.3%**

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 2019**	**31 March 2018**
Controlling companies		
Piqubo S.p.A.	0	0
Piquadro Holding S.p.A.	0	0
Subsidiaries		
Piquadro España SLU	74	27
Piquadro Deutschland GmbH	35	9
Piquadro Hong Kong Co. Ltd.	100	20
Piquadro Trading Shenzhen Co. Ltd.	0	723
Piquadro Taiwan Co. Ltd.	219	166
Uni Best Leather Goods Zhongshan Co. Ltd.	1,622	967
Piquadro UK Limited	553	401
Piquadro LLC	770	386
OOO Piquadro Russia	46	22
The Bridge S.p.A.	624	45
Lancel Sogedi S.A.	0	-
Lancel Italia S.r.l.	0	-
Total trade payables to Subsidiaries	**4,043**	**2,840**
Total trade payables	**17,463**	**16,202**
% Impact	**23.2%**	**17.5%**

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 Hong Kong 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 2019**	**31 March 2018**
Controlling companies		
Piqubo S.p.A.	0	0
Piquadro Holding S.p.A.	0	0
Subsidiaries		
Piquadro España SLU	999	976
Piquadro Deutschland GmbH	22	62
Piquadro Hong Kong Co. Ltd.	156	155
Piquadro Taiwan Co. Ltd.	322	236
Uni Best Leather Goods Zhongshan Co. Ltd.	1,474	1,860
Piquadro Swiss SA	182	220
Piquadro UK Limited	192	183
Piquadro LLC	16	67
OOO Piquadro Russia	1,479	709
The Bridge S.p.A.	808	119
Lancel Sogedi S.A.	1,054	-
Lancel Italia S.r.l.	20	-
Total revenues from Subsidiaries	**6,725**	**4,587**
Total revenues	**75,237**	**71,537**

% Impact	**8.9%**	**6.4%**

Revenues from Subsidiaries essentially relate to the sale of leather products by the Company, as well as to charge-backs by the Parent Company to subsidiaries in relation to administrative and strategic services. These transactions were carried out at arm's length.

Below are reported the operating costs towards Subsidiaries:

Costs *(in thousands of Euro)*	**31 March 2019**	**31 March 2018**
Controlling companies		
Piqubo S.p.A.	79	75
Piquadro Holding S.p.A.	246	244
Subsidiaries		
Piquadro España SLU	188	103
Piquadro Deutschland GmbH	137	129
Piquadro Hong Kong Co. Ltd.	328	386
Piquadro Trading Shenzhen Co. Ltd.	0	9
Piquadro Taiwan Co. Ltd.	299	388
Uni Best Leather Goods Zhongshan Co. Ltd.	7,590	7,297
Piquadro UK Limited	382	268
Piquadro LLC	999	892
OOO Piquadro Russia	316	585
The Bridge S.p.A.	529	105
Lancel Sogedi S.A.	0	-
Lancel Italia S.r.l.	0	-
Total costs towards Controlling Companies and Subsidiaries	**11,093**	**10,482**
Total operating costs	**67,427**	**64,180**
% Impact	**16.5%**	**16.3%**

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 UK Limited, Piquadro Hong Kong 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 2019**	**31 March 2018**
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	2
OOO Piquadro Russia	0	5
The Bridge S.p.A.	89	77
Total financial income from Subsidiaries	**92**	**85**
Total financial income	**1,051**	**987**
% Impact	**8.7%**	**8.6%**

Below is the breakdown of financial costs to related Companies:

Financial costs *(in thousands of Euro)*	**31 March 2019**	**31 March 2018**
Controlling companies		
Piqubo S.p.A.	0	0
Piquadro Holding S.p.A.	0	0
Subsidiaries		
Piquadro France SARL	0	2
Total financial costs to Subsidiaries	**0**	**2**
Total financial costs	**591**	**1,320**
% Impact	**0.0%**	**0.2%**

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 2018/2019 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 2017/2018;
- 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 2016/2017.

In the FY 2018/2019 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 2018/2019 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, the Directors had not identified Key Executives):

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	01/04/18-31/03/19	2019	500	7	35	44	**586**

Pierpaolo Palmieri	Vice-Chairman– Executive Director	01/04/18-31/03/19	2019	250	4	20	6	**280**
Marcello Piccioli	Executive Director	01/04/18-31/03/19	2019	180	3	20	10	**213**
Roberto Trotta	Executive Director	01/04/18-31/03/19	2019	1)	3	17.5	213	**233.5**
Paola Bonomo	Independent Director	01/04/18-31/03/19	2019	18	0	0	2	**20**
Catia Cesari	Independent Director	01/04/18-31/03/19	2019	18	0	0	2	**20**
Barbara Falcomer	Independent Director	01/04/18-31/03/19	2019	18	0	0	2	**20**
				984	**17**	**92.5**	**279**	**1,372.5**

1) He waived the emolument for the period from 01/04/2018 to 31/03/2019.

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	01/04/18-31/03/19	2019	24	0	**24**
Giuseppe Fredella	Standing Auditor	01/04/18-31/03/19	2019	17	0	**17**
Patrizia Riva	Standing Auditor	01/04/18-31/03/19	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 675 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 [a]	Parent Company's Independent Auditors (Deloitte and Touche S.p.A)	144
Other Services [b]	Parent Company's Independent Auditors (Deloitte and Touche S.p.A)	176
Subsidiary's Auditing [c]	Parent Company's Independent Auditors (Deloitte and Touche S.p.A) and Network of the Parent Company's Independent Auditors	35
Certification services [d]	Parent Company's Independent Auditors (Deloitte and Touche S.p.A)	36

a) The item "Statutory audit of annual and half-year accounts" relates to the fees due by Piquadro;
b) "Other services" relate to the fees relating to Pro-forma accounts and to the DD Advisor;
c) The item "Auditing of Subsidiaries" relates to the fees relating to Unibest;
d) "Certification services" relate to the Disclosure of non-Financial Information.

Note 41 – Significant events after the year end

No significant events are reported which occurred after the year-end.

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 2018/2019, 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 2018/2019, 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.

a) Information required by Article 1, paragraphs 125-129, of Law no. 124 of 4 August 2017

The regulations governing the transparency of government grants under Article 1, paragraphs from 125 to 129, of Law no. 124/2017 falls within the scope of a broader set of provisions aimed at ensuring transparency in financial relationships between public entities and other persons or entities, but the lack of clarity of the wording has immediately raised problems of interpretation and application in relation to companies. In this regard, ANAC (Italian Anti-corruption Authority) passed resolution no. 1134 of 8 November 2017, appointing each administration to implement and control said grants, in addition to be responsible for the proper performance of any consequent obligation. By opinion no. 1149 of 1 June 2018, the Council of State then clarified that the first year of application is that relating to the 2019 financial period for the sums received from 1 January to 31 December 2018.
More recently, under Law no. 12 of 11 February 2019 (Decree Law no. 135 of 14 December 2018), the grants that fall within the scope of the regulations governing the National register of state aids established by the Ministry for Economic Development (MISE) (Law no. 115/2015) are not required to be declared for the purposes of Law no. 124.
Finally, note that both the Assonime (Italian Association of Joint-stock Companies= Circular no. 5 "Business activity and competition", published on 22 February 2019, and the Circular issued by the Italian accounting Profession (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*) in March 2019, confirm that the operations carried out as part of the entity's business do not fall within the scope of the purpose of the request and from the scope of disclosures, where bilateral relationships exist which are managed according to market rules and the concessionary measures aimed at companies in general rather than to a specific business entity (for example, tax concession measures). In light of the above provisions it is believed that there are no amounts to be reported for Piquadro S.p.A. with reference to this provision of law.

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 2018 to 31 March 2019.

It is also certified that the separate financial statements as at 31 March 2019:

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), 10 June 2019

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 2019

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

Piqaudro-brand distribution companies

Income Statement *(in thousands of Euro)*	**Piquadro España SLU**	**Piquadro Deutschland GmbH**	**OOO Piquadro Russia**
Revenues and other income	2,271	171	3,543
Operating costs	(2,238)	(173)	(3,494)
Operating result	32	(2)	49
Financial income (charges)	0	(0)	3
Pre-tax operating result	32	(2)	52
Income taxes	(8)	17	(43)
Result for the period	**24**	**14**	**8**

Balance Sheet *(in thousands of Euro)*	**Piquadro España SLU**	**Piquadro Deutschland GmbH**	**OOO Piquadro Russia**
Assets			
Non-current assets	225	2	346
Current assets	1,130	220	1,706
Total assets	**1,355**	**222**	**2,053**
Equity and liabilities			
Equity	848	50	764
Non-current liabilities	0	1	0
Current liabilities	506	171	1,289
Total Equity and liabilities	**1,355**	**222**	**2,053**

Income Statement *(in thousands of Euro)*	**Piquadro Swiss SA**	**Piquadro UK Limited**	**Piquadro Taiwan Co. Ltd.**
Revenues and other income	335	853	1,028
Operating costs	(428)	(846)	(1,024)
Operating result	(94)	7	4
Financial income (charges)	7	11	1
Pre-tax result	(87)	18	5
Income taxes	(30)	(1)	(8)
Result for the period	**(117)**	**16**	**(3)**

Balance Sheet *(in thousands of Euro)*	**Piquadro Swiss SA**	**Piquadro UK Limited**	**Piquadro Taiwan Co. Ltd.**
Assets			
Non-current assets	53	514	205
Current assets	217	882	835
Total assets	**269**	**1,396**	**1,040**
Equity and liabilities			
Equity	(541)	1,210	868
Non-current liabilities	0	0	0
Current liabilities	810	186	172

Total Equity and liabilities	**269**	**1,396**	**1,040**

Income Statement *(in thousands of Euro)*	**Piquadro Hong Kong Co. Ltd.**	**Piquadro LLC**	**Piquadro USA INC.**
Revenues and other income	713	1,000	0
Operating costs	(710)	(1,042)	(1)
Operating result	3	(42)	(1)
Financial income (charges)	31	5	0
Pre-tax result	34	(38)	(1)
Income taxes	(0)	0	(1)
Result for the period	**34**	**(38)**	**(1)**

Balance Sheet *(in thousands of Euro)*	**Piquadro Hong Kong Co. Ltd.**	**Piquadro LLC**	**Piquadro USA INC.**
Assets			
Non-current assets	172	0	886
Current assets	254	847	14
Total assets	**426**	**847**	**899**
Equity and liabilities			
Equity	108	847	879
Non-current liabilities	0	0	0
Current liabilities	318	0	21
Total Equity and liabilities	**426**	**847**	**899**

Lancel-brand distribution companies

Income Statement *(in thousands of Euro)*	**Lancel International S.A.**	**Lancel Sogedi S.A.**	**Lancel Iberia**
Revenues and other income	291	42,433	695
Operating costs	(276)	(52,425)	(1,019)
Operating result	15	(9,992)	(324)
Financial income (charges)	(650)	(433)	0
Pre-tax result	(635)	(10,424)	(324)
Income taxes	(1)	(15)	83
Result for the period	**(635)**	**(10,439)**	**(241)**

Balance Sheet *(in thousands of Euro)*	**Lancel International S.A.**	**Lancel Sogedi S.A.**	**Lancel Iberia**
Assets			
Non-current assets	38,611	3,555	379
Current assets	41,092	52,005	597
Total assets	**79,703**	**55,559**	**976**
Equity and liabilities			
Equity	43,609	(5,945)	154
Non-current liabilities	35,976	5,544	0
Current liabilities	118	55,961	822
Total Equity and liabilities	**79,703**	**55,559**	**976**

Income Statement *(in thousands of Euro)*	**Lancel Italia**	**Lancel Russia**	**Lancel Zhongshan**
Revenues and other income	1,616	631	232
Operating costs	(2,154)	(821)	(412)
Operating result	(537)	(190)	(179)
Financial income (charges)	(1)	27	2
Pre-tax result	(538)	(163)	(177)
Income taxes	0	23	58
Result for the period	**(538)**	**(140)**	**(119)**

Balance Sheet *(in thousands of Euro)*	**Lancel Italia**	**Lancel Russia**	**Lancel Zhongshan**
Assets			
Non-current assets	231	245	35
Current assets	686	1.184	730
Total assets	**917**	**1,429**	**766**
Equity and liabilities			
Equity	49	(144)	471
Non-current liabilities	8	0	0
Current liabilities	860	1,573	295
Total Equity and liabilities	**917**	**1,429**	**766**

Piquadro-brand production companies

Income Statement *(in thousands of Euro)*	**Uni Best Leather Goods Zhongshan Co. Ltd. (b)**
Revenues and other income	7,204
Operating costs	(7,203)
Operating result	0
Financial income (charges)	(34)
Pre-tax result	(34)
Income taxes	(79)
Result for the period	**(113)**

Balance Sheet *(in thousands of Euro)*	**Uni Best Leather Goods Zhongshan Co. Ltd. (b)**
Assets	
Non-current assets	140
Current assets	3,025
Total assets	**3,165**
Equity and liabilities	
Equity	372
Non-current liabilities	0
Current liabilities	2,793
Total Equity and liabilities	**3,165**

The Bridge-brand management company

Income Statement *(in thousands of Euro)*	**The Bridge S.p.A.**
Revenues and other income	30,988
Operating costs	(30,371)
Operating result	616
Financial income (charges)	(194)
Pre-tax result	422
Income taxes	440
Result for the period	**862**

Balance Sheet *(in thousands of Euro)*	**The Bridge S.p.A.**
Assets	
Non-current assets	4,070
Current assets	23,689
Total assets	**27,758**
Equity and liabilities	
Equity	1,362
Non-current liabilities	2,152
Current liabilities	24,244
Total Equity and liabilities	**27,758**

Currency	Average exchange rate (*)		Final exchange rate (*)	
	2019	**2018**	**2019**	**2018**
Hong Kong Dollar (HKD)	9.08	9.14	8.82	9.67
Renminbi (RMB)	7.77	7.75	7.54	7.75
Taiwan Dollar (TWD)	35.34	35.08	34.66	35.93
Swiss Franc (CHF)	1.15	1.14	1.12	1.18
Great Britain Pound (GBP)	0.88	0.88	0.86	0.87
US Dollar (USD)	1.16	1.17	1.12	1.23
Russian Rouble (RUB)	75.29	67.74	72.86	70.89

* 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 statement of financial position as at March 31, 2019, the income statement and the comprehensive income statement, the statement of changes in equity and statement of cash flows 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, 2019, 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.

Valuation on investment in Lancel International SA

Description of key audit matter

The financial statements of Piquadro S.p.A. as of 31 March 2019 report investments in subsidiaries totalling Euro 14,033 thousand of which Euro 5,292 thousand related to investment in Lancel International SA (Parent of Lancel Group).

As reported in Note 3 of the financial statements, on 2 June 2018 the Company signed a contract for the acquisition of the Lancel Group (the "Transaction"). The price paid on the date of execution amounted to Euro 1 (one), plus an earn-out equal to 20% of profits realised by the Lancel Group on an annual basis ("Annual Earn-Out") during the ten years after the date of completion of the Transaction and to 50% of the price of any possible resale to third parties of the Lancel Group or of most of its assets ("Sale Earn-Out"), should it take place in the same period. However, the parties have agreed that in no case may the earn-out exceed an amount of Euro 35 million. The fair value of Annual Earn – Out and Sale Earn-out has been determined, with the help of an independent expert, through an estimation process that has entailed the calculation of the annual consideration payable to the Seller on the basis of the forecasts made in the plan for the period from 2020 to 2028 (hereinafter the "Plan"). 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). 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.
In consideration of the subjectivity that characterises the *fair value* of the variable component of the consideration, as well as of the significance of the effects recognised, we considered the valuation on investement Lancel Internaltiona SA was a key audit matter for the financial statements of the Company.

Audit procedures performed

The main procedures performed by us on the key audit matters related to Valuation on investment in Lancel International SA, among others, as follows:

- analysis of contractual agreements entered into between the parties;
- discussing the process of the estimate related to the value of the variable component of variable consideration with the Company's management and gaining an understanding of the process and of the relevant controls implemented by the Company in relation to the accounting recognition of the value of the investment;
- checking the implementation of the relevant controls identified in relation to that process;
- performing an analysis, also with the support of experts belonging to Deloitte network, of the reasonableness of the main assumptions adopted by the Company in determining in determining the estimate related to the value of the variable component of variable consideration, also by obtaining information from the Company and in-depth analysis with the external advisors;
- analysis of the reasonableness of the principal assumptions made in order to forecast cash flows of the Plan, partly by analysing external data and obtaining information from Company Management's that we deemed to be significant;
- 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;
- review of the correctness of disclosure provided in the financial statement and the compliance with applicable accounting standards.

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, 2019, 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, 2019 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, 2019 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 27, 2019

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