

Salvatore Ferragamo

Salvatore Ferragamo Group

Half-year report as at 30 June 2014

Salvatore Ferragamo S.p.A.

Palazzo Feroni
Florence

Contents

<i>General information</i>	3
<i>Corporate boards</i>	4
<i>Group structure</i>	5
<i>Interim Directors' report on operations</i>	6
<i>Income and financial highlights for the first half of 2014</i>	6
Introduction	7
The Group's activities	7
Operating performance	8
Investment and financial operations	13
Income and financial indicators	15
Other information	17
Significant events occurred during the first half of 2014	18
Research and development	19
Transactions with related parties	19
Significant events occurred after 30 June 2014	19
Outlook	19
<i>Financial statements</i>	21
<i>Statement of financial position – assets</i>	21
<i>Statement of financial position – liabilities and shareholders' equity</i>	22
<i>Consolidated income statement</i>	23
<i>Consolidated statement of comprehensive income</i>	24
<i>Consolidated statement of cash flows</i>	25
<i>Statement of changes in consolidated shareholders' equity</i>	26
<i>Explanatory Notes</i>	27
<i>Comments on the main statement of financial position items (assets, shareholders' equity and liabilities)</i>	32
<i>Comments on the main income statement items</i>	44
Statement pursuant to art. 154 bis of Legislative Decree no. 58/98 (Consolidated Law on Finance) and art. 81–ter of Consob Regulation no. 11971 of 14 May 1999 as subsequently integrated and amended	55
Auditors' review report on the interim condensed consolidated financial statements	56

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

General information

Registered office of the Parent company

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

Legal information about the Parent company

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

Corporate boards

Honorary Chairman (1)	Wanda Miletti Ferragamo	
Board of Directors (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
Control and Risk Committee (1)	Marzio Saà Umberto Tombari Lidia Fiori (7)	Chairman
Nomination and Remuneration Committee (1)	Umberto Tombari Marzio Saà Lidia Fiori (7)	Chairman
Board of Statutory Auditors (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
Independent Auditors (3)	Reconta Ernst & Young S.p.A.	
Manager responsible for corporate financial reporting	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

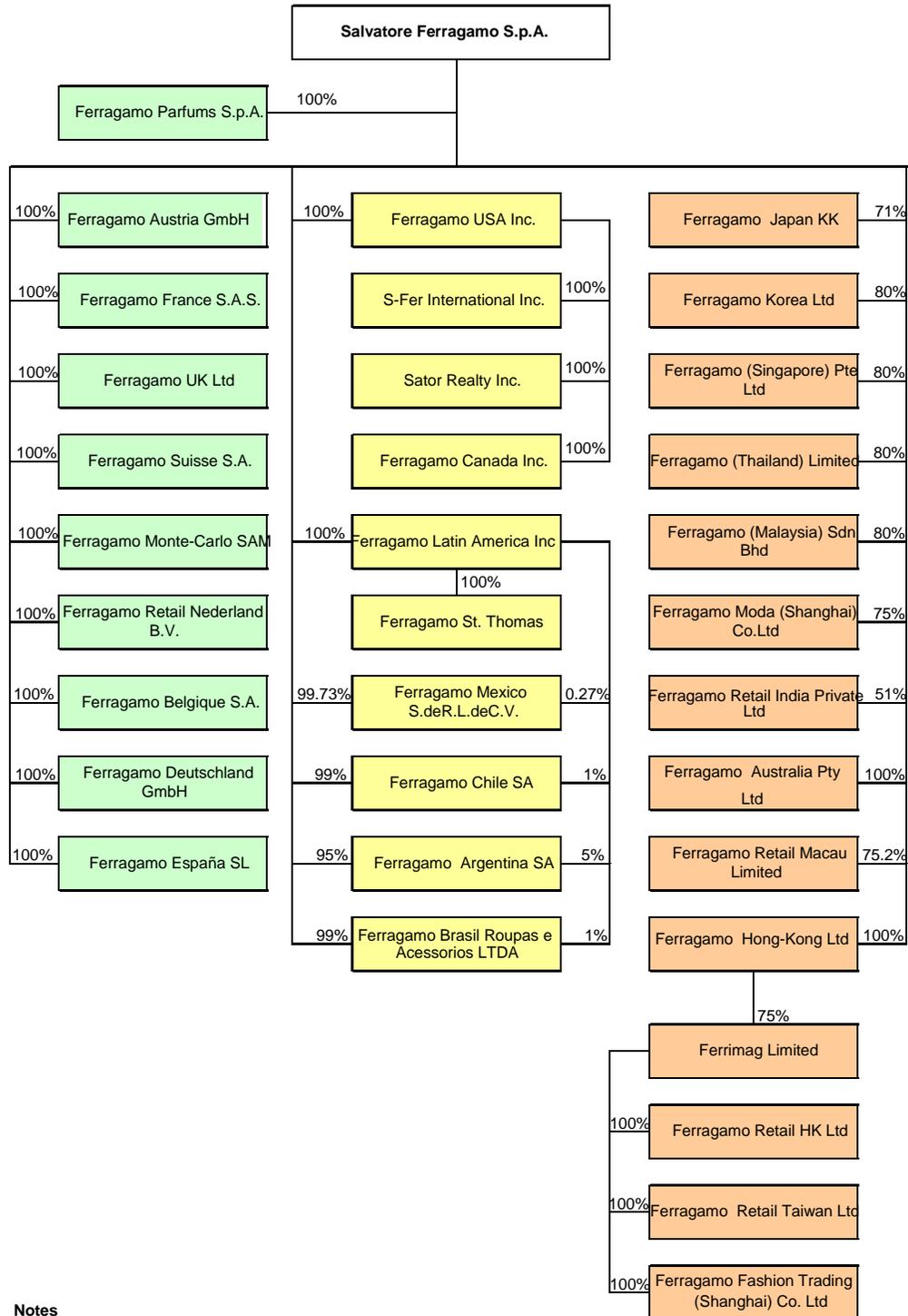
(4) Executive director

(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 Annual Report as at 31 December 2014

Group structure



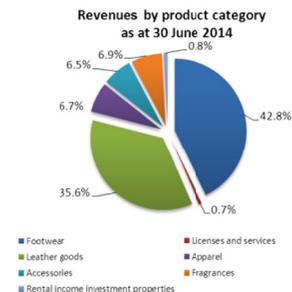
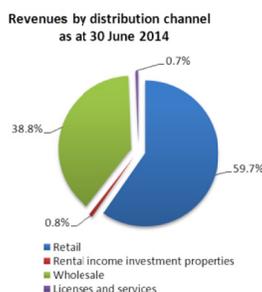
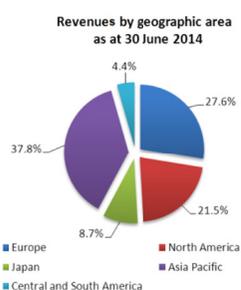
- Notes**
- European companies
 - North/Centre/South America companies
 - Far East companies

Interim Directors' report on operations

Income and financial highlights for the first half of 2014

(In millions of Euro)	Half-year period ended 30 June			% change 2014 vs. 2013	% change 2013 vs. 2012
	2014	2013	2012		
Revenues	659.0	624.7	565.1	5.5%	10.5%
Gross profit	413.7	393.9	359.5	5.0%	9.6%
EBITDA (*)	143.0	131.5	104.7	8.8%	25.5%
EBITDA (*)%	21.7%	21.0%	18.5%		
Operating profit	120.6	111.6	88.4	8.0%	26.2%
Operating profit %	18.3%	17.9%	15.6%		
Net profit/(loss) for the period	82.0	86.8	55.9	(5.5%)	55.3%
Net profit/(loss) – Group	78.1	80.9	44.8	(3.5%)	80.5%
Net profit/(loss) – minority interests	3.9	5.9	11.1	(33.4%)	(46.7%)

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



(In millions of Euro)	30 June 2014	31 December 2013	30 June 2013
Investments in tangible/intangible assets	34.3	82.3	25.3
Net working capital	301.0	209.4	241.4
Shareholders' equity	419.4	399.8	339.0
Net financial debt	114.0	32.6	77.8
Cash flow generated from operations	23.5	150.0	47.0

	30 June 2014	31 December 2013	30 June 2013
Staff as at the reporting date	3,824	3,764	3,547
Number of DOS	357	360	353
Number of TPOS	269	264	254

Geographical distribution of monobrand stores (30 June 2014)



626 Ferragamo monobrand stores

Disclaimer

This document contains forward-looking statements, in particular in the sections headed "Outlook" and "Significant events occurred after 30 June 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.

Introduction

The half-year report as at 30 June 2014 has been prepared in accordance with the international accounting standard regarding interim reporting (IAS 34 - Interim Financial Reporting) and consists of:

- Consolidated statement of financial position
- Consolidated income statement
- Consolidated statement of comprehensive income
- Consolidated statement of cash flows
- Statement of changes in consolidated shareholders' equity
- Explanatory notes

The Group's activities

The Group is active in the creation, production and sale of luxury goods for men and women: footwear, leather goods, apparel, silk goods, other accessories, jewels 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 Ferragamo Group carries out product sales mainly through a network of Salvatore Ferragamo monobrand stores, managed both directly (DOS) or by third parties, and, alongside this network, also through a significant and well-established presence in department stores and multibrand speciality stores.

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

The distribution system

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

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

- a network of directly operated Ferragamo brand stores (DOS), which as at 30 June 2014 numbered 357 (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 30 June 2014 numbered 269, 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 30 June 2014 was 626, distributed across the various geographic areas.

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

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

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

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

Effect of exchange rate changes on operations

The Group has a strong presence on international markets, including through commercial companies located in countries with currencies other than the Euro, mainly the US dollar, the Chinese Renminbi and the Japanese yen. Therefore, the Group is exposed both to settlement and translation risk.

As for the exchange rate trend of the main currencies, the decisive factor remains unchanged: expectations regarding interest rate trends and returns on financial assets denominated in the various currencies. The monetary policies adopted are leading to significant differences between the currencies of various geographical areas. The Federal Reserve confirmed the gradual reduction of its monetary stimulus, thus fuelling the debate on how long interest rates will be kept close to zero; at its June meeting the European Central Bank lowered its benchmark interest rate to the lowest ever level of 0.15%, announced a funding program for banks and introduced negative interest rates on deposits: these measures at least stabilized the exchange rate; the Bank of Japan confirmed its own program of a relaxed monetary policy. However, the prospect of low returns on the main bond markets continues to cause capital flows moving to peripheral European countries and emerging markets due to the search for higher yields. Against this backdrop the Euro, despite being faced with various structural and macroeconomic imbalances and poor prospects for growth and inflation, continues to attract capital, thus remaining at high levels, above all against the US dollar. Market expectations continue to be for a possible weakening of the Euro against the US dollar in the second half of the year, an expectation which had once again failed to materialize. The first half of the year ended with the Euro/US\$ rate at 1.3658, with average values for the period under review around 1.37, after the lows in February just under 1.35 and the highs in May of over 1.39. As regards the exchange rate of the Japanese yen against the Euro, after the significant depreciation of the Japanese yen, which took the exchange rate from 136 in February to over 143 in May with an average half-year rate over 140, the currency slightly strengthened against both the US dollar and the Euro, reaching levels around 138 towards the end of June, due to the combined effect of higher growth and inflation prospects for the Japanese economy. With the exception of the Chinese Renminbi, whose rate against the US dollar stabilized around 6.20, the currencies of emerging countries with the highest interest rates strengthened against both the US dollar and the Euro, especially in the final month.

Operating performance

In the first half of 2014 revenues and operating profit increased once again compared to the same period the previous year. In particular, despite the extremely challenging comparison, in the second quarter of 2014 revenues and operating profit achieved a percentage increase similar to that recorded in the first quarter of the year.

In the first half of 2014 consolidated net revenues of the Ferragamo Group increased by 5.5% compared to the same period last year, thus supporting ever-increasing revenues; for example, they increased by 16.6% compared to the first half of 2012. Operating margins increased significantly: as a matter of fact the rise in sales volumes, stable gross profit (from 63.1% to 62.8% of revenues) and a lower ratio of operating costs (net of other income) to revenues (down from 45.2% to 44.5%) resulted in an increase in both EBITDA (+8.8%) and operating profit (+8.0%).

These positive results confirm once again the strength of the Ferragamo brand and the quality of its product range and are particularly noteworthy because they were achieved despite markets being still adversely affected by the negative economic conditions and by the strength of the Euro against the other main currencies.

The following table shows the main income statement data.

(In thousands of Euro)	Half-year period ended 30 June				
	2014	% of revenues	2013	% of revenues	% change
Revenues	659,019	100.0%	624,653	100.0%	5.5%
Gross profit	413,741	62.8%	393,888	63.1%	5.0%
Style, product development and logistics costs	(22,723)	(3.4%)	(22,863)	(3.7%)	(0.6%)
Sales and distribution costs	(184,314)	(28.0%)	(174,137)	(27.9%)	5.8%
Marketing & communication costs	(34,586)	(5.2%)	(36,627)	(5.9%)	(5.6%)
General and administrative costs	(47,671)	(7.2%)	(47,423)	(7.6%)	0.5%
Other operating costs	(8,586)	(1.3%)	(6,329)	(1.0%)	35.7%
Other income and revenues	4,707	0.7%	5,113	0.8%	(7.9%)
Operating profit	120,568	18.3%	111,622	17.9%	8.0%
Net financial income and charges	(2,449)	(0.4%)	9,286	1.5%	(126.4%)
Profit before taxes	118,119	17.9%	120,908	19.4%	(2.3%)
Income taxes	(36,102)	(5.5%)	(34,109)	(5.5%)	5.8%
Net profit/(loss) for the period	82,017	12.4%	86,799	13.9%	(5.5%)
Net profit/(loss) – Group	78,078	11.8%	80,884	12.9%	(3.5%)
Net profit/(loss) – minority interests	3,939	0.6%	5,915	0.9%	(33.4%)
Amortization, depreciation and write-downs of tangible/intangible assets	22,467	3.4%	19,857	3.2%	13.1%
EBITDA (*)	143,035	21.7%	131,479	21.0%	8.8%

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

Revenues from sales, services and rental income investment properties in the first half of 2014 totaled 659,019 thousand Euro, compared to 624,653 thousand Euro in the first half of 2013, up by 5.5% despite a negative impact attributable to exchange rate changes. As a matter of fact, the three currencies other than the Euro in which most Group revenues are generated, i.e. the US dollar, the Chinese renminbi and the Japanese yen, performed as follows in the first half of 2014 compared to the same period last year: the US dollar depreciated by 4.3% ⁽¹⁾, the Japanese yen by 11.9% ⁽²⁾ and the Chinese renminbi by 4.0% ⁽³⁾ compared to the Euro, i.e. the currency in which the figures in the consolidated financial statements are expressed.

Revenues, at constant exchange rates (applying to the revenues of the first half of 2013 the average exchange rate of the first half of 2014), showed a total increase of 7.6%, up by 8.7% in Europe, 7.4% in North America, 6.4% in Japan, 5.6% in Asia Pacific, and 23.1% in Central and South America. Asia Pacific contributed the most to Group revenues with 37.8%, followed by Europe (27.6%), North America (21.5%), Japan (8.7%), and Central and South America (4.4%).

With reference to the second quarter of 2014 alone, revenues amounted to 360,231 thousand Euro, up by 5.1% at current exchange rates and 7.7% at constant exchange rates compared to the prior year quarter. Particularly worthy of note is the significant growth (+12.1 at constant exchange rates) recorded by the North American market, improving significantly on the first quarter.

Gross profit for the period ended 30 June 2014 was 413,741 thousand Euro, i.e. 62.8% as a percentage of sales, compared to 393,888 thousand Euro in the prior year period. The 5.0% rise was in line with the increase in revenues. Gross profit as a percentage of revenues was negatively affected by both the aforementioned exchange rate changes and the increased impact of the wholesale channel. Worthy of note is that in the second quarter of 2014 alone, despite the aforementioned negative impacts, gross profit was 230,559 thousand Euro, up by 5.4% compared to the prior-year period and with a ratio to revenues of 64.0% compared to 63.8% in the second quarter of 2013.

¹ With reference to the average Euro/US\$ exchange rate for the period – first half of 2014: 1.370; first half of 2013: 1.313

² With reference to the average Euro/Yen exchange rate for the period – first half of 2014: 140.40; first half of 2013: 125.46

³ With reference to the average Euro/Cny exchange rate for the period – first half of 2014: 8.45; first half of 2013: 8.129

Total **operating costs** (net of other income) for the first half of 2014 rose by 3.9% compared to the first half of 2013, and their ratio to revenues decreased from 45.2% in the prior year period to 44.5%. In the second quarter of 2014 alone, total net operating costs rose from 145,916 thousand Euro to 151,729 thousand Euro (+4.0%), also in this case at a pace slower than the increase in revenues.

Higher revenues as well as unchanged gross profit enabled better absorption of operating costs, thus resulting in an increase in **EBITDA**, rising from 131,479 thousand Euro to 143,035 thousand Euro (+8.8%) and accounting for 21.7% of revenues compared to 21.0% in the first half of 2013.

In the second quarter of 2014 alone, EBITDA totaled 90,272 thousand Euro compared to 83,474 thousand Euro in the second quarter of 2013 (+8.1%), and its ratio to revenues increased from 24.4% to 25.1%.

Also **operating profit**, following EBITDA's trend, grew from 111,622 thousand Euro to 120,568 thousand Euro (+8.0%), accounting for 18.3% of revenues compared to 17.9% in the first half of 2013.

With reference to the second quarter of 2014 alone, operating profit amounted to 78,830 thousand Euro compared to 72,776 thousand Euro in the second quarter of 2013 (+8.3%) and the ratio to revenues rose from 21.2% to 21.9%.

Net financial income and charges totaled 2,449 thousand Euro in charges compared to income of 9,286 thousand Euro in the first half of 2013, mainly due to the capital gain on the sale of Zefer S.p.A. shares in the first half of 2013.

(In thousands of Euro)	Half-year period ended 30 June		
	2014	2013	% change
Dividends from other companies	-	600	na
Net interest income/(expense)	(1,868)	(1,581)	18.2%
Other net income/(charges)	(773)	(1,000)	(22.7%)
Net gains/(losses) on exchange rate differences	2,254	(4,044)	(155.7%)
Net financial income/(charges) for fair value adjustment of derivatives	(2,062)	2,787	(174.0%)
Gains/(losses) on disposal of investments	-	12,524	na
Total	(2,449)	9,286	(126.4%)

Net gains and losses on exchange rate differences mainly reflect the impact of commercial transactions in foreign currency. As at 30 June 2013 net losses on exchange rate differences were recorded totaling 4,044 thousand Euro while as at 30 June 2014 net gains were recorded amounting to 2,254 thousand Euro.

The item "Net financial income/(charges) for fair value adjustment of derivatives" mainly refers to the premium or discount on transactions to hedge the exchange rate risk undertaken by the Parent company and the changes in the fair value of non-hedge derivatives.

With reference to the second quarter of 2014 alone, financial income and charges totaled 737 thousand Euro in net charges compared to net income of 9,794 thousand Euro in the second quarter of 2013 due to the recognition in the second quarter of 2013 of the aforementioned capital gain on the sale of Zefer S.p.A. shares.

Income taxes

(In thousands of Euro)	Half-year period ended 30 June		
	2014	2013	% change
Profit before taxes	118,119	120,908	(2.3%)
Current and deferred taxes	(36,102)	(34,109)	5.8%
Tax rate	30.6%	28.2%	

The estimated effective tax rate for the first half of 2014 was 30.6% compared to 28.2% in the prior year period. Net of one-off effects in the previous period, the tax rate for the first half of 2013 would have been 31.5%, in line with that of the first half of 2014.

In the first half of 2014 the Group recorded consolidated **net profit** of 82,017 thousand Euro compared to 86,799 thousand Euro in the first half of 2013, down by 5.5% due to the capital gain on the sale of Zefer S.p.A. shares; net of this, net profit would have increased by 7,626 thousand Euro (+10.3%).

The Group's share of consolidated net profit amounted to 78,078 thousand Euro compared to 80,884 thousand Euro the same period last year; without taking into account the capital gain on Zefer S.p.A. it would have increased by 9,602 thousand (+14.0%). In the second quarter of 2014 alone, the Group's share of consolidated net profit amounted to 52,029 thousand Euro compared to 56,508 thousand Euro in the second quarter of 2013; as already pointed out, the decrease by 7.9% is due to the capital gain on Zefer S.p.A. and without taking it into account, the item would have increased by 7,929 thousand Euro (+18.0%).

Revenues

The following table shows the sales by **geographic area** and the change for the six months ended 30 June 2014 and 30 June 2013 and the relevant changes:

(In thousands of Euro)	Half-year period ended 30 June					at constant exchange rates	
	2014	% of revenues	2013	% of revenues	% change	% change	
Europe	181,665	27.6%	166,716	26.7%	9.0%	8.7%	
North America	141,657	21.5%	134,872	21.6%	5.0%	7.4%	
Japan	57,760	8.7%	58,018	9.3%	(0.4%)	6.4%	
Asia Pacific	248,928	37.8%	240,199	38.4%	3.6%	5.6%	
Central and South America	29,009	4.4%	24,848	4.0%	16.7%	23.1%	
Total	659,019	100.0%	624,653	100.0%	5.5%	7.6%	

The growth in revenues was due to both organic growth and the opening of new directly operated stores (DOS).

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

Europe saw an increase in revenues of 9.0% at current exchange rates and of 8.7% at constant exchange rates, bringing the ratio to total revenues from 26.7% to 27.6%, mainly thanks to the positive trend in wholesale sales.

The North American market saw an increase in revenues of 5.0% at current exchange rates (7.4% at constant exchange rates) thanks to the improvement in revenues in the second quarter (+12.1% at constant exchange rates).

In Japan revenues remained broadly stable at current exchange rates (-0.4%) and increased at constant exchange rates (+6.4%) with the ratio to total revenues decreasing slightly (from 9.3% to 8.7%). The decrease in revenues (-4.0% at constant exchange rates) recorded in the second quarter is due to the increase in the consumption tax which had led consumers to buy in advance in the first quarter.

In Asia Pacific revenues increased by 3.6% at current exchange rates and 5.6% at constant exchange rates; therefore, Asia Pacific continues to be the geographic area contributing the most to Group revenues (37.8%). In particular, it should be noted that in China the retail channel improved by 15.2% at current exchange rates.

The Central and South American market saw a significant increase in revenues: up by 16.7% at current exchange rates and 23.1% at constant exchange rates, accounting for 4.4% of total revenues (4.0% in the prior year period).

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

(In thousands of Euro)	Half-year period ended 30 June					at constant exchange rates	
	2014	% of revenues	2013	% of revenues	% change	% change	
Retail	393,361	59.7%	382,650	61.3%	2.8%	5.2%	
Wholesale	255,953	38.8%	231,567	37.1%	10.5%	12.1%	
Licenses and services	4,224	0.7%	5,134	0.8%	(17.7%)	(17.7%)	
Rental income investment properties	5,481	0.8%	5,302	0.8%	3.4%	7.9%	
Total	659,019	100.0%	624,653	100.0%	5.5%	7.6%	

Retail sales refer to revenues generated by sales in directly operated stores. In the first half of 2014 retail sales increased by 2.8% at current exchange rates and by 5.2% at constant exchange rates; worthy of note is the improvement in retail sales in Asia Pacific, up by 6.5% at current exchange rates and by 8.5% at constant exchange rates.

The number of directly operated stores rose from 353 as at 30 June 2013 to 357 as at 30 June 2014.

Also thanks to the good performance of the travel retail channel, the wholesale channel rose by 10.5% at current exchange rates and 12.1% at constant exchange rates. In particular, the European market grew by 21.1% at current exchange rates, the North American market rose by 8.0% at current exchange rates and

10.0% at constant exchange rates and the South American market rose by 21.8% at current exchange rates and 26.0% at constant exchange rates.

In the first half of 2014 revenues from licenses and services decreased by 17.7% compared to the first half of 2013, mainly due to termination, at the end of 2013, of the contract concerning technical consulting services provided to Zefer S.p.A.. As a matter of fact, revenues from royalties arising from the licensing of the Ferragamo brand with reference to the eyewear and watches product categories amounted to 2,426 thousand Euro as at 30 June 2014, up by 12.7% compared to the same period last year.

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 3.4% at current exchange rates and by 7.9% at constant exchange rates.

Here below is a breakdown of revenues from sales, services and rental income investment properties which shows the contribution and growth by **product category** for the six months ended 30 June 2014 and 30 June 2013.

(In thousands of Euro)	Half-year period ended 30 June					at constant
	2014	% of revenues	2013	% of revenues	% change	exchange rates % change
Footwear	281,861	42.8%	272,325	43.6%	3.5%	5.7%
Leather goods	234,558	35.6%	207,104	33.2%	13.3%	15.5%
Apparel	44,169	6.7%	48,079	7.7%	(8.1%)	(5.9%)
Accessories	43,108	6.5%	43,190	6.9%	(0.2%)	2.0%
Fragrances	45,618	6.9%	43,519	7.0%	4.8%	5.0%
Licenses and services	4,224	0.7%	5,134	0.8%	(17.7%)	(17.7%)
Rental income investment properties	5,481	0.8%	5,302	0.8%	3.4%	7.9%
Total	659,019	100.0%	624,653	100.0%	5.5%	7.6%

All the product categories, with the sole exception of apparel and to a lesser extent accessories, saw increases both at current exchange rates and at constant exchange rates. In particular, note should be taken of the positive trend in leather goods, which rose by 13.3% at current exchange rates (15.5% at constant exchange rates), improved revenues from footwear (+3.5% at current exchange rates and +5.7% at constant exchange rates) and fragrances (+5.0% at constant exchange rates), sharply improving compared to the second quarter (12.8% at constant exchange rates).

Cost of goods sold and gross profit

(In thousands of Euro)	Half-year period ended 30 June				
	2014	% of revenues	2013	% of revenues	% change
Consumables	(123,732)	(18.8%)	(120,523)	(19.3%)	2.7%
Costs for services	(117,332)	(17.8%)	(106,189)	(17.0%)	10.5%
Personnel costs	(3,928)	(0.6%)	(3,787)	(0.6%)	3.7%
Amortization and depreciation	(286)	(0.0%)	(266)	(0.0%)	7.5%
Cost of goods sold	(245,278)	(37.2%)	(230,765)	(36.9%)	6.3%
Gross profit	413,741	62.8%	393,888	63.1%	5.0%

The **cost of goods sold** in the first half of 2014 amounted to 245,278 thousand Euro, up 6.3% over the prior year period and essentially in line with the increase in sales volumes. As a matter of fact, in the first half of 2014 **gross profit** as a percentage of revenues amounted to 62.8% compared to 63.1% the same period last year; this slight decrease is mainly attributable to unfavorable exchange rates, in particular to the strong depreciation of the Japanese yen and US dollar and to the increased impact of wholesale sales on revenues. It should be noted that in the second quarter alone, despite the aforementioned negative impacts, gross profit increased from 63.8% to 64.0%.

Investment and financial operations

Here below is the statement of financial position as at 30 June 2014 reclassified by sources and uses, compared to the position as at 31 December 2013:

(In thousands of Euro)	30 June 2014	31 December 2013	% change
Property, plant and equipment, investment property, intangible assets with a finite useful life	214,529	200,943	6.8%
Net working capital (1)	301,027	209,361	43.8%
Other non current assets/(liabilities), net	45,490	35,093	29.6%
Other current assets/(liabilities), net	(27,671)	(13,029)	112.4%
Net invested capital (2)	533,375	432,368	23.4%
Group shareholders' equity	382,677	365,465	4.7%
Minority interests	36,702	34,305	7.0%
Shareholders' equity (A)	419,379	399,770	4.9%
Net financial debt (B) (3)	113,996	32,598	249.7%
Total sources of financing (A+B)	533,375	432,368	23.4%
Net financial debt/shareholders' equity	27.2%	8.2%	

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

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

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

Investments in fixed assets

During the first half of 2014, the Group made investments in tangible and intangible assets for a total amount of 34,273 thousand Euro, of which 31,749 thousand Euro in tangible assets and 2,524 thousand Euro in intangible assets, compared to a total of 25,274 thousand Euro in the first half of 2013.

The most important investments were made in the opening and refurbishment of stores (around 77% of total investments in tangible assets), 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.

Amortization and depreciation amounted to 22,467 thousand Euro as at 30 June 2014 compared to 18,462 thousand Euro as at 30 June 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 to expand and renovate the whole industrial complex.

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

Net working capital

Here below is the breakdown and change in net working capital as at 30 June 2014 compared with the figure as at 31 December 2013 and 30 June 2013.

(In thousands of Euro)	30 June 2014	31 December 2013	30 June 2013	% change 06.14 vs. 12.13	% change 06.14 vs. 06.13
Inventories	334,703	290,705	288,339	15.1%	16.1%
Trade receivables	158,341	121,408	140,627	30.4%	12.6%
Trade payables	(192,017)	(202,752)	(187,598)	(5.3%)	2.4%
Total	301,027	209,361	241,368	43.8%	24.7%

The increase in net working capital was 43.8% compared to 31 December 2013 and 24.7% compared to 30 June 2013. This improvement is due to the increase in stocks and trade receivables and to almost stable trade payables. Inventories rose by 15.1% (+16.1% compared to 30 June 2013); in particular, inventories

of finished products increased by 48,417 thousand Euro while raw materials used for production decreased by 4,419 thousand Euro.

Trade receivables mainly refer to wholesale sales and the increase is mainly due to the increase in related sales and their seasonality and, to a lesser extent, to the increase in the average number of days for collection. Trade payables are mainly due to purchases of production materials, products and manufacturing in outsourcing.

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

Other non current assets/(liabilities) amounting to 45,490 thousand Euro net assets increased by 29.6% compared to 31 December 2013. The increase by 10,397 thousand Euro is mainly attributable to the following changes: the increase in deferred tax assets for 8,228 thousand Euro, in particular taxes calculated on the reversal of the profit unrealized in Group inventories, the decrease in deferred tax liabilities for 3,131 thousand Euro (of which 3,499 thousand Euro relating to the Cash flow hedge reserve) and the increase in provisions for risks and charges (1,184 thousand Euro).

Other current assets/(liabilities) amounting to 27,671 thousand Euro net liabilities decreased by 14,642 thousand Euro compared to 31 December 2013. The decrease is mainly due to Other current assets (12,548 thousand Euro) and, in particular, to receivables for hedge derivatives, down by 12,606 thousand Euro.

Shareholders' equity

The changes in the Group's share of shareholders' equity, amounting to 17,212 thousand Euro, were attributable to net profit for the period (78,078 thousand Euro); the positive effect of translating into Euro the subsidiaries' financial statements denominated in other currencies (16,277 thousand Euro); the decrease of 10,694 thousand Euro due to the valuation of hedge derivatives in accordance with IFRS, net of the relevant tax effect; the increase in the Stock Grant Reserve (786 thousand Euro); the decrease in dividends declared by the Parent company (67,364 thousand Euro); the increase of 139 thousand Euro arising from the changes in the fair value of put options assigned to pre-existing minority shareholders; and other minor reductions (10 thousand Euro).

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)	Half-year period ended 30 June 2014	
	Shareholders' equity	Net profit/(loss) for the period
Parent company - shareholders' equity and net profit/(loss)	273,115	59,868
Elimination of consolidated investments	239,892	41,324
Dividends distributed among Group companies		(6,834)
Elimination of unrealized profits, deriving from transactions between Group companies, relating to inventories, net of the deferred tax effect	(97,154)	(13,762)
Effect of IAS 39 - cash flow hedge reserve, net of the deferred tax effect		1,237
Other consolidation adjustments	3,526	184
Total shareholders' equity and net profit/(loss)	419,379	82,017
Minority interests - shareholders' equity and net profit/(loss)	36,702	3,939
Group - shareholders' equity and net profit/(loss)	382,677	78,078

Net financial debt

Net financial debt as at 30 June 2014, 31 December 2013 and 30 June 2013 was as follows:

(In thousands of Euro)	30 June	31 December	30 June	Change 06.14	Change 06.14
	2014	2013	2013	vs. 12.13	vs. 06.13
Cash and cash equivalents (A)	67,388	70,308	69,600	(4.2%)	(3.2%)
Other current financial assets (B)	1,445	1,928	2,319	(25.1%)	(37.7%)
Interest-bearing loans and borrowings (C)	178,184	100,052	145,798	78.1%	22.2%
Other current financial liabilities (D)	4,645	4,782	3,950	(2.9%)	17.6%
Net financial debt (C + D – A – B)	113,996	32,598	77,829	249.7%	46.5%

Net financial debt for the period ended 30 June 2014 totaled 113,996 thousand Euro, equal to 27.2% of consolidated shareholders' equity. The increase compared to 31 December 2013 was mainly due to the payment of dividends amounting to 67,364 thousand Euro (declared by the Parent company and paid in the first half of 2014), to the significant increase in net working capital (91,666 thousand Euro) and to investments in tangible and intangible assets made in the first half of 2014 (34,273 thousand Euro).

Compared to 30 June 2013 net financial debt increased by 36,167 thousand Euro, from 77,829 thousand Euro to 113,996 thousand Euro.

Income and financial indicators

The tables below set out the trend in the main income and financial indicators for the half-year periods ended 30 June 2014 and 30 June 2013.

Profitability ratios	Half-year period ended 30 June	
	2014	2013
ROE	20.9%	28.4%
(Group net profit for the period / average Group shareholders' equity for the period)		
ROI	25.0%	28.8%
(Operating profit / net average invested capital for the period)		
ROS	18.3%	17.9%
(Operating profit / revenues)		
Financial ratios	Half-year period ended 30 June	
	2014	2013
Coverage of shareholders' equity / non current assets ratio	131.4%	131.3%
(Shareholders' equity / non current assets)		
Liquidity ratio	60.2%	64.4%
(Current assets excluding inventories / current liabilities)		
Turnover ratios expressed in days	Half-year period ended 30 June	
	2014	2013
Turnover of trade receivables	38	35
<i>Average value of trade receivables in the period / revenues x days</i>		
Turnover of trade payables	85	77
<i>Average value of trade payables in the period / purchases of goods and services x days</i>		
Inventory turnover	229	210
<i>Average value of inventories in the period / cost of goods sold x days</i>		
Turnover of average invested capital	132	112
<i>Average value of net invested capital / revenues x days</i>		

The above ratios are calculated on a half-yearly basis.

Information on corporate governance and ownership structure

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.

The main corporate governance body is the Board of Directors which has the primary responsibility for determining and pursuing the strategic objectives of the Company and of the Group.

The current Board consists of the directors Ferruccio Ferragamo (Chairman), Michele Norsa (Managing Director), Giovanna Ferragamo (Deputy Chairman), Fulvia Ferragamo, Leonardo Ferragamo, Francesco Caretti, Diego Paternò Castello di San Giuliano, Peter K.C. Woo, Piero Antinori, Umberto Tombari (Independent director) and Marzio Saà (Independent director) who were appointed by the Shareholders' Meeting held on 26 April 2012 according to the single list submitted by the majority shareholder Ferragamo Finanziaria S.p.A., and of the director Lidia Fiori (Independent director), appointed by means of co-optation by the Board of Directors held on 11 July 2013 and confirmed by the Shareholders' Meeting of 29 April 2014. The term of office of Lidia Fiori and of the other Directors shall expire upon approval of the financial statements for the year ending 31 December 2014.

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 financial statements as at 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 (Alternate Statutory Auditor) and Deborah Sassorossi (Alternate Statutory Auditor).

Main features of the systems of risk management and internal control

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

In this light, the Company also adopted administrative procedures and a Code of Ethics including the principles and general rules to which the whole Group must conform.

Furthermore, the following shall be considered as specific elements and integral parts of the 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 by the Board of Directors for the purposes of preventing the crimes as set out in Leg. Decree 231/2001.

The Board of Directors is responsible for establishing the guidelines for the risk management and internal control system, which includes the following specific roles:

- Director responsible for the internal control and risk management system, who has the duty of planning, implementing and managing the system, implementing the necessary adjustment over time.
- Control and Risk Committee, which assists in its advisory and consultative role the Board of Directors on risk management and internal control issues.
- Internal audit manager, who, reporting to the Board of Directors, is responsible for verifying the adequacy and effectiveness of the risk management and internal control system, as well as assessing its suitability in order to achieve an acceptable overall risk profile.

- Manager responsible for corporate financial reporting, who is responsible for defining, implementing and maintaining suitable and effective control procedures to manage risks entailed in financial reporting.
- Supervisory Body pursuant to Legislative Decree 231/01, which 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.

The risk management and internal control model adopted is in line with the relevant best practices and the principles recommended by the Corporate Governance Code issued by Borsa Italiana S.p.A..

For further information on the main features of the system, reference should be made to the relevant section in the Report on corporate governance and ownership structure available at www.ferragamo.com.

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.group.ferragamo.com in the Investor Relations section.

Stakes in Salvatore Ferragamo S.p.A.

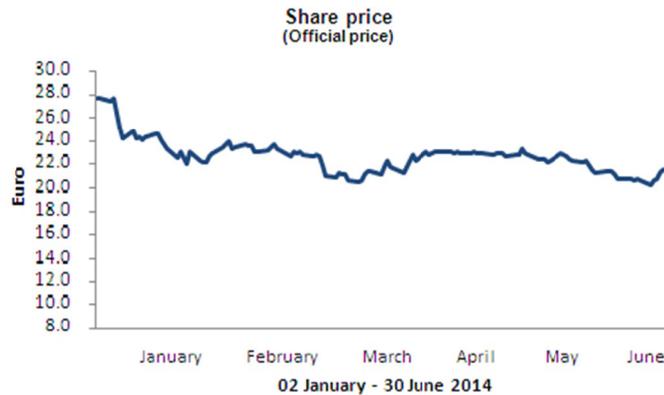
As at 30 June 2014, Ferragamo Finanziaria S.p.A. held a majority stake in the share capital of Salvatore Ferragamo S.p.A. with 57.748% as per the communication received from Ferragamo Finanziaria S.p.A. pursuant to art. 120 A of the CONSOB Issuers' Regulation.

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

Official price as at 30 June 2014: 21.68469 Euro

Stock Market capitalization as at 30 June 2014: 3,651,918,643 Euro

As at 30 June 2014, share capital consisted of 168,410,000 shares, of which 43,007,440 outstanding (free float).



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 period it did not buy or sell treasury shares or shares in parent companies.

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.

Significant events occurred during the first half of 2014

Investments

On 19 February 2014 the company Ferragamo Brasil Roupas e Acessorios Ltda. resolved a share capital increase for a total amount of 14,500,000 Reals (equal to 4.4 million Euro), increasing the share capital of the Brazilian subsidiary to 39,215,000 Reals. The share capital increase was subscribed for 99.0% by the Parent company Salvatore Ferragamo S.p.A. and for the remaining 1.0% by Ferragamo Latin America Inc..

Tax 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 Annual Report, it is recalled that the audit ended with the notification of an initial adjustment proposal. This does not include challenges to accounting procedures and ordinary taxation, but it challenges the transfer price policy adopted between the Parent company Salvatore Ferragamo S.p.A. and Ferragamo France S.A.S.. French law envisages complex proceedings between the tax authorities and the taxpayer, which started with the notification and which could last some years. On 30 April 2014 Ferragamo France held a meeting with the French tax authorities in order to reach a settlement of the dispute. On 11 April 2014 the Board of Directors of Ferragamo France S.A.S. resolved to reach a settlement which should in any case exclude any reason to object and should have a limited impact on the Company. Since the French tax authorities have not yet proposed a settlement to Ferragamo France S.A.S., it is not possible to make estimates regarding any tax liabilities arising from the audit.

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 concerns the main cost items and relationships with Group companies and foreign entities. Due to the fact that the tax audit is still underway, it is not possible to make estimates regarding any tax liabilities arising from the audit.

As already pointed out in the Directors' report on operations of the 2013 Consolidated Annual Report and in the Interim Report as at 31 March 2014, to which reference should be made for further details, the dispute between Salvatore Ferragamo S.p.A. and 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 204 thousand Euro at the exchange rate as at 30 June 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 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 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.

Shareholders' Meeting

On 29 April 2014 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 as indicated in detail in the specific section "Dividends".

In addition, on the same date the Shareholders' 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 ending 31 December 2014 by the Shareholders' meeting.

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.

In the first half of 2014 this item totaled 12,340 thousand Euro compared to 13,087 thousand Euro in the same period last year.

Staff

Here below is the Group's staff divided by category as at 30 June 2014, 31 December 2013 and 30 June 2013.

Staff	30 June 2014	31 December 2013	30 June 2013
Top managers, middle managers and store managers	657	617	585
White collars	2,924	2,925	2,711
Blue collars	243	222	251
Total	3,824	3,764	3,547

Transactions with related parties

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

Significant events occurred after 30 June 2014

No significant events occurred after 30 June 2014.

Outlook

Macroeconomic data for the first half of 2014 suggest a contraction in global economic growth compared to the second half of 2013 and undermine the expectations of recovery. Growth will probably continue at a moderate rate, without a significant acceleration over 2013, and will favor advanced economies, given the limited business growth rates in emerging countries. Inflation is at historically low levels, also owing to persistent excess production capacity. The risks of a rise in energy prices are growing, following the prospects of the dismemberment of Iraq and the crises in Ukraine and Libya. The Eurozone is slowly recovering from the economic crisis, with a greater balance in terms of growth rates in central and peripheral countries. Despite the measures taken by the ECB in May, growth prospects remain moderate, given domestic demand which is below expectations, the insufficient implementation of structural reforms, and weak exports. Italy, in particular, remains essentially in a period of broad stagnation which has now lasted for a number of quarters. In the United States, growth in the second part of the year is expected to be around 3% which will only mitigate the broad contraction recorded in the first few months of the year (-2.7%). In the United States the temporary nature of the factors causing the economic slowdown has not changed monetary policy decisions which continue to favor an expansive financial and lending policy, supporting employment growth and a recovery in consumption and residential investment. In Japan there were signs of a recovery in domestic demand, despite the increase in VAT introduced in April, and positive real inflation. The growth trend continues to be volatile: strong in the first quarter, with a broad contraction in consumption in the second quarter and solid recovery prospects for the third quarter. The Bank of Japan forecasts that consumption will start to grow again boosted by the improvement in the labor market and the trend in income. In China, after the slowdown at the start of the year, the cyclical indicators between March and May showed growth stabilization which is the main goal of the Chinese authorities. Currently the most likely scenario is a gradual and targeted slowdown in the economy to encourage expansion along a more sustainable path and to avoid any financial crises; however, the risks of a sharp downturn cannot be ruled out. The structural problems that usually affect emerging countries make these important economic areas particularly sensitive to the trend in the global economic cycle.

In these months, the luxury sector, although it has historically always proven quite resistant to economic crises, certainly more so than other business sectors, must face not only the persistent limited economic

growth but also the negative impact of socio-political crises. In particular, note should be taken of the Ukraine crisis and the tensions in the Middle East which seem to be turning into actual local conflicts. The Ferragamo Group enjoys a favorable and balanced geographic distribution and effective product diversification; these characteristics and the positive results achieved in the first half of the year 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 whole of 2014 too.

Florence, 28 August 2014

The Chairman of the Board of Directors
Ferruccio Ferragamo

Financial statements

Statement of financial position – assets

(In thousands of Euro)							
	Notes	30 June 2014	<i>of which with related parties</i>	31 December 2013	<i>of which with related parties</i>	30 June 2013	<i>of which with related parties</i>
NON CURRENT ASSETS							
Property, plant and equipment	4	182,837		168,398		140,971	
Investment property	5	6,377		6,455		6,953	
Intangible assets with a finite useful life	6	25,315		26,090		22,765	
Available-for-sale financial assets		25		25		26	
Other non current assets	7	6,041		6,271		5,740	
Other non current financial assets	8	11,903	1,363	11,538	1,382	10,477	213
Deferred tax assets	31	86,765		78,537		71,164	
TOTAL NON CURRENT ASSETS		319,263	1,363	297,314	1,382	258,096	213
CURRENT ASSETS							
Inventories	9	334,703		290,705		288,339	
Trade receivables	10	158,341	718	121,408	66	140,627	59
Tax receivables	11	7,669		10,071		9,035	
Other current assets	12	30,225	2,025	42,773	2,426	39,858	2,070
Other current financial assets	13	1,445		1,928		2,319	
Cash and cash equivalents	14	67,388		70,308		69,600	
TOTAL CURRENT ASSETS		599,771	2,743	537,193	2,492	549,778	2,129
TOTAL ASSETS		919,034	4,106	834,507	3,874	807,874	2,342

Statement of financial position – liabilities and shareholders' equity

(In thousands of Euro)							
	Notes	30 June 2014	of which with related parties	31 December 2013	of which with related parties	30 June 2013	of which with related parties
SHAREHOLDERS' EQUITY							
GROUP SHAREHOLDERS' EQUITY							
Share capital		16,841		16,841		16,841	
Reserves	15	287,758		198,173		203,776	
Net profit/(loss) – Group		78,078		150,451		80,884	
TOTAL GROUP SHAREHOLDERS' EQUITY		382,677		365,465		301,501	
MINORITY INTERESTS							
Share capital and reserves – minority interests		32,763		24,789		31,575	
Net profit/(loss) – minority interests		3,939		9,516		5,915	
TOTAL MINORITY INTERESTS		36,702		34,305		37,490	
TOTAL SHAREHOLDERS' EQUITY		419,379		399,770		338,991	
NON CURRENT LIABILITIES							
Provisions for risks and charges	16	6,532		5,348		4,748	
Employee benefit liabilities	17	10,299		10,092		10,384	
Other non current liabilities	18	38,377		38,671		41,760	
Deferred tax liabilities	31	4,036		7,167		6,282	
TOTAL NON CURRENT LIABILITIES		59,244	-	61,278	-	63,174	-
CURRENT LIABILITIES							
Trade payables	19	192,017	283	202,752	294	187,598	157
Interest-bearing loans & borrowings	20	178,184		100,052		145,798	
Tax payables	21	23,063		22,401		26,582	
Other current liabilities	22	42,502	10,676	43,472	10,539	41,781	8,398
Other current financial liabilities	23	4,645		4,782		3,950	
TOTAL CURRENT LIABILITIES		440,411	10,959	373,459	10,833	405,709	8,555
TOTAL LIABILITIES		499,655	10,959	434,737	10,833	468,883	8,555
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		919,034	10,959	834,507	10,833	807,874	8,555

Consolidated income statement

	Notes	Half-year period ended 30 June			
		2014	of which with related parties	2013	of which with related parties
(In thousands of Euro)					
Revenues from sales and services		653,538	1,091	619,351	1,466
Rental income investment properties		5,481		5,302	
Revenues	26	659,019		624,653	
Cost of goods sold	27-28	(245,278)		(230,765)	
Gross profit		413,741		393,888	
Style, product development and logistics costs	27-28	(22,723)	(270)	(22,863)	(277)
Sales & distribution costs	27-28	(184,314)	(8,517)	(174,137)	(6,362)
Marketing & communication costs	27-28	(34,586)	(17)	(36,627)	(25)
General and administrative costs	27-28	(47,671)	(3,480)	(47,423)	(4,712)
Other operating costs	27-28	(8,586)	(52)	(6,329)	(6)
Other income and revenues	29	4,707	23	5,113	16
Operating profit		120,568		111,622	
Financial charges	30	(10,851)		(16,521)	
Financial income	30	8,402	-	25,807	
Profit before taxes		118,119		120,908	
Income taxes	31	(36,102)		(34,109)	
Net profit/(loss) for the period		82,017		86,799	
Net profit/(loss) – Group		78,078		80,884	
Net profit/(loss) – minority interests		3,939		5,915	

	Notes	Half-year period ended 30 June	
		2014	2013
(In Euro)			
Basic earnings per share – ordinary shares	32	0.464	0.480
Diluted earnings per share – ordinary shares	32	0.463	0.480

Consolidated statement of comprehensive income

(In thousands of Euro)	Half-year period ended 30 June	
	2014	2013
Net profit/(loss) for the period (A)	82,017	86,799
<i>Other income (losses) that will be subsequently reclassified to net profit/(loss) for the period</i>		
- Currency translation differences of foreign operations	16,902	5,467
- Net gain / (loss) from cash flow hedge	(14,750)	3,626
- Income taxes	4,056	(998)
	<u>(10,694)</u>	<u>2,628</u>
Total other income (losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)	6,208	8,095
<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	(205)	215
- Income taxes	106	(64)
	<u>(99)</u>	<u>151</u>
Total other income / (losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)	(99)	151
Total other income / (losses) for the period, net of taxes (B1+B2 = B)	6,109	8,246
Total comprehensive income for the period, net of taxes (A+B)	88,126	95,045
Group	83,651	89,599
Minority interests	4,475	5,446

Consolidated statement of cash flows

(In thousands of Euro)		Half-year period ended 30 June			
	Notes	2014	<i>of which with related parties</i>	2013	<i>of which with related parties</i>
NET PROFIT / (LOSS) FOR THE PERIOD		82,017		86,799	
Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:					
Amortization, depreciation and write-downs of tangible and intangible assets and investment property	4-5-6	22,467		19,857	
Allocation / (use) of deferred taxes	31	(6,958)		(4,761)	
Provision for employee benefit plans	17	353		328	
Allocation to / (use of) the provision for obsolete inventory	9	4,080		3,186	
Losses and provision for bad debt		791		406	
Losses / (gains) on disposal of tangible and intangible assets		484		187	
Other non-monetary items		2,191		(11,527)	
Changes in operating assets and liabilities:					
Trade receivables		(36,779)	(652)	(33,682)	2,289
Inventories		(32,742)		(36,854)	
Trade payables		(11,293)	(11)	30,575	(576)
Tax receivables		2,802		88	
Tax payables		(699)		3,324	
Employee benefits payments	17	(386)		(414)	
Other assets and liabilities		(2,606)	538	(9,700)	(5,207)
Other – net		(212)		(809)	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		23,510	(125)	47,003	(3,494)
Cash flow from investing activities:					
Purchase of tangible assets		(31,749)		(20,007)	
Purchase of intangible assets		(2,524)		(5,267)	
Net change in non current assets and liabilities		(329)	19	(1,691)	(41)
Proceeds from the sale of tangible and intangible assets		144		78	
Proceeds from the sale of investments in associated and jointly controlled companies		-		13,855	
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(34,458)	19	(13,032)	(41)
Cash flow from financing activities:					
Net change in financial receivables		515		(390)	
Net change in financial payables		77,466	-	(21,305)	(41,235)
Dividends paid to shareholders of the Parent company	37	(67,364)	(49,617)	(55,575)	(41,383)
Dividends paid to minority shareholders	37	(1,766)	(1,766)	-	-
Purchase of minority interests in companies consolidated on a line-by-line basis		-		(777)	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		8,851	(51,383)	(78,047)	(82,618)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(2,097)		(44,076)	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		70,292		110,808	
Increase/(decrease) in cash and cash equivalents		(2,097)		(44,076)	
Effect of exchange rate translation differences		(812)		2,868	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	14	67,383		69,600	
ADDITIONAL INFORMATION					
Interest paid		2,244		1,932	
Income taxes paid		42,473		31,201	
Interest received		133		165	
Dividends received		-		600	

Statement of changes in consolidated shareholders' equity

Changes in shareholders' equity (In thousands of Euro)	Share capital	Share capital contributions	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Other reserves	Effect IAS 19 Equity	Effect IAS 28 (Common Control) Equity	Net profit/(loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
As at 01.01.2014	16,841	2,995	4,188	117,114	13,371	(39,511)	84,330	17,496	(1,810)	-	150,451	365,465	34,305	399,770
Allocation of results	-	-	-	38,106	-	-	112,345	-	-	-	(150,451)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	78,078	78,078	3,939	82,017
Other comprehensive income/(loss)	-	-	-	-	(10,694)	16,277	91	-	(101)	-	-	5,573	536	6,109
Total comprehensive income (loss)	-	-	-	-	(10,694)	16,277	91	-	(101)	-	78,078	83,651	4,475	88,126
Distribution of dividends	-	-	-	-	-	-	(67,364)	-	-	-	-	(67,364)	(1,766)	(69,130)
Purchase of minority interests in companies consolidated on a line-by-line basis and accounting of options on minority interests	-	-	-	-	-	-	139	-	-	-	-	139	(312)	(173)
Stock Grant Reserve	-	-	-	-	-	-	-	786	-	-	-	786	-	786
As at 30.06.2014	16,841	2,995	4,188	155,220	2,677	(23,234)	129,541	18,282	(1,911)	-	78,078	382,677	36,702	419,379
Changes in shareholders' equity (In thousands of Euro)	Share capital	Share capital contributions	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Other reserves	Effect IAS 19 Equity	Effect IAS 28 (Common Control) Equity	Net profit/(loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
As at 01.01.2013	16,841	2,995	4,188	65,812	7,189	(36,208)	92,919	16,084	(2,158)	(5,924)	105,552	267,290	32,208	299,498
Allocation of results	-	-	-	51,302	-	-	54,250	-	-	-	(105,552)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	80,884	80,884	5,915	86,799
Other comprehensive income/(loss)	-	-	-	-	2,628	6,195	(257)	-	149	-	-	8,715	(469)	8,246
Total comprehensive income (loss)	-	-	-	-	2,628	6,195	(257)	-	149	-	80,884	89,599	5,446	95,045
Distribution of dividends	-	-	-	-	-	-	(55,575)	-	-	-	-	(55,575)	-	(55,575)
Purchase of minority interests in companies consolidated on a line-by-line basis and accounting of options on minority interests	-	-	-	-	-	(35)	(539)	(2)	-	-	-	(576)	(164)	(740)
Stock Grant Reserve	-	-	-	-	-	-	-	763	-	-	-	763	-	763
Reclassifications	-	-	-	-	-	-	(5,924)	-	-	5,924	-	-	-	-
As at 30.06.2013	16,841	2,995	4,188	117,114	9,817	(30,048)	84,874	16,845	(2,009)	-	80,884	301,501	37,490	338,991

Explanatory Notes

1. Corporate information

The Parent company Salvatore Ferragamo S.p.A. is a legal entity organized under Italian law. The condensed consolidated half-year report as at 30 June 2014 of Salvatore Ferragamo S.p.A. has been approved by the Board of Directors during the meeting held on 28 August 2014.

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

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

2. Basis of presentation

Contents and structure of the consolidated annual report

This condensed consolidated half-year report has been prepared pursuant to art. 154-ter of Legislative Decree no. 58 of 24 February 1998 (TUF) as subsequently integrated and amended.

The condensed consolidated half-year report as at 30 June 2014 has been prepared in accordance with the international accounting standard regarding interim reporting (IAS 34 - Interim Financial Reporting) and it does not include all the information required in the consolidated annual report; therefore, it must be read together with the 2013 Consolidated Annual Report of the Ferragamo Group.

The procedures used for making estimates and assumptions are the same as those used in preparing the annual report.

For comparative purposes, the consolidated financial statements show the comparison with the consolidated statement of financial position as at 31 December 2013 and 30 June 2013 and the consolidated income statement as at 30 June 2013.

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

Accounting standards

The Group's accounting standards adopted in the preparation of the condensed consolidated half-year report as at 30 June 2014 are the same as those used in preparing the 2013 Consolidated Annual Report, to which reference should be made, except for the adoption of the new or revised standards of the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), applied as from 1 January 2014, as described below. The adoption of the new standards, amendments and interpretations had no significant impact on the Group's financial position or results.

Discretionary valuations and significant accounting estimates

The preparation of the condensed consolidated half-year report requires the use of estimates and assumptions based on the best possible assessment.

If, in the future, these estimates and assumptions should differ from actual circumstances, they will be changed in the relevant period.

- *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.

As at 30 June 2014, no indicators of impairment emerged from the analyses carried out.

- *Taxes*

The tax burden relating to interim periods is determined using the tax rate which would be applicable to the forecast annual total profit, i.e. the annual average estimate of the effective tax rate applied to the pre-tax profit of the interim period.

Changes in international accounting standards, interpretations and amendments

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.

IFRS 10 and subsequent amendment – Consolidated financial statements

IFRS 10 replaces the part of IAS 27 "Consolidated and separate financial statements" which regulates the accounting procedures for the preparation of consolidated financial statements. It also includes the problems raised in SIC-12 "Consolidation – Special purpose entities". IFRS 10 establishes a single principle of control which applies to all companies, including special purpose entities. The changes introduced by IFRS 10 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.

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. Unless significant events and/or transactions occurred in the period require it, these disclosure requirements do not apply to condensed interim financial statements. Therefore, the Group did not provide the disclosure required by IFRS 12 in the condensed consolidated half-year report.

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 other standard, interpretation or improvement that has been issued but which is not yet in force.

Consolidation area

The condensed consolidated half-year report provides information on 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, as at 30 June 2014. These are identified collectively as the Ferragamo Group.

The condensed consolidated half-year report as at 30 June 2014 includes the interim accounts for the first half of 2014 of Group companies, which have been prepared by adopting the same accounting standards 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 control, the Group eliminates the assets and liabilities of the subsidiary, any non-controlling interests and other shareholders' equity items 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.

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 subsidiaries are included in consolidation as at 30 June 2014:

Company name	Location	Currency	Share capital	Controlling interest		Notes
				Direct	Indirect	
Salvatore Ferragamo S.p.A.	Florence, Italy	Euro	16,841,000	Parent company		
Ferragamo Retail B.V.	Nederland, 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%		

Company name	Location	Currency	Share capital	Controlling interest		Notes
				Direct	Indirect	
Ferragamo St. Thomas Inc.	U.S. Virgin Island	US Dollar	1,201,000		100%	(4)
Ferragamo Mexico S. de R.L. de C.V.	Mexico City, Mexico	Mexican Peso	4,592,700	99.73%	0.27%	(4)
Ferragamo Chile S.A.	Santiago, Chile	Chilean Peso	1,471,169,399	99%	1%	(4)
Ferragamo Argentina S.A.	Buenos Aires, Argentina	Argentine Peso	969,107	95%	5%	(4)
Ferragamo Brasil Roupas e Acessorios Ltda	Sao Paulo, Brazil	Brazilian Real	39,215,000	99%	1%	(4)
Ferragamo Hong Kong Ltd.	Hong Kong, China	Hong Kong Dollar	10,000	100%		
Ferragamo Japan KK	Tokyo, Japan	Japanese Yen	305,700,000	71%		(6)
Ferragamo Australia PTY Ltd.	Sydney, Australia	Australian Dollar	10,536,004	100%		
Ferrimag Limited	Hong Kong, China	Hong Kong Dollar	109,200,000		75%	(2)
Ferragamo Fashion Trading (Shanghai) Co. Ltd	Shanghai, China	US Dollar	200,000		75%	(3)
Ferragamo Moda (Shanghai) Co.Ltd	Shanghai, China	US Dollar	1,400,000	75%		
Ferragamo Retail HK Limited	Hong Kong, China	Hong Kong Dollar	39,000,000		75%	(3)
Ferragamo Retail Taiwan Limited	Taipei, Taiwan	New Taiwanese Dollar	136,250,000		75%	(3)
Ferragamo Retail Macau Limited	Macau, China	Macau Pataca	25,000	75.2%		
Ferragamo Retail India Private Limited	New Delhi, India	Indian Rupee	150,000,000	51%		(5)
Ferragamo Korea Limited	Seoul, South Korea	South Korean Won	3,291,200,000	80%		
Ferragamo (Singapore) Pte. Ltd.	Singapore	Singapore Dollar	4,600,000	80%		
Ferragamo (Thailand) Limited	Bangkok, Thailand	Baht	100,000,000	80%		
Ferragamo (Malaysia) Sdn Bhd	Kuala Lumpur, Malaysia	Malaysian Ringgit	1,300,000	80%		
Ferragamo Parfums S.p.A.	Florence, Italy	Euro	10,000,000	100%		

1 – Through Ferragamo USA Inc.

2 – Through Ferragamo Hong Kong Ltd.

3 – Through Ferrimag Ltd.

4 – Through Ferragamo Latin America Inc.

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

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

During the first half of 2014 the Group structure underwent no changes.

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

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

All exchange rate differences are recorded in the income statement.

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

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

	Average rates		Exchange rates at the end of the reporting period		
	30 June	30 June	30 June	31 December	30 June
	2014	2013	2014	2013	2013
US Dollar	1.3703	1.31337	1.3658	1.3791	1.3080
Swiss Franc	1.22145	1.22995	1.2156	1.2276	1.2338
Japanese Yen	140.4027	125.4592	138.4399	144.7201	129.3900
Pound Sterling	0.8213	0.8508	0.8015	0.8337	0.8572
Australian Dollar	1.4989	1.2961	1.4537	1.5423	1.4171
South Korean Won	1,438.29	1,450.22	1,382.04	1,450.94	1,494.23
Hong Kong Dollar	10.6292	10.1901	10.5858	10.6933	10.1477
Mexican Peso	17.9747	16.4982	17.7124	18.0731	17.0413
New Taiwanese Dollar	41.3777	38.9561	40.7937	41.0869	39.3378
Singapore Dollar	1.7280	1.6328	1.7047	1.7414	1.6545
Thai Baht	44.6170	39.1947	44.3230	45.1780	40.6130
Malaysian Ringgit	4.4771	4.0391	4.3856	4.5221	4.1340
Indian Rupee	83.2889	72.2776	82.2023	85.3660	77.7210
Macau Pataca	10.9389	10.4840	10.8956	10.9955	10.4460
Chinese Renminbi	8.4500	8.1285	8.4722	8.3491	8.0280
Chilean Peso	757.541	628.520	753.739	723.688	663.768
Argentine Peso	10.724	6.727	11.106	8.980	7.034
Brazilian Real	3.1499	2.6683	3.0002	3.2576	2.8899
Canadian Dollar	1.5029	1.3341	1.4589	1.4671	1.3714

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. Seasonality

The market in which the Group operates is characterized by seasonal events that are typical of the retail and wholesale sales and which can cause an uneven monthly breakdown in the sales flow and in operating costs.

Therefore, it is important to remember that income statement results for the first half of the year cannot be considered as proportional to the year as a whole. The half-year figures are affected by seasonal events also in terms of equity and financial position.

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

4. Property, plant and equipment

The following table shows the change in property, plant and equipment for the half-year period ended 30 June 2014.

(In thousands of Euro)	Value at 01.01.2014	Translation difference	Additions	Disposals	Depreciation	Reclassifications	Value at 30.06.2014
Land	18,920	384	-	-	-	-	19,304
Buildings	26,088	203	1,663	-	(1,240)	-	26,714
Plant and equipment	4,820	4	759	(15)	(893)	-	4,675
Industrial and commercial equipment	29,405	416	7,512	(234)	(4,518)	(848)	31,733
Other assets	14,917	217	3,976	(103)	(2,916)	365	16,456
Leasehold improvements	63,380	460	15,512	(247)	(9,170)	694	70,629
Fixed assets in progress and payments on account	10,868	131	16,982	(14,655)	-	-	13,326
Total	168,398	1,815	46,404	(15,254)	(18,737)	211	182,837

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, to a lesser extent, to the property owned in the USA.
- in industrial and commercial equipment refers to the opening and renovation of stores (6,634 thousand Euro) and the purchase of equipment and molds (878 thousand Euro) for the fragrances product category;
- in other assets mainly concerns furniture and furnishings (2,983 thousand Euro) and IT equipment (924 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.

The net value of reclassifications amounting to 211 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.

5. Investment property

Investment property entirely refers to buildings located in the United States that are not used for operations but produce income through rental.

The following table shows the change in investment property for the half-year period ended 30 June 2014.

(In thousands of Euro)	Value at 01.01.2014	Translation difference	Additions	Depreciation	Value at 30.06.2014
Land	4,059	39	-	-	4,098
Buildings	2,396	23	-	(140)	2,279
Total	6,455	62	-	(140)	6,377

6. Intangible assets with a finite useful life

The following table shows the changes in intangible assets with a finite useful life for the period ended 30 June 2014:

(In thousands of Euro)	Value at 01.01.2014	Translation difference	Additions	Disposals	Amortization	Reclassifications	Value at 30.06.2014
Industrial patents and use of intellectual property rights	3,074	28	668	-	(802)	6	2,974
Concessions, licenses and trademarks	1,626	-	270	-	(162)	-	1,734
Development costs	10,591	-	1,719	-	(1,670)	-	10,640
Others	9,311	263	106	(8)	(956)	-	8,716
Intangible assets with a finite useful life in progress	1,488	2	1,662	(1,901)	-	-	1,251
Total	26,090	293	4,425	(1,909)	(3,590)	6	25,315

Intangible assets with a finite useful life increased compared to 31 December 2013 mainly due to new investment in software application development costs and software license costs, net of amortization for the period.

The item "Development costs" includes the capitalization of software development costs 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.

7. Other non current assets

As at 30 June 2014 other non current assets totaled 6,041 thousand Euro, down compared to 31 December 2013 (6,271 thousand Euro) and refer for 5,491 thousand Euro to the impact relating to the straight line charging of rental income from investment property in the USA, as provided for by the relevant standards (straight lining).

The item also includes 550 thousand Euro, relating to royalty advances paid by Ferragamo Parfums S.p.A. to the owner of the Ungaro fragrances brand, as provided for by the license contract signed in November 2005 and renewed at the beginning of 2011.

8. Other non current financial assets

Other non current financial assets, totaling 11,903 thousand Euro as at 30 June 2014 (11,538 thousand Euro as at 31 December 2013), refer to guarantee deposits, mainly for existing rental contracts, and are accounted for at amortized cost.

9. Inventories

Ending inventories refer to the following categories:

(In thousands of Euro)	30 June 2014	31 December 2013	Change 2014 vs. 2013
Raw materials, accessories and consumables	56,055	61,777	(5,722)
Provision for obsolete inventory	(7,502)	(8,805)	1,303
Total raw materials, accessories and consumables	48,553	52,972	(4,419)
Finished products and goods for resale	315,601	261,558	54,043
Provision for obsolete inventory	(29,451)	(23,825)	(5,626)
Total finished products and goods for resale	286,150	237,733	48,417
Total	334,703	290,705	43,998

The decrease in raw materials depends on production volumes for the period; the provision reflects the obsolescence of raw materials (mainly leather and accessories) which are no longer suitable for the production plans.

The increase in inventories of finished products is due to a certain extent to the increase in sales volumes and the opening of new stores. The change, net of the exchange rate effect, was an increase of 33,081

thousand Euro (the positive exchange rate effect amounted to 15,336 thousand Euro and mainly refers to the US dollar and the Japanese Yen).

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

(In thousands of Euro)	Half-year period ended 30 June		Change 2014 vs. 2013
	2014	2013	
Raw materials	(1,303)	1,291	(2,594)
Finished products	5,383	1,895	3,488
Total	4,080	3,186	894

10. Trade receivables

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

(In thousands of Euro)	30 June	31 December	Change 2014 vs. 2013
	2014	2013	
Trade receivables	163,726	126,158	37,568
Provision for bad debt	(5,385)	(4,750)	(635)
Total	158,341	121,408	36,933

Trade receivables mainly refer to wholesale sales and are due for around 34,682 thousand Euro to fragrances and, for the remainder, to other product categories. They are interest-free and are generally due in 90 days or less. The related provision for bad debt is considered adequate to meet any cases of insolvency. The increase compared to 31 December 2013 is attributable to the growth in turnover, especially in the wholesale channel.

The change in the provision for bad debt in the half-year period ended 30 June 2014 was as follows:

(In thousands of Euro)	Value at 01.01.2014	Translation difference	Allocations	Uses	Value at 30.06.2014
Provision for bad debt	4,750	13	721	(99)	5,385

11. Tax receivables

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

(In thousands of Euro)	30 June	31 December	Change 2014 vs. 2013
	2014	2013	
Due from tax authorities (value added tax and other taxes)	5,261	7,675	(2,414)
Due from tax authorities for income taxes	2,400	2,335	65
Withholding taxes	8	61	(53)
Total	7,669	10,071	(2,402)

The 2,402 thousand Euro decrease in tax receivables is mainly attributable to the 2,414 thousand Euro decrease in receivables for VAT and other taxes.

12. Other current assets

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

(In thousands of Euro)	30 June	31 December	Change 2014 vs. 2013
	2014	2013	
Other receivables	13,017	14,375	(1,358)
Accrued income	6	7	(1)
Prepaid expenses	14,774	13,357	1,417
Other receivables for short-term hedge derivatives	2,428	15,034	(12,606)
Total	30,225	42,773	(12,548)

As at 30 June 2014 the item “Other receivables” mainly includes:

- advances to suppliers (2,445 thousand Euro), up 1,185 thousand Euro from 31 December 2013;
- receivables due from credit card management companies for retail sales (7,207 thousand Euro), rising 436 thousand Euro compared to 31 December 2013;
- receivables from the Holding company Ferragamo Finanziaria S.p.A. (amounting to 2,025 thousand Euro) concerning the domestic fiscal unity; they refer to the income tax (IRES) refund claim (submitted in 2012) regarding the deduction of the regional manufacturing tax (IRAP) in relation to personnel costs from 2007 to 2011.

Prepaid expenses mainly include contributions to customers for 5,531 thousand Euro, rents for 4,603 thousand Euro and insurance premiums for 1,362 thousand Euro and increased overall by 1,417 thousand Euro compared to 31 December 2013.

Other receivables for hedge derivatives amounting to 2,428 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.

13. Other current financial assets

Other current financial assets as at 30 June 2014 totaled 1,445 thousand Euro, down by 483 thousand Euro compared to 31 December 2013, and include the fair value measurement of derivatives for the non-hedge component.

14. Cash and cash equivalents

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

(In thousands of Euro)	30 June 2014	31 December 2013	Change 2014 vs. 2013
Time deposits	7,585	4,209	3,376
Bank and post office sight deposits	59,128	65,251	(6,123)
Cash and values on hand	675	848	(173)
Total	67,388	70,308	(2,920)

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.

At 30 June 2014 the Group had unused credit lines for 513,266 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 30 June 2014 and 30 June 2013 was broken down as follows:

(In thousands of Euro)	30 June 2014	30 June 2013	Change 06.14 vs. 06.13
Cash and bank sight deposits	59,803	62,518	(2,715)
Time deposits	7,585	7,082	503
Bank overdrafts	(5)	-	(5)
Total	67,383	69,600	(2,217)

15. Share capital and reserves

Here below are the main changes occurred in the Group's share capital and reserves during the first half of 2014.

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 the first half of 2014.

The cash flow hedge reserve was positive for 2,677 thousand Euro and is the result of the valuation of the financial instruments defined as cash flow hedges as at 30 June 2014, given the Parent company's hedges against exchange rate risk, and is shown net of the tax effect.

The translation reserve, negative for 23,234 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 Euro, the presentation currency of the consolidated financial statements.

Retained earnings amounting to 129,541 thousand Euro include profits/losses capitalized during the years, taking due account of consolidation adjustments, in particular unrealized profit on inventories. During the first half of 2014, said reserve was affected by the combined effect of two main 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. On the other hand, the reserve fell by 67,364 thousand Euro due to the dividends distributed by the Parent company during the first half of 2014.

The items "Other reserves" and "Effect IAS 19 Equity" for a net total of 16,371 thousand Euro include the amounts recorded for valuation differences required by the IAS/IFRS compared to the local accounting standards of Group companies, the specific reserve to service the future free share capital increase for a nominal amount of 50,000 Euro and the Stock Grant Reserve which includes the fair value at 30 June 2014 of the rights assigned to receive shares of the Parent company.

The amounts are net of the tax effects where applicable.

16. Provision 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 30.06.2014
Legal disputes	1,066	-	468	(297)	1,237
Other	4,282	37	1,140	(164)	5,295
Total	5,348	37	1,608	(461)	6,532

Legal disputes mainly refer to legal proceedings against the Parent company and some proceedings regarding foreign companies as well as labor disputes. 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 period, while allocations to the provision refer to labor disputes that have arisen during the first half of the year.

The provision for other risks includes allocations against likely future costs; the main allocation concerns future expenses for the restoration of premises leased by third parties (3,358 thousand Euro); in addition, it includes the termination allowance set aside by Salvatore Ferragamo S.p.A. and Ferragamo Parfums S.p.A. for agents operating in Italy; also the increase in the period refers mainly to these items.

17. Employee benefit liabilities

The following table shows the breakdown of employee benefits at 30 June 2014 and 31 December 2013:

(In thousands of Euro)	30 June 2014	31 December 2013	Change 2014 vs. 2013
Employee defined benefit liabilities	10,247	10,045	202
Other employee benefit liabilities	52	47	5
Total	10,299	10,092	207

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

(In thousands of Euro)	30 June 2014			31 December 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
Value at 01.01	12,694	(2,649)	10,045	13,529	(2,727)	10,802
Current Service Cost	190	-	190	546	-	546
Financial charges/(income)	177	(27)	150	322	(41)	281
Changes included in net profit/(loss) for the period	367	(27)	340	868	(41)	827
Returns on plan assets	-	35	35	-	(47)	(47)
Actuarial loss/(gain) arising from:						
- financial assumptions	302	-	302	(389)	-	(389)
- demographic assumptions	5	-	5	25	-	25
- experience-based adjustments	(137)	-	(137)	(59)	-	(59)
Translation differences	125	(92)	33	(689)	513	(176)
Changes included in other comprehensive income items	295	(57)	238	(1,112)	466	(646)
Contributions paid by the employer	-	(176)	(176)	-	(427)	(427)
Benefits paid	(277)	77	(200)	(591)	80	(511)
Other changes	(277)	(99)	(376)	(591)	(347)	(938)
Value at the end of the period	13,079	(2,832)	10,247	12,694	(2,649)	10,045

Employee defined benefit liabilities of the Group's Italian companies (the Parent company and Ferragamo Parfums S.p.A.) amounted to 8,138 thousand Euro, up by 230 thousand Euro compared to 31 December 2013. Here below are the main financial assumptions used in determining said present value:

	30 June 2014	31 December 2013
Annual rate of salary increase	3.47%	3.47%
Annual discount rate	2.25%	2.75%
Inflation rate	2.00%	2.00%

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 2,109 thousand Euro, down by 28 thousand Euro. Here below are the main financial assumptions used in determining the present value of the obligations:

	30 June 2014	31 December 2013
Annual rate of salary increase	2.0% - 6.00%	2.0% - 6.75%
Annual discount rate	0.69% - 8.50%	1.0% - 8.75%
Inflation rate	3.00%	3.00%

18. Other non current liabilities

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

(In thousands of Euro)	30 June 2014	31 December 2013	Change 2014 vs. 2013
Payables for deferred rents	38,192	37,266	926
Other payables	185	227	(42)
Tax payables	-	1,178	(1,178)
Total	38,377	38,671	(294)

Payables for deferred rents mainly refer to the straight lining of rents over the contract period for the property leased in the United States (34,324 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 residual tax payables relating to the assessment with acceptance between the Parent company and Italian tax authorities; for details

reference should be made to the section “Significant events occurred during the year” in the Directors' report on operations included in the 2012 Consolidated Annual Report.

19. Trade payables

The breakdown of trade payables was as follows:

(In thousands of Euro)	30 June 2014	31 December 2013	Change 2014 vs. 2013
Trade payables	191,190	201,873	(10,683)
Advances from customers	827	879	(52)
Total	192,017	202,752	(10,735)

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.

20. Interest-bearing loans & borrowings

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

(In thousands of Euro)	30 June 2014	31 December 2013	Change 2014 vs. 2013
Financial payables to banks	178,179	100,036	78,143
Bank overdrafts	5	16	(11)
Total	178,184	100,052	78,132

The Group's financial requirements are covered by short-term payables relating to short- and medium-term bank credit lines. 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) increased by a spread which depends on the type of credit line used. The margins applied are in line with the best market standards.

During the first half of the year the total amount relating to committed and uncommitted credit lines available to the Group was increased thanks to new credit lines and the extension of existing ones with different banks.

In more detail, financial payables to banks and the related used credit lines were as follows:

(In thousands of Euro)	Agreed 30 June 2014	Used	Agreed 31 December 2013	Used
Committed credit lines	307,572	29,550	227,403	12,509
Uncommitted credit lines	383,878	148,634	353,782	87,543
Total	691,450	178,184	581,185	100,052

Here below is the breakdown and changes in the net financial position as at 30 June 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)	30 June	31 December	Change 06.14 vs. 12.13
	2014	2013	
A. Cash	675	848	(173)
B. Other cash equivalents	66,713	69,460	(2,747)
C. Cash and cash equivalents (A)+(B)	67,388	70,308	(2,920)
Derivatives – non-hedge component	1,445	1,928	(483)
Other financial assets	-	-	-
D. Current financial receivables	1,445	1,928	(483)
E. Current bank payables	178,184	100,052	78,132
F. Derivatives – non-hedge component	512	867	(355)
G. Other current financial payables	4,133	3,915	218
H. Current financial debt (E)+(F)+(G)	182,829	104,834	77,995
I. Current financial debt, net (H)-(C)-(D)	113,996	32,598	81,398
J. Non current bank payables	-	-	-
K. Derivatives – non-hedge component	-	-	-
M. Other non current payables	-	-	-
N. Non current financial debt (J)+(K)+(M)	-	-	-
O. Net financial debt (I)+(N)	113,996	32,598	81,398

Limitations on the use of financial resources

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

Financial covenants, assessed on an annual basis, are included only in some local loan contracts of companies with minority interests, even though they are uncommitted credit lines.

21. Tax payables

As at 30 June 2014, tax payables amounted to 23,063 thousand Euro and concerned payables for income taxes pertaining to the period and other taxes due by Group companies. The increase by 662 thousand Euro recorded in the first half of the year is mainly attributable to the increase in income taxes.

22. Other current liabilities

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

(In thousands of Euro)	30 June	31 December	Change 2014 vs. 2013
	2014	2013	
Other payables	29,334	32,668	(3,334)
Payables to social security institutions	3,883	4,911	(1,028)
Accrued expenses	3,381	3,025	356
Deferred income	3,825	2,638	1,187
Other payables for hedge derivatives	2,079	230	1,849
Total	42,502	43,472	(970)

The item "Other payables" mainly includes the Group's payables to employees for amounts accrued but not yet paid at the reporting date and the payables to the Holding company Ferragamo Finanziaria S.p.A. (8,829 thousand Euro) as part of the domestic fiscal unity; in addition, it includes payables to suppliers and service providers which had not been invoiced at the reporting date. The decrease by 3,334 thousand Euro compared to 31 December 2013 is mainly due to the decrease in payables to employees.

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 period of outstanding derivatives (hedge component) signed by the Parent company to manage exchange rate risk. For further details reference should be made to note 24 below.

23. Other current financial liabilities

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

(In thousands of Euro)	30 June 2014	31 December 2013	Change 2014 vs. 2013
Short-term derivatives	512	867	(355)
Other current financial payables	4,133	3,915	218
Total	4,645	4,782	(137)

The item “Other current financial payables” as at 30 June 2014 includes:

- 722 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.
- the put option (3,411 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.

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 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 30 June 2014 and 31 December 2013.

Classification of financial instruments and presentation of their fair value

(In thousands of Euro)	Book value as at 30 June 2014		Fair Value as at 30 June 2014	Book value as at 31 December 2013		Fair Value as at 31 December 2013
	<i>Current portion</i>	<i>Non current portion</i>		<i>Current portion</i>	<i>Non current portion</i>	
FINANCIAL ASSETS						
Financial assets at fair value through profit or loss						
Derivatives – non-hedge component	1,445	-	1,445	1,928	-	1,928
Securities held for trading	-	-	-	-	-	-
Available-for-sale financial assets	-	25	25	-	25	25
Receivables and loans						
Receivables from others (M/L term)	177	550	723	264	550	805
Trade receivables	158,341	-	158,341	121,408	-	121,408
Guarantee deposits	-	11,903	11,903	-	11,538	10,910
Cash and cash equivalents	67,388	-	67,388	70,308	-	70,308
Derivatives – hedge component	2,428	-	2,428	15,034	2	15,036
Total	229,779	12,478	242,253	208,942	12,115	220,420

(In thousands of Euro)	Book value as at 30 June 2014		Fair Value as at 30 June 2014	Book value as at 31 December 2013		Fair Value as at 31 December 2013
	Current portion	Non current portion		Current portion	Non current portion	
FINANCIAL LIABILITIES						
Liabilities at amortized cost						
Trade payables and payments on account	192,017	-	192,017	202,752	-	202,752
Payables to banks and other financial payables	182,317	-	182,317	103,967	-	103,967
Financial liabilities at fair value through profit or loss						
Derivatives – non-hedge component	512	-	512	867	-	867
Derivatives – hedge component	2,079	-	2,079	230	-	230
Total	376,925	-	376,925	307,816	-	307,816

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 fair value measurement 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 from Emanuel Ungaro Italia S.r.l. of Ferragamo Parfums S.p.A. with a residual life of two years and six months, the fair value is calculated by discounting the nominal value at market IRS rates listed for individual annual maturities and interpolated to account for six-month maturities, in accordance with the discounted cash flow method. Available-for-sale financial assets are measured at cost.

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

The Group calculates non-performance risk, i.e. the risk that one of the parties may not fulfill its contractual obligations due to a possible default before the derivative expires, both in reference to counterparty risk (Credit Value Adjustment: CVA), and to its own risk (Debt Risk Adjustment: DVA), applying it to the market value of the risk-free portfolio. Taking into account the type of derivatives in the portfolio (solely currency forward contracts), the related expiry dates (not over twelve 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 all the outstanding financial assets and liabilities arising from these derivatives.

25. Management of financial risks

The Salvatore Ferragamo Group is exposed in different measure to the various financial risks related to its business, and in particular to the following types of risk:

- market risks, which can be further divided into:
 - 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 and 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 Parent company, in compliance with the goals set centrally by the Board of Directors. 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 for hedging purposes.

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, which are in any case kept within 12 months.

As at 30 June 2014 there were no outstanding interest rate risk hedge derivatives aimed at transforming floating rate debt into fixed rate debt.

Exchange rate risk

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

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

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

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

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

Ferragamo Parfums S.p.A. hedges exchange rate risk by entering into foreign currency loans or foreign currency forward contracts.

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 following table shows the changes in the cash flow hedge reserve for the six months ended 30 June 2014 and the year ended 31 December 2013:

Exchange rate risk (In thousands of Euro)	Cash flow hedge reserve	
	30 June 2014	31 December 2013
Opening balance	18,443	9,916
+ increases for recognition of new positive effectiveness	561	21,568
- decreases for recognition of new negative effectiveness	(4,293)	(2,147)
- decreases for reversal of positive effectiveness from shareholders' equity and recognition of income in profit or loss	(11,123)	(13,082)
+ increases for reversal of negative effectiveness from shareholders' equity and recognition of cost in profit or loss	104	2,188
Closing balance	3,693	18,443

The Reserve, which consists of the value changes in hedges for expected transactions in foreign currency, decreased by 14,750 thousand Euro overall during the first half of 2014, due to the depreciation of all the currencies used by the Group to hedge exchange risk. The effect directly reclassified out of the Reserve to profit or loss under revenues from sales during the first half of 2014, when the underlying cash flows materialized, was positive and amounted to 11,019 thousand Euro.

During the first six months of 2014, 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.

Liquidity risk

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

The negotiation and management of credit lines is coordinated by the Parent company with the aim of satisfying the short and medium-term needs of the individual companies according to efficiency and cost-effectiveness criteria. It is the Group's policy to sign and constantly maintain with various and diversified banks a total amount of committed credit lines that is considered consistent with the needs of the individual companies and suitable to ensure 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 ensuring the availability of an adequate level of operational flexibility for any expansion programs.

Cash surpluses are entrusted to reference banks for short-term (usually between one and three months) time deposit transactions, 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 and carefully assessing the counterparty risk. Also with the aim of minimizing this last type of risk, as well as to contain financial costs, the Group has continued to use, as in 2013, a significant part of its cash surpluses to take out intercompany loans, regulated at current market conditions, so as to reduce its net exposure to the banking sector.

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

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 39.5 percent of global turnover: the remaining turnover refers to retail sales with payment in cash or through credit and debit cards.

Credit management is entrusted to the responsibility of the individual business units, including debt collection and the handling of any disputes.

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

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

The credit risk connected to financing, investment and operating activities in derivatives to hedge the exchange rate risk is represented by the inability of the counterparty or the issuer of the instruments to meet their obligations. The Group manages this type of risk by selecting counterparties with high credit ratings and who are considered solvent by the market and with whom it has routine and ongoing trade and banking service relations and by diversifying the accounting currency of surplus cash. The Company negotiates and enters into master agreements, in accordance with the international standards (ISDA Master Agreement), with all counterparties of derivatives.

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.

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 Interim Directors' report on operations relating to the comparison between the data for the first half of 2014 and 2013.

26. Revenues

In the first half of 2014 and 2013, net revenues totaled 659,019 thousand Euro and 624,653 thousand Euro respectively, and can be broken down as shown in the following table:

(In thousands of Euro)	Half-year period ended 30 June		Change 2014 vs. 2013
	2014	2013	
Retail revenues	393,361	382,650	10,711
Wholesale revenues	255,953	231,567	24,386
Licenses and services	4,224	5,134	(910)
Rental income investment properties	5,481	5,302	179
Total	659,019	624,653	34,366

The item "Licenses and services" includes royalties deriving from the license contract with Marchon for the production and distribution of glasses and to the contract with Timex for the production and distribution of watches ("Ferragamo" brand). In the first half of 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.

27. Cost of goods sold and operating costs

Cost of goods sold and operating costs in the first half of 2014 and 2013 were 543,158 thousand Euro and 518,144 thousand Euro respectively, and were classified as follows:

(In thousands of Euro)	Half-year period ended 30 June		Change 2014 vs. 2013
	2014	2013	
Cost of goods sold	245,278	230,765	14,513
Style, product development and logistics costs	22,723	22,863	(140)
Sales & distribution costs	184,314	174,137	10,177
Marketing & communication costs	34,586	36,627	(2,041)
General and administrative costs	47,671	47,423	248
Other operating costs	8,586	6,329	2,257
Total	543,158	518,144	25,014

Costs rose by 4.8% compared to the first half of 2013, due to the growth in turnover which rose by 5.5%.

28. Breakdown by nature of income statement cost items

The breakdown by nature of income statement cost items is set out in the following table:

(In thousands of Euro)	Half-year period ended 30 June		Change 2014 vs. 2013
	2014	2013	
Raw materials, finished products and consumables used	132,075	130,580	1,495
Costs for services	288,032	270,852	17,180
Personnel costs	91,998	90,526	1,472
Amortization and depreciation	22,467	18,462	4,005
Write-downs of tangible/intangible assets	-	1,395	(1,395)
Other charges	8,586	6,329	2,257
Total	543,158	518,144	25,014

29. Other income and revenues

Other income and revenues, amounting to 4,707 thousand Euro, fell by 406 thousand Euro compared to the first half of 2013, with the ratio to total revenues remaining broadly stable (0.7% as at 30 June 2014 compared to 0.8% the same period last year).

30. Financial operations

Financial operations are broken down as follows:

(In thousands of Euro)	Half-year period ended 30 June		Change 2014 vs. 2013
	2014	2013	
Financial charges			
Interest expense - loans	1,917	1,662	255
Interest expense - other	84	84	-
Discount charges and other financial charges	922	1,036	(114)
Losses on exchange rate differences	3,853	10,565	(6,712)
Financial charges for fair value adjustment of derivatives	4,075	3,174	901
Total	10,851	16,521	(5,670)
Financial income			
Dividends from other companies	-	600	(600)
Gains on disposal of investments to third parties	-	12,524	(12,524)
Interest income	133	165	(32)
Other financial income	149	36	113
Gains on exchange rate differences	6,107	6,521	(414)
Financial income for fair value adjustment of derivatives	2,013	5,961	(3,948)
Total	8,402	25,807	(17,405)
Total financial operations	(2,449)	9,286	(11,735)

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

Interest expense mainly arises from short-term bank loans.

The item "Discount charges and other financial charges" refers mainly to bank charges, financial charges on employee benefits in relation to the measurement of defined-benefit plans pursuant to IAS 19, and discount charges.

Gains and losses on exchange rate differences arise from the Group's foreign sales, both intercompany and to third parties, in currencies other than the Euro. During the first half of 2014 net exchange rate gains amounted to 2,254 thousand Euro compared to net exchange rate losses of 4,044 thousand Euro in the first half of 2013.

31. Income taxes

The taxes recorded in the income statement were as follows:

(In thousands of Euro)	Half-year period ended 30 June		Change 2014 vs. 2013
	2014	2013	
Current taxes	(43,060)	(38,870)	(4,190)
Deferred taxes	6,958	4,761	2,197
Total	(36,102)	(34,109)	(1,993)
Tax rate	30.6%	28.2%	

Taxes were calculated using the best possible estimate at the reporting date.

Deferred tax assets and liabilities

The following table provides a breakdown of the assets and liabilities components for deferred taxes as at 30 June 2014 and 31 December 2013:

(In thousands of Euro)	30 June 2014	31 December 2013	Change 2014 vs. 2013
Deferred tax assets			
- on employee benefits	1,370	1,280	90
- on tangible assets	4,873	4,606	267
- on intangible assets	1,043	958	85
- on the cash flow hedge reserve/derivative contracts IAS 39	88	-	88
- on the valuation of inventories	10,003	8,896	1,107
- on the elimination of the profit unrealized in inventories	46,244	40,054	6,190
- on tax losses	4,127	4,336	(209)
- on taxed provisions	3,751	2,860	891
- for other temporary differences	15,266	15,547	(281)
Total deferred tax assets	86,765	78,537	8,228
Deferred tax liabilities			
- on employee benefits	(53)	(68)	15
- on tangible assets	(1,008)	(879)	(129)
- on the cash flow hedge reserve/derivative contracts IAS 39	-	(3,499)	3,499
- on the valuation of inventories	(1,507)	(1,293)	(214)
- for other temporary differences	(1,468)	(1,428)	(40)
Total deferred tax liabilities	(4,036)	(7,167)	3,131

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.

32. Earnings per share

As required by IAS 33 information is provided on the data used to calculate the basic and 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 values used to calculate the basic and diluted earnings per share.

	Half-year period ended 30 June	
	2014	2013
Net profit (loss) – shareholders of the Parent company (Euro)	78,078,087	80,884,265
Average number of ordinary shares	168,410,000	168,410,000
Basic earnings per share – ordinary shares (Euro)	0.464	0.480
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	260,436	151,986
Diluted average number of ordinary shares	168,670,436	168,561,986
Diluted earnings per share – ordinary shares (Euro)	0.463	0.480

33. 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 Remuneration Committee, during 2012 the Board of Directors approved a specific plan (the 2012 Stock Grant Plan or, in short, the Plan); for details on the aim, object and term of the plan, reference should be made to the information provided in the 2013 Consolidated Annual Report (note 35).

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 period	-
(iii) canceled in the period	-
(iv) exercised in the period	-
(v) expired in the period	-
(vi) outstanding at the end of the period	380,000
(vii) exercisable at the end of the period	-

* the average price for the period has not been indicated since it is a plan with free assignment of shares

(b) Changes to the Stock Grant Reserve in the period

	30 June 2014		31 December 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	2,089	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
- canceled in the period	-	-	60,000	171
- at the end of the period	150,000	1,363	150,000	1,052
<u>Total rights to receive shares</u> <u>(employees of the Ferragamo Group)</u>				
- at the start of the year	380,000	2,666	440,000	1,252
- canceled in the period	-	-	60,000	171
- at the end of the period	380,000	3,452	380,000	2,666

(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 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	Euro 14.544

*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.

34. 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.

For details about the agreements on minority interests, reference should be made to the 2013 Consolidated Annual Report (note 36), whereas the cumulative effects of recognized options on the Half-year report as at 30 June 2014 are described in note 23 "Other current financial liabilities".

35. Segment reporting

IFRS 8 – Operating segments requires the company to base segment information on the elements which management uses to take its operating decisions. The identification of the operating segments on the basis of internal reporting is regularly reviewed by management to allocate resources to the various segments and to analyze performance.

The Group has one single business segment, consisting in the creation, development and production of footwear, leather goods, apparel, accessories for men and women and jewelry, distributed mainly through the direct retail network, and, to a lesser extent, through franchisees and qualified resellers, and of fragrances under the "Salvatore Ferragamo" brand and, on license, the Ungaro brand, whose sales are handled by a network of selected, mainly multibrand distributors.

(In thousands of Euro)	Half-year period ended 30 June	
	2014	2013
Revenues	659,019	624,653
Gross profit	413,741	393,888
Gross profit as a percentage of revenues	62.8%	63.1%
Personnel costs	(85,502)	(84,421)
Rental costs	(82,449)	(77,466)
Amortization, depreciation and write-downs of non current assets	(22,163)	(19,574)
Communication costs	(32,278)	(33,997)
Other costs (net of other income)	(70,781)	(66,808)
Operating profit	120,568	111,622
Net financial (charges)/income	(2,449)	9,286
Profit before taxes	118,119	120,908
Income taxes	(36,102)	(34,109)
Net profit/(loss)	82,017	86,799
(In thousands of Euro)	30 June 2014	31 December 2013
Inventories	334,703	290,705
Trade receivables	158,341	121,408
Tangible assets and investment property	189,214	174,853
Intangible assets with a finite useful life	25,315	26,090
Other assets	142,628	149,215
Total assets gross of cash and cash equivalents and current financial receivables	850,201	762,271
Net financial debt	113,996	32,598
Trade payables	192,017	202,752
Other liabilities	124,809	127,151
Shareholders' equity	419,379	399,770
Total liabilities and shareholders' equity (net of cash and cash equivalents and current financial receivables)	850,201	762,271

(In thousands of Euro)	30 June 2014	30 June 2013
Other sector information		
Investment in tangible assets	31,749	20,007
Investment in intangible assets with a finite useful life	2,524	5,267

Information by geographic area

Information by geographic area is shown below: revenues are allocated to the customer's geographic area, while assets are based on their location.

30 June 2014 (In thousands of Euro)	Europe	North America	Japan	Asia Pacific	Central and South America	Consolidated
Revenues	181,665	141,657	57,760	248,928	29,009	659,019
Other sector information						
Sector assets	90,800	61,339	5,685	62,272	12,402	232,498
Investments:						
Tangible assets	11,582	5,619	585	12,700	1,263	31,749
Intangible assets with a finite useful life	2,145	66	102	211	-	2,524
30 June 2013 (In thousands of Euro)						
	Europe	North America	Japan	Asia Pacific	Central and South America	Consolidated
Revenues	166,716	134,872	58,018	240,199	24,848	624,653
Other sector information						
Sector assets	69,951	52,798	3,860	49,317	10,907	186,833
Investments:						
Tangible assets	3,939	5,257	897	6,924	2,990	20,007
Intangible assets with a finite useful life	2,258	52	27	38	2,892	5,267

36. Transactions with related parties

The following tables show the overall values of transactions with related parties in the first half of 2014 and 2013:

(In thousands of Euro)	Half-year period ended 30 June 2014			30 June 2014		
	Revenues	Operating costs (net of other income)	Trade receivables	Other assets	Trade payables	Other current liabilities
Company with significant influence on the Group:						
Ferragamo Finanziaria S.p.A. (company which exercises management and coordination)	-	(10)	-	2,025	(5)	(8,829)
Related companies (subject to joint control)						
Palazzo Feroni Finanziaria S.p.A.	8	(3,591)	15	70	(101)	-
Lungarno Alberghi S.r.l.	102	(329)	67	-	(12)	-
Fondazione Ferragamo	2	(100)	-	-	(60)	-
Companies connected to members of the Board of Directors						
Bacco S.r.l.	-	(1)	-	-	-	-
Il Borro S.r.l.	5	(2)	7	-	-	-
Osteria del Borro S.r.l.	-	(2)	-	-	-	-
Nautor Holding S.r.l.	14	-	17	-	-	-
Castiglion del Bosco S.a.r.l.	-	(2)	-	-	(1)	-
Castiglion del Bosco Hotel S.r.l.	6	-	-	-	-	-
Rubino S.r.l.	-	(62)	-	15	(3)	-
Arpa S.r.l.	7	(10)	9	-	(4)	-
Resort Baia Scarlino S.r.l.	1	-	2	-	-	-
Marchesi Antinori S.r.l.	10	-	13	-	-	-
Imaginex Management Co. Ltd.	19	(194)	-	-	(43)	(24)
Wharf T&T Ltd.	-	(7)	-	-	-	-
Times Square Ltd.	-	(724)	-	-	-	-
Wharf Realty Ltd.	-	(3,459)	-	-	-	-
Imaginex Beauty Ltd.	-	-	-	-	-	(1)
LongJin Zonghe Kaifa (Chengdu) LTD	917	(29)	577	499	(35)	-
Dalian Times Square Commercial Co.ltd	-	(482)	-	274	-	-
Shanghai Wheelock square Development Co. Ltd.	-	(262)	-	142	-	-
Shanghai Harriman Property Management Co. Ltd.	-	(38)	-	13	-	-
Shanghai Longxing Property Development Co. Ltd.	-	(558)	-	345	-	-
Shanghai Times Square Property Management (Shanghai) Co. Ltd.	-	(37)	-	5	-	-
Other related parties						
Wanda Miletta Ferragamo	-	(112)	1	-	-	-
Massimo Ferragamo	-	(55)	-	-	(19)	-
Giacomo Ferragamo	-	(267)	-	-	-	(62)
Giuseppe Visconti	-	9	10	-	-	-
Angelica Visconti	-	(92)	-	-	-	(21)
Managers with strategic responsibilities						
Managers with strategic responsibilities*	-	(1,897)	-	-	-	(1,739)
Total	1,091	(12,313)	718	3,388	(283)	(10,676)
Group total	659,019	(293,173)	158,341	42,128	(192,017)	(42,502)
% ratio	0.2%	4.2%	0.5%	8.0%	0.1%	25.1%

*Including pay and other fees of the Managing Director and the notional cost (fair value) relating to the Stock Grant Plan.

(In thousands of Euro)	Half-year period ended 30 June 2013		30 June 2013			
	Revenues	Operating costs (net of other income)	Trade receivables	Other assets	Trade payables	Other current liabilities
Company with significant influence on the Group:						
Ferragamo Finanziaria S.p.A. (company which exercises management and coordination)	-	-	-	2,025	-	(7,255)
Related companies (subject to joint control)						
Palazzo Feroni Finanziaria S.p.A.	21	(3,143)	16	45	(79)	-
Lungarno Alberghi S.r.l.	55	(320)	21	-	(3)	-
Companies connected to members of the Board of Directors						
Bacco S.r.l.	-	(1)	-	-	-	-
Il Borro S.r.l.	6	-	7	-	-	-
Nautor Holding S.r.l.	-	-	1	-	-	-
Castiglion del Bosco sarl	4	10	-	-	-	-
Castiglion del Bosco srl	-	(1)	-	-	-	-
Castiglion del Bosco Hotel S.r.l.	7	-	8	-	-	-
Rubino S.r.l.	-	(76)	-	-	(2)	-
Arpa S.r.l.	1	(16)	4	-	(4)	-
Fondazione Ferragamo	2	(35)	-	-	(42)	-
Multiproject S.r.l.	-	(1)	-	-	-	-
Le Rose S.r.l.	1	-	1	-	-	-
Imaginex Management Co. Ltd	6	(177)	-	-	(27)	(95)
Wharf T&T Ltd.	-	(8)	-	-	-	-
Times Square Ltd.	-	(750)	-	-	-	-
Wharf Realty Ltd.	-	(2,724)	-	-	-	-
Wheelock Travel Ltd.	-	(4)	-	-	-	-
Imaginex Beauty Ltd.	-	-	-	-	-	(1)
Xiamen Dongfang Hotel Co., Ltd	1,363	(172)	-	20	-	-
Shanghai Wheelock square Development Co. Ltd	-	(161)	-	100	-	-
Shanghai Harriman Property Management Co. Ltd	-	(40)	-	11	-	-
Shanghai Longxing Property Development Co. Ltd.	-	-	-	77	-	-
Shanghai Times Square Property Management (Shanghai) Co. Ltd.	-	-	-	5	-	-
Other related parties						
Wanda Miletti Ferragamo	-	(111)	1	-	-	(70)
Massimo Ferragamo	-	(57)	-	-	-	-
Giacomo Ferragamo	-	(275)	-	-	-	(60)
Angelica Visconti	-	(91)	-	-	-	(20)
Managers with strategic responsibilities						
Managers with strategic responsibilities*	-	(3,213)	-	-	-	(897)
Total	1,466	(11,366)	59	2,283	(157)	(8,398)
Group total	624,653	(282,266)	140,627	50,335	(187,598)	(41,781)
% ratio	0.2%	4.0%	0.0%	4.5%	0.1%	20.1%

*Including pay and other fees of the Managing Director 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:

Company with significant influence on the Group

Ferragamo Finanziaria S.p.A.

Payables refer to items regarding the domestic fiscal unity involving the Parent company Salvatore Ferragamo S.p.A. together with Ferragamo Finanziaria S.p.A. (the consolidating company) and Ferragamo Parfums S.p.A.. Receivables refer to the income tax (IRES) refund claim submitted in 2012 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 and trade payables refer to rents for land to be used as a parking area at the Osmannoro-Sesto Fiorentino facility.

Related companies (subject to joint control)

These transactions mainly refer to trade transactions that affected revenues, operating costs, and trade receivables and payables. They include mainly:

- sale of products;
- property rental costs
- rendering of services

In particular, the following transactions should be noted:

Palazzo Feroni Finanziaria S.p.A.

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

Lungarno Alberghi S.r.l.

Revenues (and the related accounts receivable balances) refer to product sales; payables and costs refer largely to rents for the premises used as stores in the Italian chain.

Companies connected to members of the Board of Directors

These transactions mainly refer to trade transactions that affected revenues, operating costs, and trade receivables and payables. They include mainly:

- sale of products;
- property rental costs
- rendering of services

In particular, the following transactions should be noted:

Times Square Ltd.

Costs refer to rents for premises for a store in Hong Kong.

Wharf Realty Ltd.

Costs refer mainly to rents for premises for a store in Hong Kong.

LongJin Zonghe Kaifa (Chengdu) LTD

Revenues (and the related accounts receivable balances) refer to product sales; costs refer to rents for the premises of a store in Greater China, while 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, while 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

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..

Massimo Ferragamo

Costs and trade payables refer to a 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.

Giuseppe Visconti

Receivables and other income and revenues refer to 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:

Full name	Role
Michele Norsa	General Manager and Managing Director
Ernesto Greco	General Manager of Administration, Finance, Control and Information Systems
Massimo Barzaghi	Deputy General Manager of Market Coordination and Supply Chain Manager
Sofia Ciucchi	Deputy General Manager of the Product Department and Human Resources Manager

Costs and payables refer to the cost incurred by the Group in relation to the employment relationship, including the variable bonuses and in the case of the Managing Director Michele Norsa, also refer to the amount due as Managing Director, including the variable pay.

Total costs amounted to 1,897 thousand Euro and refer to wages for employees and fees for directors (1,711 thousand Euro) and Stock Grant Plan costs (186 thousand Euro).

Fees paid to Directors and Statutory Auditors

In the first half of 2014 the fees paid to Directors, including the variable bonuses due to the Chairman and the Managing Director, and those paid to the Board of Statutory Auditors of Salvatore Ferragamo S.p.A. (also in relation to activities undertaken for the Group subsidiaries) totaled 1,537 thousand Euro (2,776 thousand Euro in the first half of 2013) and 80 thousand Euro (80 thousand Euro in the first half of 2013) respectively.

37. 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.

Moreover, in the first half of 2014 other Group companies paid third-party shareholders dividends amounting to 1,766 thousand Euro.

38. Commitments and risks

The breakdown of the risks and commitments is as follows:

(In thousands of Euro)	30 June 2014	31 December 2013
Sureties provided by third parties in the interests of Group companies	7,714	7,659
Guarantees provided by third parties in the interests of Group companies	2,226	2,146
Guarantees provided by Group companies in the interests of third parties	70,379	80,450
Total	80,319	90,255

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 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 4,393 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.

39. Significant events occurred after 30 June 2014

No significant events occurred after 30 June 2014.

40. Significant non-recurring events and transactions

During the first half of 2014, the Ferragamo Group did not carry out significant non-recurring transactions.

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.

Statement pursuant to art. 154 bis of Legislative Decree no. 58/98 (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 condensed half-year financial statements for the first half of 2014.

2. The adequacy of the administrative and accounting procedures for the preparation of the condensed half-year financial statements as at 30 June 2014 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 condensed half-year financial statements as at 30 June 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 in particular IAS 34 – Interim Financial Reporting;
- b. correspond with accounting books and records;
- c. are suitable to provide a true and fair representation of the equity, income and financial position of the Parent company and of the group of companies included in the consolidation area.

3.2 The Interim Directors’ report on operations includes a reliable analysis of the significant events occurred during the first six months of the year and of their impact on the condensed half-year financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The Interim Directors’ report on operations also includes a reliable analysis of the information on significant transactions with related parties.

28 August 2014

Managing Director
Michele Norsa

Manager responsible for corporate financial reporting
Ernesto Greco



Reconta Ernst & Young S.p.A.
Piazza della Libertà, 9
50129 Firenze

Tel: +39 055 552451
Fax: +39 055 5524850
ey.com

Auditors' review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

To the Shareholders of
Salvatore Ferragamo S.p.A.

1. We have reviewed the interim condensed consolidated financial statements, 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 of Salvatore Ferragamo S.p.A. and its subsidiaries (the "Salvatore Ferragamo Group") as of June 30, 2014. Directors of Salvatore Ferragamo S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.
2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on March 26, 2014 and on August 29, 2013, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of the Salvatore Ferragamo Group as of June 30, 2014 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Florence, August 28, 2014

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

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.IVA 00891231003
Iscritta all'Albo Revisori Contabili al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n. 10831 del 16/7/1997
A member firm of Ernst & Young Global Limited