# INTERIM FINANCIAL REPORT OF THE PIQUADRO GROUP AS AT 30 SEPTEMBER 2017

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**Corporate details**

Piquadro S.p.A.

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

Authorised Share Capital as at the date of the approval of the Interim Financial Report as at 30 September 2017: Euro 1,093,998

Subscribed and paid-up share capital: Euro 1,000,000

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

**Production plants, Offices and Directly operated stores ("DOS") through which the Group operates:**

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

| | |
|---|---|
| Barcelona (Spain) – El Corte Ingles Diagonal, Av. Diagonal (Piquadro España SLU) | *Point of sale* |
| London (United Kingdom) – Regent Street 67 (Piquadro UK Limited) | *Point of sale* |
| Castelguelfo (BO) - ”The Style Outlets” (Piquadro S.p.A.) | *Retail outlet* |
| Tainan City (Taiwan) – Mitsukoshi Taipei Xinyi (Piquadro Taiwan Co. Ltd.) | *Point of sale* |
| New York (USA) - New York Madison Avenue (Piquadro LLC) | *Point of sale* |
| Serravalle Scrivia (AL) - ”Serravalle Designer Outlet” (Piquadro S.p.A.) | *Retail outlet* |
| Barcelona (Spain) - “La Roca Village”, Local 154/A (Piquadro España SLU) | *Retail outlet* |
| Rome – Fiumicino Airport, Area D (Piquadro S.p.A.) | *Point of sale* |
| Milan - Malpensa Airport, Terminal 2 - Ferno (VA) (Piquadro S.p.A.) | *Point of sale* |
| Moscow (Russia) – Afimall TC (OOO Piquadro Russia) | *Point of sale* |
| Moscow (Russia) – Metropolis TC (OOO Piquadro Russia) | *Point of sale* |
| Moscow (Russia) – Mega Balaja Dacha (OOO Piquadro Russia) | *Point of sale* |
| Moscow (Russia) – Atrium TEC (OOO Piquadro Russia) | *Point of sale* |
| Moscow (Russia) – Europejsky TEC (OOO Piquadro Russia) | *Point of sale* |
| Milan – Scalo Milano City Style (Piquadro S.p.A.) | *Retail outlet* |
| Rome - Fiumicino Airport, Terminal 3 (Piquadro S.p.A.) | *Point of sale* |
| Milan - Via Landolfo 1 (The Bridge S.p.A.) | *Point of sale* |
| Turin - Via Lagrange 19 (The Bridge S.p.A.) | *Point of sale* |
| Bari - Via Argiro 16-16/A (The Bridge S.p.A.) | *Point of sale* |
| Serravalle Scrivia (AL) - Serravalle Designer Outlet (The Bridge S.p.A.) | *Retail outlet* |
| Marcianise (CE) - “Factory Outlet Centre” (The Bridge S.p.A.) | *Retail outlet* |
| Castelromano (Rome) - Factory outlet store (The Bridge S.p.A.) | *Retail outlet* |
| Dittaino (EN) - Sicily Outlet Village (The Bridge S.p.A.) | *Retail outlet* |
| Milan - Scalo Milano City Style (The Bridge S.p.A.) | *Retail outlet* |

# INTERIM REPORT ON OPERATIONS AS AT 30 SEPTEMBER 2017

## Introduction

The consolidated interim financial report as at 30 September 2017 (the “Report”) was prepared in compliance with article 154-*ter* of Legislative Decree no. 58/1998, as amended, as well as with the Issuers’ Regulation issued by Consob (*Commissione Nazionale per le Società e la Borsa,* Italian Securities and Exchange Commission).
This Interim report on operations, prepared by the Directors, relates to the attached consolidated condensed interim financial statements of Piquadro S.p.A. (hereinafter also referred to as the “Company” or the “Parent Company”) and of its subsidiaries (“Piquadro Group” or the “Group”) relating to the half-year ended 30 September 2017. The financial statements were prepared in compliance with IAS/IFRS (International Accounting Standards and International Financial Reporting Standards) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, and were prepared according to the provisions under IAS 34, “Interim financial reporting”. The Interim report on operations must therefore be read together with the Financial Statements and the related Notes.

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

## CORPORATE BODIES HOLDING OFFICE AT 30 SEPTEMBER 2017

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

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

  **Substitute members**
  Giacomo Passaniti
  Maria Stefania Sala

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

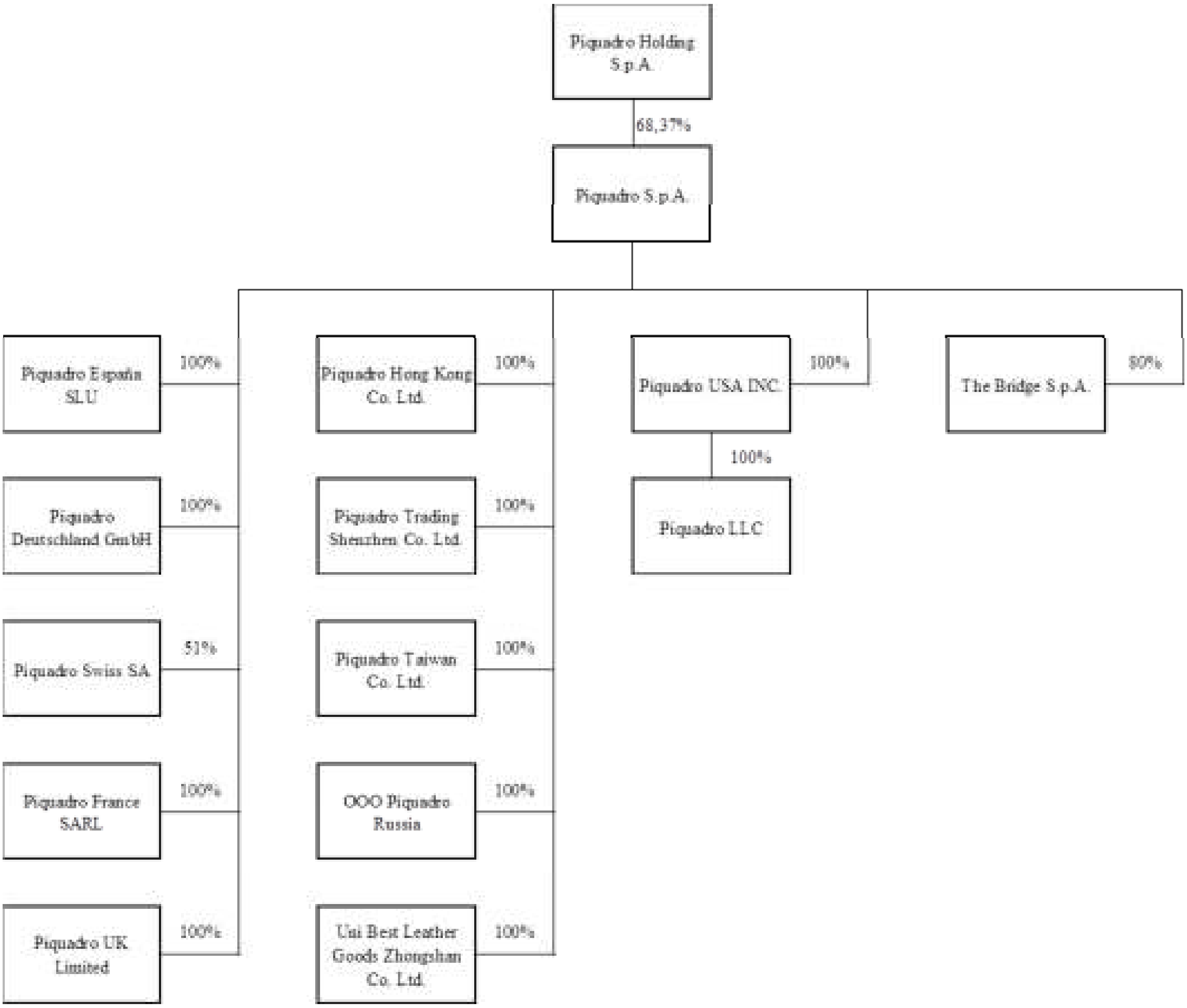
  Deloitte & Touche S.p.A.

- **FINANCIAL REPORTING MANAGER**
  Roberto Trotta

- **SUPERVISORY BOARD**
  Mario Panzeri

## THE GROUP STRUCTURE

The chart below shows the structure of the Piquadro Group as at 30 September 2017:



## INFORMATION ON OPERATIONS

**Significant events for the half-year ended 30 September 2017**

On 20 July 2017 the Shareholders' Meeting of Piquadro S.p.A. approved the Financial Statements for the financial year ended 31 March 2017 and the distribution of a unit dividend of Euro 0.04 to the Shareholders, for a total amount of Euro 2 million. The dividend was paid starting from 26 July 2017 (the record date falling on 25 July 2017) with coupon no. 10 being detached on 24 July 2017.
The Shareholders' Meeting also approved:

- the First Section of the Remuneration Report that describes the Company policy governing the fees payable to the Company's Executive Directors, non-executive Directors, Board of Statutory Auditors' members and any other Key Management member for the 2017/2018 financial year, as well as the procedures used for the adoption and implementation of this policy";
- the decision to authorise the purchase of the Company's ordinary shares, in one or more tranches, up to the maximum number permitted by law, having regard to treasury shares held directly and to those held by subsidiaries. The purchases may be made, according to Article 2357, paragraph 1, of the Italian Civil Code, within the limits of distributable profits and available reserves resulting from the most recent financial statements as duly approved, with a consequent reduction in equity, pursuant to Article 2357-*ter*, paragraph 3, of the Italian Civil Code, in the same amount, through the recognition of a specific item with s negative sign in the balance sheet liabilities. The purchase, sale, exchange or contribution of shares shall be accompanied by any appropriate accounting record in compliance with the provisions of law and applicable accounting standards. In cases of sale, exchange or contribution, the corresponding amount may be reused for additional purchases, until the expiry of the time limit set out for the authorisation given by the Shareholders' Meeting, without prejudice to any quantitative and expenditure limits, as well as to the terms and conditions laid down by the Shareholders' Meeting. The authorisation for the purchase of shares is given until the approval of the financial statements as at 31 March 2018, with effect from the date of this resolution. The purchase price of the shares shall be determined from time to time, having regard to the methods selected to carry out the transaction and in accordance with the legislative, regulatory or permitted market practices, within a minimum and maximum limits 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
  Should the purchase of treasury shares be made within the scope of any market practice referred to in Consob resolution no. 16839/2009, the purchase price set for any proposed trading shall not exceed the higher of the price set for the most recent independent transaction and the current purchase price of the highest independent proposed trading in the market in which proposed purchases are launched, without prejudice to any additional limit set out in the resolution itself.
  The abovementioned transactions shall be carried out, on one or more occasions, by purchasing shares, pursuant to Article 144-*bis*, paragraph l, letter b, of the Issuers' Regulation, on regulated markets or multilateral trading systems, which do not allow any direct matching of proposed purchase trading with predetermined proposed sales trading, according to operating procedures set out in the regulations governing the organisation and operation of the markets themselves, in compliance with Article 2357 and ff. of the Italian Civil Code, the equality of treatment of shareholders and any applicable legislation, including regulatory provisions, in force, including the principles referred to in Article 132 of the TUF (*Testo Unico della Finanza*, Consolidated Act on Finance), as well as with Regulation (EU) no. 596/2014 of 16 April 2014 ad related implementing provisions, if applicable. The purchases may take place according to procedures other than those specified above pursuant to Article 132, paragraph 3, of Legislative Decree no. 58/1998 or any other provision applicable from time to time on the day of the transaction;
  (a) the decision to authorise, pursuant to and for the purposes of Article 2357-*ter* of the Italian Civil Code, the disposition, on one or more occasions, of any share that has been purchased according to this resolution or that in any case is already held in the Company's portfolio even well before having reached the maximum amount of shares that can be purchased, and any possible repurchase of the shares themselves to the extent that the treasury shares held by the Company do not exceed the limit set out in the authorisation. The disposition of shares is authorised with effect from the date of this resolution, without any time limit. The consideration for any sale of treasury shares, which will be set by the Board of Directors, 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.
Should the sale of treasury shares be carried out within the scope of the permitted market practices referred to above, without prejudice to any additional limit set out in Consob resolution no. 16839/2009, the sales price of any proposed trading shall not be less than the lower of the price of the most recent independent transaction and the current sales price of the lowest independent proposed trading in the market in which proposed sales are launched.
Should the treasury shares be the object of trading, exchange, contribution or any other act of non-cash disposition, the financial terms and conditions of the transaction shall be laid down based on its nature and features, while taking account of the market performance of the Piquadro S.p.A. stock. The disposition of shares may take place according to such procedures as may be considered to be the most appropriate in the interest of the Company, and in any case in compliance with the applicable regulations and permitted market practices; and
(b) the decision to grant the Board of Directors and, through the same, any managing director, jointly and severally between them, the amplest powers required for the actual and full execution of the resolutions referred to in the points above in compliance with the provisions laid down in Article 132 of the TUF and the disclosure obligations referred to in Article 144-*bis*, paragraph 3, of the Issuers' Regulation and, if required, the disclosure obligations required by the abovementioned market practices and by Regulation (EU) no. 596/2014 of 16 April 2014 and related implementing provisions, if applicable, with the right to proceed with the purchase and disposition of treasury shares, within the limits of the provisions laid down above, including through specialist intermediaries, also pursuant to and for the purposes of the abovementioned market practice governing operations in support of liquidity permitted by Consob under resolution no. 16839 of 19 March 2009 and pursuant to Regulation (EU) no. 596/2014 of 16 April 2014 and related implementing provisions, if applicable.

In addition to the above provisions, no significant events must be reported which occurred at Group level from 1 July 2017 to the date of this Report.

**The Group's results**

In the first six months of the 2017/2018 financial year the Group reported a sales performance increasing by 36.9% compared to the same period in the 2016/2017 financial year.
In the half-year ended 30 September 2017, the Piquadro Group reported, in fact, net sales revenues equal to Euro 46,814 thousand (+36.9%) compared to Euro 34,202 thousand reported in the corresponding period in the 2016/2017 financial year.
The increase in revenues was determined by both the inclusion of The Bridge S.p.A. in the scope of consolidation, which reported revenues of Euro 11.07 million in the period from April to September 2017, and the increase of 4.5% in Piquadro-branded sales. Specifically, the latter figure was contributed to by both the sales in the Piquadro DOS channel, also including the e-commerce website of Piquadro, and those in the Piquadro Wholesale channel.

In the half-year ended 30 September 2017, the Piquadro Group reported, in terms of profitability, overall EBITDA equal to about Euro 5.8 million (with the net sales revenues accounting for 12.5%), showing an increase of 6.0% compared to the value recorded in the first half-year of the 2016/2017 financial year (Euro 5.5 million, equal to 16.1% of net sales revenues and including the capital gain equal to about Euro 1.5 million, which was realised through the disposal of the DOS located in Paris, at Rue Saint Honoré, which took place on 26 July 2016, in addition to the revenues achieved and the costs incurred by Piquadro France SARL during the first 2016/2017 half-year). While not considering non-recurring elements, EBITDA for the first 2017/2018 half-year, equal to Euro 5.8 million, compared to recurring EBITDA as at 30 September 2016, equal to about Euro 4.1 million, showed an increase of about 41.6%.

The Group's EBIT came to Euro 4.4 million (equal to 9.4% of net sales revenues), up by 8.9% compared to the figure relating to the half-year ended 30 September 2016 (Euro 4.0 million, equal to 11.8% of net sales revenues, which included a capital gain of Euro 1.5 million realised through the disposal of the DOS located in Paris, at Rue Saint Honoré, which took place on 26 July 2016, as well as the revenues achieved and the costs incurred by Piquadro France SARL during the first 2016/2017 half-year and related write-downs of the relevant assets). While not considering non-recurring elements, EBIT for the first 2017/2018 half-year, equal to Euro 4.4 million, compared to recurring EBIT as at 30 September 2016, equal to Euro 3.0 million, showed an increase of about 49.0%.

The net result recorded by the Group during the half-year ended 30 September 2017 came to Euro 2,784 thousand, showing an increase of 4.8% comapred to the value recorded during the half-year ended 30 September 2016, equal to Euro 2,657 thousand (including a capital gain of Euro 1.5 million realised through the disposal of the DOS located in Paris, at Rue Saint Honoré, which took place on 26 July 2016, as well as the revenues achieved and the costs incurred by Piquadro France SARL during the first 2016/2017 half-year and related write-downs of the relevant assets and tax effects). While not considering non-recurring elements, the Group's net result for the first 2017/2018 half-year, equal to Euro 2,784 thousand, compared to the recurring net result as at 30 September 2016, equal to Euro 1,929 thousand, showed an increase of about 44.3%.

*Sales revenues*

During the first half-year ended 30 September 2017, the Piquadro Group recorded sales of Euro 46.81 million, up by 36.9% compared to about Euro 34.20 million during the same period in the previous financial year. The increase in revenues was determined by both the inclusion of The Bridge S.p.A. in the scope of consolidation, which reported revenues of Euro 11.07 million in the period from April to September 2017, and the increase of 4.5% in Piquadro-branded sales. Specifically, the latter figure was contributed to by both the sales in the Piquadro DOS channel, also including the e-commerce website of Piquadro, and those in the Piquadro Wholesale channel.

Sales volumes, net of The Bridge S.p.A., in terms of quantities sold during the relevant period, showed an increase of 7.5% compared to the same period during the 2016/2017 financial year.

The relevant tables report the breakdown of sales revenues by brand (Piquadro and The Bridge). The brand is then further broken down into direct (DOS) and indirect (Wholesale) sales channels. The latter segment is not significant for The Bridge brand: for this reason, the breakdown of the two channels is not commented on below in this half-year Financial Report.
The breakdowns of revenues by distribution channel and geographical area are reported below.

**Breakdown of revenues by distribution channel**

The table below reports the breakdown of net consolidated revenues by distribution channel:

| **Sales channel** *(in thousands of Euro)* | **Net revenues as at 30 September 2017** | **%** | **Net revenues as at 30 September 2016** | **%** | **% change 2017/2016** |
|---|---|---|---|---|---|
| DOS | 13,816 | 29.5% | 12,699 | 37.1% | 8.8% |
| Wholesale | 21,922 | 46.8% | 21,503 | 62.9% | 2.0% |
| The Bridge | 11,076 | 23.7% | 0 | 0.0% | 0.0% |
| **Total** | **46,814** | **100.0%** | **34,202** | **100.0%** | **36.9%** |

With reference to the Piquadro brand, the revenues reported by the DOS channel showed an increase of 8.8% compared to the same period in the 2016/2017 year. The DOS channel also included turnover generated from the e-commerce website of the Group, which showed an increase of 23.5%.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 of about 3.7% (assuming an equal number of days of opening and constant rates of exchange the Same Store Sales Growth - SSSG - recorded an increase equal to about 3.2%).

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

With reference to the Piquadro brand, sales reported by the Wholesale channel, which as at 30 September 2017 accounted for 46.8% of the Group's total turnover, showed an increase of 2.0% compared to the same period in the previous financial year. This increase was mainly driven by an increase in the sales on the domestic and European markets.

With reference to The Bridge brand, sales achieved during the period from April to September 2017 came to about Euro 11.07 million, with a growth contribution of 32.4%.

**Breakdown of revenues by geographical area**

The table below reports the breakdown of net revenues by geographical area:

| **Geographical area** *(in thousands of Euro)* | **Net revenues as at 30 September 2017** | **%** | **Net revenues as at 30 September 2016** | **%** | **% Change 2017/2016** |
|---|---|---|---|---|---|
| Italy | 36,356 | 77.7% | 25,709 | 75.2% | 41.4% |
| Europe | 8,954 | 19.1% | 6,427 | 18.8% | 39.3% |
| Rest of the world | 1,504 | 3.2% | 2,066 | 6.0% | (27.2%) |
| **Total** | **46,814** | **100.00%** | **34,202** | **100.00%** | **36.9%** |

From a geographical point of view, at 30 September 2017, the Piquadro Group's revenues showed an increase of 41.4% (equal to about Euro 10.6 million) on the Italian market, which accounts for 77.7% of the Group's total turnover (75.2% of consolidated sales at 30 September 2016).
Without considering the increase in revenues due to the sale of The Bridge-branded products, the sales relating to Piquadro-branded products in the Italian market showed an increase of 7.1%.

In the European market, the Group recorded a turnover of Euro 8.9 million, equal to 19.1% of consolidated sales (18.8% of consolidated sales at 30 September 2016), up by 39.3% compared to the same period in the 2016/2017 financial year. Without considering the increase in revenues due to the sale of The Bridge-branded products, the sales relating to Piquadro-branded products in the European market showed an increase of 9.0%.

In the non-European geographical area (named "Rest of the World"), turnover decreased by about Euro 562 thousand compared to the same period in the 2016/2017 financial year.

**Operating result**

In the opinion of the Management, the increase in the operating result, compared to the previous half-year, was attributable to the combined effect of the following key factors:

i) the acquisition of The Bridge S.p.A., whose contribution to the operating result was equal to Euro 631 thousand;
ii) the positive performances in terms of SSSG from the DOS segment, specifically at the Italian shops, as a result of the positive performances recorded by like-for-like sales;
iii) an increase in the profits from the Wholesale segment, as a result of an increase in sales that was mainly attributable to the trends in the domestic and European markets, due to a greater efficiency and effectiveness of the sales network.

**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:

a) 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.

b) Operating result (EBIT – Earnings Before Interest and Taxes) is the Earnings for the period before financial income and charges and income taxes.

c) 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.

d) The ROI, i.e. the return on net invested capital, is given by the ratio of net Operating Margin to net invested capital and is expressed as a percentage. This indicator is used as a financial target in both internal (business plans) and external (analysists and investors) presentations and intends to measure the ability to produce wealth through operations and therefore to remunerate both net worth and borrowed capital.

e) The ROE, i.e. the return on equity, is given by the ratio of net profit to equity and is expressed as a percentage. This indicator is used as a financial target in both internal (business plans) and external (analysists and investors) presentations and intends to measure the profitability obtained by investors on account of risks.

f) 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.

g) Net Working Capital: this item includes "Trade receivables", "Inventories", current non-financial "Other Receivables", net of "Trade payables" and current non-financial "Other Payables".

h) The cash flow is given by cash flows from operating activities (operating cash flow), net of distributed dividends. The operating cash flow is calculated on the basis of the gross operating margin, to which must be added the changes in net working capital, net of increases in the provision for bad debts, the uses of the provisions for risks and the Staff Severance Pay, operating and financial investments, financial income and charges and taxes. This indicator is used as a financial target in both internal (business plans) and external (analysists and investors) presentations and intends to measure the Company's ability to generate cash and therefore its ability to self-finance its operations.

Below are reported the Group's main economic-financial indicators at 30 September 2017 and at 30 September 2016:

| **Economic and financial indicators**<br>*(in thousands of Euro)* | **30/09/2017** | **30/09/2016** |
|---|---|---|
| Revenues from sales | 46,814 | 34,202 |
| EBITDA | 5,844 | 5,513 |
| EBIT | 4,398 | 4,039 |
| Result before tax | 4,050 | 4,097 |
| Group's profit for the period | 2,784 | 2,657 |
| Amortisation and depreciation, provisions and write-downs | 1,832 | 1,744 |
| Cash generation (Group net profit, amortisation and depreciation, write-downs) | 4,616 | 4,401 |
| Net Financial Position | (13,615) | (5,343) |
| Equity | 38,567 | 37,201 |

EBITDA for the period came to Euro 5,844 thousand, against Euro 5,513 thousand recorded in the same period ended 30 September 2016 and as at 30 September 2017 it accounted for 12.5% of consolidated revenues (16.1% in the half-year ended 30 September 2016).
Below is a restatement of the income statement data aimed at showing the performance of the operating profitability ratio of EBITDA:

| **Financial indicators**<br>*(in thousands of Euro)* | **30/09/2017** | **30/09/2016** |
|---|---|---|
| Operating result | 4,398 | 4,039 |
| Amortisation, depreciation and write-downs | 1,446 | 1,473 |
| **EBITDA** | **5,844** | **5,513** |
| *Non-recurring EBITDA* | 0 | 1,387 |
| ***Recurring EBITDA*** | **5,844** | **4,126** |

Non-recurring EBITDA for the first 2016/2017 half-year included the effects arising from the disposal of the DOS located in Paris, at Rue Saint Honoré, which took place on 26 July 2016, including the capital gain realised, as well as the revenues achieved and the costs incurred by Piquadro France SARL during the first 2016/2017 half-year. While not considering non-recurring items, EBITDA for the first 2017/2018 half-year, equal to Euro 5.8 million, compared to recurring EBITDA at 30 September 2016, equal to about Euro 4.1 million, showed an increase of about 41.6%.

In the half-year ended 30 September 2017 the Group's amortisation and depreciation were equal to Euro 1,388 thousand (compared to Euro 1,250 thousand in the half-year ended 30 September 2016) and were broken down as follows: Euro 348 thousand relating to intangible assets and Euro 1,040 thousand relating to property, plant and equipment.

Write-downs for the half-year ended 30 September 2017, equal to Euro 57 thousand, related to the residual assets of the store shut down in Hong Kong in September. Write-downs for the half-year ended September 2016, equal to Euro 223 thousand, related to the residual assets of the store located in Paris, at Rue Saint Honoré.

Non-recurring EBIT for the first 2016/2017 half-year included the effects arising from the disposal of the DOS located in Paris, at Rue Saint Honoré, which took place on 26 July 2016, including the capital gain realised, as well as the revenues achieved and the costs incurred by Piquadro France SARL during the first 2016/2017 half-year and the write-down of the relevant assets.
While not considering non-recurring items, EBIT for the first 2017/2018 half-year, equal to Euro 4.4 million, compared to recurring EBIT at 30 September 2016, equal to about Euro 2.9 million, showed an increase of about 49.0%.

The result from financial operations as at 30 September 2017, which was negative for a value equal to about Euro 348 thousand, was mainly attributable to the differential between foreign exchange gains and losses, as well as to the net financial debt dynamics.

| **Financial indicators**<br>*(in thousands of Euro)* | **30/09/2017** | **30/09/2016** |
|---|---|---|
| ***EBIT*** | **4,398** | **4,039** |
| *Non-recurring EBIT* | 0 | 1,088 |
| ***Recurring EBIT*** | **4,398** | **2,951** |

The non-recurring net result for the first 2016/2017 half-year included the effects arising from the disposal of the DOS located in Paris, at Rue Saint Honoré, which took place on 26 July 2016, including the capital gain realised, as well as the revenues achieved and the costs incurred by Piquadro France SARL during the first 2016/2017 half-year, the write-down of assets and related tax effects. While not considering non-recurring items, the Net Result for the first 2017/2018 half-year, equal to Euro 2.8 million, compared to the recurring Net Result at 30 September 2016, equal to about Euro 1.9 million, showed an increase of about 44.3%.

Below is a restatement of the income statement data aimed at representing the performance of the Group's net result indicator:

| **Financial indicators** *(in thousands of Euro)* | **30/09/2017** | **30/09/2016** |
|---|---|---|
| ***Net Result for the year*** | **2,784** | **2,657** |
| *Non-recurring net result* | 0 | 728 |
| ***Recurring net result*** | **2,784** | **1,929** |

**Investments**

Investments in intangible assets, property, plant and equipment and financial assets in the half-years ended 30 September 2017 and 30 September 2016 were equal to Euro 633 thousand and to Euro 844 thousand, respectively, as reported below:

| *(in thousands of Euro)* | **30 September 2017** | **30 September 2016** |
|---|---|---|
| **Investments** | | |
| Intangible assets | 163 | 262 |
| Property, plant and equipment | 468 | 582 |
| Non-current financial assets | 2 | 0 |
| **Total** | **633** | **844** |

Increases in intangible assets came to Euro 163 thousand in the half-year ended 30 September 2017 and mainly related to the renewal of software and IT products.

Increases in property, plant and equipment came to Euro 468 thousand in the in the half-year ended 30 September 2017 and were mainly attributable to general systems and office machinery to be installed at the new cutting room at subsidiary The Bridge S.p.A. for Euro 113 thousand and to furniture and furnishings purchased for DOSs being opened for Euro 344 thousand.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Below is summarised the Group's consolidated statement of financial position as at 30 September 2017 (compared to the corresponding statement as at 31 March 2017 and 30 September 2016):

| *(in thousands of Euro)* | **30 September 2017** | **31 March 2017** | **30 September 2016** |
|---|---|---|---|
| Trade receivables | 34,575 | 27,747 | 26,351 |
| Inventories | 21,906 | 18,991 | 14,857 |
| (Trade payables) | (22,244) | (20,244) | (10,878) |
| *Total net current trade assets* | *34,237* | *26,494* | *30,330* |
| Other current assets | 3,137 | 3,102 | 2,219 |
| Tax receivables | 724 | 1,011 | 395 |
| (Other current liabilities) | (3,909) | (3,999) | (3,894) |
| (Tax payables) | (1,247) | (464) | (1,826) |
| ***A) Working capital*** | ***32,942*** | ***26,143*** | ***27,224*** |
| Intangible assets | 8,232 | 8,433 | 2,496 |
| Property, plant and equipment | 11,894 | 12,691 | 12,076 |
| Non-current financial assets | 2 | 2 | 0 |
| Receivables from others beyond 12 months | 696 | 772 | 598 |
| Deferred tax assets | 2,238 | 2,204 | 1,183 |
| ***B) Fixed assets*** | ***23,062*** | ***24,102*** | ***16,353*** |
| ***C) Non-current provisions and non-financial liabilities*** | ***(3,822)*** | ***(3,725)*** | ***(1,033)*** |
| **Net invested capital (A+B+C)** | **52,182** | **46,520** | **42,544** |
| FINANCED BY: | | | |
| ***D) Net financial debt*** | ***13,615*** | ***8,236*** | ***5,343*** |
| ***E) Equity attributable to Minority interests*** | ***(165)*** | ***(136)*** | ***(129)*** |
| ***F) Equity attributable to the Group*** | ***38,732*** | ***38,420*** | ***37,330*** |
| **Total borrowings and Shareholders' Equity (D+E+F)** | **52,182** | ***46,520*** | **42,544** |

## CONSOLIDATED NET FINANCIAL POSITION

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

| *(in thousands of Euro)* | **30/09/2017** | **31/03/2017** | **30/09/2016** |
|---|---|---|---|
| (A) Cash | 154 | 126 | 98 |
| (B) Other cash and cash equivalents (available current bank accounts) | 11,424 | 15,162 | 9,412 |
| **(C) Liquidity (A) + (B)** | **11,578** | **15,288** | **9,510** |
| (D) Finance leases | (1,226) | (691) | (593) |
| (E) Current bank debt | 0 | 310 | 0 |
| (F) Current portion of current debt | (8,148) | (5,998) | (8,373) |
| (G) Payables to Il Ponte S.p.A. for the acquisition of The Bridge | (820) | (70) | 0 |
| **(H) Current financial debt (D) + (E) + (F) + (G)** | **(10,194)** | **(6,449)** | **(8,966)** |
| **(I) Short-term net financial position (C) + (H)** | **1,384** | **8,839** | **544** |
| (L) Non-current bank debt | (13,221) | (13,676) | (4,754) |
| (M) Finance leases | (45) | (916) | (1,133) |
| (N) Payables to Il Ponte S.p.A. for the acquisition of The Bridge | (1,733) | (2,483) | 0 |
| **(O) Non-current financial debt (L) + (M) + (N)** | **(14,999)** | **(17,075)** | **(5,887)** |
| **(P) Net Financial Position (I) + (O)** | **(13,615)** | **(8,236)** | **(5,343)** |

The Net Financial Position posted a negative value of about Euro 13.6 million compared to Euro 8.2 million recorded at 31 March 2017 and to Euro 5.3 million recorded at 30 September 2016.
The Net Financial Position a 30 September 2017, compared to that recorded at 30 September 2016, was affected by the effects of the acquisition of The Bridge S.p.A. that took place in December 2016, which contributed an amount of Euro 8.4 million relating to the financial exposure of The Bridge S.p.A. at the time of the acquisition and an amount of Euro 4.6 million paid by Piquadro S.p.A. for the acquisition of The Bridge (of which an amount of Euro 1.675 million was settled at the time of the closing, an amount of Euro 334 thousand for additional charges, an amount of Euro 2.5 million relating to payables for deferred payments, including an amount of Euro 727 thousand for the call option concerning the remaining 20% stake of The Bridge), compared to a cash flow of Euro 4.0 million generated by the Group during the half-year.

The main reasons for the trend in the net financial position, compared to 31 March 2017, are attributable to the following factors:

- An operating free cash flow for the period equal to Euro 4.0 million;
- The payment of dividends of Euro 2.0 million;
- Investments in property, plant and equipment and intangible assets equal to Euro 0.6 million;
- An increase of Euro 6.8 million in the working capital relating to a different seasonality.

## OTHER INFORMATION

### 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 brand.
As at 30 September 2017 the Group had 781 units, compared to 745 units as at 30 September 2016.
The change was mainly due to the inclusion of The Bridge S.p.A. in the Group, which employed 92 people on 30 September 2017.
Below is reported the breakdown of staff by Country:

| Country | 30 September 2017 | 30 September 2016 |
|---|---|---|
| Italy | 361 | 327 |
| China | 346 | 329 |
| Hong Kong | 2 | 7 |
| Germany | 1 | 1 |
| Spain | 19 | 22 |
| Taiwan | 15 | 21 |
| France | 0 | 0 |
| Switzerland | 4 | 4 |
| United Kingdom | 5 | 6 |
| USA | 4 | 3 |
| Russia | 24 | 25 |
| **Total** | **781** | **745** |

With reference to the Group's organisational structure, as at 30 September 2017, 34.7% of staff operated in the production area, 31.6% in the retail area, 20.4% in the support functions (Administration, IT Systems, Purchasing, Quality, Human Resources, etc.), 8.6% in the Research and Development area and 4.7% in the Wholesale area.

### Research and development activity

The Piquadro Group's Research and Development activity is carried out in house by the Parent Company and its subsidiaries through a dedicated team that currently consists of 23 persons, mainly engaged in both the product Research and Development department and the style office at the head office of Piquadro S.p.A., as well as at the head office of The Bridge S.p.A. The plant of the Chinese subsidiary Uni Best Leather Goods Zhongshan Co. Ltd. employs a team of 31 people for the production of new prototypes and new models according to the instructions defined by the central organisation.

### Transactions with related parties

In compliance with the Consob Regulation on Related Parties, on 18 November 2010 the Board of Directors 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 only Group company as of today that meets the significance requirements under title VI, chapter II, of the Issuers' Regulation, established and regulated

by the law of States not belonging to the European Union, is the subsidiary Uni Best Leather Goods Zhongshan Co. Ltd..
Specifically, the Parent Company certifies that, with regard to said subsidiaries:

a) it makes available to the general 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 them with the registered office or by publishing them 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 required information to conduct their audit of annual and interim accounts of the controlling company; (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 possibly suitable to satisfy the conditions referred to above.

**Significant events after the half-year end**

No significant events must be reported which occurred at Group level from 1 October 2017 to the date of preparation of this Report.

**Outlook**

The results achieved during the first half-year support the Piquadro Group's Management in its path to growth and internationalisation.
Therefore, the Management expect that a turnover close to Euro 100 million may be achieved during the 2017/2018 financial year as a result of the acquisition and consolidation of The Bridge S.p.A., while the Group may continue its path to growth which it embarked on as early as during the first 2017/2018 half-year.
In terms of profitability, once the accounts of The Bridge S.p.A. have achieved a breakeven performance, the Management expect to continue to be able to record increasing producers' profits provided that the Euro-Dollar exchange rate remains in line with the first half-year.
In this context, the Management will monitor profits and costs on an ongoing basis, in order to increase the Group's commitments in the field of Marketing and R&D with a view to enhance the visibility of its brands.

Silla di Gaggio Montano (BO), 23 November 2017

FOR THE BOARD OF DIRECTORS
THE CHAIRMAN
**Marco Palmieri**

# CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2017

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *(in thousands of Euro)* | **Notes** | **30 September 2017** | **31 March 2017** |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Intangible assets | (1) | 3,574 | 3,775 |
| Goodwill | (2) | 4,658 | 4,658 |
| Property, plant and equipment | (3) | 11,894 | 12,691 |
| Non-current financial assets | (4) | 2 | 2 |
| Receivables from others | (5) | 696 | 772 |
| Deferred tax assets | (6) | 2,238 | 2,204 |
| **TOTAL NON-CURRENT ASSETS** | | **23,062** | **24,102** |
| **CURRENT ASSETS** | | | |
| Inventories | (7) | 21,906 | 18,991 |
| Trade receivables | (8) | 34,575 | 27,747 |
| Other current assets | (9) | 3,137 | 3,411 |
| Derivative assets | (10) | 0 | 0 |
| Tax receivables | (11) | 724 | 1,011 |
| Cash and cash equivalents | (12) | 11,578 | 15,288 |
| **TOTAL CURRENT ASSETS** | | **71,920** | **66,449** |
| **TOTAL ASSETS** | | **94,982** | **90,550** |

| *(in thousands of Euro)* | **Notes** | **30 September 2017** | **31 March 2017** |
|---|---|---|---|
| **LIABILITIES** | | | |
| | | | |
| **EQUITY** | | | |
| Share Capital | | 1,000 | 1,000 |
| Share premium reserve | | 1,000 | 1,000 |
| Other reserves | | 496 | 1,042 |
| Retained earnings | | 33,414 | 31,942 |
| Group profit for the period | | 2,815 | 3,435 |
| **TOTAL EQUITY ATTRIBUTABLE TO THE GROUP** | | **38,725** | **38,420** |
| Capital and reserves attributable to minority interests | | (127) | (105) |
| Profit/(loss) for the period attributable to minority interests | | (31) | (31) |
| **TOTAL EQUITY ATTRIBUTABLE TO MINORITY INTERESTS** | | **(158)** | **(136)** |
| **TOTAL EQUITY** | (13) | **38,567** | **38,284** |
| | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Borrowings | (14) | 13,220 | 13,676 |
| Payables to other lenders for lease agreements | (15) | 45 | 916 |
| Other non-current liabilities | (16) | 1,733 | 2,209 |
| Provision for employee benefits | (17) | 1,766 | 1,756 |
| Provisions for risks and charges | (18) | 2,056 | 1,970 |
| Deferred tax liabilities | (19) | 0 | 0 |
| **TOTAL NON-CURRENT LIABILITIES** | | **18,820** | **20,527** |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Borrowings | (20) | 7,985 | 5,987 |
| Payables to other lenders for lease agreements | (21) | 1,226 | 691 |
| Derivative liabilities | (22) | 163 | 11 |
| Trade payables | (23) | 22,244 | 20,244 |
| Other current liabilities | (24) | 4,730 | 4,344 |
| Tax payables | (25) | 1,247 | 464 |
| **TOTAL CURRENT LIABILITIES** | | **37,595** | **31,740** |
| **TOTAL LIABILITIES** | | **56,415** | **52,267** |
| **TOTAL EQUITY AND LIABILITIES** | | **94,982** | **90,550** |

## CONSOLIDATED INCOME STATEMENT

| *(in thousands of Euro)* | **Notes** | **30 September 2017** | **30 September 2016** |
|---|---|---|---|
| **REVENUES** | | | |
| Revenues from sales | (26) | 46,814 | 34,202 |
| Other income | (27) | 600 | 1,812 |
| **TOTAL REVENUES (A)** | | **47,414** | **36,014** |
| | | | |
| **OPERATING COSTS** | | | |
| Change in inventories | (28) | (3,111) | 1,527 |
| Costs for purchases | (29) | 14,102 | 6,986 |
| Costs for services and leases and rentals | (30) | 20,073 | 13,984 |
| Personnel costs | (31) | 9,794 | 7,681 |
| Amortisation, depreciation and write-downs | (32) | 1,832 | 1,744 |
| Other operating costs | (33) | 326 | 53 |
| **TOTAL OPERATING COSTS (B)** | | **43,016** | **31,975** |
| | | | |
| **OPERATING PROFIT (A-B)** | | **4,398** | **4,039** |
| | | | |
| **FINANCIAL INCOME AND COSTS** | (34) | | |
| Financial income | (34) | 603 | 388 |
| Financial costs | (35) | (951) | (330) |
| **TOTAL FINANCIAL INCOME AND COSTS** | | **(348)** | **58** |
| | | | |
| **RESULT BEFORE TAX** | | **4,050** | **4,097** |
| | | | |
| Income tax | (36) | (1,266) | (1,440) |
| | | | |
| **PROFIT FOR THE PERIOD** | | **2,784** | **2,657** |
| | | | |
| attributable to: | | | |
| EQUITY HOLDERS OF THE COMPANY | | 2,815 | 2,674 |
| MINORITY INTERESTS | | (31) | (17) |
| | | | |
| (Basic) Earnings per share in Euro | (38) | 0.056 | 0.053 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *(in thousands of Euro)* | **30 September 2017** | **30 September 2016** |
|---|---|---|
| **Profit for the period (A)** | **2,784** | **2,657** |
| **Components that can be reclassified through profit or loss** | | |
| Profit/(Loss) arising from the translation of financial statements of foreign companies | (417) | (211) |
| Profit/(Loss) on cash flow hedge instruments | (109) | (12) |
| **Components that cannot be reclassified through profit or loss** | | |
| Actuarial gain (losses) on defined-benefit plans | (11) | (22) |
| **Total Profits recognised in equity (B)** | **(537)** | **(245)** |
| **Total comprehensive Income for the period (A) + (B)** | **2,247** | **2,412** |
| Attributable to | | |
| - Group | 2,269 | 2,435 |
| - Minority interests | (22) | (23) |

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(in thousands of Euro)

| Description | Share capital | Share premium reserve | Other reserves: Translation reserve | Other reserves: Fair value reserve | Other reserves: Reserve for Employee Benefits | Other reserves: Other reserves | Other reserves: Total Other Reserves | Retained earnings | Group profit | Equity attributable to the Group | Capital and Reserves attributable to minority interests | Profit/ (Loss) attributable to minority interests | Total Equity attributable to the Group and minority interests |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balances as at 31.03.2016** | **1.000** | **1.000** | **450** | **51** | **(45)** | **497** | **737** | **29,996** | **3,946** | **36,895** | **(37)** | **(68)** | **36,790** |
| Profit for the period | | | | | | | **0** | | 2,674 | **2,674** | | (17) | **2,657** |
| Other comprehensive result as at 30 September 2016: | | | | | | | | | | | | | |
| - Exchange differences from translation of financial statements in foreign currency | | | (421) | | | | **(205)** | | | **(205)** | (6) | | **(211)** |
| - Reserve for actuarial gains (losses) on defined-benefit plans | | | | | (22) | | **(22)** | | | **(22)** | | | **(22)** |
| - Fair value of financial instruments | | | | (12) | | | **(12)** | | | **(12)** | | | **(12)** |
| **Comprehensive Income for the period** | 0 | 0 | (421) | (12) | (22) | 0 | **(239)** | 0 | 2,674 | **2,435** | (6) | (17) | **2,412** |
| Distribution of dividends to shareholders | | | | | | | | | (2,000) | **(2,000)** | | | **(2,000)** |
| Allocation of the result for the year at 31 March 2016 to reserves | | | | | | | | 2 | (2) | **0** | (68) | 68 | **0** |
| Fair value of Stock Option Plans | | | | | | | **0** | | | **0** | | | **0** |
| **Balances as at 30.09.2016** | **1.000** | **1.000** | **29** | **39** | **(67)** | **497** | **498** | **32,158** | **2,674** | **37,330** | **(112)** | **(17)** | **37,201** |

| Description | Share capital | Share premium reserve | Other reserves: Translation reserve | Other reserves: Fair value reserve | Other reserves: Reserve for Employee Benefits | Other reserves: Other reserves | Other reserves: Total Other Reserves | Retained earnings | Group profit | Equity attributable to the Group | Capital and Reserves attributable to minority interests | Profit/ (Loss) attributable to minority interests | Total Equity attributable to the Group and minority interests |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balances as at 31.03.2017** | **1.000** | **1.000** | **598** | **(8)** | **(45)** | **497** | **826** | **31,942** | **3.435** | **38,420** | **(105)** | **(31)** | **38,284** |
| Profit for the period | | | | | | | | | 2,815 | **2,815** | | (31) | **2,784** |
| Other comprehensive result as at 30 September 2017: | | | | | | | | | | | | | |
| - Exchange differences from translation of financial statements in foreign currency | | | (426) | | | | **(426)** | | | **(426)** | 9 | | **(417)** |
| - Reserve for actuarial gains (losses) on defined-benefit plans | | | | | (11) | | **(11)** | | | **(11)** | | | **(11)** |
| - Other changes | | | | | | | **0** | 37 | | **37** | | | **37** |
| - Fair value of financial instruments | | | | (109) | | | **(109)** | | | **(109)** | | | **(109)** |
| **Comprehensive Income for the period** | **0** | **0** | **(426)** | **(109)** | **(11)** | **0** | **(546)** | **37** | **2,815** | **2,306** | **9** | **(31)** | **2,284** |
| Distribution of dividends to shareholders | | | | | | | | | (2.000) | **(2.000)** | | | **(2.000)** |
| Allocation of the result for the year at 31 March 2017 to reserves | | | | | | | | 1,435 | (1) | **0** | (31) | 31 | **0** |
| Fair value of Stock Option Plans | | | | | | | **0** | | | **0** | | | **0** |
| **Balances as at 30.09.2017** | **1.000** | **1.000** | **172** | **(117)** | **(56)** | **497** | **280** | **33,414** | **2,815** | **38,725** | **(127)** | **(31)** | **38,567** |

## CONSOLIDATED CASH FLOW STATEMENT

| (*in thousands of Euro*) | 30 September 2017 | 30 September 2016 |
|---|---|---|
| **Profit before tax** | **4,050** | **4,097** |
| Adjustments for: | | |
| Depreciation of property, plant and equipment/Amortisation of intangible assets | 1,359 | 1,250 |
| Write-downs of property, plant and equipment and intangible assets | 57 | 223 |
| Provision for bad debts | 386 | 270 |
| Adjustment to the provision for employee benefits | 0 | 0 |
| Net financial costs/(income), including foreign exchange differences | 348 | (58) |
| **Cash flow from operating activities before changes in working capital** | **6,200** | **5,782** |
| Change in trade receivables (including the provision) | (7,214) | (2,820) |
| Change in inventories | (2,915) | 1,488 |
| Change in other current assets | 351 | (295) |
| Change in trade payables | 2,000 | (1,643) |
| Change in provisions for risks and charges | 63 | (309) |
| Change in other current liabilities | (90) | 816 |
| Change in tax receivables/payables | (496) | 1,301 |
| **Cash flow from operating activities after changes in working capital** | **(2,101)** | **4,320** |
| Taxes paid | (1,266) | (1,477) |
| Interest paid | (348) | 58 |
| **Cash flow generated from operating activities (A)** | **(3,715)** | **2,901** |
| Investments in and disinvestments from intangible assets | (163) | (262) |
| Investments in property, plant and equipment | 0 | 0 |
| Investments in non-current financial assets | 0 | 0 |
| Disinvestment for the sale of the Saint Honoré store | 0 | 1,530 |
| Investments in and disinvestments from property, plant and equipment | (433) | (578) |
| Investments in and disinvestments from non-current financial assets | 0 | 0 |
| **Changes generated from investing activities (B)** | **(596)** | **689** |
| **Financing activities** | | |
| Change in long-term financial receivables | 0 | 0 |
| Change in short- and medium/long-term borrowings | 3,542 | (1,816) |
| Changes in financial instruments | (152) | 53 |
| Lease instalments paid | (336) | (310) |
| Change in the translation reserve | (417) | (205) |
| Other minor changes | (37) | (17) |
| Dividends paid | (2,000) | (2,000) |
| **Cash flow generated from/(used in) financing activities (C)** | **601** | **(4,294)** |
| Net increase (decrease) in cash and cash equivalents (A+B+C) | (3,710) | (704) |
| **Cash and cash equivalents at the beginning of the period** | **15,288** | **10,214** |
| **Cash and cash equivalents at the end of the period** | **11,578** | **9,510** |

# NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2017

## GENERAL INFORMATION

**The Group's business**

Piquadro S.p.A. (hereinafter also referred to as "Piquadro", "the Company" or "the Parent Company") and its subsidiaries ("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 Company's economic performance, reference is made to the extensive information reported in the Report on operations prepared by the Directors.
These consolidated condensed interim financial statements were approved by the Board of Directors on 23 November 2017.

**Seasonality**

The Piquadro Group operates in a seasonal market that is typical of the sector to which it belongs. Historically, the Group's sales revenues, net of sales of The Bridge-branded products, accounted for about 48.29% of consolidated sales for the year, net of sales of The Bridge-branded products (based on consolidated revenues at 30 September 2016 compared to consolidated revenues at 31 March 2017), with a consequent impact on margins, during the first half of the financial year (i.e. from April to September).
Accordingly, it should be noted that, even if expressing the Group's economic and financial performance, the result as at 30 September 2017 does not fully represent the result that the Group expects to achieve in the financial year that will end on 31 March 2018.

## BASIS OF PREPARATION OF CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS, THE GROUP STRUCTURE AND THE SCOPE OF CONSOLIDATION

**Accounting standards and policies**

This half-year financial report, which includes the Piquadro Group's consolidated condensed interim financial statements as at 30 September 2017, was prepared pursuant to Article 154-*ter* of Legislative Decree no. 58/98 and in accordance with International Accounting Standards (IAS/IFRS) adopted by the European Union and in particular with the accounting standard applicable to interim financial reporting (IAS 34).
IAS 34 allows interim financial statements to be prepared in a "condensed" form, i.e. on the basis of minimum disclosures substantially less detailed than required by IFRS as a whole, provided that a complete set of financial statements prepared on the basis of IFRS has been previously made available to the public.
These consolidated condensed interim financial statements have been prepared in a "condensed" form and they must therefore be read together with the Group's consolidated financial statements ended 31 March 2017 prepared in accordance with IFRS adopted by the European Union, to which reference is made for a better understanding of the Group's business and structure and of the accounting standards and criteria adopted.
The preparation of interim financial statements in accordance with IAS 34 – Interim Financial Reporting requires judgments, estimates and assumptions that impact on the value of the assets, liabilities, costs and revenues. It should be noted that the final results may prove different from those obtained as a result of these estimates.

The Accounting statements of financial position, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement are prepared in an extended form and are the same as those adopted for the consolidated financial statements ended 31 March 2017.

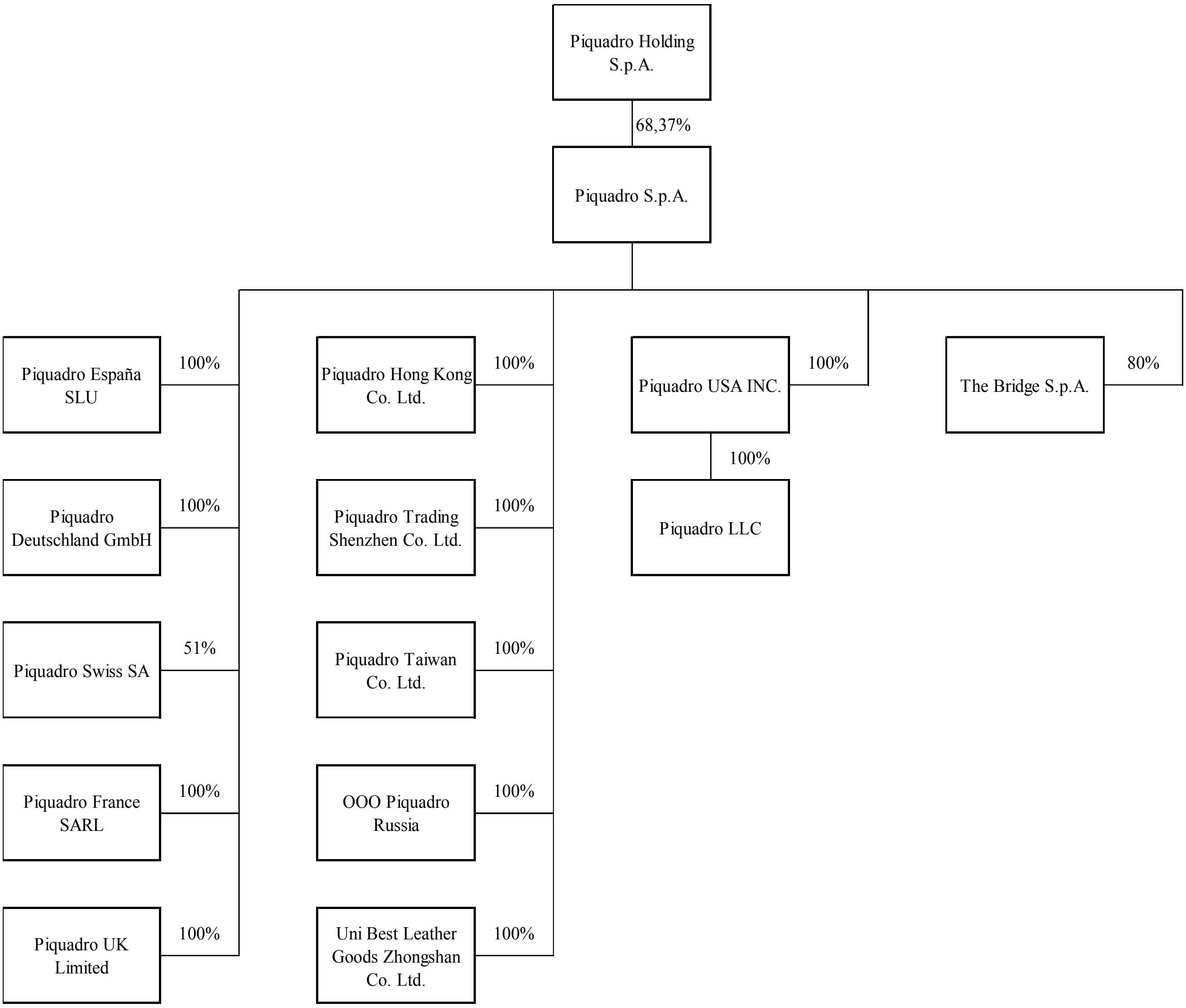
The accounting standards and policies adopted in preparing consolidated condensed interim financial statements are the same as those used in preparing the consolidated financial statements of Piquadro S.p.A. at 31 March 2017, to which reference is made for a description of the same.

This condensed half-year financial report is made up of the Statement of Financial Position, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Cash Flow Statement, the Statements of Changes in Equity and these Explanatory Notes, in accordance with IFRS. Economic data, changes in equity and cash flows for the half-year ended 30 September 2017 are compared to the half-year ended 30 September 2016. Financial data as at 30 September 2017 are compared to the corresponding values as at 31 March 2017 (relating to the last consolidated annual accounts).
For a better description, accounting data are reported in thousands of Euro in both the accounting statements and these Notes, except as otherwise specified.
The reporting currency of these consolidated financial statements is the Euro, since this currency prevails in the economies of the countries where the Piquadro Group companies conduct their business.

Except as previously illustrated in the Interim report on operations and in the subsequent explanatory notes, the Management believes that no other significant non-recurring events or transactions occurred either in the half-year ended 30 September 2017 or in the half-year ended 30 September 2016, nor did any atypical or unusual transactions significantly affect the operating result.

**The Group structure**

For the purpose of providing a clear representation, below is reported the chart of the Group structure as at 30 September 2017:




**Principles of consolidation**

*Subsidiaries*

Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. A company, therefore, has control over an entity when it is exposed, or has a right, to variable returns from its involvement with the entity and, at the same time, has the ability to affect these returns through its power over the investee. Control exists, therefore, when an investor has all the following elements:

- the power to direct the investee's relevant activities
- exposure to the investee's future returns;
- the ability to use its power over the investee to affect the investor's returns.

The power to direct the activities that significantly affect the investee's results (relevant activities) is most commonly exercised through voting rights (including potential voting rights), but also by virtue of contractual arrangements.

The criteria adopted in applying the method of consolidation on a line-by-line basis are mainly the following:

- the book value of the equity investments held by the Parent Company or by the other companies being consolidated is eliminated against the related equity in consideration of the assumption of assets and liabilities of the investee companies;

- the surplus, if any, of the total cost of the businesses acquired with respect to the portion in the fair value pertaining to identifiable assets and liabilities and potential liabilities is recognised under item Goodwill, under Intangible Assets;
- significant transactions occurred between consolidated companies are also eliminated, as well as credit and debt items and profits not yet realised which arise from transactions between Group companies;
- the portion of Total Equity pertaining to minority shareholders is recognised under a special item, while the portion of result for the period pertaining to minority interests is recognised separately in the consolidated income statement;
- the companies acquired or sold in the course of the financial year are consolidated for the period in which control was exercised.

**Scope of consolidation**

The consolidated condensed interim financial statements ended 30 September 2017 and 30 September 2016 include the interim financial statements of the Parent Company Piquadro S.p.A. and of all companies over which it exercises control, either directly or indirectly.

The complete list of the companies included in the scope of consolidation as at 30 September 2017 and 30 September 2016, with the related shareholders' equity and share capital recognised according to local accounting standards (as the Group companies have prepared their interim financial statements according to the local regulations and accounting standards, and have only prepared the consolidation file according to IFRS functionally to the consolidation into Piquadro) are reported in the tables below:

**Scope of consolidation as at 30 September 2017**

| 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 | 37,373 | Parent Company |
| Piquadro España SLU | Barcelona | Spain | EUR | 898 | 812 | 100% |
| Piquadro Deutschland GmbH | Munich | Germany | EUR | 25 | 53 | 100% |
| Uni Best Leather Goods Zhongshan Co. Ltd. | Guangdong | People's Republic of China | CNY | 22,090 | 5,263 | 100% |
| Piquadro Hong Kong Co. Ltd. | Hong Kong | Hong Kong | HKD | 2,000 | 656 | 100% |
| Piquadro Trading Shenzhen Co. Ltd. | Shenzhen | People's Republic of China | CNY | 13,799 | 6,475 | 100% |
| Piquadro Taiwan Co. Ltd. | Taipei | Taiwan | TWD | 25,000 | 29,632 | 100% |
| Piquadro France SARL | Paris | France | EUR | 100 | 480 | 100% |
| Piquadro Swiss SA | Mendrisio | Switzerland | CHF | 100 | (387) | 51% |
| Piquadro UK Limited(*) | London | United Kingdom | GBP | 1,000 | 1,026 | 100% |
| Piquadro USA INC. | Delaware | USA | USD | 1,000 | 990 | 100% |
| Piquadro LLC | Delaware | USA | USD | 995 | 991 | 100% |
| OOO Piquadro Russia | Moscow | Russia | RUB | 10 | 41,496 | 100% |
| The Bridge S.p.A. | Scandicci | Italy | EUR | 50 | 451 | 100% |

**Scope of consolidation as at 30 September 2016**

| 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 | 35,896 | Parent Company |
| Piquadro España SLU | Barcelona | Spain | EUR | 898 | 782 | 100% |
| Piquadro Deutschland GmbH | Munich | Germany | EUR | 25 | 38 | 100% |
| Uni Best Leather Goods Zhongshan Co. Ltd. | Guangdong | People's Republic of China | CNY | 22,090 | 3,421 | 100% |
| Piquadro Hong Kong Co. Ltd. | Hong Kong | Hong Kong | HKD | 2,000 | 875 | 100% |
| Piquadro Trading Shenzhen Co. Ltd. | Shenzhen | People's Republic of China | CNY | 13,799 | 8,595 | 100% |
| Piquadro Taiwan Co. Ltd. | Taipei | Taiwan | TWD | 25,000 | 29,672 | 100% |
| Piquadro France SARL | Paris | France | EUR | 2,500 | 3,210 | 100% |
| Piquadro Swiss SA | Mendrisio | Switzerland | CHF | 100 | (286) | 51% |
| Piquadro UK Limited | London | United Kingdom | GBP | 1,000 | 1,013 | 100% |
| Piquadro USA INC. | Delaware | USA | USD | 1,000 | 999 | 100% |
| Piquadro LLC | Delaware | USA | USD | 995 | 984 | 100% |
| OOO Piquadro Russia | Moscow | Russia | RUB | 10 | 39,881 | 100% |

It should be noted that the consolidation perimeter at 30 September 2017 included a new company, compared to the half-year ended 30 September 2016, i.e. The Bridge S.p.A., which was included in the consolidation area in the financial statements at 31 March 2017, following the acquisition that took place in December 2016.

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 assets and liabilities items in their entirety from the date on which control has been acquired up to the date control ceases.

The financial statements expressed in a foreign currency other than the Euro are translated into Euro by applying the exchange rates applied below for the half-years ended 30 September 2017 and 30 September 2016 (foreign currency corresponding to Euro 1). Furthermore, the financial statements also report the closing exchange rates at 31 March 2017 for comparison purposes

| Foreign currency | Average | | Closing | | |
|---|---|---|---|---|---|
| | 30/09/2017 | 30/09/2016 | 30/09/2017 | 31/03/2017 | 30/09/2016 |
| Hong Kong Dollar (HKD) | 8.71 | 8.71 | 9.221 | 8.83 | 8.65 |
| Renminbi (CNY) | 7.41 | 7.41 | 7.853 | 7.35 | 7.45 |
| Taiwan Dollar (NTD) | 36.00 | 36.00 | 35.818 | 36.60 | 34.95 |
| Swiss Franc (CHF) | 1.09 | 1.09 | 1.146 | 1.09 | 1.09 |
| Great Britain Pound (GBP) | 0.82 | 0.82 | 0.882 | 0.79 | 0.86 |
| US Dollar (USD) | 1.12 | 1.12 | 1.181 | 1.14 | 1.12 |
| Russian Rouble (RUB) | 73.22 | 73.22 | 68.252 | 76.31 | 70.51 |

**Amendments to the accounting standards**

Since new IFRS accounting standards, amendments and interpretations did not enter into force from 1 April 2017, the Group has prepared the interim financial report by using the same accounting principles as those adopted for the consolidated financial statements at 31 March 2017.

**Accounting standards, amendments and interpretations endorsed by the European Union but not yet applicable and not early adopted by the Group**

- 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* and SIC 31 – *Revenues-Barter Transactions Involving Advertising Services*. The standard establishes a new method to account for revenues, which shall apply to any and all contracts entered into with customers, except for those that fall within the scope of application of other IAS/IFRS, such as leases, insurance contracts and financial instruments. According to the new model, the basic steps to account for revenues are:
  - identify the contract with a customer;
  - identify the performance obligations in the contract;
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract;
  - recognise revenue when (or as) the entity satisfies a performance obligation.

  The standard shall apply from 1 January 2018. On the contrary, the amendments to IFRS 15, *Clarifications to IFRS 15 – Revenue from Contracts with Customers*, which were published by the IASB in April 2016, have not yet been endorsed by the European Union.

  From a preliminary analysis it emerges that the future adoption (if any) of this standard should have no significant impact on the Group's financial statements.

- On 24 July 2014 the IASB published the final version of **IFRS 9 – *Financial Instruments***. The document includes the results of the IASB's project to replace IAS 39. The new standard shall be applied to the financial statements for financial years 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 the features of contract cash flows arising therefrom in order to determine the measurement criteria, replacing the different rules laid down in IAS 39. On the contrary, the major amendment concerning financial liabilities concerns the accounting treatment of fair value changes in a financial liability designated as financial liability at fair value through profit or loss when 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 statement of "Other comprehensive income" and no longer in the income statement.

  As regards 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 any and all financial instruments, i.e. financial assets measured at amortised cost, as well as at fair value through other comprehensive income, and receivables arising from lease agreements and trade receivables

  Finally, the standard introduces a new hedge accounting model in order to update the requirements set out in current IAS 39, which have sometimes been considered too stringent and unsuitable to reflect the companies' risk management policies. The major developments in the document concern:

- an increased eligibility for hedge accounting, also including the risks of non-financial assets/liabilities eligible for being managed under hedge accounting;
- a change in the method to account for forward contracts and options when they are embedded in a hedge accounting relationship, in order to reduce the volatility of the income statement;
- changes in the effectiveness test, through the replacement of the current methods based on the parameter of 80-125% with the principle of "economic relationship" between hedged item and hedging instrument; furthermore, an assessment of the retrospective effectiveness of the hedging relationship will no longer be required.

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

From a preliminary analysis it emerges that the future adoption (if any) of this standard should have no significant impact on the Group's financial statements.

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

The following standards, updates and amendments to IFRS (already approved by the IASB), as well as the following interpretations (already approved by the IFRS IC), are in the process of being adopted by the Competent bodies of the European Union :

**IFRS 16** – *Leases*. The standard was published by the IASB on 13 January 2016, which is 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 In the Legal Form of a Lease*. The new standard provides a new definition of lease and introduces a control model (right of use) of an asset, distinguishing leases from service contracts, on the basis of whether the following key requirements are met, i.e. an identified asset, the right to substitute an identified asset, the right to obtain substantially all economic benefits from the use of the asset and the right to direct the use of the asset underlying the contract. It is expected to be applied from 1 January 2019, with early adoption permitted for the entities that will apply IFRS 15. In next months detailed analyses will be conducted in order to assess the effects that will arise from the application of IFRS 16 to the Group's accounts. It is foreseeable that this will have a considerable impact on the Group's non-current Assets and financial Liabilities, as well as on some interim income statement results.

**Amendments to IAS 12** – *Recognition of deferred tax assets for unrealised losses*. The document was issued by the IASB on 19 January 2016. The amendments, which will be applicable from the financial years commencing on 1 January 2017, clarify the method to account for deferred tax assets relating to a financial liability measured at fair value. Ealry adoption is permitted. At present the directors are assessing any possible effect of the application of these amendments to the Group's consolidated financial statements.

**Amendments to IAS 7** – *Disclosure Initiatives*. The document was issued by the IASB on 29 January 2016. The amendments, which will be applicable from the financial years commencing on 1 January 2017, require the entities to provide information on the changes in their financial liabilities, in order to allow the users to better assess the reasons behind the changes in the entity's debt. At present the directors are assessing any possible effect of the application of these amendments to the Group's consolidated financial statements.

**Amendments to IFRS 2** – *Share-based payments*. On 20 June 2016 the IASB published a document named "*Classification and Measurement of Share-based Payment Transactions*". The amendments provide some clarifications relating to the accounting treatment of the effects of vesting conditions in the case of cash-settled share-based payments, the classification of share-based payments with characteristics of net settlement and the accounting treatment of amendments to the terms and conditions of a share-based payment that change its classification from cash-settled to equity-settled. The amendments shall be applicable from 1 January 2018, with early application permitted. At present the directors are assessing any possible effect of the application of these amendments to the Group's consolidated financial statements.

**Amendments to IFRS 4** – Application of IFRS 9 *Financial Instruments* and IFRS 4 – *Insurance Contracts*. The document, which was published by the IASB on 12 September 2016, provides for a number of amendments that are aimed at clarifying the issues relating to the temporary volatility of the results stated in the financial statements, arising from the application of the new standard IFRS 9, before the IASB replaces the present IFRS 4, which is still being prepared. The amendments shall be applicable from 1 January 2018, with early application permitted. No effects are expected to arise from the application of these amendments to the Group's consolidated financial statements.

On 8 December 2016 the International Accounting Standards Board (IASB) published the document named "**Annual Improvements to IFRS Standards (2014-2016 Cycle)".** These improvements include amendments to three existing accounting standards: **IFRS 12 –** *Disclosure of Interest in Other Entities* (applicable from 1 January 2017), **IFRS 1** – First-time Adoption (applicable from 1 January 2018) and **IAS 28** – *Investments in Associates and Joint Ventures* (applicable from 1 January 2018). The amendments clarify, amend or remove redundant wordings or provisions in the text of the related standards. At present the directors are assessing any possible effect of the application of these amendments to the Group's consolidated financial statements.

**IRIC 22 –** *Foreign Currency Transactions and Advance Consideration*. The interpretation, which was published by the IASB on 8 December 2016 and was applicable from 1 January 2018, sets out the exchange rate to be used in foreign currency transactions that provide for considerations paid or collected in advance. At present the directors are assessing any possible effect of the application of the new interpretation to the Group's consolidated financial statements..

**Amendments to IAS 40** – *Investment Property*. The document was issued by the IASB on 8 December 2016. The amendments, which shall be applicable from 1 January 2018, clarify the requirements relating to the acquisition or sale of investment property. At present the directors are assessing any possible effect of the application of these amendments to the Group's consolidated financial statements.

**IFRIC 23 –** *Uncertainty over Income Tax Treatments*. This interpretation, which was published by the IASB on 7 June 2017 and shall be applicable from 1 January 2019, is aimed at clarifying the recognition and measurement requirements set out in IAS 12 in the case of regulatory uncertainty over income tax treatments. At present the directors are assessing any possible effect of the application of the new interpretation to the Group's consolidated financial statements.

On the contrary, the process of EU endorsement has been suspended for the following amendments to standards and interpretations:

**Amendments to IFRS 10 and IAS 28 –** *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. The document was published by the IASB on 11 September 2014 in order to solve a conflict between the two abovementioned standards in relation to the sale of asset or of a subsidiary to an associate or joint venture, applicable from 1 January 2016. According to these amendments, if an asset or subsidiary is sold or contributed to an associate or joint venture, the profit or loss to be recognised in the financial statements of the transferring/contributing entity must be linked to the classification of the assets or of the subsidiary transferred/contributed as business, as defined by standard IFRS 3. If the transfer/contribution constitutes a business, the entity must recognise the profit or loss on the entire quota previously held; while, otherwise, the entity must recognise the amount of profit or loss relating to the quota still held by the entity that must be written off.

## COMMENT ON THE MAIN ITEMS IN THE STATEMENT OF FINANCIAL POSITION

**ASSETS**

**NON-CURRENT ASSETS**

**Note 1 – Intangible assets**

As at 30 September 2017 the value of intangible assets was equal to Euro 8,233 thousand (Euro 8,443 thousand as at 31 March 2017).
Below is reported the statement of changes of this item:

| *(in thousands of Euro)* | **30 September 2017** |
|---|---|
| Balance as at 31 March 2017 | 8,433 |
| Investments in intangible assets | 163 |
| Sales and disposals | 0 |
| Other changes | (15) |
| Amortisation | (348) |
| Write-downs | 0 |
| **Total** | **8,233** |

In the half-year ended 30 September 2017, the increases in intangible assets came to Euro 163 thousand and mainly related to the renewal of software and IT products.

**Note 2 – Goodwill**

The assets with an indefinite useful life include goodwill recognised for a value equal to Euro 4,658 thousand relating to the business combination involving The Bridge S.p.A., which has been accounted for in accordance with the provisions laid down in IFRS 3 revised. Specifically, the Management has carried out a measurement of assets or liabilities and potential liabilities at fair value, on the basis of the information on existing facts or circumstances which was available on the date of the acquisition. For the calculation of Goodwill at 31 March 2017, reference should be made to the information provided in the explanatory notes to the financial statements at 31 March 2017.
In accordance with IAS 36, no impairment test was conducted on the goodwill value stated at 30 September 2017, since there was no evidence of permanent impairment losses.

**Note 3 - Property, plant and equipment**

As at 30 September 2017, the value of property, plant and equipment was equal to Euro 11,894 thousand (Euro 12,692 thousand as at 31 March 2017).
Below is reported the statement of changes of this item:

| *(in thousands of Euro)* | **30 September 2017** |
|---|---|
| Balance as at 31 March 2016 | 12,692 |
| Investments in property, plant and equipment | 468 |
| Sales and disposals | (35) |
| Other changes | (163) |
| Depreciation | (1,011) |
| Write-downs | (57) |
| **Total** | **11,894** |

Increases in property, plant and equipment came to Euro 468 thousand in the half-year ended 30 September 2017 and were mainly attributable to general systems and office machinery to be installed at the new cutting room at subsidiary The Bridge S.p.A. and relating to furniture and furnishings purchased for DOS being opened for Euro 344 thousand.

Below is reported the net book value as at 30 September 2017 of the assets used by the Group by virtue of finance lease agreements:

| *(in thousands of Euro)* | **30 September 2017** |
| --- | --- |
| Land | 878 |
| Buildings | 4,090 |
| Plant and equipment | 470 |
| Industrial and business equipment | 6,465 |
| Other Assets | 12 |
| **Total** | **11,915** |

**Note 4 – Non-current financial assets**

Non-current financial assets, equal to Euro 2 thousand, related to quotas held in minor companies that do not belong to the Group.

**Note 5 – Receivables from others**

Receivables from others, equal to Euro 696 thousand as at 30 September 2017 (against Euro 772 thousand as at 31 March 2017) mainly relate to the guarantee deposits paid for various utilities, including those relating to directly-operated stores and to deposits relating to the lease of DOS shops.

**Note 6 – Deferred tax assets and liabilities**

As at 30 September 2017, the amount of deferred tax assets was equal to Euro 2,238 thousand (Euro 2,204 thousand as at 31 March 2017). The amount was the net balance between deferred tax assets (Euro 2,439 thousand) and deferred tax liabilities (Euro 201 thousand).

Furthermore, the balance was mainly made up of temporary tax differences for Euro 834 thousand relating to Piquadro S.p.A. and for Euro 1,151 thousand relating to The Bridge S.p.A., as well as of an amount of Euro 184 thousand that was generated by the reversal of the intercompany margin from the value of closing inventories of finished products.

**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 as at 30 September 2017** | **Provision for write-down** | **Net value as at 30 September 2017** | **Net value as at 31 March 2017** |
| --- | --- | --- | --- | --- |
| Raw Materials | 6,230 | (1,498) | 4,732 | 4,420 |
| Semi-finished products | 610 | 0 | 610 | 671 |
| Finished products | 17,122 | (558) | 16,564 | 13,900 |
| **Inventories** | **23,962** | **(2,056)** | **21,906** | **18,991** |

As at 30 September 2017, inventories showed an increase of about Euro 2.9 million compared to the corresponding values as at 31 March 2017, which was mainly due to the effect of the seasonality for the period and to higher revenues.

Finally, below is reported the breakdown and the changes in the provision for write-down of inventories:

| *(in thousands of Euro)* | **Provision as at 31 March 2017** | **Use** | **Allocation** | **Provision as at 30 September 2017** |
| --- | --- | --- | --- | --- |
| Provision for write-down of raw | 1,613 | (125) | 10 | 1,498 |

| | | | | |
|---|---|---|---|---|
| materials | | | | |
| Provision for write-down of finished products | 532 | 0 | 25 | 558 |
| **Total provision for write-down of inventories** | **2,146** | **125** | **35** | **2,056** |

**Note 8 – Trade receivables**

As at 30 September 2017, trade receivables were equal to Euro 34,575 thousand compared to Euro 27,747 thousand as at 31 March 2017. The increase of 24.6% over 31 March 2017 is mainly attributable to the different seasonality, as well as to an increase in revenues.

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, in the half-year under consideration, are showed in the table below:

| *(in thousands of Euro)* | **Provision as at 30 September 2017** | **Provision as at 31 March 2017** |
|---|---|---|
| Balance at the beginning of the year | 2,280 | 1,304 |
| Accrual to provision | 345 | 440 |
| Change in consolidation area | 0 | 1,043 |
| Uses | (16) | (507) |
| **Total provision for bad debts** | **2,609** | **2,280** |

**Note 9 – Other current assets**

Below is reported the breakdown of other current assets:

| *(in thousands of Euro)* | **30 September 2017** | **31 March 2017** |
|---|---|---|
| Other assets | 1,348 | 1,666 |
| Accrued income and prepaid expenses | 1,789 | 1,745 |
| **Other current assets** | **3,137** | **3,411** |

Other assets mainly related to INAIL advances of Euro 127 thousand, to VAT credits related to subsidiaries and to the Parent Company for Euro 72 thousand and to a receivable of Euro 349 thousand, relating to advances from suppliers.
There was also the recognition of a receivable of Euro 800 thousand from the minority interests of The Bridge S.p.A. in relation to liabilities, including potential liabilities, arising from the outcome of the Tax Audit in progress.
The subsidiary The Bridge has been involved in a tax audit since September 2016, which was completed on 16 March 2017 through the service of a report of findings (*Processo Verbale di Constatazione*, PVC). Following a thorough examination of the PVC on the part of tax advisors, a specific provision was set aside for the amount of liabilities for higher tax, sanctions and interest, which are expected to arise, with an appreciable degree of probability, in relation to the objections contained in the PVC. Against this liability, Il Ponte Pelletteria S.p.A., which is the selling party and a minority shareholder of The Bridge S.p.A., has undertaken to reimburse Piquadro S.p.A. for an amount equal to the costs that were accounted for in the 2016 financial statements in relation to liabilities, including potential liabilities, arising from the completion of the tax audit. As at the date of these notes there were no updates concerning this tax dispute.
Accrued income and prepaid expenses mainly related to prepaid expenses on rents (Euro 550 thousand, of which Euro 20 thousand relating to The Bridge S.p.A.), costs relating to advertising, media and exhibitions (Euro 750 thousand, of which Euro 90 thousand relating to The Bridge S.p.A.), maintenance contracts and insurance expenses (Euro 80 thousand, of which Euro 12 thousand relating to The Bridge S.p.A.).

**Note 10 – Derivative assets**

As at 30 September 2017 there were currency forward purchases (USD), the negative fair value of which was equal to Euro 163 thousand (Euro 11 thousand as at 31 March 2017). The Company hedges the exchange risk connected to purchases of raw materials in US dollars and for contract work done in China. In consideration for this risk, the

Company makes use of instruments to hedge the risk attached to the related rate, trying to fix and crystallise the exchange rate at a level that is in line with the budget forecasts. For details, reference should be made to Note 22 of this Report.

**Note 11 - Tax receivables**

As at 30 September 2017 tax receivables were equal to Euro 639 thousand (Euro 1,011 thousand at 31 March 2017) and were mainly made up of tax receivables recognized by foreign subsidiaries for income taxes.

| *(in thousands of Euro)* | **30 September 2017** | **31 March 2017** |
|---|---|---|
| Receivables for income taxes | 715 | 1,005 |
| Receivable for IRES tax refund | 1 | 6 |
| Other receivables | 8 | 0 |
| **Tax receivables** | **724** | **1,011** |

**Note 12 – Cash and cash equivalents**

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

| *(in thousands of Euro)* | **30 September 2017** | **31 March 2017** |
|---|---|---|
| Available current bank accounts | 11,424 | 15,162 |
| Cash, cash on hand and cheques | 154 | 126 |
| **Cash and cash equivalents** | **11,578** | **15,288** |

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

**LIABILITIES**

**NON-CURRENT LIABILITIES**

**Note 13 – EQUITY**

**Share capital**

As at 30 September 2017, the Share Capital of Piquadro S.p.A. was equal to Euro 1,000 thousand and was represented by no. 50,000,000 ordinary shares, fully subscribed and paid up, with regular enjoyment, with no indication of their par value.

**Share premium reserve**

This reserve, which remained unchanged compared to the financial year ended at 31 March 2017, was equal to Euro 1,000 thousand.

**Translation reserve**

As at 30 September 2017 the translation reserve was positive for Euro 172 thousand (it reported a positive balance of Euro 598 thousand as at 31 March 2017). This item is referred to the foreign exchange 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 (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 (the relevant currency being the Russian Rouble).

**Group net profit**

This item relates to the recognition of the Group profit, equal to Euro 2,815 thousand, in the half-year ended 30 September 2017.

**Profits and reserves attributable to minority interests**

The item refers to the portions of reserves and profits, equal to a negative value of Euro 158 thousand (against a negative value of Euro 136 thousand at 31 March 2017), which are attributable to the minority interests of Piquadro Swiss SA and of which the Parent Company owns 51% of the share capital.

**Note 14 – Borrowings**

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

| *(in thousands of Euro)* | **30 September 2017** | **31 March 2017** |
|---|---|---|
| Borrowings from 1 to 5 years | 13,220 | 13,676 |
| Borrowings beyond 5 years | 0 | 0 |
| **Medium/long-term borrowings** | **21,205** | **13,676** |

In the half-year ended 30 September 2017 the Parent Company took steps to terminate two credit facilities with UBI and a loan with Credem.
On 22 May a 60-month loan was raised with UBI for an amount of Euro 3 million, expiring on 29 May 2022.
On 26 June a short-term loan was disbursed by Credem for an amount of Euro 2 million, expiring on 23 March 2018.

As at 30 September 2017, borrowings mainly related to Piquadro S.p.A. and included:

1. Euro 1,372 thousand relating to the unsecured loan granted by BPER – Banca Popolare dell'Emilia Romagna on 10 June 2016 (against an initial amount of Euro 2,000 thousand), of which a current portion of Euro 1,001 thousand and a non-current portion of Euro 378 thousand;
2. Euro 2,127 thousand relating to the unsecured loan granted by Cassa di Risparmio in Bologna (for an initial amount of Euro 2,500 thousand) on 30 November 2016, of which a current portion of Euro 497 thousand and a non-current portion of Euro 1,632 thousand;
3. Euro 2,441 thousand relating to the unsecured loan granted by Credem – Credito Emiliano (for an initial amount of Euro 3,000 thousand) on 7 December 2016, of which a current portion of Euro 748 thousand and a non-current portion of Euro 1,693 thousand;
4. Euro 2,627 thousand relating to the unsecured loan granted by UniCredit (for an initial amount of Euro 3,000 thousand) on 10 January 2017, of which a current portion of Euro 747 thousand and a non-current portion of Euro 1,881 thousand;
5. Euro 2,998 thousand relating to the unsecured loan granted by Banca Monte dei Paschi di Siena (for an initial amount of Euro 3,000 thousand) on 30 January 2017, of which a current portion of Euro 600 thousand and a non-current portion of Euro 2,400 thousand;
6. Euro 4,313 thousand relating to the unsecured loan granted by Mediocredito Italiano S.p.A. on 22 March 2017, of which a current portion of Euro 1,333 thousand and a non-current portion of Euro 3,000 thousand;
7. Euro 2,846 thousand relating to the unsecured loan granted by UBI Banca (for an initial amount of Euro 3,000 thousand) on 22 May 2017, of which a current portion of Euro 595 thousand and a non-current portion of Euro 2,256 thousand.

Below is reported the breakdown of short- and long-term borrowings:

| *(in thousands of Euro)* | **Date of granting of the loan** | **Initial amount** | **Curren cy** | **Current borrowin gs** | **Amort. cost (S/T)** | **Non-current borrowin gs** | **Amort. Cost (L/T)** | **Total** |
|---|---|---|---|---|---|---|---|---|

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| BPER loan | 10 June 2016 | 2,000 | Euro | 1,001 | (5) | 378 | (3) | 1,372 |
| Carisbo loan | 30 November 2016 | 2,500 | Euro | 497 | (1) | 1,632 | (1) | 2,127 |
| Credem loan | 7 December 2016 | 3,000 | Euro | 748 | | 1,693 | | 2,441 |
| Unicredit loan | 10 January 2017 | 3,000 | Euro | 747 | | 1,881 | (1) | 2,627 |
| MPS loan | 30 January 2017 | 3,000 | Euro | 600 | (1) | 2,400 | (1) | 2,998 |
| Mediocredito loan | 22 March 2017 | 5,000 | Euro | 1,333 | (10) | 3,000 | (10) | 4,313 |
| UBI Loan | 22 May 2017 | 3,000 | Euro | 595 | (2) | 2,256 | (4) | 2,846 |
| Credem | 26 June 2017 | 2,000 | Euro | 2,000 | 0 | 0 | 0 | 2,000 |
| Payables to banks | | | Euro | 482 | 0 | 0 | 0 | 482 |
| | | | | **8,004** | **(19)** | **13,240** | **(20)** | **21,205** |

There are no covenants on these borrowings.

**Note 15 – Payables to other lenders for lease agreements**

Below is reported the following breakdown:

| *(in thousands of Euro)* | **30 September 2017** | **31 March 2017** |
|---|---|---|
| **Non-current portion**: | | |
| Payables to leasing companies | 45 | 916 |
| **Current portion**: | | |
| Payables to leasing companies | 1,226 | 691 |
| **Payables to other lenders for lease agreements** | **1,271** | **1,607** |

Payables to other lenders for lease agreement, equal to Euro 1,271 thousand as at 30 September 2017 (Euro 1,607 thousand as at 31 March 2017), mainly related to the property hosting the operational offices of the Parent Company (the portion of which has been reclassified in full to current liabilities as it shall be repaid in full by August 2018), while an amount of Euro 131 thousand related to lease agreements involving the furnishings of the points of sales of The Bridge brand, Euro 45 thousand of which shall be repaid beyond 12 months.

**Note 16 – Oher non-current liabilities**

Below is the related breakdown:

| *(in thousands of Euro)* | **30 September 2017** | **31 March 2017** |
|---|---|---|
| Other payables | 1,733 | 2,209 |
| **Other non-current liabilities** | **1,733** | **2,209** |

“Other payables”, totalling Euro 2,209 thousand at 31 March 2017, related to the deferred payment of the price of acquisition of The Bridge S.p.A., equal to Euro 1,482 thousand, and the value of the call option of the remaining stakes valued by an independent expert for Euro 727 thousand. The portion expiring within 12 months, equal to Euro 820 thousand, has been reclassified to other current liabilities.

**Note 17 – Provision for Employee Benefits**

As at 30 September 2017 the value of the provision was equal to Euro 1,766 thousand (Euro 1,756 thousand as at 31 March 2017) and has been determined by an independent actuary; the actuarial assumptions used for calculating the provision are not changed compared to the information reported in the paragraph *Accounting standards – Provision for employee benefits* in the Notes to the consolidated financial statements as at 31 March 2017.

**Note 18 – Provisions for risks and charges**

Below are the changes in provisions for risks and charges as at 30 September 2017:

| *(in thousands of Euro)* | **Provision as at 31 March 2017** | **Use** | **Allocation** | **Provision as at 30 September 2017** |
|---|---|---|---|---|
| Provision for supplementary clientele indemnity | 895 | 0 | 86 | 981 |
| Other provisions for risks | 1,075 | 0 | 0 | 1,075 |
| **Total** | **1,970** | **0** | **86** | **2,056** |

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.
The balance of this provision amounted to Euro 981 thousand at 30 September 2017, showing an increase of Euro 86 thousand compared to 31 March 2017 (Euro 895 thousand).
"Other Provisions for risks", equal to Euro 1,075 thousand, are made up as follows:

- the financial statements of subsidiary The Bridge S.p.A. include the recognition of liabilities that are regarded as probable for Euro 800 thousand, in relation to the PVC that has already been referred to above. Specifically, on 16 march 2017 the Florence Tax Police Unit completed the tax audit that had been started on 9 September 2016, through the service of a Report of Findings (*Processo Verbale di Constatazione*, PVC). In analysing the objections raised in the PVC, the Directors have deemed appropriate to recognise, on a prudential basis, an amount of tax, sanctions and interest corresponding to that for which there is a risk of sustaining a future outlay. There were no updates with respect to the information reported as at the date of these notes.

- The remaining amount related, for Euro 275 thousand, to accruals for provisions for risks of the Parent Company Piquadro S.p.A., which are detailed below. Specifically, the item includes the provision for risks on returns on sales, equal to Euro 61 thousand, the provision for risks on repairs for Euro 10 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, which were recognised in relation to the PVC report that involved Piquadro S.p.A. and includes taxes, interest and charges for tax advice. On 31 May 2017 the Bologna Tax Police Unit completed 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 have deemed appropriate to recognise on a prudential basis, as early as in the financial statements at 31 March 2017, an amount of tax, sanctions and interest, in a provision for risks among liabilities, corresponding to that for which there is a risk of sustaining a future outlay. No developments in this regard had been reported on the date of these notes.

**Note 19 – Deferred tax liabilities**

At 30 September 2017 the amount of deferred tax liabilities, equal to Euro 201 thousand (Euro 193 thousand at 31 March 2017) was attributable to the Parent Company for Euro 141 thousand and to subsidiary The Bridge S.p.A. for Euro 50 thousand. Reference is made to the information reported in Note 6 above.

*CURRENT LIABILITIES*

**Note 20 – Borrowings**

As at 30 September 2017 current borrowings were equal to Euro 7,985 thousand against Euro 5,987 thousand as at 31 March 2017. The balance related to a current portion of loans for Euro 5,695 thousand, payables to banks of Euro 2,00 thousand for advance on dividends distributed on the profit as at 31 March 2017. For more information, reference is made to Note 14 above.

**Note 21 - Payables to other lenders for lease agreements**

As at 30 September 2017 they were equal to Euro 1,226 thousand (Euro 691 thousand as at 31 March 2017) and related to the current portion of payables to leasing companies for Euro 1,133 thousand, for the lease agreement that was initially entered into between Piqubo Servizi S.r.l., which was merged by incorporation into Piquadro S.p.A. by a deed dated 24 October 2008, and Centro Leasing S.p.A. in relation to the factory, land and automatic warehouse located in Località Sassuriano, Silla di Gaggio Montano (Province of Bologna), while an amount of Euro 93 thousand related to lease agreement involving the furnishings of the points of sales of The Bridge brand.

## 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 scheme (as required by CONSOB Communication no. 6064293 of 28 July 2006):

| *(in thousands of Euro)* | **30/09/2017** | **31/03/2017** | **30/09/2016** |
|---|---|---|---|
| (A) Cash | 154 | 126 | 98 |
| (B) Other cash and cash equivalents (available current bank accounts) | 11,424 | 15,162 | 9,412 |
| **(C) Liquidity (A) + (B)** | **11,578** | **15,288** | **9,510** |
| (D) Finance leases | (1,226) | (691) | (593) |
| (E) Current bank receivables | 0 | 310 | 0 |
| (F) Current portion of current debt | (8,148) | (5,998) | (8,373) |
| (G) Payables to Il Ponte SpA for the acquisition of The Bridge | (820) | (70) | 0 |
| **(H) Current financial deb (D) + (E) + (F) + (G)** | **(10,194)** | **(6,449)** | **(8,966)** |
| **(I) Short-term net financial position (C) + (H)** | **1,384** | **8,839** | **544** |
| (L) Non-current bank debt | (13,221) | (13,676) | (4,754) |
| (M) Finance leases | (45) | (916) | (1,133) |
| (N) Payables to Il Ponte SpA for the acquisition of The Bridge | (1,733) | (2,483) | 0 |
| **(O) Non-current financial debt (L) + (M) + (N)** | **(14,999)** | **(17,075)** | **(5,887)** |
| **(P) Net Financial Position (I) + (O)** | **(13,615)** | **(8,236)** | **(5,343)** |

The Net Financial Position posted a negative value of about Euro 13.6 million compared to Euro 8.2 million recorded at 31 March 2017 and to Euro 5.3 million recorded at 30 September 2016.
The Net Financial Position a 30 September 2017, compared to that recorded at 30 September 2016, was affected by the effects of the acquisition of The Bridge S.p.A. that took place in December 2016, which contributed an amount of Euro 8.4 million relating to the financial exposure of The Bridge S.p.A. at the time of the acquisition and an amount of Euro 4.6 million paid by Piquadro S.p.A. for the acquisition of The Bridge (of which an amount of Euro 1.675 million was settled at the time of the closing, an amount of Euro 334 thousand for additional charges, an amount of Euro 2.5 million relating to payables for deferred payments, including an amount of Euro 727 thousand for the call option concerning the remaining 20% stake of The Bridge), compared to a cash flow of Euro 6.1 million generated by the Group.

The main reasons for the trend in the net financial position, compared to 31 March 2017, are attributable to the following factors:

- An operating free cash flow for the period equal to Euro 4.4 million;

- The payment of dividends of Euro 2.0 million;
- Investments in property, plant and equipment and intangible assets equal to Euro 0.6 million;
- An increase of Euro 6.8 million in the working capital relating to a different seasonality.

**Note 22 – Derivative liabilities**

As at 30 September 2017 derivative liabilities, equal to Euro 163 thousand (Euro 11 thousand at 31 March 2017), related to the hedging of the exchange risk associated with the purchases of raw materials in US Dollars and to the contract work made in China, as well as to the measurement of the derivative Interest Rate Swap (IRS) 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)* | **30 September 2017** | **31 March 2017** |
|---|---|---|
| Payables to suppliers | 22,244 | 20,244 |

At 30 September 2017 payables to suppliers showed an increase of about Euro 2,000 thousand compared to 31 March 2017 (equal to Euro 20,244 thousand), mainly due to the effect of seasonal trends relating to the purchases of goods and services.

**Note 24 – Other current liabilities**

| *(in thousands of Euro)* | **30 September 2017** | **31 March 2017** |
|---|---|---|
| Payables to social security institutions | 540 | 557 |
| Payables to pension funds | 33 | 28 |
| Other payables | 849 | 387 |
| Payables to employees | 2,010 | 1,677 |
| Advances from customers | 99 | 84 |
| VAT payables | 698 | 953 |
| IRPEF tax payables and other tax payables | 451 | 578 |
| Accrued expenses and deferred income | 49 | 80 |
| **Other current liabilities** | **4,730** | **4,344** |

“Other current liabilities”, totalling Euro 4,730 thousand, included: payables to social security institutions, which mainly related to the Parent Company’s payables due to INPS, payables to employees as at 30 September 2017, equal to Euro 2,010 thousand (Euro 1,677 thousand as at 31 March 2016), which mainly included the Group’s payables for remunerations to be paid and deferred charges with respect to employees.
Furthermore, “Other payables” included the reclassification of the amount due within 12 months, equal to Euro 820 thousand, of the deferred payment of the price for the acquisition of The Bridge S.p.A.

**Note 25 – Tax payables**

Below is the breakdown of tax payables:

| *(in thousands of Euro)* | **30 September 2017** | **31 March 2017** |
|---|---|---|
| IRES tax and other income taxes | 925 | 464 |
| IRAP tax | 322 | 0 |
| **Tax payables** | **1,247** | **464** |

Tax payables for IRES and IRAP tax relate to the allocation of taxes on an accruals basis on the income produced in the period, an amount reported net of any advances paid. The delta compared to the balance at 31 March 2017 was attributable to the circumstance in which no tax advances had been paid on 30 September 2017 as the Company claimed a credit amount as at 31 March 2017.

## COMMENT ON THE MAIN 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 the performance of operations.

The Group's revenues are mainly realised in Euro.

Below is the breakdown of revenues by geographical area:

| *(in thousands of Euro)* | **30 September 2017** | **30 September 2016** |
|---|---|---|
| Italy | 36,356 | 25,709 |
| Europe | 8,954 | 6,427 |
| Rest of the world | 1,504 | 2,066 |
| **Revenues from sales** | **46,814** | **34,202** |

In the half-year ended 30 September 2017, revenues from sales reported an increase equal to Euro 12,612 thousand compared to the corresponding revenues achieved in the half-year ended 30 September 2016 (+36.9%).
This increase, compared to the previous period, was mainly due to the acquisition of The Bridge S.p.A., which contributed revenues of Euro 11,114 thousand, while the increase reported for the Piquadro brand was equal to Euro 1,498 thousand.

**Note 27 – Other income**

In the half-year ended 30 September 2017, other income amounted to Euro 600 thousand (Euro 1,812 thousand in the half-year ended 30 September 2016) and was broken down as follows:

| *(in thousands of Euro)* | **30 September 2017** | **30 September 2016** |
|---|---|---|
| Charge-backs of transport and collection expenses | 52 | 52 |
| Insurance and legal refunds | 25 | 11 |
| Revenues from sales at corner shops | 0 | 1 |
| Other sundry income | 522 | 1,748 |
| **Revenues from sales** | **600** | **1,812** |

In the half-year ended 30 September 2017, other revenues from the Piquadro brand came to Euro 600 thousand and were made up of Euro 404 thousand for the Piquadro brand and Euro 196 thousand for The Bridge brand.
Other income from the Piquadro brand, equal to an amount of Euro 404 thousand during the half-year ended September 2017 compared to the same period in 2016, showed an increase of Euro 62 thousand, net of the capital gain realised in said corresponding previous half-year through the transfer of the Key Money of Euro 1,470 thousand of the store located in Paris - Saint Honoré.

**Note 28 – Change in inventories**

The change in inventories was positive in the half-year ended 30 September 2017 (Euro 3,111 thousand) and negative in the half-year ended 30 September 2016 (Euro 1,527 thousand), with a net difference of Euro 4,638 thousand between the two periods.
This change was attributable, for Euro 1,112 thousand, to the inclusion of The Bridge S.p.A. in the consolidation area, while, for the remaining portion, to an increase of Euro 3,526 thousand in the value of closing inventories of the Parent Company Piquadro S.p.A.

**Note 29 – Costs for purchases**

In the half-year ended 30 September 2017, costs for purchases were equal to Euro 14,102 thousand (Euro 6,986 thousand in the half-year ended 30 September 2016).
The item essentially includes the cost of materials used for the production of corporate goods and of the consumables for both the Piquadro and The Bridge brands.
The increase of Euro 7,117 thousand was due to the inclusion of subsidiary The Bridge S.p.A. in the consolidation area, with a contribution of Euro 4,527 thousand, while the increase in costs for purchases for the Piquadro brand was equal to Euro 2,590 thousand.

**Note 30 – Costs for services and leases and rentals**

Below is the breakdown of costs for services:

| *(in thousands of Euro)* | **30 September 2017** | **30 September 2016** |
|---|---|---|
| External production | 7,011 | 3,438 |
| Advertising and marketing | 2,014 | 1,841 |
| Transport services | 2,193 | 1,592 |
| Business services | 1,765 | 1,470 |
| Administrative services | 773 | 615 |
| General services | 968 | 761 |
| Services for production | 956 | 632 |
| **Total Costs for services** | **15,680** | **10,349** |
| **Costs for leases and rentals** | **4,393** | **3,635** |
| **Costs for services and leases and rentals** | **20,073** | **13,984** |

The increase in costs for services and costs for leases and rentals was mainly due to the inclusion of subsidiary The Bridge S.p.A. in the consolidation area, with a contribution of Euro 4,937 thousand.
On the contrary, the increase in costs for the Piquadro brand was equal to Euro 1,152 thousand.

Costs for leases and rentals mainly related to external production on Piquadro- and The Bridge S.p.A.-branded products and to lease rentals relating to the shops of the Parent Company and of the Group companies that are responsible for the distribution of products, and decreased as a result of the closure of some DOS shops.

**Note 31 – Personnel costs**

Below is reported the breakdown of personnel costs:

| *(in thousands of Euro)* | **30 September 2017** | **30 September 2016** |
|---|---|---|
| Wages and salaries | 7,750 | 6,187 |
| Social security contributions | 1,642 | 1,208 |
| TFR | 402 | 286 |
| **Personnel costs** | **9,794** | **7,681** |

The table below reports the exact number by category of employees:

| **Category** | **30 September 2017** | **30 September 2016** | **31 March 2017** |
|---|---|---|---|
| Executives | 6 | 5 | 5 |
| Office workers | 391 | 393 | 392 |
| Manual workers | 384 | 347 | 364 |
| **Total** | **781** | **745** | **761** |

In the half-year ended 30 September 2017, personnel costs reported an increase of 27.5%, passing from Euro 7,681 thousand in the half-year ended 30 September 2016 to Euro 9,794 thousand in the half-year ended 30 September 2017. The increase in personnel costs is mainly due to the acquisition of The Bridge S.p.A. and of its entire workforce, which included 92 employees at 30 September 2017. Personnel costs for the Piquadro brand showed an increase of about Euro 255 thousand, while the contribution from The Bridge S.p.A. was equal to Euro 1,858 thousand.

To supplement the information provided, below is also reported  the average number of employees for the half-years ended 30 September 2017 and 30 September 2016 and for the financial year ended 31 March 2017:

| *Average unit* | **30 September 2017** | **30 September 2016** | **31 March 2017** |
|---|---|---|---|
| Executives | 6 | 4 | 5 |
| Office workers | 394 | 350 | 358 |
| Manual workers | 376 | 357 | 347 |
| **Total for the Group** | **776** | **711** | **710** |

**Note 32 – Amortisation, depreciation and write-downs**

In the half-year ended 30 September 2017, amortisation and depreciation were equal to Euro 1,388 thousand (Euro 1,250 thousand in the half-year ended 30 September 2016).

The increase of Euro 88 thousand arose from the combined effect of the inclusion of The Bridge S.p.A. in the consolidation area, which contributed Euro 326 thousand, while a decrease of Euro 238 thousand was recorded for the Piquadro brand.

Write-downs, equal to Euro 443 thousand (compared to Euro 493 thousand at 30 September 2016) showed a decrease compared to the half-year ended 30 September 2016 and were made up of the accrual to the provision for bad debts (for Euro 386 thousand at 30 September 2017) and the write-downs of some categories of assets (for Euro 57 thousand at 30 September 2017).
The accrual to the provision for bad debts, equal to Euro 386 thousand at 30 September 2017 (Euro 270 thousand in 2016) showed an increase of Euro 42 thousand for the Piquadro brand compared to the half-year ended September 2016 (amounting to Euro 270 thousand) and was affected by the effect of the inclusion of The Bridge S.p.A. in the consolidation area for Euro 74 thousand.
The write-downs of some categories of assets, equal to Euro 57 thousand in September 2017 (Euro 223 thousand at 30 September 2016 as a result of the closure of the point of sale located in Paris at Rue Saint Honoré) concerned the closure of the I-Square store (Hong Kong), which took place in September.

**Note 33 – Other operating costs**

Other operating costs in the financial year ended 30 September 2017 came to Euro 326 thousand (Euro 53 thousand at 30 September 2016), showing an increase that was mainly due to the inclusion of The Bridge S.p.A. in the consolidation area.
The increase of Euro 223 thousand was mainly attributable to charges generated from current operations of Piquadro, while an amount of Euro 103 thousand concerned The Bridge S.p.A.

**Note 34 - Financial income**

In the half-year ended 30 September 2017, financial income was equal to Euro 603 thousand (Euro 388 thousand in the half-year ended 30 September 2016) mainly related to Piquadro S.p.A. for Euro 582 thousand and to The Bridge S.p.A. for Euro 21 thousand. The breakdown includes an amount of Euro 42 thousand of interest receivable on current accounts and from customers (of which Euro 2 thousand relating to The Bridge S.p.A.), as well as an amount of Euro 563 thousand (of which Euro 20 thousand relating to The Bridge S.p.A.) of foreign exchange gains either realised or estimated (Euro 374 thousand as at 30 September 2016) due to the exchange differences for the consolidation of companies with a reporting currency other than Euro.

**Note 35 - Financial costs**

Below is the breakdown of financial costs:

| *(in thousands of Euro)* | **30 September 2017** | **30 September 2016** |
|---|---|---|
| Interest payable on current accounts | 45 | 34 |
| Interest and expense subject to final payment | 10 | 10 |
| Financial costs on loans | 88 | 72 |
| Lease charges | 10 | 4 |
| Other charges | 13 | 16 |
| Net financial costs on defined-benefit plans | 2 | 2 |
| Foreign exchange losses (both realised and estimated) | 784 | 193 |
| **Financial costs** | **951** | **330** |

The increase in financial costs was mainly due to the foreign exchange losses reported by Piquadro S.p.A. and its foreign subsidiaries, due to the exchange differences for the consolidation of companies with a reporting currency other than Euro.

**Note 36 – Income taxes**

Below is reported the breakdown of income tax expenses:

| *(in thousands of Euro)* | **30 September 2017** | **30 September 2016** |
|---|---|---|
| IRES tax and other income taxes | 1,053 | 1,219 |
| IRAP tax | 273 | 258 |
| Deferred tax liabilities | 14 | 28 |
| Deferred tax assets | (74) | (65) |
| **Total deferred tax assets and liabilities** | **1,266** | **1,440** |

**Note 37 – Earnings per share**

As at 30 September 2017 basic earnings per share amounted to Euro 0.056 and are calculated on the basis of the consolidated Net Profit for the period attributable to the Group, equal to Euro 2,784 thousand, divided by the weighted average number of ordinary shares outstanding in the half-year, equal to 50,000,000 shares.

| *(in thousands of Euro)* | **30 September 2017** | **30 September 2016** |
|---|---|---|
| Group net profit (in thousands of Euro) | 2,784 | 2,657 |
| Average number of outstanding ordinary shares | 50,000 | 50,000 |
| **Basic earnings per share (in Euro)** | **0.056** | **0.053** |

## Note 38 - Segment reporting

In order to provide disclosures regarding the economic, financial and equity position by segment (Segment Reporting), the Group has chosen the distinction by distribution channel 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 table below illustrates the segment data of the Piquadro Group broken down by sales channel (DOS and Wholesale), for the Piquadro and The Bridge brands, relating to the financial years ended 30 September 2017 and 30 September 2016. The segment economic performance is monitored by the Company's Management up to the "Segment result before amortisation and depreciation".

The Piquadro brand distribution channels selected as those being presented are the following ones:

- DOS channel;
- Wholesale channel.

In fact, the products are distributed through two distribution channels:

- a direct channel, which as at 30 September 2017, included 53 single Piquadro brand stores directly operated by the Group (the so-called "Directly Operated Stores" or "DOS");
- an indirect channel ("Wholesale"), which is represented by multi-brand shops department store, single-brand shops run by third parties linked to the Group by franchise agreements (43 shops as at 30 September 2017) and by distributors who then resell the articles in specialist multi-brand shops.

As shown below, as at 30 September 2017, approximately 29.5% of the Group's consolidated revenues was realised through the direct channel, while 46.8% of consolidated revenues was realised through the indirect channel.

DOS channel's performance in the half-year ended 30 September 2017, compared to the results recorded as at 30 September 2016, was mainly affected by the following factors:

- a positive performance in terms of SSSG of the DOS segment compared to the first 2016/2017 half-year;
- closure of 6 stores (1 in France, 2 in Italy and 3 in Taiwan) with performance not in line with average profitability;
- a capital gain of about Euro 1.5 million realised through the disposal of the DOS located in Paris at Rue Saint Honoré, which took place on 26 July 2016, in addition to the revenues realised and the costs incurred by Piquadro France SARL during the first 2016/2017 half-year;
- higher indirect costs charged to the DOS channel, due to a higher percentage of sales volumes.

There was an improvement in margins as regards the performance of the Wholesale channel in the half-year ended 30 September 2017, compared to the results recorded as at 30 September 2016, as a result of higher sales, mainly attributable to trends in the domestic and European markets due to greater efficiency and effectiveness of the sales network.

| | 30 September 2017 | | | | | 30 September 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Business Segment PIQUADRO | | THE BRIDGE | | | Business Segment | | | | % Change 2017/2016 |
| *(in thousands of Euro)* | DOS | Wholesale | | Total for the Group | Inc. % (*) | DOS | Wholesale | Total for the Group | Inc. % (*) | |
| **Revenues from sales** | **13,816** | **21,922** | **11,076** | **46,814** | **100.0%** | **12,699** | **21,503** | **34,202** | **100.0%** | **36.9%** |
| Segment result before amortisation and depreciation | 708 | 4,254 | 882 | 5,844 | 12.5% | 1,647 | 3,865 | 5,513 | 16.1% | 6.0% |
| Amortisation and depreciation | | | | (1,446) | (3.1)% | | | (1,473) | (4.3)% | (1.8)% |
| Financial income and costs | | | | (348) | (0.7)% | | | 58 | 0.2% | |
| **Result before tax** | | | | **4,050** | **8.7%** | | | **4,097** | **12.0%** | **(1.1)%** |
| Income taxes | | | | (1,266) | (2.7)% | | | (1,440) | (4.2)% | (12.1)% |

| | | | | | |
|---|---|---|---|---|---|
| **Profit for the half-year** | **2,784** | **5.9%** | **2,657** | **7.8%** | **4.8%** |
| Result attributable to third parties | 0 | 0.0% | 0 | 0,0% | |
| **Group net profit** | **2,784** | **5.9%** | **2,657** | **7.8%** | **4.8%** |

(*) percentage impact compared to total sales revenues

## Note 40 – Relations with related parties

Piquadro S.p.A., the Parent Company of the Piquadro Group, operates in the leather goods market and designs, produces and markets articles under its own brand. The Subsidiaries, except for The Bridge S.p.A., which sells The Bridge-branded products, mainly carry out activities of distribution of products (Piquadro España SLU, Piquadro Hong Kong Co. Ltd., Piquadro Deutschland GmbH, Piquadro Trading –Shenzhen- Co. Ltd., Piquadro Taiwan Co. Ltd., Piquadro France SARL, Piquadro Swiss SA, Piquadro UK Limited, Piquadro LLC and OOO Piquadro Russia), or production (Uni Best Leather Goods Zhongshan Co. Ltd.).
The relations with such Group companies are mainly commercial and are regulated at arm's length. There are also financial relations (inter-group 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 Palmieri Family Foundation, there are no other related parties (pursuant to IAS 24) of the Piquadro Group.

In the first half-year of the 2017/2018 financial year, Piqubo S.p.A., the ultimate parent company, charged Piquadro S.p.A. the rent relating to the use of the plant located in Riola di Vergato (Province of Bologna) as a warehouse.

On 29 June 2012 a lease agreement was entered into between Piquadro Holding S.p.A. and Piquadro S.p.A., concerning the lease of a property to be used as offices and located in Milan, Piazza San Babila n. 5, used as a show room of Piquadro S.p.A. and the rent costs of which are reported in the table below. This lease agreement has been entered into at arm's length.

In the first half-year of the 2017/2018 financial year, no transactions were effected with 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.

Below is reported the breakdown of the main financial relations maintained with related companies:

| *(in thousands of Euro)* | **Receivables** | | **Payables** | |
|---|---|---|---|---|
| | **30 September 2017** | **31 March 2017** | **30 September 2017** | **31 March 2017** |
| Financial relations with Piqubo S.p.A. | 0 | 0 | 0 | 0 |
| Financial relations with Piquadro Holding S.p.A. | 0 | 0 | 0 | 0 |
| Financial relations with Palmieri Family Foundation | 0 | 0 | 0 | 0 |
| **Total Receivables from and Payables to controlling and affiliate companies** | **0** | **0** | **0** | **0** |

The table below reports the breakdown of the economic relations with these related companies in the first half of the 2017/2018 and 2016/2017 financial years:

| (in thousands of Euro) | Costs | | Revenues | |
|---|---|---|---|---|
| | 30 September 2017 | 30 September 2016 | 30 September 2017 | 30 September 2016 |
| Economic relations with Piqubo S.p.A. | 38 | 38 | 0 | 0 |
| Economic relations with Piquadro Holding S.p.A. | 122 | 123 | 0 | 0 |
| Economic relations with Palmieri Family Foundation | 0 | 0 | 0 | 0 |
| **Total costs and revenues to controlling and affiliate companies** | **160** | **161** | **0** | **0** |

**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 of Piquadro S.p.A., in relation to the first half of the 2017/2018 financial year, for the performance of their duties in the Parent Company and other Group companies, and the fees accrued by any executives with strategic responsibilities (as at 30 September 2017, Directors had not identified executives with strategic responsibilities):

| First and last name | Position held | Period in which the position was held | Term of office | Fees due for the position | Non-monetary benefits | Bonuses and other incentives | Other fees | Total |
|---|---|---|---|---|---|---|---|---|
| Marco Palmieri | Chairman and CEO | 01/04/17-30/09/17 | 2019 | 250 | 3.5 | 0 | 0 | 253.5 |
| Pierpaolo Palmieri | Vice-Chairman–Executive Director | 01/04/17-30/09/17 | 2019 | 125.5 | 2 | 0 | 0 | 127.5 |
| Marcello Piccioli | Executive Director | 01/04/17-30/09/17 | 2019 | 90 | 1.5 | 0 | 2 | 93.5 |
| Roberto Trotta | Executive Director | 01/04/17-30/09/17 | 2019 | 1) | 1.5 | 0 | 69 | 70.5 |
| Paola Bonomo | Lead Independent Director | 01/04/17-30/09/17 | 2019 | 9 | 0 | 0 | 2 | 11 |
| Catia Cesari | Independent Director | 01/04/17-30/09/17 | 2019 | 9 | 0 | 0 | 2 | 11 |
| Barbara Falcomer | Independent Director | 01/04/17-30/09/17 | 2019 | 9 | 0 | 0 | 2 | 11 |
| | | | | **492.5** | **8.5** | **0** | **77** | **578** |

1) The Director waived his fees for the period from 01/04/17 to 30/09/17.

**Events after the period end**

No significant events are reported which occurred at Group level from 1 October 2017 to the date of this Report.

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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

The undersigned Marco Palmieri, in his capacity as Chief Executive Officer, and Roberto Trotta, in his capacity as the Financial Reporting Manager of Piquadro S.p.A., certifies, 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 consolidated financial statements in the course of the half-year April 2017-September 2017.

The evaluation of the adequacy of administrative and accounting procedures for the preparation of the consolidated condensed interim financial statements as at 30 September 2017 has been based on a process defined by Piquadro S.p.A. consistently with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission which represents a reference framework generally accepted at international level

It is also certified that the consolidated condensed interim financial statements as at 30 September 2017:

- 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 and in particular to IAS 34 – Interim Financial Reporting, as well as with the measures issued to implement Article 9 of Legislative Decree no. 38/2005;
- correspond to the results in the accounting books and records;
- have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union, as well as with the measures issued to implement Article 9 of Legislative Decree no. 38/2005, and, as far as we know, 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 scope of consolidation.

The interim report on operations includes a reliable analysis of the references to the significant events that occurred during the first six months of the financial year and of their impact on the consolidated condensed interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the financial year. The interim report on operations also includes a reliable analysis of the information on significant transactions with related parties.

Silla di Gaggio Montano (BO) 23 November 2017

| | |
|---|---|
| Marco Palmieri | Roberto Trotta |
| **Chief Executive Officer** | **Financial Reporting Manager** |
| | |
| **Marco Palmieri** | **Roberto Trotta** |

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**REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**To the Shareholders of**
**Piquadro S.p.A.**

**Introduction**

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Piquadro S.p.A. and subsidiaries (the "Piquadro Group"), which comprise the statement of financial position as of September 30, 2017 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of Review**

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of Piquadro Group as at September 30, 2017 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

*Signed by*
**Domenico Farioli**
Partner

Bologna, Italy
November 24, 2017

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