

Salvatore Ferragamo

Salvatore Ferragamo Group

Interim report as at 30 September 2016

Salvatore Ferragamo S.p.A.

Florence

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

General information

Registered office of the Parent company

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

Legal information about the Parent company

Authorized share capital 16,939,000 Euro
Subscribed and paid-up share capital 16,879,000 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.ferragamo.com

Corporate boards

Honorary Chairman (1)	Wanda Miletti Ferragamo	
Board of Directors (1)	Ferruccio Ferragamo (4) Eraldo Poletto (4)(8) Giovanna Ferragamo (5) Fulvia Ferragamo (5) Leonardo Ferragamo (5) Francesco Caretti (5) Diego Paternò Castello di San Giuliano (5) Peter Woo Kwong Ching (5) Piero Antinori (5) Umberto Tombari (5)(6) Marzio Saà (5)(6) Chiara Ambrosetti (5)(6) Lidia Fiori (5)(6)	Chairman Managing Director Deputy Chairman
Risk and Control Committee	Marzio Saà Umberto Tombari Chiara Ambrosetti	Chairman
Nomination and Remuneration Committee	Umberto Tombari Marzio Saà Lidia Fiori	Chairman
Product and Brand Strategy Committee	Ferruccio Ferragamo Eraldo Poletto Fulvia Ferragamo Leonardo Ferragamo	Chairman
Board of Statutory Auditors (2)	Fulvio Favini Gerolamo Gavazzi Daccò Alessandra Lorenzo Galeotti Flori Deborah Sessorossi	Chairman Acting Statutory Auditor Acting Statutory Auditor Substitute Statutory Auditor Substitute Statutory Auditor
Independent Auditors (3)	EY S.p.A.	
Manager charged with preparing Company's Financial Reports (7)	Marco Fortini	

(1) Appointed by the Shareholders' Meeting on 24 April 2015 and serving for the 2015-2017 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 (formerly Reconta Ernst&Young S.p.A., referred to as EY S.p.A. as from 30 June 2016)

(4) Executive director

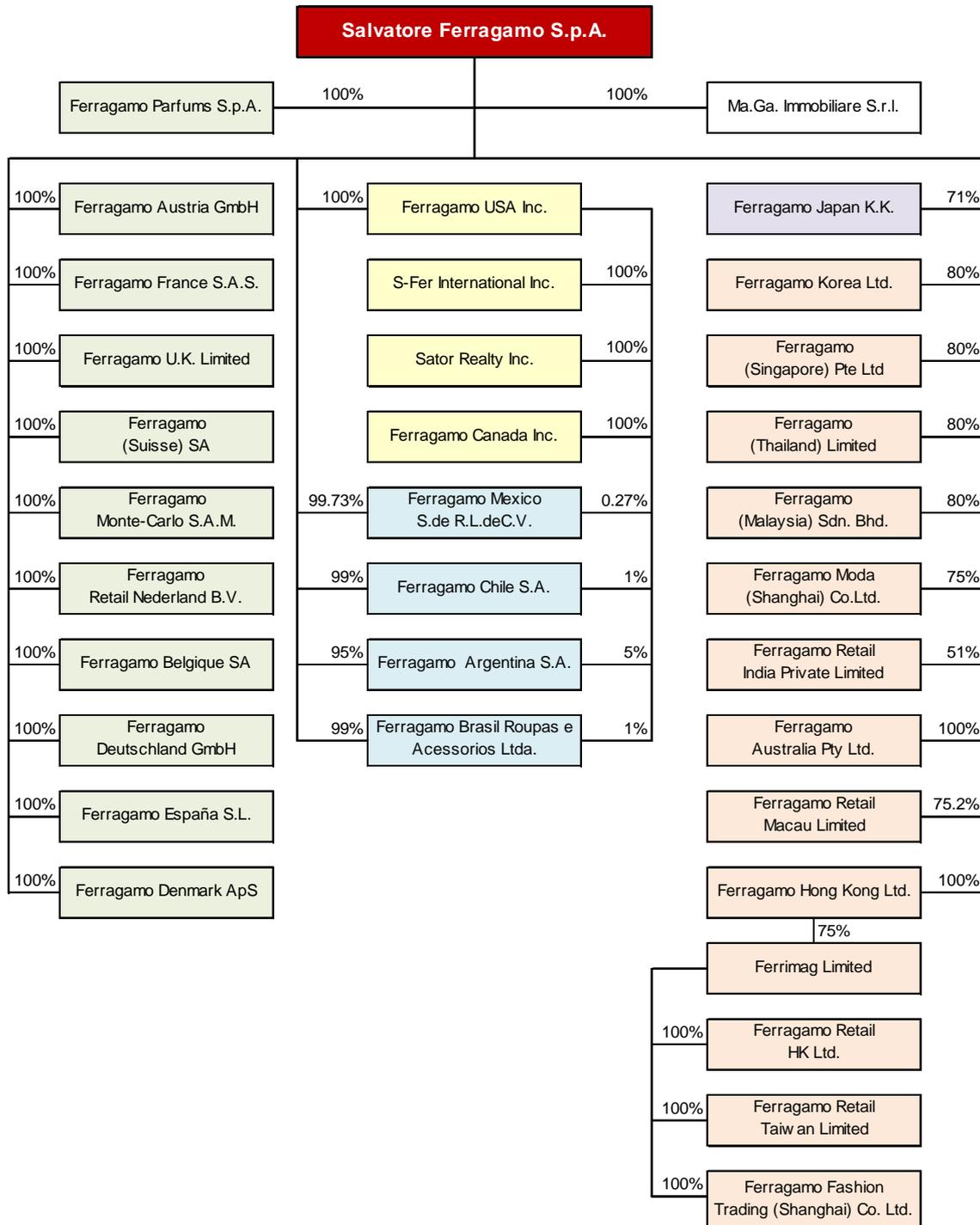
(5) Non-executive director

(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 16 December 2015

(8) Appointed by the Board of Directors on 2 August 2016 by means of co-optation and in office from 3 August 2016 until the next Shareholders' Meeting.

Group structure



Notes

- European companies
- North America companies
- Centre and South America companies
- Asia Pacific companies
- Japanies companies

Interim Directors' report on operations

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

Official price as at 30 September 2016 in Euro	22.3646
Stock Market capitalization as at 30 September 2016 in Euro	3,774,920,834
Number of shares making up the share capital as at 30 September 2016	168,790,000
Number of outstanding shares (free float)	43,121,440

Here below is the trend in Salvatore Ferragamo's share price during the first nine months of 2016.



Alternative performance measures

In order to better assess its performance, the Salvatore Ferragamo Group makes use of some alternative performance measures which are not identified as accounting measures under IFRS. Therefore, the determination criterion applied by the Group may differ from that adopted by other groups, and the balance may not be comparable. These alternative performance measures, determined in accordance with the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 and adopted by CONSOB with communication no. 92543 of 3 December 2015, refer exclusively to the performance for the reporting period of this Interim report as well as the comparative periods, and not to the Group's expected performance.

The definitions of the alternative performance measures adopted in the Interim report are provided below:

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

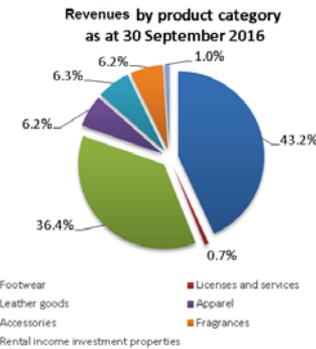
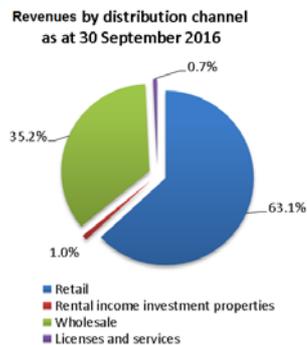
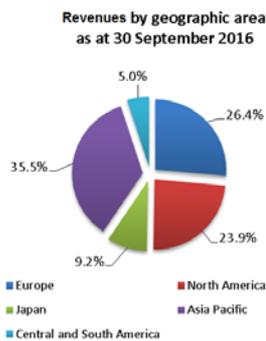
Net working capital: it is calculated as *Inventories plus Trade receivables, net of Trade payables*.

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

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

Income and financial highlights for the first nine months of 2016

(In millions of Euro)	Period ended 30 September			% change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Revenues	1,013.9	1,021.0	956.6	(0.7%)	6.7%
Gross profit	679.5	672.1	603.4	1.1%	11.4%
Gross profit %	67.0%	65.8%	63.1%		
EBITDA	216.1	217.6	203.2	(0.7%)	7.1%
EBITDA %	21.3%	21.3%	21.2%		
Operating profit	170.0	173.6	168.8	(2.1%)	2.9%
Operating profit %	16.8%	17.0%	17.6%		
Net profit/(loss) for the period	110.1	113.4	113.8	(3.0%)	(0.3%)
Net profit/(loss) – Group	112.5	112.3	109.5	0.2%	2.5%
Net profit/(loss) – minority interests	(2.4)	1.2	4.3	n.a.	(72.7%)

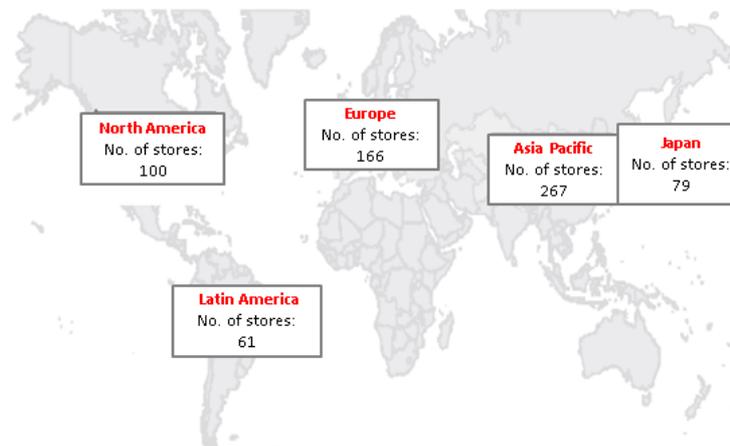


(In millions of Euro)	30 September 2016	31 December 2015	30 September 2015
Investments in tangible/intangible assets	46.2	80.0	56.2
Net working capital	350.5	316.9	293.6
Shareholders' equity	641.5	608.7	535.9
Net financial debt	18.2	9.8	38.3
Cash flow generated from operating activities*	118.4	197.5	144.0

*To ensure a better understanding, the changes in guarantee deposits (formerly shown in the cash flow from investing activities) have been included in the cash flow from operating activities, adjusting comparative data as at 30 September 2015 accordingly.

	30 September 2016	31 December 2015	30 September 2015
Staff as at the reporting date	3,990	4,033	3,941
Number of DOS	396	391	384
Number of TPOS	277	271	265

Geographical distribution of monobrand stores (30 September 2016)



673 Ferragamo monobrand stores

Disclaimer

This document contains forward-looking statements, in particular in the sections headed “Outlook” and “Significant events occurred after 30 September 2016”, 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. 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

In accordance with the new Transparency directive, Italian Legislative Decree no. 25 of 15 February 2016 removed the requirement to publish quarterly interim reports. However, the Salvatore Ferragamo Group has decided to continue preparing quarterly interim reports on a voluntary basis. The Group reserves the option to change its decision in the upcoming months, also based on the evolution of industry practices and regulations.

This Interim report has not been subject to audit.

The market in which the Salvatore Ferragamo Group operates is characterized by seasonal events that are typical of the retail and wholesale sales and which determine 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 nine months of the year cannot be considered as proportional to the year as a whole. The figures are affected by seasonal events also in terms of equity and financial position.

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

This Interim report must be read together with the Annual Report as at 31 December 2015, which provides full details on the issues addressed.

The Salvatore Ferragamo Group's activities

The Salvatore Ferragamo 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 Salvatore 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 specialty stores.

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

Effect of exchange rate changes on operations

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

After the shock of the UK referendum result, global financial markets held relatively steady, and most asset classes erased their losses. On the forex market, the US Dollar at first appreciated significantly against other currencies, but then fell back down. How the various exchange rates will eventually adjust will largely depend on the US Federal Reserve and the other major central banks. The US interest rate path is more gradual than expected, and is apparently limiting the upside potential for the US dollar – while the considerable uncertainty about the world economy prevents the greenback from sliding.

In recent months, the Euro has been moving largely sideways: after hitting a low of nearly 1.08 at the beginning of the year and a high of 1.16 in April, recently the EUR/USD exchange rate has been trading between 1.09 and 1.14. Many had been anticipating a fall in the Japanese Yen, but the currency has confounded expectations quarter after quarter. The USD/JPY exchange rate has broken the important psychological threshold of 100 to the downside, while the EUR/JPY exchange rate moved from a peak slightly above 130 at the start of 2016 to a low of 110 in June and July – a nearly 18% rise for the Yen. Risk aversion and speculation contributed to keeping the Japanese currency overvalued relative to economic fundamentals: rightly or wrongly, the market considers it a

safe-haven asset. Meanwhile, the Chinese Renminbi has held relatively steady against the US dollar: the USD/CNY exchange rate hit a low near 6.45 in March and a high of approximately 6.70 in mid-July. Through its communication and actions, the PBOC continues opposing a sharp depreciation in the Chinese currency. The inclusion of the Yuan in the International Monetary Fund's Special Drawing Rights Basket effective 1 October 2016 should mark another step forward towards its internationalization and free float. As the US dollar appreciated, in the third quarter the Euro weakened against the currencies of the main emerging markets and commodity-exporting countries.

Operating performance

In the first nine months of 2016, both sales volumes and profit margins were unchanged compared with the prior-year period due to the macroeconomic scenario and significant socio-political tensions. Net financial debt decreased by 20.1 million Euro, from 38.3 million Euro as at 30 September 2015 to 18.2 million Euro as at 30 September 2016. Consolidated net revenues amounted to 1,013.9 million Euro, down by 0.7% year-on-year. EBITDA totaled 216.1 million Euro, down by 0.7%, and held steady at 21.3% as a percentage of revenues. Operating profit fell by 2.1% to 170.0 million Euro, and amounted to 16.8% as a percentage of revenues compared to 17.0% in the prior-year period. Net profit for the period totaled 110.1 million Euro, down by 3.0% year-on-year. Group net profit was stable at 112.5 million Euro (112.3 million Euro as at 30 September 2015). Although they were stable year-on-year, these results are remarkable when considering the extremely competitive market conditions and the impact of a macroeconomic scenario in which, contrary to all expectations, growth remains muted. In addition, some geographic areas that are key for the luxury industry were severely affected by multiple terrorist attacks, which stifled both the domestic market and tourism flows. In addition, the uncertainty associated with Brexit, the slump in commodity prices – that has hit emerging markets particularly hard – China's slowdown, and Hong Kong's predicament further complicated the business scenario. The following table shows the main income statement data.

(In thousands of Euro)	Period ended 30 September				
	2016	% of revenues	2015	% of revenues	% change
Revenues	1,013,870	100.0%	1,021,033	100.0%	(0.7%)
Gross profit	679,476	67.0%	672,098	65.8%	1.1%
Style, product development and logistics costs	(31,999)	(3.2%)	(31,717)	(3.1%)	0.9%
Sales & distribution costs	(336,498)	(33.2%)	(332,533)	(32.6%)	1.2%
Marketing & communication costs	(51,969)	(5.1%)	(50,678)	(5.0%)	2.5%
General and administrative costs	(83,088)	(8.2%)	(78,391)	(7.7%)	6.0%
Other operating costs	(15,203)	(1.5%)	(14,249)	(1.4%)	6.7%
Other income and revenues	9,293	0.9%	9,080	0.9%	2.3%
Total operating costs (net of other income)	(509,464)	(50.2%)	(498,488)	(48.8%)	2.2%
Operating profit	170,012	16.8%	173,610	17.0%	(2.1%)
Net financial income and charges	(12,132)	(1.2%)	(9,244)	(0.9%)	31.2%
Profit before taxes	157,880	15.6%	164,366	16.1%	(3.9%)
Income taxes	(47,796)	(4.7%)	(50,927)	(5.0%)	(6.1%)
Net profit/(loss) for the period	110,084	10.9%	113,439	11.1%	(3.0%)
Net profit/(loss) – Group	112,457	11.1%	112,265	11.0%	0.2%
Net profit/(loss) – minority interests	(2,373)	(0.2%)	1,174	0.1%	n.a.
Amortization, depreciation and write-downs of tangible/intangible assets	46,056	4.5%	44,003	4.3%	4.7%
EBITDA	216,068	21.3%	217,613	21.3%	(0.7%)

Revenues in the first nine months of 2016 totaled 1,013,870 thousand Euro, compared to 1,021,033 thousand Euro in the first nine months of 2015, slightly down by 0.7%. The three main currencies other than the Euro in which the Group generates most of its revenues, i.e. the US dollar, the Chinese Renminbi, and the Japanese Yen, performed as follows in the first nine months of 2016 compared to the same period last year: the US dollar was largely stable ⁽¹⁾, the Japanese Yen appreciated by 10.3%⁽²⁾, and the Chinese Renminbi depreciated by 5.5%⁽³⁾ against the Euro, the currency in which the figures in the consolidated financial statements are expressed. Revenues declined by 4.0% at constant exchange rates (applying to the revenues – not inclusive of the hedging effect – of the first nine months of 2015 the average exchange rate of the first nine months of 2016); in particular, they decreased by 4.8% in Europe, 3.9% in North America, 9.1% in Japan, and 4.1% in Asia Pacific, while they significantly improved in Central and South America (12.8%). Asia Pacific contributed the most to Group revenues with 35.5%, followed by Europe (26.4%), North America (23.9%), Japan (9.2%), and Central

¹ With reference to the average Euro/Usd exchange rate for the first nine months: 2016: 1.116; 2015: 1.114

² With reference to the average Euro/Yen exchange rate for the first nine months: 2016: 120.95; 2015: 134.78

³ With reference to the average Euro/Cny exchange rate for the first nine months: 2016: 7.347; 2015: 6.964

and South America (5.0%). With reference to the third quarter of 2016 only, revenues amounted to 303,707 thousand Euro, up by 1.7% at current exchange rates compared to the prior-year quarter (-6.2% at constant exchange rates).

Gross profit for the period ended 30 September 2016 amounted to 679,476 thousand Euro (accounting for 67.0% of revenues), up compared to the period ended 30 September 2015, when it amounted to 672,098 thousand Euro (accounting for 65.8% of revenues). In the third quarter of 2016 alone, gross profit was 203,927 thousand Euro, up by 3.6% compared to the prior-year period and with a ratio to revenues of 67.1% compared to 65.9% in the third quarter of 2015.

Total operating costs (net of other income) for the first nine months of 2016 amounted to 509,464 thousand Euro, up by 2.2% compared to the first nine months of 2015. In the third quarter of 2016 alone, total net operating costs, including those associated with management and organizational changes, amounted to 169,411 thousand Euro, up by 6.7% compared to the third quarter of 2015 (158,807 thousand Euro) and from 53.2% to 55.8% as a percentage of revenues.

EBITDA fell from 217,613 thousand Euro to 216,068 thousand Euro (-0.7%): the increase in gross profit was offset by rising operating costs. As a percentage of revenues, it was flat at 21.3%. In the third quarter of 2016 alone, EBITDA totaled 49,943 thousand Euro, down 5.7% from 52,972 thousand Euro in the third quarter of 2015 and from 17.7% to 16.4% as a percentage of revenues.

Gross profit for the period ended 30 September 2016 was 170,012 thousand Euro, compared to 173,610 thousand Euro in the prior-year period, down by 2.1%. As a percentage of revenues, it amounted to 16.8%, compared to 17.0% in the prior-year period. The decline was attributable to the higher depreciation and amortization expense recognized in the first nine months of 2016 (+4.7%). In the third quarter of 2016 alone, operating profit totaled 34,516 thousand Euro, compared to 38,059 thousand Euro in the third quarter of 2015 (-9.3%), and accounted for 11.4% of revenues, down from 12.7%.

Net financial income and charges went from net charges of 9,244 thousand Euro in the first nine months of 2015 to net charges of 12,132 thousand Euro in the first nine months of 2016.

(In thousands of Euro)	Period ended 30 September		
	2016	2015	% change
Net interest	(3,291)	(3,810)	(13.6%)
Other net income/(charges)	(1,729)	(1,633)	5.9%
Net gains/(losses) on exchange rate differences	(1,344)	3,954	(134.0%)
Net financial income/(charges) for fair value adjustment of derivatives	(5,768)	(7,756)	(25.6%)
Gains/(losses) on disposal of investments	-	1	n.a.
Total	(12,132)	(9,244)	31.2%

Net gains and losses on exchange rate differences mainly reflect the impact of commercial transactions in foreign currency and went from net gains of 3,954 thousand Euro in the first nine months of 2015 to net losses of 1,344 thousand Euro. Changes in net gains and losses should be correlated with the item "Net financial income/(charges) for fair value adjustment of derivatives", which 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. In the third quarter of 2016, the Group posted 4,321 thousand Euro in net financial charges, compared to 3,557 thousand Euro in net charges in the prior-year period. The change was largely the result of net exchange differences and net financial income/(charges) for the fair value adjustment of derivatives.

Income taxes

(In thousands of Euro)	Period ended 30 September		
	2016	2015	% change
Profit before taxes	157,880	164,366	(3.9%)
Income taxes	(47,796)	(50,927)	(6.1%)
Tax rate	30.3%	31.0%	

The estimated effective tax rate for the first nine months of 2016 (the best estimate of the annual tax rate expected for the whole year) was 30.3%, compared to 31.0% in the prior-year period.

In the first nine months of 2016, the Salvatore Ferragamo Group reported 110,084 thousand Euro in **net profit**, compared to 113,439 thousand Euro in the prior-year period. The Group share of net profit amounted to 112,457 thousand Euro, broadly unchanged compared to 112,265 thousand Euro in the prior-year period. With reference to the third quarter of 2016 alone, net profit totaled 19,962 thousand Euro, compared to 23,600 thousand Euro in the third quarter of 2015 (-15.4%). Group net profit amounted to 22,243 thousand Euro compared to 24,112 thousand Euro in the third quarter of 2015, down by 7.8%.

Revenues

The following table shows revenues by **geographic area** for the periods ended 30 September 2016 and 30 September 2015 and the relevant percentage changes:

(In thousands of Euro)	Period ended 30 September					at constant exchange rates
	2016	% of revenues	2015	% of revenues	% change	% change
Europe	267,686	26.4%	281,668	27.6%	(5.0%)	(4.8%)
North America	242,181	23.9%	234,702	23.0%	3.2%	(3.9%)
Japan	92,833	9.2%	94,331	9.2%	(1.6%)	(9.1%)
Asia Pacific	360,035	35.5%	360,962	35.4%	(0.3%)	(4.1%)
Central and South America	51,135	5.0%	49,370	4.8%	3.6%	12.8%
Total	1,013,870	100.0%	1,021,033	100.0%	(0.7%)	(4.0%)

In Europe, which is severely affected by persistently weak economic growth as well as geopolitical events, revenues fell by 5.0% at current exchange rates and by 4.8% at constant exchange rates. Specifically, the retail channel was down by 9.4% at current exchange rates.

In North America, revenues rose by 3.2% at current exchange rates, driven by the retail channel (+11.4% at current exchange rates, +3.0% at constant exchange rates), but they declined by 3.9% at constant exchange rates.

In Japan, revenues decreased by 1.6% at current exchange rates (-9.1% at constant exchange rates).

In the Asia-Pacific region, revenues were essentially unchanged compared with the first nine months of 2015 (-0.3% at current exchange rates and -4.1% at constant exchange rates). The significant decline in sales in Hong Kong weighed on the result. However, in the third quarter of 2016 alone, revenues were up by 9.5% at current exchange rates and down by 3.3% at constant exchange rates.

The Central and South American market saw a significant increase in revenues – up by 3.6% at current exchange rates and 12.8% at constant exchange rates, and from 4.8% to 5.0% as a percentage of total revenues, mainly thanks to the strong performance of the Mexican market.

The breakdown of revenues by **distribution channel** was as follows:

(In thousands of Euro)	Period ended 30 September					at constant exchange rates
	2016	% of revenues	2015	% of revenues	% change	% change
Retail	639,995	63.1%	631,695	61.9%	1.3%	(2.1%)
Wholesale	356,380	35.2%	371,462	36.4%	(4.1%)	(7.3%)
Licenses and services	7,843	0.7%	8,216	0.8%	(4.5%)	(4.5%)
Rental income investment properties	9,652	1.0%	9,660	0.9%	(0.1%)	0.1%
Total	1,013,870	100.0%	1,021,033	100.0%	(0.7%)	(4.0%)

Retail sales refer to revenues generated by sales in directly operated Ferragamo brand stores (DOS).

Wholesale sales are targeted mainly at retailers and, to a lesser extent, distributors. Wholesale customers consist of:

- franchisees, which ensure the presence in markets that 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);
- specific operators in the fragrances sector;
- department stores and luxury specialist retailers, in order to strengthen the presence in countries where the Salvatore Ferragamo Group has its own network of directly operated stores; the business in the United States is of particular importance.

In the first nine months of 2016, retail sales rose by 1.3% at current exchange rates (-2.1% at constant exchange rates and -6.3% on a like-for-like basis) thanks to the strong performance in North America (up by 11.4% at current exchange rates and by 3.0% at constant exchange rates) as well as in Central and South America (up by 8.9% at current exchange rates and by 23.5% at constant exchange rates).

As at 30 September 2016, the number of directly operated stores (DOS) increased by 5 units compared to the situation as at 31 December 2015. There was a net increase in the number of directly operated stores of 12 units compared with 30 September 2015.

Wholesale sales were down by 4.1% at current exchange rates and by 7.3% at constant exchange rates. Specifically, they declined by 1.1% at current exchange rates (-0.9% at constant exchange rates) in Europe and by 7.7% at current exchange rates (-13.8% at constant exchange rates) in North America.

In the first nine months of 2016, revenues from licenses and services decreased by 4.5% (at both current and constant exchange rates); this item mainly refers to revenues from royalties concerning the licensing of the Salvatore Ferragamo brand to the Marchon group in the eyewear industry and the Timex group in the watch industry. The decrease was largely attributable to revenues from services.

Revenues from rental income investment properties refer exclusively to property located in the United States and leased/sub-leased to third parties. They were essentially flat year-on-year.

The following table shows the breakdown of revenues by **product category** in the periods ended 30 September 2016 and 2015, indicating the relevant percentage of total revenues:

(In thousands of Euro)	Period ended 30 September					at constant
	2016	% of revenues	2015	% of revenues	% change	exchange rates % change
Footwear	437,836	43.2%	433,667	42.5%	1.0%	(2.7%)
Leather goods	369,684	36.4%	374,090	36.7%	(1.2%)	(4.7%)
Apparel	62,397	6.2%	64,533	6.3%	(3.3%)	(7.0%)
Accessories	63,753	6.3%	66,171	6.5%	(3.7%)	(7.0%)
Fragrances	62,705	6.2%	64,696	6.3%	(3.1%)	(3.0%)
Licenses and services	7,843	0.7%	8,216	0.8%	(4.5%)	(4.5%)
Rental income investment properties	9,652	1.0%	9,660	0.9%	(0.1%)	0.1%
Total	1,013,870	100.0%	1,021,033	100.0%	(0.7%)	(4.0%)

Statement of financial position and Investments

Here below is the statement of financial position as at 30 September 2016 reclassified by sources and uses, compared to the position as at 31 December 2015:

(In thousands of Euro)	30 September 2016	31 December 2015	% change
Property, plant and equipment, investment property, intangible assets with a finite useful life	274,776	277,518	(1.0%)
Net working capital	350,457	316,896	10.6%
Other non current assets/(liabilities), net	54,075	52,885	2.3%
Other current assets/(liabilities), net	(19,618)	(28,798)	(31.9%)
Net invested capital	659,690	618,501	6.7%
Group shareholders' equity	598,697	563,926	6.2%
Minority interests	42,798	44,815	(4.5%)
Shareholders' equity (A)	641,495	608,741	5.4%
Net financial debt (B)	18,195	9,760	86.4%
Total sources of financing (A+B)	659,690	618,501	6.7%
Net financial debt/shareholders' equity	2.8%	1.6%	

Investments in fixed assets

During the period ended 30 September 2016, the Salvatore Ferragamo Group made investments in tangible and intangible assets for a total amount of 46,241 thousand Euro, of which 40,341 thousand Euro in tangible assets and 5,900 thousand Euro in intangible assets, compared to a total of 56,243 thousand Euro in the first nine months of 2015.

The most substantial investments in tangible assets went towards the opening and refurbishment of stores (29 million Euro, approximately 72% of total investments in tangible assets) as well as the construction work in progress (7.3 million Euro as at 30 September 2016) on the new logistics center, which started on 22 June 2016 and is expected to end in 2018. This construction work is part of the broader project undertaken by the Parent company to expand and renovate the whole industrial complex in Osmannoro. Investments in intangible assets mainly refer to the so-called "Marlin Project", aimed at standardizing the Group's retail information systems and developing the e-commerce platform (for a total amount of 4.4 million Euro).

Amortization and depreciation amounted to 46,056 thousand Euro in the first nine months of 2016, compared to 44,003 thousand Euro in the prior-year period – rising 4.7% as a result of the significant investments made in recent years.

Net working capital

Here below is the breakdown and change in net working capital as at 30 September 2016 compared with 31 December 2015 and 30 September 2015:

(In thousands of Euro)	30 September 2016	31 December 2015	30 September 2015	% change 09.16 vs. 12.15	% change 09.16 vs. 09.15
Inventories	393,075	351,132	340,174	11.9%	15.6%
Trade receivables	113,857	167,912	121,845	(32.2%)	(6.6%)
Trade payables	(156,475)	(202,148)	(168,384)	(22.6%)	(7.1%)
Total	350,457	316,896	293,635	10.6%	19.4%

The increase in net working capital was 10.6% compared to 31 December 2015 and 19.4% compared to 30 September 2015. This was largely the result of higher inventories (+11.9% compared to 31 December 2015 and +15.6% compared to 30 September 2015), which were partially offset by the decline in trade receivables. In particular, the Group is seeking to lower the amount of finished products and inventories exceeding current requirements through a series of initiatives.

Trade payables decreased by 22.6% compared to 31 December 2015 and by 7.1% compared to 30 September 2015. They were mainly due to purchases of production materials, finished products and costs relating to outsourced manufacturing.

Net financial debt

Net financial debt as at 30 September 2016, 31 December 2015 and 30 September 2015 was as follows:

(In thousands of Euro)	30 September	31 December	30 September	Change	Change
	2016	2015	2015	09.16 vs. 12.15	09.16 vs. 09.15
A. Cash	752	1,019	581	(267)	171
B. Other cash equivalents	128,743	141,102	120,822	(12,359)	7,921
C. Cash and cash equivalents (A)+(B)	129,495	142,121	121,403	(12,626)	8,092
Derivatives – non-hedging component	203	291	295	(88)	(92)
Other financial assets	-	-	-	-	-
D. Current financial receivables	203	291	295	(88)	(92)
E. Current bank payables	115,371	123,641	132,325	(8,270)	(16,954)
F. Derivatives – non-hedging component	838	70	82	768	756
G. Other current financial payables	6,124	5,149	4,847	975	1,277
H. Current financial debt (E)+(F)+(G)	122,333	128,860	137,254	(6,527)	(14,921)
I. Current financial debt, net (H)-(C)-(D)	(7,365)	(13,552)	15,556	6,187	(22,921)
J. Non-current bank payables	25,484	23,312	22,742	2,172	2,742
K. Derivatives – non-hedging component	76	-	-	76	76
M. Other non-current payables	-	-	-	-	-
N. Non-current financial debt (J)+(K)+(M)	25,560	23,312	22,742	2,248	2,818
O. Net financial debt (I)+(N)	18,195	9,760	38,298	8,435	(20,103)

Net financial debt for the period ended 30 September 2016 amounted to 18,195 thousand Euro (2.8% of consolidated shareholders' equity), up by 8,435 thousand Euro compared to 31 December 2015, when it totaled 9,760 thousand Euro, and down by 20,103 thousand Euro compared to 30 September 2015. The increase compared to 31 December 2015 was mainly due to the payment of dividends approved by the Parent company totaling 77,643 thousand Euro, as well as the investments made in the first nine months of the year in tangible and intangible assets (46,241 thousand Euro), net of the cash flows from operating activities (118,370 thousand Euro).

Significant events occurred during the first nine months of 2016

For information on significant events occurred in the first six months of the year, reference should be made to the Half-year report as at 30 June 2016. Here below are the main events occurred during the third quarter of 2016.

Salvatore Ferragamo S.p.A. Leadership Succession Plan

Following Mr. Michele Norsa's resignation as Director and Managing Director of Salvatore Ferragamo S.p.A., and in accordance with the leadership succession plan approved by the Board of Directors on 12 May 2016, during the Board meeting of 2 August 2016, Mr. Michele Norsa formally tendered his resignation and Mr. Eraldo Poletto was co-opted as Managing Director of Salvatore Ferragamo S.p.A.. At the meeting of 2 August 2016, without prejudice to the compensation already approved pro rata temporis, and with the favorable opinion of the Nomination and Remuneration Committee, the Board of Directors awarded Mr. Michele Norsa 1,815 thousand Euro, including his variable pay – the amount was paid in August 2016 – and confirmed his non-monetary benefits until 31 December 2016.

2016-2020 Stock Grant Plan

At the meetings of 30 June 2016 and 2 August 2016, the Board of Directors, as part of the first cycle of the 2016-2020 Stock Grant Plan approved by the Shareholders' Meeting of 21 April 2016, approved the granting of no. 230,000 options to subscribe for shares in Salvatore Ferragamo S.p.A., identifying 18 beneficiaries of Salvatore Ferragamo S.p.A. – including the Managing Director Eraldo Poletto – and some of its subsidiaries.

Merger of Ma.Ga. Immobiliare S.r.l. (Update)

On 5 August 2016, the resolution of Salvatore Ferragamo S.p.A.'s Board of Directors dated 2 August 2016 and the resolution of the Shareholders' Meeting of Ma.Ga. Immobiliare S.r.l. dated 2 August 2016, approving the merger of Ma.Ga. Immobiliare S.r.l. into Salvatore Ferragamo S.p.A., were filed with the Florence Company Register. Ma.Ga. Immobiliare S.r.l. owns land located in an area where Salvatore Ferragamo S.p.A. launched a project to expand the site in Osmannoro by building a new logistics center, as previously indicated in the 2015 Annual Report. The merger is based on economic and strategic considerations, and specifically addresses the need to integrate the companies in relation to the construction work on the project. The merging company will not carry out any rights issue as part of the transaction. The only ownership interest in Ma.Ga. Immobiliare S.r.l.

will be canceled without assigning or swapping shares. In addition, no changes will be made to Salvatore Ferragamo S.p.A.'s Bylaws. For the purposes of the merger, the financial position of the two entities as at 31 December 2015 was considered. The merger will become effective after completing the last filing requirement in accordance with the Italian Civil Code. The merger will be effective for accounting and tax purposes retroactively as from 1 January 2016 contingent on the completion of the last filing required by article 2504 bis of the Italian Civil Code no later than 31 December 2016.

Tax and customs disputes and audits (update)

Following a documentary inspection started in July 2014, on 1 December 2015 the Regional Unit of the Tuscany Inland Revenue Office issued to Salvatore Ferragamo S.p.A. an assessment notice relating to the pass-through mechanism of taxation in Italy of the subsidiary Ferragamo Hong Kong Ltd. for the 2010 tax year, pursuant to Italian rules and regulations on controlled foreign companies (CFC). In the assessment notice, the tax base of Ferragamo Hong Kong Ltd. was redetermined and the credit for taxes paid abroad and used for tax return purposes was partly rejected, and more income tax (IRES) was claimed to the tune of around 170 thousand Euro, plus interest and sanctions for approximately 55 thousand Euro. The Company filed a request for assessment with acceptance on 19 January 2016. In the proceedings, the Company reaffirmed its position also in relation to manifest and valid reasons to exclude altogether the application of sanctions. The Company has not reached a settlement with Italian tax authorities, which did not receive any indication from the Central Assessment Department of the Italian Inland Revenue Office, even though it was consulted on the matter. Therefore, on 2 May 2016, the Company appealed against the assessment notice within the time allowed by law, while maintaining a constructive dialog with tax authorities.

The Parent Company Ferragamo Finanziaria S.p.A. was subject to a tax audit for the 2011 tax year. The process ended with a Tax assessment report dated 14 July 2015 that included some findings concerning the tax liability of Salvatore Ferragamo S.p.A. with reference to the pass-through mechanism of taxation for Ferragamo Hong Kong Ltd. for the year 2011, once again partially rejecting the credit for taxes paid abroad (resulting in an additional 633 thousand Euro corporate income tax liability, plus interest and sanctions). Ferragamo Finanziaria S.p.A. is a so-called 1st-level reporting agent as far as the income of the CFC is concerned. Following these findings, on 12 October 2016 the Regional Unit of the Tuscany Inland Revenue Office invited Salvatore Ferragamo S.p.A. to state any objections. On 27 October 2016, the Company submitted a statement of defense to explain why it believes it is entitled to claim a credit for taxes paid abroad. Thus, the Company continues the discussion with Italian Tax Authorities over this matter for both the years 2010 and 2011.

As for the tax audit carried out by the French tax authorities and involving Ferragamo France S.A.S., reference should be made to the Annual Report as at 31 December 2015, as there were no new developments during 2016.

Patent Box (update)

Concerning the electronic form Salvatore Ferragamo S.p.A. submitted in December 2015 for the optional preferential tax regime for income sourced from intangible assets (so-called Patent Box), previously described in the 2015 Annual Report, on 21 June 2016, the Italian Revenue Agency's Office for Advanced Pricing Agreements and Disputes notified the Company that it accepted the request and the supplementary documentation submitted in February 2016. In the following months, the Company continued its dispute with the Office (on 4 October 2016, the parties reached an agreement on the main economic criteria to be used for the calculation). It looks forward to finalizing the ruling in the near future.

International standard ruling on transfer pricing (update)

On 11 August 2014, Salvatore Ferragamo S.p.A. requested an international standard ruling from the Italian Inland Revenue Office – Central Assessment Department – International Ruling Office, pursuant to Art. 8 of Italian Law Decree no. 269 dated 30 September 2003 (converted into law no. 326/2003), as implemented by the Decision of the Head of the Inland Revenue Office dated 23 July 2004. The request concerned the setting of transfer prices for the products sold by Salvatore Ferragamo S.p.A. to its foreign subsidiaries. The goal is reaching an agreement that would last five years between tax authorities and the taxpayer on how to set prices for such transactions. On 5 September 2014, the International Ruling Office accepted the request, formally starting the international standard ruling procedure, which is currently underway and usually lasts around two years. Between April and June 2016, the Office held multiple meetings with the Company's management (as per the Office's standard practice), including as part of a two-day visit to the Company's place of business. The visit and the subsequent submission of the documents requested, as well as the technical meeting held in September 2016, should mark the end of the preliminary phase of the audit. The next step consists of negotiations towards a settlement. The Company cannot estimate how long it will take to complete the procedure.

Other information

Dividends

Pursuant to the resolution of the Shareholders' Meeting of 21 April 2016, the Parent company Salvatore Ferragamo S.p.A. paid Shareholders a 0.46 Euro dividend per share relating to the profit for 2015, for a total amount of 77,643,400 Euro, with ex-dividend date on 23 May 2016 and payment of the dividend as from 25 May 2016.

Other Group companies with third-party minority shareholders did not pay any dividends during the first nine months of 2016.

Financial reporting and Investor relations

Salvatore Ferragamo S.p.A., in order to maintain a constant dialog 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 a constant information exchange between the Group and financial markets.

Financial data, corporate presentations, interim reports, official press releases, and real-time share price information are available on the Group's website <http://group.ferragamo.com>.

Stakes in Salvatore Ferragamo S.p.A.

As at 30 September 2016, Ferragamo Finanziaria S.p.A. held a majority stake in the share capital of Salvatore Ferragamo S.p.A., i.e. 57.776% as per the communication of Ferragamo Finanziaria S.p.A. pursuant to form 120/A in Attachment 4 to the CONSOB Issuers' Regulation.

Treasury shares and shares or stakes in parent companies

On 21 April 2016, the Shareholders' Meeting of Salvatore Ferragamo S.p.A. authorized the Board of Directors, in accordance with and pursuant to article 2357 of the Italian Civil Code, to buy, including in multiple rounds, ordinary shares in Salvatore Ferragamo S.p.A. with a par value of 0.10 Euro each, up to a maximum amount that, considering the ordinary shares in Salvatore Ferragamo S.p.A. held from time to time by the Companies or its subsidiaries, shall not exceed 1% (i.e. 1,687,900 ordinary shares) of the Company's share capital in accordance with article 2357, paragraph 3 of the Italian Civil Code.

It should be noted that as at 30 September 2016, 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.

Staff

Here below is the Salvatore Ferragamo Group's staff divided by category as at 30 September 2016, 31 December 2015 and 30 September 2015.

Staff	30 September 2016	31 December 2015	30 September 2015
Top managers, middle managers and store managers	754	719	711
White collars	2,958	3,052	2,963
Blue collars	278	262	267
Total	3,990	4,033	3,941

Basis of presentation

The Interim report was approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 14 November 2016, and on the same date the Board authorized its disclosure.

For comparative purposes, the consolidated financial statements show the comparison with the consolidated statement of financial position as at 31 December 2015 and 30 September 2015 and the consolidated income statement as at 30 September 2015.

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

The equity, income and financial data as at 30 September 2016 have been prepared in compliance with the International Financial Reporting Standards (IFRS), and the relevant interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union, in force at the end of the reporting period.

In preparing the Interim report, the same accounting standards have been applied as those adopted in drawing up the 2015 Consolidated Financial Statements of the Salvatore Ferragamo Group, to which reference should be made, except for the adoption of new or amended standards issued by the International Accounting Standards

Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), which have been applied as from 1 January 2016 as already indicated in the Half-year report as at 30 June 2016 and to which reference should be made.

The procedures used for making estimates and assumptions are the same as those used in preparing the Annual Consolidated Financial Statements.

Consolidation area

During the first nine months of 2016, the Group's structure underwent the following change: the liquidation of Ferragamo Latin America Inc. (100%-owned by Salvatore Ferragamo S.p.A.) and its subsidiary Ferragamo St. Thomas Inc. was completed in April 2016.

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

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

	Average rates		Exchange rates at the end of the reporting period		
	30 September	30 September	30 September	31 December	30 September
	2016	2015	2016	2015	2015
US Dollar	1.1162	1.1144	1.1161	1.0887	1.1203
Swiss Franc	1.09361	1.06211	1.0876	1.0835	1.0915
Japanese Yen	120.952	134.778	113.09	131.0700	134.69
Pound Sterling	0.8030	0.7272	0.8610	0.7340	0.7385
Danish Krone	7.4472	7.4581	7.4513	7.4626	7.4598
Australian Dollar	1.5048	1.4631	1.4657	1.4897	1.5939
South Korean Won	1,295.67	1,252.63	1,229.76	1,280.79	1,328.27
Hong Kong Dollar	8.6659	8.6397	8.6547	8.4376	8.6824
Mexican Peso	20.430	17.365	21.7389	18.9145	18.9768
New Taiwanese Dollar	36.125	35.0647	35.0604	35.8160	36.8730
Singapore Dollar	1.5297	1.5201	1.5235	1.5417	1.5921
Thai Baht	39.3279	37.6150	38.6950	39.2480	40.7120
Malaysian Ringgit	4.5570	4.2163	4.6148	4.6959	4.9237
Indian Rupee	74.9164	70.8549	74.3655	72.0215	73.4805
Macau Pataca	8.918	8.893	8.9405	8.6849	8.9306
Chinese Renminbi	7.3466	6.9641	7.4463	7.0608	7.1206
Chilean Peso	758.41	713.24	736.43	772.881	782.40
Argentine Peso	16.215	9.990	17.065	14.131	10.545
Brazilian Real	3.9561	3.5257	3.6210	4.3117	4.4808
Canadian Dollar	1.4746	1.4038	1.4690	1.5116	1.5034

Transactions with related parties

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, do not generate interest, and are settled in cash. As at 30 September 2016, bank guarantees issued in favor of Palazzo Feroni Finanziaria S.p.A. totaled 1,329 thousand Euro and concerned the leasing of properties owned by said company. There are no other guarantees, given or received, relating to receivables and payables with related parties. The Salvatore Ferragamo Group has not set aside any provision for bad debt in relation to amounts due from related parties.

Significant non-recurring events and transactions

During the first nine months of 2016, the Salvatore Ferragamo Group did not carry out significant non-recurring transactions.

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 interim report, conflicts of interest, the safeguarding of the company's equity, and the protection of minority interests.

Significant events occurred after 30 September 2016

No significant events occurred after 30 September 2016.

Outlook

The world economy continues expanding at a moderate pace. The current cycle is characterized by low growth and inflation in developed countries, leaving monetary policy with limited room for maneuver; slow global trade; a low propensity to invest; and significant uncertainty. A major risk is represented by emerging markets, for which the outlook remains fragile. Elections in Europe and the United States as well as geopolitical tensions are weighing on global demand. America's growth is still lackluster. Domestic demand from the private sector, fueled mostly by consumer spending, remains the main driver. The FED has once again postponed raising rates, despite the improvement in the labor market and inflation expectations. A hike could potentially come in December. The Euro area continues growing, albeit more slowly than expected. Consumer price inflation is still a key concern. At its meeting in September, the ECB left its monetary policy unchanged, but confirmed it is ready to act should the situation deteriorate. The economic implications of Brexit could materialize over the following quarters. The latest data from Italy confirms that the economy remains weak. The constitutional referendum scheduled for 4 December 2016 represents a political risk. Japan is expected to remain in stagnation, with both domestic demand and exports hampered by the increasingly stronger Yen. Despite the Bank of Japan's monetary expansion, economic indicators do not suggest a recovery, as the deflationary trend in prices continues. The government's decision to delay a consumption tax hike could boost demand. China's growth rate seems to have settled at about 6.7%. The main economic indicators appear consistent with a controlled slowdown. Sustained consumer spending, rising housing demand, the accommodating monetary policy stance, and the fiscal stimulus measures should continue propping up growth. Controlling financial risk is still high on the agenda of Chinese regulators. As US monetary policy gradually returns to normal, emerging countries will face a less favorable scenario: their growth rate could slow down sharply as existing economic imbalances grow worse and confidence deteriorates. Brazil has slid further into recession, also because of a political crisis, and the downturn in Russia continues – although there are some signs of improvement following the Central Bank's decision to slash interest rates. Growth remains brisk only in India.

As we already said in previous reports, after booming in recent years, the luxury market is showing signs of slowing down. The persistently weak economic scenario – the crisis in Ukraine, the tensions in Hong Kong, the economic sanctions on Russia, the turmoil in the Middle East, international terrorism, the slowing Chinese economy, and Brexit – is taking a heavy toll and generating considerable volatility, negatively affecting both sales volumes and margins. Current market conditions warrant caution in expectations for the end of the year.

Florence, 14 November 2016

On behalf of the Board of Directors

The Chairman
Ferruccio Ferragamo

Financial statements

Consolidated statement of financial position – assets

(In thousands of Euro)	30 September 2016	<i>of which</i> <i>with related</i> <i>parties</i>	31 December 2015	<i>of which</i> <i>with related</i> <i>parties</i>	30 September 2015	<i>of which</i> <i>with related</i> <i>parties</i>
NON-CURRENT ASSETS						
Property, plant and equipment	235,247		236,452		227,543	
Investment property	7,028		7,470		7,345	
Intangible assets with a finite useful life	32,501		33,596		30,823	
Available-for-sale financial assets	20		20		20	
Other non-current assets	7,618		7,453		7,578	
Other non-current financial assets	16,535	1,772	16,874	1,600	17,197	1,591
Deferred tax assets	114,202		107,538		104,640	
TOTAL NON-CURRENT ASSETS	413,151	1,772	409,403	1,600	395,146	1,591
CURRENT ASSETS						
Inventories	393,075		351,132		340,174	
Trade receivables	113,857	102	167,912	79	121,845	119
Tax receivables	23,078		19,123		11,062	
Other current assets	33,071	2,072	33,839	2,420	35,100	2,060
Other current financial assets	203		291		295	
Cash and cash equivalents	129,495		142,121		121,403	
TOTAL CURRENT ASSETS	692,779	2,174	714,418	2,499	629,879	2,179
TOTAL ASSETS	1,105,930	3,946	1,123,821	4,099	1,025,025	3,770

Consolidated statement of financial position – liabilities and shareholders' equity

(In thousands of Euro)	30 September 2016	<i>of which with related parties</i>	31 December 2015	<i>of which with related parties</i>	30 September 2015	<i>of which with related parties</i>
SHAREHOLDERS' EQUITY						
GROUP SHAREHOLDERS' EQUITY						
Share capital	16,879		16,879		16,879	
Reserves	469,361		374,314		363,532	
Net profit/(loss) – Group	112,457		172,733		112,265	
TOTAL GROUP SHAREHOLDERS' EQUITY	598,697		563,926		492,676	
MINORITY INTERESTS						
Share capital and reserves – minority interests	45,171		43,098		42,084	
Net profit/(loss) – minority interests	(2,373)		1,717		1,174	
TOTAL MINORITY INTERESTS	42,798		44,815		43,258	
TOTAL SHAREHOLDERS' EQUITY	641,495		608,741		535,934	
NON-CURRENT LIABILITIES						
Non-current interest-bearing loans & borrowings	25,484		23,312		22,742	
Provisions for risks and charges	8,877		8,025		7,525	
Employee benefit liabilities	12,945		11,664		11,831	
Other non-current liabilities	57,472		55,387		53,935	
Non-current financial liabilities	76		-		-	
Deferred tax liabilities	5,006		3,924		4,032	
TOTAL NON-CURRENT LIABILITIES	109,860	-	102,312	-	100,065	-
CURRENT LIABILITIES						
Trade payables	156,475	2,506	202,148	344	168,384	1,800
Interest-bearing loans & borrowings	115,371		123,641		132,325	
Tax payables	18,611		22,648		20,292	
Other current liabilities	57,156	19,673	59,112	18,461	63,096	24,055
Other current financial liabilities	6,962		5,219		4,929	
TOTAL CURRENT LIABILITIES	354,575	22,179	412,768	18,805	389,026	25,855
TOTAL LIABILITIES	464,435	22,179	515,080	18,805	489,091	25,855
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,105,930	22,179	1,123,821	18,805	1,025,025	25,855

Consolidated income statement

(In thousands of Euro)	Period ended 30 September			
	2016	<i>of which with related parties</i>	2015	<i>of which with related parties</i>
Revenues from sales and services	1,004,218	175	1,011,373	195
Rental income investment properties	9,652		9,660	
Revenues	1,013,870		1,021,033	
Cost of goods sold	(334,394)		(348,935)	
Gross profit	679,476		672,098	
Style, product development and logistics costs	(31,999)	(1,171)	(31,717)	(546)
Sales & distribution costs	(336,498)	(16,919)	(332,533)	(17,723)
Marketing & communication costs	(51,969)	(76)	(50,678)	(31)
General and administrative costs	(83,088)	(9,269)	(78,391)	(6,694)
Other operating costs	(15,203)	-	(14,249)	(60)
Other income and revenues	9,293	17	9,080	15
Operating profit	170,012		173,610	
Financial charges	(29,413)		(44,928)	
Financial income	17,281	-	35,684	
Profit before taxes	157,880		164,366	
Income taxes	(47,796)		(50,927)	
Net profit/(loss) for the period	110,084		113,439	
Net profit/(loss) – Group	112,457		112,265	
Net profit/(loss) – minority interests	(2,373)		1,174	

(In Euro)	Period ended 30 September	
	2016	2015
Basic earnings per share – ordinary shares	0.666	0.666
Diluted earnings per share – ordinary shares	0.666	0.665

Consolidated statement of comprehensive income

(In thousands of Euro)	Period ended 30 September	
	2016	2015
Net profit/(loss) for the period (A)	110,084	113,439
<i>Other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period</i>		
- Currency translation differences of foreign operations	(252)	(25,744)
- Net gain/(loss) from cash flow hedge	3,132	15,892
- Income taxes	(968)	(4,371)
	<u>2,164</u>	<u>11,521</u>
Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)	1,912	(14,223)
<i>Other income/(losses) that will not be subsequently reclassified to net profit/(loss) for the period</i>		
- Net gain/(loss) from recognition of defined-benefit plans for employees	(1,266)	(134)
- Income taxes	296	(80)
	<u>(970)</u>	<u>(214)</u>
Total other income/(losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)	(970)	(214)
Total other income/(losses) for the period, net of taxes (B1+B2 = B)	942	(14,437)
Total comprehensive income for the period, net of taxes (A+B)	111,026	99,002
Group	113,749	96,343
Minority interests	(2,723)	2,659

Consolidated statement of cash flows

(In thousands of Euro)	Period ended 30 September			
	2016	of which with related parties	2015	of which with related parties
NET PROFIT / (LOSS) FOR THE PERIOD	110,084		113,439	
Adjustments to reconcile net profit (loss) to net cash from (used in) operating activities:				
Amortization, depreciation and write-downs of tangible and intangible assets and investment property	46,056		44,003	
Allocation / (use) of deferred taxes	(7,258)		(12,076)	
Provision for employee benefit plans	591		577	
Allocation to / (use of) the provision for obsolete inventory	1,996		6,309	
Losses and provision for bad debt	1,525		839	
Losses / (gains) on disposal of tangible/intangible assets	577		1,036	
Other non-monetary items	1,784		1,240	
Changes in operating assets and liabilities:				
Trade receivables	55,373	(23)	30,804	(65)
Inventories	(39,544)		(37,886)	
Trade payables	(45,579)	2,162	(21,074)	1,474
Tax receivables	(4,272)		3,003	
Tax payables	(3,856)		(2,052)	
Employee benefits payments	(640)		(649)	
Other assets and liabilities*	1,855	1,388	16,706	13,561
Other – net	(322)		(189)	
NET CASH FROM (USED IN) OPERATING ACTIVITIES	118,370	3,527	144,030	14,970
Cash flow from investing activities:				
Purchase of tangible assets	(40,341)	(11)	(48,293)	
Purchase of intangible assets	(5,900)		(7,950)	
Net change in available-for-sale financial assets	-		6	-
Proceeds from the sale of tangible and intangible assets	29		258	
NET CASH FROM (USED IN) INVESTING ACTIVITIES	(46,212)	(11)	(55,979)	-
Cash flow from financing activities:				
Net change in financial receivables	90		228	
Net change in financial payables	(7,632)	-	8,284	-
Dividends paid to shareholders of the Parent company	(77,643)	(57,080)	(70,732)	(52,117)
Dividends paid to minority shareholders	-	-	(664)	(664)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	(85,185)	(57,080)	(62,884)	(52,781)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,027)		25,167	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	142,121		96,455	
Increase/(decrease) in cash and cash equivalents	(13,027)		25,167	
Effect of exchange rate translation differences	395		(219)	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	129,489		121,403	
ADDITIONAL INFORMATION				
Interest paid	3,731		4,179	
Income taxes paid	59,956		41,798	
Interest received	439		369	
Dividends received	-		-	

*To ensure a better understanding, the changes in guarantee deposits (formerly shown in the cash flow from investing activities) have been included in the cash flow from operating activities, adjusting comparative data relating to the first nine months of 2015 by 1,128 thousand Euro accordingly.

Statement of changes in consolidated shareholders' equity

(In thousands of Euro)	Share capital	Share capital contributions	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Other reserves	Effect IAS 19 Equity	Net profit/(loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
As at 01.01.2016	16,879	2,995	4,188	191,676	(4,486)	(15,208)	182,959	14,780	(2,590)	172,733	563,926	44,815	608,741
Allocation of results	-	-	-	124,465	-	-	48,268	-	-	(172,733)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	112,457	112,457	(2,373)	110,084
Other comprehensive income/(loss)	-	-	-	-	2,164	(234)	328	-	(966)	-	1,292	(350)	942
Total comprehensive income (loss)	-	-	-	-	2,164	(234)	328	-	(966)	112,457	113,749	(2,723)	111,026
Distribution of dividends	-	-	-	-	-	-	(77,643)	-	-	-	(77,643)	-	(77,643)
Purchase of minority interests in companies consolidated on a line-by-line basis and accounting of options on minority interests	-	-	-	-	-	-	(1,536)	-	-	-	(1,536)	706	(830)
Stock Grant Reserve	-	-	-	-	-	-	-	201	-	-	201	-	201
Reclassifications	-	-	-	(60)	-	-	-	60	-	-	-	-	-
As at 30.09.2016	16,879	2,995	4,188	316,081	(2,322)	(15,442)	152,376	15,041	(3,556)	112,457	598,697	42,798	641,495

(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	Net profit/(loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
As at 01.01.2015	16,841	2,995	4,188	155,220	(15,698)	(317)	129,861	19,081	(2,546)	156,565	466,190	42,004	508,194
Allocation of results	-	-	-	36,443	-	-	120,122	-	-	(156,565)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	112,265	112,265	1,174	113,439
Other comprehensive income/(loss)	-	-	-	-	11,521	(25,688)	(1,544)	-	(211)	-	(15,922)	1,485	(14,437)
Total comprehensive income (loss)	-	-	-	-	11,521	(25,688)	(1,544)	-	(211)	112,265	96,343	2,659	99,002
Distribution of dividends	-	-	-	-	-	-	(70,732)	-	-	-	(70,732)	(664)	(71,396)
Purchase of minority interests in companies consolidated on a line-by-line basis and accounting of options on minority interests	-	-	-	-	-	-	89	-	-	-	89	(741)	(652)
Stock Grant Reserve	-	-	-	-	-	-	-	786	-	-	786	-	786
Reclassifications	38	-	-	12	-	-	5,037	(5,087)	-	-	-	-	-
As at 30.09.2015	16,879	2,995	4,188	191,675	(4,177)	(26,005)	182,833	14,780	(2,757)	112,265	492,676	43,258	535,934

**Statement pursuant to paragraph 2 of art. 154 bis of Legislative Decree 58/98
(Consolidated Law on Finance)**

The manager charged with preparing the Company's Financial Reports states, pursuant to paragraph 2, article 154 bis of the Consolidated Law on Finance, that the accounting information contained in this document is in line with accounting books and records.

Florence, 14 November 2016

Manager charged with preparing the Company's Financial Reports
Marco Fortini