

*Salvatore Ferragamo*

***Salvatore Ferragamo Group***  
**Annual Report as at 31 December 2014**

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

Florence

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

## **General information**

### **Registered office**

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

### **Legal information**

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)

*Salvatore Ferragamo Group*

**Board of Directors' report on operations as at 31 December 2014**

## Corporate boards

<b>Honorary Chairman</b> (1)	Wanda Miletta Ferragamo	
<b>Board of Directors</b> (1)	Ferruccio Ferragamo (4) Michele Norsa (4) Giovanna Ferragamo (5) Fulvia Ferragamo (5) Leonardo Ferragamo (5) Francesco Caretti (5) 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)(7)	Chairman Managing Director Deputy Chairman
<b>Control and Risk Committee</b> (1)	Marzio Saà Umberto Tombari Lidia Fiori (7)	Chairman
<b>Nomination and Remuneration Committee</b> (1)	Umberto Tombari Marzio Saà Lidia Fiori (7)	Chairman
<b>Board of Statutory Auditors</b> (2)	Fulvio Favini Gerolamo Gavazzi Alessandra Daccò Lorenzo Galeotti Flori Deborah Sassorossi	Chairman Acting Statutory Auditor Acting Statutory Auditor Substitute Statutory Auditor Substitute Statutory Auditor
<b>Independent Auditors</b> (3)	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 29 April 2014 and serving for the 2014-2016 period

(3) Appointed for the 2011- 2019 period

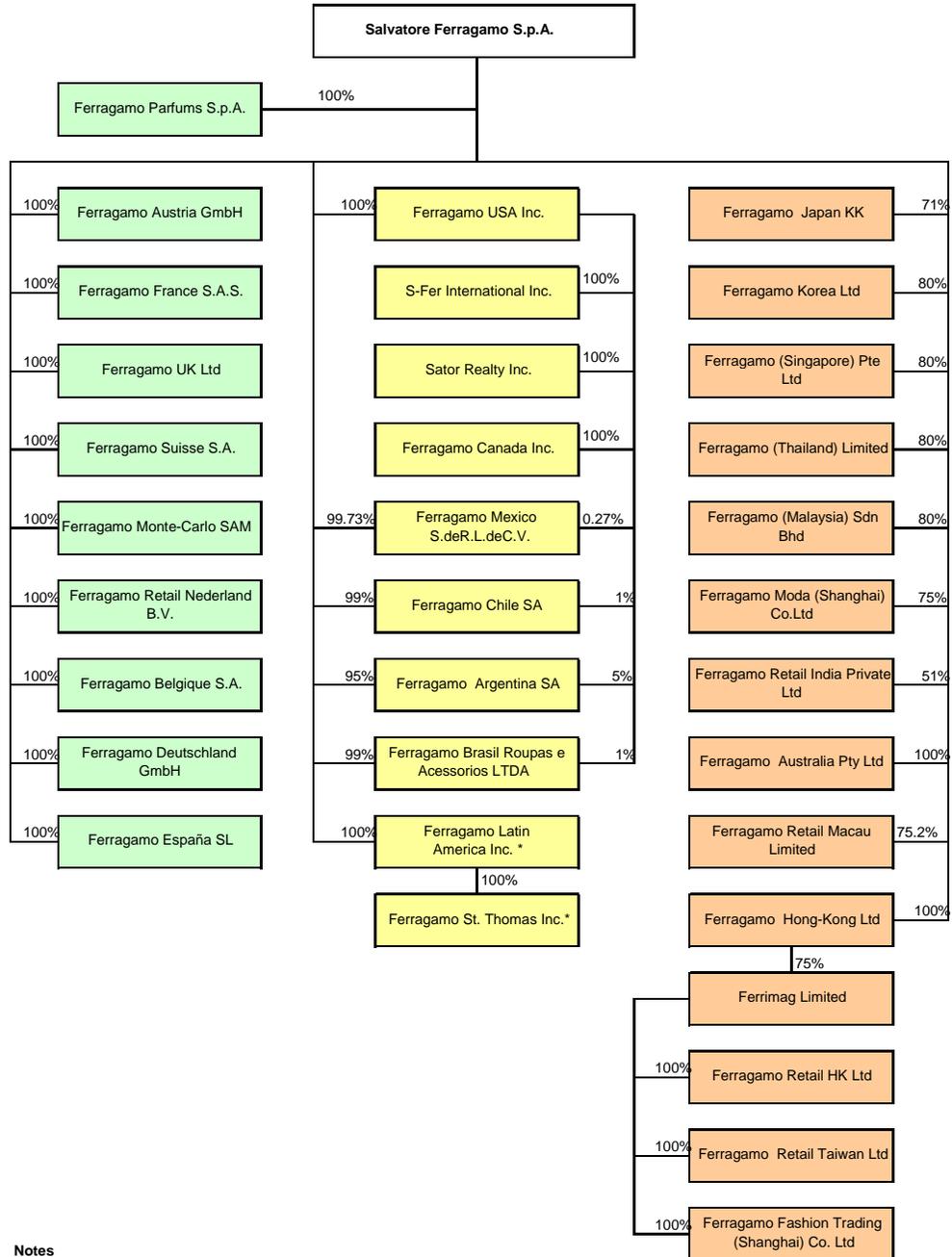
(4) Executive director

(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) Appointed by the Board of Directors on 11 July 2013 by means of co-optation, confirmed by the Shareholders' Meeting held on 29 April 2014 and in office until the Shareholders' Meeting approving the Separate Financial Statements as at 31 December 2014

## Group structure



**Notes**

- European companies
- North/Centre/South America companies
- Far East companies
- \* Non-operating company in liquidation

## Group description

As at 31 December 2014 the Salvatore Ferragamo Group consists of Salvatore Ferragamo S.p.A. (Parent company) and the consolidated subsidiaries in which the Parent company holds majority stakes, both directly or indirectly, and which it controls.

### Salvatore Ferragamo S.p.A.

Parent company, owner of the Ferragamo and Salvatore Ferragamo brands, as well as of numerous other figurative and shape-based trademarks; it undertakes production activities and it manages the retail distribution channel in Italy and wholesale channel in Italy and abroad and acts as a holding company.

### Europe

#### Ferragamo Retail Nederland B.V.

It manages directly operated stores (DOS) in Holland

#### Ferragamo France S.A.S.

It manages directly operated stores (DOS) in France

#### Ferragamo Deutschland GmbH

It manages directly operated stores (DOS) in Germany

#### Ferragamo Austria GmbH

It manages directly operated stores (DOS) in Austria

#### Ferragamo UK Ltd.

It manages directly operated stores (DOS) in the United Kingdom

#### Ferragamo Suisse S.A.

It manages directly operated stores (DOS) in Switzerland

#### Ferragamo Belgique S.A.

It manages directly operated stores (DOS) in Belgium

#### Ferragamo Monte-Carlo S.A.M.

It manages directly operated stores (DOS) in the Principality of Monaco

#### Ferragamo Espana S.L.

It manages directly operated stores (DOS) in Spain

#### Ferragamo Parfums S.p.A.

Licensee of the Ferragamo and Ungaro brands for the production and distribution of the fragrances product category

### North, Central and South America

#### Ferragamo USA Inc.

It distributes and promotes products in the USA and acts as a sub-holding for North America (USA and Canada)

#### Ferragamo Canada Inc.

It manages the retail and wholesale channels in Canada

#### S-Fer International Inc.

It manages directly operated stores (DOS) in the USA

#### Sator Realty Inc.

It manages directly operated stores (DOS) in the USA and real estate assets

#### Ferragamo Latin America Inc.

Non-operating company in liquidation

#### Ferragamo St. Thomas Inc.

Non-operating company in liquidation

#### Ferragamo Mexico S. de R.L. de C.V.

It manages directly operated stores (DOS) and the wholesale channel in Mexico

#### Ferragamo Chile S.A.

It manages directly operated stores (DOS) in Chile

#### Ferragamo Argentina S.A.

It manages directly operated stores (DOS) in Argentina

#### Ferragamo Brasil Roupas e Acessorios Ltda

It manages directly operated stores (DOS) in Brazil

### Asia Pacific and Japan

#### Ferragamo Hong Kong Ltd.

It distributes and promotes products in Asia and acts as a sub-holding for the Chinese area (Hong Kong, Taiwan, PRC)

#### Ferragamo Japan KK

It manages directly operated stores (DOS) in Japan

#### Ferragamo Australia PTY Ltd.

It manages directly operated stores (DOS) in Australia

#### Ferrimag Limited

Sub-holding company for the Chinese area (Hong Kong, Taiwan, PRC)

#### Ferragamo Fashion Trading (Shanghai) Co. Ltd

It manages directly operated stores (DOS) and the wholesale channel in the People's Republic of China

#### Ferragamo Moda (Shanghai) Co. Ltd

It manages directly operated stores (DOS) in the People's Republic of China

#### Ferragamo Retail HK Limited

It manages directly operated stores (DOS) in Hong Kong

#### Ferragamo Retail Taiwan Limited

It manages directly operated stores (DOS) in Taiwan

#### Ferragamo Retail Macau Limited

It manages directly operated stores (DOS) in Macau

#### Ferragamo Retail India Private Limited

It manages directly operated stores (DOS) in India

#### Ferragamo Korea Limited

It manages directly operated stores (DOS) and the wholesale channel in South Korea

#### Ferragamo (Singapore) Pte. Ltd.

It manages directly operated stores (DOS) and the wholesale channel in Singapore and Indonesia

#### Ferragamo (Thailand) Limited

It manages directly operated stores (DOS) in Thailand

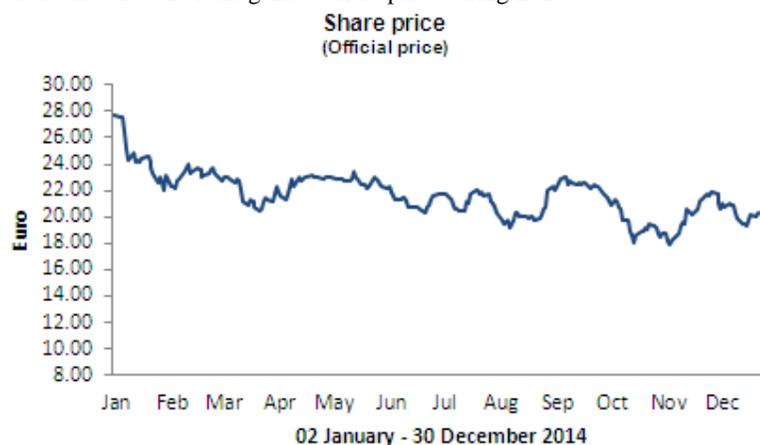
#### Ferragamo (Malaysia) Sdn Bhd

It manages directly operated stores (DOS) in Malaysia

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

Official price as at 30 December 2014 in Euro	20.38042
Minimum price as at 05 November 2014 in Euro (1)	17.61
Maximum price as at 02 January 2014 in Euro (1)	28.00
Stock Market capitalization as at 31 December 2014 in Euro	3,432,266,532
Number of shares making up the share capital as at 31 December 2014	168,410,000
Number of outstanding shares (free float)	44,911,980

Here below is the trend in Salvatore Ferragamo's share price during 2014.



### Alternative performance measures

In order to better assess its performance, the Group makes use of some alternative performance measures which are not identified as accounting measures under IFRS. Therefore, the determination criterion applied by the Group may differ from that adopted by other groups and, therefore, the balance may not be comparable. The definitions of the alternative performance measures adopted in the Board of Directors' report on operations are provided below:

**EBITDA:** it is *Operating profit before Amortization and depreciation and write-downs of tangible/intangible assets*.

**Net working capital:** it is calculated as *Inventories plus Trade receivables, net of Trade payables*. It should be noted that this measure 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".

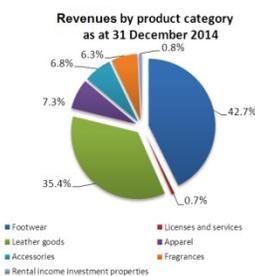
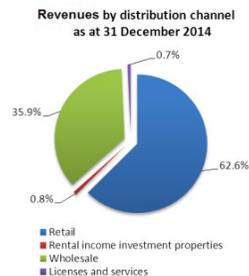
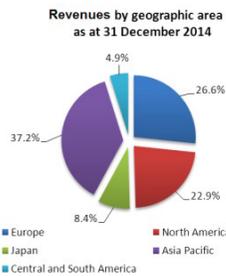
**Net invested capital:** it is the total amount of *Non current assets and Current assets*, excluding financial assets (*Other current financial assets and Cash and cash equivalents*) net of *Non current liabilities and Current liabilities*, excluding financial liabilities (*Current and non current interest-bearing loans & borrowings, Other current and non current financial liabilities*).

**Net financial debt:** it is calculated as *Current and non current interest-bearing loans & borrowings plus Other current and non current financial liabilities* including the negative fair value of derivatives (non-hedge component), net of *Cash and cash equivalents and Other current financial assets*, including the positive fair value of derivatives (non-hedge component). The measure 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".

(1) Minimum and maximum prices recorded during the day's trading session and, therefore, not coinciding with official and reference prices on the same date.

**1. The Group's main income and financial results for the year 2014**

(In millions of Euro)	2014	2013	2012	% change 2014 vs. 2013	% change 2013 vs. 2012
Revenues	1,331.8	1,258.0	1,153.0	5.9%	9.1%
Gross profit	848.4	799.1	742.0	6.2%	7.7%
EBITDA	292.9	260.0	228.3	12.7%	13.9%
EBITDA %	22.0%	20.7%	19.8%		
Operating profit	245.4	219.1	194.3	12.0%	12.7%
Operating profit %	18.4%	17.4%	16.9%		
Net profit/(loss) for the period	163.5	160.0	125.3	2.2%	27.7%
Net profit/(loss) – Group	156.6	150.5	105.6	4.1%	42.5%
Net profit/(loss) – minority interests	6.9	9.5	19.7	(27.0%)	(51.8%)



(In millions of Euro)	31 December 2014	31 December 2013	31 December 2012
Investments in tangible/intangible assets	82.9	82.3	59.4
Net working capital	301.9	209.4	197.3
Shareholders' equity	508.2	399.8	299.5
Net financial debt	49.4	32.6	57.9
Cash flow generated from operations	143.8	150.0	121.1

	31 December 2014	31 December 2013	31 December 2012
Staff as at the reporting date	3,900	3,764	3,322
Number of DOS	373	360	338
Number of TPOS	270	264	268

**Geographical distribution of monobrand stores (31 December 2014)**



**643 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 2014" 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.*

**2. Introduction**

The Parent company Salvatore Ferragamo S.p.A. is a legal entity set up under Italian law and, pursuant to art. 40, paragraph 2 bis, of Legislative Decree 127/91, as from 2014 it has prepared the Directors' report on operations of both the Separate Financial Statements and the Consolidated Financial Statements in a single document.

The Directors' report on operations, in addition to the indicators required for financial statements, in compliance with International Financial Reporting Standards (IFRS), also includes some alternative performance measures used by management to monitor and assess the Group's performance, as detailed in a specific section.

**3. The Salvatore Ferragamo 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, jewels, other accessories and fragrances. 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 Salvatore 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 significant and well-established 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 Salvatore 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 Salvatore Ferragamo brand and in real estate management.

**Distinctive features of the Parent company and 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, Japan 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 or 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 retail 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 Salvatore Ferragamo S.p.A. and 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 Salvatore 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 Salvatore 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, thanks to 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), as well as thanks to its 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 as at 31 December 2014 numbered 373 (the so-called retail channel);
- a network of tailored single brand stores and/or stores-in-stores managed by third parties (TPOS), which as at 31 December 2014 numbered 270, 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) as at 31 December 2014 was 643.

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 exclusively at retailers and, to a lesser extent, at 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;
- travel retail/duty free stores opened inside airports.

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 2014 the Group structure underwent no changes, except for the fact that Ferragamo St. Thomas Inc. and Ferragamo Latin America Inc. were put into liquidation as part of the plan to restructure the wholesale market in South America.

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

In 2014 the trends on the foreign exchange market were influenced by the different economic trends in the main markets – especially data confirming the marked economic recovery in the United States and the only modest improvement in the Eurozone, both in terms of growth and inflation – and by the scenarios arising from expectations about monetary policy measures announced by the respective central banks.

The exchange rate of the US dollar against the Euro, which was unchanged at 1.33 compared to 2013 in terms of annual average rate, started the year above 1.36, reflecting a more expansionary monetary policy on the part of the US Federal Reserve compared to that of the European Central Bank; the exchange rate peaked at 1.40 in May and then started gradually to fall back, accelerating in December, to end the year at 1.21. The rapid depreciation of the exchange rate continued in January 2015, when it reached a low beneath the 1.11 threshold. The announcement by the ECB of its program to increase the monetary base by purchasing bonds, including those issued by member States and, on the other hand, the ending of the Quantitative Easing programme by the Federal Reserve, together with expectations of a rise in interest rates, weakened the Euro. The greater divergence between the monetary policy initiatives should favor a further fall in the Euro and a general strengthening of the US dollar against most currencies.

The Bank of Japan, with the aim of simultaneously boosting growth and inflation, further increased its monetary stimulus. Against this background, the Japanese Yen depreciated by 13% against the US dollar in less than three months, going from 105 to 121. The annual average exchange rate of the Japanese Yen against the Euro was above 140, compared to an average value of just below 130 in 2013. The Yen, after starting the year around 144, bottomed out at 135 in October, to then rise rapidly to a high of 149 at the beginning of December. The rapid fall of the Euro against the US dollar and, generally, against the main currencies, is also reflected in the Euro/Yen exchange rate, which in January 2015 reached a low around 130.

The interventions of the PBOC to combat the pressure of speculative capital inflows caused a depreciation of the Chinese Renminbi against the US dollar in April to 6.26; the exchange rate then started to strengthen again, reaching the threshold of 6.14 at the end of November. The simultaneous strengthening of the US dollar against other currencies led the Renminbi to gain ground between the end of August and the end of November against the Euro by 5.6%, but, above all, against the Japanese Yen by 12.3% and the South Korean Won by 9.8% and, to a lesser extent, against all the Asian currencies.

As for emerging countries, the currencies which were most affected by the strengthening of the US dollar were those of countries involved in oil-related activities. The Russian ruble, following the crisis with Ukraine, ended the year down by over 45% against the US dollar and by 38% against the Euro. The currencies of countries which have implemented structural reforms, such as Mexico and India, have held their ground, despite their current account deficits. Brazil, on the other hand, has the worst fundamentals. The slowdown of China has contributed to the weakening of some Asian currencies. The South Korean Won could depreciate globally following the competitive advantage which Japan has gained due to the Yen's weakness. In general, growth, inflation and external financing conditions will determine the level of vulnerability of the individual currencies against the probable strengthening of US dollar in 2015 too.



In 2014 **gross profit** was 848,433 thousand Euro compared to 799,079 thousand Euro in the prior year, up by 6.2% due to the increase in sales revenues and to a slight increase in gross profit as a percentage of sales, up from 63.5% in 2013 to 63.7% in 2014, despite the increased impact of wholesale sales as a percentage of total revenues (from 34.5% in 2013 to 35.9% in 2014). In the fourth quarter of 2014 gross profit was 244,996 thousand Euro, up by 11.0% compared to the prior-year period and with a ratio to revenues of 65.3% compared to 64.3% in the fourth quarter of 2013.

Total **operating costs** (net of other income) for 2014 rose by 4.0% compared to 2013 (a value significantly lower than the increase in revenues) and their ratio to revenues decreased from 46.1% in the prior year to 45.3%. In the fourth quarter of 2014 total net operating costs rose from 163,810 thousand Euro to 168,372 thousand Euro, up by 2.8% compared to the fourth quarter of 2013.

Significantly higher revenues as well as higher gross profit enabled better absorption of fixed costs, thus resulting in an increase in **EBITDA**, rising from 259,977 thousand Euro in 2013 to 292,934 thousand Euro in 2014 (+12.7%) and accounting for 22.0% of revenues compared to 20.7% in 2013. In the fourth quarter of 2014, EBITDA amounted to 89,766 thousand Euro compared to 68,151 thousand Euro in the fourth quarter of 2013, recording a sharp increase of 31.7% compared to the prior-year period and accounting for 23.9% of revenues compared to 19.9% the same quarter last year.

In 2014 **operating profit** totaled 245,416 thousand Euro compared to 219,058 thousand Euro in 2013, up by 12.0%, accounting for 18.4% of revenues in 2014 compared to 17.4% in 2013. In the fourth quarter of 2014, operating profit amounted to 76,624 thousand Euro compared to 56,906 thousand Euro in the fourth quarter of 2013, up by 34.7% compared to the prior-year period and accounting for 20.4% of revenues compared to 16.6% the same quarter last year.

**Net financial income and charges** totaled 7,436 thousand Euro in charges compared to income of 1,633 thousand Euro in 2013, mainly due to the capital gain on the sale of Zefer S.p.A. shares in the first half of 2013 amounting to 12,524 thousand Euro. In the fourth quarter of 2014, net financial income and charges totaled 3,267 thousand Euro in charges in 2014 compared to charges of 3,780 thousand Euro in the fourth quarter of 2013.

The tax rate for **income taxes** for 2014 was 31.3% compared to 27.5% in the prior period. Net of one-off effects in the previous period, the estimated tax rate for 2013 would have been 29.2%.

In 2014 the Group recorded consolidated **net profit** of 163,515 thousand Euro compared to 159,967 thousand Euro in 2013, up by 2.2% due to the capital gain on the sale of Zefer S.p.A. shares; net of this, net profit would have increased by 15,956 thousand Euro (10.8%). The Group's share of consolidated net profit amounted to 156,565 thousand Euro compared to 150,451 thousand Euro last year, up by 4.1%; without taking into account the capital gain on Zefer S.p.A. it would have increased by 18,522 thousand Euro (13.4%). In the fourth quarter of 2014, net profit totaled 49,695 thousand Euro compared to 40,388 thousand Euro in the fourth quarter of 2013; Group net profit amounted to 47,043 thousand Euro compared to 38,085 thousand Euro in the fourth quarter of 2013, up by 23.5%.

In 2014 **net financial debt** amounted to 49,353 thousand Euro (9.7% of consolidated shareholders' equity), up compared to 31 December 2013, when it totaled 32,598 thousand Euro (8.2% of consolidated shareholders' equity). In the fourth quarter of 2014 net financial debt fell by 8,802 thousand Euro, falling from 58,155 thousand Euro to 49,353 thousand Euro, despite 32 million Euro investments in the period (accounting for 39% of investments for the whole year).

In 2014 cash flows from operating activities amounted to 143.8 million Euro.

## Revenues

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

(In thousands of Euro)	2014	% of revenues	2013	% of revenues	% change	at constant exchange rates % change
Europe	354,816	26.6%	326,365	25.9%	8.7%	8.6%
North America	304,828	22.9%	290,347	23.1%	5.0%	5.2%
Japan	111,495	8.4%	116,103	9.2%	(4.0%)	3.8%
Asia Pacific	496,013	37.2%	466,504	37.1%	6.3%	5.4%
Central and South America	64,670	4.9%	58,715	4.7%	10.1%	13.5%
<b>Total</b>	<b>1,331,822</b>	<b>100.0%</b>	<b>1,258,034</b>	<b>100.0%</b>	<b>5.9%</b>	<b>6.5%</b>

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

In all markets turnover recorded an increase both at current exchange rates (with the sole exception of Japan) and at constant exchange rates.

Europe saw an increase in revenues of 8.7% at current exchange rates, bringing the ratio to total revenues from 25.9% to 26.6% thanks to the positive trend in sales to tourists, although it was negatively affected by international socio-political tensions and the still challenging economic backdrop.

The North American market saw an increase in revenues of 5.0% at current exchange rates (5.2% at constant exchange rates), thanks to the improvement in both the wholesale and retail channels.

In Japan revenues decreased by 4.0% at current exchange rates (due to the sharp depreciation of the Yen) and increased by 3.8% at constant exchange rates.

The Asia Pacific region recorded once again the highest growth (29,509 thousand Euro, equal to 6.3% at current exchange rates and 5.4% at constant exchange rates) and accounted for 37.2% of total revenues, despite the social tensions in Hong Kong in recent months and the slowdown in China's economic growth.

In 2014 the Central and South American market saw a sharp increase in revenues (10.1% at current exchange rates and 13.5% at constant exchange rates) and accounted for 4.9% of total revenues.

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

(In thousands of Euro)	2014	% of revenues	2013	% of revenues	% change	at constant exchange rates % change
Retail	833,101	62.6%	802,821	63.8%	3.8%	4.7%
Wholesale	478,425	35.9%	433,861	34.5%	10.3%	10.2%
Licenses and services	9,375	0.7%	10,694	0.9%	(12.3%)	(12.3%)
Rental income investment properties	10,921	0.8%	10,658	0.8%	2.5%	2.5%
<b>Total</b>	<b>1,331,822</b>	<b>100.0%</b>	<b>1,258,034</b>	<b>100.0%</b>	<b>5.9%</b>	<b>6.5%</b>

In 2014 retail sales increased by 3.8% at current exchange rates and by 4.7% at constant exchange rates; worthy of note is the improvement in Asia Pacific, up by 7.5% at current exchange rates and by 6.6% at constant exchange rates.

Compared to the situation as at 31 December 2013 the number of directly operated stores (DOS) increased by 13 units.

Also thanks to the good trend of the travel retail channel, the wholesale channel rose by 10.3% at current exchange rates (10.2% at constant exchange rates). In particular, the European market grew by 18.4% at current and constant exchange rates, while the North American market rose by 6.5% at current exchange rates and 6.7% at constant exchange rates.

In 2014 revenues from licenses and services decreased by 12.3% compared to 2013 due solely to the expiry, at the end of 2013, of the agreement concerning technical consulting services provided to Zefer S.p.A.. As a matter of fact, revenues from royalties concerning the licensing of the Salvatore Ferragamo

brand in the eyewear and watch industry totaled 5,041 thousand Euro as at 31 December 2014, up by 16.7% compared to 2013.

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 2.5% at current and 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 2014 and 2013.

(In thousands of Euro)	2014	% of revenues	2013	% of revenues	% change	at constant exchange rates % change
Footwear	568,412	42.7%	544,076	43.3%	4.5%	4.9%
Leather goods	471,650	35.4%	418,710	33.3%	12.6%	13.2%
Apparel	97,231	7.3%	103,209	8.2%	(5.8%)	(4.1%)
Accessories	90,063	6.8%	90,848	7.2%	(0.9%)	0.1%
Fragrances	84,170	6.3%	79,839	6.3%	5.4%	5.4%
Licenses and services	9,375	0.7%	10,694	0.9%	(12.3%)	(12.3%)
Rental income investment properties	10,921	0.8%	10,658	0.8%	2.5%	2.5%
<b>Total</b>	<b>1,331,822</b>	<b>100.0%</b>	<b>1,258,034</b>	<b>100.0%</b>	<b>5.9%</b>	<b>6.5%</b>

All the product categories, with the sole exception of apparel and to a lesser extent accessories, 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 12.6% at current exchange rates (+13.2% at constant exchange rates), recording the highest growth in absolute terms (52,940 thousand Euro). Significant increases were also recorded by revenues from footwear (+4.5% at current exchange rates) and fragrances (+5.4%).

### Cost of goods sold and gross profit

(In thousands of Euro)	2014	% of revenues	2013	% of revenues	% change
Consumables	(260,390)	(19.6%)	(246,984)	(19.6%)	5.4%
Services	(214,965)	(16.1%)	(204,147)	(16.2%)	5.3%
Personnel	(7,423)	(0.6%)	(7,287)	(0.6%)	1.9%
Amortization and depreciation	(611)	(0.0%)	(537)	(0.0%)	13.8%
<b>Cost of goods sold</b>	<b>(483,389)</b>	<b>(36.3%)</b>	<b>(458,955)</b>	<b>(36.5%)</b>	<b>5.3%</b>
<b>Gross profit</b>	<b>848,433</b>	<b>63.7%</b>	<b>799,079</b>	<b>63.5%</b>	<b>6.2%</b>

In 2014 the **cost of goods sold** totaled 483,389 thousand Euro. The increase of 5.3% 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 2014 **gross profit** as a percentage of revenues stood at 63.7% compared to 63.5% in 2013 notwithstanding slightly unfavorable exchange rates and the increased impact of wholesale sales.

### Style, product development and logistics costs

(In thousands of Euro)	2014	% of revenues	2013	% of revenues	% change
Purchases	(4,301)	(0.3%)	(4,894)	(0.4%)	(12.1%)
Services	(20,078)	(1.5%)	(21,151)	(1.7%)	(5.1%)
Personnel	(18,589)	(1.4%)	(17,822)	(1.4%)	4.3%
Amortization and depreciation	(523)	(0.0%)	(516)	(0.0%)	1.4%
<b>Total</b>	<b>(43,491)</b>	<b>(3.3%)</b>	<b>(44,383)</b>	<b>(3.5%)</b>	<b>(2.0%)</b>

These costs, which include the expenses of the creative departments and for the freight to deliver the products to their sales markets, remained broadly stable compared to 2013 (-2.0%) and their ratio to revenues was in line with the previous year (from 3.5% to 3.3%).

## Sales & distribution costs

(In thousands of Euro)	2014	% of revenues	2013	% of revenues	% change
Retail	(337,202)	(25.3%)	(316,423)	(25.2%)	6.6%
Wholesale	(43,093)	(3.2%)	(37,952)	(3.0%)	13.5%
Distribution logistics	(8,013)	(0.6%)	(7,610)	(0.6%)	5.3%
<b>Total</b>	<b>(388,308)</b>	<b>(29.2%)</b>	<b>(361,985)</b>	<b>(28.8%)</b>	<b>7.3%</b>

In 2014 and 2013 the costs relating to the network of directly operated stores (DOS) amounted respectively to 86.8% and 87.4% of sales and distribution costs.

The total increase in costs by 26,323 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)	2014	% of revenues	2013	% of revenues	% change
Purchases	(6,139)	(0.5%)	(6,256)	(0.5%)	(1.9%)
Services	(232,468)	(17.5%)	(214,563)	(17.1%)	8.3%
Personnel	(116,559)	(8.8%)	(113,653)	(9.0%)	2.6%
Amortization and depreciation	(33,142)	(2.5%)	(27,011)	(2.1%)	22.7%
Write-downs of tangible/intangible assets	-	-	(502)	(0.0%)	na
<b>Total</b>	<b>(388,308)</b>	<b>(29.2%)</b>	<b>(361,985)</b>	<b>(28.8%)</b>	<b>7.3%</b>

## Marketing & communication costs

(In thousands of Euro)	2014	% of revenues	2013	% of revenues	% change
Purchases	(4,752)	(0.4%)	(7,843)	(0.6%)	(39.4%)
Services	(54,366)	(4.1%)	(61,037)	(4.9%)	(10.9%)
Personnel	(8,861)	(0.7%)	(8,963)	(0.7%)	(1.1%)
Amortization and depreciation	(68)	(0.0%)	(37)	(0.0%)	83.8%
<b>Total</b>	<b>(68,047)</b>	<b>(5.1%)</b>	<b>(77,880)</b>	<b>(6.2%)</b>	<b>(12.6%)</b>

In 2014 total marketing & communication costs decreased by 12.6% compared to the previous year, down by 9,833 thousand Euro, of which 6,671 thousand Euro due to lower costs for services (mainly attributable to media costs, such as for example press advertising, production and photographic expenses, catalogues). The decrease in investments in marketing & communication is also connected to a different mix of above-the-line and below-the-line items and the strong expansion of digital communication to which significant financial resources have been allocated in recent periods.

Therefore, the ratio of costs to revenues decreased from 6.2% in 2013 to 5.1% in 2014.

## General and administrative costs

(In thousands of Euro)	2014	% of revenues	2013	% of revenues	% change
Purchases	(2,029)	(0.2%)	(1,439)	(0.1%)	41.0%
Services	(47,505)	(3.6%)	(46,627)	(3.7%)	1.9%
Personnel	(34,923)	(2.6%)	(33,910)	(2.7%)	3.0%
Amortization and depreciation	(13,174)	(1.0%)	(10,929)	(0.9%)	20.5%
Write-downs of tangible/intangible assets	-	-	(1,387)	(0.1%)	na
<b>Total</b>	<b>(97,631)</b>	<b>(7.3%)</b>	<b>(94,292)</b>	<b>(7.5%)</b>	<b>3.5%</b>

General and administrative costs rose by 3.5% or 3,339 thousand Euro compared to 2013, while their ratio to revenues decreased from 7.5% in 2013 to 7.3% in 2014. The greater increase in absolute terms is mainly due to amortization and depreciation and personnel costs following the enhancement of the structure and investments, with particular reference to the plan to renovate the facility and the offices of

the Parent company Salvatore Ferragamo S.p.A. in Osmannoro. The item includes fees paid to the Board of Directors and other amounts accrued by the Managing Director and the Chairman.

### Other operating costs

(In thousands of Euro)	2014	% of revenues	2013	% of revenues	% change
Losses on disposal of tangible and intangible assets	(752)	(0.1%)	(653)	(0.1%)	15.2%
Windfall losses	(843)	(0.1%)	(372)	(0.0%)	126.6%
Provisions for risks and charges	(1,075)	(0.1%)	(899)	(0.1%)	19.6%
Write-down of current assets	(2,401)	(0.2%)	(501)	(0.0%)	379.2%
Other operating costs	(11,350)	(0.9%)	(11,206)	(0.9%)	1.3%
<b>Total</b>	<b>(16,421)</b>	<b>(1.2%)</b>	<b>(13,631)</b>	<b>(1.1%)</b>	<b>20.5%</b>

Other operating costs increased by 20.5% (2,790 thousand Euro), with the ratio to revenues remaining broadly unchanged compared to the previous year. 2014 was adversely affected by higher write-downs of current assets (provisions for trade receivables) with particular reference to the Russian, Ukrainian and Greek markets due to the well-known socio-political tensions.

### Other income and revenues

(In thousands of Euro)	2014	% of revenues	2013	% of revenues	% change
Other income and revenues	8,687	0.7%	10,876	0.9%	(20.1%)
Gains on disposal of tangible/intangible assets	23	0.0%	17	0.0%	35.3%
Windfall profit	2,171	0.2%	1,257	0.1%	72.7%
<b>Total</b>	<b>10,881</b>	<b>0.8%</b>	<b>12,150</b>	<b>1.0%</b>	<b>(10.4%)</b>

Other income and revenues fell by 10.4% or 1,269 thousand Euro compared to 2013 with the ratio to total revenues slightly decreasing (from 1.0% to 0.8%).

### Net financial income and charges

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

(In thousands of Euro)	2014	2013	% change
Dividends from other companies	-	600	na
Net interest	(4,213)	(3,232)	30.4%
Other net income/(charges)	(2,134)	(2,054)	3.9%
Net gains/(losses) on exchange rate differences	7,301	(11,626)	(162.8%)
Net financial income/(charges) for fair value adjustment of derivatives	(8,390)	5,421	(254.8%)
Gains/(losses) on disposal of investments	-	12,524	na
<b>Total</b>	<b>(7,436)</b>	<b>1,633</b>	<b>(555.4%)</b>

In 2014 total net financial income and charges amounted to charges of 7,436 thousand Euro compared to income of 1,633 thousand Euro in 2013, which was affected by 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 in 2014 saw net gains of 7,301 thousand Euro compared to net losses of 11,626 thousand Euro in the previous year. This should be connected to net financial income/(charges) for fair value adjustment of derivatives, which recorded net charges of 8,390 thousand Euro compared to net income of 5,421 thousand Euro in the previous year, and includes the premium or discount on transactions to hedge exchange rate risk undertaken by the Parent company and changes in fair value relating to non-hedge derivatives.

## Income taxes

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

(In thousands of Euro)	2014	2013	% change
Profit before taxes	237,980	220,691	7.8%
Current and deferred taxes	(74,465)	(60,724)	22.6%
<b>Tax rate</b>	<b>31.3%</b>	<b>27.5%</b>	

The effective tax rate for 2014 was 31.3% compared to 27.5% in the prior period. Net of one-off effects in the previous period, the tax rate for 2013 would have been 29.2%.

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

(In thousands of Euro)	2014	% of revenues	2013	% of revenues	% change
<b>Net profit/(loss) for the period</b>	<b>163,515</b>	<b>12.3%</b>	<b>159,967</b>	<b>12.7%</b>	<b>2.2%</b>
Net profit/(loss) – Group	156,565	11.8%	150,451	12.0%	4.1%
Net profit/(loss) – minority interests	6,950	0.5%	9,516	0.8%	(27.0%)

Net profit for the period rose by 2.2%, up by 3,548 thousand Euro.

## Investment and financial operations

Here below is the statement of financial position as at 31 December 2014 reclassified by sources and uses, compared to the position as at 31 December 2013:

(In thousands of Euro)	31 December 2014	31 December 2013	% change
Property, plant and equipment, investment property, intangible assets with a finite useful life	248,312	200,943	23.6%
Net working capital	301,895	209,361	44.2%
Other non current assets/(liabilities), net	45,032	35,093	28.3%
Other current assets/(liabilities), net	(37,692)	(13,029)	189.3%
<b>Net invested capital</b>	<b>557,547</b>	<b>432,368</b>	<b>29.0%</b>
Group shareholders' equity	466,190	365,465	27.6%
Minority interests	42,004	34,305	22.4%
<b>Shareholders' equity (A)</b>	<b>508,194</b>	<b>399,770</b>	<b>27.1%</b>
<b>Net financial debt (B)</b>	<b>49,353</b>	<b>32,598</b>	<b>51.4%</b>
<b>Total sources of financing (A+B)</b>	<b>557,547</b>	<b>432,368</b>	<b>29.0%</b>
<b>Net financial debt/shareholders' equity</b>	<b>9.7%</b>	<b>8.2%</b>	

## Property, plant and equipment, investment property and intangible assets with a finite useful life

(In thousands of Euro)	31 December 2014	31 December 2013	% change
Property, plant and equipment	212,077	168,398	25.9%
Investment property	7,015	6,455	8.7%
Intangible assets with a finite useful life	29,220	26,090	12.0%
<b>Total</b>	<b>248,312</b>	<b>200,943</b>	<b>23.6%</b>

The item "Property, plant and equipment" as at 31 December 2014 consists of:

- the industrial complex at Sesto Fiorentino, the parts of the American properties used for operations and the property owned in Seoul, for an overall net value of approximately 47,495 thousand Euro;
- furnishings and renovation work for the chain of directly operated stores as well as the moulds for the fragrances product category, for 126,584 thousand Euro;
- other assets, mainly for IT equipment, plant and equipment and tangible assets in progress for 37,998 thousand Euro.

Investment property represents the part of the American properties 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 6,705 thousand Euro as at 31 December 2014). The remainder refers to registration expenses for trademarks and industrial patents and intellectual property rights (software licenses).

### Investments in fixed assets

During 2014, the Group made investments in tangible and intangible assets for a total amount of 82,871 thousand Euro, of which 73,126 thousand Euro in tangible assets and 9,745 thousand Euro in intangible assets, compared to a total of 82,261 thousand Euro in the previous year.

In 2014 the most important investments were made in the opening and refurbishment of stores (68% of total investments in tangible assets, totaling around 49.5 million Euro), while investments in intangible assets continued to concern the so-called "Marlin Project", aimed at integrating information systems, and the development of the e-commerce platform (54% of total investments in intangible assets).

During 2014, the Group did not make any investments in financial assets.

Amortization and depreciation amounted to 47,518 thousand Euro as at 31 December 2014 compared to 39,030 thousand Euro as at 31 December 2013, up by 21.7% thanks to the significant investments made in recent years.

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 construction of a new building at the Osmannoro-Sesto Fiorentino facility as part of the broader project implemented by the Parent company Salvatore Ferragamo S.p.A. to expand and renovate the whole industrial complex.

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 2014 compared with the figure as at 31 December 2013.

(In thousands of Euro)	31 December 2014	31 December 2013	% change
Inventories	338,555	290,705	16.5%
Trade receivables	150,895	121,408	24.3%
Trade payables	(187,555)	(202,752)	(7.5%)
<b>Total</b>	<b>301,895</b>	<b>209,361</b>	<b>44.2%</b>

The increase in net working capital (+44.2%) is mainly due to the increase in inventories, in particular of finished products, which increased by 53,095 thousand Euro compared to 2013 (of which 31,638 thousand Euro attributable to exchange rate changes, accounting for 59.6% of the total change). Trade receivables mainly refer to wholesale sales and they increased by 29,487 thousand Euro compared to 31 December 2013, mainly due to the increase in related sales and, to a lesser extent, to the increase in the number of days for collection.

Trade payables are mainly due to purchases of production materials, products and manufacturing in outsourcing.

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

(In thousands of Euro)	31 December 2014	31 December 2013	% change
Available-for-sale financial assets	25	25	-
Other non current assets	6,683	6,271	6.6%
Other non current financial assets	14,668	11,538	27.1%
Deferred tax assets	95,274	78,537	21.3%
<b>Total other non current assets</b>	<b>116,650</b>	<b>96,371</b>	<b>21.0%</b>
Provisions for risks and charges	(7,106)	(5,348)	32.9%
Employee benefit liabilities	(11,583)	(10,092)	14.8%
Other non current liabilities	(48,758)	(38,671)	26.1%
Deferred tax liabilities	(4,171)	(7,167)	(41.8%)
<b>Total other non current liabilities</b>	<b>(71,618)</b>	<b>(61,278)</b>	<b>16.9%</b>
<b>Other non current assets/(liabilities), net</b>	<b>45,032</b>	<b>35,093</b>	<b>28.3%</b>

“Other non current assets” mainly consist of:

- the straight lining of rental income from the American real estate business for 5,945 thousand Euro (5,359 thousand Euro in 2013);
- the portion of receivables due after more than 12 months stemming in 2005 from the advance on fees for Ungaro fragrances amounting to 595 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 and renegotiated during 2014 (550 thousand Euro in 2013).

“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 amounting to 48,455 thousand Euro (37,266 thousand Euro in 2013).

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

(In thousands of Euro)	31 December 2014	31 December 2013	% change
Tax receivables	13,488	10,071	33.9%
Other current assets	34,058	42,773	(20.4%)
<b>Total other current assets</b>	<b>47,546</b>	<b>52,844</b>	<b>(10.0%)</b>
Tax payables	(21,528)	(22,401)	(3.9%)
Other current liabilities	(63,710)	(43,472)	46.6%
<b>Total other current liabilities</b>	<b>(85,238)</b>	<b>(65,873)</b>	<b>29.4%</b>
<b>Other current assets/(liabilities), net</b>	<b>(37,692)</b>	<b>(13,029)</b>	<b>189.3%</b>

“Other current assets” mainly consist of:

- receivables due from credit card management companies for retail sales (8,414 thousand Euro), accrued income and prepaid expenses (17,862 thousand Euro) and advances to suppliers (880 thousand Euro).
- receivables due from the Holding company Ferragamo Finanziaria S.p.A. (2,025 thousand Euro) concerning the income tax (IRES) refund claim by Italian companies 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.
- the fair value assessment of hedge derivative contracts for 1,878 thousand Euro (15,034 thousand Euro in 2013) entered into by the Parent company to manage exchange rate risk on sales in currencies other than the Euro.

“Other current liabilities” mainly consist of:

- the fair value assessment of hedge derivative contracts for 23,120 thousand Euro (230 thousand Euro in 2013) entered into by the Parent company to manage exchange rate risk on sales in currencies other than the Euro.
- 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 at the end of the reporting period for other payables to suppliers, accrued expenses and deferred income;
- payables to the Holding company Ferragamo Finanziaria S.p.A. amounting to 6,275 thousand Euro as at 31 December 2014 (8,757 thousand Euro in 2013) as part of the domestic fiscal unity relating to the current period.

### Shareholders' equity

(In thousands of Euro)	31 December 2014	31 December 2013	% change
Group shareholders' equity	466,190	365,465	27.6%
Minority interests	42,004	34,305	22.4%
<b>Total</b>	<b>508,194</b>	<b>399,770</b>	<b>27.1%</b>

The changes in Group shareholders' equity were due to the increase of 156,565 thousand Euro in net profit for the period, the increase of 39,194 thousand Euro due to the effect of translating into Euro the subsidiaries' financial statements denominated in other currencies (mainly the US dollar), the decrease of 67,364 thousand Euro due to dividends declared by the Parent company, the increase of 280 thousand Euro arising from the changes in the fair value of the put options assigned to pre-existing minority shareholders, the decrease of 29,069 thousand Euro due to the valuation of hedge derivatives, net of the related tax effect, the increase in the stock grant reserve for 1,585 thousand Euro, and other minor reductions for 466 thousand Euro.

### Net financial debt

Net financial debt as at 31 December 2014 and 31 December 2013 was as follows:

(In thousands of Euro)	31 December 2014	31 December 2013	% change
Cash and cash equivalents (A)	96,463	70,308	37.2%
Other current financial assets (B)	976	1,928	(49.4%)
Interest-bearing loans and borrowings (C)	142,414	100,052	42.3%
Other current financial liabilities (D)	4,378	4,782	(8.4%)
<b>Net financial debt (C + D – A – B)</b>	<b>49,353</b>	<b>32,598</b>	<b>51.4%</b>

Net financial debt for 2014 amounted to 49,353 thousand Euro (9.7% of consolidated shareholders' equity), up by 16,755 thousand Euro compared to the previous year, mainly due to the distribution of dividends (69,787 thousand Euro), the increase in net working capital (92,534 thousand Euro) and investments in tangible/intangible assets in 2014 (82,871 thousand Euro).

### **Income and financial indicators**

The tables below set out the trend in the main income and financial indicators for the years ended 31 December 2014 and 2013.

<b>Profitability ratios</b>	<b>2014</b>	<b>2013</b>
ROE (Group net profit for the period / Average Group shareholders' equity for the period)	37.7%	47.6%
ROI (Operating profit / Net average invested capital for the period)	49.6%	55.5%
ROS (Operating profit / Revenues)	18.4%	17.4%

<b>Financial ratios</b>	<b>2014</b>	<b>2013</b>
Coverage of shareholders' equity / non current assets ratio (Shareholders' equity / Non current assets)	139.2%	134.5%
Liquidity ratio (Current assets excluding inventories / Current liabilities)	74.3%	66.0%

<b>Turnover ratios expressed in days</b>	<b>2014</b>	<b>2013</b>
Turnover of Trade receivables <i>Average value of Trade receivables in the period / Revenues x days</i>	37	33
Turnover of Trade payables <i>Average value of Trade payables in the period / Purchases of goods and services x days</i>	84	81
Inventory turnover <i>Average value of Inventories in the period / Cost of goods sold x days</i>	238	215
Turnover of Average invested capital <i>Average value of Net invested capital / Revenues x days</i>	136	115

Average value means the simple arithmetic average of the closing balances of the period and of the previous period.

## 5. Operating performance of the Parent company Salvatore Ferragamo S.p.A.

The tables set out below and the relevant comments have been prepared on the basis of the separate financial statements as at 31 December 2014 to which reference should be made. They have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and endorsed by the European Union, as well as in compliance with the provisions issued in implementation of art. 9 of Leg. Decree no. 38/2005.

The following table shows the main income statement indicators.

(In thousands of Euro)	2014	% of revenues	2013	% of revenues	% change
Revenues from sales (wholesale, retail, e-commerce)	736,115	97.5%	701,165	97.2%	5.0%
Revenues from royalties	7,387	1.0%	6,558	0.9%	12.6%
Other income and services	11,699	1.5%	13,369	1.9%	(12.5%)
<b>Total revenues from sales and services</b>	<b>755,201</b>	<b>100.0%</b>	<b>721,092</b>	<b>100.0%</b>	<b>4.7%</b>
Change in inventories of finished products	2,300	0.3%	3,486	0.5%	(34.0%)
Costs for raw materials, goods and consumables	(226,494)	(30.0%)	(218,803)	(30.3%)	3.5%
Costs for services	(302,581)	(40.1%)	(296,815)	(41.2%)	1.9%
Personnel costs	(59,604)	(7.9%)	(59,041)	(8.2%)	1.0%
Amortization, depreciation and write-downs	(13,053)	(1.7%)	(11,365)	(1.6%)	14.9%
Other operating costs	(6,476)	(0.9%)	(2,892)	(0.4%)	123.9%
Other income and revenues	6,091	0.8%	6,326	0.9%	(3.7%)
<b>Total operating costs (net of other income)</b>	<b>(599,817)</b>	<b>(79.4%)</b>	<b>(579,104)</b>	<b>(80.3%)</b>	<b>3.6%</b>
<b>Operating profit</b>	<b>155,384</b>	<b>20.6%</b>	<b>141,988</b>	<b>19.7%</b>	<b>9.4%</b>
Financial income (charges)	9,398	1.2%	14,140	2.0%	(33.5%)
<b>Profit before taxes</b>	<b>164,782</b>	<b>21.8%</b>	<b>156,129</b>	<b>21.7%</b>	<b>5.5%</b>
Income taxes	(57,607)	(7.6%)	(50,658)	(7.0%)	13.7%
<i>Tax rate</i>	<i>35.0%</i>		<i>32.4%</i>		-
<b>Net profit/(loss) for the period</b>	<b>107,176</b>	<b>14.2%</b>	<b>105,470</b>	<b>14.6%</b>	<b>1.6%</b>
<b>EBITDA</b>	<b>168,437</b>	<b>22.3%</b>	<b>153,353</b>	<b>21.3%</b>	<b>9.8%</b>

In 2014 there were significant increases in both sales volumes and results compared to 2013, despite very unstable exchange rates, with a negative impact on the first three quarters of the year and a positive impact in the last quarter, a macroeconomic context which is still not favorable (increasing consumption levels in the United States and continuing weakness in Europe and emerging countries, such as Brazil and India) and the presence of strong socio-political tensions (conflict in Ukraine, embargo on Russia, Greek debt, tensions in Hong Kong) which significantly adversely affected business performance.

In 2014 **net revenues from sales and services** totaled 755,201 thousand Euro, up by 4.7% compared to the previous year.

**Operating profit** increased from 141,988 thousand Euro to 155,384 thousand Euro (+9.4%), thanks to the increase in revenues (+4.7%) and the limited increase in operating costs (net of other income), with the ratio to revenues decreasing from 80.3% to 79.4%. EBITDA as a percentage of revenues rose from 21.3% in 2013 to 22.3% in 2014 (+9.8%). These results are even more outstanding if we recall that in 2013 they were already strongly up on the previous year (net revenues +17.2%, operating profit +47.1%), thus confirming the extraordinary strength of the Ferragamo brand.

**Net profit** for the period totaled 107,176 thousand Euro compared to 105,470 thousand Euro in 2013. The effective tax rate for 2014 was 35.0% compared to 32.4% in the prior period.

## Revenues

The following table shows revenues from sales and services by **distribution channel** and the change on the previous year:

(In thousands of Euro)	2014	% of revenues	2013	% of revenues	% change
Wholesale	667,399	88.4%	632,142	87.7%	5.6%
Retail+E-commerce	68,716	9.1%	69,023	9.6%	(0.4%)
<b>Total revenues from sales</b>	<b>736,115</b>	<b>97.5%</b>	<b>701,165</b>	<b>97.2%</b>	<b>5.0%</b>
Revenues from royalties	7,387	1.0%	6,558	0.9%	12.6%
Other income and services	11,699	1.5%	13,369	1.9%	(12.5%)
<b>Total revenues from sales and services</b>	<b>755,201</b>	<b>100.0%</b>	<b>721,092</b>	<b>100.0%</b>	<b>4.7%</b>

Wholesale revenues refer mainly to sales to Group companies and, to a lesser extent, to sales to retailers. Retail + E-commerce sales refer to the revenues generated from directly operated stores (DOS) in Italy and sales generated by e-commerce.

Revenues from royalties refer mainly to revenues from the licensing of the Salvatore Ferragamo brand with reference to the eyewear, watches and fragrances product categories.

The item "Other income and services" mainly includes other revenues from Group companies and the recovery of freight and packaging costs.

The following table shows the revenues from sales by **geographic area** and the change on the previous year.

(In thousands of Euro)	2014	% of revenues from sales	2013	% of revenues from sales	% change
Italy	137,973	18.7%	120,350	17.2%	14.6%
Europe (excluding Italy)	129,511	17.6%	122,034	17.4%	6.1%
North America	164,552	22.4%	153,371	21.9%	7.3%
Asia Pacific	224,503	30.5%	215,650	30.8%	4.1%
Japan	45,349	6.2%	53,317	7.6%	(14.9%)
Central and South America	34,227	4.6%	36,443	5.2%	(6.1%)
<b>Total revenues from sales</b>	<b>736,115</b>	<b>100.0%</b>	<b>701,165</b>	<b>100.0%</b>	<b>5.0%</b>

The breakdown of revenues by geographic area shows that in the main markets there was a significant rise in turnover.

In 2014 revenues in Italy and Europe increased by 14.6% and 6.1% respectively despite the negative impact of international tensions, which adversely affected tourism flows, and the still challenging economic backdrop.

North America recorded an increase of 7.3% compared to 2013, after the sharp increase already recorded in 2013 (+20.8% compared to 2012).

Asia Pacific confirmed its position as the leading market in terms of revenues for the Company, with turnover accounting for 30.5% of total turnover, up by 4.1%, despite the tensions recorded in the second half of the year in Hong Kong and the slowdown in China.

The Japanese market fell by 14.9% largely due to the unfavorable trend in the exchange rate of the Euro against the Japanese Yen (the invoicing currency), with the latter falling by 8.2% against the Euro (% difference between the average exchange rates in 2014 compared to 2013).

Central and South America fell by 6.1%, after years of strong growth, due mainly to the slowdown in the Brazilian economy.

The following table shows the revenues from sales by **product category** and the change on the previous year.

(In thousands of Euro)	2014	% of revenues from sales	2013	% of revenues from sales	% change
Footwear	331,241	45.0%	321,539	45.9%	3.0%
Leather goods	288,942	39.3%	255,233	36.4%	13.2%
Apparel	65,787	8.9%	69,696	9.9%	(5.6%)
Accessories and other products	50,145	6.8%	54,697	7.8%	(8.3%)
<b>Total revenues from sales</b>	<b>736,115</b>	<b>100.0%</b>	<b>701,165</b>	<b>100.0%</b>	<b>5.0%</b>

Among the product categories, note should be taken in particular of the increases in turnover of leather goods (+13.2%) and footwear (+3.0%), which overall account for 84.3% of the Company's revenues. The remaining product categories, apparel and accessories, fell by 5.6% and 8.3% respectively.

### Statement of financial position

Here below is the statement of financial position as at 31 December 2014 reclassified by sources and uses, compared to the position as at 31 December 2013:

<b>(In thousands of Euro)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>	<b>% change</b>
Property, plant and equipment, and intangible assets with a finite useful life	75,965	61,117	24.3%
Net working capital	124,567	107,205	16.2%
Other non current assets/(liabilities), net	172,015	155,217	10.8%
Other current assets/(liabilities), net	(39,570)	(8,792)	350.1%
<b>Net invested capital</b>	<b>332,977</b>	<b>314,747</b>	<b>5.8%</b>
<b>Shareholders' equity (A)</b>	<b>310,921</b>	<b>289,445</b>	<b>7.4%</b>
<b>Net financial debt (B)</b>	<b>22,056</b>	<b>25,302</b>	<b>(12.8%)</b>
<b>Total sources of financing (A+B)</b>	<b>332,977</b>	<b>314,747</b>	<b>5.8%</b>

### Investments in fixed assets

During 2014, the Company made investments in tangible and intangible assets for a total amount of 27,919 thousand Euro, of which 20,472 thousand Euro in tangible assets and 7,447 thousand Euro in intangible assets.

The most significant investments concerned the ongoing project to expand and renovate the industrial complex in Osmannoro Sesto-Fiorentino for a total amount of 10,776 thousand Euro (52.6% of total investments in tangible assets).

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

Amortization and depreciation totaled 13,053 thousand Euro as at 31 December 2014 and 11,365 thousand Euro at 31 December 2013.

### Net working capital

Here below is the breakdown and change in **net working capital** as at 31 December 2014 compared with the figure as at 31 December 2013.

<b>(In thousands of Euro)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>	<b>% change</b>
Inventories	96,588	101,704	(5.0%)
Trade receivables	154,727	140,187	10.4%
Trade payables	(126,748)	(134,686)	(5.9%)
<b>Total</b>	<b>124,567</b>	<b>107,205</b>	<b>16.2%</b>

The increase in net working capital was 16.2% given an increase in revenues from sales of 4.7%.

Inventories decreased overall by 5,116 thousand Euro (5.0%) and concerned the stocks of raw materials used for production which decreased by 7,416 thousand Euro and the stocks of finished products which rose by 2,300 thousand Euro. The increase in stocks of finished products was due to the increase in orders and the enhancement of the product range.

In 2014 trade receivables were up by 10.4% (an increase related to the rise in sales) and concerned receivables from subsidiaries (113,734 thousand Euro, +2.8% compared to 2013) and receivables from third parties (40,993 thousand Euro, +38.6% compared to 2013).

Trade payables are mainly due to the purchase of finished products, manufacturing in outsourcing and the purchase of production materials and their increase is connected to the rise in production.

## Net financial debt

Net financial debt as at 31 December 2014 and 31 December 2013 was as follows:

(In thousands of Euro)	31 December 2014	31 December 2013	Change 2014 vs. 2013
Cash and cash equivalents (A)	8,115	3,848	4,267
Other current financial assets (B)	11	1	10
Interest-bearing loans and borrowings (C)	29,200	28,500	700
Other current financial liabilities (D)	982	651	331
<b>Net financial debt (C + D – A – B)</b>	<b>22,056</b>	<b>25,302</b>	<b>(3,246)</b>

Net financial debt for 2014 amounted to 22,056 thousand Euro (7.1% of shareholders' equity), up by 3,246 thousand Euro compared to the previous year, despite the distribution of dividends (67,364 thousand Euro), the increase in net working capital (17,362 thousand Euro), in investments in tangible/intangible assets in 2014 (27,919 thousand Euro).

## Income and financial indicators

The tables below set out the trend in the main income and financial indicators of the Parent company for the years ended 31 December 2014 and 2013.

Profitability ratios	2014	2013
ROE ( <i>Net profit for the period / Average shareholders' equity</i> )	35.7%	40.1%
ROI ( <i>Operating profit / Net average invested capital</i> )	48.0%	49.0%
ROS ( <i>Operating profit / Revenues from sales and services</i> )	20.6%	19.7%

Financial ratios	2014	2013
Coverage of Shareholders' equity / Non current assets ratio	115.7%	121.0%
Liquidity ratio ( <i>Current assets excluding Inventories / Current liabilities</i> )	83.8%	85.5%

Turnover ratios expressed in days	2014	2013
Turnover of trade receivables <i>Average value of Trade receivables in the period / Revenues from sales and services x days</i>	71	64
Turnover of Trade payables <i>Average value of Trade payables in the period / Costs for raw materials, goods and consumables and Costs for services x days</i>	90	87
Inventory turnover <i>Average value of Inventories in the period / Cost of goods sold x days</i>	84	85
Turnover of Average invested capital <i>Average value of Net invested capital / Revenues from sales and services x days</i>	157	147

Average value means the simple arithmetic average of the closing balances of the period and of the previous period.

**6. Reconciliation between the Parent company's net profit/(loss) for the period and shareholders' equity and the 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:

(In thousands of Euro)	31 December 2014	
	Shareholders' equity	Net profit/(loss) for the period
<b>Parent company - shareholders' equity and net profit/(loss)</b>	<b>310,921</b>	<b>107,176</b>
Elimination of consolidated investments	301,672	78,892
Dividends distributed among Group companies		(13,003)
Elimination of write-downs / (restatement value) on consolidated investments	-	(2,121)
Elimination of unrealized profits, deriving from transactions between Group companies, relating to inventories, net of the deferred tax effect	(108,731)	(18,210)
Effect of IAS 39 - cash flow hedge reserve, net of the deferred tax effect		9,789
Other consolidation adjustments	4,332	992
<b>Total shareholders' equity and net profit/(loss)</b>	<b>508,194</b>	<b>163,515</b>
Minority interests - shareholders' equity and net profit/(loss)	42,004	6,950
<b>Group - shareholders' equity and net profit/(loss)</b>	<b>466,190</b>	<b>156,565</b>

## 7. Results of Group companies

The main highlights of subsidiaries are shown in the table below.

(In thousands)		2014			2013		
Company	Currency	Revenues	Net profit/(loss)	Shareholders' equity	Revenues	Net profit/(loss)	Shareholders' equity
Ferragamo Australia PTY Ltd.	AUD	26,797	3,577	12,798	21,809	1,872	9,221
Ferragamo Japan KK	JPY	13,172,407	186,339	2,803,750	12,916,524	147,893	2,637,072
Ferragamo Korea Limited	KRW	139,233,036	6,498,009	68,884,497	111,937,423	8,110,782	66,586,488
Ferragamo Espana S.L.	Euro	10,128	(472)	1,773	10,407	(647)	2,245
Ferragamo Latin America Inc.	USD	949	362	86	1,456	(385)	(276)
Ferragamo St. Thomas Inc.	USD	130	385	-	515	(211)	(385)
Ferrimag Limited	HKD	-	36,175	123,928	-	86,592	125,299
Ferragamo Retail HK Limited	HKD	727,200	85,314	259,746	716,416	131,454	210,826
Ferragamo Retail Taiwan Limited	TWD	884,423	34,996	318,848	882,280	30,286	283,629
Ferragamo Mexico S. de R.L. de C.V.	MXN	712,951	36,216	224,723	663,713	51,779	188,463
Ferragamo Retail Nederland B.V.	Euro	5,086	940	1,703	4,677	628	762
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	CNY	1,034,573	91,931	329,087	1,002,318	108,533	237,156
Ferragamo (Singapore) Pte. Ltd.	SGD	43,306	(1,117)	10,280	40,087	1,565	11,397
Ferragamo (Thailand) Limited	THB	150,382	(13,865)	96,125	193,325	17,581	109,266
Ferragamo (Malaysia) Sdn Bhd	MYR	34,866	422	23,430	34,624	3,748	23,009
Ferragamo Hong Kong Ltd.	USD	319,192	40,556	220,482	322,007	38,420	179,594
Ferragamo USA Inc Group	USD	382,015	12,410	91,751	364,509	12,651	78,677
Ferragamo Deutschland GmbH	Euro	12,207	1,218	10,968	12,578	6,484	13,250
Ferragamo Belgique S.A.	Euro	2,230	34	1,188	2,387	140	1,154
Ferragamo Monte-Carlo S.A.M.	Euro	1,433	76	1,199	1,836	280	1,123
Ferragamo Suisse SA	CHF	11,946	1,651	5,926	11,790	1,856	6,276
Ferragamo UK Ltd.	GBP	15,831	83	7,343	16,380	128	7,261
Ferragamo France S.A.S.	Euro	27,133	689	10,633	25,914	1,489	9,945
Ferragamo Parfums S.p.A.	Euro	82,552	2,162	14,381	77,461	1,187	12,207
Ferragamo Chile S.A.	CLP	1,120,252	(258,006)	199,635	870,019	(149,631)	457,640
Ferragamo Austria GmbH	Euro	3,873	64	3,196	3,453	136	3,131
Ferragamo Retail India Private Limited	INR	473,189	(21,782)	(333,339)	428,014	(83,617)	(311,845)
Ferragamo Retail Macau Limited	MOP	157,187	48,428	96,161	146,919	47,696	47,733
Ferragamo Moda (Shanghai) Co. Ltd.	CNY	242,192	(13,438)	11,623	216,901	(7,636)	25,061
Ferragamo Brasil Roupas e Acessorios Ltda	BRL	15,334	(11,010)	20,949	5,451	(7,027)	17,365
Ferragamo Argentina S.A.	ARS	12,068	(383)	(342)	9,172	(2,710)	(1,959)

## **8. Significant events occurred during the year**

### **Investments**

On 19 February 2014 and 24 November 2014 the company Ferragamo Brasil Roupas e Acessorios Ltda. resolved two share capital increases for a total amount of 14,500,000 Reals and 9,400,000 Reals respectively (equal to a total amount of 7.4 million Euro) to 48,615,000 Reals, subscribed for 99.0% by the Parent company Salvatore Ferragamo S.p.A and for the remaining 1.0% by Ferragamo Latin America Inc..

On 1 December 2014 the share capital increase was completed of the subsidiary Ferragamo Argentina SA for 2 million Pesos (equal to 184 thousand Euro), subscribed for 95% by Salvatore Ferragamo S.p.A. and 5% by Ferragamo Latin America Inc., through the transfer of previous trade receivables claimed by both shareholders.

On 30 November 2014, as part of the restructuring plan for the South American market, Ferragamo St. Thomas Inc. and Ferragamo Latin America Inc. were put into liquidation and on 19 December 2014 Ferragamo Latin America Inc. sold its minority interests in Ferragamo Argentina S.A. (5%), Ferragamo Chile S.A. (1%), Ferragamo Mexico S. de R.L. de C.V. (0.27%) and Ferragamo Brasil Roupas e Acessorios Ltda (1%) to Ferragamo Usa Inc..

### **Tax and customs disputes and audits**

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 of the 2013 Consolidated Financial Statements and in the Half-year report as at 30 June 2014, 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.. This challenge was confirmed by a second adjustment proposal which was notified on 17 September 2012, which, however, was more favorable to the taxpayer. French law envisages complex proceedings between the tax authorities and the taxpayer, which started with the first notification and which could last some years. On 11 April 2014 the Board of Directors of Ferragamo France S.A.S. resolved to reach a settlement with French tax authorities which should in any case exclude any reason to object and should have a limited economic impact on the Company. On 12 December 2014 the French authorities informed Ferragamo France S.A.S. that they did not intend to set aside their claims and so issued to Ferragamo France S.A.S. two assessment notices to end the administrative proceedings, the first on 25 February 2015 and the second on 3 March 2015, confirming their claims as redetermined during the procedure. For Ferragamo France S.A.S. these claims would entail the payment of around 900,000 Euro due to higher taxes on the company, penalties and interest for 2009 and 2010, as well as the redetermination of the taxable income for the years from 2011 to 2014 as a consequence of the cancellation of previous tax losses (amounting to around 8,925,000 Euro), with a higher tax of 2,135,000 Euro. Ferragamo France S.A.S. firmly believes it is in the right and intends to oppose the notice, through an administrative appeal to be submitted within 60 days. Should the French tax authorities reject the appeal or should it prove impossible to reach a settlement, Ferragamo France S.A.S. shall have the right to appeal to the tax court. Nonetheless, the company still has the possibility of trying to reach a settlement with the French tax authorities at any stage of the proceedings. Therefore, it is not possible to make estimates regarding any tax liabilities arising from the procedure.

On 6 March 2014, the Provincial Unit of the Florence Inland Revenue Office started to carry out a tax audit at the operating headquarters of Ferragamo Parfums S.p.A. relating to the 2011 tax year for the purposes of IRES and IRAP taxes and VAT. The tax audit primarily concerned the main cost items and relationships with Group companies and foreign entities. The audit procedure was completed on 2 October 2014, without any findings.

As already pointed out in the Directors' report on operations of the 2013 Consolidated Financial Statements and in the Half-year report as at 30 June 2014, to which reference should be made for further details, the dispute with the Korean authorities is still pending: it concerns an assessment notice relating to the Securities transaction tax (STT) for a total amount of KRW 282,162,280 (equal to around 213 thousand Euro at the exchange rate as at 31 December 2014). The sums have already been paid: should the dispute be lost, the liability would be definitively recognized; on the contrary, should it be won, Salvatore Ferragamo S.p.A. would be entitled to refund.

From 12 to 30 May 2014 the Seoul Customs Office carried out an audit at Ferragamo Korea Ltd. on transfer pricing concerning transfers of goods and the provision of services by Ferragamo Hong Kong Ltd. to the Korean company from 2009 to 2013. The audit ended with a request for further information and documents and further requests followed in this regard. Ferragamo Korea Ltd. is awaiting the

conclusion of the ongoing audit, before completion of which it is not possible to estimate whether and, if it is the case, to what extent import taxes and duties and/or customs penalties will be challenged.

On 19 November 2013 the Chinese subsidiary Ferragamo Fashion Trading (Shanghai) Ltd. received an information request from the Chinese customs offices on transfer pricing concerning transfers of goods and the provision of services by the Group subsidiary Ferragamo Hong Kong Ltd. to the Chinese company in 2013. In March 2014 customs offices requested further information and documents (extending the scope of the audit to 2011 and 2012), and further requests followed in this regard. Ferragamo Fashion Trading (Shanghai) Ltd. is awaiting the conclusion of the ongoing audit, before completion of which it is not possible to estimate whether and, if it is the case, to what extent import taxes and duties and/or customs penalties will be challenged.

**International standard ruling on transfer pricing**

On 11 August 2014, Salvatore Ferragamo S.p.A. requested an international standard ruling from the Italian Inland Revenue Office – Central Assessment Department – International Ruling Office, pursuant to Art. 8 of Italian Law Decree no. 269 dated 30 September 2003 (converted into law no. 326/2003) as implemented by the Decision of the Head of the Inland Revenue Office dated 23 July 2004. The request concerned the setting of transfer prices for the products sold by Salvatore Ferragamo S.p.A. to its foreign subsidiaries. The goal is reaching an agreement that would last five years between tax authorities and the taxpayer on how to set prices for such transactions. On 5 September 2014, the International Ruling Office accepted the request, formally starting the international standard ruling procedure, which is currently underway and usually lasts around two years.

**Shareholders' Meeting**

On 29 April 2014 the Shareholders' Meeting of the Parent company Salvatore Ferragamo S.p.A. approved the financial statements for the year ended 31 December 2013 and approved the distribution of a dividend of 0.40 Euro per share. In addition, on the same date the Shareholder's Meeting appointed the Board of Statutory Auditors which shall be in office for the next three years until the Shareholders' Meeting approving the financial statements for the year ending 31 December 2016 and confirmed Lidia Fiori as Director. The term of office of Lidia Fiori and of the other Directors shall expire upon approval of the financial statements for the year ended 31 December 2014 by the Shareholders' Meeting.

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

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

On 12 March 2015 the Board of Directors of Salvatore Ferragamo S.p.A. 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 description of the corporate governance system adopted by Salvatore Ferragamo S.p.A. (the Company), 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 Bylaws 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, including the relevant updates.

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. As regards the directors Ferruccio Ferragamo, Michele Norsa, Giovanna Ferragamo, Fulvia Ferragamo, Leonardo Ferragamo, Francesco Caretti, Diego Paternò Castello di San Giuliano, Peter K.C. Woo, Piero Antinori, Umberto Tombari (Independent Director) e Marzio Saà (Independent Director), 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., while the Director Lidia Fiori (Independent Director) was appointed by means of co-optation by the Board of Directors on 11 July 2013 and confirmed by the Shareholders' Meeting held on 29 April 2014.

This Board of Directors will serve until the date of the Shareholders' Meeting called to approve the separate financial statements for the year ended 31 December 2014.

On 26 April 2012 the Shareholders' Meeting also appointed, pursuant to article 17 of the bylaws, Wanda Miletto 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 as at 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, which operates also as Committee responsible for transactions with related parties;
- 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 Marzio Saà, Umberto Tombari and Piero Antinori, with the latter being replaced by Director Lidia Fiori on 11 July 2013;
- 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.

On 29 April 2014 the Shareholders' Meeting appointed the new Board of Statutory Auditors for the 2014-2016 period by means of the list voting system; the Board of Statutory Auditors shall be in office until the Shareholders' Meeting approving the separate financial statements for the year ending 31 December 2016 and consists of the following members, who were all selected from the single list submitted by the Shareholder Ferragamo Finanziaria S.p.A.: Fulvio Favini (appointed as Chairman since he was the first Acting Statutory Auditor in the single list), Gerolamo Gavazzi (Acting Statutory Auditor), Alessandra Daccò (Acting Statutory Auditor), Lorenzo Galeotti Flori (Substitute Statutory Auditor) and Deborah Sassorossi (Substitute Statutory Auditor).

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

The internal control system of Salvatore Ferragamo S.p.A. 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. 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, it 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 of the system, 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.

- **ERM Guidance Committee**  
It is appointed by the Managing Director and it has the task of assisting him in taking the main decisions concerning the design, implementation and management of the ERM Model. Among these, the direct assessment of “strategic” risks, the confirmation of assessments concerning other risks and the approval of high priority measures and action plans.
- **Risk Manager**  
He coordinates the risk management process and systematically supports the ERM Guidance Committee and, generally, all the management staff involved. He interacts with the Managing Director and the Control and Risk Committee, reporting on and providing updates on the characteristics and development of the ERM 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/investor](http://www.ferragamo.com/investor) relations.

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

Salvatore Ferragamo S.p.A. adopted measures to comply with the provisions set out in article 36 of the Markets Regulation (CONSOB resolution no. 16191/2007, as subsequently integrated and amended); this Regulation governs the requirements for listing shares of companies which control entities that have been set up under and are governed by the law of a Country not belonging to the European Union and which are significant for the purposes of the consolidated financial statements. As at 31 December 2014 the aforementioned regulatory provision applied to the following foreign non-EU subsidiaries: Ferragamo USA Inc, Ferragamo Hong Kong Ltd, Ferragamo Fashion Trading (Shanghai) Co Ltd, Ferragamo Korea Ltd, Ferragamo Japan KK, Ferragamo Mexico S. de R.L. de C.V., Ferragamo Retail HK Limited and Ferragamo Retail Taiwan Limited.

In particular, Salvatore Ferragamo S.p.A.:

- a) discloses, pursuant to the procedures and deadlines established by relevant regulations, 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 bylaws 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 Holding company;
  - adopt an administrative and accounting system that can ensure the regular provision to the management and to the Independent Auditors of the Holding company of the income, equity and financial data needed to prepare the consolidated financial statements.

In order to fulfill its own regulatory obligations, the Board of Statutory Auditors of the Parent company Salvatore Ferragamo S.p.A. has verified the suitability of the administrative and accounting system to duly provide management and the independent auditors of the Parent company Salvatore Ferragamo S.p.A. with the income, equity and financial data needed to prepare the consolidated financial statements and ensure the effective flow of information through meetings both with the independent auditors and the Manager responsible for corporate financial reporting.

## **10. Other information**

### **Financial reporting and Investor relations**

Salvatore Ferragamo S.p.A., 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 Relator 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.

### **Stakes in Salvatore Ferragamo S.p.A.**

As at 31 December 2014, 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 of Ferragamo Finanziaria S.p.A. pursuant to art. 120 A of the CONSOB Issuers' Regulation.

### **Management and coordination**

Salvatore Ferragamo S.p.A. is subject to the management and coordination of Ferragamo Finanziaria S.p.A. pursuant to art. 2497-bis of the Italian Civil Code. Salvatore Ferragamo S.p.A. 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 Salvatore Ferragamo S.p.A.:

- (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;
- (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 and remuneration committee to appoint directors consisting of independent directors, pursuant to art. 148, paragraph 3 of the TUF and the Corporate Governance Code;

### **Domestic fiscal unity**

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.

### **Transactions arising from atypical and/or unusual transactions**

The Parent company Salvatore Ferragamo S.p.A. and 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.

## 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, the company Salvatore Ferragamo S.p.A. has arranged to keep it updated on a voluntary basis, trying at the same time to remove the parts which are no longer considered essential, to ensure greater ease of consultation.

### *11. Human resources management and development*

The Salvatore 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.

Particular attention continues to be paid to young people and in-house growth because the Salvatore Ferragamo Group believes that it is the best way to share those Ferragamo values which for over eighty years of business have been at the core of its business practices; 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 Salvatore Ferragamo S.p.A. 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, in the last two years, 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. In 2014, Salvatore Ferragamo S.p.A. also introduced a flexible benefit plan aimed at blue- and white-collar staff, excluding retail staff for whom the company reviewed its incentive policy. In addition, it introduced further agreements with local operators with the aim of helping employees obtain goods and services at favorable rates.

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 Salvatore Ferragamo Group strongly believes. In 2014 volunteering days were undertaken organized by Salvatore Ferragamo S.p.A. with the involvement of employees who voluntarily joined this initiative.

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. Assessments have been made of all the risks, including work-related stress and specific task-related risks. The safety team is involved in all the processes aimed at developing new spaces and renovating existing ones, for the purposes of ensuring a progressive improvement in the quality and safety at the workplace, by going beyond the minimum requirements of the laws in force. As for remuneration policies, the Salvatore 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 2014 and 31 December 2013.

Staff	31 December 2014	31 December 2013
Top managers, middle managers and store managers	668	617
White collars	2,987	2,925
Blue collars	245	222
<b>Total</b>	<b>3,900</b>	<b>3,764</b>

The Parent company's staff as at 31 December 2014 totaled 880 staff members, up by 34 compared to 31 December 2013.

## **12. Environmental protection**

The Group's business gives rise to limited environmental issues, but it has nonetheless always put environmental eco-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 Salvatore Ferragamo S.p.A. has installed at its Osmannoro-Sesto Fiorentino plant photovoltaic systems and solar panels to produce electricity and hot water for the various buildings respectively, as it believes that the consequent environmental benefit is positive in terms of reduced CO<sub>2</sub> emissions and reduced water consumption. With a view to safeguarding the environment, the Company attaches great importance to its waste production and management. In order to enhance waste sorting processes, in 2014 the Company equipped offices with specific containers for separate waste collection and this, together with specific training programs, resulted in an actual reduction in the quantities of unsorted waste disposed of. 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.

## **13. 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 2014 these costs totaled 24,036 thousand Euro (of which 23,463 thousand Euro incurred by the Parent company) compared to 25,026 thousand Euro in 2013 (of which 24,203 thousand Euro incurred by the Parent company).

## **14. 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/investor relations](http://www.ferragamo.com/investor%20relations).

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 Procedure was reviewed by the Board on 13 November 2014, since three years had passed since its initial adoption, and on that date, with the favorable opinion of the Related Party Committee, some clarification was provided in relation to the operating procedures implemented by the Company in order to identify and trace the related parties and the transactions undertaken with them by the Company.

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 of Directors and Managers with strategic responsibilities 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 the specific note to the consolidated and separate financial statements – cannot be considered as atypical or unusual, since they form part of Group companies' regular business and are regulated at market conditions.

### **15. Main risks and uncertainties**

Here below are the main risk factors to which the Parent company and the subsidiaries (the Group) are 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 widespread presence 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 Salvatore 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 partial dependence of Ferragamo Parfums S.p.A. on a single manufacturer which handles the whole operational process, consisting of production and bottling.

**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 Group'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 expertise 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 these 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, and financial ratios.

##### **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 37 percent of global turnover: the remaining turnover refers to retail sales with payment usually made 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, investing 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 Salvatore 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.

As at 31 December 2014 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/long-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 to the consolidated and separate financial statements, at the end of the paragraph on accounting standards.

### Compliance risks

#### **Tax risk**

The Salvatore 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 to 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.

#### ***16. Significant events occurred after 31 December 2014***

On 5 January 2015, the Danish company Ferragamo Denmark ApS was set up with share capital of 500,000 Danish Krone and a share premium of 5,500,000 Danish Krone, divided into 500,000 shares, with a par value of 1.00 Danish Krone each, wholly subscribed by Salvatore Ferragamo S.p.A. for a total amount of 6 million Danish Krone (equal to 807 thousand Euro). The company was established in order to manage a retail store due to open in Copenhagen in the first half of 2015.

On 25 February 2015 and 3 March 2015 Ferragamo France S.A.S. received two assessment notices for details on which reference should be made to the section "*Significant events occurred during the year*".

#### ***17. Macroeconomic situation and outlook***

2014 proved to be a year of weak growth for the global economy (around 3.1%). In the last few months of the year there was a further slowdown in Europe and Japan and, albeit with different trends, in emerging countries. On the other hand, economic activity accelerated in the United States, where growth exceeded expectations. The numerous hotbeds of international crisis, the geopolitical tensions in Ukraine and the Middle East, the economic situation in Russia exacerbated by the embargo and the sanctions, the protest movement in Hong Kong, which is not over yet, and the danger of terrorism, are all still live issues and will limit growth prospects also for the coming year (growth is estimated not to exceed 3.2%). The broad and rapid fall in oil prices in autumn 2014, which dragged down raw material prices, will be the dominant factor in coming months. The global effect in terms of growth in advanced economies will probably be positive, but with the risk of generating financial instability in exporting countries. Another aspect to be taken into account is the different trend in monetary policies in industrialized countries, which is gradually more restrictive in the United States and, on the contrary, strongly expansionary in

Europe and Japan. The US Federal Reserve should start to raise official interest rates as from the middle of the year; the European Central Bank has announced the start of its Quantitative Easing program, while Japan has strengthened its quantitative easing stimulus. Various central banks, with the exception of Brazil, have lowered their official interest rates. It is likely that liquidity conditions will remain exceptionally accommodative and interest rates close to zero in 2015 too.

2014 ended with growth just above an average of 0.8% in the Eurozone, with performance below expectations in Germany and Italy. The inflation rate fell to -0.2% in December. Geopolitical tensions negatively affected consumption and investment decisions. Underlying conditions show signs of a possible improvement as early as the first half of 2015, although the situation in Greece is still reason for concern. Growth will follow different trends in the area: it will be stronger in the peripheral countries, in line with previous trends in Germany, below average in France and Italy owing to internal structural problems. In Italy, rather than actual growth, the country is awaiting some stabilization in economic activity after years of decline. Any recovery will basically depend on exports which are supported by the trends in exchange rates.

In the United States the recovery appears to be well underway, driven by demand from the expanding private sector. Economic figures suggest that the unemployment rate is rapidly decreasing, the construction sector is improving, and access to credit is easier. The negative impact of the appreciation of the US dollar is offset by the fall in oil prices. The weak global economic cycle is one of the main risks.

In Japan, following the rise in consumption tax in April, growth was well below expectations at around 0.3%. The Government announced the deferral of the second consumption tax rise and called early elections; the Central Bank has strengthened the monetary base expansion program based on the purchase of Government bonds. In 2015 economic activity is expected to grow by a modest 0.2%.

In China GDP growth in 2014 fell back to 7.4%, confirming the expectations of a soft landing for the Chinese economy. The weakness of the real estate market continues to be a negative factor. Exports have risen, while domestic consumption has decreased. The growth forecasts for 2015 remain around 7.0%. In the other emerging economies, it is necessary to assess the potential effects of the sharp fall in energy prices: importing countries (Korea, Taiwan, India, Turkey) will be able to benefit from this in terms of inflation and growth. There will be differing impacts for exporting countries such as Russia and Brazil, whose structural weaknesses are accompanied by less favorable financial trends. Asia should overall enjoy better economic prospects, while remaining particularly vulnerable to the Chinese economic cycle.

As already noted previously, in the last quarter of 2014 the Euro depreciated significantly, above all against the US dollar and currencies linked to it. This trend continued also in the first few months of 2015 so that it now stands at a rate of around 1.15 US dollars to one Euro. This new parity of the exchange rate, should it continue over coming quarters, may increase the profits of manufacturers whose costs are mainly denominated in Euro. Of course, they will take advantage of this benefit only after the expiration of any instruments to hedge the exchange rate risk.

The premium positioning of the Ferragamo brand, the product range and the extensive distribution network together with the macroeconomic scenario set out above suggest that, provided that no deterioration in the market performance occurs which currently cannot be foreseen, there will be a further increase in both revenues and profits for the Salvatore Ferragamo Group and the Parent company for 2015.

***18. Separate Financial Statements as at 31 December 2014 of Salvatore Ferragamo S.p.A. – Proposal for approval***

Dear Shareholders,  
having completed the report and relying on your approval to the structure and basis of presentation of the separate financial statements for the year ended 31 December 2014, we:

1. submit the 2014 Separate Financial Statements to your approval;
2. propose to allocate the profit for 2014 of 107,175,554 Euro as follows:
  - a) to Shareholders a gross dividend of 0.42 Euro for each of the 168,410,000 ordinary shares for a total of 70,732,200 Euro.
  - b) the remainder amount, equal to 36,443,354 Euro, to the Extraordinary Reserve.

Florence, 12 March 2015

On behalf of the Board of Directors

The Chairman  
Ferruccio Ferragamo

***Salvatore Ferragamo Group***

**Consolidated Financial Statements as at 31 December 2014**

## Financial statements

### Consolidated statement of financial position – assets

(In thousands of Euro)		31 December 2014	<i>of which with related parties</i>	31 December 2013	<i>of which with related parties</i>
	Notes				
<b>NON CURRENT ASSETS</b>					
Property, plant and equipment	5	212,077		168,398	
Investment property	6	7,015		6,455	
Intangible assets with a finite useful life	7	29,220		26,090	
Available-for-sale financial assets	8	25		25	
Other non current assets	9	6,683		6,271	
Other non current financial assets	10	14,668	1,522	11,538	1,382
Deferred tax assets	31	95,274		78,537	
<b>TOTAL NON CURRENT ASSETS</b>		<b>364,962</b>	<b>1,522</b>	<b>297,314</b>	<b>1,382</b>
<b>CURRENT ASSETS</b>					
Inventories	11	338,555		290,705	
Trade receivables	12	150,895	54	121,408	66
Tax receivables	13	13,488		10,071	
Other current assets	14	34,058	2,025	42,773	2,426
Other current financial assets	15	976		1,928	
Cash and cash equivalents	16	96,463		70,308	
<b>TOTAL CURRENT ASSETS</b>		<b>634,435</b>	<b>2,079</b>	<b>537,193</b>	<b>2,492</b>
<b>TOTAL ASSETS</b>		<b>999,397</b>	<b>3,601</b>	<b>834,507</b>	<b>3,874</b>

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

(In thousands of Euro)	Notes	31 December 2014	of which with related parties	31 December 2013	of which with related parties
<b>SHAREHOLDERS' EQUITY</b>					
<b>GROUP SHAREHOLDERS' EQUITY</b>					
Share capital	17	16,841		16,841	
Reserves	17	292,784		198,173	
Net profit/(loss) – Group		156,565		150,451	
<b>TOTAL GROUP SHAREHOLDERS' EQUITY</b>		<b>466,190</b>		<b>365,465</b>	
<b>MINORITY INTERESTS</b>					
Share capital and reserves – minority interests		35,054		24,789	
Net profit/(loss) – minority interests		6,950		9,516	
<b>TOTAL MINORITY INTERESTS</b>		<b>42,004</b>		<b>34,305</b>	
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>508,194</b>		<b>399,770</b>	
<b>NON CURRENT LIABILITIES</b>					
Non current interest-bearing loans & borrowings	22	21,331		-	
Provisions for risks and charges	18	7,106		5,348	
Employee benefit liabilities	19	11,583		10,092	
Other non current liabilities	20	48,758		38,671	
Deferred tax liabilities	31	4,171		7,167	
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>92,949</b>	-	<b>61,278</b>	-
<b>CURRENT LIABILITIES</b>					
Trade payables	21	187,555	326	202,752	294
Interest-bearing loans & borrowings	22	121,083		100,052	
Tax payables	23	21,528		22,401	
Other current liabilities	24	63,710	8,859	43,472	10,539
Other current financial liabilities	25	4,378		4,782	
<b>TOTAL CURRENT LIABILITIES</b>		<b>398,254</b>	<b>9,185</b>	<b>373,459</b>	<b>10,833</b>
<b>TOTAL LIABILITIES</b>		<b>491,203</b>	<b>9,185</b>	<b>434,737</b>	<b>10,833</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>999,397</b>	<b>9,185</b>	<b>834,507</b>	<b>10,833</b>

## Consolidated income statement

(In thousands of Euro)	Notes	2014	of which with related parties	2013	of which with related parties
Revenues from sales and services		1,320,901	1,268	1,247,376	260
Rental income investment properties		10,921		10,658	
<b>Revenues</b>	27	<b>1,331,822</b>		<b>1,258,034</b>	
Cost of goods sold	28-29	(483,389)		(458,955)	
<b>Gross profit</b>		<b>848,433</b>		<b>799,079</b>	
Style, product development and logistics costs	28-29	(43,491)	(572)	(44,383)	(580)
Sales & distribution costs	28-29	(388,308)	(19,704)	(361,985)	(12,633)
Marketing & communication costs	28-29	(68,047)	(54)	(77,880)	(118)
General and administrative costs	28-29	(97,631)	(7,334)	(94,292)	(8,910)
Other operating costs	28-29	(16,421)	(88)	(13,631)	(10)
Other income and revenues		10,881	26	12,150	24
<b>Operating profit</b>		<b>245,416</b>		<b>219,058</b>	
Financial charges	30	(29,817)		(31,475)	
Financial income	30	22,381	1	33,108	2
<b>Profit before taxes</b>		<b>237,980</b>		<b>220,691</b>	
Income taxes	31	(74,465)		(60,724)	
<b>Net profit/(loss) for the period</b>		<b>163,515</b>		<b>159,967</b>	
Net profit/(loss) – Group		156,565		150,451	
Net profit/(loss) – minority interests		6,950		9,516	

(In Euro)	Notes	2014	2013
Basic earnings per share – ordinary shares	32	0.930	0.893
Diluted earnings per share – ordinary shares	32	0.928	0.892

## Consolidated statement of comprehensive income

(In thousands of Euro)	2014	2013
<b>Net profit/(loss) for the period (A)</b>	<b>163,515</b>	<b>159,967</b>
<i>Other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period</i>		
- Currency translation differences of foreign operations	43,016	(4,748)
- Net gain/(loss) from cash flow hedge	(40,096)	8,527
- Income taxes	11,027	(2,345)
	<u>(29,069)</u>	<u>6,182</u>
<b>Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)</b>	<b>13,947</b>	<b>1,434</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	(1,094)	470
- Income taxes	363	(121)
	<u>(731)</u>	<u>349</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>(731)</b>	<b>349</b>
<b>Total other income/(losses) for the period, net of taxes (B1+B2 = B)</b>	<b>13,216</b>	<b>1,783</b>
<b>Total comprehensive income for the period, net of taxes (A+B)</b>	<b>176,731</b>	<b>161,750</b>
Group	166,224	152,717
Minority interests	10,507	9,033

## Consolidated statement of cash flows

(In thousands of Euro)			of which with related parties		of which with related parties
	Notes	2014		2013	
<b>NET PROFIT / (LOSS) FOR THE PERIOD</b>		<b>163,515</b>		<b>159,967</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	47,518		40,919	
Allocation / (use) of deferred taxes	31	(5,306)		(13,990)	
Provision for employee benefit plans	19	800		865	
Allocation to / (use of) the provision for obsolete inventory	11	3,866		6,141	
Losses and provision for bad debt		2,401		501	
Losses / (gains) on disposal of tangible and intangible assets		728		636	
Other non-monetary items		3,796		(10,166)	
<b>Changes in operating assets and liabilities:</b>					
Trade receivables		(28,222)	12	(16,905)	2,282
Inventories		(20,077)		(52,249)	
Trade payables		(17,959)	32	47,668	(439)
Tax receivables		(2,420)		(1,590)	
Tax payables		(3,230)		(2,743)	
Employee benefits payments	19	(614)		(1,476)	
Other assets and liabilities		(612)	(1,279)	(6,599)	(3,422)
Other – net		(409)		(994)	
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		<b>143,775</b>	<b>(1,235)</b>	<b>149,985</b>	<b>(1,579)</b>
<b>Cash flow from investing activities:</b>					
Purchase of tangible assets		(73,126)		(69,707)	
Purchase of intangible assets		(9,745)		(12,554)	
Net change in non current assets and liabilities		(1,777)	(140)	(2,057)	(1,210)
Proceeds from the sale of tangible and intangible assets		301		160	
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>(84,347)</b>	<b>(140)</b>	<b>(70,303)</b>	<b>(1,210)</b>
<b>Cash flow from financing activities:</b>					
Net change in financial receivables		1,010		(96)	
Net change in financial payables		35,802	-	(62,569)	(41,235)
Dividends paid to shareholders of the Parent company	33	(67,364)	(49,617)	(55,575)	(41,383)
Dividends paid to minority shareholders	33	(2,423)	(1,822)	(6,642)	(5,762)
Purchase of minority interests in companies consolidated on a line-by-line basis		-		(779)	
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		<b>(32,975)</b>	<b>(51,439)</b>	<b>(125,661)</b>	<b>(88,380)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>26,453</b>		<b>(45,979)</b>	
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>70,292</b>		<b>110,808</b>	
Increase/(decrease) in cash and cash equivalents		26,453		(45,979)	
Effect of exchange rate translation differences		(290)		5,463	
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	16	<b>96,455</b>		<b>70,292</b>	
<b>ADDITIONAL INFORMATION</b>					
Interest paid		5,152		3,931	
Income taxes paid		89,570		73,718	
Interest received		271		298	
Dividends received		-		600	

**Statement of changes in consolidated 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 01.01.2014</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>150,451</b>	<b>365,465</b>	<b>34,305</b>	<b>399,770</b>
Allocation of results	-	-	-	38,106	-	-	112,345	-	-	-	(150,451)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	156,565	156,565	6,950	163,515
Other comprehensive income/(loss)	-	-	-	-	(29,069)	39,194	270	-	(736)	-	-	9,659	3,557	13,216
<b>Total comprehensive income (loss)</b>	-	-	-	-	<b>(29,069)</b>	<b>39,194</b>	<b>270</b>	-	<b>(736)</b>	-	<b>156,565</b>	<b>166,224</b>	<b>10,507</b>	<b>176,731</b>
Distribution of dividends	-	-	-	-	-	-	(67,364)	-	-	-	-	(67,364)	(2,423)	(69,787)
Purchase of minority interests in companies consolidated on a line-by-line basis and accounting of options on minority interests	-	-	-	-	-	-	280	-	-	-	-	280	(385)	(105)
Stock Grant Reserve	-	-	-	-	-	-	-	1,585	-	-	-	1,585	-	1,585
<b>As at 31.12.2014</b>	<b>16,841</b>	<b>2,995</b>	<b>4,188</b>	<b>155,220</b>	<b>(15,698)</b>	<b>(317)</b>	<b>129,861</b>	<b>19,081</b>	<b>(2,546)</b>	-	<b>156,565</b>	<b>466,190</b>	<b>42,004</b>	<b>508,194</b>

(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>6,182</b>	<b>(3,268)</b>	<b>(996)</b>	-	<b>348</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>150,451</b>	<b>365,465</b>	<b>34,305</b>	<b>399,770</b>

## Explanatory Notes to the Consolidated Financial Statements

### 1. Corporate information

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 2014 were approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 12 March 2015.

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

#### 1.1 Management and coordination

Salvatore Ferragamo S.p.A. 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 2013 and 2012 is given below.

Ferragamo Finanziaria S.p.A. (In Euro)	31 December 2013	31 December 2012
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
B) Fixed assets	211,410,687	202,115,705
C) Current assets	22,606,183	15,329,964
D) Accrued expenses and deferred income	1,133	-
<b>TOTAL ASSETS</b>	<b>234,018,003</b>	<b>217,445,669</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
A) Shareholders' equity		
- Share capital	49,749,960	49,749,960
- Reserves	143,107,627	136,363,249
- Profit (loss) for the year	30,280,018	25,878,978
D) Payables	10,880,398	5,453,482
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>234,018,003</b>	<b>217,445,669</b>
<b>Guarantees, commitments and other risks</b>	-	91,376
<b>INCOME STATEMENT</b>		
A) Value of production	375,243	5,187
B) Costs of production	(1,145,263)	(1,701,658)
<b>Difference between value and costs of production</b>	<b>(770,020)</b>	<b>(1,696,471)</b>
C) Financial income and charges	30,898,747	27,170,968
E) Extraordinary income and charges	(39,853)	7,811
<b>Profit before taxes</b>	<b>30,088,874</b>	<b>25,482,308</b>
Income taxes for the year, current and deferred	191,144	396,670
<b>Profit (loss) for the year</b>	<b>30,280,018</b>	<b>25,878,978</b>

### 2. Basis of presentation

#### Statement of compliance with IFRS

The Consolidated Financial Statements of Salvatore Ferragamo S.p.A. have been prepared in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board ("IASB"), adopted by the 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 financial statements**

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 Salvatore Ferragamo S.p.A., 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 Financial Statements have 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 Financial Statements as at 31 December 2014 have been applied consistently to all the periods being compared.

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

The preparation of the Consolidated Financial Statements 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;
- useful life of property, plant and equipment, intangible assets with a finite useful life 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 Group entered into commercial lease contracts and determined, on the basis of the contractual terms and conditions (such as for example the fact that the contractual terms do not cover most of the economic life of the commercial property and the fair value of the asset),

that all the significant risks and benefits typical of ownership of the assets remain with the lessor; therefore, these contracts are recognized as operating leases.

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 in the period in which these estimates and assumptions should differ from actual circumstances.

*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).

#### *The Group as lessee*

A lease contract is classified as a financial lease or an operating lease at the start of the lease. A lease contract which substantially transfers to the Group all the risks and benefits of ownership of the leased asset is classified as financial lease. Financial leases 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 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 in the income statement. Leased assets are amortized over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership of the asset at the end of the contract, leased assets are amortized over the shorter of the estimated useful life of the asset and the duration of the lease contract.

Payments on operating leases are recognized in the income statement on a straight-line basis over the duration of the contract.

#### *The Group as lessor*

Lease contracts in which the Group largely retains all the risks and benefits of ownership of the asset are classified as operating leases.

Lease payments are recognized on a straight line basis over the duration of the lease contracts in place at the reporting date and, if they derive from investment property, they are classified under Rental income investment properties.

## **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. If the potential consideration does not fall within the scope of application of IAS 39, it is measured in accordance with the relevant IFRS.

The goodwill acquired in a business combination is initially measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest over the fair value of the net identifiable assets acquired and the liabilities assumed by the Group.

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 assumed on the basis of the contractual terms, economic conditions and other pertinent conditions as they exist at the acquisition date. This includes a test to establish whether an embedded derivative must be separated from the primary contract.

In a business combination achieved in stages, the company shall remeasure its previously held equity interest at its fair and recognize the resulting gain or loss, if any, in profit or loss.

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 gain 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 acquisition 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
<i>Key money</i>	On the basis of the residual duration of the asset's lease

### *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 impairment 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 one 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 directly in the statement of comprehensive income. 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 the fair value cannot be reliably established, 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 recorded directly in the statement of comprehensive income, 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 and costs are shown in accordance with the accruals principle.

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. Revenues and income are recorded net of returns, discounts, allowances and premiums.

#### *Sale of goods*

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 from 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 recognized 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 Salvatore 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 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. This amendment did not have any impact on the Group's financial statements.

#### **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. This amendment did not have any impact on the Group's financial statements.

#### **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 did not have any impact on the Group's financial statements.

#### **IFRS 10 and subsequent amendment – Consolidated financial statements**

IFRS 10 replaces the part of IAS 27 "Consolidated and separate financial statements" which regulated 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 require management to make significant discretionary valuations in order to

determine which companies are subsidiaries and which, therefore, must be consolidated by the Parent company. IFRS 10 did not have any impact on the consolidation of investments held by the Group. The amendment subsequent to the first endorsement of this standard sets out a consolidation exception for investment entities pursuant to IFRS 10 – Consolidated Financial Statements. This consolidation exception requires the investment entities to account for subsidiaries at fair value through profit or loss. This amendment did not have any impact on the Group because none of the Group's entities is an investment entity as defined in IFRS 10.

#### **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. This amendment did not have any impact on the Group's financial statements.

#### **IFRS 12 and subsequent amendment – 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. The Group has interests in subsidiaries with material minority interests, while it does not have interests in unconsolidated structured entities. The information required by IFRS 12 is set out in the Explanatory notes to the consolidated financial statements in the section “Subsidiaries with material minority interests”.

#### **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. This amendment did not have any impact on the Group.

#### **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). This amendment did not have any impact on the Group.

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.

#### **IFRS 9 Financial instruments**

In July 2014, the IASB issued the final version of IFRS 9 “Financial Instruments” which reflects all the phases of the project concerning financial instruments and replaces IAS 39 “Financial Instruments: Recognition and measurement” and all the previous versions of IFRS 9. The standard introduces new requirements for classification, measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The standard requires retrospective application, but presentation of comparative information is not compulsory. Previous versions of IFRS 9 (2009, 2010 and 2013) may be adopted early provided the relevant date of initial application is before 1 February 2015. The Group is currently assessing the impact of IFRS 9.

#### **IFRS 14 Regulatory Deferral Accounts**

IFRS 14 is an optional standard which permits rate-regulated entities that are first-time adopters of IFRS to continue to apply the previous accounting standards adopted for amounts relating to rate regulation. Entities adopting IFRS 14 must present regulatory deferral account balances that arise from rate-regulated activities as separate line items in the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income (OCI). The Standard also requires specific disclosures to identify the nature of, and risks associated with the rate regulation and the relevant impact on the entity's financial statements. IFRS 14

is effective for annual periods beginning on or after 1 January 2016. This standard is not applicable to the Group since it has already adopted IFRS.

**IFRS 15 Revenue from contracts with customers**

This IFRS was issued in May 2014 and introduces a new five-step model to be applied to revenue from contracts with customers. IFRS 15 requires an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The standard provides a more comprehensive framework for revenue recognition and measurement, replacing all the current revenue recognition requirements included in other IFRS. IFRS 15 is effective for annual periods beginning on or after 1 January 2017, with a full or modified retrospective application. Early adoption is permitted. The Group is currently assessing the impact of IFRS 15.

**Amendments to IFRS 11 Joint arrangements: Accounting for interests in joint operations**

In compliance with the amendments to IFRS 11, the acquirer of an interest in a joint operation (joint operator) in which the activity constitutes a business is required to apply all of the principles on business combinations accounting in IFRS 3. The amendments also clarify that, if the joint arrangement is retained, previously held interests in a joint arrangement are not remeasured when acquiring an additional interest. In addition, an exclusion from the scope of IFRS 11 has been added to clarify that the amendments do not apply when the parties sharing control, including the entity which prepares the financial statements, are subject to the joint control of the ultimate controlling entity. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in the same joint operation. The amendments apply to annual periods beginning on or after 1 January 2016 on a prospective basis and early adoption is permitted. No impact is expected on the Group following the application of these amendments.

**Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization**

The amendments provide additional guidance on the principle contained in IAS 16 and IAS 38: revenue reflects a pattern of generation of economic benefits that arise from the operation of a business (of which an asset is part), rather than the pattern of consumption of an asset's expected future economic benefits. Therefore the amendments prohibit entities from using a revenue-based method for items of property, plant and equipment and this method could be used only in very limited circumstances for the amortization of intangible assets. The amendments apply to annual periods beginning on or after 1 January 2016, and early adoption is permitted. No impact is expected on the Group following the application of these amendments given that the Group does not use revenue-based methods of amortization of its non current assets.

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

IAS 19 mandates that an entity has to consider contributions from employees or third parties when accounting for defined benefit plans. Contributions that are linked to service must be attributed to periods of service as a reduction of service cost. The amendment clarifies that, if the amount of the contributions is independent of the number of years of service, contributions may be recognized as a reduction in the service cost in the period in which the related service is rendered, instead of allocating the contributions to periods of service. This amendment is applicable for annual periods beginning on or after 1 July 2014.

**Amendments to IAS 27: Equity method in separate financial statements**

The amendments will allow the entity to use the equity method in separate financial statements to measure investments in subsidiaries, joint ventures and associates. Entities which already apply IFRS and decide to change the accounting method by adopting the equity method in their separate financial statements must apply the amendment retrospectively. In the case of first-time adopters, an entity which decides to use the equity method in separate financial statements must apply it as from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, and early adoption is permitted. No impact is expected on the Group's consolidated financial statements following the application of these amendments.

**Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities: applying the consolidation exception**

The amendment clarifies the issues arising from the application of the consolidation exception associated with investment entities, and is effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

**Amendments to IAS 1: use of judgment in financial disclosure**

The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports and are effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

**Amendments to IFRS 10 and IAS 28: sale or contribution of assets between an investor and its associate or joint venture**

The amendment addresses a conflict between the requirements of IAS 28 and IFRS 10 and clarifies that, in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The amendment is effective for annual periods beginning on or after 1 January 2016; early adoption is permitted.

**IFRIC 21 Levies**

IFRIC 21 clarifies that an entity recognizes a liability to pay a levy no earlier than when the event that triggers the payment of the levy occurs, as described in the relevant legislation. If an obligation to pay is triggered on reaching a minimum threshold, the liability is recognized only when that minimum threshold is reached. IFRIC 21 requires retrospective application. This interpretation is effective as from the commencement date of the financial year starting on or after 17 June 2014.

**IFRS annual improvements cycle 2010-2012**

The improvements will be applicable as from 1 February 2015 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: Disclosures on the 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 16/IAS 38: Revaluation method: proportionate restatement of accumulated depreciation

IAS 24: An entity providing key management personnel services is a related party of the reporting entity.

**IFRS annual improvements cycle 2011-2013**

The improvements will be applicable as from 1 January 2015 or subsequently and concern the following issues:

IFRS 3: It is made clear that this standard does not apply to the accounting for the formation of a joint arrangement in the financial statements;

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 property can be classified as investment property or owner-occupied property.

**IFRS annual improvements cycle 2012-2014**

The improvements will be applicable as from 1 January 2016 or subsequently and concern the following issues:

IFRS 5: Guidance on reclassifications as one of the methods of disposal;

IFRS 7: Further guidance on servicing contracts and the applicability of IFRS 7 to interim financial statements;

IAS 19: Clarifications on the discount rate;

IAS 34: Clarifications on the meaning of “elsewhere in the interim financial report”.

**Consolidation area**

The Consolidated Financial Statements as at 31 December 2014 contain 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 consolidated on a line-by-line basis. These are identified collectively as the Salvatore Ferragamo Group.

The Consolidated Financial Statements as at 31 December 2014 include the 2014 accounts of Group companies, which have been prepared by adopting the same accounting principles as the Parent company. Subsidiaries are those entities over which the Group has control, or when the Group is exposed to variable returns arising from its transactions with the entity, or can claim rights over such returns, and at the same time has the ability to influence such returns by exercising its influence over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the moment when the parent company starts to exercise control until such control ends. Should it lose such control, the Group eliminates the assets and liabilities of the subsidiary and any previous

minority interests in shareholders' equity, including any other item of other comprehensive income relating to the subsidiary. Any profit or loss arising from the loss of control is recorded under net profit/(loss) for the period. Any equity investment in the former subsidiary is measured at fair value on the date of loss of control.

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

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.

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.

The following companies are included in consolidation as at 31 December 2014 compared to 31 December 2013.

Company name	Location	Currency	Share capital	31 December 2014			31 December 2013		
				Controlling interest (%)		Notes	Controlling interest (%)		Notes
				Direct	Indirect		Direct	Indirect	
Salvatore Ferragamo S.p.A.	Florence, Italy	Euro	16,841,000	Parent company			Parent company		
Ferragamo Retail Nederland B.V.	Amsterdam, Holland	Euro	500,000	100%			100%		
Ferragamo France S.A.S.	Paris, France	Euro	4,334,094	100%			100%		
Ferragamo Deutschland GmbH	Munich, Germany	Euro	3,300,000	100%			100%		
Ferragamo Austria GmbH	Vienna, Austria	Euro	1,853,158	100%			100%		
Ferragamo UK Ltd.	London, United Kingdom	Pound Sterling	6,172,735	100%			100%		
Ferragamo Suisse S.A.	Mendrisio, Switzerland	Swiss Franc	1,000,000	100%			100%		
Ferragamo Belgique S.A.	Brussels, Belgium	Euro	750,000	100%			100%		
Ferragamo Monte-Carlo S.A.M.	Principality of Monaco	Euro	304,000	100%			100%		
Ferragamo Espana S.L.	Madrid, Spain	Euro	4,600,000	100%			100%		
Ferragamo USA Inc.	New York, United States	US Dollar	74,011,969	100%			100%		
Ferragamo Canada Inc	Vancouver, Canada	Canadian Dollar	430,000		100%	(1)		100%	(1)
S-Fer International Inc.	New York, United States	US Dollar	4,600,000		100%	(1)		100%	(1)
Sator Realty Inc	New York, United States	US Dollar	100,000		100%	(1)		100%	(1)
Ferragamo Latin America Inc.	Miami, United States	US Dollar	300,000	100%		(7)	100%		
Ferragamo St. Thomas Inc.	U.S. Virgin Island	US Dollar	1,201,000		100%	(4)(7)		100%	(4)
Ferragamo Mexico S. de R.L. de C.V.	Mexico City, Mexico	Mexican Peso	4,592,700	99.73%	0.27%	(1)	99.73%	0.27%	(4)
Ferragamo Chile S.A.	Santiago, Chile	Chilean Peso	1,362,590,000	99%	1%	(1)	99%	1%	(4)
Ferragamo Argentina S.A.	Buenos Aires, Argentina	Argentine Peso	2,969,107	95%	5%	(1)	95%	5%	(4)
Ferragamo Brasil Roupas e Acessorios Ltda	Sao Paulo, Brazil	Brazilian Real	48,615,000	99%	1%	(1)	99%	1%	(4)
Ferragamo Hong Kong Ltd.	Hong Kong, China	Hong Kong Dollar	10,000	100%			100%		
Ferragamo Japan KK	Tokyo, Japan	Japanese Yen	305,700,000	71%		(6)	71%		(6)
Ferragamo Australia PTY Ltd.	Sydney, Australia	Australian Dollar	13,637,003	100%			100%		
Ferrimag Limited	Hong Kong, China	Hong Kong Dollar	109,200,000		75%	(2)		75%	(2)
Ferragamo Fashion Trading (Shanghai) Co. Ltd	Shanghai, China	US Dollar	200,000		75%	(3)		75%	(3)
Ferragamo Moda (Shanghai) Co. Ltd	Shanghai, China	US Dollar	1,400,000	75%			75%		
Ferragamo Retail HK Limited	Hong Kong, China	Hong Kong Dollar	39,000,000		75%	(3)		75%	(3)
Ferragamo Retail Taiwan Limited	Taipei, Taiwan	New Taiwanese Dollar	136,250,000		75%	(3)		75%	(3)
Ferragamo Retail Macau Limited	Macau, China	Macau Pataca	25,000	75.2%			75.2%		
Ferragamo Retail India Private Limited	New Delhi, India	Indian Rupee	150,000,000	51%		(5)	51%		(5)
Ferragamo Korea Limited	Seoul, South Korea	South Korean Won	3,291,200,000	80%			80%		
Ferragamo (Singapore) Pte. Ltd.	Singapore	Singapore Dollar	4,600,000	80%			80%		
Ferragamo (Thailand) Limited	Bangkok, Thailand	Baht	100,000,000	80%			80%		
Ferragamo (Malaysia) Sdn Bhd	Kuala Lumpur, Malaysia	Malaysian Ringgit	1,300,000	80%			80%		
Ferragamo Parfums S.p.A.	Florence, Italy	Euro	10,000,000	100%			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; 7 - Non-operating company in liquidation.

During 2014 the Group structure underwent no changes, except for the fact that Ferragamo St. Thomas Inc. and Ferragamo Latin America Inc. were put into liquidation as part of the plan to restructure the wholesale market in South America.

### Subsidiaries with material minority interests

In reference to subsidiaries with material minority interests here below are the main activities undertaken and the minority interest percentages as at 31 December 2014 and 2013.

	Assets	Minority interest (%)	
		31 December 2014	31 December 2013
Ferragamo Korea Limited	Retail and distribution company for the South Korean market	20%	20%
Ferragamo Fashion Trading (Shanghai) Co. Ltd	Retail and distribution company for the Chinese market	25%	25%
Ferragamo Retail HK Limited	Retail company for the Hong Kong market	25%	25%

The following tables provide the main economic and financial data of the subsidiaries with material minority interests. This information is based on the balances of the 2014 and 2013 accounts, which were drawn up for the purposes of preparing the consolidated financial statements, gross of intercompany eliminations.

(In thousands of Euro)	Ferragamo		
	Korea Limited	Fashion Trading (Shanghai) Co. Ltd	Retail HK Limited
Non current assets	16,848	20,814	8,988
Current assets	58,965	102,015	27,919
Non current liabilities	876	1,157	2,805
Current liabilities	22,941	78,002	6,519
Shareholders' equity	51,996	43,670	27,583
<b>Minority interests</b>	<b>10,399</b>	<b>14,357</b>	<b>5,861</b>
Revenues	99,584	126,387	70,585
Profit for the year	4,648	11,231	8,281
<b>Net profit/(loss) – minority interests</b>	<b>930</b>	<b>2,808</b>	<b>2,070</b>
Total comprehensive income for the period	4,648	11,231	8,281
<b>Comprehensive income attributed to minority interests</b>	<b>930</b>	<b>2,808</b>	<b>2,070</b>
Net cash provided by (used in) operating activities	7,220	6,309	6,360
Net cash provided by (used in) investing activities	(3,379)	(9,943)	(1,928)
Net cash provided by (used in) financing activities	(3,615)	6,009	(4,267)
Increase/(decrease) in cash and cash equivalents	226	2,375	165
<b>Dividends paid to minority interests</b>	<b>601</b>	<b>-</b>	<b>-</b>

(In thousands of Euro)	Ferragamo		
	Korea Limited	Fashion Trading (Shanghai) Co. Ltd	Retail HK Limited
<b>31 December 2013</b>			
Non current assets	13,736	13,190	6,773
Current assets	51,810	74,231	23,313
Non current liabilities	792	795	933
Current liabilities	18,862	58,221	9,437
Shareholders' equity	45,892	28,405	19,716
<b>Minority interests</b>	<b>9,178</b>	<b>10,546</b>	<b>4,865</b>
Revenues	76,991	122,763	69,544
Profit for the year	5,579	13,293	12,761
<b>Net profit/(loss) – minority interests</b>	<b>1,116</b>	<b>3,323</b>	<b>3,190</b>
Total comprehensive income for the period	5,579	13,293	12,761
<b>Comprehensive income attributed to minority interests</b>	<b>1,116</b>	<b>3,323</b>	<b>3,190</b>
Net cash provided by (used in) operating activities	7,539	(7,115)	13,049
Net cash provided by (used in) investing activities	(1,623)	(4,628)	(1,968)
Net cash provided by (used in) financing activities	(4,119)	8,039	(9,130)
Increase/(decrease) in cash and cash equivalents	1,797	(3,704)	1,951
<b>Dividends paid to minority interests</b>	<b>880</b>	<b>-</b>	<b>-</b>

Legal, contractual and/or regulatory requirements as well as protection rights for minority interests could, in some cases, limit the Group's capacity to access the assets or to use them and to extinguish the Group's liabilities; this situation has not given rise to any significant restrictions.

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

The consolidated financial statements are 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	31 December	31 December	31 December
	2014	2013	2014	2013
US Dollar	1.3285	1.32812	1.2141	1.3791
Swiss Franc	1.21462	1.23106	1.2024	1.2276
Japanese Yen	140.306	129.6627	145.2300	144.7201
Pound Sterling	0.8061	0.8493	0.7789	0.8337
Australian Dollar	1.4719	1.3777	1.4829	1.5423
South Korean Won	1,398.14	1,453.91	1,324.80	1,450.94
Hong Kong Dollar	10.3025	10.3016	9.4170	10.6933
Mexican Peso	17.6550	16.9641	17.8679	18.0731
New Taiwanese Dollar	40.2398	39.4110	38.3711	41.0869
Singapore Dollar	1.6824	1.6619	1.6058	1.7414
Thai Baht	43.1469	40.8297	39.9100	45.1780
Malaysian Ringgit	4.3446	4.1855	4.2473	4.5221
Indian Rupee	81.0406	77.9300	76.7190	85.3660
Macau Pataca	10.6029	10.5990	9.6875	10.9955
Chinese Renminbi	8.1857	8.1646	7.5358	8.3491
Chilean Peso	756.64	658.098	736.290	723.688
Argentine Peso	10.767	7.273	10.158	8.980
Brazilian Real	3.1211	2.8687	3.2207	3.2576
Canadian Dollar	1.4661	1.3684	1.4063	1.4671

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 Salvatore 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 Salvatore 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 represented by both short-term and medium/long-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, regulated at current market conditions, 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.

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*

#### **Sensitivity analysis of interest rate risk on floating rate items**

(In thousands of Euro)	Underlying asset	Increase/reduction in underlying interest rates	Market risk Impact on the income statement
<b>2014</b>			
POSITIVE CHANGE	EURO	0.03%	(20)
	CNY	0.05%	(19)
	INR	2.58%	(96)
	THB	0.57%	(13)
<b>Total</b>			<b>(148)</b>
NEGATIVE CHANGE	EURO	(0.03%)	20
	CNY	(0.05%)	19
	INR	(2.58%)	96
	THB	(0.57%)	13
<b>Total</b>			<b>148</b>
<b>2013</b>			
POSITIVE CHANGE	EURO	0.07%	(17)
	CNY	0.07%	(13)
	INR	4.15%	(43)
	THB	0.81%	(6)
<b>Total</b>			<b>(79)</b>
NEGATIVE CHANGE	EURO	(0.07%)	17
	CNY	(0.07%)	13
	INR	(4.15%)	43
	THB	(0.81%)	6
<b>Total</b>			<b>79</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 Renminbi, Indian Rupee and Thai Baht whose effects are indicated separately in the above table) showed potential profits or losses in the income statement amounting to 148 thousand Euro for 2014 compared with potential profits or losses amounting to 79 thousand Euro for 2013.

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 countervalues 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 Corporate 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 2014 the percentages of net revenues of the Parent company in US dollars were around 50% and in Yen around 6%. In the year ended 31 December 2013, the percentage of net revenues realized by the Parent company in US dollars was around 60% of net revenues and the percentage of net revenues realized in Japanese yen was around 7% of net revenues. The currency risks originate mainly from exports of the Parent company in US dollars and Japanese yen.

In seeking ever greater efficiency and more specific control of risks, and also following the increase in the Group's investments in distribution companies operating in the strategic markets of the Far East, which was completed in the previous year, during 2014 exchange rate risk management centralized at the Parent company level was also extended to the Canadian subsidiary and to most of the domestic currencies of the Asian subsidiaries. Goods transferred for consideration to these companies are no longer settled in US dollars, as in previous years, but directly in the currency of the country where they operate and sell. 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 on some markets in the Far East. In this context, the 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 almost exclusively 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 residual operations 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 usually 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 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.

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 2014 and 31 December 2013:

Exchange rate risk (In thousands of Euro)	Cash flow hedge reserve	
	2014	2013
<b>Opening balance</b>	<b>18,443</b>	<b>9,916</b>
+ increases for recognition of new positive effectiveness	2,256	21,568
- decreases for recognition of new negative effectiveness	(28,490)	(2,147)
- decreases for reversal of positive effectiveness from shareholders' equity and recognition of income in profit or loss	(15,785)	(13,082)
+ increases for reversal of negative effectiveness from shareholders' equity and recognition of cost in profit or loss	1,923	2,188
<b>Closing balance</b>	<b>(21,653)</b>	<b>18,443</b>

The reserve, which consists of the value changes in hedges for expected transactions in foreign currency, decreased overall by 40,096 thousand Euro during 2014, while it rose by 8,527 thousand Euro during 2013. The value changes reflect the trend in the Euro against the main hedged currencies, especially the Euro and the US dollar, which over the two-year period saw opposing trends, going from values around 1.32 in January 2013, with a low of 1.28 in March, up to values over 1.38 in December, reaching peaks close to 1.40 in May 2014; then a constant depreciation trend started, which worsened in the final months of the year and led the exchange rate to close the year at 1.21, and the exchange rate between the Euro and the Yen, which went from a low of around 113 at the start of January 2013 to a high of around 145 in December, to return to around 133 in October 2014 and to end the year around 150. 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 13,862 thousand Euro in 2014 while it was positive at 10,894 thousand Euro in 2013. During 2014-2013 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 tables set out the average time horizon and the relevance by risk factor of exchange rate hedges which the Group held at the end of 2014 and 2013. The comparison between the two years under review shows that during 2014 exchange rate risk management centralized at the Parent company level has been extended to a greater number of currencies.

*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 2014</b>						
<b>Exchange rate risk</b>						
Sales expected in USD	342,000	110,000	98,000	86,000	48,000	-
Sales expected in JPY	3,900,000	1,200,000	1,300,000	1,400,000	-	-
Sales expected in GBP	8,000	2,000	2,000	2,500	1,500	-
Sales expected in MXN	220,000	60,000	60,000	70,000	30,000	-
Sales expected in CHF	8,000	1,500	1,500	2,000	1,500	1,500
Sales expected in AUD	4,000	1,500	2,000	500	-	-
Sales expected in CAD	8,000	3,000	3,000	2,000	-	-
Sales expected in CNY	205,000	-	95,000	70,000	40,000	-
Sales expected in HKD	100,000	-	50,000	50,000	-	-
Sales expected in SGD	15,000	7,000	4,000	4,000	-	-
Sales expected in KRW	32,000,000	14,000,000	12,000,000	6,000,000	-	-

(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 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	-	-

*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 2014</b>						
<b>Exchange rate risk</b>						
Sales expected in USD	374,000	102,000	110,000	102,000	48,000	12,000
Sales expected in JPY	4,800,000	1,300,000	1,300,000	1,300,000	900,000	-
Sales expected in GBP	8,300	1,600	2,000	2,400	1,700	600
Sales expected in MXN	220,000	60,000	60,000	70,000	30,000	-
Sales expected in CHF	8,650	1,850	1,600	1,700	1,700	1,800
Sales expected in AUD	5,000	1,500	1,500	2,000	-	-
Sales expected in CAD	9,000	3,000	3,000	3,000	-	-
Sales expected in CNY	205,000	-	55,000	80,000	70,000	-
Sales expected in HKD	100,000	-	30,000	60,000	10,000	-
Sales expected in SGD	17,000	4,000	5,000	6,000	2,000	-
Sales expected in KRW	36,000,000	8,000,000	14,000,000	11,000,000	3,000,000	-

(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 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	-

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, Chinese renminbi, South Korean won 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, as at 31 December 2014 and 2013.

*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. Exchange rates were considered for currencies whose changes generate an impact on the income statement and shareholders' equity, in absolute terms, of over one million Euro.

31 December 2014		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	10.6%	Derivatives	265	2,315
			Non-derivatives	55	-
	EUR/USD	8.9%	Derivatives	5,287	18,286
			Non-derivatives	(650)	-
	EUR/KRW	13.0%	Derivatives	346	2,423
			Non-derivatives	(180)	-
	EUR/CNY	8.7%	Derivatives	-	2,177
			Non-derivatives	-	-
	EUR/HKD	9.2%	Derivatives	-	890
			Non-derivatives	25	-
	EUR/MXN	12.1%	Derivatives	363	968
			Non-derivatives	-	-
<b>Total</b>				<b>5,511</b>	<b>27,059</b>
NEGATIVE CHANGE	EUR/JPY	(10.6%)	Derivatives	(328)	(2,865)
			Non-derivatives	(27)	-
	EUR/USD	(8.9%)	Derivatives	(6,297)	(21,852)
			Non-derivatives	765	-
	EUR/KRW	(13.0%)	Derivatives	(449)	(3,144)
			Non-derivatives	233	-
	EUR/CNY	(8.7%)	Derivatives	-	(2,592)
			Non-derivatives	-	-
	EUR/HKD	(9.2%)	Derivatives	-	(1,070)
			Non-derivatives	(30)	-
	EUR/MXN	(12.1%)	Derivatives	(463)	(1,236)
			Non-derivatives	-	-
<b>Total</b>				<b>(6,596)</b>	<b>(32,759)</b>
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)	-
	EUR/KRW	11.8%	Derivatives	-	-
			Non-derivatives	-	-
	EUR/CNY	7.1%	Derivatives	-	-
			Non-derivatives	(7)	-
	EUR/HKD	9.0%	Derivatives	-	-
			Non-derivatives	18	-
	EUR/MXN	12.7%	Derivatives	373	777
			Non-derivatives	-	-
<b>Total</b>				<b>3,357</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	-
	EUR/KRW	(11.8%)	Derivatives	-	-
			Non-derivatives	-	-
	EUR/CNY	(7.1%)	Derivatives	-	-
			Non-derivatives	7	-
	EUR/HKD	(9.0%)	Derivatives	-	-
			Non-derivatives	(31)	-
	EUR/MXN	(12.7%)	Derivatives	(481)	(1,002)
			Non-derivatives	-	-
<b>Total</b>				<b>(3,992)</b>	<b>(22,537)</b>

As set out in the table above, a positive change in the exchange rates (*EUR/JPY*, *EUR/USD*, *EUR/KRW*, *EUR/CNY*, *EUR/HKD* and *EUR/MXN*) would have produced a profit of 5,511 thousand Euro as at 31 December 2014 and a profit of 3,357 thousand Euro as at 31 December 2013; similarly, a negative change in the exchange rates would have produced a loss of 6,596 thousand Euro as at 31 December 2014 and a loss of 3,992 thousand Euro as at 31 December 2013. The increase in shareholders' equity generated from the hedge derivatives as a consequence of the estimated rises in exchange rates would have been 27,059 thousand Euro as at 31 December 2014 and 18,771 thousand Euro as at 31 December 2013; the reduction in shareholders' equity as a consequence of the estimated decreases in exchange

rates would have been 32,759 thousand Euro as at 31 December 2014 and 22,537 thousand Euro as at 31 December 2013. The sensitivity analysis carried out as described above and which is significantly influenced by the market volatility levels of exchange rates taken into account, shows a significant impact on the Group 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 2014, committed credit lines with a number of banks were outstanding for a total of 311,099 thousand Euro, of which 289,768 thousand Euro can be used on one or more occasions (revolving credit lines) and 21,331 thousand Euro in the form of long-term loans which can be repaid in full upon expiry (term loans) and uncommitted short-term credit lines relating to the Parent company and some of its subsidiaries for a total of 482,106 thousand Euro.

As at 31 December 2014 the Group had unused committed credit lines (as revolving credit lines or term loans) for 282,959 thousand Euro and uncommitted lines for 367,832 thousand Euro, against gross debt of 142,414 thousand Euro and a net financial debt of 49,353 thousand Euro. As at 31 December 2014 committed credit lines had a maximum residual duration of thirty-six months and a weighted average residual duration of twenty-nine months. The credit lines and the related financial business are spread among leading national and international banks. As at the reporting date their maximum use is below thirty-four 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. During 2014 the Parent company, taking advantage of extremely low market interest rates and particularly favorable credit conditions for the Company, renegotiated almost all the outstanding committed credit lines, and added some new ones, extending the contractual expiry from the usual eighteen months to thirty-six. In addition, two separate term loans were entered into relating to the subsidiaries Ferragamo Japan KK and Ferragamo Retail India Private Ltd, which can be fully repaid upon expiry, with an original contract duration of thirty-six months. 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 2014, 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 the risk under review and allow to adjust the cost of debt to the best market conditions. 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. 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.

<b>Liquidity risk – Maturity analysis</b>					<b>31 December 2014</b>
<b>(In thousands of Euro)</b>	<b>&lt; 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Trade payables	173,496	14,059	-	-	187,555
Payables to banks	104,441	19,245	23,096	-	146,782
Payables to third parties	4,118	-	-	-	4,118
Guarantee deposits	43	-	169	-	212
Derivatives – non-hedge component	8	244	-	-	252
Derivatives – hedge component	11,882	12,554	-	-	24,436
<b>Total</b>	<b>293,988</b>	<b>46,102</b>	<b>23,265</b>	<b>-</b>	<b>363,355</b>

<b>Liquidity risk – Maturity analysis</b>					<b>31 December 2013</b>
<b>(In thousands of Euro)</b>	<b>&lt; 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
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>-</b>	<b>-</b>	<b>309,258</b>

The analysis carried out on the items relating to financial liabilities showed a concentration of maturities within three months. In 2014, payables to banks over more than twelve months had a maximum residual duration of thirty-six 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 37 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 agrees to guarantee payment of the indemnity in the case of insolvency.

In general, the Company 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 2014, 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 2014		31 December 2013	
	Current portion	Non current portion	Current portion	Non current portion
Receivables and loans				
Receivables from others (M/L term)	-	595	264	550
Trade receivables	150,895	-	121,408	-
Cash and cash equivalents	96,463	-	70,308	-
Guarantee deposits	-	15,004	-	11,985
Derivatives	2,854	-	16,962	2
<b>Total</b>	<b>250,212</b>	<b>15,599</b>	<b>208,942</b>	<b>12,537</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 as at 31 December 2014 and 31 December 2013, and is almost exclusively limited to the current portion. The non current portion refers exclusively to receivables with a residual life of four years due from Emanuel Ungaro Italia S.r.l. to Ferragamo Parfums S.p.A. in relation to the four-year license contract renegotiated in 2014 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 2014	%	31 December 2013	%
Italy	24,566	16.3%	26,114	21.5%
Europe	26,128	17.3%	16,430	13.5%
North America	24,226	16.1%	16,742	13.8%
Japan	8,414	5.6%	8,038	6.6%
Asia Pacific	58,756	38.9%	45,407	37.4%
Central and South America	8,805	5.8%	8,677	7.2%
<b>Total</b>	<b>150,895</b>	<b>100.0%</b>	<b>121,408</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 due nor impaired	Receivables past due but not impaired					Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days	
31 December 2014	136,314	8,505	3,534	301	1,484	757	---
31 December 2013	106,222	11,729	2,238	720	246	242	121,408
Figures in % at 31 Dec.	90.3%	5.6%	2.3%	0.2%	1.0%	0.5%	100.0%
Figures in % at 31 Dec.	87.5%	9.7%	1.8%	0.6%	0.2%	0.2%	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 2014 and 31 December 2013.

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	2014	2013
Percentage of revenues with the biggest customer	1.7%	1.7%
Percentage of revenues with the 3 biggest customers	4.8%	5.0%
Percentage of revenues with the 10 biggest customers	11.0%	11.5%

### **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 2014 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 35).

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

<b>(In thousands of Euro)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Interest-bearing loans	142,414	100,052
Other financial payables	4,118	3,915
Trade and other payables	228,145	245,994
Cash and cash equivalents	96,463	70,308
<b>Net debt</b>	<b>278,214</b>	<b>279,653</b>
Group shareholders' equity	481,888	352,094
Minority interests	42,004	34,305
<b>Total shareholders' equity</b>	<b>523,892</b>	<b>386,399</b>
<b>Shareholders' equity and net debt</b>	<b>802,106</b>	<b>666,052</b>
<b>Debt / shareholders' equity</b>	<b>53.1%</b>	<b>72.4%</b>

#### **4. Business combinations and purchases of minority interests**

During 2014 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 as at 31 December 2014 and 31 December 2013 is shown in the following table:

(In thousands of Euro)	31 December 2014			31 December 2013		
	Historic Cost	Accumulated depreciation	Net value	Historic Cost	Accumulated depreciation	Net value
Land	20,010	-	20,010	18,920	-	18,920
Buildings	51,624	24,139	27,485	45,687	19,599	26,088
Plant and equipment	22,781	18,347	4,434	21,429	16,609	4,820
Industrial and commercial equipment	93,864	57,011	36,853	78,635	49,230	29,405
Other assets	54,675	38,045	16,630	47,140	32,223	14,917
Leasehold improvements	215,609	125,878	89,731	165,480	102,100	63,380
Fixed assets in progress and payments on account	16,934	-	16,934	10,868	-	10,868
<b>Total</b>	<b>475,497</b>	<b>263,420</b>	<b>212,077</b>	<b>388,159</b>	<b>219,761</b>	<b>168,398</b>

The following tables show the change in property, plant and equipment for the years ended 31 December 2014 and 31 December 2013:

(In thousands of Euro)	Value at	Translation	Additions	Disposals	Depreciation	Reclassifications	Value at
	01.01.2014	Difference					
Land	18,920	1,090	-	-	-	-	20,010
Buildings	26,088	1,185	2,732	-	(2,520)	-	27,485
Plant and equipment	4,820	11	1,385	(19)	(1,763)	-	4,434
Industrial and commercial equipment	29,405	1,900	16,167	(323)	(9,779)	(517)	36,853
Other assets	14,917	1,132	8,025	(194)	(5,816)	(1,434)	16,630
Leasehold improvements	63,380	6,201	39,358	(1,348)	(20,028)	2,168	89,731
Fixed assets in progress and payments on account	10,868	607	14,402	(8,943)	-	-	16,934
<b>Total</b>	<b>168,398</b>	<b>12,126</b>	<b>82,069</b>	<b>(10,827)</b>	<b>(39,906)</b>	<b>217</b>	<b>212,077</b>

(In thousands of Euro)	Value at	Translation	Additions	Disposal	Depreciation	Reclassifications	Impairment	Value at
	01.01.2013	difference						
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	19,466	(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>

The addition:

- in the item "Buildings" refers to improvements to the facility at Osmannoro-Sesto Fiorentino following the plan to renovate the whole facility which has been initiated in 2013 and still underway as at 31 December 2014 and, to a lesser extent, to the property owned in the USA.
- in "Industrial and commercial equipment" mainly refers to the opening and renovation of stores (14,885 thousand Euro) and the purchase of equipment and moulds (1,282 thousand Euro) for the fragrances product category;
- in "Other assets" mainly refers to IT equipment (2,945 thousand Euro) and furniture and furnishings (4,948 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.

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

The net value of reclassifications amounting to 217 thousand Euro refers mainly to contributions received in previous years by some Group companies to refurbish/renovate stores; they were previously accounted for as a deduction from the tangible assets of these companies and are now accounted for under other current liabilities and recognized in the income statement over the duration of the lease contract.

## 6. Investment property

The breakdown of the item as at 31 December 2014 and 31 December 2013 is set out in the following table:

(In thousands of Euro)	31 December 2014			31 December 2013		
	Historic Cost	Accumulated depreciation	Net value	Historic Cost	Accumulated depreciation	Net value
Land	4,610	-	4,610	4,059	-	4,059
Buildings	10,858	8,453	2,405	9,558	7,162	2,396
<b>Total</b>	<b>15,468</b>	<b>8,453</b>	<b>7,015</b>	<b>13,617</b>	<b>7,162</b>	<b>6,455</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 2014 and 31 December 2013:

(In thousands of Euro)	Value at	Translation	Additions	Depreciation	Value at
	01.01.2014	difference			31.12.2014
Land	4,059	551	-	-	4,610
Buildings	2,396	299	-	(290)	2,405
<b>Total</b>	<b>6,455</b>	<b>850</b>	<b>-</b>	<b>(290)</b>	<b>7,015</b>

(In thousands of Euro)	Value at	Translation	Additions	Depreciation	Value at
	01.01.2013	difference			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>

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.

In addition, the Group periodically assesses the fair value of investment property recorded in the financial statements; on the basis of these estimates, the fair values are higher than the book values.

## 7. Intangible assets with a finite useful life

The breakdown of intangible assets with a finite useful life as at 31 December 2014 and 31 December 2013 is shown in the following table:

(In thousands of Euro)	31 December 2014			31 December 2013		
	Historic Cost	Accumulated amortization	Net value	Historic Cost	Accumulated amortization	Net value
Industrial patents and use of intellectual property rights	20,375	17,009	3,366	18,024	14,950	3,074
Concessions, licenses and trademarks	7,812	6,147	1,665	7,441	5,815	1,626
Development costs	20,780	10,294	10,486	17,386	6,795	10,591
Others	26,450	18,059	8,391	25,354	16,043	9,311
Intangible assets with a finite useful life in progress	5,312	-	5,312	1,488	-	1,488
<b>Total</b>	<b>80,729</b>	<b>51,509</b>	<b>29,220</b>	<b>69,693</b>	<b>43,603</b>	<b>26,090</b>

The following tables show the changes in intangible assets with a finite useful life for the years ended 31 December 2014 and 31 December 2013:

(In thousands of Euro)	Value at 01.01.2014	Translational difference	Addition	Disposal	Amortization	Reclassifications	Value at 31.12.2014
Industrial patents and use of intellectual property rights	3,074	83	1,963	(9)	(1,751)	6	3,366
Concessions, licenses and trademarks	1,626	-	371	-	(332)	-	1,665
Development costs	10,591	-	3,394	-	(3,499)	-	10,486
Others	9,311	558	270	(8)	(1,740)	-	8,391
Intangible assets with a finite useful life in progress	1,488	77	5,179	(1,432)	-	-	5,312
<b>Total</b>	<b>26,090</b>	<b>718</b>	<b>11,177</b>	<b>(1,449)</b>	<b>(7,322)</b>	<b>6</b>	<b>29,220</b>

(In thousands of Euro)	Value at 01.01.2013	Translational difference	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 2014 intangible assets with a finite useful life increased mainly due to new investment in software development costs and software license costs, 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 2014	31 December 2013
Europe (excluding Italy)	2,236	2,741
North America	2,143	2,136
Asia Pacific	320	349
Central and South America	2,006	2,595
<b>Total</b>	<b>6,705</b>	<b>7,821</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.

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

## 8. Available-for-sale financial assets

The breakdown and changes of the item “Available-for-sale financial assets” as at 31 December 2014 and 31 December 2013 is set out in the following table:

(In thousands of Euro)	% investment	Value at 01.01.2014	Translation difference	Value at 31.12.2014
Polimoda Consulting S.r.l.	0.82%	20	-	20
Other assets		5	-	5
<b>Total</b>		<b>25</b>	<b>-</b>	<b>25</b>

## 9. Other non current assets

The breakdown of the item “Other non current assets” as at 31 December 2014 and 31 December 2013 is set out in the following table:

(In thousands of Euro)	31 December 2014	31 December 2013	Change 2014 vs. 2013
Advances to suppliers	595	550	45
Other non current assets	6,088	5,719	369
Other receivables for long-term hedge derivatives	-	2	(2)
<b>Total</b>	<b>6,683</b>	<b>6,271</b>	<b>412</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 during 2014). These advances are recovered with the accrual of royalties.

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).

## 10. Other non current financial assets

As at 31 December 2014 “Other non current financial assets” totaled 14,668 thousand Euro and referred to guarantee deposits mainly for lease contracts, up by 3,130 thousand Euro compared to 31 December 2013.

## 11. Inventories

Ending inventories refer to the following categories:

(In thousands of Euro)	31 December 2014	31 December 2013	Change 2014 vs. 2013
Raw materials, accessories and consumables	55,246	61,777	(6,531)
Provision for obsolete inventory	(7,519)	(8,805)	1,286
Raw materials, accessories and consumables	<b>47,727</b>	<b>52,972</b>	<b>(5,245)</b>
Finished products and goods for resale	321,506	261,558	59,948
Provision for obsolete inventory	(30,678)	(23,825)	(6,853)
Finished products and goods for resale	<b>290,828</b>	<b>237,733</b>	<b>53,095</b>
<b>Total</b>	<b>338,555</b>	<b>290,705</b>	<b>47,850</b>

The change in raw materials compared to 2013 depends on production volumes for the period; the relevant provision reflects the obsolescence of raw materials (leather and accessories) which are no longer suitable for the 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 21,457 thousand Euro (exchange rate effect amounted to 31,638 thousand Euro and mainly refers to changes in the exchange rates of the US Dollar, the Chinese Renminbi, the Hong Kong Dollar and the Japanese Yen).

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

(In thousands of Euro)	2014	2013	Change 2014 vs. 2013
Raw materials	(1,286)	2,066	(3,352)
Finished products	5,152	4,075	1,077
<b>Total</b>	<b>3,866</b>	<b>6,141</b>	<b>(2,275)</b>

## 12. Trade receivables

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

(In thousands of Euro)	31 December 2014	31 December 2013	Change 2014 vs. 2013
Trade receivables	157,509	126,158	31,351
Provision for bad debt	(6,614)	(4,750)	(1,864)
<b>Total</b>	<b>150,895</b>	<b>121,408</b>	<b>29,487</b>

Trade receivables mainly refer to wholesale sales and are due for around 18,252 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 and its increase compared to 31 December 2013 is mainly due to the increase in wholesale sales and is in part affected by higher provisions for trade receivables relating to wholesale customers operating on the Russian, Ukrainian and Greek markets due to the well-known socio-political tensions.

The changes in the provision for bad debt during 2014 were as follows:

(In thousands of Euro)	Value at 01.01.2014	Translation difference	Allocations	Uses	Value at 31.12.2014
<b>Provision for bad debt</b>	<b>4,750</b>	28	2,166	(330)	<b>6,614</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".

## 13. Tax receivables

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

(In thousands of Euro)	31 December 2014	31 December 2013	Change 2014 vs. 2013
Due from tax authorities (value added tax and other taxes)	6,814	7,675	(861)
Due from tax authorities for income taxes	6,447	2,335	4,112
Withholding taxes	227	61	166
<b>Total</b>	<b>13,488</b>	<b>10,071</b>	<b>3,417</b>

Tax receivables rose by 3,417 thousand Euro compared to the prior year and mainly refer to VAT receivables and amounts due from tax authorities for income taxes.

## 14. Other current assets

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

(In thousands of Euro)	31 December 2014	31 December 2013	Change 2014 vs. 2013
Other receivables	14,318	14,375	(57)
Accrued income	3	7	(4)
Prepaid expenses	17,859	13,357	4,502
Other receivables for short-term hedge derivatives	1,878	15,034	(13,156)
<b>Total</b>	<b>34,058</b>	<b>42,773</b>	<b>(8,715)</b>

As at 31 December 2014 other receivables mainly include:

- receivables due from credit card management companies for retail sales amounting to 8,414 thousand Euro (6,771 thousand Euro as at 31 December 2013);
- receivables due from the Holding company Ferragamo Finanziaria S.p.A. for 2,025 thousand Euro (2,426 thousand Euro as at 31 December 2013) in relation to the domestic fiscal unity. The balance refers to receivables 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 880 thousand Euro (1,260 thousand Euro as at 31 December 2013);

Prepaid expenses mainly include contributions to customers for 8,975 thousand Euro, rents for 5,784 thousand Euro and insurance premiums for 470 thousand Euro.

“Other receivables for short-term hedge derivatives” amounting to 1,878 thousand Euro (15,034 thousand Euro as at 31 December 2013) 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.

## 15. Other current financial assets

“Other current financial assets” totaled 976 thousand Euro as at 31 December 2014 and referred to the fair value measurement of derivatives for the non-hedge component (1,928 thousand Euro as at 31 December 2013).

## 16. Cash and cash equivalents

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

(In thousands of Euro)	31 December 2014	31 December 2013	Change 2014 vs. 2013
Time deposits	12,212	4,209	8,003
Bank and post office sight deposits	83,178	65,251	17,927
Cash and values on hand	1,073	848	225
<b>Total</b>	<b>96,463</b>	<b>70,308</b>	<b>26,155</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 2014, 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.

As at 31 December 2014 the Group had unused credit lines for 650,791 thousand Euro. As at 31 December 2013, unused credit lines totaled 481,133 thousand Euro.

For the purposes of the consolidated statement of cash flows, the item “Cash and cash equivalents” as at 31 December 2014 and 31 December 2013 was broken down as follows:

<b>(In thousands of Euro)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>	<b>Change 2014 vs. 2013</b>
Cash and bank sight deposits	84,251	66,099	18,152
Time deposits	12,212	4,209	8,003
Bank overdrafts	(8)	(16)	8
<b>Total</b>	<b>96,455</b>	<b>70,292</b>	<b>26,163</b>

## **17. Share capital and reserves**

The authorized share capital of the Parent Company as at 31 December 2014 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 155,220 thousand Euro, which refers entirely to the Parent company, was set up with retained earnings; the 38,106 thousand Euro increase recorded in the period refers to the 2013 profit, net of the distribution of dividends, amounting to 67,364 thousand Euro, declared in 2014.

The cash flow hedge reserve was negative for 15,698 thousand Euro and is the result of the valuation of the financial instruments defined as cash flow hedges as at 31 December 2014, given the hedges against exchange rate risk, and is shown net of the tax effect.

The translation reserve, negative for 317 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 South Korean won, the Chinese renminbi and, finally, other currencies.

Retained earnings amounting to 129,861 thousand Euro include profits/losses capitalized during the years, taking due account of consolidation adjustments, in particular unrealized profit on inventories. This reserve, during 2014, was affected by the joint impact of several factors. On the one hand, it rose by 112,345 thousand Euro due to the capitalization of the profit for 2013, net of the Parent company's profit which was allocated to the extraordinary reserve, by 280 thousand Euro due to the effect in the period of the recognition of the put and call agreements on minority interests already existing (note 35) and by 270 thousand Euro due to minor effects. On the other hand, the reserve fell by 67,364 thousand Euro due to the dividends distributed by the Parent company during 2014.

The items “Other reserves” and “Effect IAS 19 equity” (net total of 16,535 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 (4,251 thousand Euro) which includes the fair value as at 31 December 2014 of the rights assigned to receive shares of the Parent company. For details on the Stock Grant Plan reference should be made to note 34.

The amounts are net of the tax effects where applicable.

The changes in shareholders' equity items occurred in 2014 and 2013 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 2014</b>				
Share capital contributions	-	-	2,995	2,995
Legal reserve	4,188	-	-	4,188
Extraordinary reserve	155,220	-	-	155,220
Cash flow hedge reserve	-	-	(15,698)	(15,698)
Translation reserve	-	(317)	-	(317)
Retained earnings	129,861	-	-	129,861
Other reserves	-	-	16,535	16,535
<b>Total</b>	<b>289,269</b>	<b>(317)</b>	<b>3,832</b>	<b>292,784</b>
<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>

## 18. Provisions for risks and charges

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

(In thousands of Euro)	Value at 01.01.2014	Translation difference	Additions	Uses	Value at 31.12.2014
Legal disputes	1,066	2	196	(322)	942
Other	4,282	363	2,245	(726)	6,164
<b>Total</b>	<b>5,348</b>	<b>365</b>	<b>2,441</b>	<b>(1,048)</b>	<b>7,106</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 (4,398 thousand Euro); in addition, it includes the additional allowance set aside by Ferragamo Parfums S.p.A. for agents operating in Italy. The additions for the period refer for 1,313 thousand Euro to future costs to restore premises leased by third parties.

## 19. Employee benefit liabilities

The following table shows the breakdown of employee benefits as at 31 December 2014 and 31 December 2013:

(In thousands of Euro)	31 December 2014	31 December 2013	Change 2014 vs. 2013
Employee defined benefit liabilities	11,490	10,045	1,445
Other employee benefit liabilities	93	47	46
<b>Total</b>	<b>11,583</b>	<b>10,092</b>	<b>1,491</b>

The item "Employee defined benefit liabilities" includes employee severance indemnities of Italian companies and other employee defined benefit liabilities.

The following table shows the changes in employee defined benefit liabilities in 2014 and 2013:

(In thousands of Euro)	2014			2013		
	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>12,694</b>	<b>(2,649)</b>	<b>10,045</b>	<b>13,529</b>	<b>(2,727)</b>	<b>10,802</b>
Current Service Cost	465	-	465	546	-	546
Financial charges/(income)	362	(56)	306	322	(41)	281
<b>Changes included in net profit/(loss) for the period</b>	<b>827</b>	<b>(56)</b>	<b>771</b>	<b>868</b>	<b>(41)</b>	<b>827</b>
Returns on plan assets	-	34	34	-	(47)	(47)
Actuarial loss/(gain) arising from:						
- financial assumptions	1,130	-	1,130	(389)	-	(389)
- demographic assumptions	(7)	-	(7)	25	-	25
- experience-based adjustments	(63)	-	(63)	(59)	-	(59)
Translation differences	311	(103)	208	(689)	513	(176)
<b>Changes included in other comprehensive income items</b>	<b>1,371</b>	<b>(69)</b>	<b>1,302</b>	<b>(1,112)</b>	<b>466</b>	<b>(646)</b>
Contributions paid by the employer	-	(341)	(341)	-	(427)	(427)
Benefits paid	(446)	183	(263)	(591)	80	(511)
Reclassifications	(24)	-	(24)	-	-	-
<b>Other changes</b>	<b>(470)</b>	<b>(158)</b>	<b>(628)</b>	<b>(591)</b>	<b>(347)</b>	<b>(938)</b>
<b>Value at the end of the period</b>	<b>14,422</b>	<b>(2,932)</b>	<b>11,490</b>	<b>12,694</b>	<b>(2,649)</b>	<b>10,045</b>

Employee defined benefit liabilities of the Group's Italian companies (the Parent company and Ferragamo Parfums S.p.A.) amounted to 9,054 thousand Euro, up by 1,146 thousand Euro compared to 31 December 2013. Here below are the main financial assumptions used in determining the present value of employee severance indemnities:

	31 December 2014	31 December 2013
Annual rate of salary increase	3.97%	3.47%
Annual discount rate	1.24%	2.75%
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 5.17% 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 2,436 thousand Euro, up by 299 thousand Euro compared to 31 December 2013. The value is net of the fair value of 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 2014	31 December 2013
Annual rate of salary increase	2.0% - 5.5%	2.0% - 6.75%
Annual discount rate	0.47% - 8.0%	1.0% - 8.75%

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 as at 31 December 2014 concerning employee benefit obligations of Italian companies, which have the highest impact on total defined benefit obligations:

(In thousands of Euro)	% change	2014		2013	
		Additions	Disposals	Additions	Disposals
Annual rate of salary increase	+/- 0.5%	24	(23)	18	(17)
Annual discount rate	+/- 0.5%	(470)	512	(377)	408
Mortality rate	+/- 0.025%	(2)	3	-	-
Staff turnover rate	+/- 0.5%	(48)	52	(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)	2014	2013
Managers	641.60	590.82
White collars	2,636.17	2,426.56
Blue collars	231.78	203.47
Temporary Agency staff	254.24	393.37
<b>Total</b>	<b>3,763.79</b>	<b>3,614.22</b>

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

## 20. Other non current liabilities

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

(In thousands of Euro)	31 December	31 December	Change
	2014	2013	
Payables for deferred rents	48,455	37,266	11,189
Other payables	303	227	76
Tax payables	-	1,178	(1,178)
<b>Total</b>	<b>48,758</b>	<b>38,671</b>	<b>10,087</b>

Payables for deferred rents mainly refer to the straight lining of rents over the contract period for the property leased in the United States (42,131 thousand Euro), 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, and in other countries in which the Group operates.

The decrease in tax payables refers to the short-term reclassification of tax payables relating to the assessment with acceptance between the Parent company and Italian tax authorities; for details reference should be made to the Directors' report on operations included in the 2012 Consolidated Financial Statements.

## 21. Trade payables

The breakdown of trade payables was as follows:

(In thousands of Euro)	31 December	31 December	Change
	2014	2013	
Trade payables	186,866	201,873	(15,007)
Advances from customers	689	879	(190)
<b>Total</b>	<b>187,555</b>	<b>202,752</b>	<b>(15,197)</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.

## 22. Interest-bearing loans & borrowings

A breakdown of current and non current interest-bearing loans & borrowings is given below:

(In thousands of Euro)	31 December 2014	31 December 2013	Change 2014 vs. 2013
Medium/long-term financial payables to banks	21,331	-	21,331
Short-term financial payables to banks	121,075	100,036	21,039
Bank overdrafts	8	16	(8)
<b>Total</b>	<b>142,414</b>	<b>100,052</b>	<b>42,362</b>

The Group's financial requirements are covered by short-term and medium/long-term payables relating to short- and medium/long-term bank credit lines. During 2014 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. During 2014 the Parent company, taking advantage of particularly favorable market interest rates and credit conditions for the Company, renegotiated almost all the outstanding committed credit lines, and added some new ones, extending the contractual expiry from the usual eighteen months to thirty-six. In addition, two separate term loans were entered into relating to the subsidiaries Ferragamo Japan KK and Ferragamo Retail India Private Ltd, which can be fully repaid upon expiry, with a contract duration of thirty-six months. 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. For term loans lasting more than one year, the market interest rate can be reviewed on a quarterly or annual basis.

Uses range from a few days to a maximum of thirty-six months. 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, short- and medium/long-term credit lines (revolving credit lines or term loans), negotiated on a bilateral basis by the Parent company; some of these revolving 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).

As at 31 December 2014 committed credit lines had a maximum residual duration of thirty-six months and a weighted average residual duration of twenty-nine 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 thirty-four months.

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 2014		31 December 2013	
	Agreed	Used	Agreed	Used
Committed credit lines	311,099	28,140	227,403	12,509
Revolving credit lines	289,768	6,809	227,403	12,509
Term loans	21,331	21,331	-	-
Uncommitted credit lines	482,106	114,274	353,782	87,543
<b>Total</b>	<b>793,205</b>	<b>142,414</b>	<b>581,185</b>	<b>100,052</b>

The following table provides the breakdown and changes in the net financial position as at 31 December 2014 and 31 December 2013, restated in accordance with the model included in CONSOB Communication no. DEM/6064293 of 28 July 2006.

<b>(In thousands of Euro)</b>	<b>31 December</b>	<b>31 December</b>	<b>Change</b>
	<b>2014</b>	<b>2013</b>	<b>2014 vs.</b>
			<b>2013</b>
A. Cash	1,073	848	225
B. Other cash equivalents	95,390	69,460	25,930
<b>C. Cash and cash equivalents (A)+(B)</b>	<b>96,463</b>	<b>70,308</b>	<b>26,155</b>
Derivatives – non-hedge component	976	1,928	(952)
Other financial assets	-	-	-
<b>D. Current financial receivables</b>	<b>976</b>	<b>1,928</b>	<b>(952)</b>
E. Current bank payables	121,083	100,052	21,031
F. Derivatives – non-hedge component	260	867	(607)
G. Other current financial payables	4,118	3,915	203
<b>H. Current financial debt (E)+(F)+(G)</b>	<b>125,461</b>	<b>104,834</b>	<b>20,627</b>
<b>I. Current financial debt, net (H)-(C)-(D)</b>	<b>28,022</b>	<b>32,598</b>	<b>(4,576)</b>
J. Non current bank payables	21,331	-	21,331
K. Derivatives – non-hedge component	-	-	-
M. Other non current payables	-	-	-
<b>N. Non current financial debt (J)+(K)+(M)</b>	<b>21,331</b>	<b>-</b>	<b>21,331</b>
<b>O. Net financial debt (I)+(N)</b>	<b>49,353</b>	<b>32,598</b>	<b>16,755</b>

#### **Limitations on the use of financial resources**

In general, the Group's committed credit lines (both revolving credit lines and term loans) 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 2014 the financial and non-financial covenants were complied with by all the companies involved.

### **23. Tax payables**

As at 31 December 2014 tax payables amounted to 21,528 thousand Euro (22,401 thousand Euro as at 31 December 2013) and concerned payables for income taxes pertaining to the period and other taxes due by Group companies. The net decrease of 873 thousand Euro compared to 31 December 2013 is in part attributable to the complete payment in 2014 of the residual payable relating to the assessment with acceptance between the Parent company and the Italian tax authorities (for details reference should be made to the Directors' report on operations of the 2012 Consolidated Financial Statements), net of the increase in the period in VAT payables and amounts due for income taxes.

### **24. Other current liabilities**

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

<b>(In thousands of Euro)</b>	<b>31 December</b>	<b>31 December</b>	<b>Change</b>
	<b>2014</b>	<b>2013</b>	<b>2014 vs. 2013</b>
Other payables	28,174	32,668	(4,494)
Payables to social security institutions	5,404	4,911	493
Accrued expenses	4,655	3,025	1,630
Deferred income	2,357	2,638	(281)
Other payables for hedge derivatives	23,120	230	22,890
<b>Total</b>	<b>63,710</b>	<b>43,472</b>	<b>20,238</b>

The item "Other payables" mainly includes the Group's payables to employees for amounts accrued but not yet paid at the reporting date and payables to the Holding company Ferragamo Finanziaria S.p.A. for 6,275 thousand Euro as part of the domestic fiscal unity regarding the year 2014; in addition, it 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 26.

## 25. 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 2014	31 December 2013	Change 2014 vs. 2013
Short-term derivatives	260	867	(607)
Other current financial payables	4,118	3,915	203
<b>Total</b>	<b>4,378</b>	<b>4,782</b>	<b>(404)</b>

The item “Other current financial payables” as at 31 December 2014 includes:

- the put option (3,295 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 2013 this item amounted to 3,263 thousand Euro.
- 823 thousand Euro for payables to the minority shareholders of Ferragamo Retail India Private Limited. As at 31 December 2013 this item amounted to 652 thousand Euro.

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 26 below.

## 26. 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, as at 31 December 2014 and 31 December 2013.

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

(In thousands of Euro)	31 December 2014			31 December 2013		
	Book value		Fair Value	Book value		Fair Value
	Current portion	Non current portion		Current portion	Non current portion	
Financial assets at fair value through profit or loss						
Derivatives – non-hedge component	976	-	976	1,928	-	1,928
Available-for-sale financial assets	-	25	25	-	25	25
Receivables and loans						
Receivables from others (M/L term)	-	595	590	264	550	805
Trade receivables	150,895	-	150,895	121,408	-	121,408
Guarantee deposits	-	14,668	14,668	-	11,538	10,910
Cash and cash equivalents	96,463	-	96,463	70,308	-	70,308
Derivatives – hedge component	1,878	-	1,878	15,034	2	15,036
<b>Total</b>	<b>250,212</b>	<b>15,288</b>	<b>265,495</b>	<b>208,942</b>	<b>12,115</b>	<b>220,420</b>

<b>FINANCIAL LIABILITIES</b>	<b>31 December 2014</b>			<b>31 December 2013</b>		
	<b>Book value</b>		<b>Fair Value</b>	<b>Book value</b>		<b>Fair Value</b>
	Current portion	Non portion		Current portion	Non portion	
<b>(In thousands of Euro)</b>						
Liabilities at amortized cost						
Trade payables and payments on account	187,555	-		202,752	-	202,752
Payables to banks and other financial	125,201	21,331			-	103,967
Guarantee deposits	43	169			-	
Financial liabilities at fair value through profit or loss						
Derivatives – non-hedge component	260	-	260	867	-	867
Derivatives – hedge component	23,120	-	23,120	230	-	230
<b>Total</b>		<b>21,500</b>	<b>357,679</b>		<b>-</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 13.

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. (renegotiated in 2014 and with a four-year maturity), 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. Also for “Guarantee deposits” the book value is a reasonable approximation of the fair value. Available-for-sale financial assets are measured at cost because their fair value cannot be reliably established.

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 2014</b>	<b>31 December 2013</b>
<i>Net gains/(losses) on financial instruments recognized in profit or loss:</i>		
Financial assets/liabilities held for trading	(8,390)	5,421
Derivatives – hedge component	13,862	10,894
<i>Net gains/(losses) on financial instruments recognized in shareholders' equity:</i>		
Derivatives – hedge component	(40,096)	8,527
<i>Interest income/expense (calculated using the internal rate of return method) accrued on financial assets/liabilities not at FVTPL</i>		
Interest income	384	362
Interest expense	4,881	3,765
<i>Expenses and fees not included in the effective interest rate regarding financial liabilities</i>		
	782	661
<i>Interest income accrued on financial instruments written-off</i>		
	-	-
<i>Provisions for impairment on financial assets</i>		
Receivables/loans	2,166	334

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 2014 and 2013.

## 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 2014 and 2013.

### 27. Revenues

In the years ended 31 December 2014 and 31 December 2013 revenues totaled 1,331,822 thousand Euro and 1,258,034 thousand Euro respectively and can be broken down as shown in the following table:

(In thousands of Euro)	2014	2013	Change 2014 vs. 2013
Retail revenues	833,101	802,821	30,280
Wholesale revenues	478,425	433,861	44,564
Licenses and services	9,375	10,694	(1,319)
Rental income investment properties	10,921	10,658	263
<b>Total</b>	<b>1,331,822</b>	<b>1,258,034</b>	<b>73,788</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). In 2013 the item "Licenses and services" included also the revenues from technical consulting services provided to Zefer S.p.A. until 31 December 2013.

Rental income investment properties were wholly due to the Ferragamo USA Group for the lease of space in owned or leased and sub-leased properties.

### 28. Cost of goods sold and operating costs

Cost of goods sold and operating costs in the years ended 31 December 2014 and 31 December 2013 were 1,097,287 thousand Euro and 1,051,126 thousand Euro respectively and were classified by function as follows:

(In thousands of Euro)	2014	2013	Change 2014 vs. 2013
Cost of goods sold	483,389	458,955	24,434
Style, product development and logistics costs	43,491	44,383	(892)
Sales & distribution costs	388,308	361,985	26,323
Marketing & communication costs	68,047	77,880	(9,833)
General and administrative costs	97,631	94,292	3,339
Other operating costs	16,421	13,631	2,790
<b>Total</b>	<b>1,097,287</b>	<b>1,051,126</b>	<b>46,161</b>

Costs rose by 4.4% compared to 2013 due to the growth in turnover which rose by 5.9% in 2014.

### 29. 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)	2014	2013	Change 2014 vs. 2013
Raw materials, finished products and consumables used	277,611	267,416	10,195
Costs for services	569,382	547,525	21,857
Personnel costs	186,355	181,635	4,720
Amortization and depreciation	47,518	39,030	8,488
Write-downs of tangible/intangible assets	-	1,889	(1,889)
Other charges	16,421	13,631	2,790
<b>Total</b>	<b>1,097,287</b>	<b>1,051,126</b>	<b>46,161</b>

### 30. Financial operations

Financial operations are broken down as follows:

(In thousands of Euro)	Change		
Financial charges	2014	2013	2014 vs. 2013
Interest expense - loans	4,288	3,362	926
Interest expense - other	197	170	27
Discount charges and other financial charges	2,246	2,117	129
Losses on exchange rate differences	11,149	20,191	(9,042)
Financial charges for fair value adjustment of derivatives	11,937	5,635	6,302
<b>Total</b>	<b>29,817</b>	<b>31,475</b>	<b>(1,658)</b>

(In thousands of Euro)	Change		
Financial income	2014	2013	2014 vs. 2013
Dividends from other companies	-	600	(600)
Gains on disposal of investments to third parties	-	12,524	(12,524)
Interest income	272	300	(28)
Other financial income	112	63	49
Gains on exchange rate differences	18,450	8,565	9,885
Financial income for fair value adjustment of derivatives	3,547	11,056	(7,509)
<b>Total</b>	<b>22,381</b>	<b>33,108</b>	<b>(10,727)</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.

The decrease in financial income is attributable to the gains on the disposal of the investment in Zefer S.p.A. recorded in 2013 and amounting to 12,524 thousand Euro.

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 2014 net exchange rate gains amounted to 7,301 thousand Euro compared to net exchange rate losses of 11,626 thousand Euro in 2013.

### 31. Income taxes

The taxes recorded in the income statement were as follows:

(In thousands of Euro)	2014	2013	Change 2014 vs. 2013
Current taxes	(79,771)	(74,714)	(5,057)
Deferred taxes	5,306	13,990	(8,684)
<b>Total</b>	<b>(74,465)</b>	<b>(60,724)</b>	<b>(13,741)</b>

Deferred taxes include the recognition in the year of deferred tax assets on previous tax losses totaling 527 thousand Euro.

### Deferred tax assets and liabilities

The following table provides a breakdown by nature of the assets and liabilities for deferred taxes as at 31 December 2014 and 31 December 2013:

(In thousands of Euro)	31 December 2014	31 December 2013	31 December 2014	31 December 2013	2014	2013
	Statement of financial position		Shareholders' equity		Income statement	
<b>Deferred tax assets</b>						
- on employee benefits	1,709	1,280	979	616	(19)	294
- on tangible assets	3,427	4,606	-	-	(1,427)	(3,014)
- on intangible assets	1,075	958	-	-	117	(78)
- on the cash flow hedge reserve/derivative contracts IAS 39	3,814	-	5,955	-	(2,141)	-
- on the valuation of inventories	10,456	8,896	-	-	950	1,818
- on the elimination of the profit unrealized in inventories	47,743	40,054	-	-	7,689	7,175
- on tax losses	4,961	4,336	-	-	559	3,688
- on taxed provisions	4,029	2,860	-	-	908	508
- for other temporary differences	18,060	15,547	-	-	661	1,815
<b>Total deferred tax assets</b>	<b>95,274</b>	<b>78,537</b>	<b>6,934</b>	<b>616</b>	<b>7,297</b>	<b>12,206</b>
<b>Deferred tax liabilities</b>						
- on employee benefits	(45)	(68)	-	-	23	(4)
- on tangible assets	(904)	(879)	-	-	51	41
- on the cash flow hedge reserve/derivative contracts IAS 39	-	(3,499)	-	(5,072)	(1,573)	1,836
- on the valuation of inventories	(1,634)	(1,293)	-	-	(337)	(143)
- for other temporary differences	(1,588)	(1,428)	-	-	(155)	54
<b>Total deferred tax liabilities</b>	<b>(4,171)</b>	<b>(7,167)</b>	<b>0</b>	<b>(5,072)</b>	<b>(1,991)</b>	<b>1,784</b>
<b>Net effect on the income statement</b>					<b>5,306</b>	<b>13,990</b>
<b>Net effect on shareholders' equity</b>			<b>6,934</b>	<b>(4,456)</b>		
Recognized in financial statements as follows:						
<i>Deferred tax assets</i>	<i>95,274</i>	<i>78,537</i>				
<i>Deferred tax liabilities</i>	<i>(4,171)</i>	<i>(7,167)</i>				
<b>Net result for deferred taxes</b>	<b>91,103</b>	<b>71,370</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 as at 31 December 2014 and 31 December 2013 were as follows:

(In thousands of Euro)	31 December 2014		
Expiry	Previous tax losses	Tax rate	Deferred tax assets
Without time limits	12,169	30.00%	3,650
Within 1 year	53	25.00%	13
1 to 3 years	1,164	25.00%	291
3 to 5 years	3,869	25.00%	967
Over 5 years	160	25.00%	40
<b>Total</b>	<b>17,415</b>	<b>28.49%</b>	<b>4,961</b>

(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>	

Tax losses of Group companies as at 31 December 2014 and 31 December 2013 on which deferred tax assets have not been calculated and the related expiries are shown in the following table:

(In thousands of Euro)		Expiry				
31 December 2014	Without time limits	within 1 year	1 to 3 years	3 to 5 years	over 5 years	
39,077	20,456	128	1,081	1,476	15,936	

(In thousands of Euro)		Expiry				
31 December 2013	Without time limits	within 1 year	1 to 3 years	3 to 5 years	over 5 years	
35,496	17,686	145	950	2,531	14,184	

The reconciliation between the theoretical tax charge and the effective tax charge is as follows:

(In thousands of Euro)		2014	2013
Profit before taxes		237,980	220,691
<i>IRES rate in force for the year</i>		(27.5%)	(27.5%)
<b>Theoretical tax charge</b>		<b>(65,445)</b>	<b>(60,690)</b>
IRAP effect		(8,460)	(7,759)
(Non-deductible costs) net of non-taxable income		3,925	4,154
Differences arising from different rates – foreign countries		3,335	5,441
Other effects		(130)	(137)
Recognition of deferred tax assets on previous tax losses		527	4,348
Effects of taxation for transparency of income of foreign companies resident in countries/areas with a privileged tax regime		(8,217)	(6,081)
<b>Total differences</b>		<b>(9,020)</b>	<b>(34)</b>
<b>Total taxes from the income statement</b>		<b>(74,465)</b>	<b>(60,724)</b>
<b>Effective tax rate</b>		<b>(31.3%)</b>	<b>(27.5%)</b>

## 32. 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 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 period.

For the purposes of calculating the diluted earnings per share, the weighted average number of shares was increased in order to take into account the effects arising from the shares which could be issued in relation to the outstanding Stock Grant Plan.

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.

	2014	2013
Net profit (loss) – shareholders of the Parent company (Euro)	156,565,260	150,450,586
Average number of ordinary shares	168,410,000	168,410,000
<b>Basic earnings per share – ordinary shares (Euro)</b>	<b>0.930</b>	<b>0.893</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	320,713	201,142
Diluted average number of ordinary shares	168,730,713	168,611,142
<b>Diluted earnings per share – ordinary shares (Euro)</b>	<b>0.928</b>	<b>0.892</b>

## Other information

### 33. Dividends

In order to implement the resolution of the Shareholders' Meeting of 29 April 2014, the Parent company Salvatore Ferragamo S.p.A. paid shareholders a single dividend of 0.40 Euro per share, relating to the profit for 2013, for a total amount of 67,364,000 Euro, with coupon detachment on 19 May 2014 and payment of the dividend as from 22 May 2014.

Other Group companies, during 2014, paid third-party shareholders dividends amounting to 2,423 thousand Euro.

### 34. Share-based payments

#### 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 2014 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 targets 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
<b>Performance Target B: Revenue Growth</b>	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, 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	380,000
(ii) assigned in the year	-
(iii) cancelled in the year	-
(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**

	2014		2013	
	Number	Fair Value (In thousands of Euro)	Number	Fair Value (In thousands of Euro)
<u>Rights to receive shares</u> <u>(employees of Salvatore Ferragamo S.p.A.)</u>				
- at the start of the year	230,000	1,614	230,000	654
- at the end of the period	230,000	2,574	230,000	1,614
<u>Rights to receive shares</u> <u>(employees of subsidiaries)</u>				
- at the start of the year	150,000	1,052	210,000	598
- cancelled in the period	-	-	60,000	171
- at the end of the period	150,000	1,677	150,000	1,052
<u>Total rights to receive shares</u> <u>(employees of the Salvatore Ferragamo Group)</u>				
- at the start of the year	380,000	2,666	440,000	1,252
- cancelled in the period	-	-	60,000	171
- at the end of the period	380,000	4,251	380,000	2,666

In 2013 rights to receive shares were cancelled, amounting to 60,000 shares, following resignation of two entitled employees of Group foreign 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:

<b>Fair value measurement</b>	<b>Assessment A</b>	<b>Assessment B</b>
- Share price at the grant date (average of 10 previous days)	Euro 15.647	Euro 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.

**35. 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 2014.

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, as at 31 December 2014 financial debt amounted to 3,295 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 2014 financial debt was 823 thousand Euro.

### 36. 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.

<b>(In thousands of Euro)</b>	<b>2014</b>	<b>2013</b>
<b>Revenues</b>	<b>1,331,822</b>	<b>1,258,034</b>
<b>Gross profit</b>	<b>848,433</b>	<b>799,079</b>
<b>Gross profit as a percentage of revenues</b>	<b>63.7%</b>	<b>63.5%</b>
Personnel costs	(173,874)	(169,631)
Rental costs	(173,247)	(160,133)
Amortization, depreciation and write-downs of non current assets	(46,841)	(40,348)
Communication costs	(63,461)	(72,161)
Other costs (net of other income)	(145,594)	(137,748)
<b>Operating profit</b>	<b>245,416</b>	<b>219,058</b>
Net financial (charges)/income	(7,436)	1,633
<b>Profit before taxes</b>	<b>237,980</b>	<b>220,691</b>
Income taxes	(74,465)	(60,724)
<b>Net profit/(loss)</b>	<b>163,515</b>	<b>159,967</b>

<b>(In thousands of Euro)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Inventories	338,555	290,705
Trade receivables	150,895	121,408
Tangible assets and investment property	219,092	174,853
Intangible assets with a finite useful life	29,220	26,090
Other assets	164,196	149,215

<b>Total assets gross of cash and cash equivalents and current financial receivables</b>	<b>901,958</b>	<b>762,271</b>
Net financial debt	49,353	32,598
Trade payables	187,555	202,752
Other liabilities	156,856	127,151
Shareholders' equity	508,194	399,770
<b>Total liabilities and shareholders' equity (net of cash and cash equivalents and current financial receivables)</b>	<b>901,958</b>	<b>762,271</b>

<b>(In thousands of Euro)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>Other sector information</b>		
Investment in tangible assets	73,126	69,707
Investment in intangible assets with a finite useful life	9,745	12,554

**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 2014</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>	354,816	304,828	111,495	496,013	64,670	1,331,822
<b>Other sector information</b>						
Sector assets	101,054	74,233	6,117	76,722	11,562	269,688
<b>Investments:</b>						
Tangible assets	24,956	15,908	1,696	28,316	2,250	73,126
Intangible assets with a finite useful life	7,962	993	340	450	-	9,745

<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

### 37. Transactions with related parties

This section describes the transactions with related parties undertaken in the years ended 31 December 2014 and 31 December 2013.

The following table shows the overall values of transactions with related parties:

(In thousands of Euro)	2014			31 December 2014			
	Revenues	Operating costs (net of other income)	Financial income	Trade receivables	Other assets	Trade payables	Other current liabilities
<b>Holding company</b>							
Ferragamo Finanziaria S.p.A.	-	(10)	-	-	2,025	-	(6,275)
(company which exercises management and coordination on Salvatore Ferragamo S.p.A.)							
<b>Related companies:</b>							
Palazzo Feroni Finanziaria S.p.A.	18	(7,366)	1	2	70	(145)	-
Lungarno Alberghi S.r.l.	178	(635)	-	47	-	(2)	-
Fondazione Ferragamo	2	(182)	-	-	-	(10)	-
<b>Companies connected to members of the Board of Directors</b>							
Bacco S.r.l.	-	(3)	-	-	-	-	-
Il Borro S.r.l.	6	(7)	-	-	-	-	-
Osteria del Borro S.r.l.	-	(3)	-	-	-	-	-
Nautor Holding S.r.l.	14	-	-	-	-	-	-
Castiglion del Bosco S.a.r.l.	-	(5)	-	-	-	(2)	-
Castiglion del Bosco Hotel S.r.l.	12	-	-	-	-	-	-
Rubino S.r.l.	-	(124)	-	-	16	-	-
Arpa S.r.l.	16	(103)	-	3	-	(83)	-
Studio Legale Portale Visconti	-	(60)	-	-	-	(60)	-
Resort Baia Scarlino S.r.l.	1	-	-	2	-	-	-
Marchesi Antinori S.r.l.	10	-	-	-	-	-	-
Imaginex Management Co. Ltd.	65	(435)	-	-	-	(24)	(21)
Wharf T&T Ltd.	-	(17)	-	-	-	-	(1)
Times Square Ltd.	-	(2,078)	-	-	-	-	-
Wharf Realty Ltd.	-	(8,146)	-	-	-	-	-
Imaginex Beauty Ltd.	-	-	-	-	-	-	(1)
LongJin Zonghe Kaifa (Chengdu) LTD	946	(1,381)	-	-	561	-	-
Dalian Times Square Commercial Co. Ltd	-	(995)	-	-	308	-	-
Shanghai Wheelock square Development Co. Ltd.	-	(559)	-	-	160	-	-
Shanghai Harriman Property Management Co. Ltd.	-	(79)	-	-	14	-	-
Shanghai Longxing Property Development Co. Ltd.	-	(448)	-	-	387	-	-
Shanghai Times Square Property Management (Shanghai) Co. Ltd.	-	(76)	-	-	6	-	-
<b>Other related parties</b>							
Wanda Miletta Ferragamo	-	(223)	-	-	-	-	-
Massimo Ferragamo	-	(113)	-	-	-	-	-
Giacomo Ferragamo	-	(567)	-	-	-	-	(120)
Giuseppe Visconti	-	9	-	-	-	-	-
Angelica Visconti	-	(193)	-	-	-	-	(40)
<b>Managers with strategic responsibilities</b>							
Managers with strategic responsibilities*	-	(3,927)	-	-	-	-	(2,401)
<b>Total</b>	<b>1,268</b>	<b>(27,726)</b>	<b>1</b>	<b>54</b>	<b>3,547</b>	<b>(326)</b>	<b>(8,859)</b>
<b>Group total</b>	<b>1,331,822</b>	<b>(603,017)</b>	<b>22,381</b>	<b>150,895</b>	<b>48,726</b>	<b>(187,555)</b>	<b>(63,710)</b>
<b>% ratio</b>	<b>0.1%</b>	<b>4.6%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>7.3%</b>	<b>0.2%</b>	<b>13.9%</b>

\*Including pay and other fees of the Managing Director included in the table "Fees paid to Directors and Statutory Auditors" and the notional cost (fair value) relating to the Stock Grant Plan.

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(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>Holding company</b>							
Ferragamo Finanziaria S.p.A. (company which exercises management and coordination on Salvatore Ferragamo S.p.A.)	57	(5)	-	-	2,426	-	(8,757)
<b>Related companies:</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 notional cost (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 1,255 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:

**Holding company**

Ferragamo Finanziaria S.p.A.

Other current liabilities 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.. Other assets refer to the income tax (IRES) refund claim submitted in 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. Costs refer to rents for land to be used as a parking area at the Osmannoro-Sesto Fiorentino facility.

**Related companies**

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.

Payables and costs refer mainly to rents for the premises of the headquarters in Florence and for some stores of the Italian chain. Other assets refer to guarantee deposits. Revenues and the relevant receivables refer to IT and administrative services.

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:

Imaginex Management Co. Ltd.

Costs and the relevant payables mainly refer to rents for premises for an outlet store and the office in Hong Kong. Revenues refer to occasional product purchases.

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

Revenues refer to product sales, while costs refer to rents for premises for a store in Greater China. Other assets refer to the relevant guarantee deposit.

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.

Costs refer to rents for premises for a Ferragamo Moda Shanghai Limited store and other assets refer to the related guarantee deposit.

**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.

Giuseppe Visconti

Other income and revenues refer to the gains arising from the sale of a corporate vehicle.

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:

<b>Full name</b>	<b>Role</b>
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 the relevant 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. In 2014 total costs amounted to 3,927 thousand Euro and refer to wages for employees and fees for directors (3,552 thousand Euro) and Stock Grant Plan costs (375 thousand Euro).

### 38. Fees paid to Directors and Statutory Auditors

#### Directors

(In thousands of Euro)				2014					
Full name	Position held	Term of office	End of term of office	Fees for the position held	Fees as committee member	Non-monetary benefits	Wages, bonuses and other incentives	Other fees	Grand total
Ferruccio Ferragamo	Chairman	1.01-31.12	a)	600	-	b c d	-	333	933
Michele Norsa	Managing Director Deputy	1.01-31.12	a)	240	-	b c d e	912	821	1,973
Giovanna Ferragamo	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
Diego Paternò Castello di San Giuliano	Director	1.01-31.12	a)	280	-	-	-	-	280
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	-	-	-	-	30
Lidia Fiori	Director	1.01-31.12	a)	30	20	-	-	-	50
<b>Total</b>				<b>1,860</b>	<b>70</b>		<b>912</b>	<b>1,154</b>	<b>3,996</b>

a) upon approval of the 2014 financial statements

b) car

c) mobile phone

d) insurance policies

e) accommodation

#### Statutory Auditors

(In thousands of Euro)				2014			
Full name	Position held	Term of office	End of term of office	Fees for the position held	Other fees	Other fees received from subsidiaries	Grand total
Mario Alberto Galeotti Flori	Chairman	1.01-29.04		21	-	-	21
Fulvio Favini*	Chairman Acting Statutory Auditor	1.01-31.12	a)	59	8	-	67
Gerolamo Gavazzi	Acting Statutory Auditor	1.01-31.12	a)	48	-	-	48
Alessandra Daccò	Acting Statutory Auditor	29.04-31.12	a)	32	-	-	32
<b>Total</b>				<b>160</b>	<b>8</b>	<b>-</b>	<b>168</b>

\* Acting Statutory Auditor as from 1 January to 29 April 2014 and Chairman as from 29 April 2014 to 31 December 2014. Other fees refer to amounts due for his position as member of the Supervisory Board.

a) upon approval of the 2016 financial statements

It should be noted that for Directors and Statutory Auditors no severance indemnities are envisaged.

### 39. Commitments and risks

The breakdown of the risks and commitments is as follows:

<b>(In thousands of Euro)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Sureties provided by third parties in the interests of Group companies	8,142	7,659
Guarantees provided by third parties in the interests of Group companies	2,687	2,146
Guarantees provided by Group companies in the interests of third parties	91,050	80,450
<b>Total</b>	<b>101,879</b>	<b>90,255</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 (equal to 4,942 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 2014 and 31 December 2013 relating to operating leases, broken down by expiry date:

<b>(In thousands of Euro)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Within 1 year	107,320	96,957
1 to 5 years	326,018	276,352
Over 5 years	233,733	226,090
<b>Total</b>	<b>667,071</b>	<b>599,399</b>

### 40. Significant non-recurring events and transactions

During 2014, the Salvatore Ferragamo Group did not carry out significant non-recurring transactions and no significant non-recurring events occurred.

### 41. 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.

## 42. Subsidiaries highlights

Subsidiaries highlights are shown in the table below.

(In thousands)		2014			2013		
Company	Currency	Revenues	Net profit/(loss)	Shareholders' equity	Revenues	Net profit/(loss)	Shareholders' equity
Ferragamo Australia PTY Ltd.	AUD	26,797	3,577	12,798	21,809	1,872	9,221
Ferragamo Japan KK	JPY	13,172,407	186,339	2,803,750	12,916,524	147,893	2,637,072
Ferragamo Korea Limited	KRW	139,233,036	6,498,009	68,884,497	111,937,423	8,110,782	66,586,488
Ferragamo Espana S.L.	Euro	10,128	(472)	1,773	10,407	(647)	2,245
Ferragamo Latin America Inc.	USD	949	362	86	1,456	(385)	(276)
Ferragamo St. Thomas Inc.	USD	130	385	-	515	(211)	(385)
Ferrimag Limited	HKD	-	36,175	123,928	-	86,592	125,299
Ferragamo Retail HK Limited	HKD	727,200	85,314	259,746	716,416	131,454	210,826
Ferragamo Retail Taiwan Limited	TWD	884,423	34,996	318,848	882,280	30,286	283,629
Ferragamo Mexico S. de R.L. de C.V.	MXN	712,951	36,216	224,723	663,713	51,779	188,463
Ferragamo Retail Nederland B.V.	Euro	5,086	940	1,703	4,677	628	762
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	CNY	1,034,573	91,931	329,087	1,002,318	108,533	237,156
Ferragamo (Singapore) Pte. Ltd.	SGD	43,306	(1,117)	10,280	40,087	1,565	11,397
Ferragamo (Thailand) Limited	THB	150,382	(13,865)	96,125	193,325	17,581	109,266
Ferragamo (Malaysia) Sdn Bhd	MYR	34,866	422	23,430	34,624	3,748	23,009
Ferragamo Hong Kong Ltd.	USD	319,192	40,556	220,482	322,007	38,420	179,594
Ferragamo USA Inc Group	USD	382,015	12,410	91,751	364,509	12,651	78,677
Ferragamo Deutschland GmbH	Euro	12,207	1,218	10,968	12,578	6,484	13,250
Ferragamo Belgique S.A.	Euro	2,230	34	1,188	2,387	140	1,154
Ferragamo Monte-Carlo S.A.M.	Euro	1,433	76	1,199	1,836	280	1,123
Ferragamo Suisse SA	CHF	11,946	1,651	5,926	11,790	1,856	6,276
Ferragamo UK Ltd.	GBP	15,831	83	7,343	16,380	128	7,261
Ferragamo France S.A.S.	Euro	27,133	689	10,633	25,914	1,489	9,945
Ferragamo Parfums S.p.A.	Euro	82,552	2,162	14,381	77,461	1,187	12,207
Ferragamo Chile S.A.	CLP	1,120,252	(258,006)	199,635	870,019	(149,631)	457,640
Ferragamo Austria GmbH	Euro	3,873	64	3,196	3,453	136	3,131
Ferragamo Retail India Private Limited	INR	473,189	(21,782)	(333,339)	428,014	(83,617)	(311,845)
Ferragamo Retail Macau Limited	MOP	157,187	48,428	96,161	146,919	47,696	47,733
Ferragamo Moda (Shanghai) Co. Ltd.	CNY	242,192	(13,438)	11,623	216,901	(7,636)	25,061
Ferragamo Brasil Roupas e Acessorios Ltda	BRL	15,334	(11,010)	20,949	5,451	(7,027)	17,365
Ferragamo Argentina S.A.	ARS	12,068	(383)	(342)	9,172	(2,710)	(1,959)

## 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 2014
Audit	Independent Auditors of the Parent company	Parent company		170
Tax assistance services	Network of the Independent Auditors of the Parent company	Parent company		20
Other services	Network of the Independent Auditors of the Parent company	Parent company	1	131
<b>Subtotal</b>				<b>321</b>
Audit	i) Independent Auditors of the Parent company	Subsidiaries		103
	ii) Network of the Independent Auditors of the Parent company	Subsidiaries		728
Tax assistance services	i) Network of the Independent Auditors of the Parent company	Subsidiaries		71
Other services	i) Network of the Independent Auditors of the Parent company	Subsidiaries		20
<b>Subtotal</b>				<b>922</b>
<b>Total</b>				<b>1,243</b>

1) The item refers mainly to IT support services and assistance under Law 262.

### Significant events occurred after 31 December 2014

On 5 January 2015, the Danish company Ferragamo Denmark ApS was set up with share capital of 500,000 Danish Krone and a share premium of 5,500,000 Danish Krone, divided into 500,000 shares, with a par value of 1.00 Danish Krone each, wholly subscribed by Salvatore Ferragamo S.p.A. for a total amount of 6 million Danish Krone (equal to 807 thousand Euro). The company was established in order to manage a retail store due to open in Copenhagen in the first half of 2015.

On 25 February 2015 and 3 March 2015 Ferragamo France S.A.S. received two assessment notices for details on which reference should be made to the section "*Significant events occurred during the year*".

Florence, 12 March 2015

On behalf of the Board of Directors

The Chairman  
Ferruccio Ferragamo

**Statement pursuant to paragraph 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 2014 period.

2. The adequacy of the administrative and accounting procedures for the preparation of the 2014 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 2014:

- a. have been prepared in accordance with the applicable international 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 2014 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.

12 March 2015

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 2014 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 26 March 2014.

3. In our opinion, the consolidated financial statements of the Salvatore Ferragamo Group at 31 December 2014 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 "Governance" of Salvatore Ferragamo S.p.A.'s website. Our responsibility is to express an

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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 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 Ownership Structure, are consistent with the consolidated financial statements of the Salvatore Ferragamo Group at 31 December 2014.

Florence, 30 March 2015

Reconta Ernst & Young S.p.A.  
Signed by: Marco Mignani, partner

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

*Salvatore Ferragamo S.p.A.*

**Separate Financial Statements as at 31 December 2014**

**Financial statements**

**Statement of financial position – assets**

<b>(In Euro)</b>					
	<b>Notes</b>	<b>31 December 2014</b>	<i>of which with related parties</i>	<b>31 December 2013</b>	<i>of which with related parties</i>
<b>NON CURRENT ASSETS</b>					
Property, plant and equipment	5	58,603,704		46,661,840	
Intangible assets with a finite useful life	6	17,361,085		14,455,426	
Investments in subsidiaries	7	179,834,701		169,767,370	
Available-for-sale financial assets	8	20,000		20,000	
Other non current assets		-		1,512	
Other non current financial assets	9	265,120	86,000	255,531	85,000
Deferred tax assets	34	12,655,157		8,136,751	
<b>TOTAL NON CURRENT ASSETS</b>		<b>268,739,767</b>	<b>86,000</b>	<b>239,298,430</b>	<b>85,000</b>
<b>CURRENT ASSETS</b>					
Inventories	10	96,588,080		101,703,893	
Trade receivables	11	154,726,708	113,741,305	140,186,663	110,633,139
Tax receivables	12	3,765,818		4,424,180	
Other current assets	13	7,149,204	1,962,388	19,708,728	1,962,388
Other current financial assets		10,999		1,266	621
Cash and cash equivalents	14	8,115,392		3,848,338	
<b>TOTAL CURRENT ASSETS</b>		<b>270,356,201</b>	<b>115,703,693</b>	<b>269,873,068</b>	<b>112,596,148</b>
<b>TOTAL ASSETS</b>		<b>539,095,968</b>	<b>115,789,693</b>	<b>509,171,498</b>	<b>112,681,148</b>

## Statement of financial position – liabilities and shareholders' equity

<b>(In Euro)</b>					
	<b>Notes</b>	<b>31 December 2014</b>	<i>of which with related parties</i>	<b>31 December 2013</b>	<i>of which with related parties</i>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	15	16,841,000		16,841,000	
Reserves	15	186,904,610		167,133,954	
Net profit/(loss) for the period		107,175,554		105,470,137	
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>310,921,164</b>		<b>289,445,091</b>	
<b>NON CURRENT LIABILITIES</b>					
Provisions for risks and charges	16	8,639,116		7,041,491	
Employee benefit liabilities	17	7,705,037		6,828,458	
Other non current liabilities	18	1,095,633		2,275,311	
Deferred tax liabilities	34	3,320,118		6,819,013	
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>20,759,904</b>		<b>22,964,273</b>	
<b>CURRENT LIABILITIES</b>					
Trade payables	19	126,747,614	3,121,986	134,685,834	2,451,026
Interest-bearing loans & borrowings	20	29,200,000		28,500,000	
Tax payables	21	5,081,305		11,237,006	
Other current liabilities	22	45,403,852	11,213,984	21,687,924	10,520,610
Other current financial liabilities	23	982,129		651,370	
<b>TOTAL CURRENT LIABILITIES</b>		<b>207,414,900</b>	<b>14,335,970</b>	<b>196,762,134</b>	<b>12,971,636</b>
<b>TOTAL LIABILITIES</b>		<b>228,174,804</b>	<b>14,335,970</b>	<b>219,726,407</b>	<b>12,971,636</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>539,095,968</b>	<b>14,335,970</b>	<b>509,171,498</b>	<b>12,971,636</b>

## Income statement

(In Euro)			<i>of which with related parties</i>		<i>of which with related parties</i>
	Notes	2014		2013	
Revenues from sales and services	25	755,201,208	502,537,722	721,091,981	479,316,952
Change in inventories of finished products		2,300,018		3,485,959	
Costs for raw materials, goods and consumables	26	(226,493,716)	(2,349,709)	(218,802,845)	(1,880,650)
Costs for services	27	(302,581,018)	(13,302,017)	(296,815,203)	(11,963,357)
Personnel costs	28	(59,603,940)	(4,446,813)	(59,041,230)	(6,030,391)
Amortization, depreciation and write-downs	29	(13,053,134)		(11,365,283)	
Other operating costs	30	(6,476,305)	(85,022)	(2,890,731)	(98,607)
Other income and revenues	31	6,091,333	1,248,856	6,325,832	1,204,728
<b>Operating profit</b>		<b>155,384,446</b>		<b>141,988,480</b>	
Financial charges	32	(26,251,260)		(25,728,691)	
Financial income	33	35,649,079	7,648,740	39,868,738	5,673,505
<b>Profit before taxes</b>		<b>164,782,265</b>		<b>156,128,527</b>	
Income taxes	34	(57,606,711)		(50,658,390)	
<b>Net profit/(loss) for the period</b>		<b>107,175,554</b>		<b>105,470,137</b>	

## Statement of comprehensive income

<b>(In thousands of Euro)</b>		
	<b>2014</b>	<b>2013</b>
<b>Net profit/(loss) for the period (A)</b>	<b>107,176</b>	<b>105,470</b>
<i>Other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period</i>		
- Net gain/(loss) from cash flow hedge	(26,594)	1,850
- Income taxes	7,313	(509)
	<u>(19,281)</u>	<u>1,341</u>
<b>Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)</b>	<b>(19,281)</b>	<b>1,341</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	(883)	403
- Income taxes	243	(111)
	<u>(640)</u>	<u>292</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>(640)</b>	<b>292</b>
<b>Total other income/(losses) for the period, net of taxes (B1+B2 = B)</b>	<b>(19,921)</b>	<b>1,633</b>
<b>Total comprehensive income for the period, net of taxes (A+B)</b>	<b>87,255</b>	<b>107,103</b>

## Statement of cash flows

(In thousands of Euro)			<i>of which with related parties</i>		<i>of which with related parties</i>
	Notes	2014		2013	
<b>Net profit/(loss) for the period</b>		<b>107,176</b>		<b>105,470</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	5-6	13,053		11,365	
Allocation / (use of) deferred taxes	34	(461)		921	
Provision for employee benefit plans	17	188		167	
Allocation to / (use of) the provision for obsolete inventory	10	404		3,374	
Allocation to / (use of) the provisions for risks and charges		1,921		598	
Losses and provision for bad debt	11	2,668		190	
Losses / (gains) on disposal of tangible and intangible assets		(21)		(13)	
Write-down / (restatement value) of investments in subsidiaries	7	(1,828)		(7,303)	
Stock Grant Plan costs	35	960		960	
Other non-monetary items		170		(7,500)	
<b>Changes in operating assets and liabilities:</b>					
Trade receivables		(7,606)	(3,108)	(28,609)	(19,453)
Inventories	10	4,712		(14,879)	
Trade payables		(8,250)	671	24,266	(499)
Tax receivables	12	658		(682)	
Tax payables	18-21	(7,334)		(3,065)	
Employee benefits payments	17	(194)		(400)	
Other assets	13	(597)		(802)	
Other liabilities	22	826	693	(2,380)	(2,095)
Other – net		(130)		(698)	
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		<b>106,315</b>	<b>(1,744)</b>	<b>80,980</b>	<b>(22,047)</b>
<b>Cash flow from investing activities:</b>					
Purchase of tangible assets	5	(20,472)		(15,964)	
Purchase of intangible assets	6	(7,447)		(6,154)	
Purchase of financial assets (investments in subsidiaries)	7	(7,497)		(13,613)	
Net change in non current assets and liabilities	9	(9)	(1)	(53)	
Proceeds from the sale of tangible and intangible assets		39		26	
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>(35,386)</b>	<b>(1)</b>	<b>(21,903)</b>	
<b>Cash flow from financing activities:</b>					
Net change in financial receivables		2	1	(1)	(1)
Net change in financial payables	20	700		(4,610)	
Dividends paid	39	(67,364)	(49,617)	(55,575)	(41,383)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		<b>(66,662)</b>	<b>(49,616)</b>	<b>(60,186)</b>	<b>(41,384)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>4,267</b>		<b>(1,109)</b>	
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>3,848</b>		<b>4,957</b>	
Increase/(decrease) in cash and cash equivalents	14	4,267		(1,109)	
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>8,115</b>		<b>3,848</b>	
<b>ADDITIONAL INFORMATION</b>					
Interest paid		1,231		1,058	
Income taxes paid		67,025		44,422	
Interest received		20		20	
Dividends received		7,648		6,269	

## Statement of changes in shareholders' equity

Changes in Shareholders' equity (In thousands of Euro)	Share capital	Legal reserve	Share capital contributions	Extraordinary reserve	Revaluation reserve	Cash flow hedge reserve	Effect IAS 19 Equity	Other reserves	Net profit/(loss) for the period	Total shareholders' equity
<b>As at 01.01.2014</b>	<b>16,841</b>	<b>4,188</b>	<b>2,995</b>	<b>117,114</b>	<b>25,478</b>	<b>9,230</b>	<b>(659)</b>	<b>8,788</b>	<b>105,470</b>	<b>289,445</b>
Profit/(loss) for 2014									107,176	107,176
Other comprehensive income/(losses)						(19,281)	(640)			(19,921)
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,281)</b>	<b>(640)</b>	<b>-</b>	<b>107,176</b>	<b>87,255</b>
Allocation of 2013 result				38,106					(38,106)	-
Distribution of dividends									(67,364)	(67,364)
Stock Grant Reserve								1,585		1,585
<b>As at 31.12.2014</b>	<b>16,841</b>	<b>4,188</b>	<b>2,995</b>	<b>155,220</b>	<b>25,478</b>	<b>(10,051)</b>	<b>(1,299)</b>	<b>10,373</b>	<b>107,176</b>	<b>310,921</b>

Changes in Shareholders' equity (In thousands of Euro)	Share capital	Legal reserve	Share capital contributions	Extraordinary reserve	Revaluation reserve	Cash flow hedge reserve	Effect IAS 19 Equity	Other reserves	Net profit/(loss) for the period	Total shareholders' equity
<b>As at 01.01.2013</b>	<b>16,841</b>	<b>4,188</b>	<b>2,995</b>	<b>65,812</b>	<b>25,478</b>	<b>7,889</b>	<b>(951)</b>	<b>7,374</b>	<b>106,877</b>	<b>236,503</b>
Profit/(loss) for 2013									105,470	105,470
Other comprehensive income/(losses)						1,341	292			1,633
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,341</b>	<b>292</b>	<b>-</b>	<b>105,470</b>	<b>107,103</b>
Allocation of 2012 result				51,302					(51,302)	-
Distribution of dividends									(55,575)	(55,575)
Stock Grant Reserve								1,414		1,414
<b>As at 31.12.2013</b>	<b>16,841</b>	<b>4,188</b>	<b>2,995</b>	<b>117,114</b>	<b>25,478</b>	<b>9,230</b>	<b>(659)</b>	<b>8,788</b>	<b>105,470</b>	<b>289,445</b>

## Explanatory Notes to the Separate Financial Statements

### 1. Corporate information

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

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

The separate financial statements for the year ended 31 December 2014 were approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 12 March 2015.

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

#### 1.1 Management and coordination

The Company Salvatore Ferragamo S.p.A. 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 2013 and 2012 is given below.

Ferragamo Finanziaria S.p.A. (In Euro)	31 December 2013	31 December 2012
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
B) Fixed assets	211,410,687	202,115,705
C) Current assets	22,606,183	15,329,964
D) Accrued expenses and deferred income	1,133	-
<b>TOTAL ASSETS</b>	<b>234,018,003</b>	<b>217,445,669</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
A) Shareholders' equity		
- Share capital	49,749,960	49,749,960
- Reserves	143,107,627	136,363,249
- Profit (loss) for the year	30,280,018	25,878,978
D) Payables	10,880,398	5,453,482
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>234,018,003</b>	<b>217,445,669</b>
<b>Guarantees, commitments and other risks</b>	-	91,376
<b>INCOME STATEMENT</b>		
A) Value of production	375,243	5,187
B) Costs of production	(1,145,263)	(1,701,658)
<b>Difference between value and costs of production</b>	<b>(770,020)</b>	<b>(1,696,471)</b>
C) Financial income and charges	30,898,747	27,170,968
E) Extraordinary income and charges	(39,853)	7,811
<b>Profit before taxes</b>	<b>30,088,874</b>	<b>25,482,308</b>
Income taxes for the year, current and deferred	191,144	396,670
<b>Profit (loss) for the year</b>	<b>30,280,018</b>	<b>25,878,978</b>

## 2. Statement of compliance with IFRS and basis of presentation

The Separate Financial Statements of Salvatore Ferragamo S.p.A. have been prepared in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (“IASB”) adopted by the European Union and in force at the reporting date. The explanatory notes to the separate 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”).

### Financial statement structure adopted

The Separate Financial Statements of Salvatore Ferragamo S.p.A. as at 31 December 2014 comprise 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 statement of financial position and the income statement are presented in Euro, while the statement of comprehensive income, the statement of cash flows, the statement of changes in shareholders’ equity and the related explanatory notes are presented in thousands of Euro, unless otherwise indicated.

The Company's 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.

The income statement is shown in accordance with a classification of costs by nature. 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. DEM/6064293 of 28 July 2006, the financial statements show significant transactions with related parties, in order to provide better disclosure.

All amounts are expressed in Euro and are rounded to the nearest thousand Euro, unless otherwise indicated.

## Accounting standards

### General notes

The Separate Financial Statements have 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 Separate Financial Statements as at 31 December 2014 have been applied consistently to all the periods being compared.

### Discretionary valuations and significant accounting estimates

The preparation of the separate financial statements and the explanatory notes 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 Company’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, which may be short, 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;
- useful life of property, plant and equipment and intangible assets;
- 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 Company uses extensively to hedge exchange rate risks.
- fair value of share-based payment plans, whether settled in cash or in shares, which the Company uses to provide incentives to the Group's management;
- the Company entered into commercial lease contracts and determined, on the basis of the contractual terms and conditions, (such as for example the fact that the contractual terms do not cover most of the economic life of the commercial property and the fair value of the asset), that all the significant risks and benefits typical of ownership of the assets remain with the lessor; therefore, these contracts are recognized as operating leases.

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 in the period in which these estimates and assumptions should differ from actual circumstances.

*Impairment of Tangible assets (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 sale binding 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 calculation of the value in use is based on a discounted cash flow model. 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 Company considers disclosure regarding impairment of assets as particularly important. The Company 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) 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 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, which is reviewed on an annual basis and any changes, if necessary, are applied on a prospective basis.

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

	Useful life
Buildings	33 years
Plant and Equipment	5 years
Industrial and commercial equipment	5 years
Other assets:	
- Office furniture and furnishings	5.5 years
- Electronic machines	3 years
- Historic collection	5 years
- Vehicles	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.

#### **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).

For contracts signed prior to 1 January 2010, the start date is taken to be 1 January 2010 in accordance with the transition provisions of IFRS 1.

#### *The Company as lessee*

A lease contract is classified as a financial lease or an operating lease at the start of the lease. A lease contract which substantially transfers to the Company all the risks and benefits of ownership of the leased asset is classified as financial lease. Financial leases 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 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 in the income statement. Leased assets are amortized over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership of the asset at the end of the contract, leased assets are amortized over the shorter of the estimated useful life of the asset and the duration of the lease contract. Payments on operating leases are recognized in the income statement on a straight-line basis over the duration of the contract.

#### *The Company as lessor*

Lease contracts in which the Company largely retains all the risks and benefits of ownership of the asset are classified as operating leases.

Lease payments are recognized on a straight-line basis over the duration of the lease contracts in place at the reporting date and, if they derive from investment property, they are classified under Rental income investment properties.

#### **Business combinations**

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.

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 acquisition 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 as follows:

	<b>Useful life</b>
Industrial patents and intellectual property rights	2-5 years
Concessions, licenses and trademarks	10 years
Software development costs	3-5 years

#### *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 Company 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 impairment 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 Company. 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 Company 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.

#### **Investments**

Investments in subsidiaries and associated companies are valued at purchase cost, in compliance with the provisions of IAS 27.

Should there be indications that the cost is no longer recoverable in full or in part, the book value is reduced to the related recoverable value, in accordance with the provisions of IAS 36. When, subsequently, this loss is reversed or is reduced, the accounting value is increased to the new estimate of the recoverable value, which cannot exceed the original cost.

#### **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 Company 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 one 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 Company 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 Company 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 Company has transferred the rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and benefits or has not lost control over the asset, the asset is recorded in the Company's financial statements to the extent of the Company 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 Company 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 Company's involvement corresponds to the amount of the transferred asset which the Company 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 Company'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 Company 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 current 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 directly in the statement of comprehensive income. 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 the fair value cannot be reliably established, 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 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.

### **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.

### **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.

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

Provisions for risks and charges are allocated when the Company 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 Company 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 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 Company'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 current value. Actuarial gains and losses are recorded directly in the statement of comprehensive income, 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.

### **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 Company 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 Company 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 from 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 Company.

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

The Company 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 recognized when the shareholders' right to receive payment arises.

#### **Income taxes**

##### *Current taxes*

Current income taxes are determined in relation to taxable income and in compliance with the rates and provisions in force; payables for current taxes are 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.

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

Put and call agreements are financial instruments in compliance with the provisions of IAS 39.

The fair value of the financial instruments traded on an active market is determined at each reporting date with reference to market prices or operators' prices (ask price for long-term positions and bid price for short-term positions), without any deduction for transaction costs.

For financial instruments which are not traded on an active market, the fair value is determined using a valuation technique. This technique may include: the use of recent transactions at market conditions; reference to the current fair value of another instrument which is substantially the same; an analysis of discounted cash flows or other valuation models.

The accounting policy chosen by the Company envisages the recognition in the income statement and the recognition under financial liabilities of the fair value at the valuation date.

#### *Changes in international accounting standards*

##### **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 change did not have any impact on the Company's financial statements.

##### **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 change did not have any impact on the Company's financial statements.

##### **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 did not have any impact on the Company's financial statements.

#### **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 change did not have any impact on the Company’s financial statements.

#### **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. The change did not have any impact on the Company.

#### **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 change did not have any impact on the Company.

The Company 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 separate financial statements had already been issued but were not yet in force. The list refers to the standards and interpretations which the Company expects will in all likelihood be applicable in the future. The Company intends to adopt these standards when they come into force.

#### **IFRS 9 Financial instruments**

In July 2014 the IASB issued the final version of IFRS 9 “Financial instruments” which reflects all the phases of the project concerning financial instruments and replaces IAS 39 “Financial Instruments: Recognition and measurement” and all the previously published versions of IFRS 9. The standard introduces new requirements for classification, measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The standard requires retrospective application of the standard, but presentation of comparative information is not compulsory. Previous versions of IFRS 9 (2009, 2010 and 2013) may be adopted early provided the relevant date of initial application is before 1 February 2015. The Company is currently assessing the impact of IFRS 9.

#### **IFRS 14 Regulatory Deferral Accounts**

IFRS 14 is an optional standard which permits rate-regulated entities that are first-time adopters of IFRS to continue to apply the previous accounting standards adopted for amounts relating to rate regulation. Entities adopting IFRS 14 must present regulatory deferral account balances that arise from rate-regulated activities as separate line items in the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income (OCI). The standard also requires specific disclosures to identify the nature of, and risks associated with, the rate regulation and the relevant impact on the entity’s financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. This standard is not applicable to the Company since it has already adopted IFRS.

#### **IFRS 15 Revenue from contracts with customers**

This IFRS was issued in May 2014 and introduces a new five-step model to be applied to revenue from contracts with customers. IFRS 15 requires an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The standard provides a more comprehensive framework for revenue recognition and measurement, replacing all the current revenue recognition requirements included in other IFRS. IFRS 15 is effective for annual periods beginning on or after 1 January 2017, with a full or modified retrospective application. Early adoption is permitted. The Company is currently assessing the impact of IFRS 15.

**Amendments to IFRS 11 Joint arrangements: Accounting for interests in joint operations**

In compliance with the amendments to IFRS 11, the acquirer of an interest in a joint operation (joint operator) in which the activity constitutes a business is required to apply all of the principles on business combinations accounting in IFRS 3. The amendments also clarify that, if the joint arrangement is retained, previously held interests in a joint arrangement are not remeasured when acquiring an additional interest. In addition, an exclusion from the scope of IFRS 11 has been added to clarify that the amendments do not apply when the parties sharing control, including the entity which prepares the financial statements, are subject to the joint control of the ultimate controlling entity. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in the same joint operation. The amendments apply to annual periods beginning on or after 1 January 2016 on a prospective basis and early adoption is permitted. No impact is expected on the Company following the application of these amendments.

**Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization**

The amendments provide additional guidance on the principle contained in IAS 16 and IAS 38: revenue reflects a pattern of generation of economic benefits that arise from the operation of a business (of which an asset is part), rather than the pattern of consumption of an asset's expected future economic benefits. Therefore the amendments prohibit entities from using a revenue-based method for items of property, plant and equipment and this method could be used only in very limited circumstances for the amortization of intangible assets. The amendments apply to annual periods beginning on or after 1 January 2016 and early adoption is permitted. No impact is expected on the Company following the application of these amendments given that the Company does not use revenue-based methods of amortization of its non current assets.

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

IAS 19 mandates that an entity has to consider contributions from employees or third parties when accounting for defined benefit plans. Contributions that are linked to service must be attributed to periods of service as a reduction of service cost. The amendment clarifies that, if the amount of the contributions is independent of the number of years of service, contributions may be recognized as a reduction in the service cost in the period in which the related service is rendered, instead of allocating the contributions to periods of service. This amendment is applicable for annual periods beginning on or after 1 July 2014.

**Amendments to IAS 27: Equity method in separate financial statements**

The amendments will allow the entity to use the equity method in separate financial statements to measure investments in subsidiaries, joint ventures and associates. Entities which already apply IFRS and decide to change the accounting method by adopting the equity method in their separate financial statements must apply the amendment retrospectively. In the case of first-time adopters, an entity which decides to use the equity method in separate financial statements must apply it as from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, and early adoption is permitted. No impact is expected on the Company's financial statements following the application of these amendments.

**Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities: applying the consolidation exception**

The amendment clarifies the issues arising from the application of the consolidation exception associated with investment entities, and is effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

**Amendments to IAS 1: use of judgment in financial disclosure**

The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports and are effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

**Amendments to IFRS 10 and IAS 28: sale or contribution of assets between an investor and its associate or joint venture**

The amendment addresses a conflict between the requirements of IAS 28 and IFRS 10 and clarifies that, in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on

whether the assets sold or contributed constitute a business. The amendment is effective for annual periods beginning on or after 1 January 2016; early adoption is permitted.

#### **IFRIC 21 Levies**

IFRIC 21 clarifies that an entity recognizes a liability to pay a levy no earlier than when the event that triggers the payment of the levy occurs, as described in the relevant legislation. If an obligation to pay is triggered on reaching a minimum threshold, the liability is recognized only when that minimum threshold is reached. IFRIC 21 requires retrospective application. This interpretation is effective as from the commencement date of the financial year starting on or after 17 June 2014.

#### **IFRS annual improvements cycle 2010-2012**

The improvements will be applicable as from 1 February 2015 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: Disclosures on the 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 16/IAS 38: Revaluation method: proportionate restatement of accumulated depreciation

IAS 24: An entity providing key management personnel services is a related party of the reporting entity.

#### **IFRS annual improvements cycle 2011-2013**

The improvements will be applicable as from 1 January 2015 or subsequently and concern the following issues:

IFRS 3: It is made clear that this standard does not apply to the accounting for the formation of a joint arrangement in the financial statements;

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 property can be classified as investment property or owner-occupied property.

#### **IFRS annual improvements cycle 2012-2014**

The improvements will be applicable as from 1 January 2016 or subsequently and concern the following issues:

IFRS 5: Guidance on reclassifications as one of the methods of disposal;

IFRS 7: Further guidance on servicing contracts and the applicability of IFRS 7 to interim financial statements;

IAS 19: Clarifications on the discount rate;

IAS 34: Clarifications on the meaning of “elsewhere in the interim financial report”.

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

Salvatore Ferragamo S.p.A. monitors, also on a Group basis, the exposure 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 defined by the 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, control over the management of individual financial risks is ensured through intervention aimed at containing 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).

Salvatore Ferragamo S.p.A. 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. The Company uses third-party financial resources largely in the form of floating rate bank debt and deploys 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 Company'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 generally benchmarked to the market rate for the period (usually Euribor/Libor) 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.

Sensitivity to interest rate risk is monitored by keeping the overall exposure in due consideration, through coordinated management of debt and available liquidity and of the relevant expiries, 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 Company 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>2014</b>			
POSITIVE CHANGE	EURO	0.03%	(17)
	MXN	0.50%	1
<b>Total</b>			<b>(16)</b>
NEGATIVE CHANGE	EURO	(0.03%)	17
	MXN	(0.50%)	(1)
<b>Total</b>			<b>16</b>
<b>2013</b>			
POSITIVE CHANGE	EURO	0.07%	(17)
	MXN	0.43%	1
<b>Total</b>			<b>(16)</b>
NEGATIVE CHANGE	EURO	(0.07%)	17
	MXN	(0.43%)	(1)
<b>Total</b>			<b>16</b>

The sensitivity analysis of the interest rate risk to which the Company 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 and Mexican Peso whose effects are indicated separately in the above table) showed potential gains or losses in the income statement amounting to 16 thousand Euro for 2014 compared with potential gains or losses amounting to 16 thousand Euro for 2013.

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

The Company 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 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 Company 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, through the systematic hedging of commercial flows arising from sales forecast in currencies other than the Euro, to both subsidiaries and third parties, 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 2014 the percentages of net revenues of the Company in US dollars were around 50% and in Yen around 6%. In the year ended 31 December 2013, the percentage of net revenues realized by the Company in US dollars was around 60% of net revenues and the percentage of net revenues realized in Japanese yen was around 7% of net revenues. The currency risks originate mainly from exports of the 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 borne by Salvatore Ferragamo S.p.A.), while the revenues and costs recorded by Group companies are mainly expressed in the local currencies of the respective reference markets. Exchange rate risk management is mostly focused on the Company through the direct invoicing in the accounting currency of the subsidiary in order to hedge the exposure deriving from sales in currencies other than the Euro.

In particular, the Company is exposed to changes in the exchange rate between the Euro and the US dollar, in relation both to sales in US 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 seeking ever greater efficiency and more specific control of risks, and also following the increase in the Group's investments in distribution companies operating in the strategic markets of the Far East, which was completed in the previous year, during 2014 exchange rate risk management centralized at the Parent company level was also extended to the Canadian subsidiary and to most of the domestic currencies of the Asian subsidiaries. Goods transferred for consideration to these companies are no longer settled in US dollars, as in previous years, but directly in the currency of the country where they operate and sell. In this context, the Company 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 Company (as a manufacturing company) enters into currency forward exchange 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 Company covered its exchange rate risk almost exclusively 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.

In addition, the Company checks the exposure and the related exchange rate risk management procedures 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, nonetheless, significantly lower than those concluded directly by the Company to mitigate the exchange rate risk arising from sales in the accounting currency of the various subsidiaries.

In addition, the Company 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) by offsetting financial receivables and payables denominated in the same currency or 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.

The hedges of the 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 2014 and 31 December 2013:

<b>Exchange rate risk (In thousands of Euro)</b>	<b>Cash flow hedge reserve</b>	
	<b>2014</b>	<b>2013</b>
<b>Opening balance</b>	<b>12,730</b>	<b>10,881</b>
+ increases for recognition of new positive effectiveness	2,256	21,567
- decreases for recognition of new negative effectiveness	(28,490)	(2,147)
- decreases for reversal of positive effectiveness from shareholders' equity and recognition of income in profit or loss	(10,378)	(18,188)
+ increases for reversal of negative effectiveness from shareholders' equity and recognition of cost in profit or loss	10,018	617
<b>Closing balance</b>	<b>(13,864)</b>	<b>12,730</b>

The Reserve, which consists of the value changes in hedges for expected transactions in foreign currency, decreased by 26,594 thousand Euro overall in 2014 while it rose by 1,850 thousand Euro in 2013. The value changes reflect the trend in the Euro against the main hedged currencies, especially the exchange rate between the Euro and the US dollar, which over the two-year period saw opposing trends, going from values around 1.32 in January 2013, with a low of 1.28 in March, up to values over 1.38 in December, reaching peaks close to 1.40 in May 2014; then a constant depreciation trend started, which worsened in the final months of the year and led the exchange rate to close the year at 1.21, and the exchange rate between the Euro and the Yen, which went from a low of around 113 at the start of January 2013 to a high of around 145 in December, to return to around 133 in October 2014 and to end the year around 150. 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 360 thousand Euro in 2014 while it was positive at 17,571 thousand Euro in 2013. During 2014-2013 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 tables set out the average time horizon and the relevance by risk factor of exchange rate hedges which the Company held at the end of 2014 and 2013. The comparison between the two years under review shows that during 2014 exchange rate risk management by the Parent company has been extended to a greater number of currencies.

*Cash flow analysis (hedged items)*

(In thousands) 31 December 2014	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	from 9 months to 1 year	over 1 year
<b>Exchange rate risk</b>						
Sales expected in USD	342,000	110,000	98,000	86,000	48,000	-
Sales expected in JPY	3,900,000	1,200,000	1,300,000	1,400,000	-	-
Sales expected in GBP	8,000	2,000	2,000	2,500	1,500	-
Sales expected in MXN	220,000	60,000	60,000	70,000	30,000	-
Sales expected in CHF	8,000	1,500	1,500	2,000	1,500	1,500
Sales expected in AUD	4,000	1,500	2,000	500	-	-
Sales expected in CAD	8,000	3,000	3,000	2,000	-	-
Sales expected in CNY	205,000	-	95,000	70,000	40,000	-
Sales expected in HKD	100,000	-	50,000	50,000	-	-
Sales expected in SGD	15,000	7,000	4,000	4,000	-	-
Sales expected in KRW	32,000,000	14,000,000	12,000,000	6,000,000	-	-

(In thousands) 31 December 2013	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	from 9 months to 1 year	over 1 year
<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	-	-

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

(In thousands) 31 December 2014	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	from 9 months to 1 year	over 1 year
<b>Exchange rate risk</b>						
Sales expected in USD	272,000	110,000	102,000	48,000	12,000	-
Sales expected in JPY	3,500,000	1,300,000	1,300,000	900,000	-	-
Sales expected in GBP	7,200	1,800	2,200	2,500	700	-
Sales expected in MXN	160,000	60,000	70,000	30,000	-	-
Sales expected in CHF	7,400	1,600	1,900	1,500	1,600	800
Sales expected in AUD	3,500	1,500	2,000	-	-	-
Sales expected in CAD	6,000	3,000	3,000	-	-	-
Sales expected in CNY	205,000	55,000	80,000	70,000	-	-
Sales expected in HKD	100,000	30,000	60,000	10,000	-	-
Sales expected in SGD	13,000	5,000	6,000	2,000	-	-
Sales expected in KRW	28,000,000	14,000,000	11,000,000	3,000,000	-	-

(In thousands) 31 December 2013	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	from 9 months to 1 year	over 1 year
<b>Exchange rate risk</b>						
Sales expected in USD	274,000	91,000	126,000	57,000	-	-
Sales expected in JPY	3,600,000	1,300,000	1,300,000	1,000,000	-	-
Sales expected in GBP	7,800	2,000	2,000	3,000	800	-
Sales expected in MXN	125,000	40,000	60,000	25,000	-	-
Sales expected in CHF	6,900	1,400	1,650	1,900	1,550	400
Sales expected in AUD	3,500	1,500	1,500	500	-	-

The most important hedge, in terms of notional volume of the currency being hedged, is aimed at mitigating the risk generated by fluctuations in the exchange rates between the Euro and the following currencies: US dollar, Japanese yen, Chinese renminbi, South Korean Won 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, as at 31 December 2014 and 2013.

### Sensitivity Analysis

The sensitivity analysis carried out in order to assess the Company'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 IFRS requirements. Exchange rates were considered for currencies whose changes generate an impact on the income statement and shareholders' equity, in absolute terms, of over one million Euro.

#### Sensitivity analysis: exchange rate risk

31 December 2014		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	10.6%	Derivatives	265	2,315
			Non-derivatives	(545)	-
	EUR/USD	8.9%	Derivatives	4,706	18,285
			Non-derivatives	(5,741)	-
	EUR/KRW	13.0%	Derivatives	346	2,423
			Non-derivatives	(552)	-
	EUR/GBP	8.1%	Derivatives	77	691
			Non-derivatives	(166)	-
	EUR/CNY	8.7%	Derivatives	-	2,177
			Non-derivatives	-	-
	EUR/MXN	12.1%	Derivatives	363	968
			Non-derivatives	(1,617)	-
<b>Total</b>				<b>(2,864)</b>	<b>26,859</b>
NEGATIVE CHANGE	EUR/JPY	(10.6%)	Derivatives	(327)	(2,865)
			Non-derivatives	675	-
	EUR/USD	(8.9%)	Derivatives	(5,624)	(21,853)
			Non-derivatives	6,861	-
	EUR/KRW	(13.0%)	Derivatives	(449)	(3,144)
			Non-derivatives	716	-
	EUR/GBP	(8.1%)	Derivatives	(90)	(812)
			Non-derivatives	196	-
	EUR/CNY	(8.7%)	Derivatives	-	(2,592)
			Non-derivatives	-	-
	EUR/MXN	(12.1%)	Derivatives	(463)	(1,236)
			Non-derivatives	2,063	-
<b>Total</b>				<b>3,558</b>	<b>(32,502)</b>

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	(419)	-
	EUR/USD	8.3%	Derivatives	3,564	15,260
			Non-derivatives	(6,016)	-
	EUR/KRW	11.8%	Derivatives	-	-
			Non-derivatives	-	-
	EUR/GBP	7.3%	Derivatives	16	634
			Non-derivatives	(132)	-
	EUR/CNY	7.1%	Derivatives	-	-
			Non-derivatives	-	-
	EUR/MXN	12.7%	Derivatives	373	777
			Non-derivatives	(1,735)	-
<b>Total</b>				<b>(4,782)</b>	<b>19,405</b>
NEGATIVE CHANGE	EUR/JPY	(12.4%)	Derivatives	555	(3,505)
			Non-derivatives	537	-
	EUR/USD	(8.3%)	Derivatives	(4,211)	(18,030)
			Non-derivatives	7,108	-
	EUR/KRW	(11.8%)	Derivatives	-	-
			Non-derivatives	-	-
	EUR/GBP	(7.3%)	Derivatives	(19)	(734)
			Non-derivatives	153	-
	EUR/CNY	(7.1%)	Derivatives	-	-
			Non-derivatives	-	-
	EUR/MXN	(12.7%)	Derivatives	(481)	(1,002)
			Non-derivatives	2,237	-
<b>Total</b>				<b>5,879</b>	<b>(23,271)</b>

As set out in the table above, a positive change in the exchange rates (*EUR/JPY*, *EUR/USD*, *EUR/KRW*, *EUR/GBP*, *EUR/CNY* and *EUR/MXN*) would have produced a loss of 2,864 thousand Euro as at 31 December 2014 and a loss of 4,782 thousand Euro as at 31 December 2013; similarly, a negative change in the exchange rates would have produced a profit of 3,558 thousand Euro as at 31 December 2014 and a profit of 5,879 thousand Euro as at 31 December 2013. The increase in shareholders' equity generated from the hedge derivatives as a consequence of the estimated rises in exchange rates would have been 26,859 thousand Euro as at 31 December 2014 and 19,405 thousand Euro as at 31 December 2013; the reduction in shareholders' equity as a consequence of the estimated decreases in exchange rates would have been 32,502 thousand Euro as at 31 December 2014 and 23,271 thousand Euro as at 31 December 2013. The sensitivity analysis carried out as described above and which is significantly influenced by the market volatility levels of exchange rates taken into account, shows a significant impact on the Company 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 the statement of financial position 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 Company 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 Company'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 Company's Treasury Department 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 Company at Group level with the aim of satisfying the short and medium/long-term needs of the individual companies according to efficiency and cost-effectiveness criteria.

As at 31 December 2014 there were outstanding uncommitted short-term credit lines with a number of banks made available to the Company to meet financing needs connected to the management of working capital for a total of 290,000 thousand Euro as well as committed, revolving short and medium-term credit lines negotiated on a bilateral basis by the Company and, for some contracts, they can be used by several borrowers in their own accounting currency which may be different from the Euro (so-called multiborrower and/or multicurrency credit lines), for a total of 270,000 thousand Euro.

As at 31 December 2014 the Company used uncommitted credit lines for a total of 29,200 thousand Euro. Compared to the 270,000 thousand Euro available, the total amount available for the committed credit lines, considering the uses made by other Group companies which have access to such credit lines, was 263,192 thousand Euro; at the reporting date, the Company's uses of these credit lines were equal to zero, against gross debt of 29,200 thousand Euro, entirely covered by uncommitted credit lines, and net financial debt of 22,056 thousand Euro.

As at 31 December 2014 committed credit lines had a maximum residual duration of thirty-six months and a weighted average residual duration of thirty 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 Company'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. During 2014 the Parent company, taking advantage of extremely low market interest rates and particularly favorable credit conditions for the Company, renegotiated almost all the outstanding committed credit lines, and added some new ones, extending the contractual expiry from the usual eighteen months to thirty-six. Cash surpluses are used with reference banks in short-term (usually between few days and three months) time deposit transactions, usually referring to the Euribor/Libor rate for the period. 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. 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 the risk under review and allow to adjust the cost of debt to the best market conditions. The Company 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. 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 financial position of the Company and of the Group is measured on a monthly basis 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 Company 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 (In thousands of Euro)	31 December 2014				
	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	112,321	11,601	-	-	123,922
Payables to subsidiaries	2,826	-	-	-	2,826
Interest-bearing loans & borrowings	29,208	-	-	-	29,208
Derivatives – non-hedge component	823	183	-	-	1,006
Derivatives – hedge component	11,882	12,554	-	-	24,436
<b>Total</b>	<b>157,060</b>	<b>24,338</b>	-	-	<b>181,398</b>

Liquidity risk – Maturity analysis (In thousands of Euro)					31 December 2013
	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	130,963	1,516	-	-	132,479
Payables to subsidiaries	2,207	-	-	-	2,207
Interest-bearing loans & borrowings	28,521	-	-	-	28,521
Derivatives – non-hedge component	651	-	-	-	651
Derivatives – hedge component	136	163	-	-	299
<b>Total</b>	<b>162,478</b>	<b>1,679</b>	-	-	<b>164,157</b>

The analysis carried out on the items relating to financial liabilities showed a concentration of maturities within three months, with nil values as at 31 December 2014 and 31 December 2013 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 Company's exposure to potential losses arising from failure to meet trade or financial obligations taken on by counterparties.

The Company's exposure to credit risk depends on the nature of the activities which have generated the relevant receivables.

The Company's exposure to commercial credit risk refers only to sales to third parties and to receivables arising from revenues generated by licensing activities, which together represent around 23 percent of global turnover: the remaining turnover refers to intercompany and retail sales with payment in cash or through credit and debit cards upon purchase.

The Company generally favors trade dealings with customers with whom it has well-established and consolidated relations. It is the Company'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 (albeit to a lesser extent) is the subscription of factoring agreements (for relationships relating to guarantees only), with the aim of preventing the risk of non-payment through careful selection of the customer portfolio jointly with the factoring company, by which the latter agrees to guarantee payment of the indemnity in the case of insolvency.

In general, the Company 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, investing 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 Company 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 Company 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 Company'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.

*Maximum credit risk exposure*

(In thousands of Euro)	31 December 2014		31 December 2013	
	Current portion	Non current portion	Current portion	Non current portion
Trade receivables	154,727	-	140,187	-
Cash and cash equivalents	8,115	-	3,848	-
Guarantee deposits	-	300	-	290
Derivatives	1,878	-	15,034	2
<b>Total</b>	<b>164,720</b>	<b>300</b>	<b>159,069</b>	<b>292</b>

The table shows how the Company's exposure to credit risk – both commercial and counterparty risk – is defined by the book value of the items representing outstanding financial assets as at 31 December 2014 and 31 December 2013, and is almost exclusively limited to the current portion. The non current portion refers to the item 'Guarantee deposits' which mainly includes the cash deposits made by the Company for property lease contracts and is recognized at nominal value.

**Concentration of credit risk by geographic area**

(In thousands of Euro)	31 December 2014	%	31 December 2013	%
Italy	21,451	13.9%	14,964	10.7%
Europe	29,173	18.8%	22,252	15.9%
North America	48,772	31.5%	44,741	31.9%
Japan	3,372	2.2%	2,906	2.1%
Asia Pacific	30,967	20.0%	33,884	24.2%
Central and South America	20,992	13.6%	21,440	15.3%
<b>Total</b>	<b>154,727</b>	<b>100.0%</b>	<b>140,187</b>	<b>100.0%</b>

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

(In thousands of Euro)

	Receivables neither past due nor impaired	Receivables past due but not impaired					Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days	
31 December 2014	136,411	1,627	1,841	1,683	3,447	9,718	154,727
31 December 2013	113,213	7,000	3,113	2,567	3,098	11,195	140,187
Figures in % at 31 Dec. 2014	88.2%	1.0%	1.2%	1.1%	2.2%	6.3%	100.0%
Figures in % at 31 Dec. 2013	80.8%	5.0%	2.2%	1.8%	2.2%	8.0%	100.0%

The table provides an analysis of the expiries of receivables which are past due but not impaired for the years ended 31 December 2014 and 31 December 2013.

The concentration of sales to the main third party 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	2014	2013
Percentage of revenues with the biggest customer	1.3%	1.5%
Percentage of revenues with the 3 biggest customers	3.4%	3.8%
Percentage of revenues with the 10 biggest customers	7.9%	7.5%

**Capital management**

The main objective of the Company's capital management activity is to ensure that a solid credit rating as well as adequate levels of share capital indicators are maintained in order to support business and optimize value for shareholders. The Company manages the capital structure and modifies it according to changes in economic conditions. To maintain or adjust the capital structure, the Company 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 2014 and 2013.

The Company includes under net debt interest-bearing loans, other financial payables, trade and other payables, net of cash and cash equivalents. Other financial payables totaled 823 thousand Euro (651 thousand Euro as at 31 December 2013) and refer to the put option measured at fair value which is the liability to the minority shareholders of Ferragamo Retail India Private Limited at the reporting date. The table does not include the values and related effects produced by the derivatives used to manage exchange rate risk.

<b>(In thousands of Euro)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Interest-bearing loans	29,200	28,500
Other financial payables	823	651
Trade and other payables	149,032	156,144
Cash and cash equivalents	8,115	3,848
<b>Net debt</b>	<b>170,940</b>	<b>181,447</b>
<b>Total shareholders' equity</b>	<b>320,972</b>	<b>280,215</b>
<b>Shareholders' equity and net debt</b>	<b>491,912</b>	<b>461,662</b>
<b>Net debt/shareholders' equity</b>	<b>53.26%</b>	<b>64.75%</b>

#### **4. Business combinations and purchases of minority interests**

During 2014 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 as at 31 December 2014 and 31 December 2013 is shown in the following table:

(In thousands of Euro)	31 December 2014			31 December 2013		
	Historic Cost	Accumulated depreciation	Net value	Historic Cost	Accumulated depreciation	Net value
Land	8,774	-	8,774	8,774	-	8,774
Buildings	22,953	6,023	16,930	20,966	4,593	16,373
Plant and equipment	20,708	16,400	4,308	19,502	14,888	4,614
Industrial and commercial equipment	20,876	15,450	5,426	17,468	14,111	3,357
Other assets	25,593	20,911	4,682	23,721	19,040	4,681
Leasehold improvements	18,921	12,809	6,112	15,292	10,944	4,348
Fixed assets in progress and payments on account	12,372	-	12,372	4,515	-	4,515
<b>Total</b>	<b>130,197</b>	<b>71,593</b>	<b>58,604</b>	<b>110,238</b>	<b>63,576</b>	<b>46,662</b>

The following table shows the changes in Property, plant and equipment for the year ended 31 December 2014:

(In thousands of Euro)	Value at 01.01.2014	Additions	Disposals	Depreciation	Value at 31.12.2014
Land	8,774	-	-	-	8,774
Buildings	16,373	1,987	-	(1,430)	16,930
Plant and equipment	4,614	1,379	(18)	(1,667)	4,308
Industrial and commercial equipment	3,357	3,408	-	(1,339)	5,426
Other assets	4,681	2,212	-	(2,211)	4,682
Leasehold improvements	4,348	3,629	-	(1,865)	6,112
Fixed assets in progress and payments on account	4,515	10,455	(2,598)	-	12,372
<b>Total</b>	<b>46,662</b>	<b>23,070</b>	<b>(2,616)</b>	<b>(8,512)</b>	<b>58,604</b>

The addition:

- in the item "Buildings" refers to improvements to the facility at Osmannoro-Sesto Fiorentino as part of the broader project to expand and renovate the whole facility;
- in the item "Plant and equipment" refers mainly to the purchase and installation of new plant at the Sesto Fiorentino facility;
- in the item "Industrial and commercial equipment" refers to the purchase of new furniture and equipment for the stores and showrooms that were refurbished during the year;
- in the item "Other assets" mainly refers to IT equipment (1,439 thousand Euro) and furniture and furnishings (692 thousand Euro);
- in the item "Leasehold improvements" refers mainly to work carried out for the renovation of stores.
- in the item "Fixed assets in progress and payments on account" refers mainly to the construction of a new building at the Osmannoro-Sesto Fiorentino facility and to renovation work for some properties, following the plan to renovate the whole facility.

The decrease in "Fixed assets in progress and payments on account" refers to the end of renovation work started in 2013 and completed during the year.

As envisaged by the analysis procedure for impairment indicators adopted by the Company, 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 Company operates, while internal sources are corporate strategies which can change the use of assets.

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

## 6. Intangible assets with a finite useful life

The breakdown of Intangible assets with a finite useful life as at 31 December 2014 and 31 December 2013 is shown in the following table:

(In thousands of Euro)	31 December 2014			31 December 2013		
	Historic Cost	Accumulated amortization	Net value	Historic Cost	Accumulated amortization	Net value
Software development costs	20,780	10,294	10,486	17,386	6,795	10,591
Industrial patents and use of intellectual property rights	11,344	9,876	1,468	10,622	9,050	1,572
Concessions, licenses and trademarks	5,960	4,924	1,036	5,734	4,708	1,026
Intangible assets with a finite useful life in progress	4,371	-	4,371	1,266	-	1,266
<b>Total</b>	<b>42,455</b>	<b>25,094</b>	<b>17,361</b>	<b>35,008</b>	<b>20,553</b>	<b>14,455</b>

The following table shows the changes in Intangible assets with a finite useful life for the year ended 31 December 2014:

(In thousands of Euro)	Value at 01.01.2014	Additions	Disposals	Amortization	Value at 31.12.2014
Software development costs	10,591	3,394	-	(3,499)	10,486
Industrial patents and use of intellectual property rights	1,572	722	-	(826)	1,468
Concessions, licenses and trademarks	1,026	226	-	(216)	1,036
Intangible assets with a finite useful life in progress	1,266	4,124	(1,019)	-	4,371
<b>Total</b>	<b>14,455</b>	<b>8,466</b>	<b>(1,019)</b>	<b>(4,541)</b>	<b>17,361</b>

The additions relating to the item “Software development costs” is mainly related to the capitalization of expenses for the development of business software applications (SAP accounting system, ERP, reporting systems, and the e-commerce platform).

The additions relating to the item “Industrial patents and use of intellectual property rights” (722 thousand Euro) refer for 681 thousand Euro to the cost for licenses to use software for Company management procedures and for 41 thousand Euro to the cost for the purchase and registration of patents and copyrights relating to Ferragamo products.

The additions relating to the item “Concessions, licenses and trademarks” refer to the costs for filing and registering the Salvatore Ferragamo trademark.

The additions relating to the item “Intangible assets with a finite useful life in progress” are attributable to the development of new software applications still underway at the end of the year.

As envisaged by the analysis procedure for impairment indicators adopted by the Company, 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 Company operates, while internal sources are corporate strategies which can change the use of intellectual property and software. Internal sources are corporate strategies which can change the use of intellectual property and software.

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

## 7. Investments in subsidiaries

The breakdown of Investments in subsidiaries as at 31 December 2014 and 31 December 2013 is shown in the following table:

(In thousands of Euro)							
Company	% investment	Value at 01.01.14	Additions	Restatement	Write-downs	Stock Grant	Value at 31.12.14
Ferragamo Parfums S.p.A.	100	12,207	-	10,457	-	125	22,789
Ferragamo Mexico S. de R.L. de C.V.	99.73	499	-	-	-	-	499
Ferragamo Austria GmbH	100	4,434	-	-	-	-	4,434
Ferragamo Chile S.A.	99	626	-	-	(244)	-	382
Ferragamo Deutschland GmbH	100	9,246	-	-	-	-	9,246
Ferragamo Belgique SA	100	1,066	-	-	-	-	1,066
Ferragamo Suisse SA	100	890	-	-	-	-	890
Ferragamo UK Ltd	100	8,736	-	-	-	-	8,736
Ferragamo Australia Pty Ltd.	100	4,132	-	-	-	-	4,132
Ferragamo France SAS	100	9,945	-	-	-	-	9,945
Ferragamo Espana SL	100	-	-	-	-	-	-
Ferragamo MonteCarlo SAM	100	1,063	-	-	-	-	1,063
Ferragamo USA Inc.	100	57,473	-	-	-	250	57,723
Ferragamo Japan KK	71	8,397	-	-	-	-	8,397
Ferragamo Hong Kong Ltd	100	12,291	-	-	-	250	12,541
Ferragamo Malaysia Sdn Bhd	80	1,911	-	-	-	-	1,911
Ferragamo Singapore PTE	80	2,739	-	-	-	-	2,739
Ferragamo Korea Ltd	80	21,321	-	-	-	-	21,321
Ferragamo Moda Shanghai Co Ltd	75	3,732	-	-	(2,575)	-	1,157
Ferragamo Retail Macau Ltd	75.2	1,241	-	-	-	-	1,241
Ferragamo Retail Nederland BV	100	762	-	1,529	-	-	2,291
Ferragamo (Thailand) Ltd.	80	1,779	-	-	-	-	1,779
Ferragamo Brasil Roupas e Acessorios LTDA	99	5,277	7,323	-	(7,047)	-	5,553
<b>Total</b>		<b>169,767</b>	<b>7,323</b>	<b>11,986</b>	<b>(9,866)</b>	<b>625</b>	<b>179,835</b>

For details on the item “Additions” reference should be made to the information provided in the Directors' report on operations in the section “Significant events occurred during the year”.

For details on the item “Stock Grant” reference should be made to note 35.

In accordance with the provisions of IAS 36, the Company undertook an analysis to identify any indicators of impairment and/or permanent losses in value in subsidiaries or whether any grounds for the write-down in the investments applied in previous years no longer exist.

In particular an assessment was made of the recoverability of the residual value of investments in order to ensure that they are not recognized at a value higher than their recoverable amount.

The criterion to determine the “recoverable amount”, in compliance with the method required by IAS 36, is based on the present value of future cash flows expected from the investments and from the related Terminal Value (the so-called discounted cash-flow analysis – DCF).

Impairment tests were performed considering the subsidiary being tested as a CGU.

The discounted cash-flow analysis was performed using as a starting point the budget for 2015 as prepared and approved by the Board of Directors, using the expected cash flows based on the three-year plan approved by the Company's Board of Directors for the 2014-2016 period and management's expectations regarding the trends on the markets where the investments are located.

The main assumptions to determine the recoverable amount are given below:

- Terminal Value: determined using the perpetuity model with a long-term growth rate (g) which represents the present value, in the final projected year, of all the expected future cash flows.
- Growth rate g: 1% (1% as at 31 December 2013);
- Discount rate (Weighted Average Cost of Capital, WACC): 7.10% (8.10% as at 31 December 2013).

The results of the analyses undertaken are provided below:

- write-downs were recorded on the investments in Ferragamo Chile S.A., Ferragamo Moda Shanghai Co Ltd and Ferragamo Brasil Roupas e Acessorios LTDA for a total of 9,866 thousand Euro to reflect the reductions in assets following the losses incurred in these markets and so as to adjust their book value to the corresponding recoverable amount;
- restatements of investments in Ferragamo Parfums S.p.A and Ferragamo Retail Nederland BV were recorded for a total of 11,986 thousand Euro relating to previous write-downs (up to the

maximum limit of the purchase/subscription cost), in order to adjust the related book value to the corresponding recoverable amount.

The sensitivity analysis concerning the aforementioned key assumptions which were used to determine the recoverable amount (changes in the growth rate of +/-0.5% and changes in WACC of +/-0.5%), did not reveal significantly different results for the recoverable amount of the investments being tested.

The following table shows the change in the provision for excess write-downs of investments and includes the amount considered suitable to cover the remaining losses (applying the due percentage) after the book value of the equity investment is set to zero:

(In thousands of Euro) Company	% investment	Value at 01.01.14	Addi- tions	Restate- ment	Write- downs	Value at 31.12.14
Ferragamo Latin America Inc.	100	(199)	-	199	-	-
Ferragamo Argentina S.A.	95	(208)	174	-	(138)	(172)
Ferragamo Retail India Private Ltd.	51	(1,863)	-	-	(353)	(2,216)
<b>Total</b>		<b>(2,270)</b>	<b>174</b>	<b>199</b>	<b>(491)</b>	<b>(2,388)</b>

The following table provides the main figures from the financial statements of the subsidiaries:

(In thousands)	Location	% investment	Share capital	Total shareholders' equity	Profit/ (loss) for the year	Value at 31.12.14	
Company			Currency	Euro	Euro	Euro	
Ferragamo Parfums S.p.A.	Florence	100	Euro	10,000	14,381	2,162	22,789
Ferragamo Austria GmbH	Vienna	100	Euro	1,853	3,196	64	4,434
Ferragamo Deutschland GmbH	Principality of Monaco	100	Euro	3,300	10,968	1,218	9,246
Ferragamo Belgique SA	Brussels	100	Euro	750	1,188	34	1,066
Ferragamo France SAS	Paris	100	Euro	4,334	10,633	689	9,945
Ferragamo Suisse SA	Mendrisio	100	Chf	1,000	4,929	1,359	890
Ferragamo Espana SL	Madrid	100	Euro	4,600	1,773	(472)	-
Ferragamo UK Ltd	London	100	Gbp	6,173	9,428	102	8,736
Ferragamo Retail Nederland BV	Amsterdam	100	Euro	500	1,703	940	2,291
Ferragamo Australia Pty Ltd	Sydney	100	Aud	13,637	8,630	2,430	4,132
Ferragamo USA Inc.*	New York	100	Usd	74,012	75,571	9,341	57,723
Ferragamo MonteCarlo SAM	Monte Carlo	100	Euro	304	1,199	76	1,063
Ferragamo Latin America Inc. Ferragamo Mexico S. de R.L. de C.V.	Miami Mexico City	100 99.73	Usd Pesos	300 4,593	71 12,577	273 2,051	- 499
Ferragamo Japan KK	Tokyo	71	Yen	305,700	19,306	1,328	8,397
Ferragamo Hong Kong Ltd	Hong Kong	100	Hkd	10	181,601	30,528	12,541
Ferragamo Chile S.A.	Santiago	99	Pesos	1,362,590	271	(341)	382
Ferragamo (Thailand) Ltd	Bangkok Kuala	80	Thb	100,000	2,409	(321)	1,779
Ferragamo (Malaysia) Sdn Bhd	Lumpur	80	Myr	1,300	5,516	97	1,911
Ferragamo (Singapore) Pte. Ltd	Singapore	80	Sgd	4,600	6,402	(664)	2,739
Ferragamo Argentina S.A. Ferragamo Retail India Private Limited	Buenos Aires New Delhi	95 51	Ars Inr	2,969 150,000	(34) (4,345)	(36) (269)	(172) (2,216)
Ferragamo Korea Ltd	Seoul	80	Kwon	3,291,200	51,996	4,648	21,321
Ferragamo Moda (Shanghai) Co. Ltd.	Shanghai, PRC	75	Usd	1,400	1,542	(1,642)	1,157
Ferragamo Retail Macau Ltd	Macau	75.2	Mop	25	9,926	4,567	1,241
Ferragamo Brasil Roupas e Acessorios LTDA	Sao Paulo	99	Brl	48,615	6,504	(3,528)	5,553
<b>Total</b>							<b>177,447</b>

\* Data refer to the Ferragamo USA Group.

## 8. Available-for-sale financial assets

The breakdown of the item “Available-for-sale financial assets” as at 31 December 2014 and 31 December 2013 is set out in the following table:

<b>(In thousands of Euro)</b>	<b>% investment</b>	<b>Value at 01.01.2014</b>	<b>Value at 31.12.14</b>
Polimoda Consulting S.r.l.	0.82%	20	20
<b>Total</b>		<b>20</b>	<b>20</b>

## 9. Other non current financial assets

The breakdown of the item “Other non current financial assets” as at 31 December 2014 and 31 December 2013 is set out in the following table:

<b>(In thousands of Euro)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>	<b>Change 2014 vs. 2013</b>
Guarantee deposits	265	256	9
<b>Total</b>	<b>265</b>	<b>256</b>	<b>9</b>

Guarantee deposits mainly include guarantee deposits for outstanding lease contracts.

## 10. Inventories

The breakdown of the item as at 31 December 2014 and 31 December 2013 is set out in the following table:

<b>(In thousands of Euro)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>	<b>Change 2014 vs. 2013</b>
Raw materials, accessories and consumables	43,784	52,486	(8,702)
Provision for obsolete inventory	(6,655)	(7,941)	1,286
Raw materials, accessories and consumables	37,129	44,545	(7,416)
Finished products and goods for resale	69,294	65,304	3,990
Provision for obsolete inventory	(9,835)	(8,145)	(1,690)
Finished products and goods for resale	59,459	57,159	2,300
<b>Total</b>	<b>96,588</b>	<b>101,704</b>	<b>(5,116)</b>

The change in stocks of raw materials, down by 8,702 thousand Euro compared to 2013, is due to production volumes for the period; the related provision reflects the obsolescence of raw materials (leather and accessories) which are no longer suitable for the Company’s production plans for future collections. Raw materials also include leather and materials sent to third parties for subsequent processing.

The increase in stocks of finished products, up by 3,990 thousand Euro, is due to the increase in orders. The related provision reflects the difference between the purchase or production cost and the estimated realizable value of products belonging to past collections.

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

<b>(In thousands of Euro)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>	<b>Change 2014 vs. 2013</b>
Raw materials	(1,286)	2,445	(3,731)
Finished products	1,690	929	761
<b>Total</b>	<b>404</b>	<b>3,374</b>	<b>(2,970)</b>

## 11. Trade receivables

The breakdown of the item “Trade receivables” as at 31 December 2014 and 31 December 2013 is shown in the following table:

(In thousands of Euro)	31 December 2014	31 December 2013	Change 2014 vs. 2013
Trade receivables from third parties	46,041	32,735	13,306
Provision for bad debt	(5,048)	(3,158)	(1,890)
Trade receivables from subsidiaries	113,734	110,610	3,124
<b>Total</b>	<b>154,727</b>	<b>140,187</b>	<b>14,540</b>

Trade receivables from third parties mainly refer to the credit exposure arising from sales made to the wholesale channel, 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.

For detailed information on trade receivables from subsidiaries reference should be made to the note “Transactions with related parties” below.

The changes in the provision for bad debt during 2014 were as follows:

(In thousands of Euro)	Value at 01.01.2014	Allocations	Uses	Value at 31.12.2014
Provision for bad debt	3,158	2,668	(778)	5,048

For an analysis of past due trade receivables reference should be made to the section “Management of financial risks – Credit risk”.

## 12. Tax receivables

The breakdown of the item “Tax receivables” as at 31 December 2014 and 31 December 2013 is shown in the following table:

(In thousands of Euro)	31 December 2014	31 December 2013	Change 2014 vs. 2013
Due from tax authorities (valued added tax)	3,534	4,099	(565)
Other tax receivables	232	325	(93)
<b>Total</b>	<b>3,766</b>	<b>4,424</b>	<b>(658)</b>

## 13. Other current assets

The breakdown of the item “Other current assets” as at 31 December 2014 and 31 December 2013 is set out in the following table:

(In thousands of Euro)	31 December 2014	31 December 2013	Change 2014 vs. 2013
Receivables due from credit card management companies	164	116	48
Receivables from staff	30	71	(41)
Other receivables for short-term hedge derivatives	1,878	15,034	(13,156)
Other receivables	229	1,151	(922)
Accrued income	2	5	(3)
Prepaid expenses	2,846	1,358	1,488
Receivables from the Holding company	1,962	1,962	-
Receivables from social security institutions	38	12	26
<b>Total</b>	<b>7,149</b>	<b>19,709</b>	<b>(12,560)</b>

Receivables from the Holding company Ferragamo Finanziaria S.p.A. totaled 1,962 thousand Euro and refer to the income tax (IRES) refund claim regarding the deduction of the regional manufacturing tax (IRAP) in relation to personnel costs for employees or similar staff (art. 2, paragraph 1-quater, Law Decree no. 201 of 6 December 2011).

Other receivables for hedge derivatives totaling 1,878 thousand Euro (15,034 thousand Euro as at 31 December 2013) refer to the fair value assessment of outstanding derivative contracts (hedge

component) entered into by the Company to manage exchange rate risk on sales in currencies other than the Euro.

Prepaid expenses mainly include rents (924 thousand Euro), expenses relating to the fit-out of tailored single brand stores and/or stores-in-stores managed by third parties (TPOS) (1,449 thousand Euro) and insurance premiums (86 thousand Euro).

#### 14. Cash and cash equivalents

The breakdown of Cash and cash equivalents as at 31 December 2014 and 31 December 2013 is shown in the following table:

(In thousands of Euro)	31 December 2014	31 December 2013	Change 2014 vs. 2013
Bank and post office deposits	8,089	3,821	4,268
Cash and values on hand	26	27	(1)
<b>Total</b>	<b>8,115</b>	<b>3,848</b>	<b>4,267</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. As at 31 December 2014 the Company had unused credit lines for 530,800 thousand Euro. As at 31 December 2013, unused credit lines totaled 371,500 thousand Euro.

#### 15. Share capital and reserves

The authorized **share capital** of the Company as at 31 December 2014 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. The increase in share capital of 50,000 Euro is a consequence of the resolution of the Extraordinary Shareholders' Meeting of 26 April 2012 relating to the establishment of a Stock Grant Plan; for details reference should be made to note 35.

**Share capital contributions** of 2,995 thousand Euro 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 cannot be distributed.

**The extraordinary reserve** of 155,220 thousand Euro was set up with retained earnings; the increase recorded in the period refers to the 2013 profit, net of the distribution of dividends, amounting to 67,364 thousand Euro, resolved by the Shareholders' meeting which took place on 29 April 2014.

The **revaluation reserve** consists of:

- Revaluation reserve as per Law 342/00 amounting to 4,593 thousand Euro;
- Revaluation reserve as per Law 350/03 amounting to 7,420 thousand Euro;
- Revaluation reserve as per Law 266/05 amounting to 13,465 thousand Euro;

No deferred taxes have been allocated to the revaluation reserves based on the assumption that full taxation for these reserves will be indefinitely deferred. Indeed, no transactions are likely to be carried out which would cause their distribution.

**The cash flow hedge reserve** was negative for 10,051 thousand Euro and is the result of the valuation of the financial instruments defined as cash flow hedges as at 31 December 2014, given the hedges of the Company against exchange rate risk, and is shown net of the tax effect.

**The IAS 19 Equity reserve**, negative for 1,299 thousand Euro, is the result of the valuation of actuarial gains and losses charged to shareholders' equity, as envisaged by IAS 19, and is shown net of the tax effect. This valuation was made by an independent actuary.

**The item "Other reserves"** totaled 10,373 thousand Euro and includes the changes arising from the application of IAS/IFRS instead of Italian accounting principles with reference to the Company's opening balance of shareholders' equity as at 1 January 2010 and the closing balance as at 31 December 2010. In addition, it includes the specific reserve set up to service the future free share capital increase 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 shares with a nominal value of 0.10 Euro each) and the Stock Grant Reserve (4,251 thousand Euro) which includes the fair value at 31 December 2014 of the rights assigned to receive shares of the Company. For details on the Stock Grant Plan reference should be made to note 35. Finally, the item "Other reserves" includes 1.4 thousand Euro for the provision as per art. 55 of Presidential Decree 597/1973 relating to VAT recovery pursuant to art. 15 of Law 26/04/1983.

The following table shows, for each specific entry in shareholders' equity, information regarding the possibility of its use and distribution, as well as its use over the last three years.

(In thousands of Euro)	Value at 31.12.14	Possibility of use	Amount available	Summary of uses made in the last three years
<b>Shareholders' equity</b>				
Share capital	16,841			
<b>Share capital reserves</b>				
Revaluation reserve Law 342/00	4,593	A - B	4,593	
Revaluation reserve Law 350/03	7,420	A - B	7,420	
Revaluation reserve Law 266/05	13,465	A - B	13,465	
Share capital contributions	2,995	A - B	2,995	
Provisions as per Art. 55	1.4	A - B - C	1.4	
<b>Net profit reserves</b>				
Legal reserve	4,188	B	820	
Extraordinary reserve	155,220	A - B - C	155,220	
Reserve for adoption of IAS/IFRS	6,427	B*	2,007	
Accumulated gains/losses	(356)	B		
Cash flow hedge reserve	(10,051)			
IAS 19 reserve	(1,299)			
Specific reserve for share capital increase to serve the Stock Grant Plan	50			
Stock Grant Reserve	4,251			
Net profit/(loss) for the year	107,176			
<b>Total</b>	<b>310,921.4</b>		<b>186,521.4</b>	

**Key**

A - for share capital increase

B - to cover losses

C - for distribution to shareholders

\* The available part of the reserve can be used only to cover losses and it must be subsequently reintegrated.

## 16. Provisions for risks and charges

The breakdown of Provisions for risks and charges as at 31 December 2014 and 31 December 2013 is shown in the following table:

(In thousands of Euro)	Value at 01.01.2014	Allocations	Uses	Value at 31.12.2014
Legal disputes	704	81	(254)	531
Provision for other risks	4,067	1,965	(312)	5,720
Provision for excess write-downs of investments	2,270	491	(373)	2,388
<b>Total</b>	<b>7,041</b>	<b>2,537</b>	<b>(939)</b>	<b>8,639</b>

Legal disputes mainly refer to legal proceedings against the Company for contractual and labor disputes. It also includes the provision relating to the Company's dispute with Korean tax authorities (200 thousand Euro). Labor disputes refer both to litigations and to estimates of settlement amounts which the Company 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 of various kinds. For detailed information and the changes in the Provision for excess write-downs of investments reference should be made to note 7 "Investments in subsidiaries".

## 17. Employee benefit liabilities

The breakdown of Employee benefit liabilities as at 31 December 2014 and 31 December 2013 is shown in the following table:

(In thousands of Euro)	31 December 2014	31 December 2013	Change 2014 vs. 2013
Employee benefit liabilities (severance indemnities)	10,144	9,271	873
Advances on employee severance indemnities	(2,439)	(2,443)	4
<b>Total</b>	<b>7,705</b>	<b>6,828</b>	<b>877</b>

The following table sets out the changes occurred during the period:

(In thousands of Euro)	31 December 2014	31 December 2013
<b>Present value of the obligation at the beginning of the period</b>	<b>6,828</b>	<b>7,464</b>
<b>Financial charge</b>	<b>188</b>	<b>167</b>
<b>Benefits paid</b>	<b>(194)</b>	<b>(400)</b>
Actuarial loss/(gain) arising from:		
- financial assumptions	985	(348)
- demographic assumptions	(7)	12
- experience-based adjustments	(95)	(67)
<b>Total actuarial loss / (gain)</b>	<b>883</b>	<b>(403)</b>
<b>Present value of the obligation at the end of the period</b>	<b>7,705</b>	<b>6,828</b>

The main assumptions used in determining the present value of employee severance indemnities were as follows:

	2014	2013
Annual discount rate	1.24%	2.75%
Inflation rate	2.00%	2.00%

As regards the demographic assumptions used in determining defined benefit liabilities, 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 5.17% per year.

Here below is a quantitative sensitivity analysis for the main assumptions as at 31 December 2014 concerning employee benefit obligations:

(In thousands of Euro)	2014			2013	
	% change	Additions	Disposals	Additions	Disposals
Annual discount rate	+/- 0.5%	(393)	427	(321)	347
Mortality rate	+/- 0.025%	(2)	2	-	-
Staff turnover rate	+/- 0.5%	(36)	38	(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)	2014	2013
Top managers, middle managers and store managers	137.14	132.75
White collars	535.20	504.18
Blue collars	162.53	137.44
Temporary Agency staff	18.09	46.86
<b>Total</b>	<b>852.96</b>	<b>821.23</b>

The net increases are mainly due to the enhancement of the central structure and to retail staff in Italian stores.

## 18. Other non current liabilities

The breakdown of the item "Other non current liabilities" as at 31 December 2014 and 31 December 2013 is set out in the following table:

(In thousands of Euro)	31 December 2014	31 December 2013	Change 2014 vs. 2013
Payables for deferred rents	1,096	1,097	(1)
Tax payables	-	1,178	(1,178)
<b>Total</b>	<b>1,096</b>	<b>2,275</b>	<b>(1,179)</b>

Payables for deferred rents refer almost entirely to the straight lining of rents over the contract period for leased property.

## 19. Trade payables

The breakdown of Trade payables as at 31 December 2014 and 31 December 2013 is shown in the following table:

(In thousands of Euro)	31 December 2014	31 December 2013	Change 2014 vs. 2013
Trade payables to third parties	116,749	123,498	(6,749)
Invoices to be received	7,173	8,981	(1,808)
Payables to subsidiaries	2,826	2,207	619
<b>Total</b>	<b>126,748</b>	<b>134,686</b>	<b>(7,938)</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 the Company, in particular the purchase of raw materials, parts and manufacturing in outsourcing.

For detailed information on trade payables to subsidiaries reference should be made to the note "Transactions with related parties" below.

## 20. Interest-bearing loans & borrowings

The breakdown of Interest-bearing loans & borrowings as at 31 December 2014 and 31 December 2013 is shown in the following table:

(In thousands of Euro)	31 December 2014	31 December 2013	Change 2014 vs. 2013
Financial payables to banks	29,200	28,500	700
<b>Total</b>	<b>29,200</b>	<b>28,500</b>	<b>700</b>

The Company's financial requirements are covered by short-term payables relating to short- and medium/long-term bank credit lines.

The loans and credit lines used by the Company are arranged at floating rates.

The cost of debt is generally benchmarked to the market rate for the period (usually Euribor/Libor) 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 to the Company in order to meet short-term financial needs linked to the management of working capital;
- ii) committed, revolving short- and medium/long-term credit lines, negotiated on a bilateral basis by the 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).

During 2014 the Company, taking advantage of particularly favorable market interest rates and credit conditions for the Company, renegotiated almost all the outstanding committed credit lines and added some new ones, extending the contractual expiry from the usual eighteen months to thirty-six.

As at 31 December 2014 committed credit lines had a maximum residual duration of thirty-six months and a weighted average residual duration of thirty 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.

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

(In thousands of Euro)	31 December 2014		31 December 2013	
	Agreed	Used	Agreed	Used
Committed credit lines	270,000	-	210,000	-
Uncommitted credit lines	290,000	29,200	190,000	28,500
<b>Total</b>	<b>560,000</b>	<b>29,200</b>	<b>400,000</b>	<b>28,500</b>

The following table provides the breakdown and changes in the net financial position as at 31 December 2014 and 31 December 2013, restated in accordance with the model included in CONSOB Communication no. DEM/6064293 of 28 July 2006.

(In thousands of Euro)	31 December 2014	31 December 2013	Change 2014 vs. 2013
A. Cash	26	27	(1)
B. Other cash equivalents	8,089	3,821	4,268
<b>C. Cash and cash equivalents (A)+(B)</b>	<b>8,115</b>	<b>3,848</b>	<b>4,267</b>
Derivatives – non-hedge component	11	-	11
Other financial assets	-	1	(1)
<b>D. Current financial receivables</b>	<b>11</b>	<b>1</b>	<b>10</b>
E. Current bank payables	29,200	28,500	700
F. Derivatives – non-hedge component	982	651	331
G. Other current financial payables	-	-	-
<b>H. Current financial debt (E)+(F)+(G)</b>	<b>30,182</b>	<b>29,151</b>	<b>1,031</b>
<b>I. Current financial debt, net (H)-(C)-(D)</b>	<b>22,056</b>	<b>25,302</b>	<b>(3,246)</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>22,056</b>	<b>25,302</b>	<b>(3,246)</b>

### Limitations on the use of financial resources

The Company's committed credit lines that are currently outstanding do not require compliance with financial covenants.

### 21. Tax payables

The breakdown of Tax payables as at 31 December 2014 and 31 December 2013 is shown in the following table:

(In thousands of Euro)	31 December 2014	31 December 2013	Change 2014 vs. 2013
Payables for current taxes – IRAP	337	1,624	(1,287)
Payables for current taxes – IRES	1,836	1,943	(107)
Tax payables due to foreign tax authorities for VAT	109	104	5
Tax payables for withholdings applied	2,799	2,959	(160)
Other tax payables	-	4,607	(4,607)
<b>Total</b>	<b>5,081</b>	<b>11,237</b>	<b>(6,156)</b>

### 22. Other current liabilities

The breakdown of the item "Other current liabilities" as at 31 December 2014 and 31 December 2013 is set out in the following table:

(In thousands of Euro)	31 December 2014	31 December 2013	Change 2014 vs. 2013
Payables to the Holding company	5,763	8,757	(2,994)
Other payables to subsidiaries	2,889	-	2,889
Payables to staff	6,297	6,257	40
Payables to social security institutions	3,021	2,894	127
Other payables to third parties	441	453	(12)
Other payables for hedge derivatives	23,120	230	22,890
Accrued expenses	2,833	1,657	1,176
Deferred income	1,040	1,440	(400)
<b>Total</b>	<b>45,404</b>	<b>21,688</b>	<b>23,716</b>

Payables to the Holding company amounting to 5,763 thousand Euro refer to the Company's payables to the Holding company Ferragamo Finanziaria S.p.A. for the IRES corporate income tax pertaining to the year, net of the tax advances paid, as part of the domestic fiscal unity.

Payables to staff mainly include the Company's payables to employees for amounts accrued but not yet paid 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.

Other payables to third parties include payables to suppliers and service providers which had not been invoiced at the reporting date.

The item "Other payables for hedge derivatives" shows the fair value valuation at the end of the year of outstanding derivatives (hedge component) signed by the Company to manage exchange rate risk. For further details, reference should be made to note 24.

The item "Accrued expenses" mainly includes variable fees to the Managing Director and Chairman and the amount accrued as at 31 December 2014 for the 14th month salary for staff members who are employed under the Italian collective labor agreement for the trade industry.

Deferred income mainly includes:

- 397 thousand Euro for the share pertaining to future years of a grant received by the Company for the opening of an outlet store at the Noventa Padovana shopping center;
- 600 thousand Euro for the share pertaining to future years of a one-off indemnity (key money totaling 1,500 thousand Euro) as set out in the contract with the company Marchon Europe B.V. (part of the American group Marchon) for the licensing of the Salvatore Ferragamo brand with reference to the worldwide production and distribution of Ferragamo branded eyewear for men and women. This contract has been in force as from 1 January 2012 for a 5 year period with renewal for a further 5 years subject to specific conditions.

### **23. Other current financial liabilities**

The breakdown of the item "Other current financial liabilities" as at 31 December 2014 and 31 December 2013 is set out in the following table:

<b>(In thousands of Euro)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>	<b>Change 2014 vs. 2013</b>
Short-term derivatives	159	-	159
Other current financial payables	823	651	172
<b>Total</b>	<b>982</b>	<b>651</b>	<b>331</b>

As at 31 December 2014 "Other current financial payables" amounting to 823 thousand Euro refer entirely to the put option measured at fair value, which represents liabilities to the minority shareholders of Ferragamo Retail India Private Limited at the reporting date. In compliance with the provisions of IAS 39, on each reporting date any value adjustments to the put option will be charged directly to the income statement under "financial charges". As at 31 December 2013 this item amounted to 651 thousand Euro.

The item "Short-term derivatives" 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 24 below.

## 24. 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, as at 31 December 2014 and 31 December 2013.

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

<b>FINANCIAL ASSETS</b>	<b>31 December 2014</b>			<b>31 December 2013</b>		
	<b>Book value</b>		<b>Fair Value</b>	<b>Book value</b>		<b>Fair Value</b>
	<i>Current</i>	<i>Non current</i>		<i>Current</i>	<i>Non current</i>	
<b>(In thousands of Euro)</b>	<i>portion</i>	<i>portion</i>		<i>portion</i>	<i>portion</i>	
Financial assets at fair value through profit or loss						
Derivatives – non-hedge component	11	-	11	-	-	-
Available-for-sale financial assets	-	20	20	0	20	20
Receivables and loans						
Trade receivables	154,727	-	154,727	140,187	-	140,187
Receivables for loans due from subsidiaries	-	-	-	1	-	1
Guarantee deposits	-	265	265	-	256	278
Cash and cash equivalents	8,115	-	8,115	3,848	-	3,848
Derivatives – hedge component	1,878	-	1,878	15,034	2	15,035
<b>Total</b>	<b>164,731</b>	<b>285</b>	<b>165,016</b>	<b>159,070</b>	<b>278</b>	<b>159,369</b>
<b>FINANCIAL LIABILITIES</b>						
<b>(In thousands of Euro)</b>	<b>31 December 2014</b>		<b>Fair Value</b>	<b>31 December 2013</b>		<b>Fair Value</b>
	<b>Book value</b>			<b>Book value</b>		
	<i>Current</i>	<i>Non current</i>		<i>Current</i>	<i>Non current</i>	
<b>(In thousands of Euro)</b>	<i>portion</i>	<i>portion</i>		<i>portion</i>	<i>portion</i>	
Liabilities at amortized cost						
Trade payables and payments on account	126,748	-	126,748	134,686	-	134,686
Interest-bearing loans & borrowings	29,200	-	29,200	28,500	-	28,500
Financial liabilities at fair value through profit or loss						
Derivatives – non-hedge component	982	-	982	651	-	651
Derivatives – hedge component	23,120	-	23,120	230	-	230
<b>Total</b>	<b>180,050</b>	<b>-</b>	<b>180,050</b>	<b>164,067</b>	<b>-</b>	<b>164,067</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 13.

The Company uses internal valuation models, which are generally used in finance, on the basis of prices supplied 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.

Also for “Guarantee deposits” the book value is a reasonable approximation of the fair value. Available-for-sale financial assets are measured at cost because their fair value cannot be reliably established.

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 Company 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 Company'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.

The following table summarizes the effects on the income statement and shareholders' equity in reference to each category of outstanding financial instruments for the Company in the years 2014 and 2013.

<b>(In thousands of Euro)</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
<i>Net gains/(losses) on financial instruments recognized in profit or loss:</i>		
Financial assets/liabilities held for trading	(7,966)	1,721
Derivatives – hedge component	360	17,571
<i>Net gains/(losses) on financial instruments recognized in shareholders' equity:</i>		
Derivatives – hedge component	(26,594)	1,850
<i>Interest income/expense (calculated using the internal rate of return method) accrued on financial assets/liabilities not at FVTPL</i>		
Interest income	21	24
Interest expense	654	737
<i>Expenses and fees not included in the effective interest rate regarding financial liabilities</i>		
	754	611
<i>Interest income accrued on financial instruments written-off</i>		
	-	-
<i>Provisions for impairment on financial assets</i>		
Receivables/loans	2,668	190

## 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 2014 and 2013.

### 25. Revenues from sales and services

The breakdown of Revenues from sales and services as at 31 December 2014 and 31 December 2013 is shown in the following table:

(In thousands of Euro)	Change		
	2014	2013	2014 vs. 2013
Wholesale revenues	667,399	632,142	35,257
Retail and e-commerce revenues	68,716	69,023	(307)
Royalties for concessions of trademarks	7,387	6,558	829
Other services	5,309	6,291	(982)
Other revenues	6,390	7,078	(688)
<b>Total</b>	<b>755,201</b>	<b>721,092</b>	<b>34,109</b>

Wholesale revenues refer mainly to sales to Group companies and, to a lesser extent, to sales to retailers. Retail and e-commerce revenues refer mainly to revenues generated by sales in directly operated stores (DOS) in Italy and, to a lesser extent, to sales generated on the Company's e-commerce platform.

Revenues from royalties arise mainly from the licensing of the Salvatore Ferragamo brand with reference to the eyewear, watches and fragrances product categories.

The item "Other services" mainly includes services provided to subsidiaries.

Other revenues mainly include the recovery of freight and packaging costs.

For detailed information on revenues from subsidiaries reference should be made to the note "Transactions with related parties" below.

### 26. Costs for raw materials, goods and consumables

The following table provides the breakdown of Costs for raw materials, goods and consumables as at 31 December 2014 and 31 December 2013:

(In thousands of Euro)	Change		
	2014	2013	2014 vs. 2013
Raw materials	151,685	158,723	(7,038)
Finished products	61,814	61,363	451
Packaging	4,171	4,871	(700)
Other purchases of materials	961	1,385	(424)
Stationery	447	480	(33)
Change in inventories of raw materials, accessories and consumables	7,416	(8,019)	15,435
<b>Total</b>	<b>226,494</b>	<b>218,803</b>	<b>7,691</b>

### 27. Costs for services

The breakdown of Costs for services as at 31 December 2014 and 31 December 2013 is shown in the following table:

(In thousands of Euro)	Change		
	2014	2013	2014 vs. 2013
Manufacturing in outsourcing	202,742	194,344	8,398
Production, general, administrative and sales costs	81,273	85,247	(3,974)
Costs for the use of third-party assets	18,566	17,224	1,342
<b>Total</b>	<b>302,581</b>	<b>296,815</b>	<b>5,766</b>

As at 31 December 2014 Production, general, administrative and sales costs mainly include:

- communication costs (press advertising, public relations, store window display expenses, events and other advertising expenses) for a total amount of 25,263 thousand Euro;
- consultancy costs and fees to third parties (legal, administrative, product, manufacturing process, IT and other minor costs) for a total amount of 16,889 thousand Euro;
- freight and logistics costs totaling 10,160 thousand Euro;
- costs for services from subsidiaries totaling 4,541 thousand Euro; for details on these costs reference should be made to the note “Transactions with related parties” below;
- maintenance and utility costs of 5,098 thousand Euro;
- fees paid to Directors and Statutory Auditors for a total amount of 3,244 thousand Euro; for detailed information on these fees reference should be made to the note “Fees paid to Directors and Statutory Auditors” below.

Costs for the use of third-party assets mainly refer to rents for premises used as stores and offices (15,689 thousand Euro).

## 28. Personnel costs

The breakdown of Personnel costs as at 31 December 2014 and 31 December 2013 is shown in the following table:

(In thousands of Euro)	2014	2013	Change 2014 vs. 2013
Salaries and wages	43,691	43,661	30
Stock grant plan costs	960	960	-
Social security and welfare cost	12,026	11,662	364
Allocation of severance indemnities and allocation to complementary pension funds	2,927	2,758	169
<b>Total</b>	<b>59,604</b>	<b>59,041</b>	<b>563</b>

## 29. Amortization, depreciation and write-downs

The breakdown of Amortization, depreciation and write-downs as at 31 December 2014 and 31 December 2013 is shown in the following table:

(In thousands of Euro)	2014	2013	Change 2014 vs. 2013
Depreciation of tangible assets	8,512	6,176	2,336
Amortization of intangible assets	4,541	3,802	739
Write-downs of tangible assets	-	1,387	(1,387)
<b>Total</b>	<b>13,053</b>	<b>11,365</b>	<b>1,688</b>

## 30. Other operating costs

As at 31 December 2014 “Other operating costs” totaled 6,476 thousand Euro and mainly included allocations to the provision for risks and charges for an amount of 2,046 thousand Euro and allocations to the provision for bad debt for an amount of 2,668 thousand Euro. In relation to the allocation to the provision for risks and charges, reference should be made to note 16.

## 31. Other income and revenues

As at 31 December 2014 “Other income and revenues” amounted to 6,091 thousand Euro and mainly included:

- recovery of expenses from subsidiaries (1,225 thousand Euro);
- advertising contributions from third parties (2,503 thousand Euro);
- use of provisions for risks (566 thousand Euro);
- the share pertaining to 2014 (100 thousand Euro) relating to the grant received by the Company for the opening of an outlet store at the Noventa Padovana shopping center;

- the share pertaining to 2014 (300 thousand Euro) relating to key money (totaling 1,500 thousand Euro) as set out in the contract with the company Marchon Europe B.V. (part of the American group Marchon) for the licensing of the Salvatore Ferragamo brand with reference to the worldwide production and distribution of Ferragamo branded eyewear for men and women.

Finally, the item includes revenues from museum exhibitions (108 thousand Euro), insurance refunds (232 thousand Euro) as well as capital gains from disposals of tangible assets, windfall profit and other income and revenues from third parties. For details on other income and revenues from subsidiaries reference should be made to the note “Transactions with related parties” below.

### 32. Financial charges

The breakdown of the item “Financial charges” as at 31 December 2014 and 31 December 2013 is set out in the following table:

(In thousands of Euro)	2014	2013	Change 2014 vs. 2013
Financial charges for fair value adjustment of derivatives	9,718	3,938	5,780
Write-down of investments	10,357	7,466	2,891
Losses on exchange rate differences	4,324	12,507	(8,183)
Other financial charges	1,100	990	110
Financial charges on employee benefits under IAS 19	188	168	20
Interest expense – banks	347	468	(121)
Interest expense – other	217	192	25
<b>Total</b>	<b>26,251</b>	<b>25,729</b>	<b>522</b>

### 33. Financial income

The breakdown of the item “Financial income” as at 31 December 2014 and 31 December 2013 is set out in the following table:

(In thousands of Euro)	2014	2013	Change 2014 vs. 2013
Financial income for fair value adjustment of derivatives	1,752	5,682	(3,930)
Dividends from investments in subsidiaries	7,648	5,669	1,979
Dividends from other companies	-	600	(600)
Restatement value of investments	12,185	14,769	(2,584)
Gains on exchange rate differences	14,044	5,750	8,294
Gains on disposal of investments to third parties	-	7,375	(7,375)
Interest income – banks	17	17	-
Interest income – other	3	7	(4)
<b>Total</b>	<b>35,649</b>	<b>39,869</b>	<b>(4,220)</b>

Dividends from investments include the dividends paid by the following investee companies:

- Ferragamo Korea Ltd equal to 2,504 thousand Euro;
- Ferragamo Suisse S.A. equal to 1,644 thousand Euro;
- Ferragamo Deutschland GmbH equal to 3,500 thousand Euro;

### 34. Income taxes

The breakdown of Income taxes as at 31 December 2014 and 31 December 2013 is shown in the following table:

(In thousands of Euro)	2014	2013	Change 2014 vs. 2013
Current taxes	(58,068)	(49,737)	(8,331)
Deferred taxes	461	(921)	1,383
<b>Total</b>	<b>(57,607)</b>	<b>(50,658)</b>	<b>(6,948)</b>

(In thousands of Euro)	2014	2013	Change 2014 vs. 2013
<b>Current taxes</b>			
IRES	(41,727)	(36,082)	(5,645)
IRES – taxation for transparency of income of foreign companies resident in countries/territories with a privileged tax regime	(8,217)	(6,112)	(2,105)
IRAP	(8,124)	(7,543)	(581)
<b>Total</b>	<b>(58,068)</b>	<b>(49,737)</b>	<b>(8,331)</b>
<b>Deferred taxes</b>			
IRES deferred in current year	1,634	2,267	(633)
IRAP deferred in current year	80	40	40
Use of IRES deferred in previous years	(1,176)	(3,181)	2,005
Use of IRAP deferred in previous years	(77)	(47)	(30)
<b>Total</b>	<b>461</b>	<b>(921)</b>	<b>1,382</b>
<b>Total income taxes</b>	<b>(57,607)</b>	<b>(50,658)</b>	<b>(6,949)</b>

*Deferred tax assets and liabilities*

The following table provides a breakdown by nature of the assets and liabilities for deferred taxes as at 31 December 2014 and 31 December 2013:

(In thousands of Euro)	31 December 2014	31 December 2013	31 December 2014	31 December 2013	2014	2013
	Statement of financial position		Shareholders' equity		Income statement	
<b>Deferred tax assets</b>						
- on employee benefits	569	299	493	250	27	14
- on tangible assets	419	147	-	-	-	-
- on the cash flow hedge reserve/derivative contracts IAS 39	3,814	-	3,813	-	-	-
- on the valuation of inventories	4,643	4,582	-	-	61	928
- on receivables	826	325	-	-	501	(14)
- on taxed provisions	1,963	1,498	-	-	465	(32)
- for other temporary differences	421	1,286	-	-	(593)	(1,817)
<b>Total deferred tax assets</b>	<b>12,655</b>	<b>8,137</b>	<b>4,306</b>	<b>250</b>	<b>461</b>	<b>(921)</b>
<b>Deferred tax liabilities</b>						
- on the cash flow hedge reserve/derivative contracts IAS 39	-	(3,499)	-	(3,501)	-	-
- for other temporary differences	(3,320)	(3,320)	-	-	-	-
<b>Total deferred tax liabilities</b>	<b>(3,320)</b>	<b>(6,819)</b>	<b>-</b>	<b>(3,501)</b>	<b>-</b>	<b>-</b>
<b>Net effect on the income statement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>461</b>	<b>(921)</b>
<b>Net effect on shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>4,306</b>	<b>(3,251)</b>	<b>-</b>	<b>-</b>
Recognized in financial statements as follows:						
<b>Deferred tax assets</b>	<b>12,655</b>	<b>8,137</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liabilities</b>	<b>(3,320)</b>	<b>(6,819)</b>	<b>-</b>	<b>-</b>	<b>461</b>	<b>(921)</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 deferred taxes was duly adjusted to take account of their effective possibility to be realized.

The reconciliation between the theoretical tax charge and the effective tax charge as at 31 December 2014 and 31 December 2013 is as follows:

<b>(In thousands of Euro)</b>				
	<b>2014</b>	<b>%</b>	<b>2013</b>	<b>%</b>
<b>IRES</b>				
<b>Profit before taxes</b>	<b>164,782</b>		<b>156,129</b>	
Theoretical taxes	45,315	27.5%	42,935	27.5%
Actual taxes	49,486	30.0%	43,109	27.6%
<b>Difference due to:</b>	<b>4,171</b>	<b>2.5%</b>	<b>174</b>	<b>0.1%</b>
i) Effect of taxation for transparency of income of foreign companies resident in countries/territories with a privileged tax regime	8,217	5.0%	6,112	3.9%
ii) Effect of withholding taxes on foreign dividends	237	0.1%	359	0.2%
iii) Effect of previous years income taxes			-	-
iv) Effect of IRES refund receivables relating to the deduction of IRAP from 2007 to 2011			-	-
v) Effect of permanent increases (decreases):				
<b>Increases</b>				
Write-downs of investments	2,848	1.7%	2,053	1.3%
Other permanent differences	512	0.3%	482	0.3%
<b>Decreases</b>				
Income from subsidiaries (dividends)	(1,998)	(1.2%)	(1,668)	(1.1%)
Restatement value of investments	(3,351)	(2.0%)	(5,988)	(3.8%)
IRAP deduction	(834)	(0.5%)	(650)	(0.4%)
Other permanent differences	(1,460)	(0.9%)	(526)	(0.3%)
<b>Total difference</b>	<b>4,171</b>	<b>2.5%</b>	<b>174</b>	<b>0.1%</b>

<b>(In thousands of Euro)</b>				
	<b>2014</b>	<b>%</b>	<b>2013</b>	<b>%</b>
<b>IRAP</b>				
<b>Net value of production</b>	<b>155,384</b>		<b>141,988</b>	
Theoretical taxes	6,060	3.9%	5,537	3.9%
Actual taxes	8,121	5.2%	7,549	5.3%
<b>Difference due to:</b>	<b>2,061</b>	<b>1.3%</b>	<b>2,012</b>	<b>1.4%</b>
i) Effect of increases in regional IRAP rates	111	0.1%	114	0.1%
ii) Effect of permanent increases (decreases):				
<b>Increases</b>				
Personnel costs	2,315	1.5%	2,300	1.6%
Other permanent differences	434	0.3%	285	0.2%
<b>Decreases</b>				
Tax wedge	(779)	(0.5%)	(658)	(0.5%)
Other permanent differences	(20)	(0.0%)	(29)	(0.0%)
<b>Total difference</b>	<b>2,061</b>	<b>1.3%</b>	<b>2,012</b>	<b>1.4%</b>

In relation to the adoption of the domestic fiscal unity with the Holding company Ferragamo Finanziaria S.p.A., IRES tax charges applicable to the Company's results are solely those attributable to its own taxable income.

## Other information

### 35. Share-based payments

#### 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 2014 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 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 targets 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, 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	380,000
(ii) assigned in the year	-
(iii) cancelled in the year	-
(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	2014		2013	
	Number	Fair Value (In thousands of Euro)	Number	Fair Value (In thousands of Euro)
<i>Rights to receive shares</i> <i>(employees of Salvatore Ferragamo S.p.A.)</i>				
- at the start of the year	230,000	1,614	230,000	654
- at the end of the period	230,000	2,574	230,000	1,614
<i>Rights to receive shares</i> <i>(employees of subsidiaries)</i>				
- at the start of the year	150,000	1,052	210,000	598
- cancelled in the period	-	-	60,000	171
- at the end of the period	150,000	1,677	150,000	1,052
<i>Total rights to receive shares</i> <i>(employees of the Salvatore Ferragamo Group)</i>				
- at the start of the year	380,000	2,666	440,000	1,252
- cancelled in the period	-	-	60,000	171
- at the end of the period	380,000	4,251	380,000	2,666

In 2013 rights to receive shares were cancelled, amounting to 60,000 shares, following resignation of two entitled employees of Group foreign 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**

	Assessment A	Assessment B
- Share price at the grant date (average of 10 previous days)	Euro 15.647	Euro 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%
Fair value per share at the grant date	Euro 12.482/share	Euro 14.544/share

\*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. Segment reporting

Paragraph 4 of IFRS 8 requires that, should both the consolidated and separate financial statements of the Holding company be presented in a single financial report, the segment reporting must be presented only in reference to the consolidated financial statements.

### 37. Transactions with related parties

This section describes the transactions with related parties undertaken in the years ended 31 December 2014 and 31 December 2013.

The following table shows the overall values of transactions with related parties, excluding transactions with subsidiaries, as detailed below in this section:

(In thousands of Euro)	2014			31 December 2014			
	Revenues from sales and services	Operating costs (net of other income)	Financial income	Trade receivables	Other assets	Trade payables	Other current liabilities
<b>Holding company</b>							
Ferragamo Finanziaria S.p.A. (company which exercises management and coordination)	-	(10)	-	-	1,962	-	(5,763)
<b>Related companies</b>							
Palazzo Feroni Finanziaria S.p.A.	17	(7,366)	1	2	70	(145)	-
Lungarno Alberghi S.r.l.	49	(615)	-	3	-	(1)	-
Fondazione Ferragamo	2	(182)	-	-	-	(10)	-
<b>Companies connected to members of the Board of Directors</b>							
Osteria del Borro S.r.l.	-	(2)	-	-	-	-	-
Nautor Holding S.r.l.	14	-	-	-	-	-	-
Bacco S.r.l.	-	(3)	-	-	-	-	-
Castiglione del Bosco S.a.r.l.	-	(4)	-	-	-	(2)	-
Rubino S.r.l.	-	(124)	-	-	16	-	-
Arpa S.r.l.	14	(88)	-	2	-	(78)	-
Marchesi Antinori S.r.l.	10	-	-	-	-	-	-
Studio Legale Portale Visconti	-	(60)	-	-	-	(60)	-
<b>Other related parties</b>							
Wanda Miletta Ferragamo	-	(223)	-	-	-	-	-
Giacomo Ferragamo	-	(567)	-	-	-	-	(120)
Angelica Visconti	-	(193)	-	-	-	-	(40)
Giuseppe Visconti	-	9	-	-	-	-	-
<b>Managers with strategic responsibilities</b>							
Managers with strategic responsibilities*	-	(3,927)	-	-	-	-	(2,401)
<b>Total</b>	<b>106</b>	<b>(13,355)</b>	<b>1</b>	<b>7</b>	<b>2,048</b>	<b>(296)</b>	<b>(8,324)</b>
<b>Company's total</b>	<b>755,201</b>	<b>(599,817)</b>	<b>35,649</b>	<b>154,727</b>	<b>7,414</b>	<b>(126,748)</b>	<b>(45,404)</b>
<b>% ratio</b>	<b>0.0%</b>	<b>2.2%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>27.6%</b>	<b>0.2%</b>	<b>18.3%</b>

\*Including pay and other fees of the Managing Director included in the table "Fees paid to Directors and Statutory Auditors" and the notional cost (fair value) relating to the Stock Grant Plan.

(In thousands of Euro)	2013			31 December 2013			
	Revenues from sales and services	Operating costs (net of other income)	Financial income	Trade receivables	Other assets	Trade payables	Other current liabilities
<b>Holding company</b>							
Ferragamo Finanziaria S.p.A. (company which exercises management and coordination)	56	(6)	-	-	1,962	-	(8,757)
<b>Related companies</b>							
Palazzo Feroni Finanziaria S.p.A.	31	(6,588)	2	6	70	(103)	-
Lungarno Alberghi S.r.l.	27	(647)	-	5	-	(2)	-
Fondazione Ferragamo	2	(54)	-	-	-	(19)	-
<b>Companies connected to members of the Board of Directors</b>							
Caretti & Associati S.p.A.	-	(5)	-	-	-	-	-
Il Borro S.r.l.	5	(3)	-	-	-	-	-
Osteria del Borro S.r.l.	-	(1)	-	-	-	-	-
Bacco S.r.l.	-	(3)	-	-	-	-	-
Castiglion del Bosco S.a.r.l.	3	(14)	-	-	-	(15)	-
Rubino S.r.l.	-	(124)	-	-	15	-	-
Arpa S.r.l.	3	(99)	-	12	-	(105)	-
Multiproject S.r.l.	-	(3)	-	-	-	-	-
Studio Legale Portale Visconti	-	(94)	-	-	-	-	-
<b>Other related parties</b>							
Wanda Miletta Ferragamo	-	(223)	-	-	-	-	-
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>127</b>	<b>(13,894)</b>	<b>2</b>	<b>23</b>	<b>2,047</b>	<b>(244)</b>	<b>(10,521)</b>
<b>Company's total</b>	<b>721,092</b>	<b>(579,104)</b>	<b>39,869</b>	<b>140,187</b>	<b>19,966</b>	<b>(134,686)</b>	<b>(21,688)</b>
<b>% ratio</b>	<b>0.0%</b>	<b>2.4%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>10.3%</b>	<b>0.2%</b>	<b>48.5%</b>

\*Including pay and other fees of the Managing Director included in the table "Fees paid to Directors and Statutory Auditors" and the notional cost (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 1,255 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 Company has not set aside any provision for bad debt in relation to amounts due from related parties.

Specifically:

#### **Holding company**

##### Ferragamo Finanziaria S.p.A.

Other current liabilities refer to items regarding the domestic fiscal unity involving Salvatore Ferragamo S.p.A. together with Ferragamo Finanziaria S.p.A. (the consolidating company) and Ferragamo Parfums S.p.A.. Other assets refer to the income tax (IRES) refund claim submitted in 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.

Costs refer to rents for land to be used as a parking area at the Osmannoro-Sesto Fiorentino facility.

#### **Related companies**

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.

Payables and costs refer mainly to rents for the premises of the headquarters in Florence and for some stores of the Italian chain. Other assets refer to guarantee deposits. Revenues and the relevant receivables refer to IT and administrative services.

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.

**Other related parties (connected to members of the Board of Directors)**

Wanda Miletta 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..

Giacomo Ferragamo

Costs and payables refer to the cost incurred by the Company in relation to the employment relationship between Giacomo Ferragamo and the Company, including a variable bonus and the Stock Grant Plan cost.

Giuseppe Visconti

Other income and revenues refer to the gains arising from the sale of a corporate vehicle.

Angelica Visconti

Costs and payables refer to the cost incurred by the Company in relation to the employment relationship between Angelica Visconti and the 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 the relevant payables) refer to the cost incurred by the Company 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 a variable bonus. In 2014 total costs amounted to 3,927 thousand Euro and refer to wages for employees and fees for directors (3,552 thousand Euro) and Stock Grant Plan costs (375 thousand Euro).

### Intragroup transactions

The following tables show the overall values of transactions with subsidiaries:

Company	Trade receivables		Other current financial assets		Total	Total
	2014	2013	2014	2013	2014	2013
Ferragamo Deutschland GmbH	1,995	1,523	-	-	1,995	1,523
Ferragamo France S.A.S.	3,216	2,948	-	1	3,216	2,949
Ferragamo Suisse S.A.	687	528	-	-	687	528
Ferragamo Montecarlo SAM	200	193	-	-	200	193
Ferragamo Belgique S.A.	250	382	-	-	250	382
Ferragamo Espana S.L.	1,440	1,360	-	-	1,440	1,360
Ferragamo U.K. Ltd.	1,449	1,074	-	-	1,449	1,074
Ferragamo Austria GmbH	553	475	-	-	553	475
Ferragamo Parfums S.p.A.	1,465	1,397	-	-	1,465	1,397
Ferragamo Retail Nederland BV	727	506	-	-	727	506
<b>Total Europe</b>	<b>11,982</b>	<b>10,386</b>	-	<b>1</b>	<b>11,982</b>	<b>10,387</b>
Ferragamo Hong Kong Ltd.	23,201	18,372	-	-	23,201	18,372
Ferragamo Retail HK Ltd.	42	36	-	-	42	36
Ferragamo Australia PTY	705	660	-	-	705	660
Ferragamo Japan KK	2,883	2,109	-	-	2,883	2,109
Ferragamo Moda (Shanghai) Co Ltd.	187	195	-	-	187	195
Ferragamo Retail India Private Ltd	3,061	7,496	-	-	3,061	7,496
Ferragamo Retail Taiwan Ltd.	16	62	-	-	16	62
Ferragamo Retail Macau Limited	-	6	-	-	-	6
Ferragamo Fashion Trading Shanghai Company Ltd	399	377	-	-	399	377
Ferragamo Korea Ltd	3,617	6,675	-	-	3,617	6,675
Ferragamo (Singapore) PTE LTD	152	-	-	-	152	-
Ferragamo Thailand Limited	92	-	-	-	92	-
Ferragamo (Malaysia) SDN BHD	101	-	-	-	101	-
<b>Total Asia Pacific</b>	<b>34,456</b>	<b>35,988</b>	-	-	<b>34,456</b>	<b>35,988</b>
Ferragamo Usa Inc.	45,593	44,610	-	-	45,593	44,610
Ferragamo Saint Thomas Inc	44	610	-	-	44	610
Ferragamo Canada Inc.	2,334	-	-	-	2,334	-
<b>Total North America</b>	<b>47,971</b>	<b>45,220</b>	-	-	<b>47,971</b>	<b>45,220</b>
Ferragamo Mexico S. de R.L. de C.V.	14,950	15,449	-	-	14,950	15,449
Ferragamo Chile S.A.	1,189	1,023	-	-	1,189	1,023
Ferragamo Argentina S.A.	971	1,082	-	-	971	1,082
Ferragamo Brasil Roupas & Acessorios Ltda	2,215	1,462	-	-	2,215	1,462
<b>Total Central and South America</b>	<b>19,325</b>	<b>19,016</b>	-	-	<b>19,325</b>	<b>19,016</b>
<b>Total</b>	<b>113,734</b>	<b>110,610</b>	-	<b>1</b>	<b>113,734</b>	<b>110,611</b>

(In thousands of Euro)

Company	Trade payables		Other current liabilities		Total	Total
	2014	2013	2014	2013	2014	2013
Ferragamo France S.A.S	295	222	-	-	295	222
Ferragamo Suisse S.A.	-	-	-	-	-	-
Ferragamo Espana SL	2	-	-	-	2	-
Ferragamo U.K. Ltd.	32	23	-	-	32	23
Ferragamo Austria GmbH	-	3	-	-	-	3
Ferragamo Parfums S.p.A.	369	239	-	-	369	239
Ferragamo Montecarlo SAM	-	-	-	-	-	-
Ferragamo Retail Nederland BV	-	-	-	-	-	-
Ferragamo Deutschland GmbH	1	-	-	-	1	-
<b>Total Europe</b>	<b>699</b>	<b>487</b>	-	-	<b>699</b>	<b>487</b>
Ferragamo Usa Inc.	1,361	878	-	-	1,361	878
<b>Total North America</b>	<b>1,361</b>	<b>878</b>	-	-	<b>1,361</b>	<b>878</b>
Ferragamo Hong Kong Ltd.	320	188	-	-	320	188
Ferragamo Retail HK Ltd.	-	9	-	-	-	9
Ferragamo Australia PTY	175	152	-	-	175	152
Ferragamo Japan K.K.	195	117	-	-	195	117
Ferragamo Retail India Private Ltd	47	185	-	-	47	185
Ferragamo Fashion Trading Shanghai Company Ltd	-	17	-	-	-	17

Ferragamo Korea Ltd	11	-	-	-	11	
<b>Total Asia Pacific</b>	<b>748</b>	<b>668</b>	<b>-</b>	<b>-</b>	<b>748</b>	<b>668</b>
Ferragamo Latin America Inc.	5	171	-	-	5	171
Ferragamo Mexico S. de R.L. de C.V.	13	3	-	-	13	3
Ferragamo Brasil Roupas e Acessorios Ltda	-	-	2,889	-	2,889	-
<b>Total Central and South America</b>	<b>18</b>	<b>174</b>	<b>2,889</b>	<b>-</b>	<b>2,907</b>	<b>174</b>
<b>Total</b>	<b>2,826</b>	<b>2,207</b>	<b>2,889</b>	<b>-</b>	<b>5,715</b>	<b>2,207</b>

(In thousands of Euro)

SUBSIDIARIES	Revenues from sales and services									
	Revenues from sales		Revenues from services (including royalties)		Other income and revenues		Financial income		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Ferragamo Deutschland GmbH	5,053	5,460	154	112	6	12	3,500	-	8,713	5,584
Ferragamo France Sas	10,491	11,967	119	115	52	46	-	1	10,662	12,129
Ferragamo Suisse sa	6,300	5,455	55	54	12	-	1,644	-	8,011	5,509
Ferragamo Montecarlo Sam	537	678	15	15	-	-	-	-	552	693
Ferragamo Belgique sa	691	1,158	15	15	-	-	-	-	706	1,173
Ferragamo Espana s.l.	4,009	4,961	56	58	10	8	-	-	4,075	5,027
Ferragamo UK Ltd	9,737	9,447	93	94	6	27	-	-	9,836	9,568
Ferragamo Austria GmbH	1,696	1,724	15	15	1	16	-	-	1,712	1,755
Ferragamo Parfums Spa	55	54	2,852	2,664	213	216	-	-	3,120	2,934
Ferragamo Retail Nederland BV	2,611	2,493	22	19	1	-	-	-	2,634	2,512
<b>Total Europe</b>	<b>41,180</b>	<b>43,397</b>	<b>3,396</b>	<b>3,161</b>	<b>301</b>	<b>325</b>	<b>5,144</b>	<b>1</b>	<b>50,021</b>	<b>46,884</b>
Ferragamo Hong Kong Ltd	196,103	200,105	781	718	506	466	-	-	197,390	201,289
Ferragamo Retail HK Ltd	-	-	171	169	-	-	-	-	171	169
Ferragamo Australia PTY	6,668	5,758	-	-	8	4	-	-	6,676	5,762
Ferragamo Japan KK	38,212	38,431	225	-	13	6	-	-	38,450	38,437
Ferragamo Korea Limited	23,143	6,560	762	422	69	64	2,504	3,495	26,478	10,541
Ferragamo Fashion Trading Shanghai Co. Ltd	-	-	377	363	23	14	-	-	400	377
Ferragamo Moda (Shanghai) Co.Ltd	-	-	175	178	11	17	-	-	186	195
Ferragamo Retail India Private Ltd	2,299	2,653	-	-	1	-	-	-	2,300	2,653
Ferragamo (Malaysia) SDN BHD	-	-	63	-	38	-	-	-	101	-
Ferragamo (Singapore) PTE LTD	-	-	89	-	63	-	-	-	152	-
Ferragamo Retail Taiwan Ltd	-	-	134	193	2	4	-	-	136	197
Ferragamo Retail Macau Limited	-	-	52	20	-	-	-	2,174	52	2,194
Ferragamo Thailand Limited	-	-	55	-	37	-	-	-	92	-
<b>Total Asia Pacific</b>	<b>266,425</b>	<b>253,507</b>	<b>2,884</b>	<b>2,063</b>	<b>771</b>	<b>575</b>	<b>2,504</b>	<b>5,669</b>	<b>272,584</b>	<b>261,814</b>
Ferragamo USA Inc	155,327	149,932	-	-	140	184	-	-	155,467	150,116
Sator Realty Inc	-	-	-	-	-	25	-	-	-	25
Ferragamo Saint Thomas Inc	44	211	-	-	-	-	-	-	44	211
Ferragamo Canada Inc.	8,950	-	-	-	-	-	-	-	8,950	-
<b>Total North America</b>	<b>164,321</b>	<b>150,143</b>	<b>-</b>	<b>-</b>	<b>140</b>	<b>209</b>	<b>-</b>	<b>-</b>	<b>164,461</b>	<b>150,352</b>
Ferragamo Mexico S. de r.l. de C.V.	20,557	24,025	-	-	11	72	-	-	20,568	24,097
Ferragamo Chile SA	646	823	-	-	1	9	-	-	647	832
Ferragamo Argentina SA	321	444	-	-	-	-	-	-	321	444
Ferragamo Brasil R&A Ltda	2,701	1,627	-	-	1	2	-	-	2,702	1,629
<b>Total Central and South America</b>	<b>24,225</b>	<b>26,919</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>83</b>	<b>-</b>	<b>-</b>	<b>24,238</b>	<b>27,002</b>
<b>Total</b>	<b>496,151</b>	<b>473,966</b>	<b>6,280</b>	<b>5,224</b>	<b>1,225</b>	<b>1,192</b>	<b>7,648</b>	<b>5,670</b>	<b>511,304</b>	<b>486,052</b>

<b>(In thousands of Euro)</b>	<b>Purchase of finished products, raw materials, accessories and consumables</b>		<b>Costs for services</b>		<b>Other operating costs</b>		<b>Total</b>	
	<b>SUBSIDIARIES</b>							
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Ferragamo France Sas	26	85	292	224	-	-	318	309
Ferragamo Espana SL	37	56	-	-	-	-	37	56
Ferragamo Suisse SA	1,513	1,114	-	3	-	-	1,513	1,117
Ferragamo UK Ltd	18	33	32	26	-	-	50	59
Ferragamo Retail Nederl. B.V.	21	21	-	-	-	-	21	21
Ferragamo Deutschland GmbH	36	50	-	-	-	-	36	50
Ferragamo Austria GmbH	-	10	-	-	-	-	-	10
Ferragamo Parfums S.p.A.	542	367	152	201	-	5	694	573
Ferragamo Montecarlo SAM	3	5	-	-	-	-	3	5
Ferragamo Belgique SA	4	7	-	-	-	-	4	7
<b>Total Europe</b>	<b>2,200</b>	<b>1,748</b>	<b>476</b>	<b>454</b>	<b>-</b>	<b>5</b>	<b>2,676</b>	<b>2,207</b>
Ferragamo Hong Kong Ltd	-	-	593	413	-	5	593	418
Ferragamo Retail HK Limited	-	-	7	10	-	-	7	10
Ferragamo Retail India Private Ltd	-	-	47	49	-	-	47	49
Ferragamo Japan KK	64	28	648	575	-	55	712	658
Ferragamo Korea Limited	-	-	29	-	-	-	29	-
Ferragamo Fashion Trading Shanghai Co. Ltd.	-	-	17	17	-	-	17	17
Ferragamo Australia Pty	-	-	244	253	-	-	244	253
Ferragamo Retail Taiwan Ltd	-	-	14	4	-	-	14	4
<b>Total Asia Pacific</b>	<b>64</b>	<b>28</b>	<b>1,599</b>	<b>1,321</b>	<b>-</b>	<b>60</b>	<b>1,663</b>	<b>1,409</b>
Ferragamo USA Inc	-	-	1,667	1,077	-	12	1,667	1,089
<b>Total North America</b>	<b>-</b>	<b>-</b>	<b>1,667</b>	<b>1,077</b>	<b>-</b>	<b>12</b>	<b>1,667</b>	<b>1,089</b>
Ferragamo Latin America Inc	-	-	754	1,335	-	-	754	1,335
Ferragamo Mexico S. de r.l. de C.V.	-	-	45	14	-	12	45	26
<b>Total Central and South America</b>	<b>-</b>	<b>-</b>	<b>799</b>	<b>1,349</b>	<b>-</b>	<b>12</b>	<b>799</b>	<b>1,361</b>
<b>Total</b>	<b>2,264</b>	<b>1,776</b>	<b>4,541</b>	<b>4,201</b>	<b>-</b>	<b>89</b>	<b>6,805</b>	<b>6,066</b>

### 38. Fees paid to Directors and Statutory Auditors

#### Directors

(In thousands of Euro)				2014					
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	-	b) c) d)	-	333	933
Michele Norsa	Managing Director	1.01-31.12	a)	240	-	b) c) d) e)	912	821	1,973
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
Diego Paternò Castello di San Giuliano	Director	1.01-31.12	a)	280	-		-	-	280
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	-		-	-	30
Lidia Fiori	Director	1.01-31.12	a)	30	20		-	-	50
<b>Total</b>				<b>1,860</b>	<b>70</b>		<b>912</b>	<b>1,154</b>	<b>3,996</b>

a) upon approval of the 2014 financial statements

b) car

c) mobile phone

d) insurance policies

e) accommodation

#### Statutory Auditors

(In thousands of Euro)				2014			
Full name	Position held	Term of office	End of term of office	Fees for the position held	Other fees	Other fees received from subsidiaries	Grand total
Mario Alberto Galeotti Flori	Chairman	1.01-29.04		21	-	-	21
Fulvio Favini*	Chairman	1.01-31.12	a)	59	8	-	67
Gerolamo Gavazzi	Acting Statutory Auditor	1.01-31.12	a)	48	-	-	48
Alessandra Daccò	Acting Statutory Auditor	29.04-31.12	a)	32	-	-	32
<b>Total</b>				<b>160</b>	<b>8</b>	<b>-</b>	<b>168</b>

\* Acting Statutory Auditor as from 1 January to 29 April 2014 and Chairman as from 29 April 2014 to 31 December 2014. Other fees refer to amounts due for his position as member of the Supervisory Board.

a) upon approval of the 2016 financial statements

It should be noted that for Directors and Statutory Auditors no severance indemnities are envisaged.

### 39. Dividends

In order to implement the resolution of the Shareholders' Meeting of 29 April 2014, Salvatore Ferragamo S.p.A. arranged to pay shareholders a single dividend of 0.40 Euro per share, relating to the profit for 2013, for a total amount of 67,364,000 Euro, with coupon detachment on 19 May 2014 and payment of the dividend as from 22 May 2014.

#### 40. Commitments and risks

The breakdown of the risks and commitments is as follows:

(In thousands of Euro)	31 December 2014	31 December 2013
Sureties provided by third parties to third parties in the interests of the Company	3,459	3,229
Sureties provided by third parties to third parties in the interests of Group companies	3,977	3,725
Guarantees provided by the Company to third parties in the interests of Group companies	74,898	57,856
<b>Total</b>	<b>82,334</b>	<b>64,810</b>

The sureties provided by third parties in the interests of the Company consist of bank guarantees on lease contracts.

The sureties provided by third parties in the interests of Group companies mainly consist of: sureties issued by banks in favor of VAT authorities for reimbursements requested by Italian Group companies, sureties issued in favor of third parties on lease contracts entered into by Group companies.

Guarantees provided by the Company to third parties in the interests of Group companies are mainly in favor of banks to guarantee credit lines which may be used locally and the remainder consists of bank guarantees on lease contracts, including a guarantee for US\$ 6 million (equal to 4,942 thousand Euro) relating to a lease contract of the Ferragamo USA Group.

The following table shows the minimum future payments due at 31 December 2014 and 31 December 2013 relating to operating leases, broken down by expiry date:

(In thousands of Euro)	31 December 2014	31 December 2013
Within 1 year	14,276	13,796
1 to 5 years	36,056	43,019
Over 5 years	16,879	19,567
<b>Total</b>	<b>67,211</b>	<b>76,382</b>

#### 41. Significant non-recurring events and transactions

During 2014, the Company 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 Company 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. Information on the direct and indirect subsidiaries of Salvatore Ferragamo S.p.A.

Direct and indirect subsidiaries of Salvatore Ferragamo S.p.A. are detailed below:

Company name	Location	Currency	Share capital	Controlling interest		Notes
				Direct	Indirect	
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%		(5)
Ferragamo St. Thomas Inc.	U.S. Virgin Island	US Dollar	1,201,000		100%	(4) (5)
Ferragamo Mexico S. de R.L. de C.V.	Mexico City, Mexico	Mexican Peso	4,592,700	99.73%	0.27%	(1)
Ferragamo Chile S.A.	Santiago, Chile	Chilean Peso	1,362,590,000	99%	1%	(1)
Ferragamo Argentina S.A.	Buenos Aires, Argentina	Argentine Peso	2,969,107	95%	5%	(1)
Ferragamo Brasil Roupas e Acessorios Ltda	Sao Paulo, Brazil	Brazilian Real	48,615,000	99%	1%	(1)
Ferragamo Hong Kong Ltd.	Hong Kong, China	Hong Kong Dollar	10,000	100%		
Ferragamo Japan KK	Tokyo, Japan	Japanese Yen	305,700,000	71%		
Ferragamo Australia PTY Ltd.	Sidney, Australia	Australian Dollar	13,637,003	100%		
Ferrimag Limited	Hong Kong, China	Hong Kong Dollar	109,200,000		75%	(2)
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%		
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 – Non-operating company in liquidation

### Disclosure pursuant to art. 149-duodecies of the Issuers' Regulation

(In thousands of Euro)				
Type of service	Subject which supplied the service	Recipient	Notes	Total fees for 2014
Audit	Independent Auditors of the Parent company	Parent company		170
Tax assistance services	Network of the Independent Auditors of the Parent company	Parent company		20
Other services	Network of the Independent Auditors of the Parent company	Parent company	1)	131
<b>Total</b>				<b>321</b>

1) The item refers mainly to IT support services and assistance under Law 262.

### Significant events occurred after 31 December 2014

On 5 January 2015, the Danish company Ferragamo Denmark ApS was set up with share capital of 500,000 Danish Krone and a share premium of 5,500,000 Danish Krone, divided into 500,000 shares, with a par value of 1.00 Danish Krone each, wholly subscribed by Salvatore Ferragamo S.p.A. for a total amount of 6 million Danish Krone (equal to 807 thousand Euro). The company was established in order to manage a retail store due to open in Copenhagen in the first half of 2015.

Florence, 12 March 2015

On behalf of the Board of Directors

The Chairman  
Ferruccio Ferragamo

**Statement pursuant to paragraph 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 separate financial statements for the 1 January – 31 December 2014 period.

2. The adequacy of the administrative and accounting procedures for the preparation of the 2014 separate 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 separate financial statements for the year ended 31 December 2014:

- a. have been prepared in accordance with the applicable international 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.

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, as well as a description of the main risks and uncertainties to which it is exposed.

12 March 2015

Managing Director  
Michele Norsa

Manager responsible for corporate financial reporting  
Ernesto Greco

**SALVATORE FERRAGAMO S.p.A.**

**Report of the Board of Statutory Auditors for the Shareholders' Meeting pursuant to art. 153 of Legislative Decree no. 58 of 24 February 1998 (TUF, *Testo Unico della Finanza*, Consolidated Law on Finance) and art. 2429 of the Italian Civil Code.**

**Dear Shareholders,**

with this report the Board of Statutory Auditors of Salvatore Ferragamo SpA (hereafter also referred to as the Company) is required to report on the work undertaken in the year ended 31 December 2014, in compliance with the aforementioned laws.

**SUPERVISORY AND CONTROL ACTIVITIES UNDERTAKEN BY THE BOARD OF STATUTORY AUDITORS**

In 2014 the Board of Statutory Auditors held 10 meetings; in addition, it took part in the 7 meetings held by the Board of Directors, the 6 meetings of the Control and Risk Committee which operates also as Committee for transactions with related parties and the 6 meetings of the Nomination and Remuneration Committee and in the Shareholders' Meeting. The supervisory and control activities concerned:

1. Supervision of compliance with the law and the bylaws as well as information disclosure requirements as provided for by applicable laws, including corporate governance rules as detailed in the Code of Conduct issued by Borsa Italiana S.p.A. for listed companies.
2. Supervision over the principles of good administration: the Board of Statutory Auditors has ascertained, on the basis of the information obtained from the directors and corporate departments, that the most important income, financial and equity transactions approved and undertaken in the year were in keeping with the corporate purpose and were not manifestly imprudent, risky, or such as to compromise the integrity of corporate assets. In addition, the Board of Statutory Auditors:
  - determined that no atypical or unusual transactions were undertaken with Group companies, third parties or related parties;
  - oversaw that the transactions with subsidiaries and Related Parties were not contrary to the Company's interest and that the latter were undertaken in compliance with the Related Party Procedure and the law in force. In the Directors' report on operations and in the Explanatory Notes the directors provided a detailed picture of the effects of the ordinary transactions of an equity, income, and financial nature undertaken with subsidiaries and related parties at normal market conditions.
3. Adequacy of the organizational structure: the Board of Statutory Auditors oversaw the adequacy of the organizational structure, which was fully described in the Report on corporate governance and ownership structure, in relation to the size of the Company and the Group. The Board of Statutory Auditors undertook the following activities:
  - periodic self-assessment of its members' requirements as provided for by the law in force, with particular reference to the independence requirement and no issues arose;
  - examination of the procedures adopted by the Board of Directors in order to assess the independence of its directors.
4. Adequacy of the administrative and accounting system and of the internal control system: the Board of Statutory Auditors' supervisory activity concerned the financial disclosure process and the effectiveness of the internal control and risk management system. The supervisory activity also concerned:
  - a) periodic reports by the Manager responsible for corporate financial reporting concerning the financial disclosure process in compliance with the provisions of the Law on Savings 262/05 and the Internal Audit reports concerning activities undertaken in order to check the correct application of the procedural controls over accounting and administration risks;

- b) control over the statements of the Managing Director and the Manager responsible for corporate financial reporting pursuant to the provisions of art. 154-*bis* of the Consolidated Law on Finance;
- c) participation in the activities of the Control and Risk Committee;
- d) the Internal Audit annual report concerning:
  - the activities undertaken by the Internal Audit department, the outcome of the checks and the resulting areas for improvement, for which suggestion on implementation and future monitoring is provided;
  - an overall assessment of the adequacy and effectiveness of the internal control system for the purposes of keeping risks within acceptable limits.
- e) reports on the integrated risk management system (Enterprise Risk Management);
- f) acknowledgment and obtaining of information – including by convening specific meetings – on the organizational and procedural work undertaken pursuant to Legislative Decree no. 231/2001 on the administrative responsibility of entities and the report of the Supervisory Board on the work undertaken during the year;
- g) the acquisition of information from managers of corporate departments;
- h) verification of the instructions issued by the Company to subsidiaries, including non-EU entities, both in relation to the annual financial statements and interim reports, through meetings with corporate departments, independent auditors, and other supervisory bodies; in particular the Board ascertained that the information flows provided by non-EU subsidiaries were adequate to audit the annual and interim financial statements as required by article 36 of the Markets Regulation;
- i) analysis of documents relating to the activities carried out by the Supervisory Bodies of subsidiaries and the discussion of the results of the Independent Auditors' activities;
- j) conclusions reached by the Board of Directors, with the assistance of the Control and Risk Committee and supported by the Internal Audit department, which assessed the Group's internal control and risk management system as effective and judged it suitable for the business and risk profile as set out in the Report on corporate governance and ownership structure.

From the activities undertaken with the support of the Internal Audit department, no anomalies emerged that can be considered as indicators of significant inadequacies in the internal control and risk management system. The Board has no evidence of significant failings as regards the adequacy of the administrative and accounting procedures and the financial disclosure process of the Company and the Group. Finally, the Board believes that corporate procedures include adequate controls as regards transactions with Related Parties and/or involving a potential conflict of interest and that such controls are effective.

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The Board of Statutory Auditors issued the opinions required by the current law which during 2014 concerned the variable fees to be paid to directors holding specific positions.

The Board of Statutory Auditors did not receive any reports from Shareholders under art. 2408 of the Italian Civil Code or other petitions.

#### **SUPERVISION OVER THE AUDIT AND THE PREPARATION OF THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**

As required by art. 19 of Legislative Decree no. 39/2010 the Board of Statutory Auditors oversaw the work of the Independent Auditors and reports that:

- a) on 30 March 2015 the Independent Auditors Reconta Ernst & Young SpA – appointed by the Shareholders' Meeting to audit the Company's consolidated and separate financial statements – issued, pursuant to art. 14 and 16 of Legislative Decree no. 39 of 27 January 2010, reports stating that the separate and consolidated financial statements as at 31 December 2014 clearly represent a true and fair view of the equity and financial position, results of operations and cash flows of the Company and Group for the year ended as at that date. There are no exceptions or disclosure requests. In addition, in the opinion of the Independent Auditors, the Directors' report on operations

- of the Separate and Consolidated Financial Statements and the information provided in the Report on corporate governance and ownership structure in compliance with paragraph 1, letters c),d),f),l),m) and paragraph 2, letter b) of art. 123 bis of the Consolidated Law on Finance, are in line with the separate and consolidated financial statements as at 31 December 2014;
- b) Reconta Ernst Young SpA also submitted to the Board of Statutory Auditors the report (as per the third paragraph of art. 19 of Legislative Decree no. 39 of 27 January 2010), noting that, during the audit, no essential issues or significant failings in the internal control system had arisen in regard to the financial disclosure process;
  - c) the Statutory Auditors held periodic meetings with the Independent Auditors' managers, also pursuant to art. 150, paragraph 3, of the Consolidated Law on Finance, during which no facts or issues emerged which must be highlighted in this report;
  - d) the Independent Auditors submitted to the Board of Statutory Auditors a report attesting their independence and from which no circumstances arose which may undermine their independence or may be classified as grounds of incompatibility in compliance with the aforementioned Decree 39/2010;
  - e) Reconta Ernst & Young S.p.A. and the entities belonging to its network received the fees indicated in the table included in the Consolidated and Separate Financial Statements under the heading "Disclosure pursuant to art. 149-duodecies of the Issuers Regulation". Services other than audit consist of:
    - tax assistance services;
    - other services mainly concerning: (i) support to the in-house team for the development and the checks of the activities undertaken in compliance with Law 262/05 (ii) support and assistance for the development of the segregation of IT functions in the relevant corporate areas and consequent information protection.

Also taking account of the type and number of tasks assigned to the Independent Auditors' network by Salvatore Ferragamo SpA and by Group companies, and of the provisions as set out in articles 10 and 17 of Legislative Decree no. 39/2010, the Board of Statutory Auditors did not record any issue which compromised the independence of Reconta Ernst & Young SpA.

In reference to the preparation of the separate and consolidated financial statements, the Board of Statutory Auditors checked their general structure, their compliance with legal provisions concerning basis of presentation and structure.

The Board of Statutory Auditors notes that on 12 March 2015, the Board of Directors, having also consulted the Control and Risk Committee, approved the results of the *impairment tests*, as required by the specific rules for the preparation of the separate financial statements.

Considering also the duties falling on the Independent Auditors, the Statutory Auditors do not have any observations or particular proposals to be submitted to the Shareholders' Meeting, pursuant to art. 153, paragraph 2 of the Consolidated Law on Finance, and report no objections to the approval of the financial statements as at 31 December 2014 as submitted by the Board of Directors and of the resolutions proposed by the latter.

## FINAL REMARKS

No findings emerged during the supervisory activity undertaken by the Board of Statutory Auditors and in relation to the information received; the Board of Statutory Auditors did not record any omissions, reprehensible situations or irregularities or circumstances such as to require notification in this report or to the Supervisory Authority.

Florence, 30 March 2015

THE BOARD OF STATUTORY AUDITORS

Fulvio Favini

Alessandra Daccò

Gerolamo Gavazzi



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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 financial statements of Salvatore Ferragamo S.p.A. as of 31 December 2014 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 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 financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 26 March 2014.

3. In our opinion, the financial statements of Salvatore Ferragamo S.p.A. at 31 December 2014 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 Salvatore Ferragamo S.p.A. 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 "Governance" of Salvatore Ferragamo S.p.A.'s website. Our responsibility is to express

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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 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 Ownership Structure, are consistent with the financial statements of Salvatore Ferragamo S.p.A. at 31 December 2014.

Florence, 30 March 2015

Reconta Ernst & Young S.p.A.  
Signed by: Marco Mignani, partner

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