

Salvatore Ferragamo

Salvatore Ferragamo Group

Half-year report as at 30 June 2016

Salvatore Ferragamo S.p.A.

Florence

Contents

General information.....	3
Corporate boards	4
Group structure.....	5
Group description	6
Interim Directors' report on operations	7
Main Stock Market indicators – Salvatore Ferragamo S.p.A.	7
Income and financial highlights for the first half of 2016	8
<i>Introduction</i>	<i>9</i>
<i>The Group's activities</i>	<i>9</i>
<i>Operating performance</i>	<i>10</i>
<i>Statement of financial position and Investments.....</i>	<i>14</i>
<i>Income and financial indicators</i>	<i>16</i>
<i>Information on corporate governance and ownership structure</i>	<i>18</i>
<i>Other information</i>	<i>19</i>
<i>Significant events occurred during the first half of 2016</i>	<i>20</i>
<i>Research and development</i>	<i>22</i>
<i>Transactions with related parties</i>	<i>23</i>
<i>Significant events occurred after 30 June 2016.....</i>	<i>23</i>
<i>Outlook</i>	<i>23</i>
Financial statements	24
Consolidated statement of financial position – assets.....	24
Consolidated statement of financial position – liabilities and shareholders' equity	25
Consolidated income statement	26
Consolidated statement of comprehensive income.....	27
Consolidated statement of cash flows.....	28
Statement of changes in consolidated shareholders' equity.....	29
<i>Explanatory Notes</i>	<i>30</i>
Comments on the main statement of financial position items (assets, shareholders' equity and liabilities).....	36
Comments on the main income statement items	46
Other information	49
<i>Statement pursuant to article 154 bis of Legislative Decree no. 58/98 (Consolidated Law on Finance).....</i>	<i>57</i>
<i>Review report on the interim condensed consolidated financial statements</i>	<i>58</i>

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 Miletta 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) 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 Michele Norsa Fulvia Ferragamo Leonardo Ferragamo	Chairman
Board of Statutory Auditors (2)	Fulvio Favini Gerolamo Gavazzi Daccò Alessandra Lorenzo Galeotti Flori Deborah Sassorossi	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

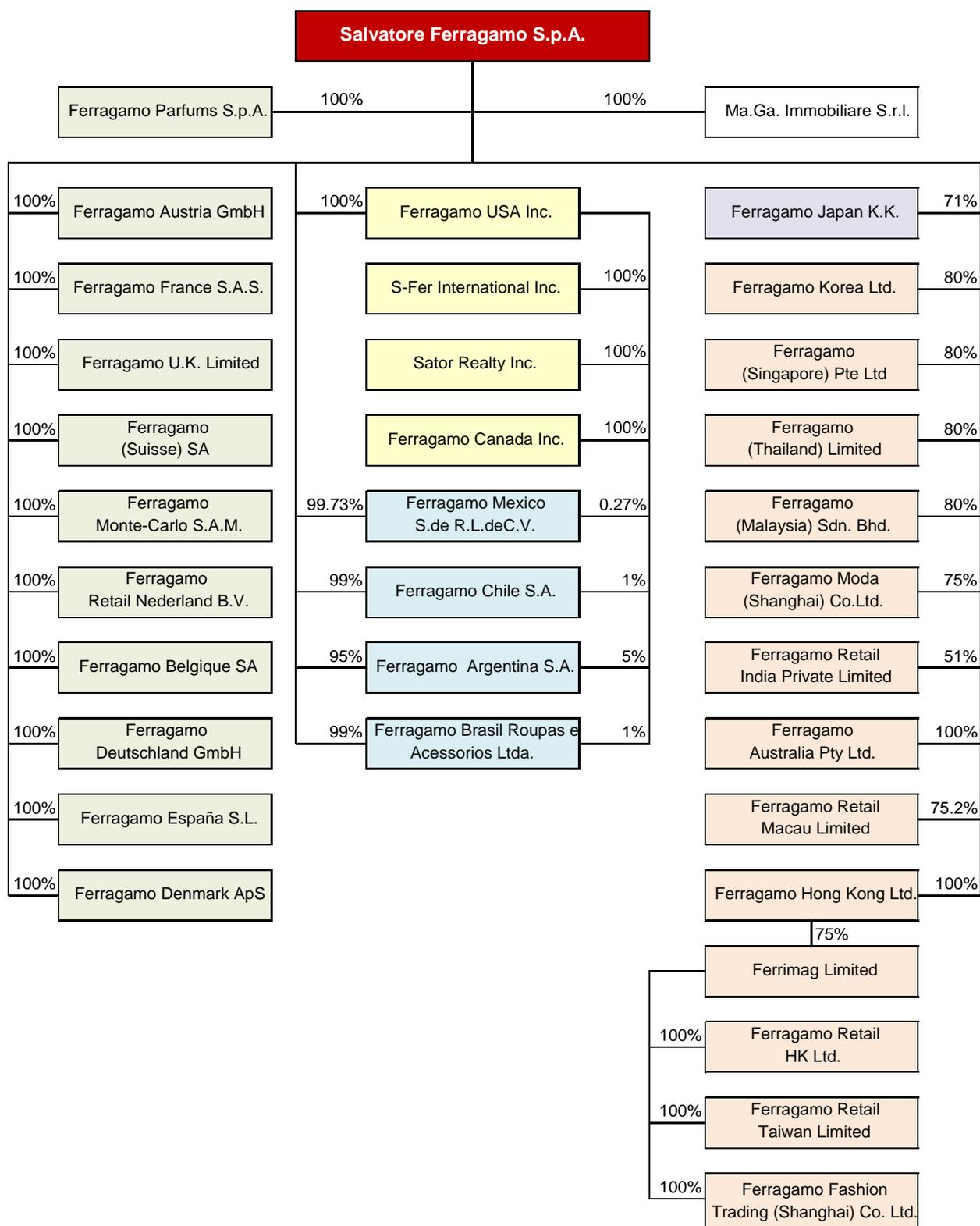
(4) Executive director

(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

Group structure



Notes

- European companies
- North America companies
- Central and South America
- Asia Pacific companies
- Japanese companies

Group description

As at 30 June 2016, the Salvatore Ferragamo Group consists of Salvatore Ferragamo S.p.A. (Parent company) and the following consolidated subsidiaries in which the Parent company holds majority stakes, both directly or indirectly, and which it controls.

Salvatore Ferragamo S.p.A.

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

Europe

Ferragamo Retail Nederland B.V.

It manages directly operated stores (DOS) in Holland

Ferragamo France S.A.S.

It manages directly operated stores (DOS) in France

Ferragamo Deutschland GmbH

It manages directly operated stores (DOS) in Germany

Ferragamo Austria GmbH

It manages directly operated stores (DOS) in Austria

Ferragamo U.K. Limited

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

Ferragamo (Suisse) SA

It manages directly operated stores (DOS) in Switzerland

Ferragamo Belgique SA

It manages directly operated stores (DOS) in Belgium

Ferragamo Monte-Carlo S.A.M.

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

Ferragamo Espana S.L.

It manages directly operated stores (DOS) in Spain

Ferragamo Denmark ApS

It manages directly operated stores (DOS) in Denmark

Ma.Ga. Immobiliare S.r.l.

Real estate company that owns plots of land near the facility of Salvatore Ferragamo S.p.A. located in Osmannoro-Sesto Fiorentino

Ferragamo Parfums S.p.A.

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

North America

Ferragamo USA Inc.

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

Ferragamo Canada Inc.

It manages the retail and wholesale channels in Canada

S-Fer International Inc.

It manages directly operated stores (DOS) in the USA

Sator Realty Inc.

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

Central and South America

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

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

Ferragamo Chile S.A.

It manages directly operated stores (DOS) in Chile

Ferragamo Argentina S.A.

It manages directly operated stores (DOS) in Argentina

Ferragamo Brasil Roupas e Acessorios Ltda.

It manages directly operated stores (DOS) in Brazil

Asia Pacific

Ferragamo Hong Kong Ltd.

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

Ferragamo Australia Pty Ltd.

It manages directly operated stores (DOS) in Australia

Ferrimag Limited

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

Ferragamo Fashion Trading (Shanghai) Co. Ltd.

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

Ferragamo Moda (Shanghai) Co. Ltd.

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

Ferragamo Retail HK Limited

It manages directly operated stores (DOS) in Hong Kong

Ferragamo Retail Taiwan Limited

It manages directly operated stores (DOS) in Taiwan

Ferragamo Retail Macau Limited

It manages directly operated stores (DOS) in Macau

Ferragamo Retail India Private Limited

It manages directly operated stores (DOS) in India

Ferragamo Korea Ltd.

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

Ferragamo (Singapore) Pte Ltd

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

Ferragamo (Thailand) Limited

It manages directly operated stores (DOS) in Thailand

Ferragamo (Malaysia) Sdn. Bhd.

It manages directly operated stores (DOS) in Malaysia

Japan

Ferragamo Japan K.K.

It manages directly operated stores (DOS) in Japan

Interim Directors' report on operations

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

Official price as at 30 June 2016 in Euro	18.02851
Stock Market capitalization as at 30 June 2016 in Euro	3,043,032,203
Number of shares making up the share capital as at 30 June 2016	168,790,000
Number of outstanding shares (free float)	44,747,040

Here below is the trend in Salvatore Ferragamo's share price during the first six 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 Half-year 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 Half-year report are provided below:

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

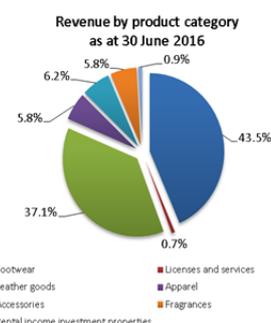
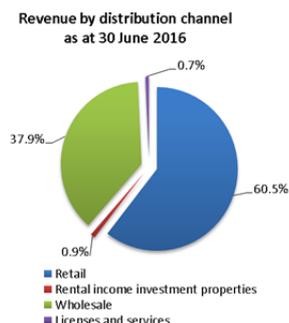
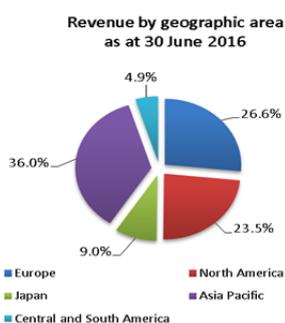
Net working capital: it is calculated as *Inventories* plus *Trade receivables*, net of *Trade payables*.

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 half of 2016

(In millions of Euro)	Half-year period ended 30 June			% change	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Revenues	710.2	722.4	659.0	(1.7%)	9.6%
Gross profit	475.5	475.2	413.7	0.1%	14.9%
Gross profit %	67.0%	65.8%	62.8%		
EBITDA	166.1	164.6	143.0	0.9%	15.1%
EBITDA %	23.4%	22.8%	21.7%		
Operating profit	135.5	135.6	120.6	0.0%	12.4%
Operating profit %	19.1%	18.8%	18.3%		
Net profit/(loss) for the period	90.1	89.8	82.0	0.3%	9.5%
Net profit/(loss) – Group	90.2	88.2	78.1	2.3%	12.9%
Net profit/(loss) – minority interests	(0.1)	1.7	3.9	(105.5%)	(57.2%)

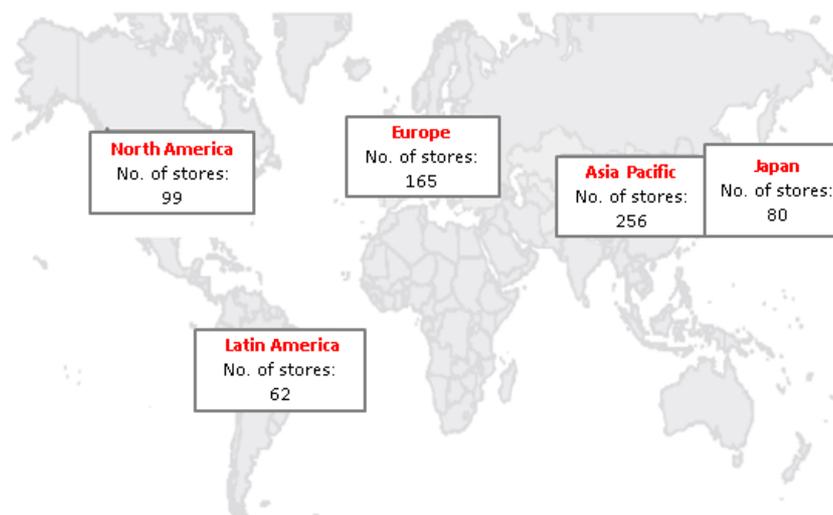


(In millions of Euro)	30 June 2016	31 December 2015	30 June 2015
Investments in tangible/intangible assets	26.2	80.0	30.4
Net working capital	385.4	316.9	323.5
Shareholders' equity	625.9	608.7	504.8
Net financial debt	74.7	9.8	97.6
Cash flow generated from operating activities*	42.5	197.5	62.0

*For a better explanation, 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 half of 2015 accordingly.

	30 June 2016	31 December 2015	30 June 2015
Staff as at the reporting date	3,976	4,033	3,962
Number of DOS	388	391	380
Number of TPOS	274	271	267

Geographical distribution of monobrand stores (30 June 2016)



662 Ferragamo monobrand stores

Disclaimer

This document contains forward-looking statements, in particular in the sections headed “Outlook” and “Significant events occurred after the reporting period” 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 2016 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 Interim Directors’ report on operations, in addition to the indicators required for financial statements, in compliance with International Financial Reporting Standards (IFRS), also includes some alternative performance measures used by management to monitor and assess the Group’s performance, as detailed in a specific section.

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, jewels, other accessories and fragrances. The product range also includes eyewear and watches manufactured under license by third parties. The product range stands out for its uniqueness, which is the result of the combination of creative and innovative style with the quality and craftsmanship that are the hallmark of luxury goods made in Italy. The Salvatore Ferragamo Group 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 Salvatore Ferragamo brand and, under license, the Ungaro brand, sales are handled by the company Ferragamo Parfums S.p.A. and third parties that serve a network of selected, mainly multibrand stores belonging to the specific fragrances channel. The Group is also active in the licensing of the Salvatore Ferragamo brand and in real estate management.

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 monitoring distribution, which is done through:

- a network of directly operated Ferragamo brand stores (DOS), which as at 30 June 2016 numbered 388 (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 2016 numbered 274, 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 2016 was 662, 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 exclusively at retailers and, to a lesser extent, 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 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).

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, mainly the US dollar, the Chinese Renminbi, and the Japanese yen. Therefore, the Group is exposed both to settlement and translation risk.

In the first half of the year, the US dollar suffered as the Federal Reserve left interest rates on hold for a long period of time. In the first quarter, the *EUR/USD* exchange rate fluctuated between 1.08 in early January and over 1.13 in mid-February; in March, the market's excessive expectations for additional Quantitative Easing measures by the *ECB* pushed the exchange rate down to nearly the lows registered early in the year. Then, Mr Draghi's comments about leaving negative interest rates on deposits unchanged, combined with the *FED's* wait-and-see approach to monetary policy, caused the *EUR/USD* pair to rise to 1.14; in the second quarter, the single currency settled at around this level. When the news of *Brexit* broke, the Euro immediately corrected from 1.14 to 1.09, and then stabilized over the following days at around 1.11. Besides the impact of *Brexit*, the key driver of the *EUR/USD* exchange rate will remain the *FED's* action (or lack thereof).

The currency market's reaction to the result of the *referendum* in the UK, in which a majority voted to leave the European Union—the so-called *Brexit*—was especially dramatic as far as Sterling is concerned: in the aftermath of the vote, it plunged by 12% against the US dollar (*GBP/USD* down from 1.50 to 1.32) and 9% against the Euro (*EUR/GBP* up from 0.76 to 0.83).

The Japanese yen is the only currency that appreciated against the US dollar as a result of the UK *referendum*: *USD/JPY* rose from around 106 to nearly 99, breaching the important technical and psychological 100 threshold mark. This movement was consistent with the market's view of the Japanese currency as a safe haven amid strong risk aversion, and regardless of economic data. The Japanese yen had been already rising steadily despite the *Bank of Japan's* expansionary monetary policy measures aimed at mitigating the exchange rate's negative impact on growth and inflation. The Japanese yen has gone from over 130 in early 2016 to below 110 relative to the Euro—a movement not supported by economic fundamentals. The Japanese authorities have not ruled out intervening directly in the market to weaken the currency.

China's *Renminbi*, after hitting 6.45 in late March, has returned to where it was in January, i.e. around 6.58, relative to the US dollar. The *Renminbi's* real exchange rate relative to the basket of reference currencies weakened by 2.6% between the end of 2015 and June 2016, largely because of the depreciation in emerging market currencies driven by the US dollar. The Chinese Central Bank continues intervening in order to prevent excessively rapid and sharp exchange rate movements. Meanwhile, the *Renminbi's* value relative to the Euro is affected mainly by the movements in the *EUR/USD* pair. During the first half of the year, most emerging market currencies—in Latin America as well as Eastern Europe and Asia—staged a recovery after falling steeply in 2015. One exception was the Mexican Peso: since it tends to track oil prices, and it has come under speculative pressures, it hit new record lows against both the US dollar and the Euro.

Operating performance

In the first half of 2016, despite the slowdown in sales volumes, operating performance improved slightly compared to the prior-year period, as net financial debt fell by an additional 22.9 million Euro to 74.7 million Euro at 30 June 2016, compared to 97.6 million Euro at 30 June 2015. Consolidated net revenues declined by 1.7% compared to the prior-year period due to protracted market instability, fueled by persistently modest growth rates, mounting geopolitical tensions, and uncertainty on the economic effects of *Brexit*. The Group's EBITDA, thanks to the increase in gross profit and the stability of operating costs, was up 0.9% from 22.8% to 23.4% as a percentage of revenues, while operating profit rose from 18.8% to 19.1% as a percentage of revenues. Net profit for the period totaled 90.1 million Euro, slightly improving compared to the prior-year period. In addition, Group net profit for the period grew by 2.3% from 88,153 thousand Euro to 90,214 thousand Euro. These results are all the more remarkable when considering that the comparison with the first half of 2015 was especially challenging, since then revenues and net profit soared by nearly 10% from the first six months of 2014.

The following table shows the main income statement data.

(In thousands of Euro)	Half-year period ended 30 June				
	2016	% of revenues	2015	% of revenues	% change
Revenues	710,163	100.0%	722,375	100.0%	(1.7%)
Gross profit	475,549	67.0%	475,232	65.8%	0.1%
Style, product development and logistics costs	(21,987)	(3.1%)	(22,371)	(3.1%)	(1.7%)
Sales & distribution costs	(223,567)	(31.5%)	(224,689)	(31.1%)	(0.5%)
Marketing & communication costs	(35,837)	(5.0%)	(35,335)	(4.9%)	1.4%
General and administrative costs	(55,194)	(7.8%)	(52,781)	(7.3%)	4.6%
Other operating costs	(10,180)	(1.4%)	(9,919)	(1.4%)	2.6%
Other income and revenues	6,712	0.9%	5,414	0.7%	24.0%
Total operating costs (net of other income)	(340,053)	(47.9%)	(339,681)	(47.0%)	0.1%
Operating profit	135,496	19.1%	135,551	18.8%	0.0%
Net financial income and charges	(7,811)	(1.1%)	(5,687)	(0.8%)	37.3%
Profit before taxes	127,685	18.0%	129,864	18.0%	(1.7%)
Income taxes	(37,563)	(5.3%)	(40,025)	(5.5%)	(6.2%)
Net profit/(loss) for the period	90,122	12.7%	89,839	12.4%	0.3%
Net profit/(loss) – Group	90,214	12.7%	88,153	12.2%	2.3%
Net profit/(loss) – minority interests	(92)	0.0%	1,686	0.2%	(105.5%)
Amortization, depreciation and write-downs of tangible/intangible assets	30,629	4.3%	29,090	4.0%	5.3%
EBITDA	166,125	23.4%	164,641	22.8%	0.9%

Revenues in the first half of 2016 totaled 710,163 thousand Euro compared to 722,375 thousand Euro in the first half of 2015, down by 1.7%. The three main 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 2016 compared to the same period last year: the US dollar was largely stable⁽¹⁾, the Chinese Renminbi depreciated by 5.1%⁽²⁾, and the Japanese Yen appreciated by 7.3%⁽³⁾ against the Euro, the currency in which the figures in the consolidated financial statements are expressed.

Revenues declined by 3.1% at constant exchange rates (applying to the revenues – not inclusive of the hedging effect – of the first half of 2015 the average exchange rate of the first half of 2016); in particular, they decreased by 3.1% in Europe, 2.6% in North America, 5.2% in Japan, and 4.4% in Asia Pacific, while they significantly improved in Central and South America (12.0%). As in the past, Asia Pacific contributed the most to Group revenues with 36.0%, followed by Europe (26.6%), North America (23.5%), Japan (9.0%), and Central and South America (4.9%). With reference to the second quarter of 2016 alone, revenues amounted to 388,673 thousand Euro, down by 1.6% at current exchange rates – including the impact of hedging – and 3.6% at constant exchange rates compared to the prior year quarter.

Gross profit for the period ended 30 June 2016 amounted to 475,549 thousand Euro (accounting for 67.0% of revenues), up compared to the period ended 30 June 2015, when it amounted to 475,232 thousand Euro (accounting for 65.8% of revenues). In the second quarter of 2016, gross profit, totaling 259,622 thousand Euro, amounted to 66.8% as a percentage of revenues, slightly up from 66.7% in the prior-year period. Looking at gross profit over a longer period of time, and specifically from the first half of 2014 to the first half of 2016, it has risen steadily from 62.8% to 67.0%.

Total **operating costs** (net of other income) for the first six months of 2016, amounting to 340,053 thousand Euro and 47.9% as a percentage of revenues, were substantially in line with the prior-year period (339,681 thousand Euro and 47.0% as a percentage of revenues). In the second quarter of 2016, total net operating costs decreased from 174,947 thousand Euro to 173,128 thousand Euro (-1.0%), and rose from 44.3% to 44.5% as a percentage of revenues.

In spite of the slowdown in revenues, **EBITDA** rose from 164,641 thousand Euro to 166,125 thousand Euro (+0.9%), and from 22.8% to 23.4% as a percentage of revenues, compared to the first half of 2015. This was the result of the increase in gross profit and the control of operating costs. In the second quarter of 2016 alone,

¹ With reference to the average Euro/US\$ exchange rate for the period – first half of: 2016: 1.116; 2015: 1.116
² With reference to the average Euro/Cny exchange rate for the period – first half of: 2016: 7.296; 2015: 6.941
³ With reference to the average Euro/Yen exchange rate for the period – first half of: 2016: 124.41; 2015: 134.20

EBITDA totaled 101,791 thousand Euro compared to 103,560 thousand Euro in the second quarter of 2015 (-1.7%), and was flat at 26.2% as a percentage of revenues.

Operating profit, largely unchanged compared to the same period last year, decreased from 135,551 thousand Euro to 135,496 thousand Euro, accounting for 19.1% of revenues compared to 18.8% in the first half of 2015. With reference to the second quarter of 2016, operating profit amounted to 86,494 thousand Euro compared to 88,657 thousand Euro in the second quarter of 2015 (-2.4%), and edged down from 22.4% to 22.3% as a percentage of revenues.

Net financial income and charges amounted to a negative 7,811 thousand Euro, increasing by 2,124 thousand Euro from the first half of 2015, mainly because of the less positive effects of changes in exchange rates.

(In thousands of Euro)	Half-year period ended 30 June		
	2016	2015	% change
Net interest	(2,195)	(2,530)	(13.2%)
Other net income/(charges)	(1,093)	(1,072)	2.0%
Net gains/(losses) on exchange rate differences	528	7,588	(93.0%)
Net financial income/(charges) for fair value adjustment of derivatives	(5,051)	(9,674)	(47.8%)
Gains/(losses) on disposal of investments	-	1	na
Total	(7,811)	(5,687)	37.3%

Net gains and losses on exchange rate differences mainly reflect the impact of commercial transactions in foreign currency, and went from 7,588 thousand Euro in net gains in the first half of 2015 to 528 thousand Euro in net gains. 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-hedging derivatives. With reference to the second quarter of 2016, financial income and charges totaled 3,932 thousand Euro in net charges, compared to net charges of 3,100 thousand Euro in the second quarter of 2015.

Income taxes

(In thousands of Euro)	Half-year period ended 30 June		
	2016	2015	% change
Profit before taxes	127,685	129,864	(1.7%)
Income taxes	(37,563)	(40,025)	(6.2%)
Tax rate	29.4%	30.8%	

The estimated effective tax rate for the first half of 2016 (the best estimate of the annual tax rate expected for the whole year) was 29.4%, slightly down from 30.8% in the prior-year period. The decrease is partly due to the decline in the tax rate of the Parent company Salvatore Ferragamo S.p.A., mainly as a result of the removal of Hong Kong, Singapore and Malaysia from the black list – for the purposes of the taxation in Italy of Controlled Foreign Subsidiaries (CFC) – leading to the suspension of the pass-through mechanism of taxation for the Group companies resident in those countries. When estimating the Parent company's tax rate, any benefits from the so-called "Patent Box" were not considered. For the details, please see "Significant events occurred during the first half of 2016".

In the first half of 2016, the Group posted 90,122 thousand Euro in consolidated **net profit**, compared to 89,839 thousand Euro in the first half of 2015, up by 0.3%.

The Group's share of net profit amounted to 90,214 thousand Euro compared to 88,153 thousand Euro in the prior-year period, up by 2.3%. In the second quarter of 2016, Group net profit amounted to 55,849 thousand Euro compared to 56,969 thousand Euro in the second quarter of 2015, down by 2.0%.

Revenues

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

(In thousands of Euro)	Half-year period ended 30 June					at constant exchange rates
	2016	% of Revenues	2015	% of Revenues	% change	% change
Europe	188,945	26.6%	195,494	27.1%	(3.3%)	(3.1%)
North America	167,475	23.5%	164,480	22.8%	1.8%	(2.6%)
Japan	63,614	9.0%	62,528	8.6%	1.7%	(5.2%)
Asia Pacific	255,641	36.0%	265,650	36.8%	(3.8%)	(4.4%)
Central and South America	34,488	4.9%	34,223	4.7%	0.8%	12.0%
Total	710,163	100.0%	722,375	100.0%	(1.7%)	(3.1%)

Europe, severely affected by weak economic growth and geopolitical events in the area—including, most recently, the uncertainty over the potential fallout from Brexit—saw revenues fall by 3.3% at current exchange rates and 3.1% at constant exchange rates: the *retail* channel was down 11.3% at current exchange rates, but the *wholesale* one was up +2.6% at current exchange rates.

The North American market saw an increase in revenues of 1.8% at current exchange rates (-2.6% at constant exchange rates), which was positively impacted by the growth in the retail channel (+6.1% at current exchange rates, +1.2% at constant exchange rates).

In Japan, revenues grew by 1.7% at current exchange rates and declined by 5.2% at constant exchange rates. In the second quarter of 2016, there was a 1.5% increase at current exchange rates and a 10.8% decrease at constant exchange rates.

The Asia Pacific region saw a decrease in revenues of 3.8% (down by 4.4% at constant exchange rates), and was negatively affected in particular by the significant drop in sales in the Hong Kong market.

The Central and South American market saw a significant increase in revenues: up by 0.8% at current exchange rates and 12.0% at constant exchange rates, accounting for 4.9% of total revenues (4.7% in the prior year period), mainly thanks to the strong performance of the Mexican market.

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

(In thousands of Euro)	Half-year period ended 30 June					at constant exchange rates
	2016	% of Revenues	2015	% of Revenues	% change	% change
<i>Retail</i>	429,665	60.5%	438,135	60.7%	(1.9%)	(3.1%)
<i>Wholesale</i>	268,853	37.9%	272,554	37.7%	(1.4%)	(3.0%)
Licenses and services	5,207	0.7%	5,264	0.7%	(1.1%)	(1.1%)
Rental income investment properties	6,438	0.9%	6,422	0.9%	0.2%	0.3%
Total	710,163	100.0%	722,375	100.0%	(1.7%)	(3.1%)

In the first half of 2016, retail sales declined by 1.9% at current exchange rates and 3.1% at constant exchange rates. Europe and Asia were weighed down by a particularly unstable socio-political environment, while North America showed some signs of recovery, growing by 6.1% at current exchange rates and 1.2% at constant exchange rates. Another bright spot was the Central and South American market, up 2.9% at current exchange rates and 20.4% at constant exchange rates.

During the first six months of 2016, the number of directly operated stores decreased by 3 units compared to the situation as at 31 December 2015. Compared to 30 June 2015, there was a net increase of 8 units.

The wholesale channel decreased by 1.4% at current exchange rates and 3.0% at constant exchange rates. Specifically, the Asian market declined by 7.4% at current exchange rates and 8.5% at constant exchange rates, whereas Europe grew at both current and constant exchange rates (+2.6% and +2.8%, respectively).

Revenues from licenses and services in the first half of 2016 slightly decreased (-1.1%) compared to the first half of 2015 (both at current and constant exchange rates); this item mainly consists of royalties for the licensing of the Salvatore Ferragamo brand in the eyewear and watch sectors, and reflects the trend in the sales of such products.

Revenues from rental income investment properties refer solely to property located in the United States and leased/sub-leased to third parties; the item is broadly unchanged compared to 30 June 2015 at both current and constant exchange rates.

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

(In thousands of Euro)	Half-year period ended 30 June					at constant exchange rates
	2016	% of Revenues	2015	% of Revenues	% change	% change
Footwear	308,682	43.5%	305,899	42.4%	0.9%	(0.8%)
Leather goods	263,473	37.1%	271,076	37.5%	(2.8%)	(4.1%)
Apparel	41,300	5.8%	43,289	6.0%	(4.6%)	(6.7%)
Accessories	44,243	6.2%	46,970	6.5%	(5.8%)	(6.4%)
Fragrances	40,820	5.8%	43,455	6.0%	(6.1%)	(6.0%)
Licenses and services	5,207	0.7%	5,264	0.7%	(1.1%)	(1.1%)
Rental income investment properties	6,438	0.9%	6,422	0.9%	0.2%	0.3%
Total	710,163	100.0%	722,375	100.0%	(1.7%)	(3.1%)

Cost of goods sold and gross profit

(In thousands of Euro)	Half-year period ended 30 June				
	2016	% of Revenues	2015	% of Revenues	% change
Consumables	(110,066)	(15.5%)	(128,994)	(17.9%)	(14.7%)
Services	(120,142)	(16.9%)	(113,857)	(15.8%)	5.5%
Personnel	(4,029)	(0.6%)	(3,968)	(0.5%)	1.5%
Amortization	(377)	(0.1%)	(324)	(0.0%)	16.4%
Cost of goods sold	(234,614)	(33.0%)	(247,143)	(34.2%)	(5.1%)
Gross profit	475,549	67.0%	475,232	65.8%	0.1%

The **cost of goods sold** in the first half of 2016 amounted to 234,614 thousand Euro, down 5.1% from the prior year period. In the first half of 2016 **gross profit** as a percentage of sales stood at 67.0%, compared to 65.8% in the first half of 2015.

Statement of financial position and Investments

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

(In thousands of Euro)	30 June	31 December	% change
	2016	2015	
Property, plant and equipment, investment property, intangible assets with a finite useful life	270,477	277,518	(2.5%)
Net working capital	385,378	316,896	21.6%
Other non current assets/(liabilities), net	54,941	52,885	3.9%
Other current assets/(liabilities), net	(10,200)	(28,798)	(64.6%)
Net invested capital	700,596	618,501	13.3%
Group shareholders' equity	581,723	563,926	3.2%
Minority interests	44,142	44,815	(1.5%)
Shareholders' equity (A)	625,865	608,741	2.8%
Net financial debt (B)	74,731	9,760	665.7%
Total sources of financing (A+B)	700,596	618,501	13.3%
Net financial debt/shareholders' equity	11.9%	1.6%	

Investments in fixed assets

During the first half of 2016, the Group made investments in tangible and intangible assets for a total amount of 26,171 thousand Euro, of which 23,063 thousand Euro in tangible assets and 3,108 thousand Euro in intangible assets, compared to a total of 30,373 thousand Euro in the first half of 2015.

The most important investments were made in the opening and refurbishment of stores (13.9 million Euro, approximately 60.5% of total investments in tangible assets) and the works carried out at the Osmannoro facility, which are part of the broader project undertaken by the Parent company to expand and renovate the whole industrial complex. 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 2.4 million Euro).

Amortization and depreciation amounted to 30,629 thousand Euro as at 30 June 2016 compared to 29,090 thousand Euro as at 30 June 2015, up by 5.3% thanks to the significant investments made in recent years.

Investments in tangible assets under construction mainly concerned the investments made in the Osmannoro-Sesto Fiorentino facility for the construction of the new logistics center by the Parent company Salvatore Ferragamo S.p.A., as well as the refurbishment and opening of new stores which were not yet operational at the end of the reporting period. The main investment in intangible assets under development by the Group is represented by the so-called "Marlin Project", aimed at standardizing the Group's retail information systems.

During the first half of 2016, 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 2016 compared with 31 December 2015 and 30 June 2015:

(In thousands of Euro)	30 June 2016	31 December 2015	30 June 2015	% change 06.16 vs. 12.15	% change 06.16 vs. 06.15
Inventories	397,497	351,132	339,452	13.2%	17.1%
Trade receivables	174,450	167,912	174,069	3.9%	0.2%
Trade payables	(186,569)	(202,148)	(190,050)	(7.7%)	(1.8%)
Total	385,378	316,896	323,471	21.6%	19.1%

The increase in net working capital was 21.6% compared to 31 December 2015 and 19.1% compared to 30 June 2015. The change was mainly the result of higher inventories, rising 17.1% from 30 June 2015—partly because of the increase in quantities as well as, to a lesser extent, the effect of changes in exchange rates. Specifically, inventories of finished products were up 44,670 thousand Euro from 31 December 2015 (+14.9%) and 57,262 thousand Euro from 30 June 2015 (+19.9%). Raw materials used in production grew by 1.5% compared to 30 June 2015 and 3.3% compared to 31 December 2015.

Trade receivables, rising 3.9% from 31 December 2015 and essentially flat on 30 June 2015, largely referred to wholesale sales.

Trade payables are mainly due to purchases of production materials, finished products and costs relating to outsourced manufacturing; they decreased by 7.7% compared to 31 December 2015 and by 1.8% compared to 30 June 2015.

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

Other non-current assets/(liabilities), amounting to 54,941 thousand Euro in net assets, grew by 2,056 thousand Euro (+3.9%) compared to 31 December 2015. The increase was mainly attributable to the rise in deferred tax assets (4,488 thousand Euro), particularly in taxes calculated on the reversal of the unrealized profit in Group inventories, net of the 1,154 thousand Euro increase in deferred tax liabilities.

Other current assets/(liabilities) went from 28,798 thousand Euro in net liabilities as at 31 December 2015 to 10,200 thousand Euro in net liabilities as at 30 June 2016, down by 18,598 thousand Euro, mainly due to the decrease in other current liabilities and tax payables.

Shareholders' equity

The changes in the Group's share of shareholders' equity were due to: the 90,214 thousand Euro increase relating to net profit for the period; the 77,643 thousand Euro decrease resulting from the dividends approved by the Parent company; the 3,551 thousand Euro increase due to the valuation of hedging derivatives, net of the relevant tax effect; the 2,975 thousand Euro increase attributable to the translation into Euro of the subsidiaries' financial statements denominated in other currencies; the 633 thousand Euro decrease arising from changes in the fair value of the put options assigned to pre-existing minority shareholders; and 667 thousand Euro in other minor reductions.

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

(In thousands of Euro)	Half-year period ended 30 June 2016	
	Shareholders' equity	Net profit/(loss) for the period
Salvatore Ferragamo S.p.A. data	463,689	91,038
Elimination of consolidated investments	336,390	12,133
Dividends distributed among Group companies	-	(553)
Elimination of unrealized profits, deriving from transactions between Group companies, relating to inventories, net of the deferred tax effect	(183,651)	(11,841)
Effect of IAS 39 – cash flow hedge reserve, net of the deferred tax effect	-	(4,650)
Other consolidation adjustments	9,437	3,995
Salvatore Ferragamo Group consolidated data	625,865	90,122
Minority interests	44,142	(92)
Group	581,723	90,214

Net financial debt

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

(In thousands of Euro)	30 June	31 December	30 June	% change	% change
	2016	2015	2015	06.16 vs. 12.15	06.16 vs. 06.15
Cash and cash equivalents (A)	100,508	142,121	94,810	(29.3%)	6.0%
Other current financial assets (B)	197	291	726	(32.3%)	(72.9%)
Interest-bearing loans and borrowings (C)	169,243	146,953	188,418	15.2%	(10.2%)
Other financial liabilities (D)	6,193	5,219	4,751	18.7%	30.4%
Net financial debt (C + D – A – B)	74,731	9,760	97,633	n-a	(23.5%)

Net financial debt for the period ended 30 June 2016 totaled 74,731 thousand Euro, i.e. 11.9% as a percentage of consolidated shareholders' equity. 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 six months of the year in tangible and intangible assets (26,171 thousand Euro), net of the cash flows from operating activities (42,455 thousand Euro). Compared to 30 June 2015, net financial debt decreased by 22,902 thousand Euro, from 97,633 thousand Euro to 74,731 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 2016 and 30 June 2015.

Profitability ratios	Half-year period ended 30 June	
	2016	2015
ROE (Group net profit for the period / average Group shareholders' equity)	15.7%	19.1%
ROI (Operating profit / Net average invested capital)	20.5%	23.4%
ROS (Operating profit / revenues)	19.1%	18.8%
Financial ratios	Half-year period ended 30 June	
	2016	2015
Coverage of shareholders' equity ratio (Shareholders' equity / non current assets)	153.8%	128.8%
Liquidity ratio (Current assets excluding inventories / current liabilities)	82.3%	71.7%

Turnover ratios expressed in days	Half-year period ended 30 June	
	2016	2015
Turnover of trade receivables (Average value of Trade receivables in the period / Revenues x days)	43	40
Turnover of Trade payables (Average value of Trade payables in the period / Purchases of goods and services x days)	81	76
Inventory turnover (Average value of Inventories in the period / Cost of goods sold x days)	287	247
Turnover of Average invested capital (Average value of Net invested capital / Revenues x days)	167	145

The above ratios are calculated on a half-yearly basis. Average value means the simple arithmetic average of the closing balances of the period and those as at 31 December 2015.

Information on corporate governance and ownership structure

Corporate Governance

Salvatore Ferragamo S.p.A. (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 21 April 2016. The Bylaws establish the essential features of the Company and set the main rules for its management and operation, as well as describe the composition of corporate bodies, their powers, and how they are related. The Bylaws also include the description of shareholders' rights and how to exercise them.

The Company complies with the Corporate Governance Code issued by Borsa Italiana S.p.A. and its corporate governance structure complies with the recommendations contained therein, including the relevant updates.

The main corporate governance body is the Board of Directors, which has the primary responsibility for determining and pursuing the strategic objectives of the Company and the Group. The current Board was elected by the Shareholders' Meeting on 24 April 2015 according to the single list submitted by the majority shareholder Ferragamo Finanziaria S.p.A., and consists of Ferruccio Ferragamo, Michele Norsa, Giovanna Ferragamo, Fulvia Ferragamo, Leonardo Ferragamo, Francesco Caretti, Diego Paternò Castello di San Giuliano, Peter K.C. Woo, Piero Antinori, Chiara Ambrosetti (Independent director), Lidia Fiori (Independent director), Umberto Tombari (Independent director), and Marzio Saà (Independent director).

This Board of Directors will serve until the date of the Shareholders' Meeting called to approve the separate financial statements for the year ended 31 December 2017.

On 24 April 2015, the Shareholders' Meeting also confirmed, pursuant to article 17 of the Bylaws, Wanda Miletti Ferragamo as Honorary Chairman of the Company, recognizing her exceptional commitment to the Group over many years. The term of office of the Honorary Chairman is in line with that of the Board of Directors, and therefore ends with the approval of the separate financial statements as at 31 December 2017.

On 24 April 2015, the newly elected Board of Directors held its first meeting, confirming the appointment of Ferruccio Ferragamo as Chairman, Giovanna Ferragamo as Deputy Chairman, and Michele Norsa as Managing Director of the Company.

At its first meeting, the Board of Directors also approved resolutions on corporate governance. Specifically, it resolved to:

- combine the functions of the Remuneration Committee and the Nomination Committee in a single committee, to be called the Nomination and Remuneration Committee, and appoint as members the Independent directors Umberto Tombari (Chairman), Lidia Fiori, and Marzio Saà;
- confirm the appointment of a Risk and Control Committee, which operates also as Committee responsible for transactions with related parties, and appoint as members the Independent directors Marzio Saà (Chairman), Umberto Tombari, and Chiara Ambrosetti;
- confirm the appointment of the director Marzio Saà as Lead Independent Director;
- confirm the establishment of a Product and Brand Strategy Committee, which provides advisory services and makes proposals to the Board of Directors, composed of the directors Ferruccio Ferragamo (Chairman of the Committee), Michele Norsa, Fulvia Ferragamo, and Leonardo Ferragamo.

At the same meeting, the Board of Directors confirmed, with the approval of the Control and Risk Committee, the Managing Director Michele Norsa as the director responsible for the internal control and risk management system, redefining his duties and responsibilities.

On 13 May 2015, the Board of Directors appointed Veronica Tonini as Risk Manager.

On 17 March 2016, the Board of Directors, deeming it appropriate to streamline the internal control system and review the responsibilities of the individual members of the current Board of Statutory Auditors, appointed said Board as Supervisory Body pursuant to Leg. Decree 231/2001 effective 1 April 2016 through the Board's term of office, i.e. until the approval of the separate financial statements at 31 December 2016.

On 30 June 2016, the Board of Directors, in accordance with the Corporate Governance Code, resolved to make the Company's Control and Risk Committee responsible for supervising the sustainability of the Company's operations and the relationships with all stakeholders.

Main features of the systems of risk management and internal control

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

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

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

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

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

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

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

- Director responsible for the internal control and risk management system

He has the duty of overseeing the internal control and risk management system, identifying the main corporate risks, as well as designing, implementing and managing the internal control system in compliance with the Board of Directors' guidelines, continuously verifying their adequacy and effectiveness and implementing their adjustment over time.

- Control and Risk Committee

In its advisory and consultative role, it supports the Board of Directors on risk management and internal control issues and, among other duties, expresses its views on the design, implementation and management of the system, and, on a half-yearly basis, reports to the Board of Directors on the activities it has undertaken, as well as on the adequacy of the internal control system.

- ERM (*Enterprise Risk management*) Guidance Committee

It is appointed by the Managing Director and has the task of assisting him in taking the main decisions concerning the design, implementation and management of the ERM Model. Among other things, these concern the direct assessment of "strategic" risks, the confirmation of assessments concerning other risks, and the approval of high-priority measures and action plans.

- *Risk Manager*

He coordinates the risk management process and systematically supports the ERM Guidance Committee and, generally, all the management staff involved. He reports directly to the Managing Director, interacts with the Risk and Control Committee, and cooperates with the other functions, including the Internal Audit Department, the Manager charged with preparing Company's Financial Reports, and all the other parties that in various ways are involved in detecting, assessing, managing, and monitoring risks.

- Internal audit manager

Reporting to the Board of Directors, the manager is responsible – through the relevant department – for verifying the adequacy and effectiveness of the risk management and internal control system, liaising with the Control and Risk Committee and the Board of Statutory Auditors regarding the system management procedures and its suitability in order to achieve an acceptable overall risk profile.

- Manager charged with preparing Company's Financial Reports (in accordance with art. 154-bis of the TUF)

He is responsible for defining, implementing and maintaining suitable and effective control procedures to manage risks entailed in financial reporting, i.e. the activities undertaken to identify and assess the actions or events, the occurrence or absence of which may hinder, in part or in whole, the achievement of the goals of trustworthiness, accuracy, reliability and timeliness of financial reporting.

- Supervisory Body pursuant to Legislative Decree 231/01.

It is responsible for checking the effectiveness, adequacy and compliance of the Organization, Management and Control Model pursuant to Leg. Decree 231/01 and ensuring it is constantly updated.

For further information on corporate governance and the main features of the risk management and internal control systems adopted, reference should be made to the Report on corporate governance and ownership structure published on the Company's website www.ferragamo.com, in the section Investor Relations/Governance/ Corporate Governance Reports.

Other information

Financial reporting and Investor relations

Salvatore Ferragamo S.p.A., in order to maintain a 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 a continuous exchange of information between the Company 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 June 2016, Ferragamo Finanziaria S.p.A. held a majority stake in the share capital of Salvatore Ferragamo S.p.A., i.e. 57.618% 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 June 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.

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 fairness/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 2016

Investments

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: as a result, they have been excluded from the consolidation area.

Shareholders' Meeting

- Approval of the 2015 Separate Financial Statements

On 21 April 2016, the Shareholders' Meeting of the Parent company Salvatore Ferragamo S.p.A. approved the financial statements for the year ended 31 December 2015 and the distribution of a dividend of 0.46 Euro per share, as detailed in the specific section "Dividends" in the Explanatory notes.

- Approval of the 2016-2020 Stock Grant Plan and Authorization to purchase and dispose of Treasury Shares

On 21 April 2016, in order to adopt a medium- and long-term incentive scheme for the Ferragamo Group's top management, the Shareholders' Meeting approved the 2016-2020 Stock Grant Plan, consisting in two three-year cycles—1st Cycle: performance period 2016/2018; 2nd Cycle: performance period 2017/2019—and concerning the granting of options to subscribe for up to 600,000 ordinary shares contingent upon meeting specific performance goals for each cycle, vesting the Board of Directors with all the powers required to implement the Plan. For further details, reference should be made to note 33 in the Explanatory Notes.

The shares for servicing the Plan may consist of shares issued as part of a free share capital increase pursuant to article 2349, paragraph 1 of the Italian Civil Code, and/or the assignment of any treasury shares held by the Company.

In addition, for the purposes of implementing said Plan, the Shareholders' Meeting resolved to:

- create a specific 60,000 Euro reserve to service the free share capital increase;
- authorize the Board of Directors to purchase, including in multiple rounds, ordinary shares in Salvatore Ferragamo S.p.A. with a par value of 0.10 Euro each, up to 1% of the Parent Company's Share Capital (i.e. 1,687,900 ordinary shares), considering also the treasury shares held from time to time by the Parent Company and its subsidiaries. Furthermore, the Meeting authorized the Board of Directors to dispose of treasury shares.

The Extraordinary Shareholders' Meeting approved the free share capital increase pursuant to article 2349 of the Italian Civil Code up to a nominal amount of 60,000 Euro, corresponding to 600,000 ordinary shares in the Company, to service the 2016-2020 Stock Grant Plan, amending the Company's Bylaws accordingly.

For further details on the resolutions approved by the Shareholders' Meeting of 21 April 2016, reference should be made to the documents published on the Company's website www.ferragamo.com under Investor Relations, Governance, Shareholders' Meeting.

Board of Directors

Salvatore Ferragamo S.p.A., in agreement with the CEO Michele Norsa, has started the process to appoint a successor to his position. Specifically, at the meeting held on 12 May 2016, the Board of Directors updated its assessment concerning the succession at the head of the Company, which will be completed at the Board of Directors meeting of 2 August 2016 with the resignation of Mr Michele Norsa and the co-option of Mr Eraldo Poletto as the Company's CEO.

- Treasury share repurchase

At the meeting held on 12 May 2016, the Board of Directors approved the launch of an ordinary treasury share repurchase program as authorized by the Shareholders' Meeting of 21 April 2016, in accordance with and pursuant to articles 2357 ff. of the Italian Civil Code as well as article 132 of Legislative Decree no. 58 of 24 February 1998 (TUF) and article 144-bis of the Consob Regulation adopted with resolution no. 11971/1999 as amended (the Issuers' Regulation). The Company shall repurchase treasury shares by 21 October 2018.

- 2016-2020 Stock Grant Plan

At the meeting on 30 June 2016, the Board of Directors, as part of the 1st cycle of the 2016-2020 Stock Grant Plan approved by the Shareholders' Meeting of 21 April 2016, approved the granting of no. 160,000 options to subscribe for shares in Salvatore Ferragamo S.p.A., identifying 17 beneficiaries of Salvatore Ferragamo S.p.A. and some of its subsidiaries. For the details of the Plan, see note 33 in the Explanatory Notes.

- Draft terms of merger

At the meeting on 30 June 2016, the Board of Directors approved the draft terms of the merger of the wholly owned single-member subsidiary Ma.Ga. Immobiliare S.r.l. into Salvatore Ferragamo S.p.A. 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 for the purposes of 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 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. 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.

As for the tax audit carried 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 the first half of 2016.

As pointed out in the Annual Report as at 31 December 2015, in 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. After the long preliminary phase of the audit, the Company discussed the case with customs authorities, which eventually did not assess any transfer pricing violations but adjusted the import value of metal and other spare parts, assessing nearly 25 thousand Euro (30,967,450 KRW) in duties, import taxes, and customs penalties. Ferragamo Korea Ltd. paid said amount in the first quarter of 2016, settling all pending claims.

As detailed in the Annual Report as at 31 December 2015, 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. The preliminary phase of the audit then concluded to resume subsequently following a change in the personnel of the Customs office responsible for the case. The company submitted an eleventh round of documents in late October 2015, followed by further submissions and meetings. On 4 July 2016, the company reached an agreement with the Chinese customs office: for the years 2013 and 2014, it will pay 2,647 thousand Chinese Renminbi (approximately 357 thousand Euro) in additional duties, and 4,435 thousand Chinese Renminbi (approximately 598 thousand Euro) in additional import VAT, which can be fully offset. The settlement also amends outstanding commercial agreements effective 1 January 2015, which should prevent the risk of other similar disputes for the years after the period covered by the settlement. The case will be formally settled with the payment of the amounts due, which is expected in the weeks following the signing of the agreement.

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, and on 4 July 2016 requested further documentation. The Company submitted all required documentation on 8 July 2016, and is waiting for the scheduling of a meeting to settle the dispute with the Office.

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 during meetings with management 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 significant events

On 22 March 2016, the Parent Company Salvatore Ferragamo S.p.A. entered into the new agreement for the exercise of the option for the Italian fiscal unity (as provided for by articles 117 ff. of the TUIR-Presidential Decree no. 917 of 22 December 1986) with the Holding company Ferragamo Finanziaria S.p.A. (the consolidating company) and Ferragamo Parfums S.p.A. for the 2016-2018 period, following the expiry of the option exercised for the 2013-2015 period.

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 recognized through profit or loss. In the first half of 2016, this item totaled 12,652 thousand Euro compared to 12,902 thousand Euro in the same period last year.

Staff

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

Staff	30 June 2016	31 December 2015	30 June 2015
Top managers, middle managers and store managers	740	719	686
White collars	2,964	3,052	3,004
Blue collars	272	262	272
Total	3,976	4,033	3,962

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, to which reference should be made – cannot be considered as atypical or unusual, since they form part of the Group companies' regular business and are regulated at market conditions.

As for the Procedure for Transaction for Related Parties, see the documentation on the Company's website www.ferragamo.com under *Investor Relations, Governance, Corporate Governance, Procedure*.

Significant events occurred after 30 June 2016

No significant events occurred after 30 June 2016.

Outlook

The British decision to leave the European Union had significant repercussions on all financial markets. Although macroeconomic indicators continued pointing to a slowdown in global growth, the climate had been improving in recent months thanks to the less pessimistic outlook on the Chinese and American economy, the accommodation by central banks, and the stabilization in oil prices. The exit from the *E.U.* will heavily affect Britain's economy, leading to lower GDP growth, the risk of a recession, and an increase in inflation. How negative the impact will be—and not just for Europe—will depend on the market's reaction: the crisis of confidence will affect consumer and investment decisions, and the repercussions for global economic growth are hard to estimate. In addition, there is a growing risk of political contagion to other European countries, such as Spain and the Netherlands.

The US macroeconomic outlook remains moderately positive, although the real impact of the UK *referendum* remains to be seen: the chances of another rate hike in 2016 have decreased dramatically. *GDP* is expected to grow by 2.0% over the next two years, driven by consumer spending and housing investments. The concerns about the job market should fade away, and the upward trend in wages should help reaching the 2.0% inflation target before the end of the year.

The Euro Area's economy should continue to moderately expand also in the upcoming months, with domestic demand propped up by the slump in oil prices, the declining exchange rate, and significantly expansionary financial conditions. However, inflation remains weak and the outlook uncertain. The risks are related to how long the impact of financial turmoil will last: the aftermath of the UK referendum could subtract up to 0.3% from GDP growth. As for Italy, considering the modest acceleration in early 2016, the economy is expected to continue growing at a moderate pace: besides the usual structural issues, the stagnation in global trade and the political uncertainty over the result of the constitutional referendum in October weigh on the outlook. Meanwhile, in May the Eurogroup made a significant step towards resolving the Greek crisis by reaching an agreement to unlock a bailout loan as well as define a long-term strategy for debt relief from official lenders.

In Japan, the recovery is unlikely to become entrenched without further fiscal and monetary stimulus measures; the macroeconomic outlook, although bolstered by the postponement of a sales tax increase, remains nonetheless fragile. The Yen's appreciation represents a further problem.

China's economy is expanding at the slowest pace since records began; the slump has affected all sectors, excluding construction and the real estate industry. Meanwhile, India's growth has accelerated steadily, driven by consumer spending. Brazil continues reeling from political scandals. The slowdown in China, the impact of low oil and commodity prices, and the tightening in financial conditions deriving from the stronger greenback and the expected rate hike in the US continue weighing on the outlook for several emerging markets for this year. The growing geo-political risks and the new terrorist attacks are having a material impact on tourism and confidence at a global level, with significant repercussions for consumer spending.

After years of steady growth, the luxury industry is showing clear signs of slowing down. The persistently weak economic outlook—see the deceleration of China's growth, the economic sanctions against Russia, and the turmoil in the Middle East—is certainly taking a heavy toll. In recent weeks, the outcome of the UK referendum, in which the British decided to leave the EU, the horrific series of terrorist attacks, and the instability in Turkey in the wake of the failed coup, have complicated the outlook. This makes markets volatile and forecasts difficult, suggesting caution with investments and expectations.

Florence, 2 August 2016

On behalf of the Board of Directors
The Chairman
Ferruccio Ferragamo

Financial statements

Consolidated statement of financial position – assets

(In thousands of Euro)	Notes	30 June 2016	<i>of which with related parties</i>	31 December 2015	<i>of which with related parties</i>	30 June 2015	<i>of which with related parties</i>
NON CURRENT ASSETS							
Property, plant and equipment	4	231,196		236,452		221,630	
Investment property	5	7,152		7,470		7,440	
Intangible assets with a finite useful life	6	32,129		33,596		30,946	
Available-for-sale financial assets		20		20		20	
Other non current assets	7	7,963		7,453		7,843	
Other non current financial assets	8	16,480	1,787	16,874	1,600	17,082	1,648
Deferred tax assets	31	112,026		107,538		106,928	
TOTAL NON CURRENT ASSETS		406,966	1,787	409,403	1,600	391,889	1,648
CURRENT ASSETS							
Inventories	9	397,497		351,132		339,452	
Trade receivables	10	174,450	99	167,912	79	174,069	105
Tax receivables	11	22,005		19,123		10,311	
Other current assets	12	35,070	2,025	33,839	2,420	39,947	2,025
Other current financial assets	13	197		291		726	
Cash and cash equivalents	14	100,508		142,121		94,810	
TOTAL CURRENT ASSETS		729,727	2,124	714,418	2,499	659,315	2,130
TOTAL ASSETS		1,136,693	3,911	1,123,821	4,099	1,051,204	3,778

Consolidated statement of financial position – liabilities and shareholders' equity

(In thousands of Euro)	Notes	30 June 2016	<i>of which with related parties</i>	31 December 2015	<i>of which with related parties</i>	30 June 2015	<i>of which with related parties</i>
SHAREHOLDERS' EQUITY							
GROUP SHAREHOLDERS' EQUITY							
Share capital	15	16,879		16,879		16,879	
Reserves	15	474,630		374,314		353,751	
Net profit/(loss) – Group		90,214		172,733		88,153	
TOTAL GROUP SHAREHOLDERS' EQUITY		581,723		563,926		458,783	
MINORITY INTERESTS							
Share capital and reserves – minority interests		44,234		43,098		44,372	
Net profit/(loss) – minority interests		(92)		1,717		1,686	
TOTAL MINORITY INTERESTS		44,142		44,815		46,058	
TOTAL SHAREHOLDERS' EQUITY		625,865		608,741		504,841	
NON CURRENT LIABILITIES							
Non current interest-bearing loans & borrowings	20	25,274		23,312		22,745	
Provisions for risks and charges	16	8,473		8,025		7,640	
Employee benefit liabilities	17	12,501		11,664		11,883	
Other non current liabilities	18	55,496		55,387		53,451	
Non current financial liabilities		80		-		-	
Deferred tax liabilities	31	5,078		3,924		4,292	
TOTAL NON CURRENT LIABILITIES		106,902	-	102,312	-	100,011	-
CURRENT LIABILITIES							
Trade payables	19	186,569	555	202,148	344	190,050	299
Interest-bearing loans & borrowings	20	143,969		123,641		165,673	
Tax payables	21	18,681		22,648		22,951	
Other current liabilities	22	48,594	10,550	59,112	18,461	62,927	13,060
Other current financial liabilities	23	6,113		5,219		4,751	
TOTAL CURRENT LIABILITIES		403,926	11,105	412,768	18,805	446,352	13,359
TOTAL LIABILITIES		510,828	11,105	515,080	18,805	546,363	13,359
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,136,693	11,105	1,123,821	18,805	1,051,204	13,359

Consolidated income statement

(In thousands of Euro)		Half-year period ended 30 June			
	Notes	2016	<i>of which with related parties</i>	2015	<i>of which with related parties</i>
Revenues from sales and services		703,725	114	715,953	109
Rental income investment properties		6,438		6,422	
Revenues	26	710,163		722,375	
Cost of goods sold	27-28	(234,614)		(247,143)	
Gross profit		475,549		475,232	
Style, product development and logistics costs	27-28	(21,987)	(304)	(22,371)	(423)
Sales & distribution costs	27-28	(223,567)	(11,644)	(224,689)	(12,236)
Marketing & communication costs	27-28	(35,837)	(73)	(35,335)	(29)
General and administrative costs	27-28	(55,194)	(5,386)	(52,781)	(4,614)
Other operating costs	27-28	(10,180)	-	(9,919)	(60)
Other income and revenues	29	6,712	9	5,414	15
Operating profit		135,496		135,551	
Financial charges	30	(21,334)		(31,837)	
Financial income	30	13,523		26,150	
Profit before taxes		127,685		129,864	
Income taxes	31	(37,563)		(40,025)	
Net profit/(loss) for the period		90,122		89,839	
Net profit/(loss) – Group		90,214		88,153	
Net profit/(loss) – minority interests		(92)		1,686	

(In Euro)		Half-year period ended 30 June	
	Notes	2016	2015
Basic earnings per share – ordinary shares	32	0.534	0.523
Diluted earnings per share – ordinary shares	32	0.534	0.522

Consolidated statement of comprehensive income

(In thousands of Euro)	Half-year period ended 30 June	
	2016	2015
Net profit/(loss) for the period (A)	90,122	89,839
<i>Other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period</i>		
- Currency translation differences of foreign operations	2,349	(17,409)
- Net gain/(loss) from cash flow hedge	4,958	(7,292)
- Income taxes	(1,407)	2,005
	<u>3,551</u>	<u>(5,287)</u>
Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)	5,900	(22,696)
<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	(874)	(237)
- Income taxes	202	(51)
	<u>(672)</u>	<u>(288)</u>
Total other income/(losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)	(672)	(288)
Total other income/(losses) for the period, net of taxes (B1+B2 = B)	5,228	(22,984)
Total comprehensive income for the period, net of taxes (A+B)	95,350	66,855
Group	96,073	62,342
Minority interests	(723)	4,513

Consolidated statement of cash flows

(In thousands of Euro)	Notes	Half-year period ended 30 June			
		2016	of which with related parties	2015	of which with related parties
NET PROFIT / (LOSS) FOR THE PERIOD		90,122		89,839	
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	30,629		29,090	
Allocation / (use) of deferred taxes	31	(5,342)		(7,328)	
Provision for employee benefit plans	17	398		371	
Allocation to / (use of) the provision for obsolete inventory	9	(896)		7,039	
Losses and provision for bad debt		911		760	
Losses / (gains) on disposal of tangible/intangible assets		435		715	
Other non-monetary items		860		1,190	
Changes in operating assets and liabilities:					
Trade receivables		(1,727)	(20)	(28,009)	(51)
Inventories		(37,585)		(30,608)	
Trade payables		(15,379)	211	(412)	(27)
Tax receivables		(3,191)		3,850	
Tax payables		(3,800)		299	
Employee benefits payments	17	(504)		(496)	
Other assets and liabilities*		(12,375)	(7,703)	(4,115)	3,094
Other – net		(101)		(163)	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		42,455	(7,512)	62,022	3,016
Cash flow from investing activities:					
Purchase of tangible assets	4-5	(23,063)	(11)	(24,936)	
Purchase of intangible assets	6	(3,108)		(5,437)	
Net change in available-for-sale financial assets		-		6	-
Proceeds from the sale of tangible and intangible assets		29		108	
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(26,142)	(11)	(30,259)	-
Cash flow from financing activities:					
Net change in financial receivables		200		381	
Net change in financial payables		19,033	-	38,404	-
Dividends paid to shareholders of the Parent company	36	(77,643)	(57,080)	(70,732)	(52,117)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		(58,410)	(57,080)	(31,947)	(52,117)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(42,097)		(184)	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		142,121		96,455	
Increase/(decrease) in cash and cash equivalents		(42,097)		(184)	
Effect of exchange rate translation differences		484		(1,461)	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	14	100,508		94,810	
ADDITIONAL INFORMATION					
Interest paid		2,534		2,805	
Income taxes paid		55,915		38,753	
Interest received		339		276	
Dividends received		-		-	

*For a better explanation, 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 half of 2015 by 1,312 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	-	-	-	-	-	-	-	-	-	90,214	90,214	(92)	90,122
Other comprehensive income/(loss)	-	-	-	-	3,551	2,846	129	-	(667)	-	5,859	(631)	5,228
Total comprehensive income (loss)	-	-	-	-	3,551	2,846	129	-	(667)	90,214	96,073	(723)	95,350
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	-	-	-	-	-	-	(633)	-	-	-	(633)	50	(583)
Reclassifications	-	-	-	(60)	-	-	-	60	-	-	-	-	-
As at 30.06.2016	16,879	2,995	4,188	316,081	(935)	(12,362)	153,080	14,840	(3,257)	90,214	581,723	44,142	625,865

(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	-	-	-	-	-	-	-	-	-	88,153	88,153	1,686	89,839
Other comprehensive income/(loss)	-	-	-	-	(5,287)	(18,712)	(1,527)	-	(285)	-	(25,811)	2,827	(22,984)
Total comprehensive income (loss)	-	-	-	-	(5,287)	(18,712)	(1,527)	-	(285)	88,153	62,342	4,513	66,855
Distribution of dividends	-	-	-	-	-	-	(70,732)	-	-	-	(70,732)	-	(70,732)
Purchase of minority interests in companies consolidated on a line-by-line basis and accounting of options on minority interests	-	-	-	-	-	-	197	-	-	-	197	(459)	(262)
Stock Grant Reserve	-	-	-	-	-	-	-	786	-	-	786	-	786
Reclassifications	38	-	-	12	-	-	5,037	(5,087)	-	-	-	-	-
As at 30.06.2015	16,879	2,995	4,188	191,675	(20,985)	(19,029)	182,958	14,780	(2,831)	88,153	458,783	46,058	504,841

Explanatory Notes

1. Corporate information

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

The condensed consolidated half-year report as at 30 June 2016 of Salvatore Ferragamo S.p.A. has been approved by the Board of Directors during the meeting held on 2 August 2016.

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

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

2. Basis of presentation

Contents and structure of the consolidated financial statements

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 2016 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 Consolidated Annual Report of the Salvatore Ferragamo Group for the year ended 31 December 2015, which is available on the corporate website www.ferragamo.com in the section *Investor Relations, Financial Documents*.

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 2015 and 30 June 2015 and the consolidated income statement as at 30 June 2015.

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 2016 are the same as those used in preparing the 2015 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), which have been endorsed by the European Union and applied as from 1 January 2016, 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 has entailed the use of estimates and assumptions, both in determining some assets and liabilities, and in assessing contingent assets and liabilities, by using the best available information. Actual results might not fully correspond to estimates.

The main estimated data refer to:

- provisions for obsolete inventory of raw materials, accessories and finished products; since the Group's products are subject to changes in fashion trends, product inventories at the end of the season or, in the case of fragrances, at the end of the life cycle of the individual item, are subject to impairment;
- provisions for bad debt relating to wholesale sales, which are linked to the solvency of customers with whom the company has well-established and consolidated relations;
- provisions for risks and charges, specifically the costs for the contractual commitment to renovate properties and ongoing or foreseeable disputes, as well as for marginal cases relating to the return of goods by customers;
- useful life of property, plant and equipment, intangible assets with a finite useful life and investment property, as well as ensuring that development costs meet the recognition and measurement requirements for intangible assets;

- employee benefits, whose amounts are valued on an actuarial basis;
- deferred tax assets, in particular the estimate of their recoverability in regard to future income;
- fair value of financial instruments, in which derivatives are particularly important, and which the Group uses extensively to hedge exchange rate risks.

The estimates and the assumptions are made by directors with the assistance of company departments and, when appropriate, independent experts and are periodically reviewed, recognizing the impact of each change in the income statement in the period in which these estimates and assumptions should differ from actual circumstances.

When entering into commercial lease contracts, the Group determined, on the basis of the contractual terms and conditions (such as for example the fact that the contractual terms do not cover most of the economic life of the commercial property and the fair value of the asset), that all the significant risks and benefits typical of ownership of the assets remain with the lessor; therefore, these contracts are recognized as operating leases.

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

The book values 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 2016, no indicators of impairment emerged.

- *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 best estimate of the annual average expected tax rate applied to the pre-tax profit of the interim period.

Changes in international accounting standards, interpretations and amendments

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

In compliance with the amendments to IFRS 11, the acquirer of an interest in a joint operation (joint operator) in which the activity constitutes a business is required to apply all of the principles on business combinations accounting in IFRS 3. The amendments also clarify that, if the joint arrangement is retained, previously held interests in a joint arrangement are not remeasured when acquiring an additional interest. In addition, an exclusion from the scope of IFRS 11 has been added to clarify that the amendments do not apply when the parties sharing control, including the entity which prepares the financial statements, are subject to the joint control of the ultimate controlling entity. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in the same joint operation. The amendments apply prospectively to annual periods beginning on or after 1 January 2016 and early adoption is permitted. This amendment did not have any impact on the financial statements of the Group, as this did not acquire interests in joint operations during the period.

Amendments to IAS 1: use of judgment in financial disclosure

The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. In particular, the amendments clarify the following:

- the materiality requirements in IAS 1;
- that specific line items in the statement of profit or loss and other comprehensive income and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of profit or loss and other comprehensive income and the statement of financial position.

These amendments are effective for annual periods beginning on or after 1 January 2016, and early adoption is permitted. This amendment did not have any impact on the Group's financial statements.

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

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part), rather than the economic benefits that are consumed through use of the asset. Therefore the amendments prohibit entities from using a revenue-based method for items of property, plant and equipment, and this method could be used only in very limited circumstances for the amortization of intangible assets. The amendments apply prospectively to annual periods beginning on or after 1 January 2016 and early adoption is permitted. There is no impact on the Group following the application of these amendments, as the Group does not use revenue-based methods of amortization and depreciation of its non current assets.

Amendments to IAS 19 Employee benefits: Employee contributions

IAS 19 mandates that an entity has to consider contributions from employees or third parties when accounting for defined benefit plans. Contributions that are linked to service must be attributed to periods of service as a reduction of service cost. The amendment clarifies that, if the amount of the contributions is independent of the number of years of service, contributions may be recognized as a reduction in the service cost in the period in which the related service is rendered, instead of allocating the contributions to periods of service. This amendment did not have any impact on the Group's financial statements.

IFRS annual improvements cycle 2010-2012

The improvements concern the following issues:

IFRS 2 Share-based Payment

This improvement is effective prospectively and clarifies various issues related to the definition of performance conditions and service conditions that represent vesting conditions, including the following:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same Group;
- A performance condition may be a market or non-market condition;
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

IFRS 3: Business Combinations

The amendment is effective prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination must be subsequently measured at fair value through profit or loss, whether or not they fall within the scope of IAS 39.

IFRS 8 Operating Segments

The amendment is effective retrospectively and clarifies that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in IFRS 8.12, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar";
- The reconciliation of segment assets to total assets is required to be disclosed only if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is effective retrospectively and clarifies that in IAS 16 and IAS 38 revaluation can be performed using observable inputs by either adjusting the gross carrying amount of the asset to market value, or determining the market value of the carrying amount and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. Furthermore, accumulated depreciation/amortization is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is effective retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services

This improvement cycle did not have any impact on the Group's financial statements.

IFRS annual improvements cycle 2012-2014

The improvements concern the following issues:

IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. The amendment must be applied prospectively.

IFRS 7 Financial instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. The amendment must be applied retrospectively.

IAS 19 Employee benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment must be applied prospectively.

IAS 34 - Interim Financial Reporting

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

This improvement cycle did not have any impact on the Group’s financial statements.

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 following companies are included in consolidation as at 30 June 2016.

Company name	Location	Currency	Share capital	30 June 2016		Notes
				Controlling interest (%) Direct	Indirect	
Salvatore Ferragamo S.p.A.	Florence, Italy	Euro	16,879,000	Parent company		
Ferragamo Retail Nederland B.V.	Amsterdam, Holland	Euro	500,000	100%		
Ferragamo France S.A.S.	Paris, France	Euro	4,334,094	100%		
Ferragamo Deutschland GmbH	Munich, Germany	Euro	3,300,000	100%		
Ferragamo Austria GmbH	Vienna, Austria	Euro	1,853,158	100%		
Ferragamo U.K. Limited	London, United Kingdom	Pound Sterling	6,172,735	100%		
Ferragamo (Suisse) SA	Mendrisio, Switzerland	Swiss Franc	1,000,000	100%		
Ferragamo Belgique SA	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 Denmark ApS	Copenhagen, Denmark	Danish Krone	500,000	100%		
Ferragamo USA Inc.	New York, United States	US Dollar	74,011,969	100%		
Ferragamo Canada Inc.	Vancouver, Canada	Canadian Dollar	4,441,461		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 Mexico S. de R.L. de C.V.	Mexico City, Mexico	Mexican Peso	4,592,700	99.73%	0.27%	(1)
Ferragamo Chile S.A.	Santiago, Chile	Chilean Peso	1,362,590,000	99%	1%	(1)
Ferragamo Argentina S.A.	Buenos Aires, Argentina	Argentine Peso	4,969,107	95%	5%	(1)
Ferragamo Brasil Roupas e Acessorios Ltda.	Sao Paulo, Brazil	Brazilian Real	55,615,000	99%	1%	(1)
Ferragamo Hong Kong Ltd.	Hong Kong, China	Hong Kong Dollar	10,000	100%		
Ferragamo Japan K.K.	Tokyo, Japan	Japanese Yen	305,700,000	71%		(5)
Ferragamo Australia Pty Ltd.	Sydney, Australia	Australian Dollar	13,637,003	100%		
Ferrimag Limited	Hong Kong, China	Hong Kong Dollar	109,200,000		75%	(2)
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	Shanghai, China	US Dollar	200,000		75%	(3)
Ferragamo Moda (Shanghai) Co.Ltd	Shanghai, China	US Dollar	1,400,000	75%		
Ferragamo Retail HK Limited	Hong Kong, China	Hong Kong Dollar	39,000,000		75%	(3)
Ferragamo Retail Taiwan Limited	Taipei, Taiwan	New Taiwanese Dollar	136,250,000		75%	(3)
Ferragamo Retail Macau Limited	Macau, China	Macau Pataca	25,000	75.2%		
Ferragamo Retail India Private Limited	New Delhi, India	Indian Rupee	150,000,000	51%		(4)
Ferragamo Korea Ltd.	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%		
Ma.Ga Immobiliare S.r.l.	Florence, Italy	Euro	20,000	100%		

1 – Through Ferragamo USA Inc. 2 – Through Ferragamo Hong Kong Ltd. 3 – Through Ferrimag Ltd. 4 – 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.
5 – 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.

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 consolidated on a line-by-line basis, as at 30 June 2016. These are identified collectively as the Salvatore Ferragamo Group.

During the first half of 2016 the Group 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

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
	2016	2015	2016	2015	2015
US Dollar	1.1159	1.1158	1.1102	1.0887	1.1189
Swiss Franc	1.09605	1.05673	1.0867	1.0835	1.0413
Japanese Yen	124.414	134.2042	114.05	131.0700	137.0099
Pound Sterling	0.7788	0.7323	0.8265	0.7340	0.7114
Danish Krone	7.4497	7.4562	7.4393	7.4626	7.4604
Australian Dollar	1.5220	1.4261	1.4929	1.4897	1.4550
South Korean Won	1,318.91	1,227.31	1,278.48	1,280.79	1,251.27
Hong Kong Dollar	8.6684	8.6517	8.6135	8.4376	8.6740
Mexican Peso	20.173	16.8887	20.6347	18.9145	17.5332
New Taiwanese Dollar	36.515	34.8029	35.7170	35.8160	34.6294
Singapore Dollar	1.5400	1.5061	1.4957	1.5417	1.5068
Thai Baht	39.5590	36.7826	39.0070	39.2480	37.7960
Malaysian Ringgit	4.5737	4.0621	4.4301	4.6959	4.2185
Indian Rupee	75.0019	70.1244	74.9603	72.0215	71.1873
Macau Pataca	8.922	8.9062	8.8608	8.6849	8.9472
Chinese Renminbi	7.2965	6.9408	7.3755	7.0608	6.9366
Chilean Peso	768.78	692.957	734.79	772.881	716.589
Argentine Peso	15.979	9.839	16.559	14.131	10.187
Brazilian Real	4.1295	3.3102	3.5898	4.3117	3.4699
Canadian Dollar	1.4844	1.3774	1.4384	1.5116	1.3839

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 2016.

(In thousands of Euro)	Value at 01.01.2016	Translation difference	Additions	Disposals	Depreciation	Value at 30.06.2016
Land	29,912	(60)	-	-	-	29,852
Buildings	37,383	(163)	839	-	(1,172)	36,887
Plant and equipment	6,579	(4)	929	-	(1,053)	6,451
Industrial and commercial equipment	38,551	(208)	4,242	(87)	(6,560)	35,938
Other assets	18,445	(277)	1,976	-	(3,916)	16,228
Leasehold improvements	97,511	(1,589)	5,673	(379)	(13,061)	88,155
Fixed assets in progress and payments on account	8,071	210	14,543	(5,139)	-	17,685
Total	236,452	(2,091)	28,202	(5,605)	(25,762)	231,196

The increase:

- in the item "Buildings" mainly refers to the partial completion of a new building in the facility at Osmannoro-Sesto Fiorentino already started in previous years and, to a lesser extent, to improvements to the property owned in the USA and South Korea;
- in industrial and commercial equipment refers to the opening and renovation of stores (3,783 thousand Euro) and the purchase of equipment and molds (459 thousand Euro) for the fragrances product category;
- in other assets mainly concerns furniture and furnishings (1,246 thousand Euro) and IT equipment (661 thousand Euro);
- in "Leasehold improvements" refers mainly to work carried out for the opening or refurbishment of stores.
- in fixed assets in progress and payments on account refers largely to expenses incurred and payments on accounts made for the new logistics center the Parent company is building in Osmannoro.

Disposals mainly refer to assets in stores renovated or closed during the period.

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 2016.

(In thousands of Euro)	Value at 01.01.2016	Translation difference	Additions	Depreciation	Value at 30.06.2016
Land	5,141	(99)	-	-	5,042
Buildings	2,329	(47)	-	(172)	2,110
Total	7,470	(146)	-	(172)	7,152

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 2016:

(In thousands of Euro)	Value at 01.01.2016	Translation difference	Additions	Disposals	Amortization	Value at 30.06.2016
Industrial patents and use of intellectual property rights	4,677	50	135	-	(1,209)	3,653
Concessions, licenses and trademarks	1,817	-	170	-	(171)	1,816
Development costs	12,908	-	1,910	-	(2,504)	12,314
Others	9,334	69	6	-	(811)	8,598
Intangible assets with a finite useful life in progress	4,860	1	2,835	(1,948)	-	5,748
Total	33,596	120	5,056	(1,948)	(4,695)	32,129

Intangible assets with a finite useful life rose compared to 31 December 2015 mainly due to new investment in software application development costs (item "Development costs"), software license costs (item "Industrial patents and use of intellectual property rights") and costs for filing and registering the Salvatore Ferragamo trademark (item "Concessions, licenses and trademarks").

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 by taking over existing contracts or by obtaining the withdrawal of the lessees in such a way as to be able to enter into new contracts with the lessors (net value of 7,039 thousand Euro).

7. Other non current assets

As at 30 June 2016, other non current assets totaled 7,963 thousand Euro, up compared to 31 December 2015 (7,453 thousand Euro), and refer for 5,092 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 2,397 thousand Euro, relating to the non current portion of advances of royalties paid by Ferragamo Parfums S.p.A. to the owner of the Ungaro fragrances brand, as provided for by the new license contract renegotiated and signed in December 2014. These advances are recovered with the accrual of royalties.

8. Other non current financial assets

Other non current financial assets, totaling 16,480 thousand Euro as at 30 June 2016 (16,874 thousand Euro as at 31 December 2015), 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 2016	31 December 2015	Change 2016 vs. 2015
Gross value of raw materials, accessories and consumables	58,738	58,709	29
Provision for obsolete inventory	(6,325)	(7,991)	1,666
Raw materials, accessories and consumables	52,413	50,718	1,695
Gross value of finished products and goods for resale	385,394	340,199	45,195
Provision for obsolete inventory	(40,310)	(39,785)	(525)
Finished products and goods for resale	345,084	300,414	44,670
Total	397,497	351,132	46,365

The change in raw materials compared to 31 December 2015 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 production plans. The stocks of finished products increased by 44,670 thousand Euro (+14.9%) compared to 31 December 2015.

(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 2016 vs. 2015
	2016	2015	
Raw materials	(1,666)	957	(2,623)
Finished products	770	6,082	(5,312)
Total	(896)	7,039	(7,935)

10. Trade receivables

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

(In thousands of Euro)	30 June	31 December	Change 2016 vs. 2015
	2016	2015	
Trade receivables	180,422	173,778	6,644
Provision for bad debt	(5,972)	(5,866)	(106)
Total	174,450	167,912	6,538

Trade receivables, up by 3.9%, mainly refer to wholesale sales and are due for around 23,838 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 change in the provision for bad debt in the half-year period ended 30 June 2016 was as follows:

(In thousands of Euro)	Value at 01.01.2016	Translation difference	Allocations	Uses	Value at 30.06.2016
Provision for bad debt	5,866	(39)	423	(278)	5,972

11. Tax receivables

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

(In thousands of Euro)	30 June	31 December	Change 2016 vs. 2015
	2016	2015	
Due from tax authorities (value added tax and other taxes)	7,620	8,449	(829)
Due from tax authorities for income taxes	14,295	10,648	3,647
Withholding taxes	90	26	64
Total	22,005	19,123	2,882

The 2,882 thousand Euro increase in tax receivables consisted mainly of receivables due from tax authorities for income taxes referring to the estimated tax payments made in the second half of 2015 and the first half of 2016, which exceeded the income tax payable.

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 2016 vs. 2015
	2016	2015	
Other receivables	12,684	15,959	(3,275)
Accrued income	67	41	26
Prepaid expenses	19,133	14,421	4,712
Other receivables for short-term hedge derivatives	3,186	3,418	(232)
Total	35,070	33,839	1,231

As at 30 June 2016, the item “Other receivables” mainly includes:

- advances to suppliers (1,691 thousand Euro), down by 786 thousand Euro from 31 December 2015;
- receivables due from credit card management companies for retail sales (6,456 thousand Euro), down by 2,564 thousand Euro compared to 31 December 2015;
- 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 (2,420 thousand Euro as at 31 December 2015).

Prepaid expenses mainly include contributions to customers for 8,604 thousand Euro, rents for 5,108 thousand Euro, and insurance premiums for 1,735 thousand Euro, and increased overall by 4,712 thousand Euro compared to 31 December 2015.

Other receivables for hedge derivatives amounting to 3,186 thousand Euro (3,418 thousand Euro as at 31 December 2015) refer to the fair value measurement 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 2016 totaled 197 thousand Euro, down by 94 thousand Euro compared to 31 December 2015, 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 2016	31 December 2015	Change 2016 vs. 2015
Time deposits	13,965	6,753	7,212
Bank and post office sight deposits	85,805	134,349	(48,544)
Cash and values on hand	738	1,019	(281)
Total	100,508	142,121	(41,613)

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

As at 30 June 2016, the Group had unused credit lines for 654,371 thousand Euro. As at 31 December 2015, unused credit lines totaled 638,230 thousand Euro.

For the purposes of the consolidated statement of cash flows, the item “Cash and cash equivalents” as at 30 June 2016 and 30 June 2015 was broken down as follows:

(In thousands of Euro)	30 June 2016	30 June 2015	Change 2016 vs. 2015
Cash and bank sight deposits	86,543	84,742	1,801
Time deposits	13,965	10,068	3,897
Total	100,508	94,810	5,698

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 2016. The authorized **share capital** of the Parent Company as at 30 June 2016 totaled 16,939,000 Euro; the subscribed and paid up share capital amounted to 16,879,000 Euro and consisted of 168,879,000 ordinary shares with a nominal value of 0.10 Euro each. The increase in the authorized share capital of 60,000 Euro is a consequence of the resolution of the Extraordinary Shareholders' Meeting of 21 April 2016 relating to the establishment of a Stock Grant Plan; for details reference should be made to the section “Significant events occurred during the first half of 2016” and to note 33.

The **extraordinary reserve**, amounting to 316,081 thousand Euro and referring entirely to the Parent company, is made up of retained earnings; the change during the period was the result of a 124,465 thousand Euro increase arising from the profit for 2015 net of 77,643 thousand Euro in dividends paid out—as resolved in the first half

of 2016—and a decrease due to the reclassification of 60 thousand Euro to the Specific reserve for free share capital increases set up to service the 2016-2020 Stock Grant plan.

The **cash flow hedge reserve** was negative for 935 thousand Euro and is the result of the valuation of the financial instruments defined as cash flow hedges as at 30 June 2016, given the hedges of the Parent Company against exchange rate risk, and is shown net of the tax effect.

The **translation reserve**, negative for 12,362 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 153,080 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 2016, said reserve was affected by the combined effect of several factors: on the one hand, it rose by 48,268 thousand Euro due to the capitalization of the net profit for 2015, net of the Parent company's profit which was allocated to the extraordinary reserve; on the other hand, the decrease in the reserve was mainly due to the dividends (77,643 thousand Euro) distributed by the Parent company during the first half of 2016, and to the effect in the period of the recognition of the put and call agreements on pre-existing minority interests for 633 thousand Euro.

The items "**Other reserves**" and "**Effect IAS 19 equity**" (net total of 11,583 thousand Euro) include the values recorded for the valuation differences required by IAS/IFRS compared to the local standards of Group companies. In addition, the item "Other reserves" includes the specific reserve set up to service the future free share capital increase for a nominal amount of 60,000 Euro for the shares which will be assigned by the 2016-2020 Stock Grant Plan (up to a maximum of 600,000 shares with a nominal value of 0.10 Euro each).

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 01.01.2016	Translation difference	Additions	Uses	Value at 30.06.2016
Legal disputes	659	-	725	(289)	1,095
Other	7,366	(41)	122	(69)	7,378
Total	8,025	(41)	847	(358)	8,473

Legal disputes mainly refer to legal proceedings against the Parent company and, to a lesser extent, to proceedings regarding some subsidiaries 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 and legal disputes that have arisen during the first half of the year.

The provision for other risks mainly includes allocations against likely future costs; the main allocation concerns expenses for the restoration of premises leased by third parties (5,425 thousand Euro), as provided for by the relevant agreements; in addition, it includes the termination allowance set aside by Ferragamo Parfums S.p.A. for agents operating in Italy; also the changes in the period refer mainly to these items.

As regards contingent liabilities at Group level, for which no provisions have been made, reference should be made to the section "Significant events occurred during the first half of 2016 – Tax and customs disputes and audits".

17. Employee benefit liabilities

The following table shows the breakdown of employee benefits at 30 June 2016 and 31 December 2015:

(In thousands of Euro)	30 June	31 December	Change 2016 vs. 2015
	2016	2015	
Employee defined benefit liabilities	12,347	11,532	815
Other employee benefit liabilities	154	132	22
Total	12,501	11,664	837

Employee defined benefit liabilities of the Group's Italian companies (the Parent company and Ferragamo Parfums S.p.A.) amounted to 9,245 thousand Euro, up by 618 thousand Euro compared to 31 December 2015. 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 3,102 thousand Euro, up by 197 thousand Euro compared to 31 December 2015.

18. Other non current liabilities

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

(In thousands of Euro)	30 June	31 December	Change 2016 vs. 2015
	2016	2015	
Payables for deferred rents	54,637	55,091	(454)
Other payables	286	296	(10)
Other payables for hedging derivatives	573	-	573
Total	55,496	55,387	109

Payables for deferred rents mainly refer to the straight lining of rents over the contract period for the property leased in the United States (45,524 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. As at 30 June 2016, the item "Other payables", equal to 286 thousand Euro, refers mainly to guarantee deposits received for lease contracts.

The item "Other payables for hedging derivatives" shows the fair value measurement at the end of the period of outstanding derivatives (hedging component) entered into by the Parent company to manage exchange rate risk. For further details, reference should be made to note 24 below.

19. Trade payables

The breakdown of trade payables was as follows:

(In thousands of Euro)	30 June	31 December	Change 2016 vs. 2015
	2016	2015	
Trade payables	185,501	201,243	(15,742)
Advances from customers	1,068	905	163
Total	186,569	202,148	(15,579)

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 costs relating to manufacturing in outsourcing.

20. Interest-bearing loans & borrowings

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

(In thousands of Euro)	30 June 2016	31 December 2015	Change 2016 vs. 2015
Medium/long-term financial payables to banks	25,274	23,312	1,962
Short-term financial payables to banks	143,969	123,641	20,328
Total	169,243	146,953	22,290

The Group's financial requirements are covered by short-term and medium/long-term payables relating to short- and medium/long-term bank credit lines. 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 credit lines was broadly unchanged, while that relating to uncommitted credit lines available to the Group was increased thanks to new credit lines or 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)	30 June 2016		31 December 2015	
	Agreed	Used	Agreed	Used
Committed credit lines	292,296	30,043	290,868	28,557
Revolving credit lines	267,022	4,769	267,556	5,245
Term loans	25,274	25,274	23,312	23,312
Uncommitted credit lines	531,318	139,200	494,315	118,396
Total	823,614	169,243	785,183	146,953

The following table provides the breakdown and changes in the net financial position as at 30 June 2016, 31 December 2015 and 30 June 2015, restated in accordance with the model included in CONSOB Communication no. DEM/6064293 of 28 July 2006.

(In thousands of Euro)	30 June 2016	31 December 2015	30 June 2015	Change 06.16 vs. 12.15	Change 06.16 vs. 06.15
A. Cash	738	1,019	984	(281)	(246)
B. Other cash equivalents	99,770	141,102	93,826	(41,332)	5,944
C. Cash and cash equivalents (A)+(B)	100,508	142,121	94,810	(41,613)	5,698
Derivatives – non-hedging component	197	291	726	(94)	(529)
Other financial assets	-	-	-	-	-
D. Current financial receivables	197	291	726	(94)	(529)
E. Current bank payables	143,969	123,641	165,673	20,328	(21,704)
F. Derivatives – non-hedging component	331	70	318	261	13
G. Other current financial payables	5,782	5,149	4,433	633	1,349
H. Current financial debt (E)+(F)+(G)	150,082	128,860	170,424	21,222	(20,342)
I. Current financial debt, net (H)-(C)-(D)	49,377	(13,552)	74,888	62,929	(25,511)
J. Non current bank payables	25,274	23,312	22,745	1,962	2,529
K. Derivatives – non-hedging component	80	-	-	80	80
M. Other non current payables	-	-	-	-	-
N. Non current financial debt (J)+(K)+(M)	25,354	23,312	22,745	2,042	2,609
O. Net financial debt (I)+(N)	74,731	9,760	97,633	64,971	(22,902)

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, generally 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 2016, tax payables amounted to 18,681 thousand Euro and concerned payables for income taxes pertaining to the period and other taxes due by Group companies. The decrease by 3,967 thousand Euro recorded in the first half of the year is mainly attributable to the decrease in income taxes and in payables for withholdings.

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 2016	31 December 2015	Change 2016 vs. 2015
Other payables	31,789	40,986	(9,197)
Payables to social security institutions	3,915	5,545	(1,630)
Accrued expenses	1,870	2,603	(733)
Deferred income	2,840	2,365	475
Other payables for hedging derivatives	8,180	7,613	567
Total	48,594	59,112	(10,518)

Other payables mainly include the Group’s payables to employees for amounts accrued but not yet paid at the reporting date, and payables due to the holding company Ferragamo Finanziaria S.p.A. (8,469 thousand Euro) mainly as part of the domestic fiscal unity; they also include payables to suppliers and service providers that had not been invoiced at the reporting date. The 9,197 thousand Euro decrease compared to 31 December 2015 was mainly attributable to payables due to the Parent company Ferragamo Finanziaria S.p.A. and to payables due 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 hedging derivatives” shows the fair value measurement at the end of the period of outstanding derivatives (hedging component) entered into 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 2016	31 December 2015	Change 2016 vs. 2015
Short-term derivatives	331	70	261
Other current financial payables	5,782	5,149	633
Total	6,113	5,219	894

The item “Other current financial payables” as at 30 June 2016 includes:

- 993 thousand Euro for payables to the minority shareholders of Ferragamo Retail India Private Limited. As at 31 December 2015, this item amounted to 982 thousand Euro.
- the put option (4,789 thousand Euro) granted to the minority shareholders of Ferragamo Japan K.K. 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 2015, this item amounted to 4,167 thousand Euro.

On each measurement date, any value adjustments to the put options are 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 and fair value measurement

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 2016 and 31 December 2015.

Classification of financial instruments and presentation of their fair value

FINANCIAL ASSETS (In thousands of Euro)	30 June 2016 Book value		Fair Value	31 December 2015 Book value		Fair Value
	Current portion	Non current		Current portion	Non current	
Financial assets at fair value through profit or loss						
Derivatives – non-hedging component	197	-	197	291	200	491
Available-for-sale financial assets	-	20	20	-	20	20
Receivables and loans						
Receivables from others (M/L term)	198	2,397	2,595	198	1,397	1,589
Receivables due from credit cards	6,456	-	6,456	9,020	-	9,020
Trade receivables	174,450	-	174,450	167,912	-	167,912
Guarantee deposits	-	16,480	16,480	-	16,674	16,674
Cash and cash equivalents	100,508	-	100,508	142,121	-	142,121
Derivatives – hedging component	3,186	42	3,228	3,418	-	3,418
Total	284,995	18,939	303,934	322,960	18,291	341,245

FINANCIAL LIABILITIES (In thousands of Euro)	30 June 2016 Book value		Fair Value	31 December 2015 Book value		Fair Value
	Current portion	Non current		Current portion	Non current	
Liabilities at amortized cost						
Trade payables and payments on account	186,569	-	186,569	202,148	-	202,148
Payables to banks and other financial payables	149,751	25,274	175,025	128,790	23,312	152,102
Guarantee deposits	19	286	305	-	296	296
Financial liabilities at fair value through profit or loss						
Derivatives – non-hedging component	331	80	411	70	-	70
Derivatives – hedging component	8,180	573	8,753	7,613	-	7,613
Total	344,850	26,213	371,063	338,621	23,608	362,229

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 participants or prices collected on active markets through leading info-providers.

To determine the fair value of derivatives, the Group uses a pricing model based on market interest rate values and exchange rates at the measurement date.

Medium/long-term receivables from others include receivables of Ferragamo Parfums S.p.A. from Emanuel Ungaro Italia S.r.l.; they arose from a contract signed in December 2014 which includes a 595 thousand Euro payment in three equal annual installments (the first installment is classified as current portion) and a 2,000 thousand Euro payment on the basis of the royalties recovered, which is estimated to take place in annual installments starting from 2018 until 2021; the fair value is calculated by discounting the nominal amount at the market IRS rates listed for individual annual maturities and adjusted to take account of the half-year maturities, in accordance with the discounted cash flow method. The current structure of market interest rates, which is negative across all maturities considered, was estimated at zero, resulting in a fair value equal to the nominal amount. Available-for-sale financial assets are measured at cost because there is no market information allowing for their fair value to be reliably established.

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

The Group calculates non-performance risk, i.e. the risk that one of the parties may not fulfill its contractual obligations due to a potential 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 ratings of the Group and the counterparties, 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.

The following table shows the changes in the cash flow hedge reserve for the six months ended 30 June 2016 and the year ended 31 December 2015:

Exchange rate risk (In thousands of Euro)	Cash flow hedge reserve	
	30 June 2016	31 December 2015
Opening balance	(6,188)	(21,653)
+ increases for recognition of new positive effectiveness	9,692	4,587
- decreases for recognition of new negative effectiveness	(7,654)	(40,042)
- decreases for reversal of positive effectiveness from shareholders' equity and recognition of income in profit or loss	(3,975)	(1,276)
+ increases for reversal of negative effectiveness from shareholders' equity and recognition of cost in profit or loss	6,895	52,196
Closing balance	(1,230)	(6,188)

The Reserve, which consists of the value changes in hedges for expected transactions in foreign currency, increased overall by 4,958 thousand Euro overall during the first half of 2016, due to the general depreciation against the Euro of the currencies in which the Group carries out hedging transactions against exchange rate risk. The effect directly reclassified out of the Reserve to profit or loss under revenues from sales during the first half of 2016, when the underlying cash flows materialized, was negative and amounted to 2,920 thousand Euro.

During the first six months of 2016, 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.

25. Management of financial risks

For the Management of financial risks, see the Annual Report as at 31 December 2015.

Comments on the main income statement items

For a better understanding of the trend 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 2016 and 2015.

26. Revenues

In the first half of 2016 and 2015, revenues totaled 710,163 thousand Euro and 722,375 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 2016 vs. 2015
	2016	2015	
Retail revenues	429,665	438,135	(8,470)
Wholesale revenues	268,853	272,554	(3,701)
Licenses and services	5,207	5,264	(57)
Rental income investment properties	6,438	6,422	16
Total	710,163	722,375	(12,212)

The item "Licenses and services" includes royalties deriving from the license contract with Marchon Europe B.V. for the production and distribution of glasses ("Salvatore Ferragamo" brand) and with the company Vertime B.V. (Timex Group) for the production and distribution of watches ("Ferragamo" brand).

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 2016 and 2015 were 581,379 thousand Euro and 592,238 thousand Euro, respectively, and were classified by function as follows:

(In thousands of Euro)	Half-year period ended 30 June		Change 2016 vs. 2015
	2016	2015	
Cost of goods sold	234,614	247,143	(12,529)
Style, product development and logistics costs	21,987	22,371	(384)
Sales & distribution costs	223,567	224,689	(1,122)
Marketing & communication costs	35,837	35,335	502
General and administrative costs	55,194	52,781	2,413
Other operating costs	10,180	9,919	261
Total	581,379	592,238	(10,859)

Costs were down 1.8% from the first half of 2015, in line with the trend in sales.

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 2016 vs. 2015
	2016	2015	
Raw materials, finished products and consumables used	117,474	137,468	(19,994)
Costs for services	316,891	310,231	6,660
Personnel costs	106,205	105,530	675
Amortization	30,629	29,090	1,539
Other charges	10,180	9,919	261
Total	581,379	592,238	(10,859)

29. Other income and revenues

Other income and revenues are broken down as follows:

(In thousands of Euro)	Half-year period ended 30 June		Change 2016 vs. 2015
	2016	2015	
Expense recovery	1,431	1,335	96
Rental income from owner-occupied property	1,174	1,190	(16)
Advertising contributions	602	351	251
Other income and revenues	2,410	1,704	706
Gains on disposal of tangible/intangible assets	43	4	39
Windfall profit	1,052	830	222
Total	6,712	5,414	1,298

As at 30 June 2016, other income and revenues amounted to 6,712 thousand Euro, up by 1,298 thousand Euro compared to the first half of 2015, with the ratio to total revenues increasing from 0.7% to 0.9%.

30. Financial operations

Financial operations are broken down as follows:

(In thousands of Euro)	Half-year period ended 30 June		Change 2016 vs. 2015
	2016	2015	
Financial charges			
Interest expense	2,534	2,806	(272)
Discount charges and other financial charges	1,152	1,107	45
Losses on exchange rate differences	9,814	15,153	(5,339)
Financial charges for fair value adjustment of derivatives	7,834	12,771	(4,937)
Total	21,334	31,837	(10,503)

(In thousands of Euro)	Half-year period ended 30 June		Change 2016 vs. 2015
	2016	2015	
Financial income			
Gains on disposal of investments to third parties	-	1	(1)
Interest income	339	276	63
Other financial income	59	35	24
Gains on exchange rate differences	10,342	22,741	(12,399)
Financial income for fair value adjustment of derivatives	2,783	3,097	(314)
Total	13,523	26,150	(12,627)
Total financial operations	(7,811)	(5,687)	(2,124)

The decline in financial income was the result of lower gains on exchange rate differences.

Interest expense derives mainly from short-term bank loans and, to a lesser extent, from medium and long-term bank loans.

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

Gains and losses on exchange rate differences arise from the Group's foreign sales, both intercompany and to third parties, in currencies other than the Euro. During the first half of 2016, net exchange rate gains amounted to 528 thousand Euro compared to net exchange rate gains of 7,588 thousand Euro in the first half of 2015.

Net financial income/(charges) for fair value adjustment of derivatives refer to the premium or discount on transactions to hedge the risk undertaken by the Parent company and the changes in the fair value of non-hedging derivatives, and are closely related to net gains and losses on exchange rate differences.

31. Income taxes

The taxes recorded in the income statement were as follows:

(In thousands of Euro)	Half-year period ended 30 June		Change 2016 vs. 2015
	2016	2015	
Current taxes	(42,905)	(47,353)	4,448
Deferred taxes	5,342	7,328	(1,986)
Total	(37,563)	(40,025)	2,462
Tax rate	29.4%	30.8%	

Taxes were calculated using the best possible estimate of the annual average expected tax rate at the reporting date.

Deferred tax assets and liabilities

The following table provides a breakdown by nature of the assets and liabilities for deferred taxes as at 30 June 2016 and 31 December 2015:

(In thousands of Euro)	30 June 2016	31 December 2015	Change 2016 vs. 2015
Deferred tax assets			
- on employee benefits	1,935	1,789	146
- on tangible assets	4,546	4,263	283
- on intangible assets	1,075	1,039	36
- on the cash flow hedge reserve/derivative contracts IAS 39	809	554	255
- on the valuation of inventories	12,334	13,257	(923)
- on the elimination of the profit unrealized in inventories	61,530	56,657	4,873
- on tax losses	4,503	4,344	159
- on taxed provisions	4,110	4,234	(124)
- for other temporary differences	21,184	21,401	(217)
Deferred tax assets	112,026	107,538	4,488
Deferred tax liabilities			
- on employee benefits	(40)	(45)	5
- on tangible assets	(551)	(547)	(4)
- on the valuation of inventories	(2,960)	(1,773)	(1,187)
- for other temporary differences	(1,527)	(1,559)	32
Deferred tax liabilities	(5,078)	(3,924)	(1,154)

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 assets for deferred taxes was duly adjusted to take account of their effective possibility to be realized.

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 as at 30 June 2015 was increased in order to take into account the dilution effects of the 2012 Stock Grant Plan (expired in June 2015) with the allocation of 380,000 ordinary shares. For further details, reference should be made to the Annual Report as at 31 December 2015.

Here below are the amounts used to calculate the basic and diluted earnings per share.

	Half-year period ended 30 June	
	2016	2015
Net profit (loss) – shareholders of the Parent company (Euro)	90,213,749	88,153,427
Average number of ordinary shares	168,790,000	168,467,000
Basic earnings per share – ordinary shares (Euro)	0.534	0.523
Average number of ordinary shares	168,790,000	168,467,000
Dilution effect	-	323,000
Diluted average number of ordinary shares	168,790,000	168,790,000
Diluted earnings per share – ordinary shares (Euro)	0.534	0.522

Other information

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 the top management of the Salvatore Ferragamo Group, at the proposal of the Nomination and Remuneration Committee, the Board of Directors approved a specific plan (the 2016-2020 Stock Grant Plan or, in short, the Plan) with the characteristics described below.

Plan Aims

The objectives the Company aims to achieve by implementing the Plan can be identified in providing incentives for the key personnel of the Group, thus encouraging their loyalty to the Group, through the allocation of instruments representing the value of the Company and which can (i) align the remuneration of top managers who are the beneficiaries of the Plan with the interests of shareholders and the provisions of the Corporate Governance Code for listed companies drafted by Borsa Italiana S.p.A., (ii) retain the Group's key personnel, and (iii) help management to take decisions aimed at creating further value for the Group in the medium-long term.

Object of the Plan

The Plan is divided into two Cycles:

- 1st Cycle: Performance Period 2016/2017/2018;
- 2nd Cycle: Performance Period 2017/2018/2019.

The Plan involves the following:

- granting Beneficiaries the Options to subscribe for up to 600,000 ordinary shares in the Parent company over the two cycles;
- a three-year Performance Period for each Cycle (1st Cycle: 2016/2018 - 2nd Cycle 2017/2019);
- granting the Shares contingent on a review by the Board of Directors of the Performance Targets achieved in each three-year cycle (2016/2018 - 2017/2019);
- that, at the date of the grant, there must be a Relationship between the beneficiary and the Company or one of its subsidiaries (i.e. an employment and/or partnership and/or administrative relationship).

The Board of Directors will identify the above performance targets for each cycle. Specifically, there are two targets for the 1st Cycle, and each of them accounts for 50% of the total options granted:

- A. Total Shareholder Return (“TSR”) compared to a peer group. The number of shares for the portion related to this measure will be granted based on the Company's TSR compared to its peers. All or part of the shares will be granted only if the TSR of the Company will be positive and at least equal to the median of the peer group (so-called market condition).
- B. Consolidated gross profit (before taxes). This target will be measured using the three-year average of the actual consolidated gross profit (before taxes) compared to the three-year average of consolidated gross profit (before taxes) defined in the annual Budgets. The number of shares granted will be based on the above ratio as showed in the following table (so-called non market condition).

The two tables below set out how the shares will be granted based on the performance targets met, with each one of them accounting separately for 50% of the options:

A.Total Shareholder Return (TSR)	Percentage of vesting options
TSR_SF lower than MEDIAN	0%
TSR_SF = MEDIAN	50%
TSR_SF = THIRD QUARTILE	100%
TSR_SF higher than THIRD QUARTILE	100%

B. Consolidated gross profit (before taxes) versus Budget	Percentage of vesting options
Gross Profit Performance Measure lower than 90%	0%
Gross Profit Performance Measure = 90%	50%
Gross Profit Performance Measure = 100%	100%
Gross Profit Performance Measure higher than 100%	100%

The shares to service the Plan arise, in whole or in part, from a specific free Share Capital increase of up to 600,000 ordinary shares amounting to 60,000 Euro, in accordance with article 2349, paragraph 1 of the Italian Civil Code, submitted to the approval of the Extraordinary Shareholders' Meeting of 21 April 2016 and/or, alternatively, through the grant of any treasury shares held by the Company Salvatore Ferragamo S.p.A. at the date of the grant.

At the meeting on 30 June 2016, as part of the 1st cycle of the plan, with the favorable opinion of the Nomination and Remuneration Committee, the Board of Directors identified 17 beneficiaries from among the management personnel of Salvatore Ferragamo S.p.A. and some of its subsidiaries: Ferragamo Hong Kong Ltd, Ferragamo USA Inc., Ferragamo Parfums S.p.A., and Ferragamo Mexico S. de R.L. de C.V., granting options for a total of 160,000 ordinary shares in the Company Salvatore Ferragamo S.p.A.. The Board of Directors may make further grants to Beneficiaries joining the Group during the Plan period.

The shares to be granted to the Board of Directors at the end of each Performance Period for the two Cycles (2016/2018 and 2017/2019) contingent on the achievement of the performance targets will be part of a subscription for a free capital increase for the total amount of shares granted in each cycle of the Plan. Alternatively, the Group may grant any treasury shares held by the Company Salvatore Ferragamo S.p.A..

Expiry of the Plan

The 1st Cycle of the Plan will end on 30 June 2019 or the date of the Grant of the Shares to the Beneficiaries of the 1st Cycle, whichever is earlier. The 2nd Cycle of the Plan will end on 30 June 2020 or the date of the Grant of the Shares to the Beneficiaries of the 2nd Cycle, whichever is earlier.

Consistently with the date when the beneficiaries were informed of the granting of the options and the expiry of the plan, the *grant date* is after 30 June 2016, and therefore there were no plan costs in the first half of 2016.

34. Segment reporting

IFRS 8 requires that detailed information is provided for each operating segment, understood as a component of an entity whose operating results are regularly reviewed by the entity's top management to make decisions about resources to be allocated to the segment and assess its performance.

At management level, the organization of the Salvatore Ferragamo Group is based on a matrix structure, divided by distribution channel, geographic area and product category, therefore operating segments cannot be identified, and the top management reviews financial performance across the Group as a whole. Therefore, the Group's activity has been represented as a single reportable segment pursuant to IFRS 8.

(In thousands of Euro)	Half-year period ended 30 June	
	2016	2015
Retail net revenues	429,665	438,135
Wholesale net revenues	268,853	272,554
Licenses and services	5,207	5,264
Rental income investment properties	6,438	6,422
Revenues	710,163	722,375
Gross profit	475,549	475,232
Gross profit %	67.0%	65.8%
Personnel costs	(98,512)	(98,328)
Rental costs	(99,883)	(100,974)
Amortization, depreciation and write-downs of non current assets	(30,183)	(28,679)
Communication costs	(33,099)	(32,937)
Other costs (net of other income)	(78,376)	(78,763)
Operating profit	135,496	135,551
Net financial (charges)/income	(7,811)	(5,687)
Profit before taxes	127,685	129,864
Income taxes	(37,563)	(40,025)
Net profit/(loss)	90,122	89,839
EBITDA*	166,125	164,641

* As regards the definition of EBITDA, reference should be made to the specific paragraph in the Interim Directors' report on operations on alternative performance measures.

(In thousands of Euro)	30 June 2016	31 December 2015
Inventories	397,497	351,132
Trade receivables	174,450	167,912
Tangible assets and investment property	238,348	243,922
Intangible assets with a finite useful life	32,129	33,596
Other assets	193,564	184,847
Total assets gross of cash and cash equivalents and current financial receivables	1,035,988	981,409
Net financial debt	74,731	9,760
Trade payables	186,569	202,148
Other liabilities	148,823	160,760
Shareholders' equity	625,865	608,741
Total liabilities and shareholders' equity (net of cash and cash equivalents and current financial receivables)	1,035,988	981,409

As regards the information required by IFRS 8, reference should be made to the Interim Directors' report on operations for details and the relevant comments on revenues, broken down by geographical area, distribution channel and product category.

Below is the information relating to non-current assets (other than financial instruments and deferred tax assets) broken down by geographical area.

(In thousands of Euro)	Europe	North America	Japan	Asia Pacific	Central and South America	Consolidated
30 June 2016	125,996	72,820	10,956	75,949	9,177	294,898
31 December 2015	120,436	80,033	8,128	82,809	10,259	301,665

35. Transactions with related parties

The following tables show the overall values of transactions with related parties in the first half of 2016 and 2015:

(In thousands of Euro)	Half-year period ended 30 June 2016		30 June 2016			
	Revenues	Operating costs (net of other income)	Trade receivables	Other assets	Trade payables	Other current liabilities
Holding company:						
Ferragamo Finanziaria S.p.A.	-	(360)	-	2,025	-	(8,469)
<i>(company which exercises management and coordination on Salvatore Ferragamo S.p.A.)</i>						
Related companies						
Palazzo Feroni Finanziaria S.p.A.	9	(3,618)	16	70	(102)	-
Lungarno Alberghi S.r.l.	60	(375)	45	250	(60)	-
Fondazione Ferragamo	2	(50)	-	-	(50)	-
Companies connected to members of the Board of Directors						
Caretti & Associati S.p.A.	-	(251)	-	-	(306)	-
Viesca Agricola S.r.l.	(4)	-	-	-	-	-
Bacco S.r.l.	-	(1)	-	-	-	-
Il Borro S.r.l.	9	(2)	9	-	(1)	-
Marchesi Antinori S.p.A.	-	-	-	-	-	-
Osteria del Borro S.r.l.	-	(2)	-	-	(2)	-
Haldis Italia S.r.l.	-	(1)	-	-	-	-
Castiglion del Bosco S.a.r.l.	-	(3)	-	-	(3)	-
Castiglion del Bosco Hotel S.r.l.	5	-	4	-	-	-
The European House Ambrosetti S.p.A.	6	-	1	-	-	-
Rubino S.r.l.	-	(62)	-	16	-	-
Arpa S.r.l.	23	(18)	19	-	(9)	-
Studio Legale Portale Visconti	-	-	-	-	-	-
CECAM S.r.l.	-	(2)	-	-	-	-
Baia di Scarlino S.r.l.	3	-	4	-	-	-
Imaginex Management Co. Ltd	1	(270)	-	-	(20)	(66)
Wharf T&T Ltd.	-	(10)	-	-	-	-
Times Square Ltd.	-	(1,543)	-	-	-	-
Wharf Realty Ltd.	-	(4,789)	-	-	-	-
LongJin Zonghe Kaifa (Chengdu) LTD	-	(1,106)	-	574	-	-
Dalian Times Square Commercial Co. Ltd	-	(567)	-	315	-	-
Shanghai Wheelock square Development Co. Ltd	-	(320)	-	160	-	-
Shanghai Longxing Property Development Co. Ltd.	-	(320)	-	396	-	-
Shanghai Times Square Property Management (Shanghai) Co. Ltd.	-	(45)	-	6	-	-
Other related parties connected to members of the Board of Directors						
Wanda Miletti Ferragamo	-	(53)	1	-	-	-
Massimo Ferragamo	-	(67)	-	-	-	-
Giacomo Ferragamo	-	(304)	-	-	-	(85)
Angelica Visconti	-	(106)	-	-	-	(30)
Directors, Statutory Auditors and Managers with strategic responsibilities						
Directors, Statutory Auditors and Managers with strategic responsibilities	-	(3,153)	-	-	(2)	(1,900)
Total	114	(17,398)	99	3,812	(555)	(10,550)
Group total	710,163	(340,053)	174,450	51,550	(186,569)	(48,594)
% ratio	0.0%	5.1%	0.1%	7.4%	0.3%	21.7%

(In thousands of Euro)	Half-year period ended 30 June 2015			30 June 2015		
	Revenues	Operating costs (net of other income)	Trade receivables	Other assets	Trade payables	Other current liabilities
Holding company						
Ferragamo Finanziaria S.p.A.	-	(5)	-	2,025	-	(11,547)
<i>(company which exercises management and coordination on Salvatore Ferragamo S.p.A.)</i>						
Related companies						
Palazzo Feroni Finanziaria S.p.A.	8	(3,573)	15	70	(132)	-
Lungarno Alberghi S.r.l.	66	(333)	58	-	(15)	-
Fondazione Ferragamo	2	(110)	-	-	(50)	-
Companies connected to members of the Board of Directors						
Bacco S.r.l.	-	(1)	-	-	-	-
Il Borro S.r.l.	7	-	9	-	-	-
Castiglion del Bosco Hotel S.r.l.	6	-	2	-	-	-
The European House Ambrosetti S.p.A.	2	-	1	-	-	-
Rubino S.r.l.	-	(62)	-	16	-	-
Arpa S.r.l.	8	(16)	10	-	(8)	-
Baia di Scarlino S.r.l.	3	-	4	-	-	-
Viesca Agricola S.r.l.	4	-	5	-	-	-
Imaginex Management Co. Ltd.	3	(245)	-	-	(71)	(206)
Wharf T&T Ltd.	-	(11)	-	-	-	-
Times Square Ltd.	-	(1,440)	-	-	-	-
Wharf Realty Ltd.	-	(5,153)	-	-	-	-
Imaginex Beauty Ltd.	-	-	-	-	-	(1)
LongJin Zonghe Kaifa (Chengdu) LTD	-	(1,142)	-	610	-	-
Dalian Times Square Commercial Co.ltd	-	(588)	-	335	-	-
Shanghai Wheelock square Development Co. Ltd.	-	(341)	-	174	-	-
Shanghai Harriman Property Management Co. Ltd.	-	(48)	-	16	-	-
Shanghai Longxing Property Development Co. Ltd.	-	(746)	-	421	-	-
Shanghai Times Square Property Management (Shanghai) Co. Ltd.	-	(46)	-	6	-	-
Other related parties connected to members of the Board of Directors						
Wanda Miletta Ferragamo	-	(84)	1	-	-	-
Massimo Ferragamo	-	(67)	-	-	(23)	-
Giacomo Ferragamo	-	(423)	-	-	-	(85)
Angelica Visconti	-	(31)	-	-	-	(20)
Directors, Statutory Auditors and Managers with strategic responsibilities						
Directors, Statutory Auditors and Managers with strategic responsibilities*	-	(2,882)	-	-	-	(1,201)
Total	109	(17,347)	105	3,673	(299)	(13,060)
Group total	722,375	(339,681)	174,069	57,029	(190,050)	(62,927)
% ratio	0.0%	5.1%	0.1%	6.4%	0.2%	20.8%

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

Specifically:

Holding company

Ferragamo Finanziaria S.p.A.

Other current liabilities include 8,050 thousand Euro in items referring to the domestic fiscal unity of which the Parent company Salvatore Ferragamo S.p.A. is part together with Ferragamo Finanziaria S.p.A. (consolidating entity) and Ferragamo Parfums S.p.A., as well as 419 thousand Euro in service costs charged back in accordance with the Board of Directors' resolution of 30 June 2016. Other assets refer to the income tax (IRES) refund claim regarding the deduction of the regional manufacturing tax (IRAP) in relation to personnel costs from 2007 to 2011, as set out in Law Decree no. 201 of 6 December 2011 recognized in 2012. The income statements include 343 thousand Euro in service costs charged back and 17 thousand Euro in the cost of Salvatore Ferragamo S.p.A.'s acquisition of a permanent right of way (for both pedestrians and vehicles) on some plots of land in Osmannoro owned by Ferragamo Finanziaria S.p.A.. This is related to the construction of the new logistics center.

Related companies

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

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

In particular, the following transactions should be noted:

Palazzo Feroni Finanziaria S.p.A.

Revenues and the relevant receivables 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. Other assets refer to guarantee deposits.

Fondazione Ferragamo

50 thousand Euro in costs, and the relevant debit balance, refer to services rendered for the management of Salvatore Ferragamo's historical archive.

Companies connected to members of the Board of Directors

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

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

In particular, the following transactions should be noted:

Caretti & Associati S.p.A.

The costs (and the relevant debit balances) refer to costs for services rendered in the first half of 2016 in accordance with the Board of Directors' resolution of 30 June 2016.

Imaginex Management Co. Ltd.

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

Times Square Ltd.

Costs mainly 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

Costs refer to rents for premises for a Greater China store whereas other assets refer to the related guarantee deposit.

Dalian Times Square Commercial Co.ltd

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

Shanghai Wheelock square Development Co. Ltd

Costs refer to rents for premises for offices of Ferragamo Fashion Trading Shanghai Co. Limited and Ferragamo Moda Shanghai Limited. Other assets refer to guarantee deposits.

Shanghai Longxing Property Development Co. Ltd.

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

Other related parties connected to members of the Board of Directors

Wanda Miletta Ferragamo

Costs refer to the rent of a store owned by Wanda Ferragamo.

Massimo Ferragamo

Costs 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.

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.

Directors, Statutory Auditors and Managers with strategic responsibilities

The Managers with strategic responsibilities are indicated in the following table:

Full name	Role
Michele Norsa	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 relating to Managers with strategic responsibilities (and the relevant payables) refer to the cost incurred by the Group in relation to the current employment relationship, including the variable bonuses, and, in the case of the Managing Director Michele Norsa, refer to the amount due as Managing Director, including the variable pay. In the first half of 2016, they amounted to 1,870 thousand Euro (1,792 thousand Euro in the first half of 2015).

The remuneration of the Directors of Salvatore Ferragamo S.p.A. includes the estimated variable bonus due to the Chairman and the Managing Director, as well as committee meeting fees; in the first half of 2016, it amounted to 2,283 thousand Euro (1,624 thousand Euro in the first half of 2015).

The remuneration of the Board of Statutory Auditors of Salvatore Ferragamo S.p.A. (also for the auditors' role as members of the Supervisory Body) amounted to 90 thousand Euro (80 thousand Euro in the first half of 2015).

36. Dividends

Pursuant to the resolution of the Shareholders' Meeting of 21 April 2016, the Parent company Salvatore Ferragamo S.p.A. paid Shareholders a single dividend of 0.46 Euro per share, relating to the profit for 2015, for a total amount of 77,643,400 Euro, with coupon detachment 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 half of 2016.

37. Commitments and risks

The breakdown of the risks and commitments is as follows:

(In thousands of Euro)	30 June 2016	31 December 2015
Sureties provided by third parties in the interests of Group companies	7,129	8,168
Guarantees provided by third parties in the interests of Group companies	3,876	2,825
Guarantees provided by Group companies in the interests of third parties	92,974	93,374
Total	103,979	104,367

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 5,404 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.

38. Significant events occurred after 30 June 2016

No significant events occurred after 30 June 2016.

39. Significant non-recurring events and transactions

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

40. 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 fairness/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.

Florence, 2 August 2016

On behalf of the Board of Directors
The Chairman
Ferruccio Ferragamo

Statement pursuant to article 154 bis of Legislative Decree no. 58/98 (Consolidated Law on Finance)

1. The undersigned Michele Norsa in his capacity as “Managing Director” and Marco Fortini in his capacity as “Manager charged with preparing Company’s Financial Reports” 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 consolidated half-year financial statements for the first half of 2016.

2. The adequacy of the administrative and accounting procedures for the preparation of the condensed consolidated half-year financial statements as at 30 June 2016 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 consolidated half-year financial statements as at 30 June 2016:

- 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 consolidated 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.

Florence, 2 August 2016

Managing Director
Michele Norsa

Manager charged with preparing Company’s Financial Reports
Marco Fortini



EY S.p.A.
Piazza della Libertà, 9
50129 Firenze

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

Review report on the interim condensed consolidated financial statements (Translation from the original Italian text)

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

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the statements of income, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the related explanatory notes of Salvatore Ferragamo S.p.A. and its subsidiaries (the "Salvatore Ferragamo Group") as of 30 June 2016. The 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 Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Salvatore Ferragamo Group as of June 30, 2016 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Florence, August 2, 2016,

EY S.p.A.
Signed by: Marco Mignani, Partner

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

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale € 2.750.000,00 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 09434900594 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta all'Albo Revisori Legali 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