

*Salvatore Ferragamo*

***Salvatore Ferragamo Group***  
**2013 Consolidated Annual Report**

**Salvatore Ferragamo S.p.A.**

Palazzo Feroni  
Florence

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This document has been translated into English for the convenience of international readers.  
The original Italian is the authoritative version.

## **General information**

### **Registered office of the Parent company**

Salvatore Ferragamo S.p.A.  
Via Tornabuoni, 2  
50123 Florence

### **Legal information about the Parent company**

Authorized share capital 16,891,000 Euro  
Subscribed and paid-up share capital 16,841,000 Euro  
Tax code and Florence Company Register no.: 02175200480  
Registered with the Florence Chamber of Commerce under REA (Economic and Administrative Register)  
no. 464724  
Corporate website [www.group.ferragamo.com](http://www.group.ferragamo.com)

## Corporate boards

<b>Honorary Chairman (1)</b>	Wanda Miletta Ferragamo	
<b>Board of Directors (1)</b>	Ferruccio Ferragamo (4)	Chairman
	Michele Norsa (4)	Managing Director
	Giovanna Ferragamo (5)	Deputy Chairman
	Fulvia Ferragamo (5)	
	Leonardo Ferragamo (5)	
	Francesco Caretti (5)	
	Raffaella Pedani (5)(7)	
	Diego Paternò Castello di San Giuliano (5)	
	Peter Woo Kwong Ching (5)	
	Umberto Tombari (5)(6)	
	Marzio Saà (5)(6)	
	Piero Antinori (5)	
	Lidia Fiori (5)(6)(8)	
<b>Control and Risk Committee (1)</b>	Marzio Saà	Chairman
	Umberto Tombari	
	Lidia Fiori (8)	
<b>Nomination and Remuneration Committee (1)</b>	Umberto Tombari	Chairman
	Marzio Saà	
	Lidia Fiori (8)	
<b>Board of Statutory Auditors (2)</b>	Mario Alberto Galeotti Flori	Chairman
	Gerolamo Gavazzi	Acting Statutory Auditor
	Fulvio Favini	Acting Statutory Auditor
	Deborah Sassorossi	Substitute Statutory Auditor
	Guido Alberto Gonnelli	Substitute Statutory Auditor
<b>Independent Auditors (3)</b>	Reconta Ernst & Young S.p.A.	
<b>Manager responsible for corporate financial reporting</b>	Ernesto Greco	

(1) Appointed by the Shareholders' Meeting on 26 April 2012 and serving for the 2012-2014 period

(2) Appointed by the Shareholders' Meeting on 30 March 2011 and 28 April 2011 and serving for the 2011-2013 period

(3) Appointed for the 2011- 2019 period

(4) Executive director

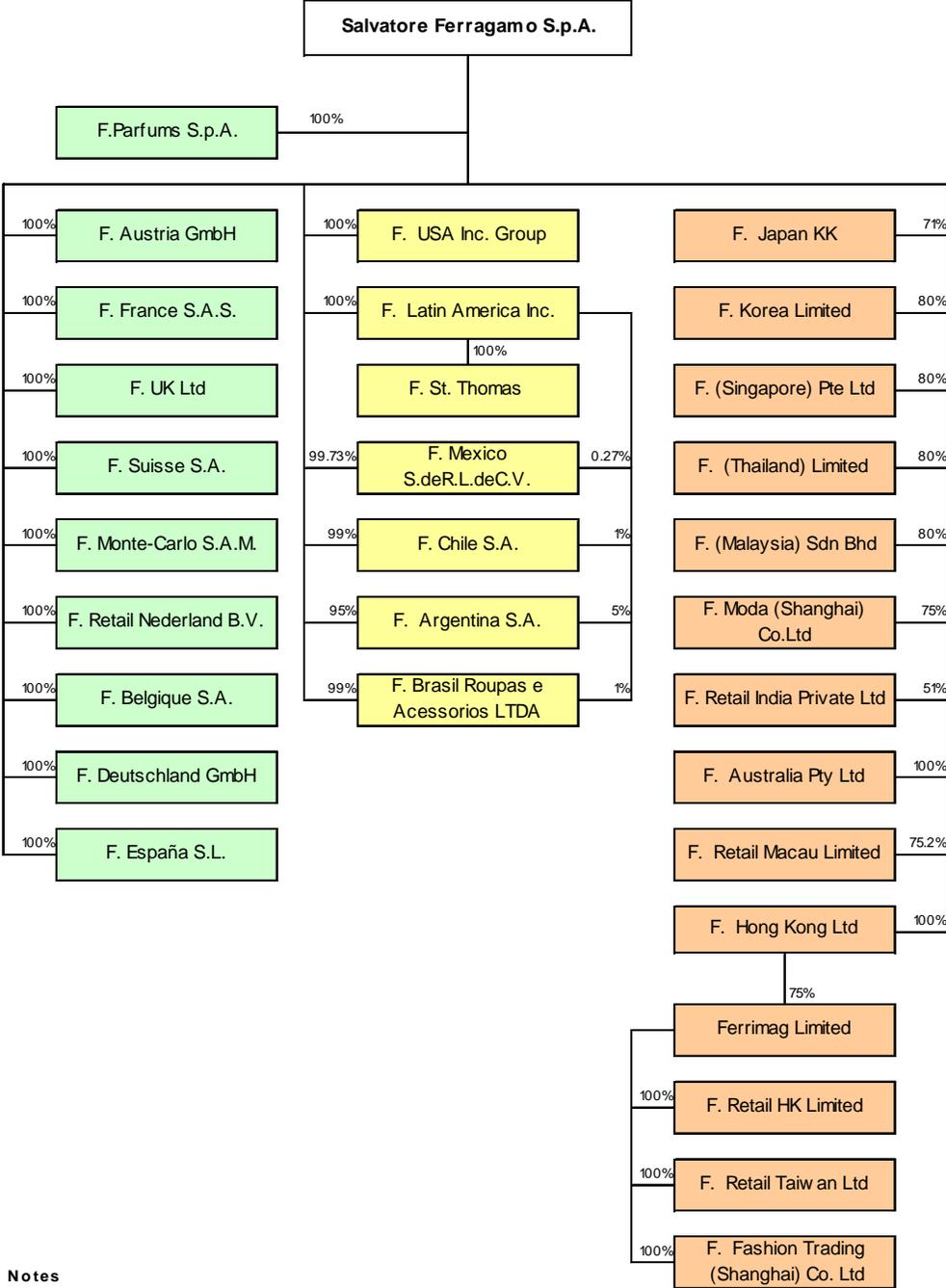
(5) Non-executive director

(6) Independent director pursuant to art. 148, paragraph 3 of the Consolidated Law on Finance and the Corporate Governance Code

(7) Resigned as Director as from 11 July 2013

(8) Appointed by the Board of Directors on 11 July 2013 by means of co-optation and in office until the Shareholders' Meeting approving the Separate Annual Report as at 31 December 2013

**Group structure**



- Notes**
- European companies
  - North/Centre/South America companies
  - Far East companies

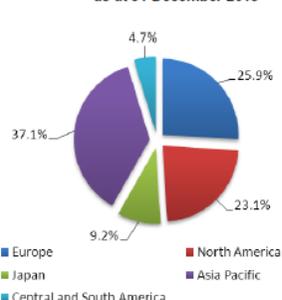
## Board of Directors' report on operations

### Main income and financial results for the year 2013

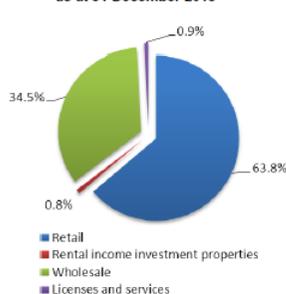
(In millions of Euro)	2013	2012	2011	% change 2013 vs. 2012	% change 2012 vs. 2011
Revenues	1,258.0	1,153.0	986.4	9.1%	16.9%
Gross profit	799.1	742.0	633.5	7.7%	17.1%
EBITDA (*)	260.0	228.3	183.7	13.9%	24.3%
EBITDA (*)%	20.7%	19.8%	18.6%		
Operating profit	219.1	194.3	156.6	12.7%	24.0%
Operating profit %	17.4%	16.9%	15.9%		
Net profit/(loss) for the period	160.0	125.3	103.3	27.7%	21.3%
Net profit/(loss) – Group	150.5	105.6	81.3	42.5%	29.8%
Net profit/(loss) – minority interests	9.5	19.7	22.0	(51.8%)	(10.2%)

(\*) EBITDA is operating profit before amortization and depreciation and write-downs of tangible/intangible assets. EBITDA so defined is a parameter used by the management to monitor and assess the operating performance and is not identified as an accounting measurement under IFRS and, therefore, must not be considered as an alternative measurement to assess Group performance. Since the composition of EBITDA is not regulated by reference accounting standards, the determination criterion applied by the Group may differ from that adopted by others and therefore may not be comparable.

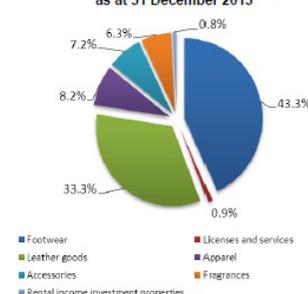
Revenues by geographic area as at 31 December 2013



Revenues by distribution channel as at 31 December 2013



Revenues by product category as at 31 December 2013



(In millions of Euro)	31 December 2013	31 December 2012	31 December 2011
Investments in tangible/intangible assets	82.3	59.4	42.3
Net working capital	209.4	197.3	185.9
Shareholders' equity	399.8	299.5	256.1
Net financial debt	32.6	57.9	29.4
Cash flow generated from operations	150.0	121.1	116.0

	31 December 2013	31 December 2012	31 December 2011
Staff as at the reporting date	3,764	3,322	3,125
Number of DOS	360	338	323
Number of TPOS	264	268	270

Geographical distribution of monobrand stores (31 December 2013)



624 Ferragamo monobrand stores

### **Disclaimer**

*This document contains forward-looking statements, in particular in the sections headed “Macroeconomic situation and outlook” and “Significant events occurred after 31 December 2013” relating to future events and the operating, income and financial results of the Salvatore Ferragamo Group. These statements are based on the Group’s current expectations and forecasts regarding future events and, by their nature, involve risks and uncertainties since they refer to events and depend on circumstances which may, or may not, happen or occur in the future and, as such, they must not be unduly relied upon. The actual results could differ significantly from those contained in these statements due to a variety of factors, including the volatility and deterioration in the performance of securities and financial markets, changes in raw material prices, changes in macroeconomic conditions and in economic growth and other changes in business conditions, in the legal and institutional framework (both in Italy and abroad), and many other factors, most of which are beyond the Group’s control.*

### **Introduction**

The consolidated annual report of the Ferragamo Group set out below has been prepared in accordance with the International Financial Reporting Standards (hereafter IFRS or “international accounting standards”) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with the procedure set out in art. 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council dated 19 July 2002 as subsequently integrated and amended. The annual report consists of:

- Consolidated statement of financial position
- Consolidated income statement
- Consolidated statement of comprehensive income
- Consolidated statement of cash flows
- Statement of changes in consolidated shareholders’ equity
- Explanatory notes to the Consolidated Annual Report as at 31 December 2013 and 2012.

### **The Group’s activities**

The Group is active in the creation, production and sale of luxury goods for men and women: footwear, leather goods, apparel, silk goods, other accessories, fragrances and jewels. The product range also includes eyewear and watches manufactured under license by third parties. The product range stands out for its uniqueness which is the result of the combination of creative and innovative style with the quality and craftsmanship that are the hallmark of luxury goods made in Italy.

The Ferragamo Group is present in over 90 countries worldwide and sells its products mainly through:

- a network of single Salvatore Ferragamo brand stores, managed both directly (DOS) and by third parties;
- a presence in department stores and multibrand specialty stores.

As for the fragrances product category, which involves the creation, development and production (completely outsourced) of fragrances and related products under the Ferragamo brand and, on license, the Ungaro brand, sales are handled by Group distributors and third parties which serve a network of selected, mainly multibrand stores belonging to the specific fragrances channel. The Group is also active in the licensing of the Ferragamo brand and in real estate management.

### **Distinctive features of the Group**

The main factors which have enabled the development and consolidation of the Group’s competitive positioning can be summarized as follows:

#### **Brand heritage as a synonym of glamour, elegance, craftsmanship, creativity and innovation**

- the legendary status of the founder Salvatore Ferragamo which is inseparably linked to the world of luxury footwear;
- over 80 years’ history associated with high quality, classic luxury products which have always been known for their “*Made in Italy*” excellence;
- continuous product innovation with a high level of customization and use of rare and high quality materials, often incorporating particular and unusual details;
- abundant archive of designs and models to draw on as inspiration for new collections;
- use of Ferragamo products by leading personalities from the world of cinema, theatre and entertainment.

### **Global brand awareness**

- high and consolidated level of brand awareness;
- worldwide distribution of products and presence, through tailored single brand stores, in the key shopping streets and prestigious locations for the luxury sector;
- significant and consolidated presence in Europe, America and Asia.

### **Ongoing search for quality applied to the whole product range**

- “Made in Italy” production process realized through a number of expert and carefully selected manufacturers which have been working with the Group for several years;
- particular attention to quality control, both in choosing and processing materials, and on the finished product;
- introduction of new product categories (with particular attention to the development of those with high growth and profit potential), while maintaining the integrity and identity of the brand over time;
- RTW products and accessories (especially in silk) made with sophisticated and prestigious materials in order to enhance the footwear and leather product ranges;
- granting of a limited number of licenses solely to highly qualified and prestigious companies.

### **Consolidated, extended distribution network that is diversified across different channels**

Consolidated, extended distribution network that is diversified across different channels (DOS-TPOS-multibrand channel):

- consolidated presence of Ferragamo brand stores in the main luxury sector locations around the world;
- presence in the digital channel (Internet) with a website ([www.ferragamo.com](http://www.ferragamo.com)) in seven languages (Italian, French, Spanish, English, Chinese, Korean and Japanese) and e-commerce functions (directly managed by the Group) for various European countries (Eurozone and United Kingdom), United States, South Korea and Mexico;
- significant presence in the travel retail channel with Ferragamo brand stores in the main airports around the globe.

Geographically balanced distribution with a significant historic presence both in developed and developing markets thanks to the Group’s pioneering attitude which has driven it to enter new markets timely:

- significant and consolidated presence in markets with high growth rates, such as, in particular, Asia (China and Asia Pacific) and Latin America.

## **Strategy**

The Group’s strategy aims to enhance its competitive position among the leaders in the global luxury market, by leveraging its creativity, glamour, Italian craftsmanship, and standing in the footwear and accessories sector, in order to create value for shareholders through sustainable and profitable growth. The main guidelines can be summarized as follows:

### **Consolidation of its position in the luxury market, enhancing its classical elegance and glamour with a contemporary style that keeps pace with the times**

The Group aims to maintain its position in the high-end luxury segment at global level, by emphasizing the specific and central role played in its product range by the excellent quality of Italian products.

### **Expansion of the distribution network in emerging markets and optimization of retail and wholesale performance at global level**

The Group intends to leverage its distribution network, which is strategically well balanced in terms of channels and geographic areas, in order to take advantage of the opportunities offered by high growth countries and to improve the effectiveness of each distribution channel, through:

- further expansion of its commercial presence in emerging countries, above all in Asia Pacific and South America;
- improvement in the performance of the retail channel, which is to be achieved through more effective management of product categories in stores, the realization of larger stores, the opening of stores dedicated exclusively to men and women’s products as well as, above all in historic luxury markets, renewal of the stores’ image;
- constant control of the wholesale channel, consolidating its presence in the most prestigious department stores in historic luxury markets and continuing to exploit this channel to penetrate emerging countries; particular importance is also attached to the travel segment;
- development of the e-commerce channel.

### **Optimization of the product range and the collection structure**

The Group believes that it can increase sales volumes and operating profits also by making changes to the product range and the collection structure:

- by supplementing the collections so as not only to satisfy new purchasing opportunities and the needs of specific geographic areas/markets, but also to optimize the price structure and profits from the collection;
- by increasing the focus on the Group's core product categories (men and women's footwear and leather goods) and which, at the same time, are among those with the highest profits and forecast growth.

### **Ongoing modernization of the supply chain and the organizational structure to allow the Group to achieve its operational performance objectives**

The Group intends to continue to leverage the Italian spirit of the brand and the flexibility of its production structure, based on integration with the external manufacturing workshops with which it maintains consolidated and long-standing relations.

In order to achieve the strategic objectives, the Group intends to focus even more on the development of its human resources who have always been one of the company's main assets, through a series of initiatives to train and develop in-house staff, as well as on the ability to recruit new, expert professionals.

### **The strategic/organizational model**

The success of the Ferragamo Group is based on pursuing a coherent strategy over time, centered on constant monitoring of the value chain through the adoption of a shared Group organizational model for the various product categories. In particular, the Ferragamo Group has always operated with the aim of offering its customers products that are characterized by a high quality level, based on a solid tradition of craftsmanship, exclusive design and a style aimed at preserving the brand's strong identity. This approach has been applied in the choice of materials, in the design phase, in production processes and in the design and architecture of stores and production structures.

### **The production system**

The organizational model adopted by the Group entrusts the production process entirely to expert staff in external workshops, although keeping in-house the management and organization of the most important stages in the value chain.

The Group's operating model ensures flexibility and efficiency in the production and logistics cycle through the use of a broad network of selected and expert Italian manufacturers which have been working with the Group for many years. This strong integration between the Parent company Salvatore Ferragamo S.p.A. (the only manufacturing company in the Group) and the network of suppliers has enabled broad control to be maintained over the critical stages of the value chain in the production process.

With reference to production, the Group directly manages the product development and industrialization stage and undertakes quality controls, both during the production process and on 100% of the finished products.

### **The distribution system**

The organization of distribution and sales is one of the Group's strengths, by virtue of its extensive and consolidated presence both in so-called traditional markets (Europe, United States and Japan) and in emerging markets (such as Asia Pacific and Latin America), but also because it is extremely well positioned in terms of store locations.

The Group attributes great importance to the monitoring of distribution which is done through:

- a network of directly operated Ferragamo brand stores (DOS), which at 31 December 2013 numbered 360 (the so-called retail channel);
- a network of tailored single brand stores or stores-in-stores managed by third parties (TPOS), which at 31 December 2013 numbered 264, as well as through a multibrand channel (taken as a whole the so-called wholesale channel).

Therefore, the total number of tailored Ferragamo monobrand stores (DOS and TPOS) at 31 December 2013 was 624.

Through the retail channel, the Group directly markets all product lines to end customers. Directly operated stores (DOS) are spread across all the main markets served by the Group in exclusive and strategic locations, both from a reputational and commercial point of view.

Wholesale sales are targeted solely at retailers, excluding distributors. Wholesale customers consist of:

- department stores and luxury specialist retailers, in order to strengthen the presence in countries where the Group has its own network of directly operated stores. The business in the United States is

- of particular importance;
- franchisees, which ensure the presence on markets which are still not sufficiently large or developed to justify a direct retail presence, for example in some areas of the People's Republic of China;
- stores opened inside airports (travel retail/duty free).

Stores are selected on the basis of their coherence with the positioning of the "Salvatore Ferragamo" brand, their location, and the visibility which they can guarantee the brand.

### **Changes to the Group structure**

During 2013 the composition of the Group saw the following changes:

- on 3 January 2013 the agreement signed on 28 February 2011 with Imaginex Holding Ltd. and Imaginex Overseas Ltd. was fulfilled regarding the increase to 75% of the Group's stake in the distribution companies operating on the market of Greater China, as indicated in the Directors' report on operations under "Significant events occurred during the year" included in the 2011 Consolidated Annual Report. The agreement involved 25% of Ferrimag Limited of Hong Kong (a holding company which owns 100% of Ferragamo Retail Hong Kong Ltd., Ferragamo Fashion Trading (Shanghai) Ltd. and Ferragamo Retail Taiwan Ltd), 25% of Ferragamo Moda (Shanghai) Ltd. and 15.2% of Ferragamo Retail Macau Ltd;
- on 15 April 2013 (the date of the notary deed and transfer of shares), the Parent company Salvatore Ferragamo S.p.A. sold the 250,000 shares it held in Zefer S.p.A. (equal to 50% of the company's share capital) to the Zegna Group (which already owned 50% of the company), as detailed in the Directors' report on operations under "Significant events occurred during the year". Said sale did not have any impact on the Group's structure.

### **Effect of exchange rate changes on operations**

During 2013 the exchange rate of the US dollar against the Euro moved in a range between 1.28 and 1.38, ending the year towards the high end of the range, reflecting a more expansive monetary policy on the part of the US Federal Reserve compared to that of the European Central Bank. In terms of annual average, the Euro/US\$ rose from 1.28 in 2012 to 1.33 in 2013. The strengthening of the Euro took place above all in the final few months of the year, largely due to capital outflows from emerging countries to the Eurozone, because these countries regarded the single currency as a temporary investment opportunity in place of the US dollar, with higher yields in a context of reduced sovereign risk. The cut in official rates by the ECB which was decided in November resulted only in a temporary decrease in the exchange rate. The announcement of the FED's tapering program in December ended up weakening the Euro which, after several times coming close to exceeding the 1.38 threshold, in mid-January 2014 fluctuated between 1.35 and 1.36. The expectation that in coming months the FED may continue to reduce the monetary stimulus may support the US currency. 2013 was another year of marked weakening for the Japanese Yen, both against the Euro and the US dollar, owing to a particularly expansionary monetary policy. In particular, the Euro/Yen exchange rate, after starting the year at a low of 114, reached a peak of over 145 in December. The annual average exchange rate of the Japanese currency against the Euro was around 130, compared to an average of 102 in 2012. The prospect of constantly higher yields due to a structural increase in inflation and growth levels could be the reason for an appreciation of the Yen. China must also be considered when examining exchange rate trends, due to the reopening of the debate on Yuan, which could be turned into a free-floating currency. The exchange rate against the US dollar, after having been stable around 6.12 in the first half of the year, started to strengthen up to a minimum of around 6.05 in December. Greater volatility is expected in the Chinese currency in line with the authorities' desire to allow market forces a greater role in determining the exchange rate. The marked and general depreciation of the currencies of emerging countries, both in South America and Asia, partly offset the previous overvaluation; any recovery is still affected by uncertain macroeconomic conditions and the reallocation of international financial resources.

## 2013 highlights

2013 saw the realization of significant increases in both revenues and profits with significant cash flows from operations compared to the values achieved in 2012. Consolidated net revenues of the Ferragamo Group totaled 1,258,034 thousand Euro, up by 9.1% compared to the previous year. These positive results help support ever-increasing revenues and confirm the extraordinary strength of the Ferragamo brand. The world-class quality of its product range, based on “Made in Italy” excellence, together with the extensive distribution network also in countries with the highest sales growth rates in the luxury sector (China and South Eastern Asia), contributed to achieve these outstanding results.

The considerable growth in sales volumes together with gross profit levels over 63% and a limited change in operating costs caused a significant rise in both operating profit (+12.7%) and net profit for the period (+27.7%). Net revenues and operating profit were even more outstanding if we recall that in 2012 they were already strongly up on the previous year (net revenues +16.9%, operating profit +24.0%). It should be noted that 2013 results have been achieved despite unfavorable exchange rates for the Group and generally unfavorable macroeconomic conditions (increasing consumption levels in Western countries and in particular the United States, weak improvement in Europe and in emerging countries such as Brazil and India).

The following table shows the main income statement data.

(In thousands of Euro)	2013	% of revenues	2012	% of revenues	% change
<b>Revenues</b>	<b>1,258,034</b>	100.0%	<b>1,152,965</b>	100.0%	<b>9.1%</b>
<b>Gross profit</b>	<b>799,079</b>	<b>63.5%</b>	<b>742,002</b>	<b>64.4%</b>	<b>7.7%</b>
Style, product development and logistics costs	(44,383)	(3.5%)	(39,173)	(3.4%)	13.3%
Sales & distribution costs	(361,985)	(28.8%)	(344,382)	(29.9%)	5.1%
Marketing & communication costs	(77,880)	(6.2%)	(70,966)	(6.2%)	9.7%
General and administrative costs	(94,292)	(7.5%)	(91,477)	(7.9%)	3.1%
Other operating costs	(13,631)	(1.1%)	(14,832)	(1.3%)	(8.1%)
Other income and revenues	12,150	1.0%	13,150	1.1%	(7.6%)
<b>Operating profit</b>	<b>219,058</b>	<b>17.4%</b>	<b>194,322</b>	<b>16.9%</b>	<b>12.7%</b>
Net financial income and charges (including investments accounted for using the Equity Method)	1,633	0.1%	(5,956)	(0.5%)	(127.4%)
<b>Profit before taxes</b>	<b>220,691</b>	<b>17.5%</b>	<b>188,366</b>	<b>16.3%</b>	<b>17.2%</b>
Income taxes	(60,724)	(4.8%)	(63,087)	(5.5%)	(3.7%)
<b>Net profit/(loss) for the period</b>	<b>159,967</b>	<b>12.7%</b>	<b>125,279</b>	<b>10.9%</b>	<b>27.7%</b>
Net profit/(loss) – Group	150,451	12.0%	105,552	9.2%	42.5%
Net profit/(loss) – minority interests	9,516	0.8%	19,727	1.7%	(51.8%)
Amortization, depreciation and write-downs of tangible/intangible assets	40,919	3.3%	33,962	2.9%	20.5%
<b>EBITDA (*)</b>	<b>259,977</b>	<b>20.7%</b>	<b>228,284</b>	<b>19.8%</b>	<b>13.9%</b>

(\*) EBITDA is operating profit before amortization and depreciation and write-downs of tangible/intangible assets. EBITDA so defined is a parameter used by the management to monitor and assess the operating performance and is not identified as an accounting measurement under IFRS and, therefore, must not be considered as an alternative measurement to assess Group performance. Since the composition of EBITDA is not regulated by reference accounting standards, the determination criterion applied by the Group may differ from that adopted by others and therefore may not be comparable.

In 2013 **revenues** reached 1,258,034 thousand Euro compared to 1,152,965 thousand Euro in 2012, up by 9.1% despite unfavorable exchange rates. As a matter of fact, the three currencies other than the Euro in which most Group revenues are generated, i.e. the US dollar, the Chinese renminbi and the Japanese yen, performed as follows in 2013 compared to the prior year: the US dollar depreciated by 3.4%<sup>(1)</sup>, the Japanese yen by 26.5%<sup>(2)</sup>, and the Chinese renminbi by 0.7%<sup>(3)</sup> compared to the Euro, i.e. the currency in which the figures in the consolidated financial statements are expressed. Revenues, on a constant exchange rate basis (applying the average exchange rate of 2013 to the revenues of 2012), saw a total rise of 10.6% thanks to the contribution of all the markets. With reference to the fourth quarter of 2013 only,

<sup>1</sup> With reference to the average Euro/US\$ exchange rate in 2013: 1.328; 2012: 1.285

<sup>2</sup> With reference to the average Euro/Yen rate in 2013: 129.66; 2012: 102.49

<sup>3</sup> With reference to the average Euro/Cny rate in 2013: 8.165; 2012: 8.105

revenues from sales and services amounted to 343,219 thousand Euro, up by 7.1% compared to the prior year quarter (+8.9% at constant exchange rates).

In 2013 **gross profit** was 799,079 thousand Euro compared to 742,002 thousand Euro in the prior year, up by 7.7% due to the increase in sales revenues. Gross profit as a percentage of revenues decreased from 64.4% in 2012 to 63.5% in 2013, adversely affected by unfavorable exchange rate trends and the increased impact of wholesale sales as a percentage of total revenues (from 33.0% in 2012 to 34.5% in 2013). In the fourth quarter of 2013 gross profit was 220,716 thousand Euro, up by 4.6% compared to the prior-year period and with a ratio to revenues of 64.3% compared to 65.8% in the fourth quarter of 2012.

Total **operating costs** (net of other income) for 2013 rose by 5.9% compared to 2012 (a value significantly lower than the increase in revenues) and their ratio to revenues decreased from 47.5% in the prior year to 46.1%. In the fourth quarter of 2013 total net operating costs rose from 148,863 thousand Euro to 163,810 thousand Euro, up by 10.0% compared to the fourth quarter of 2012.

The marked improvement in revenues as well as gross profit steadily above 63% enabled better absorption of fixed costs and led to an increase in **EBITDA**, with a ratio to revenues increasing from 19.8% in 2012 to 20.7% in 2013. In the fourth quarter of 2013, EBITDA was 68,151 thousand Euro compared to 71,292 thousand Euro in the fourth quarter of 2012, down by 4.4% compared to the prior year quarter.

In 2013 **operating profit** totaled 219,058 thousand Euro compared to 194,322 thousand Euro in 2012, up by 12.7%. Its ratio to revenues rose from 16.9% in 2012 to 17.4% in 2013. In the fourth quarter of 2013, operating profit totaled 56,906 thousand Euro compared to 62,101 thousand Euro in the fourth quarter of 2012, down by 8.4% compared to the prior year quarter.

**Net financial income and charges** totaled 1,633 thousand Euro in income compared to charges of 6,593 thousand Euro in 2012 and benefited from the 12,524 thousand Euro capital gain on the sale of Zefer S.p.A. shares. In the fourth quarter of 2013, net financial charges amounted to 3,780 thousand Euro compared to 4,277 thousand Euro in the same period of 2012.

The tax rate for **income taxes** for 2013 was 27.5% compared to 33.5% in the previous period, also due to some non-recurring, extraordinary events (the capital gain on the sale of Zefer S.p.A. shares) and benefited from the recognition in the period of deferred tax assets on past losses amounting to 4.3 million Euro.

In 2013 the Group recorded consolidated **net profit** of 159,967 thousand Euro compared to 125,279 thousand Euro in 2012 (+27.7%,) while the Group's share amounted to 150,451 thousand Euro compared to 105,552 thousand Euro in the previous year, recording a 42.5% increase, which reflects also the increase in the stake held in companies located in Asia (from 50% to 75% for companies in Greater China). In the fourth quarter of 2013, net profit totaled 40,388 thousand Euro compared to 40,626 thousand Euro in the fourth quarter of 2012, benefiting from the recognition of deferred tax assets on past losses as indicated above. In the fourth quarter of 2013, Group net profit amounted to 38,085 thousand Euro compared to 35,920 thousand Euro in the fourth quarter of 2012, up by 6.0%.

2013 ended with **net financial debt** of 32,598 thousand Euro (8.2% of consolidated shareholders' equity), sharply down compared with 31 December 2012, when it totaled 57,942 thousand Euro (19.3% of consolidated shareholders' equity), thanks to cash flows from operating activities amounting to 150 million Euro. In the fourth quarter of 2013 net financial debt fell by 2,057 thousand Euro, falling from 34,655 thousand Euro to 32,598 thousand Euro, despite 35 million Euro investments in the period.

## Revenues

The following table shows the sales by **geographic area** and the change on the previous year:

(In thousands of Euro)	2013	% of revenues	2012	% of revenues	% change	at constant exchange rates % change
Europe	326,365	25.9%	289,374	25.1%	12.8%	12.9%
North America	290,347	23.1%	256,903	22.3%	13.0%	12.4%
Japan	116,103	9.2%	134,195	11.6%	(13.5%)	0.7%
Asia Pacific	466,504	37.1%	420,291	36.5%	11.0%	10.0%
Central and South America	58,715	4.7%	52,202	4.5%	12.5%	14.6%
<b>Total</b>	<b>1,258,034</b>	<b>100.0%</b>	<b>1,152,965</b>	<b>100.0%</b>	<b>9.1%</b>	<b>10.6%</b>

The growth in revenues was due to both organic growth and the opening of new stores.

Turnover recorded a double-digit increase both at current and constant exchange rates in all markets with the sole exception of Japan.

Europe saw an increase in revenues of 12.8% at current exchange rates, bringing the ratio to total revenues from 25.1% to 25.9%, as a result of purchases connected to significant tourist flows.

The North American market saw an increase in revenues of 13.0% at current exchange rates (12.4% at constant exchange rates), thanks also to the improvement in the wholesale channel.

In Japan revenues decreased by 13.5% at current exchange rates (due to the sharp depreciation of the Yen) and increased slightly at constant exchange rates (+0.7%).

The Asia Pacific region recorded once again the highest growth (up by 46,213 thousand Euro, equal to 11.0% at current exchange rates and 10.0% at constant exchange rates) and accounted for 37.1% of total revenues.

In 2013 the Central and South American market saw a sharp increase in revenues (12.5% at current exchange rates and 14.6% at constant exchange rates) and accounted for 4.7% of total revenues.

Sales by **distribution channel** can be broken down as follows:

(In thousands of Euro)	2013	% of revenues	2012	% of revenues	% change	at constant exchange rates % change
Retail	802,821	63.8%	753,339	65.4%	6.6%	8.5%
Wholesale	433,861	34.5%	380,761	33.0%	13.9%	14.4%
Licenses and services	10,694	0.9%	10,553	0.9%	1.3%	1.3%
Rental income investment properties	10,658	0.8%	8,312	0.7%	28.2%	32.6%
<b>Total</b>	<b>1,258,034</b>	<b>100.0%</b>	<b>1,152,965</b>	<b>100.0%</b>	<b>9.1%</b>	<b>10.6%</b>

During 2013 retail sales rose by 6.6% at current exchange rates and 8.5% at constant exchange rates mainly thanks to the increase in sales in the primary direct stores channel, in particular in Asia Pacific with an increase of 12.6% at current exchange rates and 11.6% at constant exchange rates.

Compared to the situation as at 31 December 2012 the number of directly operated stores (DOS) increased by 22 units.

The wholesale channel rose by 13.9% at current exchange rates and 14.4% at constant exchange rates. In particular, the European market rose by 23.0% at current exchange rates and 23.4% at constant exchange rates and North America rose by 16.9% at current exchange rates and 16.4% at constant exchange rates.

Revenues from licenses and services in 2013 rose by 1.3% compared to 2012; in particular, the revenues for the licensing of the Ferragamo brand to the Marchon group in the eyewear industry and the Timex group in the watch industry are proportional to the revenues earned by the licensee. Therefore, licenses are affected by the general trend in demand.

Revenues from rental income investment properties refer solely to property located in the United States and leased/sub-leased to third parties; the item increased by 28.2% at current exchange rates and by 32.6% at constant exchange rates.

Here below is a breakdown of revenues from sales and services and rental income investment properties, which shows the contribution and growth by **product category** in 2013 and 2012.

(In thousands of Euro)	2013	% of revenues	2012	% of revenues	% change	at constant exchange rates % change
Footwear	544,076	43.3%	506,190	43.9%	7.5%	8.2%
Leather goods	418,710	33.3%	359,807	31.2%	16.4%	18.2%
Apparel	103,209	8.2%	108,055	9.4%	(4.5%)	(0.9%)
Accessories	90,848	7.2%	89,804	7.8%	1.2%	3.5%
Fragrances	79,839	6.3%	70,244	6.1%	13.7%	14.0%
Licenses and services	10,694	0.9%	10,553	0.9%	1.3%	1.3%
Rental income investment properties	10,658	0.8%	8,312	0.7%	28.2%	32.6%
<b>Total</b>	<b>1,258,034</b>	<b>100.0%</b>	<b>1,152,965</b>	<b>100.0%</b>	<b>9.1%</b>	<b>10.6%</b>

All the product categories, with the sole exception of apparel, saw a percentage growth in revenues both at current exchange rates and at constant exchange rates compared to the previous year. In particular, note should be taken of the positive trend in leather goods which rose by 16.4% at current exchange rates (+18.2% at constant exchange rates), recording the highest growth in absolute terms. Significant increases were also recorded by revenues from fragrances (+13.7% at current exchange rates) and footwear (+7.5% at current exchange rates). In particular, the ratio to total revenues for the footwear product category stood steadily over 43%.

### Cost of goods sold and gross profit

(In thousands of Euro)	2013	% of revenues	2012	% of revenues	% change
Consumables	(246,984)	(19.6%)	(226,051)	(19.6%)	9.3%
Costs for services	(204,147)	(16.2%)	(177,259)	(15.4%)	15.2%
Personnel costs	(7,287)	(0.6%)	(7,093)	(0.6%)	2.7%
Amortization and depreciation	(537)	(0.0%)	(560)	(0.0%)	(4.1%)
<b>Cost of goods sold</b>	<b>(458,955)</b>	<b>(36.5%)</b>	<b>(410,963)</b>	<b>(35.6%)</b>	<b>11.7%</b>
<b>Gross profit</b>	<b>799,079</b>	<b>63.5%</b>	<b>742,002</b>	<b>64.4%</b>	<b>7.7%</b>

In 2013 the **cost of goods sold** totaled 458,955 thousand Euro. The increase of 11.7% was due in part to the increase in sales volumes and in part to the rise in raw material prices and, especially, in manufacturing costs.

In 2013 **gross profit** as a percentage of revenues stood at 63.5% compared to 64.4% in 2012 as a consequence of unfavorable exchange rate trends and the increased impact of wholesale sales on total sales.

### Style, product development and logistics costs

(In thousands of Euro)	2013	% of revenues	2012	% of revenues	% change
Purchases	(4,894)	(0.4%)	(3,960)	(0.3%)	23.6%
Services	(21,151)	(1.7%)	(19,896)	(1.7%)	6.3%
Personnel costs	(17,822)	(1.4%)	(14,901)	(1.3%)	19.6%
Amortization and depreciation	(516)	(0.0%)	(416)	(0.0%)	24.0%
<b>Total</b>	<b>(44,383)</b>	<b>(3.5%)</b>	<b>(39,173)</b>	<b>(3.4%)</b>	<b>13.3%</b>

These costs include the expenses of the creative departments and for the freight to deliver the products to their sales markets. In 2013 they rose by 13.3%, increasing by 5,210 thousand Euro, while the ratio of costs to revenues was basically in line with the previous year.

## Sales & distribution costs

(In thousands of Euro)	2013	% of revenues	2012	% of revenues	% change
Retail	(316,423)	(25.2%)	(303,916)	(26.4%)	4.1%
Wholesale	(37,952)	(3.0%)	(34,847)	(3.0%)	8.9%
Distribution logistics	(7,610)	(0.6%)	(5,619)	(0.5%)	35.4%
<b>Total</b>	<b>(361,985)</b>	<b>(28.8%)</b>	<b>(344,382)</b>	<b>(29.9%)</b>	<b>5.1%</b>

In 2013 and 2012 the costs relating to the network of directly operated stores (DOS) amounted respectively to 87.4% and 88.2% of sales and distribution costs.

The total increase in costs by 17,603 thousand Euro was a direct consequence of the rise in sales volumes and the expansion of the retail network.

Here below is a breakdown by nature of sales and distribution costs:

(In thousands of Euro)	2013	% of revenues	2012	% of revenues	% change
Purchases	(6,256)	(0.5%)	(6,221)	(0.5%)	0.6%
Services	(214,563)	(17.1%)	(203,840)	(17.7%)	5.3%
Personnel costs	(113,653)	(9.0%)	(110,751)	(9.6%)	2.6%
Amortization and depreciation	(27,011)	(2.1%)	(23,570)	(2.0%)	14.6%
Write-downs of tangible/intangible assets	(502)	(0.0%)	-	-	-
<b>Total</b>	<b>(361,985)</b>	<b>(28.8%)</b>	<b>(344,382)</b>	<b>(29.9%)</b>	<b>5.1%</b>

## Marketing & communication costs

(In thousands of Euro)	2013	% of revenues	2012	% of revenues	% change
Purchases	(7,843)	(0.6%)	(6,808)	(0.6%)	15.2%
Services	(61,037)	(4.9%)	(55,866)	(4.8%)	9.3%
Personnel costs	(8,963)	(0.7%)	(8,246)	(0.7%)	8.7%
Amortization and depreciation	(37)	(0.0%)	(46)	(0.0%)	(19.6%)
<b>Total</b>	<b>(77,880)</b>	<b>(6.2%)</b>	<b>(70,966)</b>	<b>(6.2%)</b>	<b>9.7%</b>

In 2013 total marketing & communication costs rose by 9.7% compared to the prior year, equal to a total increase by 6,914 thousand Euro, of which 5,171 thousand Euro related to the increase in costs for services, mainly attributable to higher media costs (press advertising, production and photographic expenses, catalogues), relating to communication activities to support the Ferragamo brand during this period of strong expansion. The ratio of costs to revenues was in line with the previous year.

## General and administrative costs

(In thousands of Euro)	2013	% of revenues	2012	% of revenues	% change
Purchases	(1,439)	(0.1%)	(1,333)	(0.1%)	8.0%
Services	(46,627)	(3.7%)	(49,764)	(4.3%)	(6.3%)
Personnel costs	(33,910)	(2.7%)	(31,010)	(2.7%)	9.4%
Amortization and depreciation	(10,929)	(0.9%)	(9,370)	(0.8%)	16.6%
Write-downs of tangible/intangible assets	(1,387)	(0.1%)	-	-	na
<b>Total</b>	<b>(94,292)</b>	<b>(7.5%)</b>	<b>(91,477)</b>	<b>(7.9%)</b>	<b>3.1%</b>

General and administrative costs rose by 3.1% or by 2,815 thousand Euro, while their ratio to revenues fell from 7.9% in 2012 to 7.5% in 2013. The increase is mainly due to amortization and depreciation and personnel costs following the enhancement of the structure and, to a lesser extent, to the costs as set out in the stock grant plan (for details reference should be made to note 35). The item includes the fees for the Board of Directors, including the costs accrued in the period relating to the cash-settled share-based remuneration plan, which ended in 2013, and other amounts accrued relating to the Managing Director and the Chairman.

### Other operating costs

(In thousands of Euro)	2013	% of revenues	2012	% of revenues	% change
Losses on disposal of tangible and intangible assets	(653)	(0.1%)	(583)	(0.1%)	12.0%
Windfall losses	(372)	(0.0%)	(310)	(0.0%)	20.0%
Provisions for risks and charges	(899)	(0.1%)	(776)	(0.1%)	15.9%
Write-down of current assets	(501)	(0.0%)	(1,437)	(0.1%)	(65.1%)
Other operating costs	(11,206)	(0.9%)	(11,726)	(1.0%)	(4.4%)
<b>Total</b>	<b>(13,631)</b>	<b>(1.1%)</b>	<b>(14,832)</b>	<b>(1.3%)</b>	<b>(8.1%)</b>

Other operating costs fell by 8.1% (1,201 thousand Euro), with the ratio to revenues falling compared to the previous year. 2012 was adversely affected by higher write-downs of current assets (losses on trade receivables and relevant provisions).

### Other income and revenues

(In thousands of Euro)	2013	% of revenues	2012	% of revenues	% change
Other income and revenues	10,876	0.9%	10,531	0.9%	3.3%
Gains on disposal of tangible/intangible assets	17	0.0%	71	0.0%	(76.1%)
Windfall profit	1,257	0.1%	2,548	0.2%	(50.7%)
<b>Total</b>	<b>12,150</b>	<b>1.0%</b>	<b>13,150</b>	<b>1.1%</b>	<b>(7.6%)</b>

Other income and revenues fell by 7.6% or 1,000 thousand Euro with the ratio to total revenues remaining broadly stable.

### Net financial income and charges

For ease of reference, financial income and charges are shown net; reference should be made to the Explanatory Notes for separate and detailed information on charges and income.

(In thousands of Euro)	2013	2012	% change
Dividends from other companies	600	-	na
Net interest	(3,232)	(3,560)	(9.2%)
Other net income/(charges)	(2,054)	(2,869)	(28.4%)
Net gains/(losses) on exchange rate differences	(11,626)	(2,143)	442.5%
Net financial income/(charges) for fair value adjustment of derivatives	5,421	1,972	174.9%
Gains/(losses) on disposal of investments	12,524	-	na
Restatement value/(write-downs) of available-for-sale financial assets	-	7	na
<b>Total</b>	<b>1,633</b>	<b>(6,593)</b>	<b>(124.8%)</b>

Total net financial income and charges went from charges of 6,593 thousand Euro in 2012 to an income of 1,633 thousand Euro in 2013, benefiting from the 12,524 thousand Euro capital gain on the sale of Zefer S.p.A. shares.

Net gains and losses on exchange rate differences largely reflect the impact of commercial transactions in foreign currency and saw net losses of 11,626 thousand Euro compared to net losses of 2,143 thousand Euro in the previous year. The sharp increase in losses on exchange rate differences compared to 2012 was attributable to the depreciation of foreign currencies, especially the Japanese yen and the US dollar, during the two reporting periods being compared.

Net financial income/(charges) for fair value adjustment of derivatives recorded income of 5,421 thousand Euro compared to 1,972 thousand Euro in the previous year and mainly refers to the premium or discount on transactions to hedge the exchange rate risk undertaken by the Parent company.

## Income taxes

The change in **income taxes** was as follows:

(In thousands of Euro)	2013	2012	% change
<b>Profit before taxes</b>	<b>220,691</b>	<b>188,366</b>	
Current and deferred taxes	(60,724)	(58,829)	3.2%
Previous years income taxes (refund)	-	2,025	na
Previous years income taxes	-	(6,283)	na
<b>Total income taxes</b>	<b>(60,724)</b>	<b>(63,087)</b>	<b>(3.7%)</b>
<b>Tax rate</b>	<b>27.5%</b>	<b>33.5%</b>	

The effective tax rate for 2013 was 27.5% compared to 33.5% in the prior period. Net of one-off effects in the current and previous periods, the current tax rate for 2013 would have been 29.2% compared with 31.2% in the previous year.

## Net profit/(loss), minority interests and Group net profit/(loss)

(In thousands of Euro)	2013	% of revenues	2012	% of revenues	% change
<b>Net profit/(loss) for the period</b>	<b>159,967</b>	12.7%	<b>125,279</b>	10.9%	27.7%
Net profit/(loss) – Group	150,451	12.0%	105,552	9.2%	42.5%
Net profit/(loss) – minority interests	9,516	0.8%	19,727	1.7%	(51.8%)

Net profit for the period rose by 27.7%, up by 34,688 thousand Euro.

## Investment and financial operations

Here below is the statement of financial position as at 31 December 2013 reclassified by sources and uses, compared to the position as at 31 December 2012:

(In thousands of Euro)	31 December 2013	31 December 2012	% change
Property, plant and equipment, investment property, intangible assets with a finite useful life	200,943	167,297	20.1%
Net working capital (1)	209,361	197,307	6.1%
Other non current assets/(liabilities), net	35,093	18,700	87.7%
Other current assets/(liabilities), net	(13,029)	(25,864)	(49.6%)
<b>Net invested capital (2)</b>	<b>432,368</b>	<b>357,440</b>	<b>21.0%</b>
Group shareholders' equity	365,465	267,290	36.7%
Minority interests	34,305	32,208	6.5%
<b>Shareholders' equity (A)</b>	<b>399,770</b>	<b>299,498</b>	<b>33.5%</b>
<b>Net financial debt (B) (3)</b>	<b>32,598</b>	<b>57,942</b>	<b>(43.7%)</b>
<b>Total sources of financing (A+B)</b>	<b>432,368</b>	<b>357,440</b>	<b>21.0%</b>
<b>Net financial debt/shareholders' equity</b>	<b>8.2%</b>	<b>19.3%</b>	

(1) Net working capital is calculated as inventories plus trade receivables, net of trade payables, excluding other current assets and liabilities and financial assets and liabilities. It should be noted that it has been determined in accordance with the provisions of CESR's Recommendation 05-178/b of 3 November 2005 "CESR's Recommendation on alternative performance measures". Working capital is not identified as an accounting measurement under IFRS. The determination criterion applied by the Group may differ from that adopted by other groups and, therefore, the balance may not be comparable.

(2) Net invested capital is calculated as net working capital, tangible assets, investment property, intangible assets with a finite useful life, other current and non current assets, net of other current and non current liabilities. Net invested capital is not identified as an accounting measurement under IFRS. The determination criterion applied by the Group may differ from that adopted by other groups and, therefore, the balance may not be comparable.

(3) Pursuant to the provisions of CONSOB Communication no. DEM/6064293 of 28 July 2006, it should be noted that net financial debt is calculated as the sum of cash and cash equivalents, current financial receivables including the positive fair value of financial instruments and current financial assets, current and non current financial liabilities and the negative fair value of financial instruments and has been determined in accordance with the provisions of CESR's Recommendation on alternative performance measures 05-178/b of 3 November 2005.

<b>Property, plant and equipment, investment property and intangible assets with a finite useful life</b>			
<b>(In thousands of Euro)</b>	<b>31 December</b>	<b>31 December</b>	
	<b>2013</b>	<b>2012</b>	<b>% change</b>
Property, plant and equipment	168,398	139,580	20.6%
Investment property	6,455	7,039	(8.3%)
Intangible assets with a finite useful life	26,090	20,678	26.2%
<b>Total</b>	<b>200,943</b>	<b>167,297</b>	<b>20.1%</b>

The item "Property, plant and equipment" as at 31 December 2013 consists of:

- the industrial complex at Sesto Fiorentino, the parts of the American property used for operations and the property owned in Seoul, for an overall net value of approximately 45,008 thousand Euro;
- furnishings and renovation work for the chain of directly operated stores as well as the moulds for the fragrances product category, for 92,785 thousand Euro;
- other assets, mainly for IT equipment, plant and equipment and tangible assets in progress for 30,605 thousand Euro.

Investment property represents the part of the American property which is not used for operations and producing income through rental.

Intangible assets with a finite useful life mainly consist of capitalized costs for software development relating to business applications (SAP, ERP, reporting systems, e-commerce platform) and costs incurred to acquire the right to enter into shop rental contracts (the so-called key money for a net value of 7,821 thousand Euro as at 31 December 2013). The remainder refers to registration expenses for trademarks and industrial patents and intellectual property rights (software licenses).

#### **Investments in fixed assets**

During 2013, the Group made investments in tangible and intangible assets for a total amount of 82,261 thousand Euro, of which 69,707 thousand Euro in tangible assets and 12,554 thousand Euro in intangible assets, compared to a total of 59,393 thousand Euro in the previous year.

The most significant investments of the year concerned the opening and renovation of stores (around 66% of total investments in tangible assets for around 46.3 million Euro), the so-called "Marlin Project", aimed at standardizing the Group's retail information systems, and key money paid as a consequence of taking over the direct management of stores on the Brazilian market and, to a lesser extent, on other markets (totaling 60% of all investments in intangible assets).

During 2013, the Group did not make any investments in financial assets.

Amortization and depreciation totaled 39,030 thousand Euro at 31 December 2013 and 33,962 thousand Euro at 31 December 2012.

Investments in tangible assets under construction mainly concerned the refurbishment and opening of new stores which were not yet operational at the end of the reporting period and the ongoing project to expand and renovate the industrial complex in Osmannoro Sesto-Fiorentino.

The main investment in intangible assets under construction by the Group is represented by the so-called "Marlin Project", aimed at standardizing the Group's retail information systems.

#### **Net working capital**

Here below is the breakdown and change in net working capital as at 31 December 2013 compared with the figure as at 31 December 2012.

<b>(In thousands of Euro)</b>	<b>31 December</b>	<b>31 December</b>	
	<b>2013</b>	<b>2012</b>	<b>% change</b>
Inventories	290,705	249,804	16.4%
Trade receivables	121,408	105,184	15.4%
Trade payables	(202,752)	(157,681)	28.6%
<b>Total</b>	<b>209,361</b>	<b>197,307</b>	<b>6.1%</b>

The increase in net working capital was 6.1% given an increase in revenues of 9.1%. As a matter of fact, inventories rose by 40,901 thousand Euro (+16.4%) and concerned the stocks of raw materials used for production, which increased by 9,762 thousand Euro and stocks of finished products which rose by 31,139 thousand Euro.

"Trade receivables" mainly refer to wholesale sales: the increase in the year of 15.4% was closely related to a significant rise in such sales. "Trade payables" are mainly due to purchases of production materials,

products and manufacturing in outsourcing, and their increase is connected to the rise in production, as well as to the Group's investments in tangible assets.

#### Other non current assets/(liabilities), net

(In thousands of Euro)	31 December 2013	31 December 2012	% change
Investments in associated and jointly controlled companies	-	1,331	(100.0%)
Available-for-sale financial assets	25	27	(7.4%)
Other non current assets	6,271	4,430	41.6%
Other non current financial assets	11,538	9,915	16.4%
Deferred tax assets	78,537	67,745	15.9%
<b>Total other non current assets</b>	<b>96,371</b>	<b>83,448</b>	<b>15.5%</b>
Provisions for risks and charges	(5,348)	(5,424)	(1.4%)
Employee benefit liabilities	(10,092)	(11,429)	(11.7%)
Other non current liabilities	(38,671)	(41,212)	(6.2%)
Deferred tax liabilities	(7,167)	(6,683)	7.2%
<b>Total other non current liabilities</b>	<b>(61,278)</b>	<b>(64,748)</b>	<b>(5.4%)</b>
<b>Other non current assets/(liabilities), net</b>	<b>35,093</b>	<b>18,700</b>	<b>87.7%</b>

“Other non current assets” mainly consist of:

- the straight lining of rental income from the American real estate business for 5,359 thousand Euro (3,680 thousand Euro in 2012);
- the portion of receivables due after more than 12 months stemming in 2005 from the advance on fees for Ungaro fragrances amounting to 550 thousand Euro paid at the time of the sale of the Ungaro brand and the renewal of the license contract entered into at the beginning of 2011 (750 thousand Euro in 2012).

“Other non current financial assets” mainly consist of guarantee deposits relating to existing lease contracts.

“Deferred tax assets” mainly consist of taxes calculated on the reversal of the profit unrealized in inventories and those on temporary differences between the profit/(loss) pertaining to the period and the taxable income of the Group companies.

“Other non current liabilities” mainly refer to the straight lining of rental expense (37,266 thousand Euro).

#### Other current assets/(liabilities), net

(In thousands of Euro)	31 December 2013	31 December 2012	% change
Tax receivables	10,071	9,157	10.0%
Other current assets	42,773	34,932	22.4%
<b>Total other current assets</b>	<b>52,844</b>	<b>44,089</b>	<b>19.9%</b>
Tax payables	(22,401)	(21,036)	6.5%
Other current liabilities	(43,472)	(48,917)	(11.1%)
<b>Total other current liabilities</b>	<b>(65,873)</b>	<b>(69,953)</b>	<b>(5.8%)</b>
<b>Other current assets/(liabilities), net</b>	<b>(13,029)</b>	<b>(25,864)</b>	<b>(49.6%)</b>

“Other current assets” mainly consist of:

- the fair value assessment of hedge derivative contracts for 15,034 thousand Euro (10,965 thousand Euro in 2012) entered into by the Parent company to manage exchange rate risk on sales in currencies other than the Euro;
- receivables from the Holding company Ferragamo Finanziaria S.p.A. (2,426 thousand Euro) concerning the domestic fiscal unity relating to the current period for 401 thousand Euro and the income tax (IRES) refund claim made by Italian companies for 2,025 thousand Euro (online request sent on 5 February 2013) regarding the deduction of the regional manufacturing tax (IRAP) in relation to personnel costs from 2007 to 2011, as set out in Law Decree no. 201 of 6 December 2011.

- receivables due from credit card management companies for retail sales (6,771 thousand Euro), accrued income and prepaid expenses (13,364 thousand Euro) and advances to suppliers (1,260 thousand Euro).

The item “Other current liabilities” mainly refers to payables to employees for amounts accrued but not yet paid, payables to social security institutions for contributions to be paid immediately after the reporting date, provisions for other payables to suppliers, accrued expenses and deferred income, the fair value assessment of hedge derivative contracts entered into by the Parent company to manage exchange rate risk on sales in currencies other than the Euro. They also include payables to the Holding company Ferragamo Finanziaria S.p.A. (8,757 thousand Euro as at 31 December 2013 and 4,432 thousand Euro as at 31 December 2012) as part of the domestic fiscal unity relating to the current period.

### Shareholders' equity

(In thousands of Euro)	31 December 2013	31 December 2012	% change
Group shareholders' equity	365,465	267,290	36.7%
Minority interests	34,305	32,208	6.5%
<b>Total</b>	<b>399,770</b>	<b>299,498</b>	<b>33.5%</b>

The changes in Group shareholders' equity were due to the increase of 150,451 thousand Euro in the profit of the period, the decrease of 3,268 thousand Euro due to the effect of translating into Euro the subsidiaries' financial statements denominated in other currencies (mainly the US dollar and the Japanese yen), the decrease of 55,575 thousand Euro due to dividends declared by the Parent company, the decrease of 381 thousand Euro arising from the net impact of the acquisition of minority interests in subsidiaries which are consolidated on a line-by-line basis, changes in the fair value of the put options assigned to pre-existing minority shareholders, the increase of 6,182 thousand Euro due to the valuation of hedge derivatives in accordance with IFRS, net of the related tax effect, the stock grant reserve for 1,414 thousand Euro and other minor reductions for 648 thousand Euro.

### Net financial debt

Net financial debt as at 31 December 2013 and 31 December 2012 was as follows:

(In thousands of Euro)	31 December 2013	31 December 2012	% change
Cash and cash equivalents	(70,308)	(110,864)	(36.6%)
Current financial receivables	(1,928)	(1,942)	(0.7%)
Current financial debt	104,834	170,748	(38.6%)
<b>Net financial debt</b>	<b>32,598</b>	<b>57,942</b>	<b>(43.7%)</b>

2013 ended with net financial debt of 32,598 thousand Euro (8.2% of consolidated shareholders' equity), up by 25,344 thousand Euro compared to the prior year, despite the payment of dividends amounting to 62,217 thousand Euro, the increase in net working capital (12,054 thousand Euro) and investments in tangible and intangible assets in 2013 for a total of 82,261 thousand Euro, net of divestments following the sale of Zefer S.p.A. shares. The relevant consideration, amounting to 13,855 thousand Euro, was already received in full.

## Income and financial indicators for the years ended 31 December 2013 and 31 December 2012

The tables below set out the trend in the main income and financial indicators for the years ended 31 December 2013 and 2012.

<b>Profitability ratios</b>	<b>2013</b>	<b>2012</b>
ROE (Group net profit for the period / average Group shareholders' equity for the period)	47.6%	44.1%
ROI (operating profit / net average invested capital for the period)	55.5%	60.4%
ROS (operating profit / revenues)	17.4%	16.9%
<b>Financial ratios</b>	<b>2013</b>	<b>2012</b>
Coverage of shareholders' equity / fixed assets ratio (shareholders' equity / total fixed assets)	134.5%	119.4%
Liquidity ratio (current assets excluding inventories / current liabilities)	66.0%	65.8%
<b>Turnover ratios expressed in days</b>	<b>2013</b>	<b>2012</b>
Turnover of trade receivables <i>Average value of trade receivables in the period / revenues x days</i>	33	32
Turnover of trade payables <i>Average value of trade payables in the period / purchases of goods and services x days</i>	81	76
Inventory turnover <i>Average value of inventories in the period / cost of goods sold x days</i>	215	219
Turnover of net average invested capital <i>Average value of net invested capital / revenues x days</i>	115	102

## Reconciliation statement between the Parent company's net profit/(loss) for the period and shareholders' equity and the corresponding consolidated values of the Group

The reconciliation statement between the Parent company's net profit/(loss) for the period and shareholders' equity and the corresponding consolidated values is provided below:

<b>(In thousands of Euro)</b>	<b>31 December 2013</b>	
	<b>Shareholders' equity</b>	<b>Net profit/(loss) for the period</b>
<b>Parent company - shareholders' equity and net profit/(loss)</b>	<b>289,445</b>	<b>105,470</b>
Elimination of consolidated investments	200,688	97,329
Effect of disposal of investments in associates and joint ventures (IAS 28)	-	5,149
Dividends distributed among Group companies	-	(18,274)
Elimination of write-downs / (restatement value) on consolidated investments	-	(7,128)
Elimination of unrealized profits, deriving from transactions between Group companies, relating to inventories, net of the deferred tax effect	(93,703)	(18,100)
Effect of IAS 39 - cash flow hedge reserve, net of deferred tax effect	-	(4,841)
Other consolidation adjustments	3,340	362
<b>Total shareholders' equity and net profit/(loss)</b>	<b>399,770</b>	<b>159,967</b>
Minority interests - shareholders' equity and net profit/(loss)	34,305	9,516
<b>Group - shareholders' equity and net profit/(loss)</b>	<b>365,465</b>	<b>150,451</b>

## Significant events occurred during the year

### Purchase of minority interests

On 3 January 2013 the agreement signed on 28 February 2011 with Imaginex Holding Ltd. and Imaginex Overseas Ltd. was implemented regarding the increase to 75% of the Group's stake in the distribution companies operating on the strategic market of Greater China, with payment of the agreed price of 41,235,000 Euro, as indicated in the Directors' report on operations under "Significant events occurred during the year" included in the 2011 Consolidated Annual Report. The agreement involved 25% of Ferrimag Limited of Hong Kong (a holding company which owns 100% of Ferragamo Retail Hong Kong Ltd., Ferragamo Fashion Trading (Shanghai) Ltd. and Ferragamo Retail Taiwan Ltd), 25% of Ferragamo Moda (Shanghai) Ltd. and 15.2% of Ferragamo Retail Macau Ltd.

On 10 July 2013 the Parent company Salvatore Ferragamo S.p.A. paid US\$ 531,600 (equal to 415 thousand Euro) as the supplement – as set out in the purchase contract of 20 December 2012 – relating to the further 30% stake in Ferragamo Korea Ltd, Ferragamo Singapore Pte Ltd, Ferragamo Malaysia Sdn Bhd and Ferragamo Thailand Limited on the basis of the final net depreciated asset value as at 31 December 2012, which had previously been estimated, as already indicated in the 2012 Consolidated Annual Report.

### Domestic fiscal unity

Following expiry of the option exercised for the 2010-2012 period, on 22 March 2013 the Parent company Salvatore Ferragamo S.p.A. entered into the new fiscal unity agreement regarding exercise of the option for the Italian fiscal unity (as provided for by articles 117 ff. of the TUIR-Presidential Decree no. 117 of 22 December 1986) with the Holding company Ferragamo Finanziaria S.p.A. (the consolidating company) and Ferragamo Parfums S.p.A. This agreement shall be in force for the 2013-2015 period.

### Zefer S.p.A.

Under the agreement entered into on 20 March 2013, which was executed on 15 April 2013 (the date of the notary deed for the sale and transfer of the shares), the Parent company Salvatore Ferragamo S.p.A. sold the 250,000 shares it held in Zefer S.p.A. (equal to 50% of the company's share capital) to Zeleco S.p.A. (a company belonging to the Zegna Group). Starting from 15 April 2013, Zeleco S.p.A. acquired full ownership and availability of all the shares purchased, with dividend rights as from 1 January 2013. The sale price of the shares was set at 13,855,000 Euro and was paid in full on 15 April 2013.

### Shareholders' Meeting

On 23 April 2013 the shareholders' meeting of the Parent company Salvatore Ferragamo S.p.A. approved the financial statements for the year ended 31 December 2012 and approved the distribution of a dividend of 0.33 Euro per share as indicated in detail in the Explanatory Notes in the specific section "Dividends".

### Investments

On 2 May 2013 Ferragamo Brasil Roupas e Acessorios Ltda signed a settlement and asset purchase agreement with the previous franchisee Brasil Fashion Comércio de Roupas Ltda which includes, among other things, the assignment of some lease contracts relating to stores previously managed as franchises. The aim is to boost sales thanks to directly operated stores in the Brazilian market. Pursuant to this plan, on 3 May 2013 and 5 December 2013 the company Ferragamo Brasil Roupas e Acessorios Ltda. resolved two share capital increases for a total amount of 24,000,000 Reals (8.5 million Euro), from 715,000 Reals to 24,715,000 Reals, both subscribed for 99.0% by the Parent company Salvatore Ferragamo S.p.A and for the remaining 1.0% by Ferragamo Latin America Inc.

### Tax dispute

On 12 September 2013, after having heard the parties, the Korean authorities issued Salvatore Ferragamo S.p.A. an assessment notice concerning the Securities transaction tax (STT) totaling KRW 282,162,280 (approximately 194 thousand Euro at the exchange rate on 31 December 2013). The STT is due in Korea for sales of shares in Korean companies, but the tax authorities claim that the tax is also due for the transfer of 50% of Ferragamo Korea Ltd. from Ferragamo International BV to Salvatore Ferragamo Italia S.p.A. (now Salvatore Ferragamo S.p.A.) due to the legal effect of the cross-border merger of the former into the latter which took effect on 16 November 2010.

Despite the only similar case currently before the Korean Supreme Court having been won by the taxpayer before the first, second and third instance courts, the tax authorities issued the assessment notice to Salvatore Ferragamo S.p.A. pending the decision of the Supreme Court. The company believes that the STT is not due, but in Korea sums due pursuant to an assessment notice must be paid even if the party plans to appeal. The company, therefore, paid the sums due on 30 September and filed an appeal against the assessment notice on 26 November. In its decision "2010 du 7208" of December 2013 the Korean Supreme Court – in contrast with the judges in the first, second and third instances – stated that, in cases such as that involving the company, the STT is due. The company is awaiting the decision on the appeal, which could confirm that the sums already paid are actually due.

With reference to the tax audit carried out on Ferragamo France S.A.S., relating to the tax years 2008-2010 that was started in 2011, and which was referred to in the Directors' report on operations as at 31 December 2012, it is recalled that the audit ended with the notification of an initial adjustment proposal. This does not include challenges to accounting procedures and ordinary taxation, but it challenges the transfer price policy adopted between the Parent company Salvatore Ferragamo S.p.A. and Ferragamo France S.A.S.. French law envisages complex proceedings between the tax authorities and the taxpayer, which started with the notification and which could last some years. Since, as already pointed out, the outcomes of these proceedings are not foreseeable at this initial stage, it is not possible to make estimates regarding any tax liabilities arising from the audit.

#### **Co-opting of a Director**

On 11 July 2013 the Board of Directors of the Parent company Salvatore Ferragamo S.p.A. co-opted Lidia Fiori as director in place of Raffaella Pedani who resigned on the same date, as set out in detail in the "Corporate Governance" section.

In addition, at the same meeting the Board of Directors approved the project to enlarge the industrial facility at Osmannoro-Sesto Fiorentino, which includes among other things, the construction (currently underway) of a new building in the area occupied by three buildings which were demolished in November and December 2013.

## **Information on corporate governance and ownership structure**

### **Disclosure pursuant to art. 123-bis of the Consolidated Law on Finance no. 58/1998 (TUF)**

On 11 March 2014 the Board of Directors approved the annual report on corporate governance and ownership structure (the "Report"), which was prepared pursuant to art. 123-bis of the Consolidated Law on Finance (TUF).

The Report includes a general description of the corporate governance system adopted by Salvatore Ferragamo S.p.A., information on the ownership structure and on compliance with the Corporate Governance Code, the main governance policies in force as well as the characteristics of the risk management and internal control system in relation to the financial reporting process.

### **Corporate Governance**

The Company is structured according to the traditional management and control model, with the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

The Bylaws in force were approved by the Extraordinary Shareholders' Meeting on 30 March 2011 and subsequently amended by the Extraordinary Shareholders' Meeting on 26 April 2012 and by the Board of Directors on 12 December 2013.

The Bylaws establish the essential features of the Company and set the main rules for its management and operation, they provide a description of the membership of corporate bodies, their powers and their relationships. The By-laws also include the description of shareholders' rights and the related means of exercising them.

From its admission to listing on 29 June 2011, the Company complied with the Corporate Governance Code issued by Borsa Italiana S.p.A. and adjusted its corporate governance structure to the recommendations contained therein.

The main corporate governance body is the Board of Directors which has the primary responsibility for determining and pursuing the strategic objectives of the Company and of the Group. The current Board was elected by the Shareholders' Meeting on 26 April 2012 according to the single list submitted by the majority shareholder Ferragamo Finanziaria S.p.A. and until 11 July 2013 consisted of the directors Ferruccio Ferragamo, Michele Norsa, Giovanna Ferragamo, Fulvia Ferragamo, Leonardo Ferragamo, Francesco Caretti, Diego Paternò Castello di San Giuliano, Peter K.C. Woo, Raffaella Pedani, Umberto Tombari (Independent director), Marzio Saà (Independent director), and Piero Antinori (Independent director).

On 11 July 2013, following the statement made by the Director Piero Antinori regarding the loss of the independence requirement, the Director Raffaella Pedani resigned in order to enable the appointment of a new independent director. Pursuant to art. 2386 of the Italian Civil Code, the Board of Directors then co-opted Lidia Fiori Schneeberg who as from that date joined, as an independent director, the Control and Risk Committee and the Nomination and Remuneration Committee in place of the director Piero Antinori. Lidia Fiori will serve until the Shareholders' meeting approving the Separate Annual Report as at 31 December 2013.

The Board of Directors will serve for three years and therefore until the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2014.

On 26 April 2012 the Shareholders' Meeting also appointed, pursuant to article 17 of the Bylaws, Wanda Miletti Ferragamo as Honorary Chairman of the Company by way of recognition of her exceptional commitment to the Group over many years. The term of office of the Honorary Chairman is in line with that of the Board of Directors and so ends with the approval of the separate financial statements for the year ending 31 December 2014.

On 26 April 2012 the first meeting of the newly elected Board of Directors was held which confirmed the appointment of Ferruccio Ferragamo as Chairman, Giovanna Ferragamo as Deputy Chairman and Michele Norsa as Managing Director of the Company.

At its first meeting the Board of Directors also approved resolutions on corporate governance and, in particular, it resolved to:

- combine the functions of the Remuneration Committee and the Nomination Committee in a single committee to be called the Nomination and Remuneration Committee;
- set up a Control and Risk Committee, in place of the previous Internal Control Committee;
- adjust the powers and functions of the aforementioned Committees, also taking account of the recommendations of the Corporate Governance Code as updated in December 2011;
- confirm as members of the aforementioned Committees the non-executive and independent directors Piero Antinori, Marzio Saà and Umberto Tombari;
- confirm the appointment of the director Marzio Saà as Lead Independent Director;
- confirm the establishment of a Product and Brand Strategy Committee which provides advisory services and makes proposals to the Board of Directors and is composed of the directors Ferruccio Ferragamo (Chairman of the Committee), Michele Norsa, Fulvia Ferragamo and Leonardo Ferragamo.

The Board also adjusted the internal control and risk management system to the new provisions of the Corporate Governance Code and, in particular, it:

- confirmed, with the approval of the Control and Risk Committee, the Managing Director Michele Norsa as the director responsible for the internal control and risk management system and adjusted his duties and responsibilities;
- confirmed, with the approval of the Control and Risk Committee and having consulted the Board of Statutory Auditors, Leonardo Faini as the Internal Audit Manager;
- confirmed Filippo Cei, Fulvio Favini and Leonardo Faini as members of the Supervisory Board for the years 2012-2013-2014.

Following the aforementioned resolutions, the Company's corporate governance system is in line with the corporate governance best practices recommended by the Corporate Governance Committee of Borsa Italiana S.p.A. which are included in the Corporate Governance Code for listed companies, as updated in December 2011.

### **Main features of the systems of risk management and internal control**

The internal control system of Salvatore Ferragamo is structured so as to guarantee, through a process aimed at identifying and managing the main risks, the achievement of corporate objectives, thus helping to ensure the efficiency and effectiveness of corporate activities, the reliability of financial information and the compliance with the laws and regulations in force.

Salvatore Ferragamo S.p.A., in managing and coordinating its subsidiaries, establishes the general principles governing the Group's internal control system, in compliance with local laws and rules, implementing operational and organizational procedures that are suitable for the specific context.

In this light, a Code of Ethics has also been adopted, including the principles and general rules that characterize the organization and its business and to which the whole Group must conform.

The following must be considered as specific elements and integral parts of the overall internal control system:

- the risk management system in relation to the financial disclosure process adopted in compliance with the provisions of art. 154-bis of the Consolidated Law on Finance;
- the organization, management and control model adopted for the purposes of preventing the crimes as set out in Leg. Decree 231/2001.

The Board of Directors as a whole is responsible for establishing the guidelines for the internal control system and assessing its adequacy and the effectiveness.

Without prejudice to the responsibilities of directors and managers, the internal control system also identifies specific positions with specific duties, as detailed below.

- **Director responsible for the internal control and risk management system**  
He has the duty of overseeing the internal control and risk management system, identifying the main corporate risks, as well as planning, implementing and managing the internal control system in compliance with the Board of Directors' guidelines, continuously verifying their adequacy and effectiveness and implementing their adjustment over time.
- **Control and Risk Committee**  
In its advisory and consultative role, the Control and Risk Committee supports the Board of Directors on risk management and internal control issues and, among other duties, expresses its views on the planning, implementation and management, and on a half-yearly basis reports to the Board of Directors on the activities it has undertaken, as well as on the adequacy of the internal control system.
- **Internal audit manager**  
Reporting to the Board of Directors, the manager is responsible – through the relevant department – for verifying the adequacy and effectiveness of the risk management and internal control system, liaising with the Control and Risk Committee and the Board of Statutory Auditors regarding the system management procedures and its suitability in order to achieve an acceptable overall risk profile.
- **Manager responsible for corporate financial reporting (in accordance with art. 154-bis of the TUF)**  
He is responsible for defining, implementing and maintaining suitable and effective control procedures to manage risks entailed in financial reporting, i.e. the activities undertaken to identify and assess the actions or events, the occurrence or absence of which may hinder, partially or wholly, the achievement of the goals of trustworthiness, accuracy, reliability and timeliness of financial reporting.
- **Supervisory Body pursuant to Legislative Decree 231/01**  
It is responsible for checking the effectiveness, adequacy and compliance of the Organization, Management and Control Model pursuant to Leg. Decree 231/01 and ensuring it is constantly updated.

For further information on corporate governance and the main features of the risk management and internal control systems adopted, reference should be made to the Report on corporate governance and ownership structure published in the specific section of the website [www.ferragamo.com](http://www.ferragamo.com).

### **Disclosure pursuant to art. 36 of the Markets Regulation**

The Issuer has adopted measures to comply with the provisions set out in article 36 of the Markets Regulation. In particular, the Issuer a) discloses the accounting records of the subsidiaries prepared for the purposes of drawing up the consolidated financial statements, including at least the statement of financial position and the income statement; b) receives from the subsidiaries their by-laws and information about the structure and powers of the corporate bodies; c) verifies that the subsidiaries:

- provide the Independent Auditors with the information they need to audit the annual and interim financial statements of the Company;
- adopt an administrative and accounting system that can ensure the regular provision to the management and to the Independent Auditors of the income, equity and financial data needed to draw up the Company's consolidated financial statements.

## Other information

### Financial reporting and Investor relations

Salvatore Ferragamo, in order to maintain constant dialogue with its Shareholders, potential investors and financial analysts and in compliance with the recommendation of CONSOB, has set up the Investor Relations function which ensures continuous information exchange between the Group and financial markets.

Financial data, corporate presentations, interim reports, official press releases and updates in real time on the share price are available on the Group's website [www.ferragamo.com](http://www.ferragamo.com) in the Investor Relations section.

### Main Stock Market indicators – Salvatore Ferragamo S.p.A.

Official price as at 30 December 2013: 27.62788 Euro

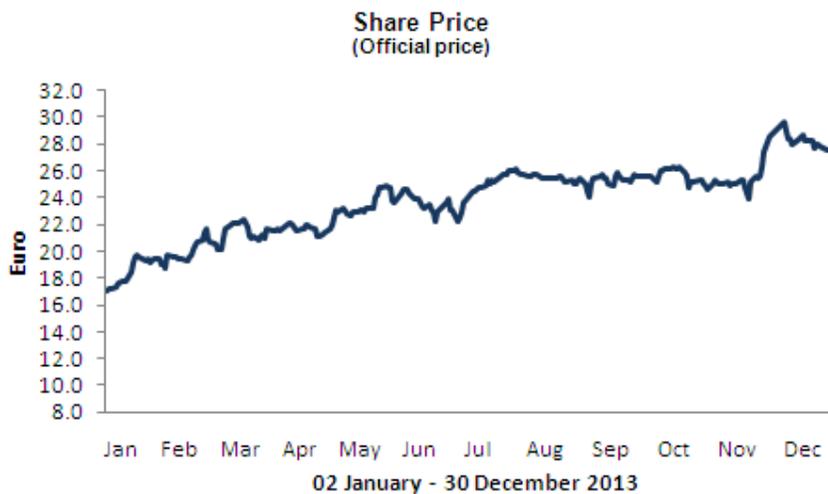
Minimum price (2 January 2013): 16.8200 Euro <sup>(4)</sup>.

Maximum price (2 December 2013): 29.8500 Euro <sup>(4)</sup>.

Stock Market capitalization as at 31 December 2013: 4,652,811,270.80 Euro

Number of outstanding shares: 38,866,707 (free float)

Number of shares making up the share capital as at 31 December 2013: 168,410,000



### Stakes in the Company

As at 31 December 2013, Ferragamo Finanziaria S.p.A. held a majority stake in the share capital of Salvatore Ferragamo S.p.A. with 57.75% as per the communication received from Ferragamo Finanziaria S.p.A. pursuant to art. 120 A of the CONSOB Issuers' Regulation.

### Management and coordination

The Parent company Salvatore Ferragamo S.p.A. is part of the Ferragamo Finanziaria Group and is subject to the management and coordination of Ferragamo Finanziaria S.p.A. pursuant to art. 2497-bis of the Italian Civil Code. The Company complies with the requirements as set out in article 37 of the Markets Regulation for the listing of subsidiaries which are subject to management and coordination. In particular, it should be noted that the Company:

- (i) has fulfilled the disclosure obligations envisaged by article 2497 bis of the Italian Civil Code;
- (ii) has independent power to negotiate with customers and suppliers;

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<sup>4</sup> Minimum and maximum prices recorded during the day's trading session and, therefore, not coinciding with official and reference prices on the same date.

- (iii) has no centralized cash management arrangement with Ferragamo Finanziaria S.p.A.;
- (iv) has an internal control committee consisting of independent directors, pursuant to art. 148, paragraph 3 of the TUF and the Corporate Governance Code;
- (v) has a nomination committee to appoint directors consisting of independent directors, pursuant to art. 148, paragraph 3 of the TUF and the Corporate Governance Code;
- (vi) has a committee for remuneration and share-based incentives consisting of independent directors, pursuant to art. 148, paragraph 3 of the TUF and the Corporate Governance Code.

### **Domestic fiscal unity**

The Parent company Salvatore Ferragamo S.p.A adopted the domestic fiscal unity provided for by articles 117 ff. of the TUIR-Presidential Decree no. 117 of 22 December 1986 with the Holding company Ferragamo Finanziaria S.p.A. as the consolidating company and Ferragamo Parfums S.p.A.

### **Shares held by Directors, Statutory Auditors and Managers with strategic responsibilities**

For information relating to the shares held by Directors, Statutory Auditors and Managers with strategic responsibilities, reference should be made to the Remuneration Report, prepared in accordance with CONSOB resolution dated 23 December 2011 and available on the website [www.ferragamo.com](http://www.ferragamo.com) in the Investor Relations section.

### **Treasury shares and shares or stakes in parent companies**

It should be noted that the Group does not hold directly or indirectly treasury shares or shares in parent companies and that during the year it did not buy or sell treasury shares or shares in parent companies.

### **Significant non-recurring events and transactions**

During 2013, the Ferragamo Group did not carry out significant non-recurring transactions and no significant non-recurring events occurred.

### **Human resources management and development**

The Ferragamo Group places great importance on its human capital as represented by its employees and pays particular attention to their professional development by offering equal opportunities to everyone and at the same time by supporting and encouraging personal initiative, in order to create the best conditions for managerial or technical development. The introduction in 2013 of a job-posting system is part of such a development program.

As from 2013, within the Human Resources and Organization Unit of the Parent company, a specific department has been created for Organizational Development, in order to combine a more accurate and precise business process analysis and re-engineering with human resource development plans and the related training needs, ensuring at the same time the necessary worldwide integration.

Particular attention continues to be paid to young people and in-house growth because the Group believes that it is the best way to share those Ferragamo values which in over eighty years of business have been its main focus; in particular, honesty, transparency, integrity and respect have always been core values, and are also an integral part of the Code of Ethics, whose adoption and coming into force have already been formalized in 2009 by the Parent company and by the subsidiary Ferragamo Parfums S.p.A.

With a view to planning specific initiatives to improve employees' well-being and their working environment, the Parent company Salvatore Ferragamo S.p.A. adopted various corporate welfare initiatives, such as the introduction of a Healthcare Assistance Program available to all employees, including blue and white collars, the total renewal of lunchrooms and the opening of new cafeterias, new and more competitive conditions with banks and insurance companies, and new initiatives scheduled for 2014 and 2015 are currently being developed.

Corporate Social Responsibility initiatives share the same objectives, with the direct involvement of employees in charity initiatives which represent the values of solidarity in which the Ferragamo Group strongly believes.

Safety at the workplace is considered of utmost importance and the Group has therefore taken all the necessary measures to ensure it. The number of initiatives has been increased to inform and train employees, involving both technical and blue-collar staff and relevant managers, and particular attention has been paid also to the problems connected with contractors, both in terms of safety in contracted works and interference in operations as works progress.

As for remuneration policies, the Ferragamo Group has been implementing for many years now a system (distinguishing different corporate categories/positions) which includes, besides remuneration, also incentive systems connected to both individual and Group objectives, thus encouraging team spirit and a sense of belonging.

## Staff

Here below is the Group's staff divided by category as at 31 December 2013 and 31 December 2012.

Staff	31 December 2013	31 December 2012
Top managers, middle managers and store managers	617	570
White collars	2,925	2,545
Blue collars	222	207
<b>Total</b>	<b>3,764</b>	<b>3,322</b>

## Environmental protection

The Group's business gives rise to limited environmental issues, but it has nonetheless always put environmental sustainability at the heart of its development policies by promoting awareness-raising aimed at reducing consumption and encouraging energy saving with in-house initiatives and campaigns. Over the years the Parent company has installed at its Osmannoro-Sesto Fiorentino plant photovoltaic systems with solar panels to produce electricity and hot water for the various buildings, as it believes that the consequent environmental benefit is positive in terms of reduced CO<sub>2</sub> emissions.

Through the new initiatives to expand and renovate the Osmannoro facility, the Group confirms its commitment to reduced energy consumption thanks to high efficiency plant and lighting, the use of alternative and renewable energy sources, the installation of building automation systems, pursuing the objective of sustainable management of buildings based on the principles of the "20-20-20 Plan" disseminated with the Kyoto Protocol: reduction in consumption, reduction in atmospheric emissions and use of alternative energy sources.

## Research and development

As part of its creative and production studies, the Group incurred costs for research and development for the study of new products and the use of new materials, which were wholly charged to the income statement under costs of production.

In 2013 research and development costs totaled 25,026 thousand Euro compared to 23,024 thousand Euro in 2012.

## Transactions with related parties

In compliance with the provisions of the Regulation adopted by CONSOB with resolution no. 17221 of 12 March 2010 and subsequent amendments, Salvatore Ferragamo S.p.A. adopted a Related Party Transaction Procedure ("Related Party Procedure") available on the website [www.ferragamo.com](http://www.ferragamo.com) in the Investor Relations section.

The main body responsible for the correct application of Salvatore Ferragamo S.p.A.'s Related Party Procedure is the Company's Board of Directors. The Board, taking into account the notifications and observations of the other corporate bodies, assesses, on at least a three-yearly basis, the effectiveness of the Related Party Procedure and the need/advisability to update it.

The Related Party Procedure identifies the principles adopted by the Company in order to guarantee the transparency and the actual and procedural fairness of transactions with related parties undertaken by the Company, either directly or through its subsidiaries.

In particular, it establishes the "larger" transactions which must be approved in advance by the Board of Directors on the basis of the grounded and binding opinion of the Committee responsible for transactions with related parties – which is identified in the Control and Risk Committee, except for resolutions on remuneration for which the Nomination and Remuneration Committee is responsible – and which entail the disclosure of an information document. The other transactions, unless they fall in the residual category of low value transactions – i.e. those worth less than 100,000 Euro – are defined as "smaller" transactions and can be executed subject to a grounded and non-binding opinion of the aforementioned Committee.

In addition, the Related Party Procedure identifies the cases which are exempt from application of the procedure, including in particular ordinary transactions completed at market or standard conditions, transactions with or between subsidiaries and those with associated companies – provided that other

related parties of the Company do not hold significant interests in these transactions – and low value transactions.

The Board of Statutory Auditors is responsible for overseeing the compliance of the Related Party Procedure with the principles indicated in the CONSOB Regulation and observance and correct application of the Procedure.

Transactions with related parties – as listed in the financial statements and set out in detail in note 38 at the bottom of the comments to the income statement items – cannot be considered as atypical or unusual, since they form part of Group companies' regular business and are regulated at market conditions.

### **Requirements provided for by Leg. Decree 196 of 30 June 2003 – Privacy Protection**

Although there is no longer an obligation to prepare and update the Security Policy Document, it was nonetheless deemed necessary to keep it. The company is about to start a substantial review of the document's structure to make it shorter and less formal.

### **Main risks and uncertainties**

Here below are the main risk factors to which the Group is exposed, identified by type: strategic, operational, financial and compliance risks. For a description of the overall Risk management system through which risks are managed and controlled, reference should be made to the specific description in the Annual report on corporate governance and ownership structure.

#### *Market and strategic risks*

##### **Market risks connected to social, economic and political changes**

The luxury goods market, which is the key market for the Group's products, is highly dependent on disposable income and consumers' propensity to spend as well as the general economic trend.

Political instability and/or economic recession in a geographical market which is significant for Group sales, and events that can undermine the confidence of the Group's target customers could have a negative impact on the income, financial and equity position of Group companies. This market is also closely connected to changes in consumption trends and changes in lifestyles.

##### **Risks of natural or malicious events and the connected effects on equity or on the business**

The distribution of the business and, above all, of the distribution network across the main countries worldwide exposes the Group to a variety of risks related to natural events, such as earthquakes, floods, etc., or malicious events, such as acts of terrorism, which could directly or indirectly damage the Group's assets, when such events cause significant economic losses and/or social unrest in the populations affected, with a consequent negative impact on demand in this geographic area and/or on the undertaking of the Group's activities.

##### **Risks connected to the definition and implementation of strategies**

In formulating its strategy, the Group takes into account some assumptions on the economic trend and on the development in demand for luxury goods in the various geographic areas and on the prospects for the potential locations in which to base its stores.

The Group's ability to implement its strategy depends, among other things, on its ability to meet, through the development of its collections, the preferences of its customers and to launch communication campaigns aligned with its strategic positioning and brand awareness objectives.

Should the Group not be able to implement its strategy and/or should the underlying assumptions on which the Group has based its strategy prove not to be correct, the Group's business and prospects could be negatively affected.

##### **Risk connected to trade channels managed by third parties**

Part of the distribution network for "Salvatore Ferragamo" branded products consists of stores managed by third parties with whom the Group generally has long-standing business relationships. As far as the wholesale channel is concerned, the Group's sector is characterized by a limited number of large operators, such as major department stores, mainly from the United States, but also important distributors on the Chinese market and duty free and travel retailers.

The lack of commercial relations with the main indirect distributors, the impossibility of developing new commercial relations, or a marked fall in the related revenues could impact the Group's business. In addition, the failure by indirectly managed stores to comply with a commercial policy that is in line with the brand's image could damage the brand's positioning, as well as the related sales.

### **Risks of external events with an impact on the image and reputation of the brand**

The Group's success depends on the image of its brand, which is influenced not only by its own activity, i.e. by the definition and implementation of its strategies, but also by a variety of external factors or events which may harm or damage the business ethics and values associated with the reputation of the brand. These include: the dissemination of partial, untrue or defamatory information, which nowadays may be amplified through new web-based channels (social networks, blogs) and possible crimes connected to the production chain which, although entrusted to external workshops, may have an indirect impact on the brand.

#### *Operating risks (connected to typical processes)*

### **Risks relating to the protection of intellectual property and parallel market rights**

The Group's intellectual property is protected, in terms of rights relating to design, processes and manufacturing technologies, utility models and brands and other trademarks, all of which are key elements for the success of products and the Group's competitive positioning, by the law on industrial and intellectual property. In this regard, the Group generally arranges to protect its rights in the areas where it operates through the deposit of applications to register brands, designs and utility and ornamental models and patent requests for inventions in order to be able to obtain the related intellectual property rights. However, this does not eliminate the risk that false or imitation products may be illegally marketed and, in some cases, products which are formally different but substantially the same may be marketed, with the consequence that these might not infringe and, therefore, invalidate the Group's industrial or intellectual property rights.

The risk of violation of the intellectual property rights of products and the brand held by the Group is amplified via the Internet through their improper use on third-party websites. This risk can take several forms: unauthorized e-commerce websites which sell official products; e-commerce websites which sell counterfeit products; and unauthorized use of the "Ferragamo" name in the website address.

Finally, legal protection cannot, in any case, prevent the possibility that Ferragamo brand products sold to wholesale customers are then sold on so-called parallel channels, with possible repercussions on the corporate image as a result of the lack of control over these retail sales by a commercial policy that is in line with the brand image developed by the Group, as well as a negative impact on Group revenues.

### **Risks connected to changing regulation and to compliance with the identification requirements for "Made in Italy" products**

All the products manufactured and sold by the Group are "Made in Italy", except for a very limited range of products manufactured abroad to take advantage of local traditions and quality (for example "Swiss Made" watches). This is considered a competitive advantage compared to rival products which cannot make the same claim.

A change in the law on the origin of goods could, however, change the current identification requirements for "Made in Italy" products. Should these requirements become more restrictive, this could oblige the Group to adapt to the new laws, with a negative impact in terms of higher production costs. Likewise, should the law identifying "Made in Italy" products become less restrictive, this could undermine the competitive advantage over competitors who could use the same definition with a consequent negative impact on sales and the market share that is currently held.

Despite the activities undertaken to control the production chain, through systematic inspections by in-house technical staff, it is impossible to rule out the risk of potential violation of the "Made in Italy" identification requirements by external workshops or suppliers to whom the realization of the finished products is outsourced, in particular in cases in which a production stage is further subcontracted. The repercussions of any public disclosure of this violation could have a significant and negative impact on the Group's reputation and image.

### **Dependence on key suppliers in the production process**

The organizational model adopted by the Group entrusts the production process entirely to expert staff in external workshops, although keeping in-house the management and organization of the most important stages in the value chain.

The outsourcing of the production process and the consequent possibility of the termination of dealings with third parties, owing to bankruptcy or discontinuance, and also due to default or voluntary interruption of the collaboration, could represent a going-concern risk in particular business areas, at least in the short term.

In addition, any interruption in the relationship with these external subjects could lead to issues relating to claims of alleged employment and operational dependence which such external subjects could raise, should the Group consider it advisable to discontinue the collaboration.

In addition, note should be taken of the dependence of Ferragamo Parfums S.p.A. on a single manufacturer which handles the whole operational process, consisting of production, bottling and logistics activities.

**Risks connected to the adequacy of the governance system of subsidiaries and to organizational development that is in line with the Group's growth**

The risk is connected to the possibility that the governance system of subsidiaries, whether wholly or partially owned, or the instruments adopted for its implementation are not adequate or do not allow the activities undertaken by local managers to be maintained in line with the policies or expectations of the Group's top management. In particular, reference is made to actions undertaken by local managers in violation of the company's rules, ethical conduct and proper management rules, which could cause harm in terms of equity, financial performance and image.

The risk of an inadequate organizational model relates also to the possibility that the macro and micro organizational systems do not provide the best possible support for the company's activities in order to achieve the defined business goals. The risk of a lack of coherence in the Group's organizational structure and its inadequate development over time in regard to changing needs, is particularly important in the current phase of business growth.

**Dependence on key staff**

The risk is connected to the significant dependence which the Group may have in regard to some managers who are currently considered strategic resources, since they cannot be easily or rapidly replaced by internal or external staff. The ending of the contribution of such staff members could lead to significant missed business opportunities, lower revenues, higher costs or cause damage to the Company's image.

The risk of dependence on key staff is also connected to the potential loss of "technical know-how", in reference to the possibility of seeing a gradual reduction or loss of the competences and skills needed to manage design, development and production activities, in particular in regard to the Group's core business: the manufacture of footwear and leather goods. This risk is especially important in regard to the professional staff responsible for handling product development and industrial manufacture processes, in an external and local framework characterized by a gradual reduction in craftsmanship and professional skills.

**Financial risks**

**Exchange rate risk**

The Group operates internationally and therefore is exposed to risks arising from exchange rates fluctuations, which have an impact on the operating results and on the value of shareholders' equity.

The Group manages exchange rate risk arising from operations through the systematic hedging of commercial flows arising from sales forecast in currencies other than the Euro, with the aim of mitigating the expected risk of changes in margins arising from sales relating to future collections.

The Parent company (as a manufacturing company) enters into currency forward contracts or options, to establish the conversion rate in advance, or a predefined range of conversion rates at future dates with an estimated period of maximum 24 months.

The hedges of the Parent company's future transactions in foreign currencies (which can be classified as cash flow hedge pursuant to IFRS) are accounted for in accordance with hedge accounting rules.

To the operations we may add those of some Asian and Latin American subsidiaries which make purchases in US dollars or in Euro and sell in the currency of the country in which they operate. The values of the contracts involved are significantly lower than those of the Parent company.

Ferragamo Parfums S.p.A. hedges exchange rate risk by entering into foreign currency loans and foreign currency forward contracts with maturities of less than 1 year.

In addition, the Group controls and hedges exposure deriving from changes due to exchange rate changes in the value of assets or liabilities denominated in currencies other than the accounting currency of the individual company, which may affect the income statement (typically intercompany financial receivables/payables) through financial instruments, whose recognition in accordance with IFRS follows the rules of fair value hedge: the profit or loss arising from subsequent assessments of the present value of the hedging instrument is recorded in the income statement as well as the profit or loss on the hedged item.

In addition, by virtue of the fact that the Company prepares its consolidated financial statements in Euro, fluctuations in the exchange rates used to translate the financial statement data of subsidiaries which were originally expressed in a foreign currency could have a significant impact on consolidated results, net financial debt, and shareholders' equity, as expressed in Euro in the Group's financial statements.

### **Credit risk**

The Group's exposure to commercial credit risk refers only to wholesale sales and to receivables arising from revenues generated by licensing activities, which together represent around 35 percent of global turnover: the remaining turnover refers to retail sales with payment mainly in cash or through credit and debit cards.

The Group generally favors trade dealings with customers with whom it has well-established and consolidated relations. It is the Group's policy to check credit ratings of customers who ask for extended payment terms, based both on information which can be obtained from specialist agencies and on the observation and analysis of historical data of established customers. In addition, the balance of trade receivables is constantly monitored during the year in order to ensure prompt intervention and to reduce the risk of losses.

The commercial credit risk is also managed through the subscription of insurance policies with insurance companies or factoring companies (for relationships relating to guarantees only), which agree to guarantee payment of the indemnity in the case of insolvency.

The credit risk connected to financing, investment and operating activities in derivatives to hedge the exchange rate risk is represented by the inability of the counterparty or the issuer of the instruments to meet their obligations. The Group manages this type of risk by selecting counterparties with high credit ratings and who are considered solvent by the market and with whom it has routine and ongoing trade and banking service relations.

The credit risk regarding the Group's other financial assets, consisting of cash and cash equivalents, available-for-sale financial assets and some derivatives, has a risk equal to the book value of these assets in case of insolvency of the counterparty.

### **Interest rate risk**

Movements in market interest rates affect the level of net financial charges and the market value of financial assets and liabilities.

The Ferragamo Group is exposed to the risk of recording on the income statement an increase in financial charges due to an unfavorable change in interest rates. Group companies use third-party financial resources largely in the form of floating rate bank debt and deploy the available liquidity mainly in money market instruments. Changes in market interest rates only affect the cost of loans and the yield on uses and thus the level of the Group's financial charges and income, and not their fair value.

Sensitivity to interest rate risk is monitored at Group level, by keeping the overall exposure in due consideration, through coordinated management of debt and available liquidity and of the relevant due dates, which are in any case kept within 12 months.

As at 31 December 2013 there were no outstanding interest rate risk hedge derivatives aimed at transforming floating rate debt into fixed rate debt.

### **Liquidity risk**

The factors which mainly influence the Group's liquidity are the resources generated or absorbed by current operating and investing activities and the expiry and possibility of renewal of debt or the expiry and possibility of liquidation of financial investments of surplus cash.

The negotiation and management of credit lines is coordinated by the Parent company with the aim of satisfying the short and medium-term needs of the individual companies according to efficiency and cost-effectiveness criteria. It is the Group's policy to sign and constantly maintain with various and diversified banks a total amount of committed credit lines that is considered consistent with the needs of the individual companies and suitable to ensure the liquidity needed to satisfy and comply with the Group's foreseeable financial commitments, at the established economic conditions, as well as guaranteeing the availability of an adequate level of operational flexibility for any expansion programs.

Cash surpluses are used with reference banks in short-term (usually between one and three months) time deposit transactions, referring to the Euribor/Libor rate for the period or the specific benchmark of the investment currency. Liquidity investments are carried out with the prime objectives of making resources available at short notice and neutralizing the risk of capital losses, avoiding speculative transactions.

The financial position of each company and that of the Group overall is measured every month, and compared with the latest Budget/Forecast.

For information relating to the management of financial risks and for the other information provided for by IFRS 7, reference should be made to the specific section in the Explanatory notes, at the end of the paragraph on accounting standards.

### **Compliance risks**

#### **Tax risk**

The Ferragamo Group has subsidiaries in over 25 countries worldwide and, therefore, its tax returns and obligations are usually subject to assessments by the tax authorities of the various countries. In addition,

due the high number and value of transactions between Group companies, the compliance of the amounts envisaged for such transactions to local and international rules and principles on transfer pricing is subject to assessment and adjustment by tax authorities. The instruments adopted by the management to limit tax risk for both tax compliance and transfer pricing cannot completely rule out the risk of tax assessments, especially taking into account the lack of clear and established regulation of transfer pricing in local legal provisions and procedures. Currently some Group companies in various countries are subject to tax assessments. No guarantee can be given that the outcomes of these assessments or any other future assessments will not have a negative impact on the Group's financial position, operating results and prospects.

#### **Risk relating to non-compliance with rules and regulations**

The Group is subject, in the various jurisdictions where it operates, to legal provisions – including tax provisions which are described separately – and to technical rules which are applicable to the products manufactured and their distribution.

In terms of risk, of particular importance are the rules which became applicable to the Parent company following admission to listing on the Italian stock market and which are issued by market supervisory and regulation authorities (e.g. CONSOB and Borsa Italiana).

The application of new rules and regulations or changes to the law in force, which could lead to a delay in adjusting structures in order to ensure compliance with the new or subsequent requirements, result in further exposure to the risk of sanctions due to failure to comply with such provisions.

The Parent company has implemented measures that it considers suitable to comply with applicable provisions. These include by way of example: the system of checks on the reliability of financial reporting under art. 154-bis of the TUF; the organization, management and control model adopted for the purposes of preventing the crimes as set out in Leg. Decree 231/2001; and the procedures strictly connected to the status of being a listed company (the internal dealing procedure, the procedure for the regulation of transactions with related parties, the internal regulation for the processing and disclosure of confidential and inside information).

However, the control procedures which have been adopted, although adequate to reduce risks, could be ineffective in eliminating them completely; this means that the Group is, in any case, potentially subject to non-compliance with the rules and regulations due to errors or failure to comply, as well as due to fraudulent conduct by its employees. This could lead to sanctions with a direct negative economic impact and, in the case of disclosure, to an even greater impact on the Group's reputation and image.

#### **Significant events occurred after 31 December 2013**

On 30 January 2014 the Board of Directors of the Parent company Salvatore Ferragamo S.p.A. resolved to subscribe, to the extent of its 99% stake, the share capital increase of the subsidiary Ferragamo Brasil Roupas e Acessorios Ltda, for 14,500,000 Brazilian Reals (around 4.5 million Euro), which will bring the share capital of the Brazilian subsidiary to a total of 39,215,000 Reals.

#### **Macroeconomic situation and outlook**

2013 ended with encouraging signs of acceleration in global economic activity: the latest estimates from the OECD assume global economic growth for the year amounting to 2.7%, with growth forecasts of 3.6% for 2014 and 3.9% for 2015. Low growth levels in 2013 are due to delayed recovery in the most industrialized countries and the sharp slowdown in emerging countries.

In the Eurozone new GDP growth in the economic cycle started in the second quarter, driven by exports, and continued at a more limited pace also in the third and fourth quarters, supported by growth in domestic demand. The inflation rate reached a low, well below 1.00%. In November the ECB cut the official rate because it wanted to keep rates at low levels for a long time. Taking into account the main European countries, industrial production stalled in Germany and France in the final quarter of the year and increased by around half a percent in Italy, interrupting the prolonged recession. Industrial production in the United States accelerated in the third and fourth quarters of 2013, reaching 3.2% in the final quarter, also supported by encouraging employment data. Japanese economic data improved in the fourth quarter, driven by exports, supported by the weakness of the currency and by an increase in the consumption of durable goods due to the announcement of an upcoming increase in indirect taxes. In China economic growth leveled off at 7.8%, driven by the Central Government's measures to support investments and exports while emerging countries showed differing trends.

In the first part of 2014 economic activity provided clear signs of a global recovery. The conditions are in place for a year of moderate but widespread economic growth, without any inflationary pressure, given the limited change in raw materials prices. The unpredictable reaction by investors to the change in the US economic policy – after having become accustomed to monetary stimulus in these years – and the possible effects on emerging markets, which are more exposed to foreign investments, is one the biggest

risks for the economic outlook for 2014. In the Eurozone recovery will be complete only when it starts to also involve the credit and labor markets. After two years of reduction, GDP should start to increase again at a rate of around one percent. The main risk is a possible resurgence of the financial crisis. In the United States the growth rate should be over 3.00%, with satisfactory consumption trends, a recovery in companies' investments in fixed assets and significant expansion of the residential construction sector, as part of a now well established property sector. The Japanese Central Bank will continue to provide monetary stimulus because this strategy led to the end of deflation. Despite the rise in the consumption tax, which will increase cycle volatility, the growth rate should be around 1.80%. Chinese economy continues to grow thanks to the recovery in exports and increased consumption and investments. After the downturn in the central months of 2013, and without taking into account cyclical fluctuations, the system seems to be stable with rates between 7.00% and 8.00%. On the other hand, the outlook remains weak in Brazil, India and in emerging countries as a whole, where growth is forecast to be limited in the current year too.

Sales in the luxury goods sector are likely to continue their positive growth trend in 2014, albeit at lower rates than in the past and with a likely slowdown in sales in China. In terms of income performance, at least for players in the Eurozone, pressure on margins is likely to continue due to the strength of the Euro against the other main currencies.

The sales volumes recorded by the Ferragamo Group in this initial months of 2014 and the wholesale order campaign seem to support the forecast of a positive trend for the year as a whole both in terms of growth in sales volumes and profits.

Florence, 11 March 2014

The Chairman of the Board of Directors  
Ferruccio Ferragamo

## Financial Statements

### Consolidated statement of financial position – assets

<b>(In thousands of Euro)</b>					
	<b>Notes</b>	<b>31 December 2013</b>	<i>of which with related parties</i>	<b>31 December 2012</b>	<i>of which with related parties</i>
<b>NON CURRENT ASSETS</b>					
Property, plant and equipment	5	168,398		139,580	
Investment property	6	6,455		7,039	
Intangible assets with a finite useful life	7	26,090		20,678	
Investments in associated and jointly controlled companies	8	-		1,331	
Available-for-sale financial assets	9	25		27	
Other non current assets	10	6,271		4,430	
Other non current financial assets	11	11,538	1,382	9,915	172
Deferred tax assets	32	78,537		67,745	
<b>TOTAL NON CURRENT ASSETS</b>		<b>297,314</b>	<b>1,382</b>	<b>250,745</b>	<b>172</b>
<b>CURRENT ASSETS</b>					
Inventories	12	290,705		249,804	
Trade receivables	13	121,408	66	105,184	2,348
Tax receivables	14	10,071		9,157	
Other current assets	15	42,773	2,426	34,932	2,040
Other current financial assets	16	1,928		1,942	
Cash and cash equivalents	17	70,308		110,864	
<b>TOTAL CURRENT ASSETS</b>		<b>537,193</b>	<b>2,492</b>	<b>511,883</b>	<b>4,388</b>
<b>TOTAL ASSETS</b>		<b>834,507</b>	<b>3,874</b>	<b>762,628</b>	<b>4,560</b>

## Consolidated statement of financial position – liabilities and shareholders' equity

(In thousands of Euro)	Notes	31 December 2013	<i>of which with related parties</i>	31 December 2012	<i>of which with related parties</i>
<b>SHAREHOLDERS' EQUITY</b>					
<b>GROUP SHAREHOLDERS' EQUITY</b>					
Share capital	18	16,841		16,841	
Reserves	18	198,173		144,897	
Net profit/(loss) – Group		150,451		105,552	
<b>TOTAL GROUP SHAREHOLDERS' EQUITY</b>		<b>365,465</b>		<b>267,290</b>	
<b>MINORITY INTERESTS</b>					
Share capital and reserves – minority interests		24,789		12,481	
Net profit/(loss) – minority interests		9,516		19,727	
<b>TOTAL MINORITY INTERESTS</b>		<b>34,305</b>		<b>32,208</b>	
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>399,770</b>		<b>299,498</b>	
<b>NON CURRENT LIABILITIES</b>					
Provisions for risks and charges	19	5,348		5,424	
Employee benefit liabilities	20	10,092		11,429	
Other non current liabilities	21	38,671		41,212	
Deferred tax liabilities	32	7,167		6,683	
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>61,278</b>	-	<b>64,748</b>	-
<b>CURRENT LIABILITIES</b>					
Trade payables	22	202,752	294	157,681	733
Interest-bearing loans & borrowings	23	100,052		125,133	
Tax payables	24	22,401		21,036	
Other current liabilities	25	43,472	10,539	48,917	13,575
Other current financial liabilities	26	4,782		45,615	41,235
<b>TOTAL CURRENT LIABILITIES</b>		<b>373,459</b>	<b>10,833</b>	<b>398,382</b>	<b>55,543</b>
<b>TOTAL LIABILITIES</b>		<b>434,737</b>	<b>10,833</b>	<b>463,130</b>	<b>55,543</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>834,507</b>	<b>10,833</b>	<b>762,628</b>	<b>55,543</b>

## Consolidated income statement

<b>(In thousands of Euro)</b>		<b>2013</b>	<i>of which with related parties</i>	<b>2012</b>	<i>of which with related parties</i>
	<b>Notes</b>				
Revenues from sales and services		1,247,376	260	1,144,653	4,695
Rental income investment properties		10,658		8,312	
<b>Revenues</b>	<b>28</b>	<b>1,258,034</b>		<b>1,152,965</b>	
Cost of goods sold	29-30	(458,955)		(410,963)	
<b>Gross profit</b>		<b>799,079</b>		<b>742,002</b>	
Style, product development and logistics costs	29-30	(44,383)	(580)	(39,173)	(439)
Sales & distribution costs	29-30	(361,985)	(12,633)	(344,382)	(12,851)
Marketing & communication costs	29-30	(77,880)	(118)	(70,966)	(81)
General and administrative costs	29-30	(94,292)	(8,910)	(91,477)	(12,813)
Other operating costs	29-30	(13,631)	(10)	(14,832)	(20)
Other income and revenues		12,150	24	13,150	18
<b>Operating profit</b>		<b>219,058</b>		<b>194,322</b>	
Financial charges	31	(31,475)		(32,659)	(1,110)
Financial income	31	33,108	2	26,066	
Share of net profit/(loss) on investments accounted for using the Equity Method		-		637	
<b>Profit before taxes</b>		<b>220,691</b>		<b>188,366</b>	
Income taxes	32	(60,724)		(63,087)	
<b>Net profit/(loss) for the period</b>		<b>159,967</b>		<b>125,279</b>	
Net profit/(loss) – Group		150,451		105,552	
Net profit/(loss) – minority interests		9,516		19,727	
<hr/>					
<b>(In Euro)</b>	<b>Notes</b>	<b>2013</b>		<b>2012</b>	
Basic earnings per share – ordinary shares	33	0.893		0.627	
Diluted earnings per share – ordinary shares	33	0.892		0.627	

## Consolidated statement of comprehensive income

<b>(In thousands of Euro)</b>	<b>2013</b>	<b>2012</b>
<b>Net profit/(loss) for the period (A)</b>	<b>159,967</b>	<b>125,279</b>
<i>Other income (losses) that will be subsequently reclassified to net profit/(loss) for the period</i>		
- Currency translation differences of foreign operations	(4,748)	(18,589)
- Net gain / (loss) from cash flow hedge	8,527	30,815
- Income taxes	(2,345)	(8,474)
	<u>6,182</u>	<u>22,341</u>
<b>Total other income (losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)</b>	<b>1,434</b>	<b>3,752</b>
<i>Other income (losses) that will not be subsequently reclassified to net profit/(loss) for the period</i>		
- Net gain / (loss) from recognition of defined-benefit plans for employees	470	(544)
- Income taxes	(121)	91
	<u>349</u>	<u>(453)</u>
<b>Total other income / (losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)</b>	<b>349</b>	<b>(453)</b>
<b>Total other income / (losses) for the period, net of taxes (B1+B2 = B)</b>	<b>1,783</b>	<b>3,299</b>
<b>Total comprehensive income for the period, net of taxes (A+B)</b>	<b>161,750</b>	<b>128,578</b>
Group	152,717	108,123
Minority interests	9,033	20,455

## Consolidated statement of cash flows

(In thousands of Euro)			<i>of which with related parties</i>		<i>of which with related parties</i>
	Notes	2013		2012	
<b>NET PROFIT / (LOSS) FOR THE PERIOD</b>		<b>159,967</b>		<b>125,279</b>	
<b>Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:</b>					
Amortization, depreciation and write-downs of tangible and intangible assets and investment property	5-6-7	40,919		33,962	
Allocation / (use) of deferred taxes	32	(13,990)		(2,905)	
Provision for employee benefit plans	20	865		1,090	
Allocation to / (use of) the provision for obsolete inventory	12	6,141		1,136	
Losses and provision for bad debt		501		1,437	
Losses / (gains) on disposal of tangible and intangible assets		636		512	
Share of net loss / (profit) on investments accounted for using the Equity Method		-		63	
Other non-monetary items		(10,166)		(678)	1,099
<b>Changes in operating assets and liabilities:</b>					
Trade receivables		(16,905)	2,282	(7,763)	-
Inventories		(52,249)		(28,405)	
Trade payables		47,668	(439)	4,049	410
Tax receivables		(1,590)		1,043	
Tax payables		(2,743)		(42)	
Employee benefits payments	20	(1,476)		(729)	
Other assets and liabilities		(6,599)	(3,422)	(1,401)	(6,676)
Other – net		(994)		(5,508)	
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		<b>149,985</b>	<b>(1,579)</b>	<b>121,140</b>	<b>(5,167)</b>
<b>Cash flow from investing activities:</b>					
Purchase of tangible assets		(69,707)		(51,717)	
Purchase of intangible assets		(12,554)		(7,676)	
Net change in non current assets and liabilities		(2,057)	(1,210)	(1,822)	
Proceeds from the sale of tangible and intangible assets		160		52	
Proceeds from the sale of investments in associated and jointly controlled companies		13,855		-	
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		<b>(70,303)</b>	<b>(1,210)</b>	<b>(61,163)</b>	<b>-</b>
<b>Cash flow from financing activities:</b>					
Net change in financial receivables		(96)		(789)	
Net change in financial payables		(62,569)	(41,235)	64,152	(623)
Dividends paid to shareholders of the Parent company	34	(55,575)	(41,383)	(47,155)	(35,086)
Dividends paid to minority shareholders	34	(6,642)	(5,762)	(20,217)	(17,215)
Purchase of minority interests in companies consolidated on a line-by-line basis		(779)		(19,295)	
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		<b>(125,661)</b>	<b>(88,380)</b>	<b>(23,304)</b>	<b>(52,924)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(45,979)</b>		<b>36,673</b>	
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>110,808</b>		<b>73,179</b>	
Increase/(decrease) in cash and cash equivalents		(45,979)		36,673	
Effect of exchange rate translation differences		5,463		956	
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>70,292</b>		<b>110,808</b>	
<b>ADDITIONAL INFORMATION</b>					
Interest paid		3,931		2,947	
Income taxes paid		73,718		74,398	
Interest received		298		556	
Dividends received		600		700	

## Statement of changes in consolidated shareholders' equity

Changes in shareholders' equity (In thousands of Euro)	Share capital	Share capital contributions	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Other reserves	Effect IAS 19 Equity	Effect IAS 28 (Common Control) Equity	Net profit/(loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
<b>As at 01.01.2013</b>	<b>16,841</b>	<b>2,995</b>	<b>4,188</b>	<b>65,812</b>	<b>7,189</b>	<b>(36,208)</b>	<b>92,919</b>	<b>16,084</b>	<b>(2,158)</b>	<b>(5,924)</b>	<b>105,552</b>	<b>267,290</b>	<b>32,208</b>	<b>299,498</b>
Allocation of results	-	-	-	51,302	-	-	54,250	-	-	-	(105,552)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	150,451	150,451	9,516	159,967
Other comprehensive income/(loss)	-	-	-	-	6,182	(3,268)	(996)	-	348	-	-	2,266	(483)	1,783
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,182</b>	<b>(3,268)</b>	<b>(996)</b>	<b>-</b>	<b>348</b>	<b>-</b>	<b>150,451</b>	<b>152,717</b>	<b>9,033</b>	<b>161,750</b>
Distribution of dividends	-	-	-	-	-	-	(55,575)	-	-	-	-	(55,575)	(6,642)	(62,217)
Purchase of minority interests in companies consolidated on a line-by-line basis and accounting of options on minority interests	-	-	-	-	-	(35)	(344)	(2)	-	-	-	(381)	(294)	(675)
Stock Grant Reserve	-	-	-	-	-	-	-	1,414	-	-	-	1,414	-	1,414
Reclassifications	-	-	-	-	-	-	(5,924)	-	-	5,924	-	-	-	-
<b>As at 31.12.2013</b>	<b>16,841</b>	<b>2,995</b>	<b>4,188</b>	<b>117,114</b>	<b>13,371</b>	<b>(39,511)</b>	<b>84,330</b>	<b>17,496</b>	<b>(1,810)</b>	<b>-</b>	<b>150,451</b>	<b>365,465</b>	<b>34,305</b>	<b>399,770</b>

Changes in shareholders' equity (In thousands of Euro)	Share capital	Share capital contributions	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Other reserves	Effect IAS 19 Equity	Effect IAS 28 (Common Control) Equity	Net profit/(loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
<b>As at 01.01.2012</b>	<b>16,841</b>	<b>2,995</b>	<b>4,188</b>	<b>36,686</b>	<b>(15,152)</b>	<b>(17,654)</b>	<b>95,386</b>	<b>14,422</b>	<b>(1,675)</b>	<b>(5,924)</b>	<b>81,290</b>	<b>211,403</b>	<b>44,716</b>	<b>256,119</b>
Allocation of results	-	-	-	29,176	-	-	4,959	-	-	-	(34,135)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	105,552	105,552	19,727	125,279
Other comprehensive income/(loss)	-	-	-	-	22,341	(18,019)	(1,268)	-	(483)	-	-	2,571	728	3,299
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,341</b>	<b>(18,019)</b>	<b>(1,268)</b>	<b>-</b>	<b>(483)</b>	<b>-</b>	<b>105,552</b>	<b>108,123</b>	<b>20,455</b>	<b>128,578</b>
Distribution of dividends	-	-	-	-	-	-	-	-	-	-	(47,155)	(47,155)	(20,211)	(67,366)
Purchase of minority interests in companies consolidated on a line-by-line basis and accounting of options on minority interests	-	-	-	-	-	(535)	(6,158)	360	-	-	-	(6,333)	(12,752)	(19,085)
Stock Grant Reserve	-	-	-	-	-	-	-	1,252	-	-	-	1,252	-	1,252
Specific reserve for share capital increase to serve the Stock Grant Plan	-	-	-	(50)	-	-	-	50	-	-	-	-	-	-
<b>As at 31.12.2012</b>	<b>16,841</b>	<b>2,995</b>	<b>4,188</b>	<b>65,812</b>	<b>7,189</b>	<b>(36,208)</b>	<b>92,919</b>	<b>16,084</b>	<b>(2,158)</b>	<b>(5,924)</b>	<b>105,552</b>	<b>267,290</b>	<b>32,208</b>	<b>299,498</b>

## Explanatory Notes

### 1. Corporate information

The Parent company Salvatore Ferragamo S.p.A. is a legal entity organized under Italian law and is listed on the Italian Stock Exchange (MTA segment).

The Salvatore Ferragamo Group is one of the main players in the luxury sector and dates back to 1927.

The consolidated financial statements for the year ended 31 December 2013 were approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 11 March 2014.

The main Group activities are set out in the Directors' report on operations.

#### 1.1 Management and coordination

The Parent company Salvatore Ferragamo S.p.A. is part of the Ferragamo Finanziaria Group and is subject to the management and coordination of Ferragamo Finanziaria S.p.A. pursuant to art. 2497-bis of the Italian Civil Code.

In compliance with the provisions of art. 2497-bis, paragraph 4 of the Italian Civil Code, the key data from the financial statements of the Holding company Ferragamo Finanziaria S.p.A. as at 31 December 2012 and 2011 is given below.

Ferragamo Finanziaria S.p.A. (In Euro)	31 December 2012	31 December 2011
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
B) Fixed assets	202,115,705	199,604,948
C) Current assets	15,329,964	51,089,579
D) Accrued expenses and deferred income	-	132,527
<b>TOTAL ASSETS</b>	<b>217,445,669</b>	<b>250,827,054</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
A) Shareholders' equity		
- Share capital	49,749,960	49,749,960
- Reserves	136,363,249	15,388,771
- Profit (loss) for the year	25,878,978	94,922,222
D) Payables	5,453,482	90,766,101
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>217,445,669</b>	<b>250,827,054</b>
<b>Guarantees, commitments and other risks</b>	<b>91,376</b>	<b>91,376</b>
<b>INCOME STATEMENT</b>		
A) Value of production	5,187	-
B) Costs of production	(1,701,658)	(2,781,455)
<b>Difference between value and costs of production</b>	<b>(1,696,471)</b>	<b>(2,781,455)</b>
C) Financial income and charges	27,170,968	12,539,493
E) Extraordinary income and charges	7,811	85,770,144
<b>Profit before taxes</b>	<b>25,482,308</b>	<b>95,528,182</b>
Income taxes for the year, current and deferred	396,670	(605,960)
<b>Profit (loss) for the year</b>	<b>25,878,978</b>	<b>94,922,222</b>

### 2. Basis of presentation

#### Statement of compliance with IFRS

The consolidated annual report of Salvatore Ferragamo S.p.A. has been prepared in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board ("IASB"), adopted by European Union and in force at the reporting date. The explanatory notes to the consolidated financial statements have been supplemented with the extra information requested by CONSOB and by the provisions it has issued in implementation of art. 9 of Leg. Decree 38/2005 (resolutions 15519 and 15520) dated 27 July 2006 and communication DEM/6064293 dated 28 July 2006, pursuant to art. 78 of the Issuers' Regulation, the EC document of November 2003 and, where applicable, the Italian Civil Code. The term "IFRS" used herein includes International Accounting Standards ("IAS") which are still in force as well as all the interpretations issued by the IFRS

Interpretation Committee, previously referred to as International Financial Reporting Interpretations Committee (“IFRIC”) and before that Standing Interpretations Committee (“SIC”).

### **Contents and structure of the consolidated annual report**

All amounts are expressed in Euro and are expressed in thousands of Euro, unless otherwise indicated.

The consolidated statement of financial position distinguishes between current and non current assets and liabilities, where:

- non current assets refer to positive balances to be realized after more than 12 months and include intangible, tangible and financial assets;
- current assets refer to positive balances to be realized within 12 months;
- non current liabilities refer to payables due after more than 12 months, including financial payables, provisions for risks and charges and employee benefit liabilities;
- current liabilities refer to payables due within 12 months, including the short-term portion of medium/long-term loans, provisions for risks and charges and employee benefit liabilities.

Differently from the separate financial statements of the Parent company, the consolidated income statements are shown in accordance with a classification of costs by function, which is considered more representative than the so-called presentation of costs by nature. The structure chosen is in line with internal reporting processes and business operations. The statement of cash flows has been prepared according to the indirect method and is presented in compliance with IAS 7, breaking down financial flows into operating, investing and financing activities.

It should be noted that in reference to CONSOB Resolution no. 15519 of 27 July 2006 and Communication no. DEM6064293 of 28 July 2006, the financial statements show significant transactions with related parties, in order to provide better disclosure.

### **Accounting standards**

#### **General notes**

The consolidated annual report has been prepared according to the historical cost principle, except for derivatives and financial assets classified as held for sale, which are recorded at fair value and on a going concern basis. The accounting principles adopted in the Consolidated annual report as at 31 December 2013 have been applied consistently to all the periods being compared.

#### ***Discretionary valuations and significant accounting estimates***

The preparation of the consolidated annual report has entailed the use of estimates and assumptions, both in determining some assets and liabilities, and in assessing contingent assets and liabilities. Effective results might not fully correspond to estimates.

The main estimated data refer to:

- provisions for obsolete inventory of raw materials, accessories and finished products; since the Group’s products are subject to changes in fashion trends, product inventories at the end of the season or, in the case of fragrances, at the end of the life cycle of the individual item, are subject to impairment;
- provisions for bad debt relating to wholesale sales, which are linked to the solvency of customers with whom the company has well-established and consolidated relations;
- provisions for risks and charges, in particular expected future expenses and ongoing or foreseeable disputes, as well as for marginal cases relating to the return of goods by customers;
- depreciation and amortization rates for property, plant and equipment, intangible assets and investment property;
- employee benefits, whose amounts are valued on an actuarial basis;
- receivables for deferred tax assets, in particular the estimate of their recoverability in regard to future income;
- fair value of financial instruments, in which derivatives are particularly important, and which the Group uses extensively to hedge exchange rate risks;
- fair value of share-based payment plans, whether settled in cash or in shares which the Parent company uses to provide incentives to the Group management.

The estimates and the assumptions are made by directors with the assistance of company departments and, when appropriate, independent experts and are periodically reviewed, recognizing the impact of each change in the income statement.

#### ***Impairment of Property, plant and equipment, Investment property, Intangible assets with a finite useful life, Investments***

The book value of Property, plant and equipment, Investment property, Intangible assets with a finite useful life, and Investments is subject to impairment testing when there are indicators of impairment which require an immediate assessment of impairment, or when events have occurred which require the

procedure to be repeated. Impairment exists when the book value of an asset or cash flow generating unit exceeds its recoverable value, which is the higher of its fair value less the costs of sale and its value in use. The calculation of the fair value less the costs of sale is based on the data available from transactions between free and independent parties involving similar assets or observable market prices, less the extra costs relating to the disposal of the asset. The value in use is calculated based on discounted cash flow models.

The cash flows are taken from the business plans approved by the Board of Directors, which represent the best estimate made by the Company on the economic conditions set for the plan period. The plan forecasts normally refer to a time period of three years, the long-term growth rate (g) – used to estimate the terminal value of the asset – for prudential reasons is lower than the long-term growth rate for the sector, country or reference market. Cash flows do not include restructuring activities for which the Company does not have a current obligation, or significant future investments which will increase the yield on the assets that make up the cash flow generating unit that is being valued. The recoverable amount is very dependent on the discount rate used in the discounted cash flow model and also on the expected future incoming cash flows and on the growth rate used for the purposes of the extrapolation.

#### *Disclosure on impairment*

In the current economic scenario, although reassured by a positive trend in the economy, the Group considers disclosure regarding impairment of assets as particularly important. The Group has adopted a procedure to analyze indicators of impairment and a procedure for impairment testing. The results are listed in the notes relating to the individual assets.

### **Property, plant and equipment**

Tangible assets are recorded at historic cost, including the additional costs directly attributable and necessary to use the asset for the purpose for which it has been bought. This cost includes the costs to replace part of the plant and equipment when incurred, if they comply with the recognition criteria. The net value (cost less accumulated depreciation and accumulated impairment) of parts of replaced plant and equipment is recognized in the income statement at the time of replacement.

Maintenance and repair expenses, which do not involve the creation of value from and/or extension of the residual life of the assets, are recognized in the income statement in the year in which they are incurred, otherwise they are capitalized.

Tangible assets are shown net of the related accumulated depreciation and any accumulated impairment determined in accordance with the method described below. Depreciation is calculated on a straight line basis according to the estimated useful life of the asset for the company.

The useful lives of the main classes of tangible assets are as follows:

	<b>Useful life</b>
Buildings	33 years
Plant and Equipment	5-6 years
Industrial and commercial equipment	4-7 years
Other assets:	
- Office furniture and furnishings	5-8 years
- Electronic machines	3-5 years
- Historic collection	5 years
- Vehicles	3-4 years
- Leasehold improvements	On the basis of the residual duration of the asset's lease contract

The residual value of the asset, its useful life, and the depreciation methods applied are reviewed at the end of each year and adjusted on a prospective basis if necessary.

Should significant parts of these tangible assets have different useful lives, these components are accounted for separately. Land, whether it is free of construction or attached to buildings, is recorded separately and is not depreciated since it has an unlimited useful life.

The book value of property, plant and equipment is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. If there is an indication of impairment and, should the book value exceed the presumed realizable value, assets are written down to reflect their realizable value. The realizable value of property, plant and equipment is the higher of the net sale price and the value in use.

In defining the value in use, the expected future cash flows are discounted using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset. The realizable value of an asset which does not generate broadly independent cash flows is determined in relation to the cash flow generating unit to which this asset belongs. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.

At the time of its sale or when there are no future economic benefits expected from the use of the asset, the asset is eliminated from the statement of financial position and any profit or loss (calculated as the difference between the disposal value and the book value) is recognized in the income statement in the year of the elimination.

### **Investment property**

Tangible assets held for income purposes and not for instrumental use are shown in a specific item called "Investment property", in accordance with IAS 40, and are recognized at cost. The assets which fall under this category are represented by land and/or buildings (or parts of buildings) held by the owner or lessee under a financial or operating lease in order to lease them out.

These types of property are classified separately from other property assets held. Investment property is shown net of the relevant accumulated depreciation and any impairment. The useful life of Group investment property is 33 years.

### **Leases**

The definition of a contract as a lease transaction (or as containing a lease transaction) is based on the content of the agreement and requires an assessment as to whether the fulfillment of the agreement depends on the use of one or more specific assets and whether the agreement transfers the right to use this asset. A review is undertaken after the beginning of the contract only if one of the following conditions occurs:

- a) change in the contract conditions other than a renewal or extension of the contract;
- b) exercise of a renewal option or grant of an extension, unless the terms of the renewal or extension were not initially included in the terms of the lease transaction;
- c) change in the condition under which fulfillment depends on the use of a specific asset; or
- d) substantial change in the asset.

In case of a review, the recognition of the lease will start or end on the date on which there is a change in the circumstances which gave rise to the review for scenarios a), c) or d) and on the date of renewal or extension for scenario b).

Financial lease contracts, which substantially transfer to the Group all the risks and benefits deriving from ownership of the leased asset, are capitalized at the start date of the lease at the fair value of the leased asset, or, if lower, at the present value of the lease payments. Lease payments are divided proportionally between capital and interest so as to ensure the application of a constant interest rate on the residual balance of the amount due. Financial charges are recognized directly in the income statement.

Capitalized leased assets are amortized over the shorter of the estimated useful life of the asset and the duration of the lease contract, if there is no reasonable certainty that the Group will obtain ownership of the asset at the end of the contract.

Leases in which the lessor largely maintains all the risks and benefits linked to ownership of the assets are classified as operating leases and the related costs are recognized in the income statement on a straight-line basis over the duration of the contract.

### **Business combinations and goodwill**

Business combinations are accounted for using the acquisition method.

As from 1 January 2010, following the coming into force of IFRS 3 (revised), the acquisition cost is valued as the total of the transferred consideration measured at fair value at the acquisition date and the amount of any minority interests in the acquired company. For every business combination, the acquirer must assess any minority interests in the acquired company at fair value or in proportion to the share of minority interests in the net identifiable assets of the acquired company. Acquisition costs are recognized in the income statement under administrative costs.

Every potential consideration must be recognized by the acquirer at the fair value on the acquisition date. The change in the fair value of the potential consideration classified as an asset or a liability will be recognized in accordance with the provisions of IAS 39, in the income statement or in the statement of comprehensive income. If the potential consideration is classified as an equity instrument, its value is not remeasured and its discharge is recognized under shareholders' equity.

The goodwill acquired in a business combination is initially valued at cost, which corresponds to the positive difference between the cost (as defined above) of the business combination and the Group's share (should minority interests not be valued at fair value) of the net fair value of the identifiable assets, liabilities and contingent liabilities (of the acquired company).

This requires the fair value recognition of the identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the purchased company.

After the initial recognition, goodwill is valued at cost less accumulated impairment. For impairment test purposes, the goodwill acquired in a business combination is allocated, at the acquisition date, to the

Group's individual cash flow generating units, or to groups of cash flow generating units which should benefit from the synergies of the combination, regardless of the fact that other Group assets or liabilities are allocated to these units or groups of units.

When the Group acquires a business, it must classify or designate the financial assets acquired or the liabilities taken on under the contractual terms, economic conditions and other relevant conditions in force at the acquisition date. This includes a test to establish whether an embedded derivative must be separated from the primary contract.

If the business combination is carried out in several stages, the company recalculates the fair value of the investment which was previously held and accounted for using the equity method and recognizes any resulting profit or loss in the income statement.

If the goodwill has been allocated to a cash flow generating unit and the entity disposes of part of the assets of this unit, the goodwill relating to the disposed asset must be included in the book value of the asset when the profit or loss arising from the disposal is determined. The goodwill relating to the disposed asset must be determined on the basis of the values relating to the disposed asset and the part of the cash flow generating unit which is kept.

Business combinations between entities subject to joint control do not fall within the scope of application of IFRS 3. Should the business combination between entities subject to joint control not be of an economic nature but a mere corporate reorganization, the company will apply the business combination accounting method called "pooling of interest", thus aggregating the assets and liabilities to the book values on a line-by-line basis.

### **Intangible assets**

Intangible assets are recorded among assets at purchase cost when the use of the asset is likely to generate future income and when the cost of the asset can be reliably established. Intangible assets acquired through business combinations are recorded at fair value as established at the purchase date, if this value can be reliably established. Intangible assets with a finite useful life are amortized on a straight-line basis over their estimated useful life; the useful life is reviewed on an annual basis and any changes, where necessary, are applied on a prospective basis.

The useful lives of the main categories of intangible assets with a finite useful life are the following:

	<b>Useful life</b>
Industrial patents and intellectual property rights	2-5 years
Concessions, licenses and trademarks	10 years
Key money	On the basis of the residual duration of the asset's lease agreement

#### *Development costs*

Research costs are charged to the income statement when they are incurred.

Development costs incurred in relation to a particular project are capitalized only when the Group can demonstrate the technical possibility of completing the intangible asset in such a way as to make it available for use or for sale, as well as its intention to complete the asset in order to use it or sell it, the means by which it will generate probable future income, the availability of technical, financial or other resources to complete the development and its ability to make a reliable assessment of the cost attributable to the asset during its development.

During the development period, the asset is reviewed annually to assess any impairment. Following the initial recognition, development costs are assessed at cost less any accumulated amortization or loss. Amortization of the asset starts when the development is completed and the asset is available for use. It is amortized in reference to the period in which the project is likely to generate revenues for the Group. During the period in which the asset is not yet being used, it will be reviewed annually to assess any impairment.

#### *Industrial patents and intellectual property rights*

Industrial patents and intellectual property rights refer to costs for software licenses and to costs for the deposit and registration of trademarks and patents relating to Group products.

#### *Concessions, licenses, trademarks and similar rights*

This item refers to costs for the deposit and registration of the Salvatore Ferragamo trademark. Purchase costs are amortized over the useful life of the right purchased.

#### *Other intangible assets with a finite useful life*

This item mainly refers to the sums paid to lease property by taking over existing contracts or by obtaining the withdrawal of lessees so as to be able to enter into new contracts with the lessors (key money). These charges are amortized over the duration of the lease contract.

## Financial instruments

Financial instruments are initially recorded at fair value and, following their initial recognition, are valued in relation to their classification, pursuant to International Accounting Standard 39.

For financial assets, this treatment is differentiated among the following categories:

- Financial assets at fair value through profit or loss
- held-to-maturity investments
- loans and receivables
- available-for-sale financial assets.

In reference to financial liabilities, just two categories are available:

- Financial liabilities at fair value through profit or loss
- liabilities at amortized cost.

The Group establishes the classification of its financial assets and liabilities when they are initially recognized.

The methods for determining fair value in reference to these financial instruments, for accounting or disclosure purposes, are summarized below in reference to the main financial instrument categories, to which they have been applied:

- derivatives: adequate pricing models have been adopted, based on the market values of interest and exchange rates;
- receivables and payables and unlisted financial assets: for financial instruments expiring after more than 1 year, the discounted cash flow method has been applied, i.e. the discounting of expected cash flows given current interest rate and creditworthiness conditions;
- listed financial instruments: the market value at the reference date is used.

### *Elimination of financial assets*

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is eliminated from the statement of financial position when:

- the rights to receive cash flows from the asset have expired;
- the Group maintains the right to receive cash flows from the asset, but has entered into a contract obligation to pay them in full and without delay to a third party;
- the Group has transferred the right to receive the cash flows from the asset and (a) has transferred substantially all the risks and benefits relating to the ownership of the financial asset or (b) has not transferred substantially all the risks and benefits relating to the asset, but has transferred control of the asset.

When the Group has transferred the rights to receive cash flows from an asset and has neither transferred nor maintained substantially all the risks and benefits or has not lost control over the asset, the asset is recorded in the Group's financial statements to the extent of the Group residual involvement in the asset itself. Residual involvement which takes the form of a guarantee over the transferred asset is valued at the lower of the initial book value of the asset and the maximum consideration which the Group might be required to pay.

When the residual involvement takes the form of an option which has been issued and/or acquired in relation to the transferred asset (including cash-settled or similar options), the Group's involvement corresponds to the amount of the transferred asset which the Group may repurchase; however, in the case of a put option issued over an asset measured at fair value (including cash-settled or similar options), the Group's residual involvement is limited to the lower of the fair value of the transferred asset and the exercise price of the option.

### *Impairment of financial assets*

The Group verifies at each reporting date whether a financial asset or group of financial assets has suffered impairment. A financial asset or a group of financial assets must be considered impaired if, and only if, there is objective evidence of impairment as the result of one or more events which have occurred since the initial recognition (when "an impairment event" occurs) and this impairment event has an impact, which can be reliably estimated, on the expected future cash flows of the financial asset or group of financial assets. Evidence of impairment may be indicators such as financial difficulties, the inability to meet obligations, insolvency in paying interest or major payments, which debtors, or a group of debtors, are experiencing, the likelihood that it will go bankrupt or be subject to some other forms of financial reorganization, and where observable data indicate that there is a measurable fall in estimated future cash flows, such as changes in circumstances or in economic conditions related to obligations.

Should financial assets be recorded at amortized cost, if there is objective evidence of impairment, the total loss is measured as the difference between the book value of the asset and the present value of the estimated future cash flows (excluding future expected bad debts which have not yet occurred). The current value of cash flows is discounted at the original effective interest rate of the financial asset. If a

loan is at a floating interest rate, the discount rate for the assessment of any impairment is the effective current rate. The book value of the asset is reduced by using a provision for bad debt and the amount of the impairment is recorded in the income statement.

In the case of equity instruments which are classified as available for sale, the objective evidence would include a significant or prolonged reduction in the fair value of the instrument to below its cost. 'Significant' is intended with respect to the original cost of the instrument and 'prolonged' is intended with respect to (the duration of) the period in which the fair value has been below the original cost. Where there is evidence of impairment, the cumulative impairment – measured as the difference between the purchase cost and the current fair value, less any loss for impairment of that financial asset which has already been recorded in the income statement – is reversed from the other items of the comprehensive income statement and is recorded in the income statement.

#### *Elimination of financial liabilities*

A financial liability is eliminated when the obligation underlying the liability is extinguished, cancelled or fulfilled.

Should an existing financial liability be replaced by another liability from the same lender at significantly different conditions, or should the conditions of an existing liability be substantially modified, this replacement or change is treated as an accounting elimination of the original liability and the recording of a new liability, with the recognition in the income statement of possible differences between the book values.

#### **Available-for-sale financial assets**

Available-for-sale financial assets are those financial assets, excluding derivatives, which have been designated as such or which are not classified in another financial instrument category. After their initial recognition, available-for-sale financial assets are valued at fair value and the gains and losses are recorded in a separate heading under shareholders' equity. Investments in other companies, representing non current financial assets which are not held for trading (the so-called available for sale investments), are initially recognized at fair value. Subsequently, gains and losses deriving from changes in fair value are charged directly to shareholders' equity until the assets are sold or impaired; in that moment overall gains or losses which have been previously recognized under shareholders' equity are charged to the income statement for the period. Investments in other smaller companies for which no market price is available, are recognized at cost, possibly written down for impairment.

#### **Financial assets and other non current assets**

These assets are valued based on amortized cost, using the effective interest rate method, net of any provision for impairment.

The amortized cost is calculated by considering all purchase discounts or premiums and includes fees, which are an integral part of the effective interest rate and of the transaction costs.

#### **Trade receivables**

Receivables are initially recognized at fair value, which generally corresponds to the nominal value and subsequently at amortized cost, except when the short duration of the receivables makes the application of the amortized costs negligible. They are written down in the case of impairment. In addition, they are adjusted to their presumed realizable value by recording a specific adjustment provision.

#### **Other receivables and other financial assets**

They are initially recognized at fair value and are subsequently valued using the amortized cost method.

#### **Cash and cash equivalents**

Cash and short-term deposits refer to cash on hand and sight/short-term deposits, in the latter case originally expiring in no more than three months.

#### **Interest-bearing loans & borrowings**

Loans are initially recognized at cost, corresponding to the fair value of the amount received, net of ancillary charges to take out the loan. Following initial recognition, loans are valued at amortized cost, using the effective interest method.

#### **Inventories**

Inventories are valued at the lower of purchase and/or production cost, determined using the weighted average cost method, and the net realizable value. Purchase cost includes ancillary charges; production cost includes direct costs and a share of indirect costs which may be reasonably attributable to products. The presumed net realizable value is the normal estimated sale price less the estimated costs to complete the product and the estimated costs to complete the sale.

### **Non current assets classified as held for sale**

This item is composed of non current assets, whose book value will be recovered mainly through their sale rather than through their continued use. Assets classified as held for sale are valued at the lower of their net book value and their present value net of sale costs.

### **Provisions for risks and charges**

Provisions for risks and charges are allocated when the Group must meet a current (legal or implicit) obligation resulting from a past event, whose occurrence is deemed as likely and whose amount can be reasonably estimated.

When the Group believes that an allocation to the provision for risks and charges will be partly or fully reimbursed, for example in the case of risks covered by insurance policies, the compensation is recorded separately among assets if, and only if, it is almost certain. In this case, in the income statement the cost of any allocation is shown net of the amount recorded for the compensation.

If there is a significant effect from discounting the value of money, the allocations are discounted using a pre-tax discount rate which reflects, where appropriate, the specific risks of the liabilities. When the discounting is carried out, the increase in the allocation due to the passing of time is recorded as a financial charge.

### **Employee benefit liabilities**

The Group's net obligation deriving from defined-benefit plans is calculated separately for each plan by estimating the amount of the future benefit which employees have accrued in return for the service provided in the current and previous years; this benefit is discounted in order to calculate the present value. Actuarial gains and losses are charged to shareholders' equity, as provided for by IAS 19.

As from 1 January 2007, the Finance Bill 2007 and the related implementation decrees introduced important changes to the regulation of employee severance indemnities, including the employee being able to choose the destination of his or her accruing indemnities, to either complementary pension funds or to the fund (Fondo di Tesoreria) managed by INPS (Italian Social Security Agency).

It, therefore, follows that the obligation to INPS and contributions to complementary pensions, pursuant to IAS 19, become "Defined-contribution plans", while the amounts recorded in the provision for employee severance indemnities are still "Defined-benefit plans". The legislative changes which have occurred as from 2007 have, in addition, entailed a reduction in defined benefits with a change in the actuarial assumptions and the consequent calculations used to determine employee severance indemnities, whose effects are directly charged to the income statement.

The actuarial assessment of liabilities has been entrusted to an independent actuary.

### **Trade payables**

Trade payables, whose expiry falls within normal conditions, are not discounted since the discounting effect on cash flows is negligible and they are recorded at their nominal value.

### **Derivatives**

Derivatives are used solely with the purpose of hedging financial risks relating to exchange rate changes affecting commercial transactions in foreign currency.

In keeping with the provisions of IAS 39, hedge derivatives can be accounted for in accordance with the methods established for hedge accounting only when:

- at the start of the hedge, there is formal designation and documentation of the hedge itself;
- the hedge is likely to be highly effective;
- the effectiveness can be reliably measured; and
- the hedge itself is highly effective during the various accounting periods for which it is designated.

All derivatives are measured at fair value. When derivatives possess the necessary features to be accounted for in accordance with hedge accounting, the following accounting treatments are applied:

- Fair value hedge – if a derivative is designated as a hedge against changes in the current value of an asset or a liability which may have an impact on the income statement, the change in the fair value of the hedging instrument is recorded in the income statement and the change in the fair value of the hedged instrument attributable to the risk covered is recorded as part of the book value of the item being hedged and is also recorded in the income statement.
- Cash flow hedge – if a derivative is designated as a hedge against the changes in cash flows from an asset or liability or from a transaction which is considered as highly likely and which could affect the income statement, the effective portion of the gains or losses on the derivative is recorded under shareholders' equity; the accumulated gain or loss is reversed from shareholders' equity and charged to the income statement in the same period in which the hedged transaction is recorded; the gain or loss associated with a hedge or that part of the

hedge which has become ineffective, is recorded in the income statement when its ineffectiveness is recognized.

Should the conditions to apply hedge accounting not occur, the effects arising from the fair value assessment of the derivative are charged directly to the income statement.

### **Revenues and costs**

Revenues are recorded if the relevant economic benefits are likely to be accrued by the Group and the related amount can be reliably determined, regardless of the date on which payment is received. Revenues are valued at the fair value of the consideration received or to be received, taking into account the contractually defined payment terms and excluding taxes and duties.

#### *Sale of goods*

Revenues and costs are shown in accordance with the accruals principle. Revenues and income are recorded net of returns, discounts, allowances and premiums.

Revenues for product sales are recognized when the Group has transferred to the purchaser all the significant risks and benefits related to the product ownership, i.e. at the time of the transfer of ownership, generally, corresponding to the shipment of goods.

#### *Royalties*

Revenues for royalties are recorded on an accrual basis in accordance with contract conditions.

Advertising and research costs, in accordance with IAS 38, are charged in full to the income statement, when the service has been provided and delivered to the Group.

### **Share-based payment plans**

The Group recognizes additional benefits to some employees with particular positions, through equity-settled share-based payments, which provide for the physical delivery of shares. In accordance with the provisions of IFRS 2 – Share-based payments – rights in favor of employees are valued at fair value when they are granted, and this value is determined using the binomial model. This model takes account of all the features of the rights (duration, exercise price and conditions, etc.), as well as the value of the underlying shares at the grant date and their expected volatility.

If the right can be exercised after a certain period (vesting period) and on the occurrence of specific performance conditions, the cost of transactions settled with equity instruments, together with the corresponding increase in shareholders' equity, is recorded in the period in which the conditions relating to the achievement of objectives and/or the provision of the service are satisfied, ending at the time the beneficiaries have fully accrued the right to receive payment ("vesting date").

At the end of each year, the fair value of the rights which has been determined previously is not reviewed, but on this date the estimate of the number of rights which will vest up to the expiry is updated. The accumulated costs recorded for these transactions at the end of each year up to the vesting date are proportionate to the expiries of the vesting period and to the best available estimate of the number of options which will actually vest. The cost or revenue recorded in the income statement for the year represents the change in the accumulated cost recorded at the start and at the end of the year.

No cost is recorded for rights which do not ultimately vest, except in the case of rights whose allocation is subordinate to market conditions.

#### *Cash-settled transactions*

In case of cash-settled share-based transactions, the cost of the cash-settled transactions is initially valued at the fair value at the grant date. This fair value is recognized in the income statement in the period until vesting, with the recognition of a corresponding liability. Until the liability is settled, the fair value is recalculated at each year-end date and at the settlement date, charging the related changes to the income statement.

### **Financial income and charges**

Financial income and charges are recorded on an accrual basis according to the interest accrued on the net value of the related financial assets and liabilities, using the effective interest rate.

### **Dividends**

Dividends are recorded when the shareholders' right to receive payment arises.

### **Income taxes**

#### *Current taxes*

Current taxes reflect a realistic estimate of the tax burden, determined by applying the rates and laws in force in the countries where the Ferragamo Group operates; the amount payable for current taxes is recognized in the statement of financial position net of any tax advances paid.

### *Deferred taxes*

Deferred taxes are calculated on the temporary differences existing at the reporting date between the fiscal values taken as a reference for assets and liabilities and the values recognized in the financial statements.

Deferred tax liabilities are recorded for all taxable temporary differences, except:

- when the deferred tax liabilities derive from the initial recognition of goodwill or of an asset or a liability in a transaction which is not a business combination and which, at the time of the transaction, has no effect on the profit/(loss) for the year calculated for financial statement purposes or on the profit or loss calculated for tax purposes;
- in reference to taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures, when the reversal of temporary differences may be managed and it is not likely to occur in the foreseeable future.

Deferred tax assets are recorded against all deductible temporary differences and for tax assets and liabilities which are carried forward, to the extent that adequate future tax profits are likely to exist which make it possible to use the deductible temporary differences and the tax assets and liabilities which have been carried forward, except when:

- the deferred tax asset connected to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not affect profit/(loss) for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- in reference to taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures, deferred tax assets are only recorded to the extent that the deductible temporary differences are likely to be reversed in the immediate future and there are adequate tax profits against which the temporary differences may be used.

The value to be recorded for deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer likely that sufficient tax profits will be available in the future so as to allow all or part of this credit to be used. Unrecognized deferred tax assets are reviewed annually at the reporting date and are recorded to the extent that it has become likely that the tax profit is sufficient to ensure that these deferred tax assets can be recovered.

Deferred tax assets and liabilities are measured on the basis of the tax rates which are expected to be applied in the year in which the assets are realized or the liabilities are settled, taking into account the rates in force and those already issued or basically issued at the reporting date.

Current and deferred taxes relating to items recorded directly under shareholders' equity or in the statement of comprehensive income are also charged directly to shareholders' equity or to the statement of comprehensive income.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets against current tax liabilities and the deferred taxes refer to the same fiscal entity and the same tax authority.

### *Value added tax*

Revenues, costs and assets are recorded net of value added taxes except when:

- this tax, applied to the purchase of goods or services, is non-deductible, in which case it is recognized as part of the purchase cost of the asset or part of the cost item charged to the income statement;
- it refers to trade receivables and payables for which the invoice has already been issued or received and which are shown including the tax amount.

The net amount of indirect taxes on sales and purchases which may be recovered from or paid to the Inland Revenue Office is recorded among tax receivables or payables depending on the nature of the balance.

### **Earnings per share**

Basic earnings per share is calculated by dividing the profit and/or loss for the period attributable to the shareholders of the Parent company by the weighted average number of outstanding shares during the year. For the purposes of calculating the diluted earnings per share, the weighted average number of the outstanding shares is modified by assuming the conversion of all potential shares with a diluting effect. The net result is also adjusted to take account of the impact, net of taxes, of the conversion.

### **Put and call agreements on minority interests**

In the case of put options granted to minority shareholders, the company records a financial liability corresponding to the current value of the liability. At the time of initial recognition of the liability, this value is reclassified from the accounting shareholders' equity. The liability is subsequently remeasured at the end of each period in compliance with IAS 39. The accounting policy chosen by the company provides for: a) the allocation of profit/(loss) to minority interests; b) the reclassification of minority

interests under debt at the end of each accounting period as if the acquisition had occurred on that date;  
c) the recognition under shareholders' equity of every change in value in the liability.

### ***Changes in international accounting standards***

#### **IAS 1 Presentation of Financial Statements – Presentation of items of other comprehensive income**

The amendment to IAS 1 introduces the grouping of items of other comprehensive income. The items which may be subsequently reclassified (or “recycled”) to profit or loss (for example net profit/loss from available-for-sale financial assets) must now be presented separately from those which will never be reclassified (for example, the revaluation of land and buildings). The amendment concerns only the basis of presentation and has no impact on the Group's financial position or results.

#### **IAS 1 Presentation of Financial Statements – Clarification of requirements for comparative information**

This amendment to IAS 1 clarifies that when an entity provides financial statements beyond the minimum comparative period requirements provided for by IFRS, the entity must include in the notes to the financial statements the related comparative information in compliance with IFRS. The presentation of this voluntary comparative information does not require full disclosure including a complete set of financial statements.

When an entity applies an accounting standard retroactively, it retroactively restates or reclassifies the items in its financial statements, and when these changes have a material impact on the statement of financial position as at the beginning of the preceding period, it must present an opening statement of financial position (the so-called “third statement of financial position”). The amendment clarifies that related note disclosure is not required for the third statement of financial position.

#### **IAS 12 – Deferred taxes: recovery of underlying assets**

This amendment clarifies the assessment of deferred taxes on investment property valued at fair value. The amendment introduces the rebuttable presumption that the carrying amount of an investment property measured at fair value pursuant to IAS 40, will be recovered through sale and that consequently, deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and is held with the aim of substantially consuming all of the economic benefits over time, rather than through sale. The amendment had no impact on the Group's financial position, results or disclosure process.

#### **IAS 16 Property, plant and equipment**

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventories. This change did not have any impact on the Group.

#### **IAS 19 (2011) Employee benefits**

IAS 19 includes numerous changes in the accounting of defined benefit plans: actuarial gains and losses are now recorded under other comprehensive income items and permanently excluded from the income statement; the expected return on plan assets is no longer charged to the income statement, while it is necessary to recognize in the income statement interest on the net defined plan liability (asset); such interest must be calculated using the same interest rate applied to discount the obligation; the costs relating to past employment are now recognized in the income statement on the earliest date between i) the change or reduction in the plan, or ii) the recognition of the related restructuring costs or termination of the employment relationship. Other changes include new disclosure, such as for example a qualitative sensitivity analysis. The amendment concerns only the basis of presentation and did not have any impact on the Group's financial position or results.

#### **IAS 32 Tax effect of distribution to holders of equity instruments (Amendment)**

The amendment to IAS 32 “Financial Instruments: presentation” clarifies that taxes arising from distributions to holders of equity interests are accounted for in accordance with IAS 12 “Income taxes”. The amendment removes from IAS 32 the requirements relating to taxes and clarifies that the tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 “Income Taxes”. The change did not have any impact on the Group's financial statements.

#### **IFRS 7 Disclosures – Offsetting financial assets and financial liabilities (Amendments)**

These amendments require the entity to provide information on the rights to set off and related arrangements (for example guarantees). The disclosure will provide the reader of financial statements with useful information to assess the impact of offsetting arrangements on the entity's financial position. The new disclosure is required for all financial instruments which are subject to offsetting under IAS 32 “Financial instruments: presentation”. The disclosure is required also for financial instruments that are subject to an enforceable master netting arrangement or similar agreement, regardless of whether they are offset in accordance with IAS 32. These amendments did not have any impact on the financial position or results of the Group.

### **IFRS 13 – Fair value measurement**

IFRS 13 includes in the scope of the IFRS a single guideline for all fair value measurements. IFRS 13 does not change the situations in which the use of fair value is required, but rather provides guidelines on how to value fair value under IFRS. In agreement with the guidelines provided by the standard, the Group has reviewed the principles applied for fair value measurement, in particular the inputs used in valuation techniques such as, for example, non-performance risk in the fair value measurement of liabilities. The application of IFRS 13 had no significant impact on the fair value measurements carried out by the Group. In regard to assets and liabilities whose fair value has been measured, the additional disclosure requested by the standard has been provided in the Explanatory Notes.

In addition to the amendments and new standards set out above, two amendments have been issued to IFRS 1 “First-time adoption of International Financial Reporting Standards” concerning *Severe hyperinflation and removal of fixed dates for first-time adopters* and *Government loans* which are effective for annual periods beginning on or after 1 January 2013. These amendments are not relevant for the Group which is not a first-time adopter of the IFRS.

The Group has not adopted in advance any standard, interpretation or improvement that has been issued but which is not yet in force.

### **Standards issued but not yet in force**

Set out below are the standards which, when preparing the Group’s consolidated financial statements had already been issued but were not yet in force. The list refers to the standards and interpretations which the Group expects will in all likelihood be applicable in the future. The Group intends to adopt these standards when they come into force.

#### **IAS 27 Separate financial statements (revised in 2011)**

Following the new IFRS 10 and IFRS 12, the only provisions of IAS 27 still in force refer to the accounting of subsidiaries, jointly controlled entities and associates, in the separate financial statements. The amendments are applicable for annual periods beginning on or after 1 January 2014.

#### **IAS 28 Investments in associates and joint ventures (revised in 2011)**

Following the new IFRS 11 and IFRS 12, IAS 28 was renamed “Investments in associates and joint ventures”, and describes the application of the equity method for investments in joint ventures, as well as to associates. The amendments are applicable for annual periods beginning on or after 1 January 2014.

#### **IAS 32 Offsetting financial assets and financial liabilities – Amendments to IAS 32**

The amendments clarify the meaning of “currently enforceable right to set off” as well as the application of the offsetting criterion of IAS 32 in the case of settlement systems (such as for example central clearing house systems) which settle on a non-simultaneous gross basis. These amendments should not have an impact on the financial position or results of the Group and are applicable for annual periods beginning on or after 1 January 2014.

#### **IFRS 10 – Consolidated financial statements**

IFRS 10 replaces the part of IAS 27 “Consolidated and separate financial statements” which regulates the accounting procedures for the preparation of consolidated financial statements. It also includes the problems raised in SIC-12 “Consolidation – Special purpose entities”. IFRS 10 establishes a single principle of control which applies to all companies, including special purpose entities. The changes introduced by IFRS 10 will require management, compared to the requirements of IAS 27, to make significant discretionary valuations in order to determine which companies are subsidiaries and which, therefore, must be consolidated by the Parent company. This standard is applicable for annual periods beginning on or after 1 January 2014. According to the preliminary analysis undertaken, IFRS 10 should not have any impact on the equity investments currently held by the Group.

#### **IFRS 11 Joint arrangements**

IFRS 11 replaces IAS 31 “Interests in joint ventures” and SIC-13 “Jointly controlled entities – Non-monetary contributions by venturers”.

IFRS 11 eliminates the option of accounting for jointly controlled entities using the proportionate consolidation method. Jointly controlled entities which meet the definition of a joint venture must, on the other hand, be accounted for using the equity method.

The amendment will have no impact on the Group’s financial position or results. This standard is applicable for annual periods beginning on or after 1 January 2014.

#### **IFRS 12 Disclosure of interests in other entities**

IFRS 12 includes all the provisions regarding disclosure that were previously included in IAS 27 relating to consolidated financial statements, as well as all the disclosure provisions of IAS 31 and IAS 28. This disclosure relates to a company’s interests in subsidiaries, joint ventures, associates and

structured entities. In addition, there are new disclosure cases. This standard is applicable for annual periods beginning on or after 1 January 2014.

**Amendments to IAS 36 - Recoverable amount disclosures for non-financial assets**

These amendments remove the consequences on the disclosure required by IAS 36 which were inadvertently introduced by IFRS 13. In addition, these amendments require disclosure on the recoverable amount of assets or CGUs for which an impairment loss has been recognized or reversed during the year. These changes apply retrospectively to financial periods beginning on or after 1 January 2014.

**Amendments to IAS 39 Financial Instruments: recognition and measurement**

The amendments aim to govern the cases in which a derivative designated as a hedging instrument is subject to novation from a counterparty to a central counterparty as a consequence of laws or regulations. Hedge accounting may thus continue regardless of the novation (this would not be allowed without the amendment). The amendments are applicable for annual periods beginning on or after 1 January 2014.

**IFRS 9 Financial instruments**

The standard, which has been developed in a number of stages, deals with the classification and measurement of financial instruments and will have an impact above all on the classification of financial assets and hedge accounting. The final stages in the development of and amendment to the standard are still ongoing, with the aim of replacing IAS 39 in its entirety. The standard, if approved, will be applicable as from 1 January 2015 or the year following that of approval.

**Amendments to IAS 19 Employee benefits: Employee contributions**

The amendment concerns the simplification of accounting for contributions paid by employees or third parties, regardless of the years of service. The amendment will be applicable as from 1 July 2014 or subsequently.

**IFRS annual improvements cycle 2010-2012**

The improvements will be applicable as from 1 July 2014 or subsequently and concern the following issues:

IFRS 2: Definition of “Vesting Conditions”

IFRS 3: Accounting of “contingent considerations” from a business combination

IFRS 8: Aggregation of operating segments

IFRS 8: Reconciliation of total assets of operating segments and total assets of the company

IFRS 13: Short-term receivables and payables

IAS 7: Interest paid that is capitalized

IAS 16/IAS 38: Revaluation method: proportionate restatement of accumulated depreciation

IAS 24: Key management personnel

**IFRS annual improvements cycle 2011-2013**

The improvements will be applicable as from 1 July 2014 or subsequently and concern the following issues:

IFRS 1: Meaning of effective IFRSs;

IFRS 3: Scope exceptions for joint ventures;

IFRS 13: Amendment to the scope of portfolio exception in paragraph 52;

IAS 40: Clarification on the interrelationship between IFRS 3 “Business Combinations” and IAS 40 “Investment property” when classifying property as investment property or owner-occupied property.

**Consolidation area**

The consolidated annual report as at 31 December 2013 contains the equity and financial position as well as the operating performance of the Parent company Salvatore Ferragamo S.p.A. and its Italian and foreign subsidiaries. These are identified collectively as the Ferragamo Group.

The consolidated annual report as at 31 December 2013 includes the 2013 accounts of Group companies, which have been prepared by adopting the same accounting principles as the Parent company. Subsidiaries are consolidated on a line-by-line basis as from the purchase date, or from the date in which the Group acquires control, and are excluded from consolidation from the date when control is transferred outside the Group.

All infragroup balances and transactions, including any unrealized profits and losses deriving from transactions between Group companies, are completely eliminated.

Acquisitions of subsidiaries are recognized using the acquisition method, allocating the cost of the business combination at the fair values of assets, liabilities and contingent liabilities acquired at the acquisition date and including the result of the purchased company recorded from the acquisition date to the end of the year.

Changes in the Group's stake in a subsidiary which do not cause the loss of control are recognized as equity transactions.

As provided for by IAS 27 (amended), when the Group loses control of a subsidiary, it:

- o eliminates the assets (including any goodwill) and the liabilities of the subsidiary;
- o eliminates the book values of any minority interest in the former subsidiary;
- o eliminates the accumulated translation differences recorded under shareholders' equity;
- o recognizes the fair value of the consideration received;
- o recognizes the fair value of any investment held in the former subsidiary;
- o recognizes any profit or loss in the income statement;
- o reclassifies the Group's share of the items previously recorded in the statement of comprehensive income to the income statement or to retained earnings, as appropriate.

Minority interests represent the part of profits or losses and of net assets not held by the Group and are shown in a separate item of the income statement, and in the statement of financial position among shareholders' equity items, separately from Group shareholders' equity.

The following subsidiaries are included in consolidation as at 31 December 2013:

Company name	Location	Currency	Share capital	Controlling interest		Notes
				Direct	Indirect	
Salvatore Ferragamo S.p.A.	Florence, Italy	Euro	16,841,000	Parent company		
Ferragamo Retail Nederland B.V.	Amsterdam, Holland	Euro	500,000	100%		
Ferragamo France S.A.S.	Paris, France	Euro	4,334,094	100%		
Ferragamo Deutschland GmbH	Munich, Germany	Euro	3,300,000	100%		
Ferragamo Austria GmbH	Vienna, Austria	Euro	1,853,158	100%		
Ferragamo UK Ltd.	London, United Kingdom	Pound Sterling	6,172,735	100%		
Ferragamo Suisse S.A.	Mendrisio, Switzerland	Swiss Franc	1,000,000	100%		
Ferragamo Belgique S.A.	Brussels, Belgium	Euro	750,000	100%		
Ferragamo Monte-Carlo S.A.M.	Principality of Monaco	Euro	304,000	100%		
Ferragamo Espana S.L.	Madrid, Spain	Euro	4,600,000	100%		
Ferragamo USA Inc.	New York, United States	US Dollar	74,011,969	100%		
Ferragamo Canada Inc	Vancouver, Canada	Canadian Dollar	430,000		100%	(1)
S-Fer International Inc.	New York, United States	US Dollar	4,600,000		100%	(1)
Sator Realty Inc	New York, United States	US Dollar	100,000		100%	(1)
Ferragamo Latin America Inc.	Miami, United States	US Dollar	300,000	100%		
Ferragamo St. Thomas Inc.	U.S. Virgin Island	US Dollar	1,201,000		100%	(4)
Ferragamo Mexico S. de R.L. de C.V.	Mexico City, Mexico	Mexican Peso	4,592,700	99.73%	0.27%	(4)
Ferragamo Chile S.A.	Santiago, Chile	Chilean Peso	1,471,169,399	99%	1%	(4)
Ferragamo Argentina S.A.	Buenos Aires, Argentina	Argentine Peso	969,107	95%	5%	(4)
Ferragamo Brasil Roupas e Acessorios Ltda	Sao Paulo, Brazil	Brazilian Real	24,715,000	99%	1%	(4)
Ferragamo Hong Kong Ltd.	Hong Kong, China	Hong Kong Dollar	10,000	100%		
Ferragamo Japan KK	Tokyo, Japan	Japanese Yen	305,700,000	71%		(6)
Ferragamo Australia PTY Ltd.	Sydney, Australia	Australian Dollar	10,536,004	100%		
Ferrimag Limited	Hong Kong, China	Hong Kong Dollar	109,200,000		75%	(2)

Company name	Location	Currency	Share capital	Controlling interest		Notes
				Direct	Indirect	
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	Shanghai, China	US Dollar	200,000		75%	(3)
Ferragamo Moda (Shanghai) Co. Ltd.	Shanghai, China	US Dollar	1,400,000	75%		
Ferragamo Retail HK Limited	Hong Kong, China	Hong Kong Dollar	39,000,000		75%	(3)
Ferragamo Retail Taiwan Limited	Taipei, Taiwan	New Taiwanese Dollar	136,250,000		75%	(3)
Ferragamo Retail Macau Limited	Macau, China	Macau Pataca	25,000	75.2%		
Ferragamo Retail India Private Limited	New Delhi, India	Indian Rupee	150,000,000	51%		(5)
Ferragamo Korea Limited	Seoul, South Korea	South Korean Won	3,291,200,000	80%		
Ferragamo (Singapore) Pte. Ltd.	Singapore	Singapore Dollar	4,600,000	80%		
Ferragamo (Thailand) Limited	Bangkok, Thailand	Baht	100,000,000	80%		
Ferragamo (Malaysia) Sdn Bhd	Kuala Lumpur, Malaysia	Malaysian Ringgit	1,300,000	80%		
Ferragamo Parfums S.p.A.	Florence, Italy	Euro	10,000,000	100%		

1 – Through Ferragamo USA Inc.

2 – Through Ferragamo Hong Kong Ltd.

3 – Through Ferrimag Ltd.

4 – Through Ferragamo Latin America Inc.

5 – The investment in Ferragamo Retail India Private Ltd. refers to the legal percentage of ownership. In light of the existence of a call option on the company's minority interests which transfers the benefits and risks to Salvatore Ferragamo S.p.A., all reference to the minority interest has been removed from consolidated shareholders' equity.

6 – The investment in Ferragamo Japan K.K. refers to the legal percentage of ownership. In light of a put option attributed to the company's minority shareholders, all reference to the minority interest has been removed from consolidated shareholders' equity.

During 2013 the composition of the Group saw the following changes:

- on 3 January 2013 the agreement signed on 28 February 2011 with Imaginex Holding Ltd. and Imaginex Overseas Ltd. was fulfilled regarding the increase to 75% of the Group's stake in the distribution companies operating on the market of Greater China, as already indicated in the Directors' report on operations under "Significant events occurred during the year" included in the 2011 Consolidated Annual Report. The agreement involved 25% of Ferrimag Limited of Hong Kong (a holding company which owns 100% of Ferragamo Retail Hong Kong Ltd., Ferragamo Fashion Trading (Shanghai) Ltd. and Ferragamo Retail Taiwan Ltd), 25% of Ferragamo Moda (Shanghai) Ltd. and 15.2% of Ferragamo Retail Macau Ltd;
- on 15 April 2013 (the date of the notary deed and transfer of shares), the Parent company sold the 250,000 shares it held in Zefer S.p.A. (equal to 50% of the company's share capital) to the Zegna Group (which already owned 50% of the company), as detailed in the Directors' report on operations under "Significant events occurred during the year". Said sale did not have any impact on the Group's structure. For the impact on the income statement reference should be made to note 31.

*Translation of financial statements in currencies other than the Euro and of items denominated in foreign currency*

The consolidated annual report is expressed in Euro, which is the functional and presentation currency adopted by the Parent company. Every Group company establishes its own functional currency, which is used to value the items included in the individual reports. Transactions in foreign currency are initially recorded at the exchange rate in force at the transaction date (referred to the functional currency). Monetary assets and liabilities, which are denominated in foreign currency, are translated into the functional currency at the exchange rate in force at the reporting date.

All exchange rate differences are recorded in the income statement.

Non-monetary items which are valued at historic cost and denominated in foreign currencies are translated by using the exchange rates in force at the date of initial recognition of the transaction.

The exchange rates used to determine the value in Euro of subsidiaries' financial statements expressed in foreign currency were (to 1 Euro) as follows:

	Average rates		Exchange rates at the end of the reporting period	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
US Dollar	1.32812	1.28479	1.3791	1.3194
Swiss Franc	1.23106	1.20528	1.2276	1.2072
Japanese Yen	129.6627	102.4919	144.7201	113.6100
Pound Sterling	0.8493	0.8109	0.8337	0.8161
Australian Dollar	1.3777	1.2407	1.5423	1.2712
South Korean Won	1,453.91	1,447.68	1,450.94	1,406.23
Hong Kong Dollar	10.3016	9.9663	10.6933	10.2260
Mexican Peso	16.9641	16.9029	18.0731	17.1845
New Taiwanese Dollar	39.4110	37.9829	41.0869	38.3758
Singapore Dollar	1.6619	1.6055	1.7414	1.6111
Thai Baht	40.8297	39.9276	45.1780	40.3470
Malaysian Ringgit	4.1855	3.9673	4.5221	4.0347
Indian Rupee	77.9300	68.5974	85.3660	72.5600
Macau Pataca	10.5990	10.2537	10.9955	10.5379
Chinese Renminbi	8.1646	8.1052	8.3491	8.2207
Chilean Peso	658.098	624.391	723.688	631.999
Argentine Peso	7.273	5.836	8.980	6.494
Brazilian Real	2.8687	2.5084	3.2576	2.7036
Canadian Dollar	1.3684	1.2842	1.4671	1.3137

At the reporting date, the assets and liabilities of Group companies are converted into the Group's presentation currency (the Euro) at the exchange rate in force on that date, and their income statement is converted using the average exchange rate for the period. Translation differences are recorded directly under shareholders' equity, are shown separately in a specific reserve and are recognized in the statement of comprehensive income. On disposal of a particular foreign company, the accumulated translation differences which have been recorded as component of the statement of comprehensive income for that particular foreign company are recorded in the income statement.

Any goodwill resulting from the acquisition of a foreign company carried out after 1 January 2005 (date of transition to IFRS) and any adjustment to fair value of the book values of assets or liabilities arising from the acquisition of that foreign company are recognized as assets and liabilities of the foreign company, are expressed in the functional currency of the foreign company and are translated at the exchange rate in force at the end of the period.

### 3. Management of financial risks (IFRS 7)

The Ferragamo Group is exposed in different measure to the various financial risks related to its business, in particular to the market risk category which includes the following types of risk:

- interest rate risks relating to the impact of changes in market interest rates;
- exchange rate risks, due to operations in currency areas other than that of the accounting currency;
- liquidity risks relating to the availability of financial resources and the ease of access to the credit market and connected to the need to fulfill the Group's financial commitments in the short term;
- credit (or counterparty) risks, representing the risks of default on commercial or financial obligations assumed by the various counterparties and arising from normal commercial transactions or from use, financing and risk hedging activities.

Financial risks are managed on the basis of guidelines established by the Parent company, in compliance with the goals set centrally by the Board of Directors. This enables the control and coordination of the operations of the individual subsidiaries, also through more effective financial planning and control, the systematic monitoring of the Group's levels of exposure to financial risks as well as the trend in cash management, and the provision of useful indications in order to optimize the management of dealings with the reference credit institutions. In accordance with these directives, the Group specifically controls the management of individual financial risks and intervenes to contain their impact, also by using derivatives. Derivatives are used for hedging purposes only. In application of IFRS, some derivatives

have been classified as held for trading, although they have been entered into solely for hedging purposes.

Financial liabilities mainly consist of trade payables and payables to banks and other financial payables. The management of these liabilities is largely aimed at financing the Group's operations.

### ***Interest rate risk***

Movements in market interest rates affect the level of net financial charges and the market value of financial assets and liabilities.

Interest rate risk can be classified as follows:

- flow risk, which refers to the variability in interest income and expense received and paid following changes in interest rates;
- price risk, relating to the sensitivity of the assets and liabilities market value to changes in the level of market interest rates (it refers to fixed rate assets or liabilities).

The Ferragamo Group is mainly exposed to flow risk, i.e. to the risk of recording in the income statement an increase in financial charges due to an unfavorable change in interest rates. Group companies use third-party financial resources largely in the form of floating rate bank debt and deploy the available liquidity mainly in money market instruments. Changes in market interest rates only affect the cost of loans and the yield on uses and thus the level of the Group's financial charges and income, and not their fair value.

Bank debt is wholly represented by short-term, floating-rate loans. The cost of bank debt is benchmarked to the market rate (generally Euribor/Libor or the specific benchmark of the loan currency) in the period increased by a spread which depends on the type of line of credit used. Uses of the lines range from a few days to a maximum of one year. The margins applied are in line with best market standards.

Cash surpluses are used with reference banks in short-term time deposit transactions, referring to the Euribor/Libor rate for the period or the specific benchmark of the investment currency or in intercompany loans in order to reduce the Group's exposure to the banking system and limit the impact of financial charges.

As part of the general policy of optimizing financial resources, the aim is to find a balance between companies with surplus liquidity and others with financial requirements, using the least costly forms of financing.

Sensitivity to interest rate risk is monitored at Group level, by keeping the overall exposure in due consideration, through coordinated management of debt and available liquidity and of the relevant due dates, which are in any case kept within 12 months.

At the reporting date there were no outstanding interest rate risk hedge derivatives aimed at transforming floating rate debt into fixed rate debt, nor did the Group make use of such derivatives in the previous year.

### ***Sensitivity Analysis***

<b>Sensitivity analysis of interest rate risk on floating rate items</b>			<b>Market risk</b>
<b>(In thousands of Euro)</b>	<b>Underlying asset</b>	<b>Increase/reduction in underlying interest rates</b>	<b>Impact on the income statement</b>
<b>2013</b>			
POSITIVE CHANGE	EURO	0.07%	(17)
	CNY	0.07%	(13)
	INR	4.15%	(43)
	BRL	8.50%	(24)
<b>Total</b>			<b>(97)</b>
NEGATIVE CHANGE	EURO	-0.07%	17
	CNY	-0.07%	13
	INR	-4.15%	43
	BRL	-8.50%	24
<b>Total</b>			<b>97</b>

(In thousands of Euro)	Underlying asset	Increase/reduction in underlying interest rates	Impact on the income statement
<b>2012</b>			
POSITIVE CHANGE	EURO	0.03%	(10)
	CNY	0.58%	17
	INR	1.00%	(12)
	BRL	1.00%	0
<b>Total</b>			<b>(5)</b>
NEGATIVE CHANGE	EURO	-0.03%	10
	CNY	-0.58%	(17)
	INR	-1.00%	12
	BRL	-1.00%	0
<b>Total</b>			<b>5</b>

The sensitivity analysis of the interest rate risk to which the Group is exposed was undertaken by considering the financial statement items which give rise to floating rate interests and by assuming parallel increases or decreases in the benchmark interest rate curves by individual currency in proportion to the respective annual volatility observed on the market. The result of the analysis undertaken on risk factors which generate significant exposure (interest rate curves in Euro, Chinese Renmimbi, Indian Rupee and Brazilian Real whose effects are indicated separately in the above table) showed potential profits or losses in the income statement amounting to 97 thousand Euro for 2013 compared with potential profits or losses amounting to 5 thousand Euro for 2012.

The increasing impact on the income statement of interest rate changes in the two years under review is mainly due to changes in the amounts of sensitive assets and liabilities, the trend in interest rates and the relevant market volatility.

The possible upward or downward change in the market's benchmark interest rates has a minor impact on the Group's income statement.

### ***Exchange rate risk***

The exposure to exchange rate risk derives from operations in currencies other than the accounting currency. In particular, the exchange rate risk can be classified based on the nature of the exposure and of the relevant effects:

- on operating results, due to the different relevance of costs and revenues in foreign currency compared to the moment when the price conditions were defined (economic risk) and due to the translation of trade or financial receivables and payables denominated in foreign currency (settlement risk);
- on the consolidated financial statements, operating result and shareholders' equity, due to the translation of assets and liabilities of companies which prepare their financial statements in a different currency from the Group's functional currency (translation risk).

The Group operates internationally and therefore is exposed to risks arising from exchange rates fluctuations, which have an impact on the operating results and on the value of shareholders' equity.

The functional and presentation currency for the Group's financial data is the Euro.

In accordance with the IFRS, for companies whose presentation currency is different from the Group's functional currency:

- income statements are translated into Euro at the average exchange rate for the period; if revenues and margins are equal in local currency, exchange rate changes may affect the value in Euro of revenues, costs and operating results;
- assets and liabilities are translated into Euro at the year-end exchange rate and therefore may have different counter values as a consequence of exchange rate movements. This change has an impact on shareholders' equity, where it is reclassified under 'Translation reserve', and is recorded in the statement of comprehensive income.

Besides absolute amounts, capital ratios may also vary, if the proportions between profit, assets, debt and shareholders' equity in the various currencies change due to exchange rate changes.

It is not the Group's policy to hedge its exposure to translation exchange risk.

The objective of the exchange rate risk hedging policy is to minimize the economic and settlement exchange rate risks, i.e. the risks arising from the possibility that currency parity changes unfavorably during the period between the moment in which a commitment to pay or collect a currency other than the Euro for a future date arises (definition of budgets, setting of price lists, arrangement of orders), the registration of the accounting document (invoicing) and the moment in which the receipt or payment effectively occurs, generating an effect in terms of translation differences, with an impact on the income statement. In keeping with the exchange rate risk management policy adopted in recent years, the Group manages exchange rate risk arising from its business, in line with the provisions of the exchange rate

risk management policy and the risk management objectives that are periodically established at Group level, through the systematic hedging of commercial flows arising from sales forecast in currencies other than the Euro, with the aim of mitigating the expected risk of variability in margins arising from sales relating to future collections.

The Group has a strong presence on international markets, including through commercial companies located in countries which use currencies other than the Euro, mainly the US dollar and the Japanese yen. In the year ended 31 December 2013 the percentages of net revenues of the Parent company in US dollars were around 60% and in Yen around 7%. In the year ended 31 December 2012, the percentage of net revenues realized by the Parent company in US dollars was around 62% of net revenues and the percentage of net revenues realized in Japanese yen was around 9% of net revenues. The currency risks originate mainly from exports of the Parent company in US dollars and Japanese yen.

In relation to its business model, the Group incurs a significant part of its costs in Euro (costs relating to production and management of the corporate structure), while the revenues and costs recorded by Group companies are mainly expressed in the local currencies of the respective reference markets. In particular, the Group is exposed to changes in the exchange rate between the Euro and the US dollar, in relation both to sales in dollars on the North American market, and to sales on markets in which the US dollar still represents the common currency for trade, especially the Far East. In this context, the Ferragamo Group is exposed to changes in the exchange rates of the currencies in which sales are denominated. This implies the risk that the corresponding value in Euro of revenues determined at the moment of collection is insufficient to cover production costs or to achieve the desired profit margin. This risk is heightened during the significant period between the moment when the sale prices of a collection are set and the moment when revenues are converted into Euro, which extends up to 18 months.

The Parent company (as a manufacturing company) enters into currency forward contracts or options, to establish the conversion rate in advance, or a predefined range of conversion rates at future dates with an estimated period of maximum 24 months. In the years under examination, the Group covered its exchange rate risk solely with currency forward exchange contracts.

To this end, on the basis of market expectations and conditions, before establishing price lists, hedging is arranged for an amount generally between 50% and 90% of forecast sales in foreign currency. In the period following the preparation of the price list, the total outstanding hedge is added for the orders effectively managed and put into production. In this way the company limits the commercial risk just to the risk arising from sales volumes, excluding the risk arising from the exchange rate.

To the above operations we may add those of some Asian and Latin American subsidiaries which make purchases in US dollars or in Euro and sell in the currency of the country in which they operate. The values of the contracts involved are significantly lower than those of the Parent company. Ferragamo Parfums S.p.A. hedges exchange rate risk by entering into foreign currency loans and foreign currency forward contracts with maturities of less than 1 year. Although exchange rate derivatives are entered into by these companies solely for hedging purposes based on accruing trade flows, they are not accounted for in accordance with hedge accounting rules and fair value changes have a direct impact on profit or loss.

In addition, the Group controls and hedges exposure deriving from changes due to exchange rate changes in the value of assets or liabilities denominated in currencies other than the accounting currency of the individual Company, which may have an impact on profit or loss (typically intercompany financial receivables/payables) through financial instruments which, in compliance with IFRS, are recognized using the fair value hedge accounting model: the profit or loss arising from subsequent assessments of the present value of the hedging instrument is recorded in the income statement as well as the profit or loss on the hedged item.

The hedges of the Parent company's future transactions in foreign currencies (which can be classified as cash flow hedge pursuant to IFRS) are accounted for in accordance with hedge accounting rules.

The following table shows the development of the cash flow hedge reserve for the years ended 31 December 2013 and 31 December 2012:

<b>Exchange rate risk</b> <b>(In thousands of Euro)</b>	<b>Cash flow hedge reserve</b>	
	<b>2013</b>	<b>2012</b>
<b>Opening balance</b>	<b>9,916</b>	<b>(20,899)</b>
+ increases for recognition of new positive effectiveness	21,568	13,371
- decreases for recognition of new negative effectiveness	(2,147)	(5,634)
- decreases for reversal of positive effectiveness from shareholders' equity and recognition of income in profit or loss	(13,082)	(863)
+ increases for reversal of negative effectiveness from shareholders' equity and recognition of cost in profit or loss	2,188	23,941
<b>Closing balance</b>	<b>18,443</b>	<b>9,916</b>

The cash flow hedge reserve, which consists of the value changes in hedges for expected transactions in foreign currency, increased overall by 8,527 thousand Euro during 2013, while it increased by 30,815 thousand Euro during 2012, reflecting the strengthening of the Euro against the main hedged currencies, especially the Euro/USD rate, which during the two-year period went from around 1.28 in January 2012, reaching a low of 1.22 in July, to over 1.38 in December 2013, and the Euro/Yen, which went from a low of around 101 at the start of January 2012 to a high of around 145 in December 2013, without noticeable rebounds. The effective amount transferred directly from the Reserve to the income statement under revenues from sales on occurrence of the underlying flows was a positive total of 10,894 thousand Euro in 2013; it was a negative total of 23,078 thousand Euro in 2012. During the 2013-2012 period no hedge was interrupted due to the cancellation of the expected underlying value. Hedges were one hundred percent effective for the whole duration of the underlying asset.

The following table sets out the average time horizon and the relevance by risk factor of exchange rate hedges which the Group held at the end of 2013 and 2012.

*Cash flow analysis (hedged items): Impact on the income statement*

(In thousands)	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	from 9 months to 1 year	over 1 year
<b>31 December 2013</b>						
<b>Exchange rate risk</b>						
Sales expected in USD	381,000	107,000	91,000	126,000	57,000	-
Sales expected in JPY	4,500,000	900,000	1,300,000	1,300,000	1,000,000	-
Sales expected in GBP	9,100	1,800	2,100	2,200	2,300	700
Sales expected in MXN	185,000	60,000	40,000	60,000	25,000	-
Sales expected in CHF	8,100	1,300	1,650	1,600	1,900	1,650
Sales expected in AUD	4,750	1,250	1,500	1,500	500	-

(In thousands)	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	from 9 months to 1 year	over 1 year
<b>31 December 2012</b>						
<b>Exchange rate risk</b>						
Sales expected in USD	417,000	97,000	90,000	141,000	75,000	14,000
Sales expected in JPY	4,500,000	1,000,000	900,000	900,000	1,100,000	600,000
Sales expected in GBP	7,100	1,850	1,650	1,700	1,100	800
Sales expected in MXN	190,000	50,000	60,000	50,000	30,000	-
Sales expected in CHF	7,150	1,550	1,800	1,600	1,400	800
Sales expected in AUD	4,750	500	1,250	1,250	1,000	750

*Cash flow analysis (hedged items): Financial recognition*

(In thousands)	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	from 9 months to 1 year	over 1 year
<b>31 December 2013</b>						
<b>Exchange rate risk</b>						
Sales expected in USD	339,000	110,000	104,000	113,000	12,000	-
Sales expected in JPY	3,900,000	1,300,000	1,100,000	1,200,000	300,000	-
Sales expected in GBP	8,500	2,000	1,500	3,000	2,000	-
Sales expected in MXN	185,000	60,000	40,000	60,000	25,000	-
Sales expected in CHF	7,500	1,500	1,500	1,750	1,750	1,000
Sales expected in AUD	4,000	1,500	1,500	1,000	-	-

(In thousands)	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	from 9 months to 1 year	over 1 year
<b>31 December 2012</b>						
<b>Exchange rate risk</b>						
Sales expected in USD	380,000	100,000	108,000	112,000	60,000	-
Sales expected in JPY	3,800,000	1,000,000	600,000	1,300,000	900,000	-
Sales expected in GBP	6,500	1,500	1,500	2,000	1,500	-
Sales expected in MXN	190,000	50,000	60,000	50,000	30,000	-
Sales expected in CHF	6,400	1,900	1,500	1,500	1,500	-
Sales expected in AUD	4,500	1,250	1,000	1,000	1,250	-

The most important hedge, in terms of volumes of notional amounts in foreign currency being hedged, is aimed at mitigating the risk generated by fluctuations in the exchange rate between the Euro and the following currencies: US dollar, Japanese yen, Pound sterling and the Mexican peso. From a time viewpoint, hedges lasting over one year are included within eighteen months. The above tables set out

the financial recognition dates of underlying assets by currency and the dates on which the impact on the income statement is recognized. This is determined upon the invoicing of the estimated flows, which are the object of the exchange rate hedge.

### Sensitivity Analysis

The sensitivity analysis carried out in order to assess the Group's exposure to exchange rate risk was undertaken on the basis of percentage increases and decreases in the exchange rates of the various currencies, proportional to their annual volatility, applied to all significant financial assets and liabilities expressed in original currencies. In particular the analysis involved all currencies and the following items:

- exchange rate derivatives;
- trade and other receivables;
- trade and other payables;
- cash and cash equivalents;
- short and long-term financial liabilities.

In addition, the table shows the most important effects and the related currencies and refers to the exposure to exchange rate risk in accordance with the requirements of IFRS 7 and therefore does not take into account the effects arising from the translation of financial statements of foreign companies whose functional currency is different from the Euro.

31 December 2013		Increase/ decrease in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
(In thousands of Euro)					
POSITIVE CHANGE	EUR/JPY	12.4%	Derivatives	(433)	2,734
			Non-derivatives	213	
	EUR/USD	8.3%	Derivatives	3,286	15,260
			Non-derivatives	(93)	
	USD/KRW	9.4%	Derivatives	1,233	-
			Non-derivatives	290	
	USD/JPY	11.0%	Derivatives	1,422	-
			Non-derivatives	(36)	
	EUR/MXN	12.7%	Derivatives	373	777
			Non-derivatives	-	
<b>Total</b>				<b>6,255</b>	<b>18,771</b>
NEGATIVE CHANGE	EUR/JPY	-12.4%	Derivatives	555	(3,505)
			Non-derivatives	(272)	
	EUR/USD	-8.3%	Derivatives	(3,882)	(18,030)
			Non-derivatives	112	
	USD/KRW	-9.4%	Derivatives	(1,483)	-
			Non-derivatives	(290)	
	USD/JPY	-11.0%	Derivatives	(1,773)	-
			Non-derivatives	45	
	EUR/MXN	-12.7%	Derivatives	(481)	(1,002)
			Non-derivatives	-	
<b>Total</b>				<b>(7,470)</b>	<b>(22,537)</b>
31 December 2012		Increase/ decrease in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
(In thousands of Euro)					
POSITIVE CHANGE	EUR/JPY	12.2%	Derivatives	191	3,350
			Non-derivatives	51	
	EUR/USD	9.2%	Derivatives	3,812	20,332
			Non-derivatives	476	
	USD/KRW	5.7%	Derivatives	468	-
			Non-derivatives	14	
	USD/JPY	7.3%	Derivatives	1,417	-
			Non-derivatives	(20)	
	EUR/MXN	9.1%	Derivatives	242	678
			Non-derivatives	(1)	
<b>Total</b>				<b>6,650</b>	<b>24,360</b>

31 December 2012 (In thousands of Euro)	Increase/ decrease in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
		Derivatives	(245)	(4,281)
		Non-derivatives	(66)	
		Derivatives	(4,580)	(24,428)
		Non-derivatives	(448)	
NEGATIVE CHANGE		Derivatives	(617)	-
		Non-derivatives	(14)	
		Derivatives	(1,640)	-
		Non-derivatives	23	
		Derivatives	(291)	(814)
		Non-derivatives	1	
<b>Total</b>			<b>(7,877)</b>	<b>(29,523)</b>

As set out in the table above, a positive change in the exchange rates (*EUR/JPY*, *EUR/USD*, *USD/KRW*, *USD/JPY* and *EUR/MXN*) would have produced a profit of 6,255 thousand Euro at 31 December 2013 and a profit of 6,650 thousand Euro at 31 December 2012; similarly, a negative change in the exchange rates would have produced a loss of 7,470 thousand Euro at 31 December 2013 and a loss of 7,877 thousand Euro at 31 December 2012. The increase in shareholders' equity generated by hedge derivatives as a consequence of the estimated rises in exchange rates would have been 18,771 thousand Euro at 31 December 2013 and 24,360 thousand Euro at 31 December 2012; the reduction in shareholders' equity as a consequence of the estimated decreases in exchange rates would have been 22,537 thousand Euro at 31 December 2013 and 29,523 thousand Euro at 31 December 2012. The sensitivity analysis carried out as described above, which is significantly influenced by the market volatility levels of the exchange rates taken into account, shows a significant impact on the Group's shareholders' equity as a consequence of the possible change in the value of hedge derivatives, which is suspended in the cash flow hedge reserve and whose impact on the income statement will occur in the following years, on the actual occurrence of the forecast sales. The higher or lower impact on the income statement and on equity in each of the years under consideration derives largely from the trend in the individual currencies at the reference dates and the change in the value of financial assets and liabilities exposed to fluctuations in exchange rates.

### **Liquidity risk**

Liquidity risk represents the risk that the Group cannot meet its financial obligations due to problems in obtaining funds at current market price conditions (funding liquidity risk) or in liquidating assets on the market to find the necessary financial resources (asset liquidity risk).

The first consequence is a negative impact on the income statement, should the company be forced to incur additional costs to meet its commitments.

The factors which mainly influence the Group's liquidity are the resources generated or absorbed by current operating and investing activities, the possible distribution of dividends and the expiry and possibility of renewal of debt or the expiry and possibility of liquidation of financial investments of surplus cash. Liquidity needs or surpluses are monitored on a daily basis by the Parent company in order to guarantee effective sourcing of financial resources or adequate investment of liquidity.

The negotiation and management of credit lines is coordinated by the Parent company with the aim of satisfying the short and medium-term needs of the individual companies according to efficiency and cost-effectiveness criteria. As at 31 December 2013, committed credit lines with a number of banks were outstanding for a total of 227,403 thousand Euro and uncommitted short-term credit lines relating to the Parent company and some of its subsidiaries for a total of 353,782 thousand Euro.

At 31 December 2013 the Group had unused committed credit lines for 214,894 thousand Euro and uncommitted lines for 266,239 thousand Euro, against gross debt of around 100,052 thousand Euro and a net financial position of 32,598 thousand Euro.

At 31 December 2013 the committed credit lines had a maximum residual duration of eighteen months and a weighted average residual duration of fifteen months. The credit lines and the related financial business are spread among leading national and international banks. At the date of this Report there were no outstanding uses of lines over more than twelve months. It has always been the Group's policy to sign and constantly maintain with various and diversified banks a total amount of committed credit lines that is considered consistent with the needs of the individual companies and suitable to ensure at any time the liquidity needed to satisfy and comply with all the Group's financial commitments, at the established economic conditions, as well as guaranteeing the availability of an adequate level of operational flexibility for any expansion programs. Cash surpluses are used with reference banks in

short-term (usually between one week and three months) time deposit transactions, referring to the Euribor/Libor rate for the period or the specific benchmark of the investment currency. Liquidity investments are carried out with the prime objectives of making resources available at short notice and neutralizing the risk of capital losses, avoiding speculative transactions.

In seeking ever greater efficiency, also during 2013, the Group used a significant part of its cash surplus in order to take out intercompany loans, which are regulated at current market conditions, so as to reduce average gross bank debt, limit financial charges at a consolidated level and reduce the credit risk connected with the investment of liquidity with banks.

These choices, which also take account of the likely future trend in cash flows together with prompt renegotiation of credit lines which are close to expiry, enable a significant reduction in the exposure to risk. The Group has constantly maintained access to a wide range of financing sources at competitive costs, despite the external scenario, which continues to be characterized by rigidity in the credit market and tension over the spreads applied. Thanks to the constant availability of an adequate amount of committed credit lines, the most turbulent market phases and the credit crunch could be faced calmly. The total financial position of each company and that of the Group overall is measured every month, and compared with the latest Budget/Forecast. Management believes that the funds and credit lines currently available, with the addition of the funds which are likely to be generated from current operations, will enable the Group to safely address the repayment of loans at their natural expiries and to meet the needs arising from investment activities and working capital management.

Liquidity risk – Maturity analysis					31 December 2013
(In thousands of Euro)	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	201,236	1,516	-	-	202,752
Payables to banks	79,422	21,870	-	-	101,292
Payables to third parties	3,915	-	-	-	3,915
Derivatives – non-hedge component	776	224	-	-	1,000
Derivatives – hedge component	136	163	-	-	299
<b>Total</b>	<b>285,485</b>	<b>23,773</b>	-	-	<b>309,258</b>

Liquidity risk – Maturity analysis					31 December 2012
(In thousands of Euro)	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	156,067	1,614	-	-	157,681
Payables to banks	105,708	20,366	-	-	126,074
Payables to third parties	45,175	-	-	-	45,175
Derivatives – non-hedge component	595	157	-	-	752
Derivatives – hedge component	204	209	-	-	413
<b>Total</b>	<b>307,749</b>	<b>22,346</b>	-	-	<b>330,095</b>

The analysis carried out on the items relating to financial liabilities showed a concentration of maturities within three months, with nil values at 31 December 2013 and 31 December 2012 for maturities of over 12 months.

Financial assets recorded in the statement of financial position have a similar residual life.

### ***Credit risk***

Credit risk represents the Group's exposure to potential losses arising from failure to meet trade or financial obligations taken on by counterparties. The Group's exposure to credit risk depends on the nature of the activities which have generated the relevant receivables. The Group's exposure to commercial credit risk refers only to wholesale sales and to receivables arising from revenues generated by licensing activities, which together represent around 35 percent of global turnover: the remaining turnover refers to retail sales with payment in cash or through credit and debit cards upon purchase. The Group generally favors trade dealings with customers with whom it has well-established and consolidated relations. It is the Group's policy to check credit ratings of customers who ask for extended payment terms, based both on information which can be obtained from specialist agencies and on the observation and analysis of historical data of established customers. In addition, the balance of trade receivables is constantly monitored during the year in order to ensure prompt intervention and to reduce the risk of losses. The allocation of the credit risk among a number of customers helps to further mitigate the risk.

Trade receivables are recorded net of write-downs, which are estimated based on the counterparty's insolvency risk, determined by considering the information available on the customer's solvency and its past history.

Besides obtaining, where possible, guarantees from wholesale customers or the adoption of means of payment which are less risky for the creditor, such as documentary letters of credit, another instrument used to manage commercial credit risk is the subscription of insurance policies, with the aim of preventing the risk of non-payment through careful selection of the customer portfolio jointly with the insurance company or the factoring company (for relationships relating to guarantees only), by which the latter agree to guarantee payment of the indemnity in the case of insolvency.

In general, the Group believes that the credit risk management policies implemented enabled overdue and bad debts, which required the adoption of legal credit collection measures, to be kept within reasonable limits.

The credit risk connected to financing, investment and operating activities in derivatives to hedge the exchange rate risk is represented by the inability of the counterparty or the issuer of the instruments to meet their contractual obligations, i.e. the so-called counterparty risk. The Group manages this type of risk by selecting counterparties with high credit ratings and who are considered solvent by the market and with whom it has routine and ongoing trade and banking service relations and by diversifying the accounting currency of surplus cash. During 2013, also with the aim of minimizing the counterparty risk, the Group used a significant part of its cash surpluses not in time-deposit investments, but to take out intercompany loans, regulated at current market conditions, so as to reduce its average bank debt.

The Group negotiated and entered into master agreements, in accordance with the international standards (ISDA Master Agreement), with all foreign counterparties of derivatives, in order to regulate the various cases.

The credit risk regarding the Group's other financial assets, consisting of cash and cash equivalents, available-for-sale financial assets and some derivatives, has a risk equal to the book value of these assets in case of insolvency of the counterparty.

(In thousands of Euro)	31 December 2013		31 December 2012	
	Current portion	Non current portion	Current portion	Non current portion
Financial assets at fair value through profit or loss				
Other financial assets	-	-	17	-
Receivables and loans				
Receivables from others (M/L term)	264	550	275	750
Trade receivables	121,408	-	105,184	-
Cash and cash equivalents	70,308	-	110,864	-
Guarantee deposits	-	11,985	-	9,915
Derivatives	16,962	2	11,945	-
<b>Total</b>	<b>208,942</b>	<b>12,537</b>	<b>228,285</b>	<b>10,665</b>

The table shows how the Group's exposure to credit risk – both commercial and counterparty risk – is defined by the book value of the items representing outstanding financial assets at 31 December 2013 and at 31 December 2012, and is almost exclusively limited to the current portion. The non current portion represents the amount beyond the short term of receivables with a residual life of three years due from Emanuel Ungaro Italia S.r.l. to Ferragamo Parfums S.p.A. and the item 'Guarantee deposits' which mainly includes the cash deposits made by various companies for property lease contracts recognized at nominal value.

Concentration of credit risk by geographic area				
(In thousands of Euro)	31 December 2013		31 December 2012	
		%		%
Italy	26,114	21.5%	18,013	17.1%
Europe	16,430	13.5%	14,131	13.4%
North America	16,742	13.8%	13,459	12.8%
East Asia	53,445	44.0%	51,875	49.3%
South America	8,677	7.2%	7,690	7.3%
Others	-	0.0%	17	0.0%
<b>Total</b>	<b>121,408</b>	<b>100.0%</b>	<b>105,184</b>	<b>100.0%</b>

The table shows the concentration of commercial credit risk by geographic area of the Group activity in the two years under review.

(In thousands of Euro)	Receivables neither past due nor impaired							Total
	Receivables neither past due nor impaired		Receivables past due but not impaired					
	<i>renegotiated</i>	<i>non-renegotiated</i>	<30 days	30-60 days	60-90 days	90-120 days	>120 days	
31 December 2013	-	106,232	11,729	2,238	720	246	243	121,408
31 December 2012	-	88,683	12,661	2,517	476	306	541	105,184
Figures in % at 31 Dec. 2013	-	87.5%	9.7%	1.8%	0.6%	0.2%	0.2%	100.0%
Figures in % at 31 Dec. 2012	-	84.3%	12.0%	2.4%	0.5%	0.3%	0.5%	100.0%

The analysis carried out on the expiry dates of receivables which are past due but not impaired shows they are concentrated within thirty days for the years ended 31 December 2013 and 31 December 2012.

The concentration of sales to the main customers is shown in the table below; for the concentration of sales by geographic area, reference should be made to the contents in the specific section above:

Concentration of market risk	2013	2012
Percentage of revenues with the biggest customer	1.7%	2.0%
Percentage of revenues with the 3 biggest customers	5.0%	5.0%
Percentage of revenues with the 10 biggest customers	11.5%	12.1%

### Capital management

The main objective of the Group's capital management activity is to ensure that a solid credit rating as well as adequate levels of equity indicators are maintained in order to support business and optimize value for shareholders. The Group manages the capital structure and modifies it according to changes in economic conditions. To maintain or adjust the capital structure, the Group can modify the dividends paid to shareholders, repay the capital or issue new shares. No change was made to the objectives, policies or procedures during 2012 and 2013.

The Group includes under net debt, interest-bearing loans, other financial payables, trade and other payables, net of cash and cash equivalents.

Other financial payables include agreements for the purchase of minority interests (reference should be made to note 36).

The table does not include the values and related effects produced by the derivatives used to manage exchange rate risk.

(In thousands of Euro)	31 December 2013	31 December 2012
Interest-bearing loans	100,052	125,133
Other financial payables	3,915	45,175
Trade and other payables	245,994	206,213
Cash and cash equivalents	70,308	110,864
<b>Net debt</b>	<b>279,653</b>	<b>265,657</b>
Group shareholders' equity	352,094	260,101
Minority interests	34,305	32,208
<b>Total shareholders' equity</b>	<b>386,399</b>	<b>292,309</b>
<b>Shareholders' equity and net debt</b>	<b>666,052</b>	<b>557,966</b>
<b>Debt / shareholders' equity</b>	<b>72.4%</b>	<b>90.9%</b>

## 4. Business combinations and purchases of minority interests

During 2013 there were no business combinations.

## Comments on the main statement of financial position items (assets, shareholders' equity and liabilities)

### 5. Property, plant and equipment

The breakdown of Property, plant and equipment at 31 December 2013 and 2012 is shown in the following table:

(In thousands of Euro)	31 December 2013			31 December 2012		
	Historic Cost	Accumulated depreciation	Net value	Historic Cost	Accumulated depreciation	Net value
Land	18,920	-	18,920	19,284	-	19,284
Buildings	45,687	19,599	26,088	42,096	16,960	25,136
Plant and equipment	21,429	16,609	4,820	19,575	15,055	4,520
Industrial and commercial equipment	78,635	49,230	29,405	71,954	46,673	25,281
Other assets	47,140	32,223	14,917	38,320	28,854	9,466
Leasehold improvements	165,480	102,100	63,380	148,104	95,665	52,439
Fixed assets in progress and payments on account	10,868	-	10,868	3,454	-	3,454
<b>Total</b>	<b>388,159</b>	<b>219,761</b>	<b>168,398</b>	<b>342,787</b>	<b>203,207</b>	<b>139,580</b>

The following tables show the change in property, plant and equipment for the years ended 31 December 2013 and 31 December 2012:

(In thousands of Euro)	Value at 01.01.2013	Translation differences	Additions	Disposals	Depreciation	Reclassifications	Impairment	Value at 31.12.2013
Land	19,284	(364)	-	-	-	-	-	18,920
Buildings	25,136	(360)	2,955	-	(1,969)	1,713	(1,387)	26,088
Plant and equipment	4,520	(16)	2,114	-	(1,678)	(120)	-	4,820
Industrial and commercial equipment	25,281	(1,651)	16,225	(379)	(7,942)	(2,129)	-	29,405
Other assets	9,466	(575)	10,987	(143)	(4,643)	7	(182)	14,917
Leasehold improvements	52,439	(2,679)	29,749	(214)	(16,308)	527	(134)	63,380
Fixed assets in progress and payments on account	3,454	(263)	10,485	(2,808)	-	-	-	10,868
<b>Total</b>	<b>139,580</b>	<b>(5,908)</b>	<b>72,515</b>	<b>(3,544)</b>	<b>(32,540)</b>	<b>(2)</b>	<b>(1,703)</b>	<b>168,398</b>

(In thousands of Euro)	Value at 01.01.2012	Translation differences	Additions	Disposals	Depreciation	Reclassifications	Value at 31.12.2012
Land	18,894	390	-	-	-	-	19,284
Buildings	25,567	(39)	1,612	-	(1,384)	(620)	25,136
Plant and equipment	3,906	(3)	991	(37)	(1,604)	1,267	4,520
Industrial and commercial equipment	29,358	(11)	14,074	261	(7,337)	(11,064)	25,281
Other assets	9,910	(11)	5,228	(16)	(3,758)	(1,887)	9,466
Leasehold improvements	28,848	(664)	29,673	(767)	(14,734)	10,083	52,439
Fixed assets in progress and payments on account	4,285	(31)	11,710	(11,571)	-	(939)	3,454
<b>Total</b>	<b>120,768</b>	<b>(369)</b>	<b>63,288</b>	<b>(12,130)</b>	<b>(28,817)</b>	<b>(3,160)</b>	<b>139,580</b>

The addition:

- in the item "Buildings" refers to improvements to the facility at Osmannoro-Sesto Fiorentino following the plan to renovate the whole facility and, to a lesser extent, to the property owned in the USA. The item "Reclassifications" refers solely to values relating to the property in Seoul for works done in previous years, but recognized under Commercial equipment;
- in industrial and commercial equipment mainly refers to the opening and renovation of stores (15,677 thousand Euro) and the purchase of equipment and moulds (548 thousand Euro) for the fragrances product category;
- in other assets mainly refers to IT equipment (3,332 thousand Euro) and furniture and furnishings (7,176 thousand Euro);

- in leasehold improvements refers mainly to work carried out for the opening or refurbishment of stores.

Disposals mainly refer to assets in renovated or closed stores.

As envisaged by the analysis procedure for impairment indicators adopted by the Group, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Group operates, while internal sources are corporate strategies which can change the use of assets.

The impairment of 1,387 thousand Euro in the item "Buildings" is the residual value at the date of disposal of three properties, which were then demolished in November and December 2013, at the industrial complex at Osmannoro-Sesto Fiorentino, which are part of the broader project to expand and renovate the area. Impairment in "Other assets" and "Leasehold improvements" refers to the tangible assets of some stores in relation to their renovation and/or closure.

From the analyses carried out no need emerged to record further impairment on this item.

## 6. Investment property

The breakdown of the item as at 31 December 2013 and 31 December 2012 is set out in the following table:

(In thousands of Euro)	31 December 2013			31 December 2012		
	Historic Cost	Accumulated depreciation	Net value	Historic Cost	Accumulated depreciation	Net value
Land	4,059	-	4,059	4,242	-	4,242
Buildings	9,558	7,162	2,396	9,992	7,195	2,797
<b>Total</b>	<b>13,617</b>	<b>7,162</b>	<b>6,455</b>	<b>14,234</b>	<b>7,195</b>	<b>7,039</b>

Investment property refers entirely to the buildings located in the United States.

The following tables show the change in investment property for the years ended 31 December 2013 and 2012:

(In thousands of Euro)	Value at 01.01.2013	Translation difference	Additions	Depreciation	Value at 31.12.2013
Land	4,242	(183)	-	-	4,059
Buildings	2,797	(111)	-	(290)	2,396
<b>Total</b>	<b>7,039</b>	<b>(294)</b>	<b>-</b>	<b>(290)</b>	<b>6,455</b>

(In thousands of Euro)	Value at 01.01.2012	Translation difference	Additions	Depreciation	Value at 31.12.2012
Land	4,326	(84)	-	-	4,242
Buildings	3,150	(53)	-	(300)	2,797
<b>Total</b>	<b>7,476</b>	<b>(137)</b>	<b>-</b>	<b>(300)</b>	<b>7,039</b>

As envisaged by the analysis procedure for impairment indicators adopted by the Group, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Group operates, while internal sources are corporate strategies which can change the use of assets.

From the analyses carried out no need emerged to record any impairment on this item.

## 7. Intangible assets with a finite useful life

The breakdown of intangible assets with a finite useful life at 31 December 2013 and 2012 is shown in the following table:

(In thousands of Euro)	31 December 2013			31 December 2012		
	Historic Cost	Accumulated amortization	Net value	Historic Cost	Accumulated amortization	Net value
Industrial patents and use of intellectual property rights	18,024	14,950	3,074	16,815	14,144	2,671
Concessions, licenses and trademarks	7,441	5,815	1,626	6,954	5,500	1,454
Development costs	17,386	6,795	10,591	12,270	3,936	8,334
Others	25,354	16,043	9,311	21,689	15,265	6,424
Intangible assets with a finite useful life in progress	1,488	-	1,488	1,795	-	1,795
<b>Total</b>	<b>69,693</b>	<b>43,603</b>	<b>26,090</b>	<b>59,523</b>	<b>38,845</b>	<b>20,678</b>

The following tables show the changes in intangible assets with a finite useful life for the years ended 31 December 2013 and 2012:

(In thousands of Euro)	Value at 01.01.2013	Translation differences	Additions	Disposals	Amortization	Reclassifications	Impairment	Value at 31.12.2013
Industrial patents and use of intellectual property rights	2,671	(78)	1,876	(13)	(1,384)	2	-	3,074
Concessions, licenses and trademarks	1,454	-	488	-	(316)	-	-	1,626
Development costs	8,334	-	5,116	-	(2,859)	-	-	10,591
Others	6,424	(594)	5,354	(46)	(1,641)	-	(186)	9,311
Intangible assets with a finite useful life in progress	1,795	(27)	291	(571)	-	-	-	1,488
<b>Total</b>	<b>20,678</b>	<b>(699)</b>	<b>13,125</b>	<b>(630)</b>	<b>(6,200)</b>	<b>2</b>	<b>(186)</b>	<b>26,090</b>

(In thousands of Euro)	Value at 01.01.2012	Translation differences	Additions	Disposals	Amortization	Reclassifications	Value at 31.12.2012
Industrial patents and use of intellectual property rights	1,577	(35)	2,289	-	(1,160)	-	2,671
Concessions, licenses and trademarks	1,490	-	279	-	(315)	-	1,454
Others	13,959	(105)	4,342	(4)	(3,370)	(64)	14,758
Intangible assets with a finite useful life in progress	1,025	4	5,538	(4,772)	-	-	1,795
<b>Total</b>	<b>18,051</b>	<b>(136)</b>	<b>12,448</b>	<b>(4,776)</b>	<b>(4,845)</b>	<b>(64)</b>	<b>20,678</b>

Intangible assets with a finite useful life increased compared to 31 December 2012 mainly due to new investments in software development costs and key money paid as a consequence of taking over the direct management of stores on the Brazilian market and for the renewal of lease contracts of some stores on the European market, net of amortization for the period.

The item "Development costs" includes software development costs relating to the capitalization of expenses for the development of business software applications (SAP accounting system, ERP, reporting systems, and the e-commerce platform).

The item "Others" refers mainly to the so-called key money, i.e. the sums paid to obtain the use of leased property by taking over existing contracts or by obtaining the withdrawal of the lessees in such a way as to be able to enter into new contracts with the lessors.

The following table provides the net book value and distribution by geographic area of the key money item:

(In thousands of Euro)	31 December 2013	31 December 2012
	Europe (excluding Italy)	2,741
North America	2,136	2,492
Asia Pacific	349	483
Central and South America	2,595	-
<b>Total</b>	<b>7,821</b>	<b>5,024</b>

As envisaged by the analysis procedure for impairment indicators adopted by the Group, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Group operates, while internal sources are corporate strategies which can change the use of intellectual property and software. With reference to key money, they consist of the economic benefit to the Group arising from the geographic area served by the store for which this cost has been incurred.

The impairment of 186 thousand Euro in "Others" refers to intangible assets (key money paid in previous years) relating to a store in Europe.

From the analyses carried out no need emerged to record further impairment on this item.

## 8. Investments in associated and jointly controlled companies

Investments in associated and jointly controlled companies at 31 December 2012 totaled 1,331 thousand Euro and referred to the net book value of the investment in Zefer S.p.A., which was sold in the first half of 2013. For further details reference should be made to the section of the Directors' report on operations "Significant events occurred during the year" and to note 31 for the impact on the income statement.

## 9. Available-for-sale financial assets

The breakdown and changes of the item "Available-for-sale financial assets" as at 31 December 2013 and 31 December 2012 is set out in the following table:

(In thousands of Euro)	Investment percentage	Value at 01.01.2013	Translation difference	Value at 31.12.2013
Polimoda Consulting S.r.l.	0.82%	20	-	20
Other assets		7	(2)	5
<b>Total</b>		<b>27</b>	<b>(2)</b>	<b>25</b>

## 10. Other non current assets

The breakdown of the item "Other non current assets" as at 31 December 2013 and 31 December 2012 is set out in the following table:

(In thousands of Euro)	31 December 2013	31 December 2012	Change 2013 vs. 2012
Advances to suppliers	550	750	(200)
Other non current assets	5,719	3,680	2,039
Other receivables for long-term hedge derivatives	2	-	2
<b>Total</b>	<b>6,271</b>	<b>4,430</b>	<b>1,841</b>

Advances to suppliers relate to the non current portion of advances of royalties paid by Ferragamo Parfums S.p.A. for the use under license of the Ungaro brand in the fragrances product category (as provided for by the license contract entered into in November 2005 and renewed at the beginning of 2011). These advances are recovered with the accrual of royalties as from 1 January 2011.

The item "Other non current assets" mainly includes the impact relating to the straight line charging of rental income from investment property in the USA, as provided for by the relevant standards (straight lining).

The item "Other receivables for long-term hedge derivatives" includes the fair value measurement of outstanding derivatives (hedge component) entered into by the Parent company to manage exchange rate risk with maturities of over 12 months.

## 11. Other non current financial assets

At 31 December 2013 "Other non current financial assets" totaled 11,538 thousand Euro and referred to guarantee deposits mainly for lease contracts, up by 1,623 thousand Euro compared to 31 December 2012.

## 12. Inventories

Ending inventories refer to the following categories:

(In thousands of Euro)	31 December 2013	31 December 2012	Change 2013 vs. 2012
Raw materials, accessories and consumables	61,777	49,949	11,828
Provision for obsolete inventory	(8,805)	(6,739)	(2,066)
Raw materials, accessories and consumables	52,972	43,210	9,762
Finished products and goods for resale	261,558	227,412	34,146
Provision for obsolete inventory	(23,825)	(20,818)	(3,007)
Finished products and goods for resale	237,733	206,594	31,139
<b>Total</b>	<b>290,705</b>	<b>249,804</b>	<b>40,901</b>

The change in stocks of raw materials, compared to 2012, depends on production volumes, which rose during the year due to the increase in sales volumes; the provision reflects the obsolescence of raw materials (leather and accessories) which are no longer suitable for the company's production plans.

The change in stocks of finished products is due both to the increase in sales volumes and the opening of new stores. The change, net of the exchange rate effect, was a net increase of 36,346 thousand Euro (exchange rate effect amounted to 5,207 thousand Euro and mainly refers to changes in the exchange rates of the Japanese Yen and the US dollar).

Net (uses) of and/or allocations to the provision for obsolete inventory were as follows:

(In thousands of Euro)	2013	2012	Change 2013 vs. 2012
Raw materials	2,066	398	1,668
Finished products	4,075	738	3,337
<b>Total</b>	<b>6,141</b>	<b>1,136</b>	<b>5,005</b>

## 13. Trade receivables

The breakdown of the item is set out in the following table:

(In thousands of Euro)	31 December 2013	31 December 2012	Change 2013 vs. 2012
Trade receivables	126,158	109,907	16,251
Provision for bad debt	(4,750)	(4,723)	(27)
<b>Total</b>	<b>121,408</b>	<b>105,184</b>	<b>16,224</b>

Trade receivables mainly refer to wholesale sales and are due for around 17,947 thousand Euro to fragrances and, for the remainder, to other product categories. They are interest-free and are generally due in 90 days or less. The related provision for bad debt is considered adequate to meet any cases of insolvency. The increase compared to 31 December 2012 is attributable to the growth in turnover, especially in the wholesale channel. Trade receivables at 31 December 2012 include receivables due from Zefer S.p.A. (the company sold to third parties during the first half of 2013) for 1,957 thousand Euro and were previously recognized under trade receivables from associated companies.

The changes in the provision for bad debt during 2013 were as follows:

(In thousands of Euro)	Value at 01.01.2013	Translation difference	Allocations	Uses	Value at 31.12.2013
<b>Provision for bad debt</b>	<b>4,723</b>	<b>(38)</b>	<b>334</b>	<b>(269)</b>	<b>4,750</b>

For an analysis of past due but not impaired trade receivables reference should be made to the section "Management of financial risks – Credit risk".

## 14. Tax receivables

The breakdown of the item is set out in the following table:

(In thousands of Euro)	31 December 2013	31 December 2012	Change 2013 vs. 2012
Due from tax authorities (value added tax and other taxes)	7,675	7,348	327
Due from tax authorities for income taxes	2,335	1,798	537
Withholding taxes	61	11	50
<b>Total</b>	<b>10,071</b>	<b>9,157</b>	<b>914</b>

Tax receivables rose slightly compared to the prior year and refer mainly to VAT receivables.

## 15. Other current assets

The breakdown of other current assets is set out in the following table:

(In thousands of Euro)	31 December 2013	31 December 2012	Change 2013 vs. 2012
Other receivables	14,375	11,047	3,328
Accrued income	7	5	2
Prepaid expenses	13,357	12,915	442
Other receivables for short-term hedge derivatives	15,034	10,965	4,069
<b>Total</b>	<b>42,773</b>	<b>34,932</b>	<b>7,841</b>

As at 31 December 2013 other receivables mainly include:

- receivables due from credit card management companies for retail sales amounting to 6,771 thousand Euro (4,720 thousand Euro as at 31 December 2012);
- receivables due from the Holding company Ferragamo Finanziaria S.p.A. for 2,426 thousand Euro (2,025 thousand Euro as at 31 December 2012) in relation to the domestic fiscal unity. The balance refers mainly to receivables amounting to 2,025 thousand Euro concerning the income tax (IRES) refund claim (online request sent on 5 February 2013) regarding the deduction of the regional manufacturing tax (IRAP) in relation to personnel costs from 2007 to 2011.
- advances to suppliers amounting to 1,260 thousand Euro (1,775 thousand Euro as at 31 December 2012);

Prepaid expenses mainly include contributions to customers for 5,870 thousand Euro, rents for 4,945 thousand Euro and insurance premiums for 603 thousand Euro.

“Other receivables for short-term hedge derivatives” amounting to 15,034 thousand Euro (10,965 thousand Euro as at 31 December 2012) refer to the fair value assessment of outstanding derivative contracts (hedge component) entered into by the Parent company to manage exchange rate risk on sales in currencies other than the Euro.

## 16. Other current financial assets

The breakdown of other current financial assets is set out in the following table:

(In thousands of Euro)	31 December 2013	31 December 2012	Change 2013 vs. 2012
Derivatives	1,928	1,925	3
Other current financial assets	-	17	(17)
<b>Total</b>	<b>1,928</b>	<b>1,942</b>	<b>(14)</b>

Derivatives include the fair value measurement of non-hedge component derivatives.

## 17. Cash and cash equivalents

The breakdown of the item is set out in the following table:

(In thousands of Euro)	31 December 2013	31 December 2012	Change 2013 vs. 2012
Time deposits	4,209	53,058	(48,849)
Bank and post office sight deposits	65,251	57,318	7,933
Cash and values on hand	848	488	360
<b>Total</b>	<b>70,308</b>	<b>110,864</b>	<b>(40,556)</b>

Time deposits at banks expire in no more than 90 days. Bank and post office deposits refer to temporary cash holdings mainly to meet imminent payments.

Also during 2013, the Group used a significant part of its cash surpluses not in time-deposit investments, but to take out intercompany loans, regulated at current market conditions, so as to reduce its average bank debt.

At 31 December 2013 the Group had unused credit lines for 481,133 thousand Euro. As at 31 December 2012, unused credit lines totaled 321,889 thousand Euro.

For the purposes of the consolidated statement of cash flows, the item “Cash and cash equivalents” as at 31 December 2013 and 31 December 2012 was broken down as follows:

(In thousands of Euro)	31 December 2013	31 December 2012	Change 2013 vs. 2012
Cash and bank sight deposits	66,099	57,806	8,293
Time deposits	4,209	53,058	(48,849)
Bank overdrafts	(16)	(56)	40
<b>Total</b>	<b>70,292</b>	<b>110,808</b>	<b>(40,516)</b>

## 18. Share capital and reserves

The authorized share capital of the Parent Company as at 31 December 2013 totaled 16,891,000 Euro; the subscribed and paid up share capital amounted to 16,841,000 and consisted of 168,410,000 ordinary shares with a nominal value of 0.10 Euro each.

Share capital contributions of 2,995 thousand Euro, which refer entirely to the Parent company, were paid in a single amount in 2003 by the Holding company Ferragamo Finanziaria S.p.A. and were reduced in 2007, due to demerger.

The legal reserve of 4,188 thousand Euro was set up in previous years and refers entirely to the Parent company. Italian law requires that 5% of net profit for the year is allocated to the legal reserve, until this reaches 20% of the share capital. This reserve cannot be distributed.

The extraordinary reserve of 117,114 thousand Euro, which refers entirely to the Parent company, was set up with retained earnings; the 51,302 thousand Euro increase recorded in the period refers to the 2012 profit, net of the distribution of dividends, amounting to 55,575 thousand Euro, declared in 2013.

The cash flow hedge reserve was positive for 13,371 thousand Euro and is the result of the valuation of the financial instruments defined as cash flow hedges as at 31 December 2013, given the hedges against exchange rate risk, and is shown net of the tax effect.

The translation reserve, negative for 39,511 thousand Euro, reflects value changes in the Group share of shareholders' equity of the consolidated companies, due to changes in the exchange rates of the companies' functional currencies against the presentation currency of the consolidated financial statements. This change was caused largely by the change in the US dollar exchange rate, then the Japanese yen and, finally, other currencies.

Retained earnings amounting to 84,330 thousand Euro include profits/losses capitalized during the years, taking due account of consolidation adjustments, in particular unrealized profit on inventories. This reserve, during 2013, was affected by the joint impact of several factors. On the one hand, it rose by 54,250 thousand Euro due to the capitalization of the profit for 2012, net of the Parent company's profit which was allocated to the extraordinary reserve. On the other hand, the reserve fell by 55,575 thousand Euro due to the dividends distributed by the Parent company during 2013; by 344 thousand Euro due to the effect in the period of the recognition of the put and call agreements on minority interests already existing as well as of the agreements to acquire minority stakes in companies that are consolidated on a line-by-line basis (note 36); by 5,924 thousand Euro due to the reclassification of the reserve Effect IAS 28 (Common Control) Equity, which came about in 2006 when 50% of Zefer S.p.A.'s shares were acquired.

The reserve Effect IAS 28 (Common Control) Equity, which included the adjustment to the value of the investment in Zefer S.p.A. which was first recognized in 2006, has been completely reclassified (5,924 thousand Euro) to retained earnings, following the sale to third parties of the investment in 2013; for further details reference should be made to the section “Significant events occurred during the year” included in the Directors' report on operations.

The items “Other reserves” and “Effect IAS 19 equity” (net total of 15,686 thousand Euro) include the values recorded for the valuation differences required by IFRS compared to the local standards of Group companies. In addition, they include the specific reserve set up to service the future free share capital increase of the Parent company for a nominal amount of 50,000 Euro for the shares which will be assigned by the Stock Grant Plan (up to a maximum of 500,000 with a nominal value of 0.10 Euro each) and the stock grant reserve (2,666 thousand Euro) which includes the fair value at 31 December 2013 of the rights assigned to receive shares of the Parent company. For details on the Stock Grant Plan reference should be made to note 35.

The amounts are net of the tax effects where applicable.

The changes in shareholders' equity items occurred in 2013 and 2012 are shown in the related statements.

Here below is a breakdown of reserves and retained earnings:

(In thousands of Euro)	Reserves made up of profits	Translation reserve	Other reserves	Total
<b>31 December 2013</b>				
Share capital contributions	-	-	2,995	2,995
Legal reserve	4,188	-	-	4,188
Extraordinary reserve	117,114	-	-	117,114
Cash flow hedge reserve	-	-	13,371	13,371
Translation reserve	-	(39,511)	-	(39,511)
Retained earnings	84,330	-	-	84,330
Other reserves	-	-	15,686	15,686
<b>Total</b>	<b>205,632</b>	<b>(39,511)</b>	<b>32,052</b>	<b>198,173</b>
<b>31 December 2012</b>				
Share capital contributions	-	-	2,995	2,995
Legal reserve	4,188	-	-	4,188
Extraordinary reserve	65,812	-	-	65,812
Cash flow hedge reserve	-	-	7,189	7,189
Translation reserve	-	(36,208)	-	(36,208)
Retained earnings	92,919	-	-	92,919
Other reserves	-	-	8,002	8,002
<b>Total</b>	<b>162,919</b>	<b>(36,208)</b>	<b>18,186</b>	<b>144,897</b>

## 19. Provisions for risks and charges

The breakdown and changes in the item are provided in the following table:

(In thousands of Euro)	Value at 01.01.2013	Translation difference	Additions	Uses	Value at 31.12.2013
Legal disputes	1,754	-	536	(1,224)	1,066
Other	3,670	(247)	1,090	(231)	4,282
<b>Total</b>	<b>5,424</b>	<b>(247)</b>	<b>1,626</b>	<b>(1,455)</b>	<b>5,348</b>
(In thousands of Euro)	Value at 01.01.2012	Translation difference	Additions	Uses	Value at 31.12.2012
Legal disputes	9,197	-	484	(7,927)	1,754
Opposition charges	2,500	-	-	(2,500)	-
Other	2,434	(97)	1,483	(150)	3,670
<b>Total</b>	<b>14,131</b>	<b>(97)</b>	<b>1,967</b>	<b>(10,577)</b>	<b>5,424</b>

Legal disputes mainly refer to legal proceedings against the Parent company and some proceedings regarding subsidiaries as well as labor disputes. It also includes the provision relating to the Parent company's dispute with Korean tax authorities (200 thousand Euro). For details reference should be made to the paragraph "Significant events occurred during the year". Labor disputes refer both to litigations and to estimates of settlement amounts which the Group companies might pay for settlement in the pre-litigation stage.

The use of the provision for legal disputes mainly refers to the settlement of a number of labor proceedings and/or disputes during the year.

The provision for other risks mainly includes allocations against likely future costs; the main allocation concerns future expenses for the restoration of premises leased by third parties (2,934 thousand Euro), but it also includes the additional allowance set aside by Salvatore Ferragamo S.p.A. and Ferragamo Parfums S.p.A. for agents operating in Italy; the allocation in the year refers mainly to future expenses for the restoration of premises leased by third parties (727 thousand Euro).

## 20. Employee benefit liabilities

The following table shows the breakdown of employee benefits as at 31 December 2013 and 31 December 2012:

(In thousands of Euro)	31 December 2013	31 December 2012	Change 2013 vs. 2012
Employee defined benefit liabilities	10,045	10,802	(757)
Other employee benefit liabilities	47	627	(580)
<b>Total</b>	<b>10,092</b>	<b>11,429</b>	<b>(1,337)</b>

Compared to 31 December 2012, employee severance indemnities of Italian companies and other employee defined benefit liabilities have been presented in one single item, "Employee defined benefit liabilities". It should be noted that for a better understanding of cash flows in the statement of cash flows the values for "Provision for employee benefit plans" and "Employee benefits payments" are shown net of transfers to complementary pension funds, also reclassifying 2012 data accordingly.

The following table shows the changes in employee defined benefit liabilities in 2013 and 2012:

(In thousands of Euro)	2013			2012		
	Employee benefit obligations	Fair value of plan assets	Employee defined benefit liabilities	Employee benefit obligations	Fair value of plan assets	Employee defined benefit liabilities
<b>Value at 01.01</b>	<b>13,529</b>	<b>(2,727)</b>	<b>10,802</b>	<b>13,192</b>	<b>(3,105)</b>	<b>10,087</b>
Current Service Cost	546	-	546	596	-	596
Financial charges/(income)	322	(41)	281	360	(25)	335
<b>Changes included in net profit/(loss) for the period</b>	<b>868</b>	<b>(41)</b>	<b>827</b>	<b>956</b>	<b>(25)</b>	<b>931</b>
Returns on plan assets	-	(47)	(47)	-	(3)	(3)
Actuarial loss / (gain) arising from:						
- financial assumptions	(389)	-	(389)	339	-	339
- demographic assumptions	25	-	25	(60)	-	(60)
- experience-based adjustments	(59)	-	(59)	268	-	268
Translation differences	(689)	513	(176)	(304)	211	(93)
<b>Changes included in other comprehensive income items</b>	<b>(1,112)</b>	<b>466</b>	<b>(646)</b>	<b>243</b>	<b>208</b>	<b>451</b>
Contributions paid by the employer	-	(427)	(427)	(334)	-	(334)
Benefits paid	(591)	80	(511)	(590)	195	(395)
Reclassifications	-	-	-	62	-	62
<b>Other changes</b>	<b>(591)</b>	<b>(347)</b>	<b>(938)</b>	<b>(862)</b>	<b>195</b>	<b>(667)</b>
<b>Value at 31.12</b>	<b>12,694</b>	<b>(2,649)</b>	<b>10,045</b>	<b>13,529</b>	<b>(2,727)</b>	<b>10,802</b>

Employee defined benefit liabilities of the Group's Italian companies (the Parent company and Ferragamo Parfums S.p.A.) amounted to 7,908 thousand Euro, down by 549 thousand Euro compared to 31 December 2012. Here below are the main financial assumptions used in determining the present value of employee severance indemnities:

	31 December 2013	31 December 2012
Annual rate of salary increase	3.47%	3.47%
Annual discount rate	2.75%	2.25%
Inflation rate	2.00%	2.00%

As regards the demographic assumptions used in determining defined benefit liabilities of the Group's Italian companies, the figure used as a benchmark for the mortality rate is that for the Italian population recorded by ISTAT in 2000, less 25%, broken down by age and gender while, the staff turnover rate has been estimated at 5.31% per year.

Employee defined benefit liabilities of the Group's non-Italian companies refer to Ferragamo Japan KK, Ferragamo Retail Taiwan Ltd., Ferragamo France SAS, Ferragamo Montecarlo SAM, Ferragamo Belgique SA, Ferragamo Mexico S.L.de C.V., Ferragamo Usa Inc., Ferragamo (Thailand) Limited and Ferragamo Retail India Private Ltd. They amounted to 2,137 thousand Euro, down by 208 thousand Euro compared to 31 December 2012. The value is net of the fair value relating to the plan assets, mainly consisting of insurance policies.

Here below are the main financial assumptions used in determining the present value of employee severance indemnities:

	31 December 2013	31 December 2012
Annual rate of salary increase	2.0% - 6.75%	2.0% - 6.0%
Annual discount rate	1.0% - 8.75%	1.0% - 8.5%
Inflation rate	3.00%	2.0% - 3.0%

As for the demographic assumptions used in measuring the defined benefit liabilities of the Group's non-Italian companies, the figure used as a benchmark for the mortality rate is the standard one for each local population, broken down by age and gender while for the staff turnover rate annual frequencies have been calculated based on the individual companies' data.

Here below is a quantitative sensitivity analysis for the main assumptions at 31 December 2013 concerning employee benefit obligations of Italian companies, which have the highest impact on total defined benefit obligations:

(In thousands of Euro)	2013		
	% change	Additions	Disposals
Annual rate of salary increase	+/- 0.5%	18	(17)
Annual discount rate	+/- 0.5%	(377)	408
Mortality rate	+/- 0.025%	-	-
Staff turnover rate	+/- 0.5%	(2)	2

The above sensitivity analyses are based on reasonable changes in the key assumptions at the end of the reporting period.

The average number of employees (in terms of full-time equivalents) by category is shown in the following table:

Average staff (Full time equivalent)	Year 2013	Year 2012
Managers	590.82	560.89
White collars	2,426.56	2,206.48
Blue collars	203.47	204.75
Temporary Agency staff	393.37	356.14
<b>Total</b>	<b>3,614.22</b>	<b>3,328.26</b>

The net increases are mainly due to the staff required by the expansion of the retail sales network.

## 21. Other non current liabilities

The breakdown of the item is set out in the following table:

(In thousands of Euro)	31 December 2013	31 December 2012	Change 2013 vs. 2012
Payables for deferred rents	37,266	35,057	2,209
Other payables	227	370	(143)
Tax payables	1,178	5,785	(4,607)
<b>Total</b>	<b>38,671</b>	<b>41,212</b>	<b>(2,541)</b>

Payables for deferred rents refer almost entirely to the straight lining of rents over the contract period for the property leased in the United States, including the building on Fifth Avenue, next to the building owned by the Company, where a significant part of the New York store is located.

Tax payables refer entirely to the medium-term share of the tax payable that is paid over 36 monthly installments relating to the assessment with acceptance (2012) between the Parent company and the Italian tax authorities; for details reference should be made to the Directors' report on operations in the 2012 Consolidated Annual Report. The decrease compared to 31 December 2012 refers to the reclassification under current tax payables of the amounts due within 12 months.

## 22. Trade payables

The breakdown of trade payables was as follows:

(In thousands of Euro)	31 December 2013	31 December 2012	Change 2013 vs. 2012
Trade payables	201,873	156,408	45,465
Advances from customers	879	1,273	(394)
<b>Total</b>	<b>202,752</b>	<b>157,681</b>	<b>45,071</b>

Trade payables do not bear interest and usually become due after 60/90 days.

This item consists of payables relating to the normal commercial activity carried out by Group companies, in particular the purchase of raw materials, parts and manufacturing in outsourcing. Their increase relates to the sharp rise in production and Group's investments.

## 23. Interest-bearing loans & borrowings

A breakdown of short-term interest-bearing loans & borrowings is given below:

(In thousands of Euro)	31 December 2013	31 December 2012	Change 2013 vs. 2012
Financial payables to banks	100,036	125,077	(25,041)
Bank overdrafts	16	56	(40)
<b>Total</b>	<b>100,052</b>	<b>125,133</b>	<b>(25,081)</b>

The Group's financial requirements are covered by short-term payables relating to short-term bank credit lines. During 2013 the Group used a considerable part of its cash surplus to take out intercompany loans, regulated at current market conditions, so as to reduce its average bank debt. The Group's loans and credit lines are at floating rates.

The cost of debt is generally benchmarked to the market rate for the period (usually Euribor/Libor or the specific benchmark of the loan currency) increased by a spread which depends on the type of credit line used. Uses of the lines range from a few days to a maximum of one year. The margins applied are in line with the best market standards. Fees due for unused credit lines are negligible.

The financial instruments used are:

- i) uncommitted credit lines made available in the currency and country of residence of the individual company in order to meet short-term financial needs linked to the management of working capital;
- ii) committed, revolving short- and medium-term credit lines, negotiated on a bilateral basis by the Parent company; some of these lines can be used by a number of borrowers in their own accounting currency which may be different from the Euro (the so-called multiborrower and/or multicurrency credit lines);

At 31 December 2013 the committed credit lines had a maximum residual duration of eighteen months and a weighted average residual duration of fifteen months. The credit lines and the related financial business are spread among leading national and international banks. At the date of this Report there were no outstanding uses of lines over more than twelve months.

During 2013, committed lines which expired were renegotiated and new committed and uncommitted credit lines were entered into with different counterparties.

As far as financial payables to banks are concerned, the following table provides a breakdown by type of the credit lines granted to the Group and the relevant uses:

(In thousands of Euro)	31 December 2013		31 December 2012	
	Agreed	Used	Agreed	Used
Committed credit lines	227,403	12,509	251,369	57,881
Uncommitted credit lines	353,782	87,543	195,653	67,252
<b>Total</b>	<b>581,185</b>	<b>100,052</b>	<b>447,022</b>	<b>125,133</b>

Here below is the breakdown and changes in the net financial position as at 31 December 2013 and 31 December 2012, restated in accordance with the model included in CONSOB Communication no. DEM/6064293 of 28 July 2006.

(In thousands of Euro)	31 December	31 December	Change
	2013	2012	2013 vs. 2012
A. Cash	848	488	360
B. Other cash equivalents	69,460	110,376	(40,916)
<b>C. Cash and cash equivalents (A)+(B)</b>	<b>70,308</b>	<b>110,864</b>	<b>(40,556)</b>
Derivatives – non-hedge component	1,928	1,925	3
Other financial assets	-	17	(17)
<b>D. Current financial receivables</b>	<b>1,928</b>	<b>1,942</b>	<b>(14)</b>
E. Current bank payables	100,052	125,133	(25,081)
F. Derivatives – non-hedge component	867	440	427
G. Other current financial payables	3,915	45,175	(41,260)
<b>H. Current financial debt (E)+(F)+(G)</b>	<b>104,834</b>	<b>170,748</b>	<b>(65,914)</b>
<b>I. Current financial debt, net (H)-(C)-(D)</b>	<b>32,598</b>	<b>57,942</b>	<b>(25,344)</b>
J. Non current bank payables	-	-	-
K. Derivatives – non-hedge component	-	-	-
M. Other non current payables	-	-	-
<b>N. Non current financial debt (J)+(K)+(M)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>O. Net financial debt (I)+(N)</b>	<b>32,598</b>	<b>57,942</b>	<b>(25,344)</b>

#### Limitations on the use of financial resources

In general, the Group's committed credit lines that are currently outstanding do not require compliance with financial covenants.

Financial covenants are included only in some local loan contracts entered into by companies with minority interests, even though they are uncommitted credit lines.

As at 31 December 2013 the financial and non-financial covenants were complied with by all the companies involved.

## 24. Tax payables

At 31 December 2013 tax payables amounted to 22,401 thousand Euro (21,036 thousand Euro at 31 December 2012) and concerned payables for income taxes pertaining to the period and other taxes due by Group companies. The net increase by 1,365 thousand Euro compared to 31 December 2012 is attributable to the change in income tax payables during 2013 due to the good results achieved by Group companies; the amount includes 4,607 thousand Euro concerning the recognition of the current portion of the Parent company's tax payables due in 36 monthly installments recognized under "Other non current liabilities" as at 31 December 2012 (reference should be made to note 21).

## 25. Other current liabilities

The breakdown of the item "Other current liabilities" is set out in the following table:

(In thousands of Euro)	31 December 2013	31 December 2012	Change 2013 vs. 2012
Other payables	32,668	39,251	(6,583)
Payables to social security institutions	4,911	4,410	501
Accrued expenses	3,025	2,119	906
Deferred income	2,638	2,752	(114)
Other payables for hedge derivatives	230	385	(155)
<b>Total</b>	<b>43,472</b>	<b>48,917</b>	<b>(5,445)</b>

The item "Other payables" mainly includes the Group's payables to employees for sums accrued and not yet paid at the end of the reporting period and payables to the Holding company Ferragamo Finanziaria S.p.A. (8,757 thousand Euro) as part of the domestic fiscal unity for 2013; it also includes payables to suppliers and service providers which had not been invoiced at the reporting date.

The item "Payables to social security institutions" refers to payables paid in the month after the reporting period and relating to amounts due to employees.

The item "Other payables for hedge derivatives" shows the fair value valuation at the end of the year of outstanding derivatives (hedge component) entered into by the Parent company to manage exchange rate risk. For further details, reference should be made to note 27.

## 26. Other current financial liabilities

The breakdown of the item "Other current financial liabilities" is set out in the following table:

(In thousands of Euro)	31 December 2013	31 December 2012	Change 2013 vs. 2012
Short-term derivatives	867	440	427
Other current financial payables	3,915	45,175	(41,260)
<b>Total</b>	<b>4,782</b>	<b>45,615</b>	<b>(40,833)</b>

The item "Other current financial payables" as at 31 December 2013 include:

- the put option (3,263 thousand Euro) granted to the minority shareholders of Ferragamo Japan KK, to sell to Salvatore Ferragamo S.p.A. their 29% investment in the Japanese company, which is valued in compliance with the conditions set out in the shareholders' agreement signed by the parties. This put option was recognized under Group shareholders' equity after eliminating minority interests. As at 31 December 2012 this item amounted to 3,266 thousand Euro;
- 652 thousand Euro for payables to the minority shareholders of Ferragamo Retail India Private Limited. As at 31 December 2012 this item amounted to 674 thousand Euro.

At 31 December 2012, the item included 41,235 thousand Euro for the Group's payables relating to the recognition of the agreement signed on 28 February 2011 with Imaginex Holding Limited and Imaginex Overseas Limited, for the purchase of a further stake in the distribution companies operating on the strategic market of Greater China, thus increasing the Group's stake to 75%. The amount due was paid on 3 January 2013.

On each reporting date any value adjustments to the put options will be recorded directly under shareholders' equity.

The item “Short-term derivatives” mainly refers to the fair value of financial derivatives with a negative mark to market at the reporting date. For further details reference should be made to note 27 below.

## 27. Financial instruments

The classification of financial instruments under IAS 39 involves various items. The following table sets out the book value of outstanding financial instruments, divided by category, compared to the corresponding fair values, at 31 December 2013 and 31 December 2012.

*Classification of financial instruments and presentation of their fair value*

FINANCIAL ASSETS	31 December 2013			31 December 2012		
	Book value		Fair Value	Book value		Fair Value
	Current portion	Non current portion		Current portion	Non current portion	
<b>(In thousands of Euro)</b>						
Financial assets at fair value through profit or loss						
Derivatives – non-hedge component	1,928	-	1,928	1,925	-	1,925
Securities held for trading	-	-	-	17	-	17
Available-for-sale financial assets	-	25	25	-	27	27
Receivables and loans						
Receivables from others (M/L term)	264	550	805	275	750	1,014
Trade receivables	121,408	-	121,408	105,184	-	105,184
Guarantee deposits	-	11,538	10,910	-	9,915	9,709
Cash and cash equivalents	70,308	-	70,308	110,864	-	110,864
Derivatives – hedge component	15,034	2	15,036	10,965	-	10,965
<b>Total</b>	<b>208,942</b>	<b>12,115</b>	<b>220,420</b>	<b>229,230</b>	<b>10,692</b>	<b>239,705</b>
FINANCIAL LIABILITIES	31 December 2013			31 December 2012		
	Book value		Fair Value	Book value		Fair Value
	Current portion	Non current portion		Current portion	Non current portion	
<b>(In thousands of Euro)</b>						
Liabilities at amortized cost						
Trade payables and payments on account	202,752	-	202,752	157,681	-	157,681
Payables to banks and other financial payables	103,967	-	103,967	170,308	-	170,308
Financial liabilities at fair value through profit or loss						
Derivatives – non-hedge component	867	-	867	440	-	440
Derivatives – hedge component	230	-	230	385	-	385
<b>Total</b>	<b>307,816</b>	<b>-</b>	<b>307,816</b>	<b>328,814</b>	<b>-</b>	<b>328,814</b>

The table shows that most outstanding financial assets and liabilities refer to short-term financial items; taking into account their nature, the book value of most of these items is a reasonable approximation of their fair value.

In all other cases, fair value is measured according to methods which can be classified as Level 2 of the hierarchy of data significance levels used in the fair value calculation as defined by IFRS 7.

The Group uses internal valuation models, which are generally used in finance, on the basis of prices provided by market operators or prices collected on active markets through leading info-providers.

To determine the fair value of derivatives a pricing model is used based on market interest rate values and exchange rates at the valuation date.

For receivables from others (M/L term), which include receivables of Ferragamo Parfums S.p.A. from Emanuel Ungaro Italia S.r.l. with a three-year residual life, and for the item “Guarantee Deposits” the fair value is calculated by discounting the nominal value at market IRS rates listed for individual annual maturities in accordance with the discounted cash flow method. Available-for-sale financial assets are measured at cost.

There have been no changes in the valuation methods used compared to the previous years or transfers from one Level to another in the hierarchy of assets or liabilities measured at fair value.

The Group calculates non-performance risk, i.e. the risk that one of the parties may not fulfill its contractual obligations due to a possible default before the derivative expires, both in reference to counterparty risk (Credit Value Adjustment: CVA), and to its own risk (Debt Risk Adjustment: DVA), applying it to the market value of the risk-free portfolio. Taking into account the type of derivatives in the portfolio (solely currency forward contracts), the related expiry dates (not over fourteen months), and the Group’s and counterparties’ ratings, these adjustments are immaterial.

In addition, it should be noted that, in compliance with the ISDA Master Agreements and the existing framework agreements relating to derivatives, it is generally possible to offset (through netting) all the outstanding financial assets and liabilities arising from these derivatives.

<b>(In thousands of Euro)</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
<i>Net gains/(losses) on financial instruments recognized in profit or loss:</i>		
Financial assets/liabilities held for trading	5,421	1,972
Derivatives – hedge component	10,894	(23,078)
<i>Net gains/(losses) on financial instruments recognized in shareholders' equity:</i>		
Derivatives – hedge component	8,527	30,815
<i>Interest income/expense (calculated using the internal rate of return method) accrued on financial assets/liabilities not at FVTPL</i>		
Interest income	362	635
Interest expense	3,765	5,330
<i>Expenses and fees not included in the effective interest rate regarding financial liabilities</i>		
	661	587
<i>Interest income accrued on financial instruments written-off</i>		
	-	-
<i>Provisions for impairment on financial assets</i>		
Receivables/loans	334	1,301

The table summarizes the effects on the income statement and shareholders' equity in reference to each category of outstanding financial instruments for the Group in the years 2013 and 2012.

## Comments on the main income statement items

For a better understanding of the development in income statement items, reference should also be made to the comments in the Directors' report on operations relating to the comparison between the data for 2013 and 2012.

### 28. Revenues

In the years ended 31 December 2013 and 31 December 2012 revenues totaled 1,258,034 thousand Euro and 1,152,965 thousand Euro respectively and can be broken down as shown in the following table:

(In thousands of Euro)	2013	2012	Change 2013 vs. 2012
Retail revenues	802,821	753,339	49,482
Wholesale revenues	433,861	380,761	53,100
Licenses and services	10,694	10,553	141
Rental income investment properties	10,658	8,312	2,346
<b>Total</b>	<b>1,258,034</b>	<b>1,152,965</b>	<b>105,069</b>

The item "Licenses and services" includes royalties deriving from the license contract with the Marchon Group for the production and distribution of glasses and with the Timex Group for the production and distribution of watches ("Ferragamo" brand). The item includes also the revenues from technical consulting services provided until 2013 to Zefer S.p.A., a 50/50 joint venture with the Zegna Group, sold to the latter during the first half of 2013.

Rental income investment properties were wholly due to the Ferragamo USA Group for the lease of space in owned and leased properties.

### 29. Cost of goods sold and operating costs

Cost of goods sold and operating costs in the years ended 31 December 2013 and 31 December 2012 were 1,051,126 thousand Euro and 971,793 thousand Euro respectively and were classified by function as follows:

(In thousands of Euro)	2013	2012	Change 2013 vs. 2012
Cost of goods sold	458,955	410,963	47,992
Style, product development and logistics costs	44,383	39,173	5,210
Sales & distribution costs	361,985	344,382	17,603
Marketing & communication costs	77,880	70,966	6,914
General and administrative costs	94,292	91,477	2,815
Other operating costs	13,631	14,832	(1,201)
<b>Total</b>	<b>1,051,126</b>	<b>971,793</b>	<b>79,333</b>

Costs rose by 8.2% compared to 2012 due to the growth in turnover which rose by 9.1% in 2013.

### 30. Breakdown by nature of income statement cost items

The breakdown by nature of the cost of goods sold and operating costs is set out in the following table:

(In thousands of Euro)	2013	2012	Change 2013 vs. 2012
Raw materials, finished products and consumables used	267,416	244,373	23,043
Costs for services	547,525	506,625	40,900
Personnel costs	181,635	172,001	9,634
Amortization and depreciation	39,030	33,962	5,068
Write-downs of tangible/intangible assets	1,889	-	1,889
Other charges	13,631	14,832	(1,201)
<b>Total</b>	<b>1,051,126</b>	<b>971,793</b>	<b>79,333</b>

### 31. Financial operations

Financial operations are broken down as follows:

(In thousands of Euro)			Change
Financial charges	2013	2012	2013 vs. 2012
Interest expense - loans	3,362	2,583	779
Interest expense - other	170	1,533	(1,363)
Discount charges and other financial charges	2,117	2,949	(832)
Losses on exchange rate differences	20,191	18,923	1,268
Financial charges for fair value adjustment of derivatives	5,635	6,671	(1,036)
<b>Total</b>	<b>31,475</b>	<b>32,659</b>	<b>(1,184)</b>

(In thousands of Euro)			Change
Financial income	2013	2012	2013 vs. 2012
Dividends from other companies	600	-	600
Gains on disposal of investments to third parties	12,524	-	12,524
Restatement value of available-for-sale financial assets	-	7	(7)
Interest income	300	556	(256)
Other financial income	63	80	(17)
Gains on exchange rate differences	8,565	16,780	(8,215)
Financial income for fair value adjustment of derivatives	11,056	8,643	2,413
<b>Total</b>	<b>33,108</b>	<b>26,066</b>	<b>7,042</b>

Interest expense derives mainly from short-term bank loans.

The item "Discount charges and other financial charges" refers mainly to bank charges, and to a lesser extent, to financial charges on employee benefits, in relation to the valuation of defined-benefit plans pursuant to IAS 19, and discount charges.

Gains and losses on exchange rate differences were recorded mainly by the Parent company Salvatore Ferragamo S.p.A., and derive from foreign sales in currencies other than the Euro, both at intercompany level and to third parties. During 2013 net exchange rate losses amounted to 11,626 thousand Euro compared to net exchange rate losses of 2,143 thousand Euro in 2012.

Dividends from other companies, amounting to 600 thousand Euro, refer to the Parent company's share of dividends from the 2012 profit of Zefer S.p.A., approved and paid during the first half of 2013. The item "Gains on disposal of investments to third parties", totaling 12,524 thousand Euro, is attributable to the sale of the Parent company's investment in Zefer S.p.A. to third parties (Zegna Group).

### 32. Income taxes

The taxes recorded in the income statement were as follows:

(In thousands of Euro)			Change
	2013	2012	2013 vs. 2012
Current taxes	(74,714)	(61,734)	(12,980)
Deferred taxes	13,990	2,905	11,085
Allocation to the provision for risks for previous years income taxes	-	(6,283)	6,283
Previous years income taxes (refund)	-	2,025	(2,025)
<b>Total</b>	<b>(60,724)</b>	<b>(63,087)</b>	<b>2,363</b>

Deferred taxes include the recognition in the year of deferred tax assets on previous tax losses totaling 4,348 thousand Euro.

### Deferred tax assets and liabilities

The following table provides a breakdown by nature of the assets and liabilities components for deferred taxes as at 31 December 2013 and 31 December 2012:

(In thousands of Euro)	31	31	31	31	2013	2012
	December	December	December	December		
	2013	2012	2013	2012		
	<b>Statement of financial position</b>		<b>Shareholders' equity</b>		<b>Income statement</b>	
<b>Deferred tax assets</b>						
- on employee benefits	1,280	1,179	616	737	294	(29)
- on tangible assets	4,606	7,858	-	-	(3,014)	(633)
- on intangible assets	958	1,036	-	-	(78)	172
- on the valuation of inventories	8,896	7,265	-	-	1,818	690
- on the elimination of the profit unrealized in inventories	40,054	32,879	-	-	7,175	3,281
- on tax losses	4,336	742	-	-	3,688	(136)
- on taxed provisions	2,860	2,427	-	-	508	(1,112)
- for other temporary differences	15,547	14,359	-	-	1,815	1,300
<b>Total deferred tax assets</b>	<b>78,537</b>	<b>67,745</b>	<b>616</b>	<b>737</b>	<b>12,206</b>	<b>3,533</b>
<b>Deferred tax liabilities</b>						
- on employee benefits	(68)	(69)	-	-	(4)	(4)
- on tangible assets	(879)	(957)	-	-	41	(139)
- on the cash flow hedge reserve/derivative contracts IAS 39	(3,499)	(2,990)	(5,072)	(2,727)	1,836	(9)
- on the valuation of inventories	(1,293)	(1,153)	-	-	(143)	(160)
- for other temporary differences	(1,428)	(1,514)	-	-	54	(316)
<b>Total deferred tax liabilities</b>	<b>(7,167)</b>	<b>(6,683)</b>	<b>(5,072)</b>	<b>(2,727)</b>	<b>1,784</b>	<b>(628)</b>
<b>Income/charge on deferred taxes</b>					<b>13,990</b>	<b>2,905</b>
<b>Net effect on shareholders' equity</b>			<b>(4,456)</b>	<b>(1,990)</b>		
Recognized in financial statements as follows:						
<i>Deferred tax assets</i>	<i>78,537</i>	<i>67,745</i>				
<i>Deferred tax liabilities</i>	<i>(7,167)</i>	<i>(6,683)</i>				
<b>Net result for deferred taxes</b>	<b>71,370</b>	<b>61,062</b>				

Deferred taxes reflect the net tax effect of temporary differences between the book value and the taxable amount of assets and liabilities.

The accounting of receivables for deferred taxes was duly adjusted to take account of the effective collectability of receivables.

Deferred tax assets on previous tax losses at 31 December 2013 and 31 December 2012 were as follows:

(In thousands of Euro)		31 December 2013		
Expiry	Previous tax losses	Tax rate	Deferred tax assets	
Without time limits	14,105	30.00%	4,232	
Over 5 years	293	35.64%	104	
<b>Total</b>	<b>14,398</b>	<b>30.11%</b>	<b>4,336</b>	

(In thousands of Euro)		31 December 2012		
Expiry	Previous tax losses	Tax rate	Deferred tax assets	
Without time limits	514	24.00%	123	
Over 5 years	1,628	38.00%	619	
<b>Total</b>	<b>2,142</b>	<b>34.64%</b>	<b>742</b>	

Tax losses of Group companies at 31 December 2013 and 31 December 2012 on which deferred taxes have not been calculated and the related expiries are shown in the following table:

(In thousands of Euro)	Expiry				
	Without time limits	within 1 year	1 to 3 years	3 to 5 years	over 5 years
<b>31 December 2013</b>					
<b>35,496</b>	17,686	145	950	2,531	14,184

(In thousands of Euro)	Expiry				
	Without time limits	within 1 year	1 to 3 years	3 to 5 years	over 5 years
<b>31 December 2012</b>					
<b>53,351</b>	33,939	367	1,522	3,430	14,093

The reconciliation between the theoretical tax charge and the effective tax charge is as follows:

(In thousands of Euro)	2013	2012
Profit before taxes	220,691	188,366
<i>IRES rate in force for the year</i>	(27.5%)	(27.5%)
<b>Theoretical tax charge</b>	<b>(60,690)</b>	<b>(51,801)</b>
IRAP effect	(7,759)	(6,217)
(Non-deductible costs) net of non-taxable income	4,154	(805)
Differences arising from different rates – foreign countries	5,441	7,150
Other effects	(137)	(1,901)
Recognition of deferred tax assets on previous tax losses	4,348	-
Effects of taxation for transparency of income of foreign companies resident in countries/areas with a privileged tax regime	(6,081)	(5,255)
Effect of previous years income taxes	-	(6,283)
Previous years income taxes (refund)	-	2,025
<b>Total differences</b>	<b>(34)</b>	<b>(11,286)</b>
<b>Total taxes from the income statement</b>	<b>(60,724)</b>	<b>(63,087)</b>
<b>Effective tax rate</b>	<b>(27.5%)</b>	<b>(33.5%)</b>

### 33. Earnings per share

As required by IAS 33 information is provided on the data used to calculate the earnings per share and the diluted earnings per share.

The earnings per share is calculated by dividing the profit and/or loss for the period attributable to the shareholders of the Parent company by the weighted average number of outstanding shares during the period.

For the purposes of calculating the basic earnings per share, the profit/(loss) for the period less minority interests is used as a numerator.

Here below are the profit and number of ordinary shares used to calculate the earnings per share, determined in accordance with the method provided for by IAS 33.

	2013	2012
Net profit (loss) - shareholders of the Parent company (Euro)	150,450,586	105,551,804
Average number of ordinary shares	168,410,000	168,410,000
<b>Basic earnings per share – ordinary shares (Euro)</b>	<b>0.893</b>	<b>0.627</b>
Average number of ordinary shares	168,410,000	168,410,000
Dilution effect: number of shares which could have been issued at the end of the period	201,142	64,433
Diluted average number of ordinary shares	168,611,142	168,474,433
<b>Diluted earnings per share – ordinary shares (Euro)</b>	<b>0.892</b>	<b>0.627</b>

## Other information

### 34. Dividends

In order to implement the resolution of the Shareholders' Meeting of 23 April 2013, the Parent company Salvatore Ferragamo S.p.A. arranged to pay shareholders a single dividend of 0.33 Euro per share, relating to the profit for 2012, for a total amount of 55,575,300 Euro, with coupon detachment on 20 May 2013 and payment of the dividend as from 23 May 2013.

Other Group companies, in 2013, paid third-party shareholders dividends amounting to 6,642 thousand Euro.

### 35. Share-based payments

#### Cash-settled plan

During 2013, the cash-settled share-based plan for a director ended. For details, reference should be made to the 2012 Consolidated Annual Report (note 38).

Following the third and final tranche of the plan and its payment on 31 May 2013, the relevant debt has been cancelled and the relevant charge to the income statement pertaining to 2013 (1,341 thousand Euro) is attributable solely to the difference between the best estimate of the liability (fair value) used for accounting purposes in the consolidated financial statements as at 31 December 2012 and its actual value determined in compliance with the plan's provisions in order to pay the final tranche.

#### Stock Grant Plan

##### (a) Plan Description

In order to adopt a medium/long-term incentive system based on the financial instruments of Salvatore Ferragamo S.p.A. for top managers of the Salvatore Ferragamo Group, at the proposal of the Nomination and Remuneration Committee, in 2012 the Board of Directors approved a specific plan (the 2012 Stock Grant Plan or, in short, the Plan) with the characteristics described below.

##### *Plan Aims*

The objectives which the Company aims to achieve through the implementation of the Plan can be identified in incentives for the key staff of the Group, thus encouraging their loyalty to the Group, through the allocation of instruments representing the value of the Company and which can (i) align the interests of top managers who are the beneficiaries of the Plan with that of shareholders, (ii) improve the medium/long-term performance of the Group as a whole and, consequently, (iii) create value for investors in the Company's risk capital.

As at 31 December 2013 the Plan beneficiaries are employees of both Salvatore Ferragamo S.p.A. and the following subsidiaries: Ferragamo Hong Kong Ltd, Ferragamo USA Inc., Ferragamo Parfums S.p.A..

None of the members of the Board of Directors of the Parent company is among the beneficiaries of the Stock Grant Plan.

##### *Object of the Plan*

The Plan envisages a single cycle to assign to the beneficiaries of the Plan rights to receive for free a maximum of 500,000 ordinary shares of the Company subject to the achievement of set performance conditions at the end of the 2012-2013-2014 period.

Pursuant to the Plan, the free assignment of the shares is dependent (i) on the achievement of specific performance targets; as well as (ii) on the fact that, at the share vesting date there is an employment relationship between the beneficiary and the Company or one of the subsidiaries.

The performance targets as set out in point (i) consist of:

- growth in revenue compared to a peer group (the so-called non market condition);
- Total Shareholder Return ("TSR") compared to a peer group (the so-called market condition).

In the case of failure to achieve both of these performance targets, the Board of Directors may consider, after consulting the Nomination and Remuneration Committee, the assignment of a number of shares that is no more than 50% of the maximum set for each beneficiary.

Here below is a table which summarizes the share assignment method according to the performance targets achieved:

		Performance Target A: Total Shareholder Return ("TSR")	
		Ferragamo TSR is less than the median of the peer group	Ferragamo TSR is equal or greater than the median of the peer group
Performance Target B: Revenue Growth	Ferragamo percentage sales growth is less than the median of the peer group	0% of the shares will be assigned	75% of the shares will be assigned
	Ferragamo percentage sales growth is equal or greater than the median of the peer group	75% of the shares will be assigned	100% of the shares will be assigned

The shares to service the Plan come from a specific free share capital increase of 500,000 ordinary shares, equal to 50,000 Euro, pursuant to article 2349, paragraph 1 of the Italian Civil Code, submitted for approval during the Extraordinary Shareholders' Meeting held on 26 April 2012.

The Board of Directors on the same day, 26 April 2012 (grant date), assigned the rights for 440,000 shares to the beneficiaries of the Plan.

The shares which will be assigned by the Board of Directors at the end of the 2012-2013-2014 period, are subject to the achievement of the performance targets, and will be subject to a single free share capital increase.

#### *Expiry of the Plan*

The Plan will end on 30 June 2015 or, if earlier, at the date of delivery of the shares to the beneficiaries.

#### **Changes in the period of the number of rights assigned to receive shares\***

(i) outstanding at the start of the year	440,000
(ii) assigned in the year	-
(iii) cancelled in the year	60,000
(iv) exercised in the year	-
(v) expired in the year	-
(vi) outstanding at year end	380,000
(vii) exercisable at year end	-

\* the average exercise price has not been indicated since it is a plan with free assignment of shares

#### **(b) Changes to the Stock Grant Reserve in the year**

	2013		2012	
	Number	Fair Value (In thousands of Euro)	Number	Fair Value (In thousands of Euro)
<u>Rights to receive shares (employees of Salvatore Ferragamo S.p.A.)</u>				
- at the start of the year	230,000	654	-	-
- assigned in the period	-	-	230,000	654
- at the end of the period	230,000	1,614	230,000	654
<u>Rights to receive shares (employees of subsidiaries)</u>				
- at the start of the year	210,000	598	-	-
- assigned in the period	-	-	210,000	598
- cancelled in the period	60,000	171	-	-
- at the end of the period	150,000	1,052	210,000	598
<u>Total rights to receive shares (employees of the Ferragamo Group)</u>				
- at the start of the year	440,000	1,252	-	-
- assigned in the period	-	-	440,000	1,252
- cancelled in the period	60,000	171	-	-
- at the end of the period	380,000	2,666	440,000	1,252

The rights to receive shares that were cancelled in the period, amounting to 60,000 shares, refer to two employees who were beneficiaries in foreign subsidiaries of the Group and who resigned in 2013; as a matter of fact, the plan provides for that the free assignment of shares is dependent on the existence, at the grant date, of an employment relationship between the beneficiary and the Parent company or one of the subsidiaries.

### (c) Fair value measurement

The average weighted fair value of the shares at the grant date has been calculated using a binomial model together with a Monte Carlo simulation model, with 150,000 simulations. The financial model used to describe the simulation of prices, in the absence of arbitrage, is the Hull-White model.

Considering the above assignment mechanism, it is necessary for two fair value assessments to be made:

- Assessment A which takes into consideration the market condition.
- Assessment B which does not consider the market condition.

Here below are the main assumptions for the two assessments made:

Fair value measurement	<u>Assessment A</u>	<u>Assessment B</u>
- Share price at the grant date (average of 10 previous days)	€ 15.647	€ 15.647
- Expected volatility*	34.50%	34.50%
- Expected volatility of the share price of similar companies	between 30.03% and 36.91%	
- Correlation of the share price between Ferragamo and similar companies	between 0.504 and 0.692	
- Expected dividends	2.30%	2.30%
- Risk-free interest rate**	3.86%	3.86%
<b>Fair value per share at the grant date</b>	<b>Euro 12.482/share</b>	<b>Euro 14.544/share</b>

\*Expected volatility is based on the historic share price volatility in a period equal to the whole vesting period. Since Ferragamo is a recently listed company, without historic volatility measured in the relevant measurement period (3 years), as provided for by IFRS 2 the historic volatility of similar companies has been considered.

\*\*The risk-free interest rate has been identified as the yield on Italian Government bonds at the grant date

### 36. Put and call agreements on minority interests

In recent years the Salvatore Ferragamo Group has expanded largely through internal growth. In some areas, mainly in Asia, it has also grown through partnerships with local distributors. In relation to these partnerships, the Shareholders' Agreements regulate dealings between the partners, define the governance rules and contain some provisions on put and call options which shareholders can exercise under certain conditions.

The subsidiaries involved in these kinds of agreements are Ferragamo Japan K.K., Ferrimag Limited, Ferragamo Moda (Shanghai) Co. Ltd., Ferragamo Retail Macau Ltd., Ferragamo Korea Limited, Ferragamo (Malaysia) Sdn Bhd, Ferragamo (Singapore) Pte. Ltd., Ferragamo (Thailand) Limited and Ferragamo Retail India Private Limited.

Below are the details on the agreements on minority interests and the effects of the options which have been recognized in the consolidated financial statements as at 31 December 2013.

Ferragamo Japan K.K.'s Shareholders' Agreement allows minority shareholders, collectively holding a 29% stake, to sell their shares to Salvatore Ferragamo S.p.A. at a contractually set price in the case of proven financial need or in the case of a change in their investment strategies in the luxury sector. Consequently, as at 31 December 2010 a financial liability was recorded taking into account the possibility of minority shareholders exercising the put option on their 29% stake. Due to this recognition, at 31 December 2013 financial debt amounted to 3,263 thousand Euro.

In reference to the investment in the subsidiary Ferragamo Retail India Private Limited, in March 2010 the Salvatore Ferragamo Group modified the outstanding Shareholders' Agreement with the partner by signing new agreements providing for, among other things, the right of the Salvatore Ferragamo Group to immediately acquire the minority interests (equal to a 49% stake) at a preset price (34,324,000 Indian rupees), plus interest calculated based on preset parameters. The Salvatore Ferragamo Group may exercise the call option up to 30 June 2016; in the case the call option is not exercised by that date, the partner may exercise a put option on similar terms. Given a preset option price and contract terms ensuring the minority shareholder solely a return on capital, the Salvatore Ferragamo Group believes it already has access to the economic benefits connected to the share of capital covered by the option. For this reason, as from 1 April 2010, the Salvatore Ferragamo Group has consolidated the investment in Ferragamo Retail India Private Limited on a line-by-line basis. Due to this recognition, as at 31 December 2013 financial debt was 652 thousand Euro.

### 37. Segment reporting

IFRS 8 – Operating segments requires the company to base segment information on the elements which management uses to take its operating decisions. The identification of the operating segments on the basis of internal reporting is regularly reviewed by management to allocate resources to the various segments and to analyze performance.

The Group has one single business segment, consisting in the creation, development and production of footwear, leather goods, apparel, accessories for men and women and jewelry, distributed mainly through the direct retail network, and, to a lesser extent, through franchisees and qualified resellers, and of fragrances under the “Salvatore Ferragamo” brand and, on license, the Ungaro brand, whose sales are handled by a network of selected, mainly multibrand distributors.

(In thousands of Euro)	2013	2012
<b>Revenues</b>	<b>1,258,034</b>	<b>1,152,965</b>
<b>Gross profit</b>	<b>799,079</b>	<b>742,002</b>
<b>Gross profit as a percentage of revenues</b>	<b>63.5%</b>	<b>64.4%</b>
Personnel costs	(169,631)	(160,446)
Rental costs	(160,133)	(153,809)
Amortization, depreciation and write-downs of non current assets	(40,348)	(33,358)
Communication costs	(72,161)	(65,326)
Other costs (net of other income)	(137,748)	(134,741)
<b>Operating profit</b>	<b>219,058</b>	<b>194,322</b>
Net financial (charges)/income	1,633	(6,593)
Share of net profit/(loss) of associated companies	-	637
<b>Profit before taxes</b>	<b>220,691</b>	<b>188,366</b>
Income taxes	(60,724)	(63,087)
<b>Net profit/(loss)</b>	<b>159,967</b>	<b>125,279</b>

(In thousands of Euro)	31 December 2013	31 December 2012
Inventories	290,705	249,804
Trade receivables	121,408	105,184
Tangible assets and investment property	174,853	146,619
Intangible assets with a finite useful life	26,090	20,678
Other assets	149,215	127,537
<b>Total assets gross of cash and cash equivalents and current financial receivables</b>	<b>762,271</b>	<b>649,822</b>
Net financial debt	32,598	57,942
Trade payables	202,752	157,681
Other liabilities	127,151	134,701
Shareholders' equity	399,770	299,498
<b>Total liabilities and shareholders' equity (net of cash and cash equivalents and current financial receivables)</b>	<b>762,271</b>	<b>649,822</b>

(In thousands of Euro)	31 December 2013	31 December 2012
<b>Other sector information</b>		
Investment in tangible assets	69,707	51,717
Investment in intangible assets with a finite useful life	12,554	7,676

### Information by geographic area

The secondary segment reporting is based on geographic areas: revenues are allocated to the customer's geographic area, while assets are based on their location.

<b>31 December 2013</b> <b>(In thousands of Euro)</b>	<b>Europe</b>	<b>North America</b>	<b>Japan</b>	<b>Asia Pacific</b>	<b>Central and South America</b>	<b>Consolidated</b>
<b>Revenues</b>	326,365	290,347	116,103	466,504	58,715	1,258,034
<b>Other sector information</b>						
Sector assets	85,320	60,952	5,278	54,935	12,290	218,775
<b>Investments:</b>						
Tangible assets	21,352	20,651	3,528	18,572	5,604	69,707
Intangible assets with a finite useful life	8,128	809	108	121	3,388	12,554

<b>31 December 2012</b> <b>(In thousands of Euro)</b>	<b>Europe</b>	<b>North America</b>	<b>Japan</b>	<b>Asia Pacific</b>	<b>Central and South America</b>	<b>Consolidated</b>
<b>Revenues</b>	289,374	256,903	134,195	420,291	52,202	1,152,965
<b>Other sector information</b>						
Sector assets	73,594	50,844	3,834	48,824	5,904	183,000
<b>Investments:</b>						
Tangible assets	17,106	11,333	1,520	18,599	3,159	51,717
Intangible assets with a finite useful life	6,758	342	65	507	4	7,676

### 38. Transactions with related parties

This section describes the transactions with related parties undertaken in the years ended 31 December 2013 and 31 December 2012.

The following table shows the overall values of transactions with related parties:

(In thousands of Euro)	2013			31 December 2013			
	Revenues	Operating costs (net of other income)	Financial income	Trade receivables	Other assets	Trade payables	Other current liabilities
<b>Company with significant influence on the Group:</b>							
Ferragamo Finanziaria S.p.A.	57	(5)	-	-	2,426	-	(8,757)
(company which exercises management and coordination)							
<b>Related companies (subject to joint control)</b>							
Palazzo Feroni Finanziaria S.p.A.	31	(6,588)	2	6	70	(103)	-
Lungarno Alberghi S.r.l.	122	(677)	-	43	-	(19)	-
Fondazione Ferragamo	2	(54)	-	-	-	(19)	-
<b>Companies connected to members of the Board of Directors</b>							
Caretti & Associati S.p.A.	-	(6)	-	-	-	-	-
Bacco S.r.l.	-	(3)	-	-	-	-	-
Il Borro S.r.l.	11	(3)	-	3	-	(1)	-
Osteria del Borro S.r.l.	-	(6)	-	-	-	(5)	-
Castiglion del Bosco S.a.r.l.	7	(14)	-	-	-	(15)	-
Castiglion del Bosco Hotel S.r.l.	10	9	-	-	-	-	-
Rubino S.r.l.	-	(124)	-	-	15	-	-
Arpa S.r.l.	5	(123)	-	13	-	(119)	-
Studio Legale Portale Visconti	-	(94)	-	-	-	-	-
Multiproject S.r.l.	-	(3)	-	-	-	-	-
Le Rose S.r.l.	1	-	-	1	-	-	-
Imaginex Management Co. Ltd.	14	(320)	-	-	-	(13)	(17)
Wharf T&T Ltd.	-	(22)	-	-	-	-	-
Times Square Ltd.	-	(1,502)	-	-	-	-	-
Wharf Realty Ltd.	-	(5,417)	-	-	-	-	-
Wheelock Travel Ltd.	-	(5)	-	-	-	-	-
Imaginex Beauty Ltd.	-	-	-	-	-	-	(1)
LongJin Zonghe Kaifa (Chengdu) LTD	-	-	-	-	507	-	-
Dalian Times Square Commercial Co.ltd	-	(474)	-	-	278	-	-
Shanghai Wheelock square Development Co. Ltd.	-	(351)	-	-	144	-	-
Shanghai Harriman Property Management Co. Ltd.	-	(80)	-	-	13	-	-
Shanghai Longxing Property Development Co. Ltd.	-	-	-	-	350	-	-
Shanghai Times Square Property Management (Shanghai) Co. Ltd.	-	-	-	-	5	-	-
<b>Other related parties</b>							
Wanda Miletta Ferragamo	-	(222)	-	-	-	-	-
Massimo Ferragamo	-	(113)	-	-	-	-	-
Giacomo Ferragamo	-	(571)	-	-	-	-	(126)
Angelica Visconti	-	(195)	-	-	-	-	(40)
<b>Managers with strategic responsibilities</b>							
Managers with strategic responsibilities*	-	(5,264)	-	-	-	-	(1,598)
<b>Total</b>	<b>260</b>	<b>(22,227)</b>	<b>2</b>	<b>66</b>	<b>3,808</b>	<b>(294)</b>	<b>(10,539)</b>
<b>Group total</b>	<b>1,258,034</b>	<b>(580,021)</b>	<b>33,108</b>	<b>121,408</b>	<b>54,311</b>	<b>(202,752)</b>	<b>(43,472)</b>
<b>% ratio</b>	<b>0.0%</b>	<b>3.8%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>7.0%</b>	<b>0.1%</b>	<b>24.2%</b>

\*Including pay and other fees of the Managing Director included in the table "Fees paid to Directors and Statutory Auditors" and the fair value relating to the Stock Grant Plan.

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(In thousands of Euro)	2012			31 December 2012				
	Revenues	Operating costs (net of other income)	Financial charges	Trade receivables	Other assets	Trade payables	Other current liabilities	Financial payables
<b>Company with significant influence on the Group:</b>								
Ferragamo Finanziaria S.p.A. (company which exercises management and coordination)	36	-	-	-	2,025	-	(4,432)	-
<b>Associated/related companies (subject to joint control)</b>								
Palazzo Feroni Finanziaria S.p.A.	16	(6,325)	-	-	-	(291)	-	-
Lungarno Alberghi S.r.l.	122	(697)	-	23	-	(34)	-	-
Zefer S.p.A.	1,957	-	-	1,957	-	-	-	-
<b>Companies connected to members of the Board of Directors</b>								
Il Borro S.r.l.	5	(4)	-	1	-	(1)	-	-
Nautor Holding S.r.l.	16	-	-	-	-	-	-	-
Bacco S.r.l.	-	(3)	-	-	-	-	-	-
Castiglione del Bosco S.a.r.l.	8	(6)	-	-	-	(4)	-	-
Rubino S.r.l.	-	(117)	-	-	-	-	-	-
Arpa S.r.l.	13	(95)	-	13	-	(86)	-	-
Multiproject S.r.l.	-	(40)	-	-	-	(20)	-	-
Studio Legale Portale Visconti	-	(234)	-	-	-	(234)	-	-
Imaginex Overseas Ltd.	-	(3)	(130)	-	-	-	-	(4,435)
Imaginex Holding Ltd.	-	-	(980)	-	-	-	-	(36,800)
Imaginex Management Co. Ltd.	24	(330)	-	-	-	(42)	-	-
Wharf T&T Ltd.	-	(16)	-	-	-	-	-	-
Times Square Ltd.	-	(1,524)	-	-	-	-	-	-
Wharf Realty Ltd.	-	(5,659)	-	-	-	-	-	-
Wheelock Travel Ltd.	-	(23)	-	-	-	-	-	-
Imaginex Beauty Ltd.	-	(4)	-	-	-	(1)	-	-
Xiamen Dongfang Hotel Co., Ltd.	2,498	(316)	-	354	-	-	-	-
Imaginex (Shanghai) Commercial Co. Ltd.	-	(9)	-	-	-	-	-	-
Shanghai Wheelock square Development Co. Ltd.	-	(353)	-	-	97	-	-	-
Shanghai Harriman Property Management Co. Ltd.	-	(78)	-	-	10	-	-	-
Shanghai Longxing Property Development Co. Ltd.	-	(135)	-	-	75	-	-	-
Shanghai Times Square Property Management (Shanghai) Co. Ltd.	-	(12)	-	-	5	-	-	-
<b>Other related parties</b>								
Wanda Miletta Ferragamo	-	(219)	-	-	-	-	-	-
Massimo Ferragamo	-	(117)	-	-	-	(20)	-	-
Giacomo Ferragamo	-	(434)	-	-	-	-	(132)	-
Angelica Visconti	-	(161)	-	-	-	-	(32)	-
<b>Managers with strategic responsibilities</b>								
Managers with strategic responsibilities*	-	(9,272)	-	-	-	-	(8,979)	-
<b>Total</b>	<b>4,695</b>	<b>(26,186)</b>	<b>(1,110)</b>	<b>2,348</b>	<b>2,212</b>	<b>(733)</b>	<b>(13,575)</b>	<b>(41,235)</b>
<b>Group total</b>	<b>1,152,965</b>	<b>(547,680)</b>	<b>(32,659)</b>	<b>105,184</b>	<b>44,847</b>	<b>(157,681)</b>	<b>(48,917)</b>	<b>(170,748)</b>
<b>% ratio</b>	<b>0.4%</b>	<b>4.8%</b>	<b>3.4%</b>	<b>2.2%</b>	<b>4.9%</b>	<b>0.5%</b>	<b>27.8%</b>	<b>24.1%</b>

\*Including pay and other fees of the Managing Director included in the table "Fees paid to Directors and Statutory Auditors" and the fair value relating to the Stock Grant Plan.

Sales and purchases between related parties are carried out at normal market prices. The outstanding balances at the end of the period are not backed by guarantees, nor do they generate interest and are settled in cash. Bank guarantees issued in favor of Palazzo Feroni Finanziaria S.p.A. totaled 1,086 thousand Euro and concerned lease of properties owned by said company. There are no other guarantees,

given or received, relating to receivables and payables with related parties. The Group has not set aside any provision for bad debt in relation to amounts due from related parties.

Specifically:

**Company with significant influence on the Group**

Ferragamo Finanziaria S.p.A.

Payables refer to items regarding the domestic fiscal unity involving the Parent company Salvatore Ferragamo S.p.A. together with Ferragamo Finanziaria S.p.A. (the consolidating company) and Ferragamo Parfums S.p.A.. Receivables refer to the income tax (IRES) refund claim regarding the deduction of the regional manufacturing tax (IRAP) in relation to personnel costs from 2007 to 2011 as set out in Law Decree no. 201 of 6 December 2011 and receivables due to Ferragamo Parfums S.p.A. regarding the domestic fiscal unity for 2013. Revenues refer to the fee paid by the consolidating company to other consolidated companies for use of a part of their excess gross operating profit in compliance with the regulations of the domestic fiscal unity signed by the participating companies.

**Related companies (subject to joint control)**

These transactions mainly refer to trade transactions that affected revenues, operating costs, and trade receivables and payables. They include mainly:

- sale of products;
- property rental costs;
- rendering of services.

In particular, the following transactions should be noted:

Palazzo Feroni Finanziaria S.p.A.

Revenues refer to product sales and IT and administrative services. Payables and costs refer mainly to rents for the premises of the headquarters in Florence and for some stores of the Italian chain.

Lungarno Alberghi S.r.l.

Revenues (and the related accounts receivable balances) refer to product sales; payables and costs refer largely to rents for the premises used as stores in the Italian chain.

**Companies connected to members of the Board of Directors**

These transactions mainly refer to trade transactions that affected revenues, operating costs, and trade receivables and payables. They include mainly:

- sale of products;
- property rental costs;
- rendering of services.

In particular, the following transactions should be noted:

Times Square Ltd.

Costs refer to rents for premises for a store in Hong Kong.

Wharf Realty Ltd.

Costs refer to rents for premises for a store in Hong Kong.

LongJin Zonghe Kaifa (Chengdu) LTD

Other assets refer to the guarantee deposit paid for a Ferragamo Moda Shanghai Limited store which will be open soon.

Dalian Times Square Commercial Co.ltd

Costs refer to rents for premises for a Ferragamo Moda Shanghai Limited store and other assets refer to the related guarantee deposit.

Shanghai Wheelock square Development Co. Ltd.

Costs refer to rents for premises for offices of Ferragamo Fashion Trading Shanghai Co. Limited and Ferragamo Moda Shanghai Limited. Other assets refer to guarantee deposits.

Shanghai Longxing Property Development Co. Ltd.

Other assets refer to guarantee deposits.

**Other related parties (connected to members of the Board of Directors)**

Wanda Miletti Ferragamo

Costs refer to the rent of a store owned by Wanda Ferragamo and the fees she earns as Honorary Chairman of Salvatore Ferragamo S.p.A..

Massimo Ferragamo

Costs refer to the consultancy agreement between Massimo Ferragamo and Ferragamo USA Inc.

Giacomo Ferragamo

Costs and payables refer to the cost incurred by the Parent company in relation to the employment relationship between Giacomo Ferragamo and the Parent company, including a variable bonus and the Stock Grant Plan cost.

Angelica Visconti

Costs and payables refer to the cost incurred by the Parent company in relation to the employment relationship between Angelica Visconti and the Parent company, including a variable bonus.

**Managers with strategic responsibilities**

The Managers with strategic responsibilities are indicated in the following table:

Full name	Role
Michele Norsa	General Manager and Managing Director
Ernesto Greco	General Manager of Administration, Finance, Control and Information Systems
Massimo Barzaghi	Deputy General Manager of Market Coordination and Supply Chain Manager
Sofia Ciucchi	Deputy General Manager of the Product department and Human Resources Manager

Costs and payables refer to the cost incurred by the Group in relation to the employment relationship, including the variable bonuses, and in the case of the Managing Director Michele Norsa, also refer to the amount due as Managing Director, including the variable pay, and the impact on the income statement of the cash-settled share-based remuneration plan which ended during 2013. Total costs for 2013 amounted to 5,264 thousand Euro and refer for 3,548 thousand Euro to wages for employees and fees for directors, for 375 thousand Euro to costs relating to the Stock Grant plan and for 1,341 thousand Euro to the cash-settled share-based remuneration plan for the Managing Director.

### 39. Fees paid to Directors and Statutory Auditors

#### Directors

(In thousands of Euro)		2013							
Full name	Position held	Term of office	End of term of office	Fees for the position held	Fees as committee members	Non-monetary benefits	Wages, bonuses and other incentives	Other fees	Grand total
Ferruccio Ferragamo	Chairman	1.01-31.12	a)	600	-	c) d) e)	-	333	933
Michele Norsa	Managing Director	1.01-31.12	a)	240	-	c) d) e) f)	928	2,162	3,330
Giovanna Ferragamo	Deputy Chairman	1.01-31.12	a)	180	-		-	-	180
Fulvia Ferragamo	Director	1.01-31.12	a)	180	-		-	-	180
Leonardo Ferragamo	Director	1.01-31.12	a)	30	-		-	-	30
Francesco Caretti	Director	1.01-31.12	a)	230	-		-	-	230
Raffaella Pedani	Director	1.01-11.07		16	-		-	-	16
Diego Paternò Castello di San Giuliano	Director	1.01-31.12	a)	190	-		-	-	190
Peter Woo Kwong Ching	Director	1.01-31.12	a)	-	-		-	-	-
Umberto Tombari	Director	1.01-31.12	a)	30	25		-	-	55
Marzio Saà	Director	1.01-31.12	a)	30	25		-	-	55
Piero Antinori	Director	1.01-31.12	a)	30	11		-	-	41
Lidia Fiori	Director	11.07-31.12	b)	14	9		-	-	23
<b>Total</b>				<b>1,770</b>	<b>70</b>		<b>928</b>	<b>2,495</b>	<b>5,263</b>

- a) upon approval of the 2014 financial statements
- b) upon approval of the 2013 financial statements
- c) car
- d) mobile phone
- e) insurance policies
- f) accommodation

#### Statutory Auditors

(In thousands of Euro)		2013				
Full name	Position held	Term of office	End of term of office	Fees for the position held	Other fees received from subsidiaries	Grand total
Mario Alberto Galeotti Flori	Chairman	1.01-31.12	a)	64	-	64
Gerolamo Gavazzi	Acting Statutory Auditor	1.01-31.12	a)	53	-	53
Fulvio Favini	Acting Statutory Auditor	1.01-31.12	a)	48	-	48
<b>Total</b>				<b>165</b>	<b>-</b>	<b>165</b>

- a) upon approval of the 2013 financial statements

It should be noted that for Directors and Statutory Auditors no severance indemnities are envisaged.

#### 40. Commitments and risks

The breakdown of the risks and commitments is as follows:

(In thousands of Euro)	31 December 2013	31 December 2012
Sureties provided by third parties in the interests of Group companies	7,659	9,166
Guarantees provided by third parties in the interests of Group companies	2,146	1,656
Guarantees provided by Group companies in the interests of third parties	80,450	35,934
<b>Total</b>	<b>90,255</b>	<b>46,756</b>

The sureties provided by third parties in the interests of Group companies mainly consist of: sureties issued in favor of third parties on lease contracts entered into by Group companies and sureties issued by banks in favor of VAT authorities for reimbursements requested by Italian Group companies.

Guarantees provided by third parties in the interests of Group companies mainly relate to lease contracts. Guarantees provided by Group companies refer to a guarantee for US\$ 6 million (4,351 thousand Euro) relating to a lease contract of the Ferragamo USA Group and the remainder is mainly in favor of banks to guarantee credit lines which may be used locally.

The following table shows the minimum future payments due at 31 December 2013 and 31 December 2012, relating to operating leases, broken down by expiry date:

(In thousands of Euro)	31 December 2013	31 December 2012
Within 1 year	96,957	98,693
1 to 5 years	276,352	220,253
Over 5 years	226,090	203,696
<b>Total</b>	<b>599,399</b>	<b>522,642</b>

#### 41. Significant non-recurring events and transactions

During 2013, the Ferragamo Group did not carry out significant non-recurring transactions and no significant non-recurring events occurred.

#### 42. Transactions arising from atypical and/or unusual transactions

The Group did not undertake atypical and/or unusual transactions, i.e. those transactions which, due to their importance/size, the counterparties involved, the subject of the transaction, the means of determining the transfer price and the timing of the event, may give rise to doubts about the correctness/completeness of the information provided in the financial statements, conflicts of interest, the safeguarding of the company's equity and the protection of minority interests.

### 43. Subsidiaries highlights

Subsidiaries highlights are shown in the table below.

(In thousands)							
Company	Currency	2013			2012		
		Revenues	Net profit/(loss)	Shareholders' equity	Revenues	Net profit/(loss)	Shareholders' equity
Ferragamo Australia PTY Ltd.	AUD	21,809	1,872	9,221	17,805	567	7,348
Ferragamo Japan KK	JPY	12,916,524	147,893	2,637,072	12,888,133	57,077	2,498,782
Ferragamo Korea Limited	KRW	111,937,423	8,110,782	66,586,488	96,399,617	14,149,980	64,875,706
Ferragamo Espana S.L.	Euro	10,407	(647)	2,245	10,138	208	2,892
Ferragamo Latin America Inc.	USD	1,456	(385)	(276)	1,547	(390)	222
Ferragamo St. Thomas Inc.	USD	515	(211)	(385)	462	(203)	(174)
Ferrimag Limited	HKD	-	86,592	125,299	-	290,009	127,581
Ferragamo Retail HK Limited	HKD	716,416	131,454	210,826	643,639	121,743	164,798
Ferragamo Retail Taiwan Limited	TWD	882,280	30,286	283,629	915,766	87,157	253,335
Ferragamo Mexico S. de R.L. de C.V.	MXN	663,713	51,779	188,463	586,814	49,648	136,658
Ferragamo Retail Nederland B.V.	Euro	4,677	628	762	4,268	399	134
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	CNY	1,002,318	108,533	237,156	891,195	123,330	128,623
Ferragamo (Singapore) Pte. Ltd.	SGD	40,087	1,565	11,397	35,007	2,136	9,832
Ferragamo (Thailand) Limited	THB	193,325	17,581	109,266	191,484	36,916	91,521
Ferragamo (Malaysia) Sdn Bhd	MYR	34,624	3,748	23,009	29,798	3,827	19,261
Ferragamo Hong Kong Ltd.	USD	322,007	38,420	179,594	305,267	48,104	140,841
Ferragamo USA Inc Group	USD	364,509	12,651	78,677	322,428	6,394	65,921
Ferragamo Deutschland GmbH	Euro	12,578	6,484	13,250	11,052	2,121	6,766
Ferragamo Belgique S.A.	Euro	2,387	140	1,154	2,350	203	1,014
Ferragamo Monte-Carlo S.A.M.	Euro	1,836	280	1,123	1,763	307	842
Ferragamo Suisse SA	CHF	11,790	1,856	6,276	11,075	1,780	4,420
Ferragamo UK Ltd.	GBP	16,380	128	7,261	14,561	580	7,133
Ferragamo France S.A.S.	Euro	25,914	1,489	9,945	25,905	2,432	8,468
Ferragamo Parfums S.p.A.	Euro	77,461	1,187	12,207	66,521	2,096	10,869
Ferragamo Chile S.A.	CLP	870,019	(149,631)	457,640	617,333	(13,820)	607,271
Ferragamo Austria GmbH	Euro	3,453	136	3,131	3,777	849	2,995
Ferragamo Retail India Private Limited	INR	428,014	(83,617)	(311,845)	398,329	(55,357)	(228,288)
Ferragamo Retail Macau Limited	MOP	146,919	47,696	47,733	114,896	38,379	38,417
Ferragamo Moda (Shanghai) Co. Ltd.	CNY	216,901	(7,636)	25,061	230,089	18,105	32,697
Ferragamo Brasil Roupas e Acessorios Ltda	BRL	5,451	(7,027)	17,365	-	(324)	45
Ferragamo Argentina S.A.	ARS	9,172	(2,710)	(1,959)	6,671	(1,831)	751

## Disclosure pursuant to art. 149-duodecies of the Issuers' Regulation

(In thousands of Euro) Type of services	Subject which supplied the service	Recipient	Notes	Total fees for 2013
Audit	Independent Auditors of the Parent company	Parent company		169
Tax assistance services	Network of the Independent Auditors of the Parent company	Parent company		71
Other services	Network of the Independent Auditors of the Parent company	Parent company	1	207
<b>Subtotal</b>				<b>447</b>
Audit	i) Independent Auditors of the Parent company	Subsidiaries		117
	ii) Network of the Independent Auditors of the Parent company	Subsidiaries		659
Tax assistance services	i) Network of the Independent Auditors of the Parent company	Subsidiaries		80
Other services	i) Network of the Independent Auditors of the Parent company	Subsidiaries		8
<b>Subtotal</b>				<b>864</b>
<b>Total</b>				<b>1,311</b>

1) The item refers mainly to IT support services and assistance under Law 262.

## Significant events occurred after 31 December 2013

On 30 January 2014 the Board of Directors of the Parent company Salvatore Ferragamo S.p.A. resolved to subscribe, to the extent of its 99% stake, the share capital increase of the subsidiary Ferragamo Brasil Roupas e Acessorios Ltda, for 14,500,000 Brazilian Reals (around 4.5 million Euro), which will bring the share capital of the Brazilian subsidiary to a total of 39,215,000 Reals.

**Statement pursuant to art. 154 bis of Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance) and art. 81–ter of Consob Regulation no. 11971 of 14 May 1999 as subsequently integrated and amended**

1. The undersigned Michele Norsa in his capacity as “Managing Director” and Ernesto Greco in his capacity as “Manager responsible for corporate financial reporting” of Salvatore Ferragamo S.p.A. certify, having also taken account of the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the company’s structure, and  
- the effective application,  
of the administrative and accounting procedures for the preparation of the consolidated financial statements for the 1 January – 31 December 2013 period.

2. The adequacy of the administrative and accounting procedures for the preparation of the 2013 consolidated financial statements has been assessed on the basis of the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission which is the generally accepted model internationally.

3. It is also certified that

3.1 the consolidated financial statements for the year ended 31 December 2013:

- a. have been prepared in accordance with the International Financial Accounting Standards as endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002, and subsequent integrations;
- b. correspond with accounting books and records;
- c. are suitable to provide a true and fair representation of the financial conditions, results of operations and cash flows of the Company and of the Group of companies included in the consolidation area as of 31 December 2013 and for the year then ended.

3.2 The Directors’ report on operations includes a reliable analysis of operating performance and results, as well as of the situation of the Company and of the group of companies included in the consolidation area, as well as a description of the main risks and uncertainties to which they are exposed.

11 March 2014

Managing Director  
Michele Norsa

Manager responsible for corporate financial reporting  
Ernesto Greco



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Independent auditors' report  
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010  
(Translation from the original Italian text)

To the Shareholders  
of Salvatore Ferragamo S.p.A.

1. We have audited the consolidated financial statements of Salvatore Ferragamo S.p.A. and its subsidiaries, (the "Salvatore Ferragamo Group") as of 31 December 2013 and for the year then ended, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in shareholders' equity and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Salvatore Ferragamo S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.  
  
For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 28 March 2013.
3. In our opinion, the consolidated financial statements of the Salvatore Ferragamo Group at 31 December 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Salvatore Ferragamo Group for the year then ended.
4. The Directors of Salvatore Ferragamo S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and Ownership Structure published in the section "Investor Relations" of Salvatore Ferragamo S.p.A.'s website. Our responsibility is to

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express an opinion on the consistency with the financial statements of the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and the Company's Ownership Structure, are consistent with the consolidated financial statements of the Salvatore Ferragamo Group at 31 December 2013.

Florence, 26 March 2014

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Signed by: Marco Mignani, partner

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