

Salvatore Ferragamo

Salvatore Ferragamo Group

Half-year report as at 30 June 2019

Salvatore Ferragamo S.p.A.

Florence

Contents

<i>General information</i>	3
<i>Corporate boards</i>	4
<i>Group structure</i>	5
<i>Group description</i>	6
<i>Interim Directors' report on operations</i>	7
<i>Main Stock Market indicators – Salvatore Ferragamo S.p.A.</i>	8
<i>Income and financial highlights for the first half of 2019</i>	9
<i>Introduction</i>	10
<i>The Group's activities</i>	10
<i>Operating performance</i>	11
<i>Statement of financial position and Investments</i>	16
<i>Income and financial indicators</i>	19
<i>Information on corporate governance and ownership structure</i>	20
<i>Other information</i>	22
<i>Significant events occurred during the first half of 2019</i>	23
<i>Research and development</i>	25
<i>Staff</i>	25
<i>Transactions with related parties</i>	26
<i>Significant events occurred after 30 June 2019</i>	26
<i>Outlook</i>	26
<i>Consolidated Half-year Financial Statements as at 30 June 2019</i>	27
<i>Financial statements</i>	28
<i>Consolidated statement of financial position – assets</i>	28
<i>Consolidated statement of financial position – liabilities and shareholders' equity</i>	29
<i>Consolidated income statement</i>	30
<i>Consolidated statement of comprehensive income</i>	31
<i>Consolidated statement of cash flows</i>	32
<i>Statement of changes in consolidated shareholders' equity</i>	33
<i>Explanatory Notes</i>	34
<i>Comments on the main statement of financial position items (assets, shareholders' equity and liabilities)</i>	43
<i>Comments on the main income statement items</i>	54
<i>Other information</i>	58
<i>Statement pursuant to article 154 bis of Leg. Decree no. 58/98 (Consolidated Law on Finance)</i>	67
<i>Review report on the interim condensed consolidated financial statements</i>	68

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

Board of Directors (1)	Ferruccio Ferragamo (4) Micaela le Divelec Lemmi (4)(9) Giacomo Ferragamo (4) Giovanna Ferragamo (5) Leonardo Ferragamo (5) Diego Paternò Castello di San Giuliano (5) Angelica Visconti (4) Francesco Caretti (5) Peter Woo Kwong Ching (5) Umberto Tombari (5)(6) Marzio Alessandro Alberto Saà (5)(6) Chiara Ambrosetti (5)(6) Lidia Fiori (5)(6)	Chairman Managing Director Deputy Chairman
Control and Risk Committee	Marzio Alessandro Alberto Saà Umberto Tombari Chiara Ambrosetti Lidia Fiori (10)	Chairman
Nomination and Remuneration Committee	Umberto Tombari Marzio Alessandro Alberto Saà Lidia Fiori Chiara Ambrosetti (10)	Chairman
Product and Brand Strategy Committee	Ferruccio Ferragamo Micaela le Divelec Lemmi Giacomo Ferragamo Diego Paternò Castello di San Giuliano Angelica Visconti	Chairman
Board of Statutory Auditors (2)	Andrea Balelli Fulvio Favini Paola Caramella (8) Roberto Coccia Antonietta Donato (8)	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 20 April 2018 and serving for the 2018-2020 period

(2) Appointed by the Shareholders' Meeting on 27 April 2017 and serving for the 2017-2019 period

(3) Appointed for the 2011-2019 period

(4) Executive director

(5) Non-executive director

(6) Independent director pursuant to article 147-ter, paragraph 4 and article 148, paragraph 3 of Italian Legislative Decree no. 58 of 24 February 1998 ("Testo Unico della Finanza" or "T.U.F.", Consolidated Law on Finance) and article 3 of the Corporate Governance Code

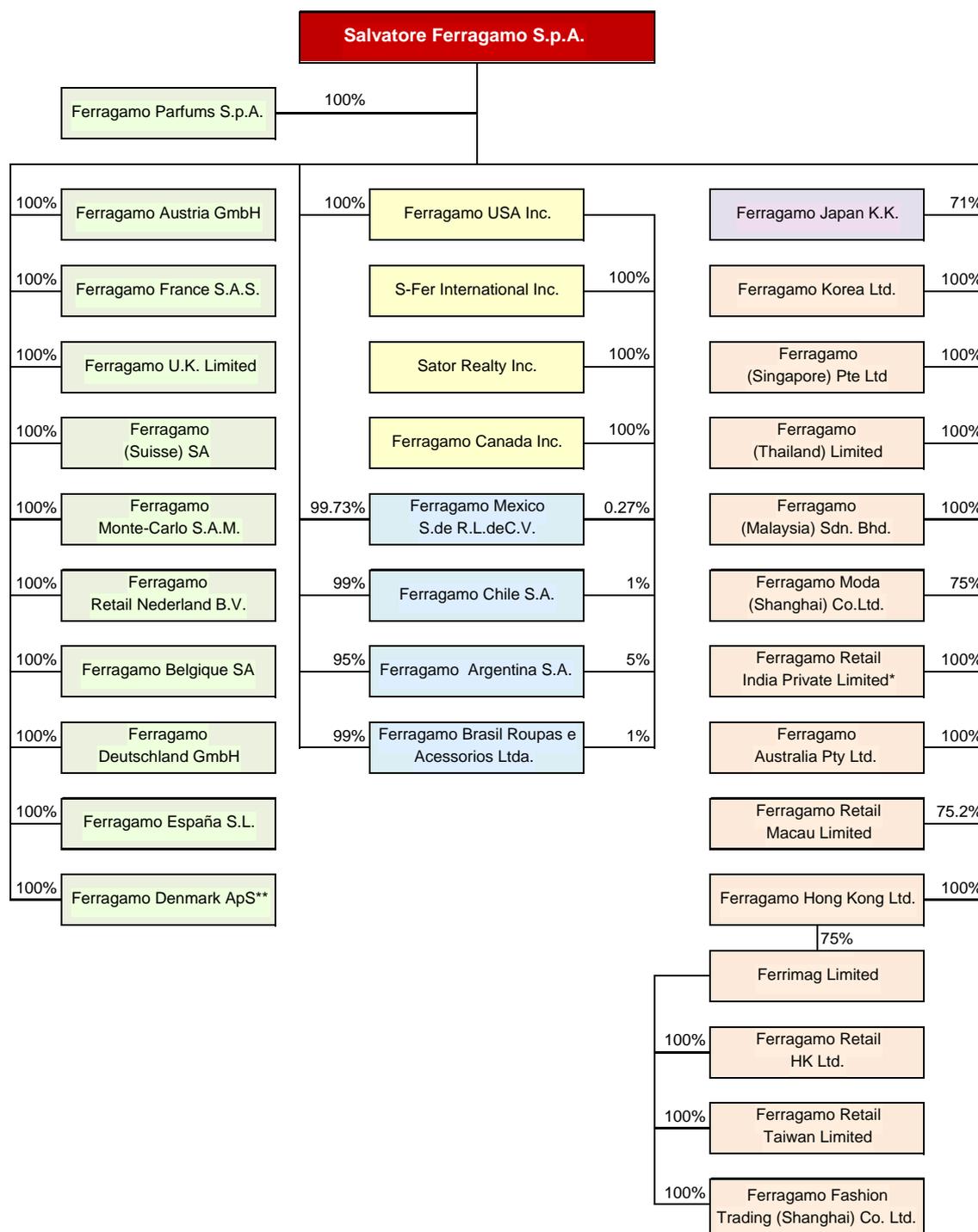
(7) Appointed by the Board of Directors on 13 December 2018 effective as from 11 January 2019

(8) Appointed by the Shareholders' Meeting on 20 April 2018 and serving for the 2018-2019 period

(9) Appointed as Director by the Shareholders' Meeting on 18 April 2019 and appointed as Managing Director by the Board of Directors on the same date. In office until approval of the 2020 separate financial statements

(10) Appointed by the Board of Directors on 18 June 2019 effective as from 19 June 2019

Group structure



Notes

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

* Non-operating company

** Company in liquidation as from 1 July 2019

Group description

As at 30 June 2019, the Salvatore Ferragamo Group consists of Salvatore Ferragamo S.p.A. (Parent company) and the following subsidiaries – consolidated on a line by line basis – in which the Parent company holds majority stakes, both directly or indirectly, and which it controls.

Salvatore Ferragamo S.p.A.

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

Company in liquidation as from 1 July 2019

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 directly operated stores (DOS) and the wholesale channel 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

Non-operating company

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) in Singapore

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

Salvatore Ferragamo Group

Interim Directors' report on operations

<i>Main Stock Market indicators – Salvatore Ferragamo S.p.A.</i>	8
<i>Income and financial highlights for the first half of 2019</i>	9
<i>Introduction</i>	10
<i>The Group's activities</i>	10
<i>Operating performance</i>	11
<i>Statement of financial position and Investments</i>	16
<i>Income and financial indicators</i>	19
<i>Information on corporate governance and ownership structure</i>	20
<i>Other information</i>	22
<i>Significant events occurred during the first half of 2019</i>	23
<i>Research and development</i>	25
<i>Staff</i>	25
<i>Transactions with related parties</i>	26
<i>Significant events occurred after 30 June 2019</i>	26
<i>Outlook</i>	26

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

Official price as at 28 June 2019 in Euro	20.9313
Stock Market capitalization as at 30 June 2019 in Euro	3,532,994,127
Number of shares making up the share capital as at 30 June 2019	168,790,000
Number of outstanding shares net of treasury shares (free float)	49,079,090

Here below is the trend in Salvatore Ferragamo's share price during the first six months of 2019.



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 are derived exclusively from historical financial data and are 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. They 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 and are not to be considered as substitutes for IFRS measures. 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* and *Right-of-use assets*.

Adjusted EBITDA: it is *EBITDA* net of *Depreciation of Right-of-use assets*, *Depreciation of Right-of-use assets* classified under *Investment property*, and *Interest expense on lease liabilities*.

Adjusted operating profit: it is *Operating profit* net of *Interest expense on lease liabilities*.

Net working capital: it is *Inventories*, plus *Right of return assets* and *Trade receivables* net of *Trade payables* and *Refund Liabilities*.

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

Adjusted net invested capital: it is *Net invested capital* net of *Right-of-use assets* and *Right-of-use assets* classified as *Investment property*.

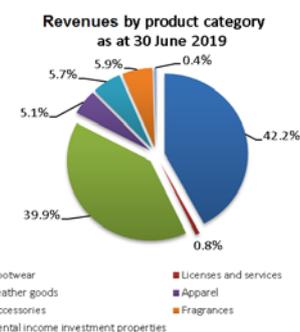
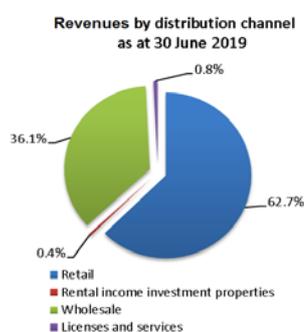
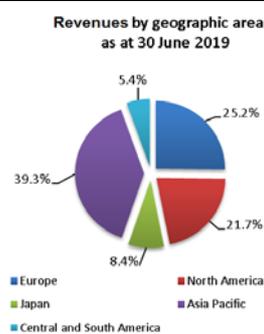
Net financial debt/(surplus): it is calculated as *Current and non current interest-bearing loans & borrowings* plus *Current and non current lease liabilities* and *Other current and non current financial liabilities* including the negative fair value of derivatives (non-hedging component), net of *Cash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

Adjusted net financial debt/(surplus): it is *Net financial debt/(surplus)* after *Current and non current lease liabilities*.

Adjusted cash flow generated from operating activities: it is *Net cash from (used in) operating activities* net of *Repayment of lease liabilities* (classified as *Cash flow from financing activities*).

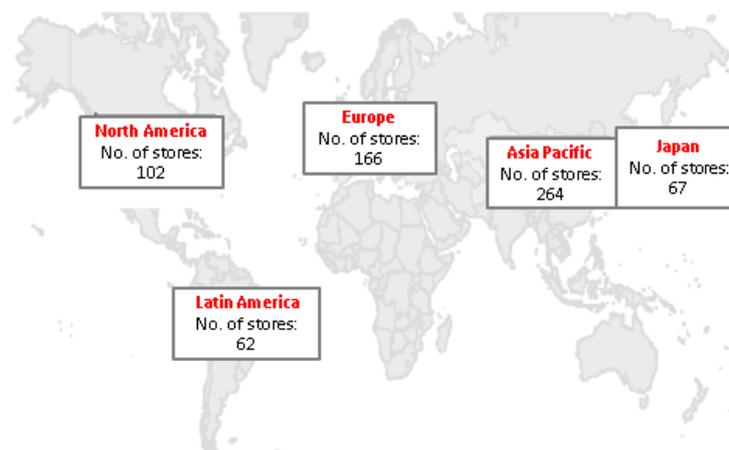
Income and financial highlights for the first half of 2019

(In millions of Euro)	Half-year period ended 30 June			% change 2019 vs. 2018	% change 2018 vs. 2017
	2019	2018	2017		
Revenues	704.9	673.7	717.9	4.6%	(6.2%)
Gross profit	456.9	432.0	468.2	5.8%	(7.7%)
Gross profit %	64.8%	64.1%	65.2%		
EBITDA	184.2	116.6	136.3		
Adjusted EBITDA	119.0	116.6	136.3	2.1%	(14.5%)
Adjusted EBITDA %	16.9%	17.3%	19.0%		
Operating profit	93.9	85.5	104.8		
Adjusted operating profit	85.1	85.5	104.8	(0.4%)	(18.5%)
Adjusted operating profit %	12.1%	12.7%	14.6%		
Net profit/(loss) for the period	60.0	58.6	76.2	2.4%	(23.1%)
Net profit/(loss) – Group	58.1	57.5	78.4	1.1%	(26.7%)
Net profit/(loss) – minority interests	2.0	1.2	(2.2)		



(In millions of Euro)	30 June 2019	31 December 2018	30 June 2018
Investments in tangible/intangible assets	24.8	71.0	31.8
Net working capital	327.0	293.6	317.8
Shareholders' equity	757.4	780.3	749.4
Adjusted net financial debt/(surplus)	(141.1)	(169.0)	(101.5)
Adjusted cash flow generated from operating activities	62.3	186.3	75.8
	30 June 2019	31 December 2018	30 June 2018
Staff as at the reporting date	4,205	4,228	4,152
Number of DOS	397	409	407
Number of TPOS	264	263	270

Geographical distribution of monobrand stores (30 June 2019)



661 Ferragamo monobrand stores

Disclaimer

This document contains forward-looking statements, in particular in the sections headed “Outlook” and “Significant events occurred after 30 June 2019” relating to future events and the operating, income and financial results of the Salvatore Ferragamo Group. These statements are based on the Group’s current expectations and forecasts regarding future events and, by their nature, involve risks and uncertainties, since they refer to events and depend on circumstances which may, or may not, happen or occur in the future. As such, they must not be unduly relied upon. The actual results could differ significantly from those contained in these statements due to a variety of factors, including the volatility and deterioration in the performance of securities and financial markets, changes in raw material prices, changes in macroeconomic conditions and in economic growth, and other changes in business conditions, in the legal and institutional framework (both in Italy and abroad), and many other factors, most of which are beyond the Group’s control.

Introduction

The half-year report as at 30 June 2019 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 to the condensed consolidated half-year report as at 30 June 2019.

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. In particular, with the introduction of the new IFRS 16 relating to the accounting treatment of leases as from 1 January 2019, in order to make the data as at 30 June 2019 comparable with the data from previous periods, some adjusted performance indicators were introduced with reference to: EBITDA, Operating profit, Net invested capital, Net financial debt, and Cash flows from operating activities. As specified in the section “Alternative performance measures” and the comments on the changes compared to previous periods, reference should be made to these adjusted amounts.

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 managed by both the company Ferragamo Parfums S.p.A. and third party distributors, which serve a network of selected mainly multibrand stores belonging to the specific fragrances channel. The Group is also active in the licensing of the Salvatore Ferragamo brand and in real estate management.

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 2019 numbered 397 (the so-called retail channel);
- a network of tailored monobrand stores and/or stores-in-stores managed by third parties (TPOS), which as at 30 June 2019 numbered 264, as well as through a multibrand channel (taken as a whole, the so-called wholesale channel).

Therefore, the total number of tailored Ferragamo monobrand stores (DOS and TPOS) as at 30 June 2019 was

661, distributed across the various geographic areas.

Through the retail channel (both the physical and e-commerce 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 Ferragamo 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, the Japanese yen, the South Korean won, and the Mexican peso. Therefore, the Group is exposed to both settlement and translation risk.

In the first six months of 2019, the Euro delivered a mixed performance relative to the above currencies. Specifically, relative to the US dollar, it initially depreciated from 1.1450 to 1.1130 in late May, then climbed back up to 1.14 before ending the first half at 1.13. These inconsistent movements were driven by the ECB's looser-than-expected monetary policy stance as well as the eurozone's weak economic data and doggedly slow growth.

A similar performance was observed relative to the Mexican peso, which remained essentially aligned with the US dollar during the period except for a rally that was subsequently reversed in late May (when EUR/MXN rose from 21.3 to 22.3 in the span of two days) because of heightened tensions following the introduction of tariffs on Mexico's exports to the US.

In the first quarter, the Euro lost ground also relative to the Chinese renminbi (with EUR/CNY hitting a low of 7.51), but then began climbing steadily in late April as the trade war between the US and China escalated (7.8 at the end of June).

Meanwhile, the Euro showed an opposite trend relative to the Japanese yen, regarded as a safe haven at a time of escalating trade tensions: after initially depreciating, the EUR/JPY pair peaked at approximately 127 in early March and then retraced back to 122 at the end of June.

The tensions over tariffs also caused the South Korean Won to fall sharply against the greenback and the single currency: after a first quarter of 2019 in line with the end of the prior year, EUR/KRW surged to 1,340 in early June and then declined slightly to 1,315 towards the end of the first half of the year.

For an analysis of the main impacts caused by the above exchange rate movements, please refer to the subsequent comments in this Interim Directors' Report.

Operating performance

The results for the first six months of 2019 confirm the positive change – already recorded in the first quarter of 2019 – compared to the previous periods, given the 4.6% increase in revenues (+4.4% at constant exchange rates) and the improvement in the main economic indicators compared to the first six months of 2018. The growth in revenues, combined with the higher percentage of sales from the primary channel compared to the secondary (outlets and commercial initiatives) in the retail chain, caused the gross sales margin to rise to 64.8% (+5.8%).

The Group's Adjusted EBITDA increased by 2.1% compared to the first half of 2018, accounting for 16.9% of revenues. Adjusted operating profit, which was affected by the increase in operating costs, partly also due to the negative impact from exchange rates, was mostly unchanged (-0.4%), accounting for 12.1% of revenues compared to 12.7% in the prior-year period.

Net profit for the period totaled 60.0 million Euro, up 2.4% year-on-year. Group net profit for the period increased by 1.1% from 57.5 million Euro to 58.1 million Euro.

The Group's delivered another solid financial performance in the first half of 2019: the increase in the cash surplus resulted in a positive adjusted net financial position of 141.1 million Euro as at 30 June 2019, compared to a positive net financial position of 101.5 million Euro as at 30 June 2018 and 169.0 million Euro as at 31 December 2018.

The following table shows the main income statement data.

(In thousands of Euro)	Half-year period ended 30 June				
	2019	% of Revenues	2018	% of Revenues	% change
Revenues	704,870	100.0%	673,689	100.0%	4.6%
Gross profit	456,895	64.8%	432,019	64.1%	5.8%
Style, product development and logistics costs	(25,997)	(3.7%)	(23,735)	(3.5%)	9.5%
Sales & distribution costs	(233,492)	(33.1%)	(221,982)	(33.0%)	5.2%
Marketing & communication costs	(37,064)	(5.3%)	(35,216)	(5.2%)	5.2%
General and administrative costs	(62,906)	(8.9%)	(61,948)	(9.2%)	1.5%
Other operating costs	(11,222)	(1.6%)	(8,486)	(1.3%)	32.2%
Other income and revenues	7,700	1.1%	4,823	0.7%	59.7%
Total operating costs (net of other income)	(362,981)	(51.5%)	(346,544)	(51.4%)	4.7%
Operating profit	93,914	13.3%	85,475	12.7%	9.9%
Net financial income and charges	(15,017)	(2.1%)	(5,875)	(0.9%)	na
of which Interest expense on lease liabilities	(8,786)	(1.2%)	-	-	na
Profit before taxes	78,897	11.2%	79,600	11.8%	(0.9%)
Income taxes	(18,862)	(2.7%)	(20,987)	(3.1%)	(10.1%)
Net profit/(loss) for the period	60,035	8.5%	58,613	8.7%	2.4%
Net profit/(loss) – Group	58,074	8.2%	57,463	8.5%	1.1%
Net profit/(loss) – minority interests	1,961	0.3%	1,150	0.2%	70.5%
EBITDA	184,175	26.1%	116,600	17.3%	58.0%

(In thousands of Euro)	Half-year period ended 30 June				
	2019	% of Revenues	2018	% of Revenues	% change
Operating profit	93,914		85,475		
Interest expense on lease liabilities	(8,786)	(1.2%)	-	-	na
Adjusted operating profit	85,128	12.1%	85,475	12.7%	(0.4%)
Amortization and depreciation and write-downs of tangible/intangible assets (excluding Depreciation of the Right-of-use assets)	33,893	4.8%	31,125	4.6%	8.9%
Adjusted EBITDA	119,021	16.9%	116,600	17.3%	2.1%

As previously mentioned in the introduction, with the application of IFRS 16 starting from 1 January 2019, the main income and financial indicators were strongly impacted and are not comparable to the data from previous periods. With reference to the economic data, the recognition of depreciation of Right-of-use assets and Right-of-use assets recognized under Investment property together with Interest expense on lease liabilities, in place of rental costs (for leases falling under this new standard), caused an increase in Operating profit and EBITDA compared to 2018. In particular, compared to IAS 17, the combination of straight-line depreciation of “Right-of-use assets” and the use of an Incremental Borrowing Rate - IBR to determine lease liabilities (discounting of future lease payments) leads to higher financial charges recognized through profit or loss in the first years of the lease and decreasing financial charges subsequently. Therefore, in order to make this data comparable, even if not perfectly (given the non-linear impact of interest expense on lease liabilities in the periods), in the year of transition (2019), Operating profit and EBITDA were adjusted as shown in the previous tables, and the relevant comments refer to the adjusted amounts.

Revenues in the first half of 2019 totaled 704,870 thousand Euro, up 4.6% from 673,689 thousand Euro in the first half of 2018. The three main currencies other than the Euro in which the Group generates most of its revenues, i.e. the US dollar, the Chinese Renminbi, and the Japanese Yen, performed as follows in the first half of 2019 compared to the same period last year: the US dollar appreciated by 6.7% ⁽¹⁾, the Japanese Yen appreciated by

¹ With reference to the average Euro/USD exchange rate for the period – first half of: 2019: 1.130; 2018: 1.210

5.6% ⁽²⁾ and the Chinese Renminbi appreciated by 0.5% ⁽³⁾ against the Euro, the currency in which the amounts in the consolidated financial statements are expressed.

Revenues increased by 4.4% overall at constant exchange rates (applying to the revenues – not inclusive of the hedging effect – of the first half of 2018 the average exchange rate for the first half of 2019): they were up 3.0% in Europe, 8.4% in Asia Pacific, and 10.3% in Central and South America, while they were mostly unchanged in North America (-0.4%) and Japan (+0.5%). As in the past, Asia Pacific contributed the most to Group revenues with 39.3%, followed by Europe (25.2%), North America (21.7%), Japan (8.4%), and Central and South America (5.4%). In the second quarter of 2019, revenues amounted to 387,795 thousand Euro, up 4.9% at current exchange rates and down 4.5% at constant exchange rates compared to the second quarter of 2018.

Gross profit for the period ended 30 June 2019 amounted to 456,895 thousand Euro, accounting for 64.8% of revenues; it was up 5.8% compared to the prior-year period, when it amounted to 432,019 thousand Euro (accounting for 64.1% of revenues). It was positively affected by the increase in sales through the primary channel. In the second quarter of 2019, gross profit was 256,339 thousand Euro, up 5.7% compared to the prior-year period, accounting for 66.1% of revenues compared to 65.6% in the second quarter of 2018.

Total operating costs (net of other income) amounted to 362,981 thousand Euro in the first half of 2019, up 4.7% compared to the first half of 2018 (346,544 thousand Euro), with the ratio to revenues essentially unchanged (51.5% compared to 51.4%). In the second quarter of 2019, total net operating costs were 183,594 thousand Euro (accounting for 47.3% of revenues), up 5.4% compared to the second quarter of 2018 (when they amounted to 174,169 thousand Euro, accounting for 47.1% of revenues). By reclassifying interest expense on lease liabilities (8,786 thousand Euro) into operating costs to take into account the new standard IFRS 16, total operating costs (net of other income) would have totaled 371,767 thousand Euro, up 7.3% compared to the prior-year period and accounting for 52.7% of revenues.

The combination of rising sales and improved gross operating margin caused **Adjusted EBITDA** to increase by 2.1% year-on-year, reaching 119,021 thousand Euro and amounting to 16.9% as a percentage of revenues—compared to 17.3% in the first half of 2018. In the second quarter of 2019, Adjusted EBITDA totaled 85,243 thousand Euro, compared to 84,163 thousand Euro in the second quarter of 2018 (+1.3%), and the ratio to revenues decreased from 22.8% to 22.0%.

Adjusted operating profit amounted to 85,128 thousand Euro, slightly down compared to the first half of 2018, when it amounted to 85,475 thousand Euro. The ratio to revenues stood at 12.1%, compared to 12.7% in the first half of 2018. In the second quarter of 2019, adjusted operating profit totaled 68,269 thousand Euro, slightly down compared to 68,409 thousand Euro in the second quarter of 2018, and the ratio to revenues decreased from 18.5% to 17.6%.

Net financial income and charges amounted to 15,017 thousand Euro in charges, down 9,142 thousand Euro compared to the first half of 2018, largely because of the impact of interest expense on lease liabilities (amounting to 8,786 thousand Euro) recognized as of 1 January 2019 under the new accounting standard IFRS 16.

(In thousands of Euro)	Half-year period ended 30 June		
	2019	2018	% change
Net interest	301	(798)	(137.7%)
Other net income/(charges)	(733)	(995)	(26.3%)
Interest expense on lease liabilities	(8,786)	-	na
Net gains/(losses) on exchange rate differences	3,184	1,621	96.4%
Net financial income/(charges) for fair value adjustment of derivatives	(8,983)	(5,703)	57.5%
Total	(15,017)	(5,875)	155.6%

Net gains and losses on exchange rate differences mainly reflect the impact of commercial transactions in foreign currency and they 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. In the second quarter of 2019, net financial income and charges totaled 9,156 thousand Euro in charges (including 4,476 thousand Euro in interest expense on lease liabilities) compared to charges of 3,373 thousand Euro in the second quarter of 2018.

² With reference to the average Euro/Yen exchange rate for the period – first half of: 2019: 124.28;

2018: 131.61

³ With reference to the average Euro/Cny exchange rate for the period – first half of: 2019: 7.668;

2018: 7.709

Income taxes

(In thousands of Euro)	Half-year period ended 30 June		% change
	2019	2018	
Profit before taxes	78,897	79,600	(0.9%)
Income taxes	(18,862)	(20,987)	(10.1%)
Tax rate	23.9%	26.4%	

The estimated effective tax rate for the first six months of 2019 (best estimate of the annual tax rate for the full year) was 23.9%, down from 26.4% in the prior-year period. The direct tax expense of the Parent company Salvatore Ferragamo S.p.A. declined further thanks to the benefit known as “Patent Box”, with an estimated direct tax expense reduction in the first half of 2019 of approximately 9.4 million Euro, compared to an estimated 6.6 million Euro in the first six months of 2018. For further details on the “Patent Box”, please refer to the Annual Report as at 31 December 2016, 2017, and 2018.

In the first half of 2019, the Group posted 60,035 thousand Euro in consolidated **net profit**, compared to 58,613 thousand Euro in the first half of 2018.

The Group’s share of net profit amounted to 58,074 thousand Euro, compared to 57,463 thousand Euro in the prior-year period. In the second quarter of 2019, net profit totaled 48,989 thousand Euro, compared to 49,668 thousand Euro in the second quarter of 2018; Group net profit amounted to 47,911 thousand Euro, compared to 48,294 thousand Euro in the second quarter of 2018.

Revenues

The following table shows revenues by **geographic area** for the periods ended 30 June 2019 and 30 June 2018, and the relevant changes:

(In thousands of Euro)	Half-year period ended 30 June				% change	at
	2019	% of Revenues	2018	% of Revenues		constant exchange rates
Europe	177,608	25.2%	172,360	25.6%	3.0%	3.0%
North America	152,808	21.7%	152,263	22.6%	0.4%	(0.4%)
Japan	58,905	8.4%	58,874	8.7%	0.1%	0.5%
Asia Pacific	277,225	39.3%	256,403	38.1%	8.1%	8.4%
Central and South America	38,324	5.4%	33,789	5.0%	13.4%	10.3%
Total	704,870	100.0%	673,689	100.0%	4.6%	4.4%

Europe saw revenues increase by 3.0% at current and constant exchange rates, mainly due to the strong performance of the retail channel (+4.3% at current exchange rates and +4.1% at constant exchange rates).

The North American market remained essentially stable, with the positive performance of the wholesale channel offset by declining revenues from rental income investment properties.

In Japan, revenues grew by 0.1% at current exchange rates and by 0.5% at constant exchange rates.

Asia Pacific saw a significant increase in revenues (+8.1% at current exchange rates and +8.4% at constant exchange rates), recording an improvement in both the retail and wholesale channels. Asia Pacific contributed once again the most to Group revenues with 39.3%, compared to 38.1% in the prior-year period.

The Central and South American market saw a significant increase of 13.4% at current exchange rates (+10.3% at constant exchange rates), with the ratio to total revenues (+5.4% in the first half of 2019) increasing compared to the first half of 2018 (5.0% of total revenues). It should be noted that the revenues recorded in the first half of 2019 by Ferragamo Argentina S.A. (operating in a country considered to be a hyperinflationary economy) were adjusted, pursuant to IAS 29 (see note 2 Basis of presentation of the consolidated financial statements as at 31 December 2018), with a positive residual effect of 45 thousand Euro (accounting for 0.01% of total Group revenues).

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

(In thousands of Euro)	Half-year period ended 30 June					at
	2019	% of Revenues	2018	% of Revenues	% change	constant exchange rates % change
Retail	441,686	62.7%	426,208	63.3%	3.6%	3.2%
Wholesale	254,376	36.1%	236,877	35.1%	7.4%	7.7%
Licenses and services	5,687	0.8%	4,651	0.7%	22.3%	22.3%
Rental income investment properties	3,121	0.4%	5,953	0.9%	(47.6%)	(51.1%)
Total	704,870	100.0%	673,689	100.0%	4.6%	4.4%

In the first half of 2019, retail sales increased by 3.6% at current exchange rates and 3.2% at constant exchange rates, mainly thanks to Asia Pacific (+5.1% at current and constant exchange rates) and Europe. In the first half of 2019, the retail channel accounted for 62.7% of total revenues, compared to 63.3% in the prior-year period.

During the first six months of 2019, the number of directly operated stores (DOS) decreased by twelve units compared to the situation as at 31 December 2018. Compared to 30 June 2018, there was a net decrease of ten stores.

The wholesale channel grew by 7.4% at current exchange rates and 7.7% at constant exchange rates, thanks to the outstanding performance of Asia Pacific (+15.7% at constant exchange rates) and the good performance of North America (+6.7% at constant exchange rates).

Revenues from licenses and services in the first half of 2019 increased by 22.3% compared to the first half of 2018 (at both 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.

Revenues from rental income investment properties refer solely to property located in the United States and leased/sub-leased to third parties; they decreased by 47.6% at current exchange rates compared to the prior-year period, as a major real estate lease came to an end in February 2019.

The following table shows the breakdown of revenues by **product category** in the six months ended 30 June 2019 and 2018, indicating the relevant percentage of total revenues:

(In thousands of Euro)	Half-year period ended 30 June				at constant exchange rates	
	2019	% of Revenues	2018	% of Revenues	% change	% change
Footwear	297,288	42.2%	285,645	42.4%	4.1%	4.0%
Leather goods	280,910	39.9%	262,779	39.0%	6.9%	6.8%
Apparel	36,222	5.1%	37,542	5.6%	(3.5%)	(3.3%)
Accessories	39,886	5.7%	38,379	5.7%	3.9%	3.8%
Fragrances	41,756	5.9%	38,740	5.7%	7.8%	6.4%
Licenses and services	5,687	0.8%	4,651	0.7%	22.3%	22.3%
Rental income investment properties	3,121	0.4%	5,953	0.9%	(47.6%)	(51.1%)
Total	704,870	100.0%	673,689	100.0%	4.6%	4.4%

With the exception of apparel, all product categories performed well at current and constant exchange rates (increase of +4.1% for footwear, +6.9% for leather goods, and +7.8% for fragrances – all at current exchange rates).

Cost of goods sold and gross profit

(In thousands of Euro)	Half-year period ended 30 June				
	2019	% of Revenues	2018	% of Revenues	% change
Consumables	(124,346)	(17.6%)	(125,336)	(18.6%)	(0.8%)
Services	(118,931)	(16.9%)	(111,670)	(16.6%)	6.5%
Personnel	(4,205)	(0.6%)	(4,209)	(0.6%)	(0.1%)
Depreciation and amortization	(493)	(0.1%)	(455)	(0.1%)	8.4%
Cost of goods sold	(247,975)	(35.2%)	(241,670)	(35.9%)	2.6%
Gross profit	456,895	64.8%	432,019	64.1%	5.8%

The **cost of goods sold** in the first half of 2019 amounted to 247,975 thousand Euro, up 2.6% from the prior-year period. In the first half of 2019, **gross profit** as a percentage of sales stood at 64.8%, compared to 64.1% in the first half of 2018.

Statement of financial position and Investments

Below is the statement of financial position as at 30 June 2019 reclassified by sources and uses, compared to the position as at 31 December 2018 and 30 June 2018:

(In thousands of Euro)	30 June 2019	31 December 2018	30 June 2018	% change 06.19 vs. 12.18	% change 06.19 vs. 06.18
Property, plant and equipment, investment property, intangible assets with a finite useful life	335,065	308,794	302,394	8.5%	10.8%
Right-of-use assets	580,601	-	-	na	na
Net working capital	327,049	293,559	317,816	11.4%	2.9%
Other non current assets/(liabilities), net	61,092	2,758	13,163	2115.1%	364.1%
Other current assets/(liabilities), net	(9,519)	6,231	14,605	(252.8%)	(165.2%)
Net invested capital	1,294,288	611,342	647,978		
Group shareholders' equity	733,902	753,691	723,522	(2.6%)	1.4%
Minority interests	23,487	26,647	25,908	(11.9%)	(9.3%)
Shareholders' equity (A)	757,389	780,338	749,430	(2.9%)	1.1%
Net financial debt/(surplus) (B)	536,899	(168,996)	(101,452)		
Total sources of financing (A+B)	1,294,288	611,342	647,978	111.7%	99.7%
Net financial debt/(surplus) (B)	536,899	(168,996)	(101,452)		
Lease liabilities (C)	678,047	-	-	na	na
Adjusted net financial debt (B-C)	(141,148)	(168,996)	(101,452)	(16.5%)	39.1%
Adjusted net financial debt/ Shareholders' equity	(18.6%)	(21.7%)	(13.5%)		
(In thousands of Euro)	30 June 2019	31 December 2018	30 June 2018	% change 06.19 vs. 12.18	% change 06.19 vs. 06.18
Net invested capital (a)	1,294,288	611,342	647,978		
Right-of-use assets recognized under Investment property (b)	34,764	-	-		
Right-of-use assets (c)	580,601	-	-		
Adjusted net invested capital (a-b-c)	678,923	611,342	647,978	11.1%	4.8%

Investments in fixed assets

During the first half of 2019, the Salvatore Ferragamo Group made investments in tangible and intangible assets totaling 24,837 thousand Euro, of which 20,237 thousand Euro in tangible assets and 4,600 thousand Euro in intangible assets, compared to a total of 31,831 thousand Euro in the first half of 2018.

The most important investments in tangible assets were made in the opening and refurbishment of stores (11.6 million Euro, approximately 57.2% of total investments in tangible assets in the first half of 2019), in addition to 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 – and the renovation/refurbishment of the showrooms at the Parent company's offices. The main investments in intangible assets refer to the so-called "Marlin Project", aimed at standardizing the Group's information systems, developing the e-commerce platform, and purchasing software licenses (for a total amount of 2.2 million Euro, i.e. around 46.8% of investments in intangible assets incurred in the first half of 2019).

Investments in tangible assets under construction, amounting to 8.6 million Euro, mainly concerned the investments made for the refurbishment and opening of new stores which were not yet operational as at the reporting date, the renovation/ refurbishment of the showrooms at the Parent company's offices, 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 – including the construction of a new women's footwear production plant.

Investments in intangible assets under development amounted to 5.5 million Euro and largely consisted of investments in the development of software to support business processes (chief among them the "Project Life Cycle Management-PLM" scheme for the integrated management of the product life cycle, which involves all production categories: as part of this initiative, product development – a high value-added process within the luxury industry – is optimized in terms of time and synergies with the Merchandising and Production functions, integrating and enhancing all in-house activities such as design, research, costing, and industrialization), the Marlin project, and the e-commerce project by the Parent company Salvatore Ferragamo S.p.A..

Amortization and depreciation (excluding depreciation of Right-of-use assets) amounted to 33,800 thousand Euro in the first six months of 2019, up 8.6% from 31,125 thousand Euro in the prior-year period.

During the first half of 2019, the Group did not make any investments in financial assets.

Right-of-use assets

The item, totaling 580,601 thousand Euro as at 30 June 2019, refers to the recognition of “Right-of-use assets” against “Lease liabilities” following the application of the new accounting standard IFRS 16 as from 1 January 2019.

Right-of-use assets relating to lease contracts for property leased in the United States are included under Investment property and amounted to 34,764 thousand as at 30 June 2019.

Net working capital

Below is the breakdown of, and changes in, net working capital as at 30 June 2019 compared with 31 December 2018 and 30 June 2018.

(In thousands of Euro)	30 June 2019	31 December 2018	30 June 2018	% change 06.19 vs. 12.18	% change 06.19 vs. 06.18
Inventories and Right of return assets	388,646	365,779	373,777	6.3%	4.0%
Trade receivables	154,633	142,905	147,481	8.2%	4.8%
Trade payables and Refund Liabilities	(216,230)	(215,125)	(203,442)	0.5%	6.3%
Total	327,049	293,559	317,816	11.4%	2.9%

Net working capital increased by 11.4 % compared to 31 December 2018 and by 2.9% compared to 30 June 2018. The change compared to 31 December 2018 was mainly due to the increase in Inventories and Right of return assets (+6.3%) as well as Trade receivables (+8.2%); meanwhile, compared to 30 June 2018, the rise in Inventories and Right of return assets (+4.0%) and Trade receivables (+4.8%) was partly offset by the increase in Trade payables and Refund Liabilities (+6.3%). Specifically, inventories of finished products were up 20,773 thousand Euro from 31 December 2018 (+6.8%) and 13,052 thousand Euro from 30 June 2018 (+4.2%). Raw materials for production were up 2.7% from 31 December 2018 and 1.3% from 30 June 2018.

Trade receivables, up 8.2% from 31 December 2018 and 4.8% from 30 June 2018, largely referred to wholesale sales.

Trade payables mainly refer to purchases of production materials, finished products, and costs relating to outsourced manufacturing. The item “Trade payables and Refund Liabilities” (216,230 thousand Euro as at 30 June 2019) was mostly unchanged compared to 31 December 2018 (+0.5%) and increased compared to 30 June 2018 (+6.3%).

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

Other non current assets/(liabilities), amounting to 61,092 thousand Euro in net assets, grew by 58,334 thousand Euro compared to 31 December 2018. The increase was mainly attributable to the 46,328 thousand Euro decline in Other non current liabilities and the 13,323 thousand Euro rise in deferred tax assets. Specifically, these changes are closely related to the impact of the first-time adoption of the new accounting standard IFRS 16, resulting in a 46,270 thousand Euro decline in Payables for deferred rents (included in Other non current liabilities) and a 4,493 thousand Euro increase in deferred tax assets as at 1 January 2019.

Other current assets/(liabilities), amounting to 9,519 thousand Euro in net liabilities, were down 15,750 thousand Euro from 6,231 thousand Euro in net assets as at 31 December 2018, largely because of the decline in Other current assets and the increase in Other current liabilities (and specifically the 17,054 thousand Euro net change in the position relative to the Holding company Ferragamo Finanziaria S.p.A. concerning corporate income tax under the domestic fiscal unity, which shifted from a net 10,389 thousand Euro receivable as at 31 December 2018, included in Other current assets, to a net 6,665 thousand payable included in Other current liabilities). In addition, Prepaid Expenses (included in Other current assets) and Payables for deferred rents (included in Other current liabilities) were down as a result of the first-time adoption of the new accounting standard IFRS 16.

Shareholders' equity

The changes in the Group's share of shareholders' equity are due to the combined effect of the following:

- the 58,074 thousand Euro increase in the profit for the period;
- the 57,372 thousand Euro decrease as a result of the dividends paid by the Parent Company;
- the 2,666 thousand Euro increase resulting from the measurement of hedging derivatives net of the relevant tax effect;
- the 370 thousand Euro increase arising from the recognition of the Stock Grant Reserve's effect for the period;
- the 11,761 thousand Euro decrease following the recognition of the IFRS 16 reserve as a result of the first-time adoption of the new accounting standard IFRS 16, net of the relevant 4,493 thousand Euro tax impact;
- the 638 thousand Euro decrease due to the purchase of 36,000 shares in Salvatore Ferragamo S.p.A. on 2 January 2019, at an average unit price of 17.73 Euro;
- the 10,387 thousand Euro decrease attributable to the translation into Euro of the subsidiaries' financial statements denominated in other currencies;
- the 402 thousand Euro decrease arising from changes in the fair value of the put options assigned to pre-existing minority shareholders;
- 339 thousand Euro in other minor decreases.

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 2019	
	Shareholders' equity	Net profit/(loss) for the period
Salvatore Ferragamo S.p.A. data	657,123	91,412
Elimination of consolidated investments	238,695	15,374
Dividends distributed among Group companies	-	(30,032)
Elimination of unrealized profits, deriving from transactions between Group companies, relating to inventories, net of the deferred tax effect	(147,752)	(16,973)
Effect of IAS 39 – cash flow hedge reserve, net of the deferred tax effect	-	(238)
Other consolidation adjustments	9,323	492
Total shareholders' equity and net profit/(loss)	757,389	60,035
Minority interests – shareholders' equity and net profit/(loss)	23,487	1,961
Group – shareholders' equity and net profit/(loss)	733,902	58,074

Net financial debt

Net financial debt (calculated in accordance with CONSOB Communication no. DEM/6064293 and presented here in condensed form) as at 30 June 2019, 31 December 2018, and 30 June 2018 was as follows:

(In thousands of Euro)	30 June	31 December	30 June	% change 06.19 vs. 12.18	% change 06.19 vs. 06.18
	2019	2018	2018		
Cash and cash equivalents (A)	178,180	207,710	158,888	(14.2%)	12.1%
Other current financial assets (B)	236	1,080	419	(78.1%)	(43.7%)
Interest-bearing loans and borrowings (C)	34,897	36,831	54,289	(5.3%)	(35.7%)
Other financial liabilities (D)	2,371	2,963	3,566	(20.0%)	(33.5%)
Lease liabilities (E)	678,047	-	-	na	na
Net financial debt/(surplus) (C + D + E – A – B)	536,899	(168,996)	(101,452)	(417.7%)	(629.2%)

As from 1 January 2019, with the application of the new standard IFRS 16, the main income and financial indicators have been strongly impacted and are not comparable with the data from previous periods. With reference to the financial data, the recognition of Right-of-use assets mainly against lease liabilities caused a sharp increase in net financial debt. Therefore, in order to make the financial figures in the year of transition (2019) comparable to the data from previous years, net financial debt/(surplus) as at 30 June 2019 was adjusted as follows:

(In thousands of Euro)	31		30 June 2018	Change 06.19 vs. 12.18	Change 06.19 vs. 06.18
	30 June 2019	December 2018			
Net financial debt/(surplus) (a)	536,899	(168,996)	(101,452)	705,895	638,351
Non current lease liabilities	560,306	-	-	560,306	560,306
Current lease liabilities	117,741	-	-	117,741	117,741
Lease liabilities (b)	678,047	-	-	678,047	678,047
Adjusted net financial debt/(surplus) (a-b)	(141,148)	(168,996)	(101,452)	27,848	(39,696)

As at 30 June 2019, the **adjusted net financial surplus** amounted to 141,148 thousand Euro, compared to a net financial surplus of 168,996 thousand Euro as at 31 December 2018. The change was largely attributable to cash flows from operating activities (118,019 thousand Euro), net of the 62,535 thousand Euro dividend payout approved by the Parent company and other Group companies, the investments in tangible and intangible assets in the first half of the year (24,582 thousand Euro), and the repayment of lease liabilities (55,709 thousand Euro). Compared to 30 June 2018, the adjusted net financial position improved by 39,696 thousand Euro, from a net financial surplus of 101,452 thousand Euro to an adjusted net financial surplus of 141,148 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 2019 and 30 June 2018.

These indicators are based on the data from the consolidated financial statements. To better understand them, they should be read in conjunction with the alternative performance measures and IFRS measures described in this document.

Profitability ratios	Half-year period ended 30 June		
	2019	2019 adjusted*	2018
ROE (Group net profit for the period / average Group shareholders' equity)	7.8%		7.9%
ROI* (Operating profit / Net average invested capital)	9.9%	13.2%	13.5%
ROS* (Operating profit / Revenues)	13.3%	12.1%	12.7%

Financial ratios	Half-year period ended 30 June		
	2019	2019 adjusted*	2018
Coverage of shareholders' equity ratio* (Shareholders' equity / Non current assets)	73.8%	184.4%	184.9%
Liquidity ratio* (Current assets excluding inventories / Current liabilities)	93.3%	129.7%	126.2%

Turnover ratios expressed in days	Half-year period ended 30 June		
	2019	2019 adjusted*	2018
Turnover of trade receivables (Average value of Trade receivables in the period / Revenues x days)	38		40
Turnover of Trade payables (Average value of Trade payables in the period / Purchases of goods and services x days)	94		81
Inventory turnover (Average value of Inventories in the period / Cost of goods sold x days)	272		260
Turnover of Average invested capital* (Average value of Net invested capital / Revenues x days)	243	165	170

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 of the prior year.

*In light of the impact of the new accounting standard IFRS 16, please note that the ratios listed in the column "2019 adjusted" are calculated on the basis of restated "adjusted" amounts (see "Alternative performance measures" in this report) in order to make them comparable – even if not perfectly – with the prior year. The "adjusted" amount has not been reported in those cases where the items used to calculate the ratio have not been impacted by the introduction of the new accounting standard IFRS 16.

Information on corporate governance and ownership structure

Corporate Governance

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

The Bylaws in force were approved by the Extraordinary Shareholders' Meeting on 20 April 2018. The Bylaws establish the essential features of the Company and set the main rules for its management and operation, as well as provide a description of the membership of corporate bodies, their powers, and their relationships. 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 model 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 20 April 2018 according to the single list submitted by the majority shareholder Ferragamo Finanziaria S.p.A., except for the Director Micaela le Divelec Lemmi. The latter had been co-opted on 31 July 2018 pursuant to art. 2386 of the Italian Civil Code to substitute Director Raffaella Pedani and was appointed as member of the Board of Directors of the Company with resolution of the Shareholders' Meeting of 18 April 2019.

On the same date, Ms Micaela le Divelec Lemmi was confirmed as the Company's Managing Director, assigning her the powers to represent and sign on behalf of the Company, as well as all the powers of ordinary administration, except for those expressly reserved to the exclusive competence of the Board of Directors.

It is pointed out that the Board of Directors had appointed Giacomo Ferragamo as the Company's Deputy Chairman on 20 April 2018.

The Board of Directors currently consists of Ferruccio Ferragamo (Chairman), Giacomo Ferragamo (Deputy Chairman), Micaela le Divelec Lemmi (Managing Director), Giovanna Ferragamo, Angelica Visconti, Leonardo Ferragamo, Francesco Caretti, Diego Paternò Castello di San Giuliano, Peter K. C. Woo, Chiara Ambrosetti (Independent Director), Lidia Fiori (Independent Director), Umberto Tombari (Independent Director), and Marzio Alessandro Alberto Saà (Independent Director). This Board of Directors will serve until the date of the Shareholders' Meeting called to approve the separate financial statements as at 31 December 2020.

In addition, on 18 June 2019 the Board of Directors appointed members to the Control and Risk Committee as well as the Nomination and Remuneration Committee, which were set up by the Board of Directors on 20 April 2018, effective immediately. The Committees are therefore comprised as follows:

- the Nomination and Remuneration Committee consists of the Independent Directors Umberto Tombari (Chairman), Chiara Ambrosetti, Lidia Fiori, and Marzio Alessandro Alberto Saà;
- the Control and Risk Committee – which is also responsible for transactions with related parties – consists of the Independent Directors Marzio Alessandro Alberto Saà (Chairman), Chiara Ambrosetti, Lidia Fiori, and Umberto Tombari.

As regards the Company's governance, it is pointed out that on 20 April 2018 the Board of Directors resolved to:

- a) confirm the appointment of the director Marzio Alessandro Alberto Saà as Lead Independent Director;
- b) confirm the establishment of a Product and Brand Strategy Committee, which provides advisory services and makes proposals to the Board of Directors; this Committee is also responsible for overseeing and monitoring the adoption of, and compliance with, the Ferragamo brand's codes as well as steering the Group's creative process – verifying the consistency between the identity, the mission, and strategic goals. On 31 July 2018, the Company's Board appointed Micaela le Divelec Lemmi to the Committee, which is comprised of Directors Ferruccio Ferragamo (Chair), Giacomo Ferragamo, Angelica Visconti, and Diego Paternò Castello di San Giuliano. This appointment was confirmed on 18 April 2019;
- c) confirm the appointment of Micaela le Divelec Lemmi as Managing Director responsible for the internal control and risk management system. The relevant duties and responsibilities are detailed in the Corporate Governance Code.

With respect to the Board of Statutory Auditors, on 20 April 2018, the Shareholders' Meeting confirmed the appointment of Paola Caramella as Acting Statutory Auditor by majority vote pursuant to applicable law. The term of office of Ms. Caramella ends with the approval of the financial statements as at 31 December 2019; the same applies to the term of office of the current members of the Board of Statutory Auditors. During the Shareholders' Meeting held on 20 April 2018, Antonietta Donato was appointed as Substitute Statutory Auditor; she will be in office until the Shareholders' Meeting called to approve the financial statements as at 31 December 2019.

Currently, the members of the Company's Board of Statutory Auditors are: Andrea Balelli, elected from the minority slate submitted by a group of Italian and international asset management companies and financial intermediaries that own an interest in the Company, and subsequently appointed as Chairman of the Board; Fulvio

Favini and Paola Caramella, Acting Statutory Auditors elected from the majority slate submitted by Ferragamo Finanziaria S.p.A.; Antonietta Donato and Roberto Coccia, Substitute Statutory Auditors elected from the majority and minority slates, respectively.

In addition, on 11 December 2018 the Chief Financial Officer (CFO) Ugo Giorcelli resigned effective 11 January 2019; therefore, on 13 December 2018, the Company's Board of Directors appointed Alessandro Corsi as new CFO effective 11 January 2019. At the same meeting, the Board of Directors appointed Alessandro Corsi as Manager with strategic responsibilities, in addition to Micaela le Divelec Lemmi and to the Deputy Chairman Giacomo Ferragamo. In addition, the Board of Directors appointed the Group's Administrative Director Marco Fortini as "Manager charged with preparing Company's Financial Reports" pursuant to art. 154-bis of Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance) effective 11 January 2019.

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 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. The following must be considered as integral parts of the overall internal control system:

- the Code of Ethics, intended to promote and maintain an appropriate level of fairness, transparency, and ethical conduct in the performance of the Group's operations;
- 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 Anticorruption Policy;
- the process for managing, and the activities implemented to prepare, the Non-Financial Statement (NFS) with the aim of collecting the information required by Italian Legislative Decree 254/2016 as well as on the basis and methods of reporting.

The following play a key role within the internal control and risk management system:

- the legal and compliance functions, which coordinate the prevention and management of the risk of non-compliance with applicable laws and regulations by providing guidance and support to the entire Group as well as monitoring it;
- the so-called whistleblowing system, allowing the employees of the entire Group to report any misconduct or potential violations of the Code of Ethics, internal procedures, as well as applicable laws and regulations. This system was introduced and is managed according to Italian and international best practices to provide a specific and confidential communication channel as well as ensure the anonymity of the whistleblower.

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 its adequacy and effectiveness and adjusting it 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 has the task of assisting the Director responsible for the internal control and risk management system 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.

- Chief Risk Officer and Sustainability Coordinator

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 corporate risks. The Group's head of compliance reports to the Chief Risk Officer and Sustainability Coordinator. The latter also manages insurance policies at the Group level and coordinates Group Corporate Social Responsibility activities, reporting to the Chairman.

- 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 whose occurrence or absence 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 Leg. Decree no. 231/01.

It is responsible for checking the effectiveness, adequacy and compliance of the Organization, Management and Control Model pursuant to Leg. Decree no. 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 <https://group.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 Group and financial markets.

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

Stakes in Salvatore Ferragamo S.p.A.

As at 30 June 2019, Ferragamo Finanziaria S.p.A. held a majority stake in the share capital of Salvatore Ferragamo S.p.A., i.e. 54.276% 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

As at 30 June 2019, Salvatore Ferragamo S.p.A. held 50,000 treasury shares, equal to 0.03% of the Share Capital, including 36,000 shares bought on 2 January 2019 for a total outlay of around 638 thousand Euro, including banking fees and other tax charges. On the same date, its subsidiaries did not hold any of its shares. The Group does not hold directly or indirectly shares in parent companies, and during the period it did not buy or sell 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 2019

Treasury share repurchase

On 2 January 2019, Salvatore Ferragamo S.p.A. bought back on the Mercato Telematico Azionario (an electronic stock market), organized and managed by Borsa Italiana S.p.A., 36,000 ordinary treasury shares, equal to 0.02% of the share capital, for a total outlay of around 638 thousand Euro, including banking fees and other tax charges.

Ordinary Shareholders' Meeting

- Approval of the 2018 financial statements and dividend distribution

On 18 April 2019, the Shareholders' Meeting of the Parent company Salvatore Ferragamo S.p.A. approved the financial statements for the year ended 31 December 2018 and the distribution of a dividend of 0.34 Euro per ordinary share, as detailed in note 42 "Dividends" of the Explanatory notes.

- Appointment of a Director pursuant to article 2386 of the Italian Civil Code

The Shareholders' Meeting confirmed the number of members of the Board of Directors at 13 pursuant to the resolution of the Ordinary Shareholders' Meeting dated 20 April 2018 and appointed as Director Micaela le Divelec Lemmi, who had been co-opted by the Board of Directors on 31 July 2018 to replace Raffaella Pedani. As all other current Directors, Micaela le Divelec Lemmi shall remain in office until the approval of the separate financial statements at 31 December 2020. The Shareholders' Meeting also confirmed that her fixed fee will be included in the overall amount determined by the Company's Ordinary Shareholders' Meeting of 20 April 2018.

- Appointment of the independent auditors for the years 2020-2028

The Ordinary Shareholders' Meeting: (i) having noted that with the approval of the financial statements as at 31 December 2019, the non-renewable appointment conferred on 30 March 2011 for the period 2011-2019 to EY S.p.A. as independent auditors of Salvatore Ferragamo S.p.A. will expire; (ii) having examined the Board of Directors' proposal based on the recommendation and motivated preference expressed by the Board of Statutory Auditors in its capacity as "Internal Control and Audit Committee", passed a resolution to appoint KPMG S.p.A. as independent auditors of Salvatore Ferragamo S.p.A. for the 2020-2028 period, also approving the related fee within the terms and conditions of the offer made by the aforementioned audit firm.

- Remuneration Policy for the directors and managers with strategic responsibilities

The Shareholders' Meeting voted in favor of the Company's policy concerning the remuneration of the members of the governing bodies, general managers, and managers with strategic responsibilities for 2019 as well as the procedures used to adopt and implement said policy, as described in Section I of the Remuneration Report in accordance with article 123-ter of the Consolidated Law on Finance (TUF) and article 84-quater as well as Annex 3A, Scheme 7-bis of CONSOB Regulation no. 11971/1999 as subsequently amended (the "Issuers' Regulation").

Board of Directors

During the meeting held on 12 March 2019, the Company's Board of Directors approved, (i) the draft separate financial statements for 2018, the Directors' report on operation for 2018 and the consolidated financial statements as at 31 December 2018, (ii) the Report on corporate governance and ownership structure, (iii) the Remuneration Report, (iv) the consolidated Non-financial statement for 2018, containing non-financial information pursuant to Legislative Decree no. 254 of 30 December 2016, as separate document from the Directors' report on operations, and (v) convened the ordinary Shareholders' Meeting for 18 April 2019.

On 18 April 2019, the Board of Directors of Salvatore Ferragamo S.p.A., which met after the Shareholders' Meeting, confirmed the appointment of Micaela le Divelec Lemmi as Managing Director of the Company. At this meeting, Ms le Divelec Lemmi was confirmed to have the powers to represent and sign on behalf of the Company, as well as all the powers of ordinary administration, except for those expressly reserved to the exclusive competence of the Board of Directors.

At the meeting held on 18 June 2019, Salvatore Ferragamo S.p.A.'s Board set the number of members of the Nomination and Remuneration Committee as well as the Control and Risk Committee at 4. It also appointed Director Chiara Ambrosetti to the Nomination and Remuneration Committee and Director Lidia Fiori to the Control and Risk Committee effective immediately.

During the same meeting, the Board also approved the 2019-2021 Long-Term Incentive Plan for the Group's Management and the relevant Rules. The main goals of this incentive scheme are to support the implementation of the Group's plans in the medium term, align management remuneration with the creation of shareholder value, and retain the Group's key personnel. The Plan consists of a single cycle and features a broad group of recipients, providing a stronger incentive to achieve the company's goals. Under the Plan, recipients will receive a cash bonus upon achieving the goals set for the 2019/2021 three-year period. The Plan's overall maximum cost over the relevant three-year period is estimated at 6.7 million Euro.

Voluntary Liquidation of Ferragamo Denmark ApS

On 1 July 2019, the Extraordinary Shareholders' Meeting of Ferragamo Denmark ApS resolved to: i) voluntarily liquidate the company, ii) appoint the liquidator, and iii) authorize said liquidator to perform all tasks necessary to

liquidate the company as proposed by the Board of Directors of the Danish firm in the resolution dated 26 June 2019.

The company Ferragamo Denmark ApS, 100%-owned by Salvatore Ferragamo S.p.A., was set up in January 2015 to manage a Ferragamo monobrand retail store (DOS) in Copenhagen inside the Illum Department Store (owned by Central Group). As Illum recently rearranged the layout of the Department Store and the Group revised its business strategies in this market, effective 30 June 2019 the monobrand retail space (DOS) was closed and the Parent Company Salvatore Ferragamo S.p.A. entered into a wholesale business relationship, under which two Ferragamo corners (TPOS) will be established inside the same Department Store and Illum will purchase equipment and furniture from Ferragamo Denmark ApS to set them up. As a result of the above, on 26 June 2019 the Board of Ferragamo Denmark A.p.S. resolved to close the outlet inside the Illum Department Store in Copenhagen effective 1 July 2019 and commenced voluntary liquidation proceedings by convening an Extraordinary Shareholders' Meeting.

Therefore, as at 30 June 2019 the assets and liabilities of the Danish entity were measured by accounting for the changed time horizon. In addition, please note that since the amounts involved were immaterial, the Group did not report Assets and Liabilities held for sale or for distribution to owners (IFRS 5).

Domestic fiscal unity

On 25 March 2019, the Parent Company Salvatore Ferragamo S.p.A. entered into the new agreement for the exercise of the option for the domestic 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 2019-2020-2021 period, following the expiry of the option exercised for the 2016-2017-2018 period.

Tax and customs disputes and audits

Updates on ongoing audits

- With reference to the tax audit carried out on Salvatore Ferragamo S.p.A. relating to the pass-through mechanism for CFCs for the years 2012, 2013, and 2014, as already disclosed in the 2018 Annual Report, we report the following. With respect to the year 2012, Florence's Provincial Tax Commission fully upheld the Company's appeal; as the ruling was filed on 24 January 2019, as at 30 June 2019 the six-month period for the Office to appeal against this decision had not yet expired. As for 2013, on 17 May 2019 the Company appealed against the notice assessing an additional 65 thousand Euro corporate income tax liability plus nearly 30 thousand Euro in interest and penalties. Concerning the year 2014, the dispute with the Regional Unit of the Tuscany Inland Revenue Office is still pending.

- With reference to the tax dispute in which Ferragamo France S.A.S. is involved and which is now pending before the Council of State for the final stage of proceedings, as well as regarding the tax audit started in September 2018, reference should be made to the Annual Report as at 31 December 2018, as there were no new developments during the first half of 2019.

- As for the ongoing tax audit involving Ferragamo Deutschland GmbH, relating to the tax years 2011-2014, that was started in 2016 and previously described in the 2018 Annual Report, on 7 March 2019 the German tax authorities notified the final audit report, confirming the approach communicated during the meeting on 28 November 2018. In particular, the German tax authorities assessed, on a provisional basis, additional taxes against the companies and interest for the years 2011-2014 for a total amount of 2,523 thousand Euro, resulting in the elimination of previous tax losses. These amounts were confirmed by the payment orders which were notified to Ferragamo Deutschland GmbH on 31 May 2019 and against which the German Company, firmly convinced that its actions were lawful (in compliance with the official communication issued by the German tax authorities), appealed and requested suspension of payment to the competent authorities.

- With reference to the request submitted on 23 March 2017 by the Regional Unit of the Tuscany Inland Revenue Office to Salvatore Ferragamo S.p.A. Related to the filing of documents concerning 4 separate export transactions that were canceled, reference should be made to the Annual Report as at 31 December 2018, as there were no new developments during the first half of 2019.

Concerning these disputes, the Group believes that, at present, the risk of defeat is no more than possible.

- As for the tax audit of Ferragamo Parfums S.p.A. started on 14 March 2018 by the Florence Economic-Financial Department of the Italian Tax Police concerning direct income taxes, VAT and other taxes for the 2015 tax year and costs incurred with entities resident in blacklisted countries for the years 2013-2014, reference should be made to the Annual Report as at 31 December 2018, as there were no new developments during the first half of 2019.

- On 20 March 2018, the Regional Unit of the Tuscany Inland Revenue Office – Large Taxpayers Department started a tax audit of Salvatore Ferragamo S.p.A. (the Company) concerning direct income taxes, VAT, IRAP, and

withholding taxes for the tax year 2015. The audit was then extended to the tax year 2014 exclusively as far as the transfer pricing the company applied to the sales of finished products to its foreign associates is concerned. The audit ended on 18 December 2018 with a tax assessment report served on the same date: the auditors retroactively applied the content of the Advance Pricing Agreement entered into with the Inland Revenue Office and effective since 2017 (so-called Roll Back) to the years 2014 and 2015. Specifically, the Regional Unit of the Tuscany Inland Revenue Office assessed an additional IRES taxable income totaling approximately 9.4 million Euro and nearly 22 million Euro in additional IRAP taxable income for the year 2014, as well as approximately 20.2 million Euro in additional taxable income for both IRES and IRAP purposes for the year 2015. The claim should be formalized through a tax assessment notice by the Revenue Office. Considering that the disputed amounts do not include the income reductions due to the adjustments in favor of foreign associates in accordance with the Roll Back, as well as the Patent Box benefit arising from the increased taxable income in 2015, the Company deems it appropriate – should a payment order be notified – to file a request for assessment with acceptance, in order to determine the tax liability in compliance with the Advance Pricing Agreement. Under this scenario, the impact in terms of additional IRES and IRAP tax expense for the Company would total approximately 7.4 million Euro (2 million Euro for 2014 and 5.4 million Euro for 2015), to be reduced by nearly 1.1 million Euro because of the Patent Box benefit for the year 2015. The overall net 6.3 million Euro IRES and IRAP impact has been set aside within the line item income taxes, recognizing a corresponding amount in the provision for risks and charges in the 2018 financial statements. No penalties apply thanks to the so-called penalty protection guaranteed by the Transfer Pricing documentation that the Company prepares every year. In addition, the tax assessment report includes a mention (which is not an objection) of the fact that the pass-through mechanism of taxation for Ferragamo Hong Kong Ltd. was not applied for the year 2015 Salvatore Ferragamo S.p.A. considers this claim to be completely baseless in fact and in law: therefore, on 18 March 2019, the company filed additional documents justifying why the pass-through mechanism of taxation was not applied within the time limits set out in the report. On 16 April 2019, the Regional Unit of the Tuscany Inland Revenue Office invited the company to provide further documents and information limited to the above notification and set a meeting with the auditors on 15 May 2019. The Company has thus submitted additional documents showing that it has acted lawfully and in good faith. Lastly, on 1 July 2019, the Company met with the auditors to continue the dispute over the notification concerned; during the meeting, the Company presented additional evidence that the Office's claim is baseless.

Patent Box and Research and Development Tax Credit (update)

As for the tax benefits (Patent Box and R&D Tax Credit), reference should be made to the Annual Report as at 31 December 2018, as there were no new developments during the first half of 2019.

International standard ruling on transfer pricing (update)

As for the international standard ruling between Salvatore Ferragamo S.p.A. and the Inland Revenue Office – Central Assessment Department – International Ruling Office, concerning the determination of the transfer pricing policy Salvatore Ferragamo S.p.A. applies to its foreign subsidiaries that perform distribution operations, reference should be made to the Annual Report as at 31 December 2018, as there were no new developments during the first half of 2019.

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 2019, this item totaled 16,049 thousand Euro, compared to 14,800 thousand Euro in the same period last year.

Staff

Below is the Salvatore Ferragamo Group's staff divided by category as at 30 June 2019, 31 December 2018, and 30 June 2018.

Staff	30 June 2019	31 December 2018	30 June 2018
Top managers, middle managers and store managers	771	729	776
White collars	3,128	3,197	3,069
Blue collars	306	302	307
Total	4,205	4,228	4,152

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 Transactions with related Parties, reference should be made to the documentation on the corporate website www.ferragamo.com under Investor Relations, Governance, Corporate Governance, Procedure.

Significant events occurred after 30 June 2019

No significant events occurred after 30 June 2019.

Outlook

After 2018, which once again saw an increase in global GDP – albeit with a gradual deceleration as from April – in 2019 the International Monetary Fund cut its growth forecasts from +3.5% to +3.3%. The estimates for all major countries were revised downwards: compared to 2018, GDP in the Euro Area and the US is now expected to grow by 1.3% and 2.3%, respectively, instead of 1.8% and 2.5%. The main concerns remain the widespread geopolitical uncertainties, trade negotiations mainly between the United States and China, and developments on Brexit.

Despite the above macroeconomic uncertainty, luxury industry analysts expect another year of sustained growth, driven especially by Chinese demand in the domestic and international market as well as the travel retail channel. Against a persistently challenging macroeconomic and market backdrop, the outlook for the rest of the year is essentially in line with the results achieved in the first six months of 2019: the Group will continue enhancing brand communication as well as optimizing processes and the organizational structure consistently with the plans started as from the second half of 2018.

Florence, 30 July 2019

On behalf of the Board of Directors
The Chairman
Ferruccio Ferragamo

Salvatore Ferragamo Group

Consolidated Half-year Financial Statements as at 30 June 2019

<i>Financial statements</i>	28
<i>Consolidated statement of financial position – assets</i>	28
<i>Consolidated statement of financial position – liabilities and shareholders' equity</i>	29
<i>Consolidated income statement</i>	30
<i>Consolidated statement of comprehensive income</i>	31
<i>Consolidated statement of cash flows</i>	32
<i>Statement of changes in consolidated shareholders' equity</i>	33
<i>Explanatory Notes</i>	34
<i>Comments on the main statement of financial position items (assets, shareholders' equity and liabilities)</i>	43
<i>Comments on the main income statement items</i>	54
<i>Other information</i>	58

Financial statements

Consolidated statement of financial position – assets

(In thousands of Euro)	Notes	30 June 2019	<i>of which with related parties</i>	31 December 2018	<i>of which with related parties</i>	30 June 2018	<i>of which with related parties</i>
NON CURRENT ASSETS							
Property, plant and equipment	4	253,251		259,821		254,068	
Investment property	5	40,727		6,094		6,150	
Right-of-use assets	6	580,601	126,845	-		-	
Intangible assets with a finite useful life	7	41,087		42,879		42,176	
Other non current assets	8	3,189		3,331		4,171	
Other non current financial assets	9	16,949	5,249	16,646	5,106	16,622	4,948
Deferred tax assets	37	90,192		76,869		82,098	
TOTAL NON CURRENT ASSETS		1,025,996	132,094	405,640	5,106	405,285	4,948
CURRENT ASSETS							
Inventories	10	385,332		362,948		371,524	
Right of return assets	11	3,314		2,831		2,253	
Trade receivables	12	154,633	198	142,905	143	147,481	162
Tax receivables	13	21,087		21,851		23,059	
Other current assets	14	34,078	2,167	42,166	10,389	43,286	11,041
Other current financial assets	15	236		1,080		419	
Cash and cash equivalents	16	178,180		207,710		158,888	
TOTAL CURRENT ASSETS		776,860	2,365	781,491	10,532	746,910	11,203
TOTAL ASSETS		1,802,856	134,459	1,187,131	15,638	1,152,195	16,151

Consolidated statement of financial position – liabilities and shareholders' equity

(In thousands of Euro)	Notes	30 June 2019	<i>of which with related parties</i>	31 December 2018	<i>of which with related parties</i>	30 June 2018	<i>of which with related parties</i>
SHAREHOLDERS' EQUITY							
GROUP SHAREHOLDERS' EQUITY							
Share capital	17	16,879		16,879		16,879	
Reserves	17	658,949		648,451		649,180	
Net profit/(loss) – Group		58,074		88,361		57,463	
TOTAL GROUP SHAREHOLDERS' EQUITY		733,902		753,691		723,522	
MINORITY INTERESTS							
Share capital and reserves – minority interests		21,526		24,821		24,758	
Net profit/(loss) – minority interests		1,961		1,826		1,150	
TOTAL MINORITY INTERESTS		23,487		26,647		25,908	
TOTAL SHAREHOLDERS' EQUITY		757,389		780,338		749,430	
NON CURRENT LIABILITIES							
Non current interest-bearing loans & borrowings	25	16,313		15,892		15,499	
Provisions for risks and charges	18	20,004		19,491		12,556	
Employee benefit liabilities	19	11,841		11,392		11,678	
Other non current liabilities	20	11,353		57,681		59,156	
Non current lease liabilities	21	560,306	105,239	-		-	
Other non current financial liabilities	22	-		4		28	
Deferred tax liabilities	37	6,040		5,524		6,338	
TOTAL NON CURRENT LIABILITIES		625,857	105,239	109,984	-	105,255	-
CURRENT LIABILITIES							
Trade payables	23	210,916	453	210,293	342	199,434	3,101
Refund liabilities	24	5,314		4,832		4,008	
Interest-bearing loans & borrowings	25	18,584		20,939		38,790	
Tax payables	26	16,322		19,507		14,381	
Other current liabilities	27	48,362	11,176	38,279	1,084	37,359	1,403
Current lease liabilities	21	117,741	23,350	-		-	
Other current financial liabilities	28	2,371		2,959		3,538	
TOTAL CURRENT LIABILITIES		419,610	34,979	296,809	1,426	297,510	4,504
TOTAL LIABILITIES		1,045,467	140,218	406,793	1,426	402,765	4,504
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,802,856	140,218	1,187,131	1,426	1,152,195	4,504

Consolidated income statement

(In thousands of Euro)	Notes	Half-year period ended 30 June			
		2019	of which with related parties	2018	of which with related parties
Revenues from contracts with customers	31	701,749	232	667,736	269
Rental income investment properties	32	3,121		5,953	
Revenues		704,870		673,689	
Cost of goods sold	33 - 34	(247,975)		(241,670)	
Gross profit		456,895		432,019	
Style, product development and logistics costs	33 - 34	(25,997)	(374)	(23,735)	(380)
Sales & distribution costs	33 - 34	(233,492)	(12,096)	(221,982)	(11,751)
Marketing & communication costs	33 - 34	(37,064)	(60)	(35,216)	(21)
General and administrative costs	33 - 34	(62,906)	(3,854)	(61,948)	(5,675)
Other operating costs	33 - 34	(11,222)	(41)	(8,486)	(55)
Other income and revenues	35	7,700	11	4,823	17
Operating profit		93,914		85,475	
Financial charges	36	(31,453)	(1,576)	(26,423)	
Financial income	36	16,436	-	20,548	
Profit before taxes		78,897		79,600	
Income taxes	37	(18,862)		(20,987)	
Net profit/(loss) for the period		60,035		58,613	
Net profit/(loss) – Group		58,074		57,463	
Net profit/(loss) – minority interests		1,961		1,150	

(In Euro)	Notes	Half-year period ended 30 June	
		2019	2018
Basic earnings per share – ordinary shares	38	0.344	0.340
Diluted earnings per share – ordinary shares	38	0.344	0.340

Consolidated statement of comprehensive income

(In thousands of Euro)	Notes	Half-year period ended 30 June	
		2019	2018
Net profit/(loss) for the period (A)		60,035	58,613
<i>Other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period</i>			
- Currency translation differences of foreign operations	17	(10,613)	24,488
- Net gain/(loss) from cash flow hedge	29	3,508	(20,764)
- Income taxes		(842)	4,983
		<u>2,666</u>	<u>(15,781)</u>
Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)		(7,947)	8,707
<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	19	(581)	(33)
- Income taxes		165	1
		<u>(416)</u>	<u>(32)</u>
Total other income/(losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)		(416)	(32)
Total other income/(losses) for the period, net of taxes (B1+B2 = B)		(8,363)	8,675
Total comprehensive income for the period, net of taxes (A+B)		51,672	67,288
Group		50,014	65,505
Minority interests		1,658	1,783

Consolidated statement of cash flows

(In thousands of Euro)		Half-year period ended 30 June			
	Notes	2019	of which with related parties	2018	of which with related parties
NET PROFIT/(LOSS) FOR THE PERIOD		60,035		58,613	
Adjustments to reconcile net profit (loss) to net cash from (used in) operating activities:					
Amortization, depreciation and write-downs of tangible and intangible assets, investment property and right-of-use assets	4-5-6-7	90,261	10,397	31,125	
Income taxes*	37	18,862		20,987	
Provision for employee benefit plans	19	400		378	
Allocation to/(use of) the provision for obsolete inventory	10	1,935		2,422	
Losses and provision for bad debt	12	315		280	
Losses/(gains) on disposal of tangible/intangible assets		664		93	
Interest expense and interest expense on lease liabilities*	36	8,986	1,576	1,105	
Interest income*	36	(501)		(307)	
Other non-monetary items		610		857	
Changes in operating assets and liabilities:					
Trade receivables	12	(6,611)	(55)	(3,721)	(46)
Inventories and Right of return assets	10-11	(32,571)		(25,507)	
Trade payables and Refund Liabilities	23-24	489	111	(640)	2,661
Other tax receivables and tax payables*	13-26	(3,854)		(7,384)	
Employee benefits payments	19	(562)		(333)	
Other assets and liabilities*		(3,767)	1,117	1,725	(356)
Other – net		(502)		(598)	
Income taxes paid*		(9,257)	17,054	(2,515)	10,535
Interest expense and interest expense on lease liabilities paid*	16	(7,414)	(999)	(1,105)	
Interest received*		501		307	
NET CASH FROM (USED IN) OPERATING ACTIVITIES		118,019	29,201	75,782	12,794
Cash flow from investing activities:					
Purchase of tangible assets	4-5	(19,896)		(27,945)	
Purchase of intangible assets	7	(4,686)		(5,806)	
Proceeds from the sale of tangible and intangible assets		33		77	
NET CASH FROM (USED IN) INVESTING ACTIVITIES		(24,549)	-	(33,674)	-
Cash flow from financing activities:					
Net change in financial receivables	16	961		-	
Net change in financial payables	16	(2,872)		(28,486)	
Repayment of lease liabilities	16-21	(55,709)	(10,448)	-	
Dividends paid to shareholders of the Parent company	42	(57,372)	(40,685)	(64,140)	(47,716)
Dividends paid to minority shareholders	42	(5,163)	(5,163)	(2,741)	(2,741)
Treasury share repurchase	17	(638)		-	
NET CASH FROM (USED IN) FINANCING ACTIVITIES		(120,793)	(56,296)	(95,367)	(50,457)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(27,323)		(53,259)	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		207,707		212,088	
Increase/(decrease) in cash and cash equivalents		(27,323)		(53,259)	
Effect of exchange rate translation differences		(2,204)		59	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	16	178,180		158,888	

*To provide a better presentation, the additional information (interest paid, income taxes paid, interest received, and dividends received) previously disclosed in a dedicated table following the statement of cash flows has been included in the line item net cash from/(used in) operating activities, restating the comparative information from the first half of 2018 accordingly.

Statement of changes in consolidated shareholders' equity

(In thousands of Euro) Note 17	Share capital	Treasury share reserve	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 01.01.2019	16,879	(251)	2,995	4,188	478,378	(3,049)	(9,014)	161,752	16,268	(2,816)	88,361	753,691	26,647	780,338
Allocation of results	-	-	-	-	25,941	-	-	62,420	-	-	(88,361)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	58,074	58,074	1,961	60,035
Other comprehensive income/(loss)	-	-	-	-	-	2,666	(10,387)	77	-	(416)	-	(8,060)	(303)	(8,363)
Total comprehensive income (loss)	-	-	-	-	-	2,666	(10,387)	77	-	(416)	58,074	50,014	1,658	51,672
Distribution of dividends	-	-	-	-	-	-	-	(57,372)	-	-	-	(57,372)	(5,163)	(62,535)
Purchase of minority interests in companies consolidated on a line-by-line basis and accounting of options on minority interests	-	-	-	-	-	-	-	(402)	-	-	-	(402)	345	(57)
Treasury share repurchase	-	(638)	-	-	-	-	-	-	-	-	-	(638)	-	(638)
Effect of the first-time adoption of IFRS 16	-	-	-	-	-	-	-	-	(11,761)	-	-	(11,761)	-	(11,761)
Stock Grant Reserve	-	-	-	-	-	-	-	-	370	-	-	370	-	370
As at 30.06.2019	16,879	(889)	2,995	4,188	504,319	(383)	(19,401)	166,475	4,877	(3,232)	58,074	733,902	23,487	757,389

(In thousands of Euro) Note 17	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 01.01.2018	16,879	2,995	4,188	429,505	14,140	(33,129)	155,626	16,395	(2,990)	118,641	722,250	26,181	748,431
Allocation of results	-	-	-	48,872	-	-	69,769	-	-	(118,641)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	57,463	57,463	1,150	58,613
Other comprehensive income/(loss)	-	-	-	-	(15,781)	24,089	(232)	-	(34)	-	8,042	633	8,675
Total comprehensive income (loss)	-	-	-	-	(15,781)	24,089	(232)	-	(34)	57,463	65,505	1,783	67,288
Distribution of dividends	-	-	-	-	-	-	(64,140)	-	-	-	(64,140)	(2,741)	(66,881)
Purchase of minority interests in companies consolidated on a line-by-line basis and accounting of options on minority interests	-	-	-	-	-	-	(728)	-	-	-	(728)	685	(43)
Stock Grant Reserve	-	-	-	-	-	-	-	635	-	-	635	-	635
As at 30.06.2018	16,879	2,995	4,188	478,377	(1,641)	(9,040)	160,295	17,030	(3,024)	57,463	723,522	25,908	749,430

Explanatory Notes

1. Corporate information

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

The condensed consolidated half-year report as at 30 June 2019 of Salvatore Ferragamo S.p.A. has been approved by the Board of Directors during the meeting held on 30 July 2019.

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 and following 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 Leg. Decree no. 58 of 24 February 1998 (TUF) as subsequently integrated and amended.

The condensed consolidated half-year report as at 30 June 2019 has been prepared in accordance with the international accounting standard regarding interim reporting (IAS 34 - Interim Financial Reporting) and 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 2018, 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 2018 and 30 June 2018 and the consolidated income statement as at 30 June 2018.

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 2019 are the same as those used in preparing the 2018 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 2019, as described below. The adoption of new standards, amendments and interpretations did not affect the Group's financial position or performance, except for the application of IFRS 16, whose impacts are briefly described in the section "Changes in international accounting standards, interpretations and amendments", paragraph IFRS 16 Leases.

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 market trends and 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. Specifically, the provision for obsolete inventory of finished products reflects management's estimate of the expected impairment losses on the products of the collections of previous seasons, considering the ability to sell them through the Group's various distribution channels. This assumption may vary across the different geographic areas in which the Group operates based on the knowledge of the individual market's characteristics concerning the local ability to absorb sales of products from previous seasons. Generally, impairment assumptions involve percentages of impairment that become greater the older the collections are, so as to reflect the decline in selling prices in secondary channels (mainly outlets) on the one hand, and on the other hand, the decrease in the probability of selling them as time goes by. This percentage is based on both a statistical analysis of the change in inventory age and an assessment of the consistency in the use of percentages over time. In case of changes in available information, the percentages are reassessed and adjusted as needed. The provision for obsolete raw materials reflects management's

estimates of the decline in the probability they will be used based on the calculation of slow-moving raw materials;

- provision for bad debt relating to wholesale sales, which is linked to the solvency and standing of customers with whom the company has well-established and consolidated relations. The Groups uses a matrix to calculate Expected Credit Losses (ECLs) on trade receivables. The provisioning rates are based on the days past due for each customer category grouped in the different segments that present similar historical loss experiences (for instance, by geographic area, product type, customer type, rating, and guarantees). The matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (for example, country risk) are expected to deteriorate over the next year, which can lead to an increased number of defaults in the country concerned, the historical default rates are adjusted accordingly. At every reporting date, the Group updates historical observed default rates and analyzes changes in forward-looking estimates. The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and in forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. For more details on the analysis of credit risks, reference should be made to note 12;
- provisions for risks and charges, specifically the costs for the contractual commitment to renovate in the future leased properties and costs for ongoing or foreseeable disputes;
- rights of return to adjust revenue from contracts with customers. Some contracts to sell goods include a right of return. The Group has concluded that the expected value method is the most appropriate to estimate the amount of variable consideration on sales of goods with rights of return, considering the large number of contracts with similar characteristics;
- 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, which are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences or any tax losses can be utilized. In this regard, the Group's management estimates the likely timing and amount of future taxable profit;
- fair value of financial instruments, in which derivatives are particularly important, and which the Group uses extensively to hedge exchange rate risks. For details about the assumptions underlying the measurement of fair value, reference should be made to note 29;
- fair value of share-based payments plans, settled in either cash or shares, that the Parent company uses to provide incentives to the Group's management; for details about the assumptions underlying the measurement of share-based payment plans at fair value, reference should be made to note 39.
- risk of defeat in the disputes involving the Group; the Group recognizes a liability when facing legal and tax disputes and lawsuits if it believes it is probable that they will require an outflow of financial resources and a reliable estimate can be made of the amount of the potential losses. Given the uncertainty surrounding the outcome of these proceedings, it is hard to reliably estimate the outflow of resources that will be required to settle them, therefore the amount of the provisions for legal and tax disputes may change as a result of future developments in the outstanding proceedings. The Group monitors the status of ongoing lawsuit and proceedings and consults with its legal advisors as well as legal and tax experts.

In addition, as of 1 January 2019, following the adoption of IFRS 16, the Group made the significant accounting estimates reported below:

- Lease term: the identification of the lease term is a very significant issue, as the form, regulations, and business practices related to property lease agreements vary significantly from one jurisdiction to another, and assessing the impact on the estimated lease term of the options to renew the lease at the end of the non-cancellable period requires using assumptions. In defining the lease term, the Group considered whether either the lessee or lessor, or both, have renewal and termination options, respectively. When renewal options exercisable by both parties to the agreement exist, the Group considered whether there are significant economic incentives to refuse the renewal request, in accordance with paragraph B34 of IFRS 16. When there are options exercisable by only one of the two parties, the Group considered paragraph B35 of IFRS 16.

Applying the above, considering the specific facts and circumstances as well as the estimate of whether it will be reasonably certain that the option will be exercised, resulted in the following:

- For annual leases that are automatically renewed except in the event of termination, the Group considered an average term of five years based on historical evidence;

- In the other cases, if only the Group can exercise the option, we considered a lease term until the end of the second renewal term, based on historical evidence and the fact that a renewal beyond the second term could not be considered reasonably certain.

In June 2019, the IFRS Interpretation Committee began discussing the topic of the lease term (project: Lease Term and Useful Life of Leasehold Improvements). At the reporting date, the Group considered such discussions and will continue monitoring their development over the course of the year.

- Definition of the discount rate: as most leases entered into by the Group do not contain an implicit interest rate, the Group calculated an Incremental Borrowing Rate (IBR). To determine the IBR it should use to discount future lease payments, the Group identified each country as a portfolio of leases with similar characteristics and determined the relevant IBR as the interest rate of a risk-free instrument in the country in which the lease was entered into, based on the different lease terms, increased by the Group's Credit spread.

With respect to 2018 – before the adoption of IFRS 16 and in relation to commercial lease contracts entered into – the Group had 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 remained with the lessor; therefore, these contracts were recognized as operating leases.

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

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

The book value of Property, plant and equipment, Investment property, Right-of-use assets, Intangible assets with a finite useful life, and Investments is subject to impairment testing (events or changed situations suggesting that the book value cannot be recovered) when there are indicators of impairment which require an immediate assessment of impairment, or when events have occurred which require the procedure to be repeated. Impairment exists when the book value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The key assumptions used in estimating the recoverable amount are described in the Annual Report as at 31 December 2018, to which reference should be made.

As at 30 June 2019, 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

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

IFRS 16 Leases

IFRS 16 was published in January 2016 and replaced IAS 17 Leasing, IFRIC 4, SIC-15, and SIC-27. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases (contracts conveying the right to use an asset) and requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of “low-value” assets (e.g. personal computer, photocopiers...), and short-term leases (i.e., leases with a lease term of 12 months or less.) At the commencement date of a lease, a lessee recognizes a liability to make non-variable lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee generally recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Conversely, the standard does not introduce significant changes for lessors.

The Group has applied IFRS 16 starting from 1 January 2019, completing a two-stage project in early 2019: the first stage consisted in an assessment, which began in 2017 and was completed in 2018, while the second stage involved implementing the new corporate IT system dedicated to supporting accounting operations as required by the introduction of the new accounting standard.

The Group applied the standard retrospectively and elected the “modified” approach, recognizing the cumulative effect of applying the standard through equity as at 1 January 2019, in accordance with IFRS 16:C7-C13. Specifically, as for leases previously classified as operating leases, the Group recognized:

- a) a financial liability, equal to the present value of future lease payments outstanding at the date of transition, discounted using the applicable incremental borrowing rate at the date of transition;
- b) a right-of-use asset equal to the amount of the financial liability at the date of transition, less any accruals or deferrals referring to the lease and recognized in the statement of financial position as at 31 December 2018.

For two lease contracts, the Group decided to measure the right-of-use at its net carrying amount as if the standard had been applied since the commencement date, but discounted using the discount rate defined at the date of transition. For these leases, the right-of-use asset amounted to 77.6 million Euro, compared to a 121.2 million Euro financial liability.

As at 1 January 2019, the first-time adoption of IFRS 16 significantly impacted the Group's consolidated financial statements, as the following table shows:

(In thousands of Euro)	Impacts of the first-time adoption IFRS 16 at 01.01.2019
Investment property	36,507
Right-of-use assets	528,407
Deferred tax assets	4,493
TOTAL NON CURRENT ASSETS	569,407
Other current assets	(2,859)
TOTAL CURRENT ASSETS	(2,859)
TOTAL ASSETS	566,548
Other reserves (effect of first-time adoption of IFRS 16)	(11,761)
TOTAL GROUP SHAREHOLDERS' EQUITY	(11,761)
TOTAL MINORITY INTERESTS	-
TOTAL SHAREHOLDERS' EQUITY	(11,761)
Other non current liabilities	(46,270)
Non current lease liabilities	526,375
TOTAL NON CURRENT LIABILITIES	480,105
Other current liabilities	(827)
Current lease liabilities	99,031
TOTAL CURRENT LIABILITIES	98,204
TOTAL LIABILITIES	578,309
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	566,548

The other impacts on the Group's consolidated financial statements, detailed in the subsequent explanatory notes, can be summarized as follows:

- profit or loss: since it presents expenses by function, the Group does not expect material impacts in terms of reclassification between the various items of expense, except for financial charges. In addition, compared to IAS 17, the combination of straight-line depreciation of the “right-of-use asset” and the effective interest rate method applied to the lease liability result in higher financial charges to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term.
- classification of the repayment of lease liabilities into Net cash from financing activities and the interest expense on lease liabilities into Net cash from operating activities;
- alternative performance measures: the mentioned change in the nature, qualification, and classification of expenses affects EBITDA, net invested capital, Net Financial Debt, Cash Flows, and the other measures of the Group's financial performance and financial position. Therefore, the Group introduced certain adjusted performance indicators in the Directors' report on operations included in this half-year report.

The impacts of the adoption of IFRS 16 all but entirely refer to property lease agreements (premises used as stores/DOS, warehouses, offices) and, to a lesser extent, leases of vehicles, equipment, and other assets.

In adopting IFRS 16, the Group used the exemption for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets (i.e. the assets underlying the lease have a value of 5,000 Euro or less when new). The leases to which the latter exemption was applied largely fall within the category of Equipment and other assets. For these leases subject to exemption, the introduction of IFRS 16 did not require recognition of a financial lease liability and the corresponding right-of-use asset, but lease payments are recognized through profit or loss on a straight-line basis over the term of the relevant leases and the relevant liability is recognized under trade payables, as in the past.

The Group applied the practical expedient as per IFRS 16:C3, which allows to grandfather previous conclusions reached under IFRIC 4 and IAS 17 as to whether a specific contract is, or contains, an operating lease. Such practical

expedient was applied to all contracts, in accordance with IFRS 16:C4. Therefore, the Group did not apply the standard to contracts that were not previously identified as leases under IAS 17 and IFRIC 4.

The Group used the practical expedient in IFRS 16 concerning the separation of non-lease components for the Vehicles category. The non-lease component for this category was not separated and accounted for separately from lease components, but rather considered together with the latter when determining the financial lease liability and the corresponding right-of-use asset.

In addition, with respect to the transitional provisions, the Group used the following practical expedients:

- Classification of leases for which the lease term ends within 12 months of the date of transition as short-term leases. For these leases, lease payments were recognized through profit or loss on a straight-line basis;
- Exclusion of initial direct costs from the measurement of the right-of-use asset as at 1 January 2019;
- Use of hindsight in determining the lease term, especially concerning the exercise of options to extend or terminate the lease.

To provide a better understanding of the impacts of initially applying the standard, the following table shows the reconciliation between future commitments associated with leases, disclosed in note 44 of the Explanatory notes to the consolidated financial statements as at 31 December 2018, and the impact of adopting IFRS 16 as at 1 January 2019.

(In millions of Euro)

Reconciliation of lease commitments

Operating lease obligations as at 31 December 2018	672
Short-term lease payments	(9)
Low-value lease payments	(1)
Payments for leases entered into as at 31 December 2018 and effective as of 1 January 2019	(49)
Other changes*	89
Non-discounted financial lease liability as at 1 January 2019	702
Discounting effect	(77)
Discounted financial lease liability as at 1 January 2019	625

* Other changes are largely related to operating lease renewal periods considered within the financial liability as at 1 January 2019

The transition to IFRS 16 requires the exercise of professional judgment that involves defining some accounting policies as well as using assumptions. Below is a summary of the main assumptions and estimates:

- Lease term: for details on the estimates used to identify the lease term, please refer to the paragraph “Discretionary valuations and significant accounting estimates” in the Explanatory Notes to this Half-Year Report.
- Definition of the discount rate: for details on the estimates used to determine the rate for discounting future lease payments, please refer to the paragraph “Discretionary valuations and significant accounting estimates” in the Explanatory Notes to this Half-Year Report. The weighted average IBR used for the transition was 2.80%.
- Right-of-use assets: the Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date on which the underlying asset is available for use). The right-of-use assets that qualify as investment property are classified in this line item. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the initial measurement of the lease liability, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the leased asset. Right-of-use assets are tested for impairment.
- Lease liabilities: at the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of future lease payments to be made over the lease term. Future payments include fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the Group is reasonably certain to exercise the option to terminate. The variable lease payments that do not depend on an index or a rate, but that in the case of the Group mainly depend on sales volumes, continue to be recognized as costs for services in profit or loss. In calculating the present value of future payments, the Group uses the Incremental Borrowing rate (IBR) at the lease commencement date. Subsequently, the lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the lease liability is remeasured to account for any change in the terms of the lease.
- Short-term leases and low-value asset leases: the Group has elected not to apply IFRS 16 to short-term leases (leases with a lease term of 12 months or less) and leases for which the underlying asset is of low value (less

than 5,000 Euro). Payments on these leases are recognized as expense on a straight-line basis in accordance with the terms and conditions of the lease.

The Group also acts as lessor, mainly leasing out part of its investment property. Leases in which the Group acts as lessor have been classified as operating leases and, as such, recognized as previously done under IAS 17, since IFRS 16 does not require transitional changes for these leases. In addition, the Group subleases certain properties leased as investment property. Under IAS 17, the lease in which the Group acts as lessee as well as the one in which it acts as sublessor were classified as operating leases. In the transition to IFRS 16, the lease in which the Group acts as lessee was classified and recognized as a right-of-use asset under investment property, whereas the one in which it acts as sublessor was classified as an operating lease in accordance with IFRS 16.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12; it does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group applied the interpretation starting from its effective date. Since its current accounting policy was aligned with the interpretation, there were no impacts on its consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amendment clarifies that the measurement of the payment for the early termination of the contract by a lender is irrespective of which party pays or receives it. The amendment is effective for annual periods beginning on or after 1 January 2019, and application is retrospective. This amendment did not have any impact on the Group's consolidated financial statements.

Annual improvements cycle 2015-2017

These improvements include:

- IFRS 3 Business Combinations: the amendments clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation;
- IFRS 11 Joint Arrangements: a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured;
- IAS 12 Income taxes: the amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.
- IAS 23 Borrowing costs: the amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity shall apply these amendments to borrowing costs incurred on or after the beginning of the annual period in which the entity first applies such amendments.

The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. The Group applied the interpretation starting from its effective date.

Amendments to IAS 19: Plan amendment, curtailment or settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during the reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity must:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in net interest, is recognized in other comprehensive income. The amendments to IAS 19 must be applied to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. Earlier application is permitted. These changes will apply only to the Group's potential future plan amendments, curtailments or settlements (currently there are none).

Consolidation area

The following companies are included in consolidation as at 30 June 2019.

Company name	Location	Currency	Share capital	30 June 2019		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	7,672,735	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	550,000	100%		(6)
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	64,590,682	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%		(4)
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	300,000,000	100%		(5)
Ferragamo Korea Ltd.	Seoul, South Korea	South Korean Won	3,291,200,000	100%		
Ferragamo (Singapore) Pte Ltd.	Singapore	Singapore Dollar	4,600,000	100%		
Ferragamo (Thailand) Limited	Bangkok, Thailand	Baht	100,000,000	100%		
Ferragamo (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	Malaysian Ringgit	1,300,000	100%		
Ferragamo Parfums S.p.A.	Florence, Italy	Euro	10,000,000	100%		

1 – Through Ferragamo USA Inc. 2 – Through Ferragamo Hong Kong Ltd. 3 – Through Ferrimag Ltd. 4 – 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 references to the minority interest have been removed from consolidated shareholders' equity. 5 – Non-operating company. 6 – Company in liquidation as from 1 July 2019.

The condensed consolidated half-year report provides information on the financial position, financial performance, and cash flows 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 2019. These are collectively identified as the Salvatore Ferragamo Group.

During the first half of 2019 the Group structure underwent no changes.

Ferragamo Argentina S.A. operates in a country that has been considered a hyperinflationary economy since 1 July 2018 in accordance with IAS 29 “Financial Reporting in Hyperinflationary Economies”; therefore, this accounting standard has been applied as from 2018 in the reporting of the financial position, financial performance, and cash flows of Ferragamo Argentina S.A. for consolidated purposes. For further details, reference should be made to note 2 Basis of presentation in the Explanatory notes to the financial statements as at 31 December 2018. The impact of the application of the new standard in the first half of 2019 is not to be considered material at the Group level.

In addition, Ferragamo Denmark ApS was placed into liquidation effective 1 July 2019 and shall be classified as such according to IFRS 5; however, since the amounts associated with the company are not material, its assets and liabilities have not been reclassified out of the various line items into Assets and Liabilities held for sale or for distribution to owners. For more details, please refer to the paragraph “Events occurred during the first half of 2019” in the Directors’ report on operations included in this document.

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 exchange rates		Exchange rates at the end of the reporting period		
	30 June	30 June	30 June	31 December	30 June
	2019	2018	2019	2018	2018
US Dollar	1.1298	1.2103	1.1380	1.1450	1.1658
Swiss Franc	1.12946	1.16975	1.1105	1.1269	1.1569
Japanese Yen	124.284	131.606	122.60	125.85	129.04
Pound Sterling	0.8736	0.8798	0.8966	0.8945	0.8861
Danish Krone	7.4651	7.4476	7.4636	7.4673	7.4525
Australian Dollar	1.6003	1.5688	1.6244	1.6220	1.5787
South Korean Won	1,295.20	1,302.37	1,315.36	1,277.92	1,296.71
Hong Kong Dollar	8.8611	9.4863	8.8866	8.9675	9.1468
Mexican Peso	21.654	23.085	21.8201	22.4921	22.8817
New Taiwanese Dollar	34.985	35.7316	35.2608	34.9976	35.4554
Singapore Dollar	1.5356	1.6054	1.5395	1.5591	1.5896
Thai Baht	35.7137	38.4189	34.8970	37.0520	38.5650
Malaysian Ringgit	4.6545	4.7670	4.7082	4.7317	4.7080
Indian Rupee	79.1240	79.4903	78.5240	79.7298	79.8130
Macau Pataca	9.116	9.755	9.1545	9.2208	9.3912
Chinese Renminbi	7.6678	7.7086	7.8185	7.8751	7.7170
Chilean Peso	762.88	740.01	773.71	792.343	756.45
Argentine Peso	46.789	26.080	48.275	43.057	33.375
Brazilian Real	4.3417	4.1415	4.3511	4.4440	4.4876
Canadian Dollar	1.5069	1.5458	1.4893	1.5605	1.5442

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 2019.

(In thousands of Euro)	Value at 01.01.2019	Translation difference	Additions	Disposals	Depreciation	Reclass.	Impair- ment	Value at 30.06.2019
Land	29,740	(206)	-	-	-	-	-	29,534
Buildings	62,250	13	70	-	(1,542)	-	-	60,791
Plant and equipment	26,481	1	1,305	-	(2,534)	(5)	-	25,248
Industrial and commercial equipment	32,355	297	6,205	(305)	(6,071)	(412)	-	32,069
Other assets	12,133	55	1,513	(39)	(2,949)	417	-	11,130
Leasehold improvements	85,685	862	13,873	(353)	(14,109)	-	(92)	85,866
Fixed assets in progress and payments on account	11,177	165	10,735	(13,464)	-	-	-	8,613
Total	259,821	1,187	33,701	(14,161)	(27,205)	-	(92)	253,251

The increase:

- in buildings refers to certain works carried out by the Parent company at Osmannoro-Sesto Fiorentino;
- in plant and equipment largely refers to the Parent company (1,255 thousand Euro) for works carried out at Osmannoro-Sesto Fiorentino;
- in "Industrial and commercial equipment" mainly refers to the opening and renovation of stores (5,589 thousand Euro) and the purchase of equipment and molds (616 thousand Euro) for the fragrances product category;
- in "Other assets" mainly concerns furniture and furnishings (170 thousand Euro) and IT equipment (1,272 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 in part to expenses incurred and payments on account made for the construction of the new women's footwear production plant at Osmannoro as well as the renovation/refurbishment of the showrooms at the Parent company's office, and in part to the renovation or opening of stores which were not yet operational as at 30 June 2019.

The decrease in Fixed assets in progress and payments on account concern the capitalization of works completed during the period within the various items of Property, plant and equipment (presented as an increase in commercial equipment and leasehold improvements). Said works largely refer to the opening of new stores and the renovation of existing ones. The declines in other line items largely refer to disposals of assets (not fully depreciated) relating to stores that were renovated or closed during the first six months of the year.

Impairment amounting to 92 thousand Euro in "Leasehold improvements" refers to the tangible assets of Ferragamo Denmark ApS due to the fact that the company is non-operational and in liquidation.

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 2019.

(In thousands of Euro)	Value at 31.12.2018	IFRS 16 impact at 01.01.2019	Translation difference	Additions	Depreciation	Value at 30.06.2019
Land	4,888	-	31	-	-	4,919
Buildings	1,206	-	8	-	(170)	1,044
Right-of-use assets: - Buildings	-	36,507	239	-	(1,982)	34,764
Total	6,094	36,507	278	-	(2,152)	40,727

Please note that the right-of-use assets qualifying as investment property are classified in this line item and amounted to 34,764 thousand Euro as at 30 June 2019.

6. Right-of-use assets

The following table shows the change in right-of-use assets for the half-year period ended 30 June 2019. The column “IFRS 16 impact at 01.01.2019” refers to the amount recognized as at 01 January 2019 following the first-time adoption of the new accounting standard IFRS 16.

(In thousands of Euro)	IFRS 16		Translation	Additions	Disposals	Depreciation	Value at
	Value at	impact at					
	31.12.2018	01.01.2019					
Right-of-use assets:							
- Buildings	-	526,881	2,550	103,837	(1,595)	(53,891)	577,782
- Vehicles	-	1,491	1	987	(1)	(441)	2,037
- Equipment and other assets	-	35	1	800	-	(54)	782
Total	-	528,407	2,552	105,624	(1,596)	(54,386)	580,601

The line item Buildings includes Right-of-use assets largely relating to leases of stores (accounting for approximately 95% of Buildings right-of-use assets) and, to a lesser extent, leases of offices, company lodgings, and other premises. The largest increases observed during the first half of 2019 refer to new leases entered into during the period—largely concerning stores—whereas the most significant declines relate to leases that were either terminated early or for which the Group negotiated a reduction in future lease payments.

7. 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 2019.

(In thousands of Euro)	Value at	Translation	Additions	Disposals	Amortization	Impairment	Value at
	01.01.2019	difference					30.06.2019
Industrial patents and use of intellectual property rights	3,936	17	499	-	(1,172)	(1)	3,279
Concessions, licenses and trademarks	1,690	-	147	-	(166)	-	1,671
Development costs	27,609	-	2,845	-	(4,523)	-	25,931
Others	5,202	17	24	-	(564)	-	4,679
Intangible assets with a finite useful life in progress	4,442	-	4,022	(2,937)	-	-	5,527
Total	42,879	34	7,537	(2,937)	(6,425)	(1)	41,087

Intangible assets with a finite useful life rose compared to 31 December 2018 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”).

The item “Development costs” mainly includes the capitalization of software development costs incurred by the Parent company for the development of business software applications (SAP accounting system, ERP, reporting systems, development costs for 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 3,693 thousand Euro as at 30 June 2019).

Impairment amounting to 1 thousand Euro in “Industrial patents and use of intellectual property rights” refers to software licenses of Ferragamo Denmark ApS due to the fact that the company is non-operational and in liquidation.

8. Other non current assets

As at 30 June 2019, other non current assets totaled 3,189 thousand Euro, down compared to 31 December 2018 (3,331 thousand Euro), and refer for 1,275 thousand Euro to the impact relating to the straight-lining of rental income from investment property in the USA, as provided for by the relevant standards.

The item also includes 1,600 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 partially renegotiated in July 2017. These advances are recovered with the accrual of royalties.

9. Other non current financial assets

Other non current financial assets, totaling 16,949 thousand Euro as at 30 June 2019 (16,646 thousand Euro as at 31 December 2018), mainly refer to guarantee deposits for existing rental contracts, and are accounted for at amortized cost.

10. Inventories

Closing inventories refer to the following categories:

(In thousands of Euro)	30 June 2019	31 December 2018	Change 2019 vs. 2018
Gross value of raw materials, accessories and consumables	67,612	65,709	1,903
Provision for obsolete inventory	(6,854)	(6,562)	(292)
Raw materials, accessories and consumables	60,758	59,147	1,611
Gross value of finished products and goods for resale	372,600	349,849	22,751
Provision for obsolete inventory	(48,026)	(46,048)	(1,978)
Finished products and goods for resale	324,574	303,801	20,773
Total	385,332	362,948	22,384

The change in raw materials compared to 31 December 2018 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 20,773 thousand Euro (6.8%) compared to 31 December 2018.

(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 2019 vs. 2018
	2019	2018	
Raw materials	292	164	128
Finished products	1,643	2,258	(615)
Total	1,935	2,422	(487)

11. Right of return assets

Concerning the right of return as part of the measurement of variable consideration as per “Revenue from contracts with customers”, the line item “Contract assets” amounted to 3,314 thousand Euro as at 30 June 2019 (2,831 thousand Euro as at 31 December 2018) and includes the estimated cost of the products expected to be returned, equal to the previous carrying amount of inventories (estimated cost of production) less potential future costs associated with their recovery.

12. Trade receivables

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

(In thousands of Euro)	30 June 2019	31 December 2018	Change 2019 vs. 2018
Trade receivables	160,191	148,704	11,487
Provision for bad debt	(5,558)	(5,799)	241
Total	154,633	142,905	11,728

Trade receivables increased by 8.2% compared to 31 December 2018, mainly due to the increase in wholesale sales in the first half of the year. They refer for around 23,852 thousand Euro to fragrances and, for the remainder, to other product categories mainly for wholesale sales. 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. In addition, during the first half of the year the Group reported 151 thousand Euro in credit losses after writing off trade receivables classified as non-performing.

The change in the provision for bad debt in the half-year period ended 30 June 2019 was as follows:

(In thousands of Euro)	Value at	Translation difference	Allocations	Uses	Value at
	01.01.2019				30.06.2019
Provision for bad debt	5,799	17	164	(422)	5,558

13. Tax receivables

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

(In thousands of Euro)	30 June 2019	31 December 2018	Change 2019 vs. 2018
Due from tax authorities (value added tax and other taxes)	7,950	7,279	671
Due from tax authorities for direct taxes	13,129	14,566	(1,437)
Withholding taxes	8	6	2
Total	21,087	21,851	(764)

Tax receivables were down 764 thousand Euro, largely due to the impact of the estimated tax payments on the receivables due from tax authorities for income taxes associated with the reduction in the estimated tax expense for the first half of 2019.

14. Other current assets

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

(In thousands of Euro)	30 June 2019	31 December 2018	Change 2019 vs. 2018
Other receivables	17,565	25,933	(8,368)
Accrued income	66	123	(57)
Prepaid expenses	14,870	14,847	23
Other receivables for short-term hedging derivatives	1,577	1,263	314
Total	34,078	42,166	(8,088)

As at 30 June 2019, the item “Other receivables” mainly includes:

- receivables due from credit card management companies for retail sales amounting to 10,769 thousand Euro (11,221 thousand Euro as at 31 December 2018);
- receivables due from the Holding company Ferragamo Finanziaria S.p.A. for 2,167 thousand Euro (10,389 thousand Euro as at 31 December 2018), broken down as follows:
 - (i) 142 thousand Euro referring to Ferragamo Parfums S.p.A. and associated with the domestic fiscal unity; the decline from 8,364 thousand Euro as at 31 December 2018 largely refers to Salvatore Ferragamo S.p.A. because of the amounts used to offset the corporate income tax (IRES);
 - (ii) 2,025 thousand Euro referring to receivables concerning the IRES refund claim (online request sent on 5 February 2013) regarding the failed deduction of the regional manufacturing tax (IRAP) in relation to personnel costs from 2007 to 2011, recognized in 2012.
- advances to suppliers amounting to 3,439 thousand Euro (2,522 thousand Euro as at 31 December 2018).

Prepaid expenses mainly include contributions to customers relating to the fit-out of tailored single brand stores and/or stores-in-stores for 7,408 thousand Euro, insurance premiums for 1,670 thousand Euro, and rents for 617 thousand Euro. Upon the first-time adoption of IFRS 16, prepaid lease expenses relating to leases within the scope of the new accounting standard (2,859 thousand Euro as at 31 December 2018) were added to the relevant right-of-use assets as required by the standard.

Other receivables for hedging derivatives amounting to 1,577 thousand Euro (1,263 thousand Euro as at 31 December 2018) refer to the fair value measurement of outstanding derivative contracts (hedging component) entered into by the Parent company to manage exchange rate risk on sales in currencies other than the Euro.

15. Other current financial assets

Other current financial assets as at 30 June 2019 totaled 236 thousand Euro (1,080 thousand Euro as at 31 December 2018), and include the fair value measurement of derivatives for the non-hedging component.

16. Cash and cash equivalents

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

(In thousands of Euro)	30 June 2019	31 December 2018	Change 2019 vs. 2018
Time deposits	6,597	12,097	(5,500)
Bank and post office sight deposits	170,284	194,107	(23,823)
Cash and values on hand	1,299	1,506	(207)
Total	178,180	207,710	(29,530)

Time deposits at banks expire in no more than 92 days. Bank and post office deposits refer to temporary cash holdings maintained mainly to meet imminent payments.

During the first half of the year, the Group continued to use a part of its cash surpluses not in time-deposit investments, but to take out intercompany loans, regulated at current market conditions, so as to reduce its average bank debt.

As at 30 June 2019, the Group had unused credit lines for 665,685 thousand Euro. As at 31 December 2018, unused credit lines totaled 704,239 thousand Euro.

For the purposes of the consolidated statement of cash flows, the item “Cash and cash equivalents” as at 30 June 2019 and 30 June 2018 was broken down as follows:

(In thousands of Euro)	30 June 2019	30 June 2018	Change 2019 vs. 2018
Cash and bank sight deposits	171,583	149,059	22,524
Time deposits	6,597	9,829	(3,232)
Total	178,180	158,888	19,292

Below is the reconciliation of the liabilities from financing activities as reported on the statement of cash flows for the half-year period ended 30 June 2019.

(In thousands of Euro)	Value at 31.12.2018	IFRS 16 impacts at 01.01.2019	Cash flow		Translati on diff.	Reclass.	Other non- cash changes	Value at 30.06.2019
			principal repaid/ received	interest paid/ received				
Other current financial assets	960	-	(961)	-	1	-	-	-
Total assets from financing activities	960	-	(961)	-	1	-	-	-
Non current interest-bearing loans & borrowings	15,892	-	-	-	421	-	-	16,313
Current interest-bearing loans & borrowings (excluding bank overdrafts)	20,936	-	(2,872)	(200)	520	-	200	18,584
Non current lease liabilities	-	625,406	-	-	3,734	(172,497)	103,663	560,306
Current lease liabilities	-	-	(55,709)	(7,214)	(619)	172,497	8,786	117,741
Total liabilities from financing activities	36,828	625,406	(58,581)	(7,414)	4,056	-	112,649	712,944

17. Share capital and reserves

Here below are the main changes occurred in the Group’s share capital and reserves during the first half of 2019. The authorized **share capital** of the Parent company as at 30 June 2019 totaled 16,939,000 Euro; the subscribed and paid up share capital amounted to 16,879,000 Euro and consisted of 168,790,000 ordinary shares with a nominal value of 0.10 Euro each.

The **treasury share reserve**, amounting to 889 thousand Euro, consisted of 50,000 shares in Salvatore Ferragamo S.p.A., purchased in 2018 (no. 14,000) and on 2 January 2019 (no. 36,000) at an average unit price of 17.78 Euro.

The **extraordinary reserve** of 504,319 thousand Euro, which refers entirely to the Parent company, was set up with retained earnings; the change recorded in the period was due to an increase of 25,941 thousand Euro in profit for the year 2018 net of 57,372 thousand Euro in dividends paid out, which were approved in the first half of 2019.

The **cash flow hedge reserve** was negative for 383 thousand Euro and is the result of the measurement of the financial instruments defined as cash flow hedges as at 30 June 2019, given the hedges of the Parent company against exchange rate risk, and is shown net of the tax effect.

The **translation reserve**, negative for 19,401 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 166,475 thousand Euro, include profits/losses capitalized during the years, taking due account of consolidation adjustments, in particular unrealized profit on inventories. The change in this reserve during the first half of 2019 was the result of several factors. On the one hand, it rose by 62,420 thousand Euro due to the capitalization of the net profit for 2018, net of the Parent company’s profit which was allocated to the extraordinary reserve, and by 77 thousand Euro due to minor effects; on the other hand, the decrease in the reserve was mainly due to the dividends (57,372 thousand Euro) distributed by the Parent company during the first

half of 2019, and to the effect in the period of the recognition of the put and call agreements on pre-existing minority interests for 402 thousand Euro.

The items “**Other reserves**” and “**Effect IAS 19 equity**” (net total of 1,645 thousand Euro) include mainly the amounts recognized for the valuation differences required by IAS/IFRS compared to the local standards of Group companies. In addition, the item “Other reserves” includes:

- The IFRS 16 First-Time Adoption Reserve, negative 11,761 thousand Euro, referring to two leases for which the Group elected to measure the right-of-use asset at the carrying amount as if the standard had been applied since the commencement date, net of the relevant 4,493 thousand Euro tax effect.
- the specific reserve set up to service the Parent company's future free share capital increase for a nominal amount of 60 thousand Euro for the shares to be assigned under the 2016-2020 Stock Grant Plan (up to a maximum of 600,000 shares with a nominal value of 0.10 Euro each);
- 1,554 thousand Euro in the Stock Grant Reserve, referring to the fair value measurement as at 30 June 2019 of the rights to receive shares in the Parent company: their impact on the period amounted to 370 thousand Euro.

The amounts are net of the tax effects where applicable.

18. Provision for risks and charges

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

(In thousands of Euro)	Value at 01.01.2019	Translation difference	Additions	Uses	Value at 30.06.2019
Legal disputes	8,555	1	374	(358)	8,572
Other	10,936	181	466	(151)	11,432
Total	19,491	182	840	(509)	20,004

Legal disputes mainly include tax disputes for which during 2018 the Parent company and Ferragamo Parfums S.p.A. set aside provisions (amounting to 6,400 thousand Euro and 421 thousand Euro, respectively: for more details, please refer to the Annual Report as at 31 December 2018) and, to a lesser extent, provisions for contingent liabilities relating to legal proceedings against the Parent company and some proceedings regarding subsidiaries— as well as labor disputes. Labor disputes refer to both litigations and 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, tax and legal disputes that have arisen during the first half of the year. The provision for other risks mainly includes allocations against likely contingent liabilities; the main allocation concerns expenses for the restoration of premises leased from third parties recognized pursuant to the relevant contractual obligations (11,221 thousand Euro); in addition, it includes the additional allowance set aside by Ferragamo Parfums S.p.A. for agents operating in Italy. The changes for the period concerned these items: specifically, 457 thousand Euro were set aside for the renovation costs incurred by some foreign subsidiaries. As regards contingent liabilities at Group level, for which no provisions have been made, please refer to the section “Significant events occurred during the first half of 2019 – Tax and customs disputes and audits”.

19. Employee benefit liabilities

The following table shows the breakdown of employee benefits as at 30 June 2019 and 31 December 2018:

(In thousands of Euro)	30 June 2019	31 December 2018	Change 2019 vs. 2018
Employee defined benefit liabilities	11,711	11,139	572
Other employee benefit liabilities	130	253	(123)
Total	11,841	11,392	449

Employee defined benefit liabilities of the Group’s Italian companies (the Parent company and Ferragamo Parfums S.p.A.) amounted to 9,031 thousand Euro, up by 643 thousand Euro compared to 31 December 2018. Employee defined benefit liabilities of the Group’s non-Italian companies refer to Ferragamo Japan KK, Ferragamo Retail Taiwan Ltd., Ferragamo France SAS, Ferragamo Montecarlo SAM, Ferragamo Belgique SA, Ferragamo Mexico S.L.de C.V., Ferragamo Usa Inc., Ferragamo (Thailand) Limited, and Ferragamo Retail India Private Ltd.. They amounted to 2,680 thousand Euro, down by 71 thousand Euro compared to 31 December 2018.

20. 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 2019 vs. 2018
	2019	2018	
Payables for deferred liabilities	11,139	57,469	(46,330)
Other payables	214	212	2
Total	11,353	57,681	(46,328)

The steady decline in Payables for deferred liabilities (Payables for deferred rents in 2018) compared to 31 December 2018 was almost entirely attributable to the impact of the first-time adoption of the new accounting standard IFRS 16 (46,270 thousand Euro), whereas the balance as at 30 June 2019 largely refers to the straight-lining of the amounts received from lessors for the costs incurred to fit out the stores.

As at 30 June 2019, the item “Other payables”, equal to 214 thousand Euro, refers to guarantee deposits received for lease contracts.

21. Lease liabilities

Below are the changes in lease liabilities occurred in the first half of 2019, broken down between current and non current.

(In thousands of Euro)	Lease liabilities		Total
	non current	current	
Value at 31.12.2018	-	-	-
IFRS 16 impact at 01.01.2019	625,406	-	625,406
Translation difference	3,734	(619)	3,115
Additions	105,258	-	105,258
Disposals	(1,595)	-	(1,595)
Reclassifications	(172,497)	172,497	-
Repayment of lease liabilities	-	(55,709)	(55,709)
Interest expense on lease liabilities	-	8,786	8,786
Interest expense on lease liabilities paid	-	(7,214)	(7,214)
Value at the end of the period	560,306	117,741	678,047

The average weighted IBR applicable to leases outstanding as at 30 June 2019 was 2.75%.

22. Other non current financial liabilities

As at 31 December 2018, the item “Other non current financial liabilities” included 4 thousand Euro pertaining to the fair value measurement of the non current portion of outstanding derivatives (non-hedging component).

23. Trade payables

The breakdown of trade payables was as follows:

(In thousands of Euro)	30 June	31 December	Change 2019 vs. 2018
	2019	2018	
Trade payables	209,438	208,720	718
Advances from customers	1,478	1,573	(95)
Total	210,916	210,293	623

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 relating to the purchase of raw materials, parts and costs relating to outsourced manufacturing.

24. Refund liabilities

Concerning the right of return as part of the measurement of variable consideration as per “Revenue from contracts with customers”, the line item “Refund Liabilities” amounted to 5,314 thousand Euro as at 30 June 2019 (4,832 thousand Euro as at 31 December 2018) and refers to the liability to customers for the amount of the products expected to be returned.

25. Interest-bearing loans & borrowings

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

(In thousands of Euro)	30 June	31 December	Change
	2019	2018	2019 vs. 2018
Medium/long-term financial payables to banks	16,313	15,892	421
Short-term financial payables to banks	18,584	20,936	(2,352)
Bank overdrafts	-	3	(3)
Total	34,897	36,831	(1,934)

The Group's financial requirements are covered by short-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 Group continued to use a part of its cash surpluses not in time-deposit investments, but to take out intercompany loans, regulated at current market conditions, so as to reduce its average bank debt.

More specifically, financial payables to banks and the related credit lines used were as follows:

(In thousands of Euro)	30 June 2019		31 December 2018	
	Agreed	Used	Agreed	Used
Committed credit lines	188,548	27,324	187,811	23,838
<i>Revolving credit lines</i>	172,235	11,011	171,919	7,946
<i>Term loans</i>	16,313	16,313	15,892	15,892
Uncommitted credit lines	512,034	7,573	553,259	12,993
Total	700,582	34,897	741,070	36,831

The following table provides the breakdown of, and changes in, the net financial position as at 30 June 2019, 31 December 2018 and 30 June 2018, restated in accordance with the model included in CONSOB Communication no. DEM/6064293 of 28 July 2006.

(In thousands of Euro)	30 June		31 December		Change 06.19 vs. 12.18	Change 06.19 vs. 06.18
	2019	2018	2019	2018		
A. Cash	1,299	1,506	1,179	1,179	(207)	120
B. Other cash equivalents	176,881	206,204	157,709	157,709	(29,323)	19,172
C. Cash and cash equivalents (A)+(B)	178,180	207,710	158,888	158,888	(29,530)	19,292
Derivatives – non-hedging component	236	120	419	419	116	(183)
Other financial assets	-	960	-	-	(960)	-
D. Current financial receivables	236	1,080	419	419	(844)	(183)
E. Current bank payables	18,584	20,939	38,790	38,790	(2,355)	(20,206)
F. Derivatives – non-hedging component	144	790	130	130	(646)	14
G. Other current financial payables*	119,968	2,169	3,408	3,408	117,799	116,560
H. Current financial debt (E)+(F)+(G)	138,696	23,898	42,328	42,328	114,798	96,368
I. Current financial debt, net (H)-(C)-(D)	(39,720)	(184,892)	(116,979)	(116,979)	145,172	77,259
J. Non current bank payables	16,313	15,892	15,499	15,499	421	814
K. Derivatives – non-hedging component	-	4	28	28	(4)	(28)
M. Other non current payables**	560,306	-	-	-	560,306	560,306
N. Non current financial debt (J)+(K)+(M)	576,619	15,896	15,527	15,527	560,723	561,092
O. Net financial debt (I)+(N)	536,899	(168,996)	(101,452)	(101,452)	705,895	638,351

* As at 30 June 2019, Other current financial payables included a 117,741 thousand Euro current lease liability.

** As at 30 June 2019, Other non current payables included a 560,306 thousand Euro non current lease liability.

Limitations on the use of financial resources

In general, the Group's committed credit lines (both revolving credit lines and term loans) that are currently outstanding do not require compliance with financial covenants.

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

26. Tax payables

As at 30 June 2019, tax payables amounted to 16,322 thousand Euro and concerned payables for income taxes pertaining to the period and other taxes due by Group companies. The 3,185 thousand Euro decrease in the first half of the year was largely attributable to the reduction in value-added tax (VAT) payables as well as payables for taxes withheld by the Group companies as withholding agents and due to tax authorities.

27. Other current liabilities

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

(In thousands of Euro)	30 June 2019	31 December 2018	Change 2019 vs. 2018
Other payables	35,110	26,648	8,462
Payables to social security institutions	4,021	5,504	(1,483)
Accrued expenses	1,719	1,832	(113)
Deferred income	3,241	2,232	1,009
Other payables for hedging derivatives	4,271	2,063	2,208
Total	48,362	38,279	10,083

The item “Other payables” mainly includes the Group’s payables to employees for amounts accrued but not yet paid at the reporting date; to a lesser extent, it also includes payables to suppliers and service providers that had not been invoiced at the reporting date. The 8,462 thousand Euro increase compared to 31 December 2018 was mainly attributable to payables due to the Parent company Ferragamo Finanziaria S.p.A. for a total amount of 8,832 thousand Euro under the domestic fiscal unity. Compared to 31 December 2018, Other payables were down 827 thousand Euro (referring to current payables for deferred rents) as a result of the first-time adoption of the new accounting standard IFRS 16.

The item “Payables to social security institutions” refers to payables to social security institutions 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 29 below.

28. 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 2019	31 December 2018	Change 2019 vs. 2018
Short-term derivatives	144	790	(646)
Other current financial payables	2,227	2,169	58
Total	2,371	2,959	(588)

As at 30 June 2019, “Other current financial payables” refer entirely to the put option 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 measured in accordance 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 2018, this item amounted to 2,169 thousand Euro.

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 29 below.

29. Financial instruments and fair value measurement

The classification of financial instruments under IFRS 9 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 2019 and 31 December 2018.

Classification of financial instruments and presentation of their fair value.

FINANCIAL ASSETS	30 June 2019			31 December 2018		
	Book value		Fair Value	Book value		Fair Value
	<i>Current portion</i>	<i>Non current portion</i>		<i>Current portion</i>	<i>Non current portion</i>	
(In thousands of Euro)						
Financial assets at fair value through profit or loss						
Derivatives – non-hedging component	236	-	236	120	-	120
Receivables and loans						
Receivables from others (M/L term)	400	1,600	2,000	497	1,600	2,094
Receivables due from credit cards	10,769	-	10,769	11,221	-	11,221
Trade receivables	154,633	-	154,633	142,905	-	142,905
Guarantee deposits	-	16,949	16,949	-	16,646	16,646
Other current financial assets	-	-	-	960	-	960
Cash and cash equivalents	178,180	-	178,180	207,710	-	207,710
Derivatives – hedging component	1,577	-	1,577	1,263	-	1,263
Total	345,795	18,549	364,344	364,676	18,246	382,919

FINANCIAL LIABILITIES	30 June 2019			31 December 2018		
	Book value		Fair Value	Book value		Fair Value
	<i>Current portion</i>	<i>Non current portion</i>		<i>Current portion</i>	<i>Non current portion</i>	
(In thousands of Euro)						
Liabilities at amortized cost						
Trade payables and payments on account	210,916	-	210,916	210,293	-	210,293
Payables to banks	18,584	16,313	34,897	20,939	15,892	36,831
Other financial payables	2,227	-	2,227	2,169	-	2,169
Guarantee deposits	36	214	250	59	212	271
Lease liabilities	117,741	560,306	na*	-	-	na*
Financial liabilities at fair value through profit or loss						
Derivatives – non-hedging component	144	-	144	790	4	794
Derivatives – hedging component	4,271	-	4,271	2,063	-	2,063
Total	353,919	576,833	252,705	236,313	16,108	252,421

*Under the new standard IFRS 16, Lease liabilities are not measured at fair value.

As the table shows, except for the lease liabilities recognized following the adoption of the new standard IFRS 16, most existing financial assets and liabilities are short-term in nature; therefore, for most items the book value is considered to be a reasonable approximation of fair value.

In all other cases, fair value is measured according to methods which can be classified as Level 2 of the hierarchy of the significance of inputs to the 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 Company uses a pricing model based on market interest rate values and exchange rates at the measurement date.

“Receivables from others (M/L term)” included receivables due to Ferragamo Parfums S.p.A. from Emanuel Ungaro Italia S.r.l. for advance payments under the licensing agreement for the production and distribution of Ungaro-branded fragrances, which was renegotiated in July 2017. The new agreement provides for a repayment plan with installments of equal amount to be deducted from future royalties. Payments are expected to be made in annual installments starting from 2019 through 2023; as at 30 June 2019, the amount outstanding totaled 2,000 thousand Euro, consisting in a 400 thousand Euro current portion and a 1,600 thousand Euro non current portion; fair value was measured by discounting the nominal amount using the market IRS rates quoted for the individual

annual maturities and adjusted to take account of the half-year maturities, in accordance with the discounted cash flow method.

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 2019 and the year ended 31 December 2018:

Exchange rate risk (In thousands of Euro)	Cash flow hedge reserve	
	30 June 2019	31 December 2018
Opening balance	(4,012)	18,605
+ increases for recognition of new positive effectiveness	3,406	10,145
- decreases for recognition of new negative effectiveness	(5,091)	(16,699)
- decreases for reversal of positive effectiveness from shareholders' equity and recognition of income in profit or loss	(4,609)	(20,956)
+ increases for reversal of negative effectiveness from shareholders' equity and recognition of cost in profit or loss	9,802	4,893
Closing balance	(504)	(4,012)

The Reserve, which consists of the value changes in hedges for expected transactions in foreign currency, increased by 3,508 thousand Euro overall during the first half of 2019, due to the fluctuations in the Euro against the currencies in which the Group carries out exchange rate hedging transactions during the period after the stronger depreciation trend recorded in 2018. The effect directly reclassified out of the Reserve to profit or loss under revenues from sales during the first half of 2019, when the underlying cash flows materialized, was negative and amounted to 5,193 thousand Euro.

During the first six months of 2019, 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.

Below is the impact of the hedged items on the statement of financial position:

(in thousands of Euro)	Expected highly probable sales	
	30 June 2019	31 December 2018
Notional amount	442,154	396,309
Cash flow hedge reserve / change in fair value used to measure ineffectiveness	(504)	(4,012)
Other current assets	1,433	1,105
Other current liabilities	(4,145)	(1,532)

30. Management of financial risks

For the Management of financial risks, reference should be made to the Annual Report as at 31 December 2018.

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 2019 and 2018.

31. Revenues from contracts with customers

In the first half of 2019 and 2018, revenues from contracts with customers totaled 701,749 thousand Euro and 667,736 thousand Euro, respectively. The tables below provide the breakdown by channel and geographical area of the main categories of revenues from contracts with customers as at 30 June 2019 and 30 June 2018.

(In thousands of Euro)	Half-year period ended 30 June 2019			
	Retail	Wholesale	Licenses and services	Total revenues from contracts with customers
Europe	76,015	96,753	4,840	177,608
North America	97,679	51,732	276	149,687
Japan	54,610	4,284	11	58,905
Asia Pacific	186,902	90,020	303	277,225
Central and South America	26,480	11,587	257	38,324
Total	441,686	254,376	5,687	701,749

(In thousands of Euro)	Half-year period ended 30 June 2018			
	Retail	Wholesale	Licenses and services	Total revenues from contracts with customers
Europe	72,868	95,378	4,114	172,360
North America	96,921	49,166	223	146,310
Japan	54,518	4,340	16	58,874
Asia Pacific	177,876	78,252	275	256,403
Central and South America	24,025	9,741	23	33,789
Total	426,208	236,877	4,651	667,736

The Group discloses the disaggregation of revenue using a quali-quantitative approach.

The Group recognizes revenue from the sale of goods through both the retail and wholesale channels when control over the asset is transferred to the customer, generally upon delivery; in the case of licenses and services, revenue is recognized when the service is rendered to customers.

The item "Licenses and services" includes royalties deriving from the license contract with the Marchon Group for the production and distribution of glasses ("Salvatore Ferragamo" brand) and with the Timex Group for the production and distribution of watches ("Salvatore Ferragamo" brand). Revenues from royalties are accounted for based on the stage of completion of the licensee's sale.

32. Rental income investment properties

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. In the first half of 2019, they amounted to 3,121 thousand Euro, down 2,832 thousand Euro from 5,953 thousand Euro in the prior-year period as a major real estate lease came to an end in February 2019.

33. Cost of goods sold and operating costs

Cost of goods sold and operating costs in the first half of 2019 and 2018 totaled 618,656 thousand Euro and 593,037 thousand Euro, respectively, and were classified by function as follows:

(In thousands of Euro)	Half-year period ended 30 June		Change 2019 vs. 2018
	2019	2018	
Cost of goods sold	247,975	241,670	6,305
Style, product development and logistics costs	25,997	23,735	2,262
Sales & distribution costs	233,492	221,982	11,510
Marketing & communication costs	37,064	35,216	1,848
General and administrative costs	62,906	61,948	958
Other operating costs	11,222	8,486	2,736
Total	618,656	593,037	25,619

Costs climbed 4.3% compared to the first half of 2018 to support the growth in sales.

34. 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 2019 vs. 2018
	2019	2018	
Raw materials, finished products and consumables used	131,896	132,989	(1,093)
Costs for services	270,087	312,285	(42,198)
Personnel costs	115,190	108,152	7,038
Amortization and depreciation of tangible and intangible assets	33,800	31,125	2,675
Depreciation of right-of-use assets	56,368	-	56,368
Write-downs of tangible/intangible assets	93	-	93
Other charges	11,222	8,486	2,736
Total	618,656	593,037	25,619

Compared to 30 June 2018, costs for services fell steadily as the Group recognized the line item Depreciation of right-of-use assets following the first-time adoption of the new accounting standard IFRS 16.

The following table shows the impacts of leases accounted for under IFRS 16 as well as outside the scope of said standard on profit or loss, broken down by nature, in the first half of 2019:

(In thousands of Euro)	Half-year period ended 30 June	% of Total
	2019	
Depreciation of right-of-use assets	56,368	54.2%
Interest expense on lease liabilities	8,786	8.5%
Costs relating to short-term leases	8,596	8.3%
Costs relating to low-value leases	758	0.7%
Costs relating to leases with variable payments not included in the measurement of lease liabilities	29,457	28.3%
Total	103,965	100.0%

Some of the Group's leases contain variable lease payments linked to the revenues generated by stores (DOS), inside leased premises that are not included in the measurement of leases, in accordance with the new accounting standard IFRS 16, and are recognized on an accrual basis. As at 30 June 2019, overall variable lease payments accounted for 28.3% of the total expense recognized in profit or loss associated with leases either included or not in the lease liability as per the new accounting standard IFRS 16. Variable lease payments depend on sales, and therefore the Group's performance in subsequent years. The Group estimates that in the future variable lease payments will continue to be proportionate to the sales of finished goods.

35. Other income and revenues

Other income and revenues are broken down as follows:

(In thousands of Euro)	Half-year period ended 30 June		Change 2019 vs. 2018
	2019	2018	
Expense recovery	1,304	1,044	260
Rental income from operating properties	216	205	11
Advertising contributions	4	1,428	(1,424)
Other income and revenues	4,991	1,557	3,434
Gains on disposal of tangible/intangible assets	27	32	(5)
Windfall profit	1,158	557	601
Total	7,700	4,823	2,877

As at 30 June 2019, other income and revenues amounted to 7,700 thousand Euro, up by 2,877 thousand Euro compared to the first half of 2018, with the ratio to total revenues increasing from 0.7% to 1.1%. The change is largely attributable to the increase in other income and revenues, which include the greater contributions received by the Group's companies as well as, following the first-time adoption of IFRS 16, 954 thousand Euro arising from the reclassification to profit or loss of the share for the period of the straight-lining over the life of the lease of the contributions received from the lessor for improvements to the leased stores (contributions for Leasehold improvements)—previously offset against the lease expense for the period—less the decline in advertising contributions.

36. Financial operations

Financial operations are broken down as follows:

(In thousands of Euro)	Half-year period ended 30 June		Change 2019 vs. 2018
	2019	2018	
Financial charges			
Interest expense	200	1,105	(905)
Discount charges and other financial charges	963	1,016	(53)
Interest expense on lease liabilities	8,786	-	8,786
Losses on exchange rate differences	10,023	13,160	(3,137)
Financial charges for fair value adjustment of derivatives	11,481	11,142	339
Total	31,453	26,423	5,030

(In thousands of Euro)	Half-year period ended 30 June		Change 2019 vs. 2018
	2019	2018	
Financial income			
Interest income	501	307	194
Other financial income	230	21	209
Gains on exchange rate differences	13,207	14,781	(1,574)
Financial income for fair value adjustment of derivatives	2,498	5,439	(2,941)
Total	16,436	20,548	(4,112)

Interest expense decreased mainly because the Group took out more intercompany loans on arm's length terms, thus reducing its average bank borrowings. As a matter of fact, interest expense derives mainly from short-term bank loans and, to a lesser extent, from bank loans granted at medium and long-term.

Interest expense on lease liabilities – which the Group started recognizing as of 1 January 2019, following the introduction of the new accounting standard IFRS 16 – amounted to 8,786 thousand Euro.

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

Gains and losses on exchange rate differences arise from the Group's foreign sales, both intercompany and to third parties, in currencies other than the Euro. During the first half of 2019, net exchange rate gains amounted to 3,184 thousand Euro, compared to net exchange rate gains of 1,621 thousand Euro in the first half of 2018.

Financial income/(charges) for fair value adjustment of derivatives refer 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, and are closely related to net gains and losses on exchange rate differences. During the first half of 2019, the Group reported 8,983 thousand Euro in net financial charges, compared to 5,703 thousand Euro in net financial charges in the first half of 2018.

37. Income taxes

The taxes recorded in the income statement were as follows:

(In thousands of Euro)	Half-year period ended 30 June		Change 2019 vs. 2018
	2019	2018	
Current taxes	(27,655)	(19,715)	(7,940)
Deferred taxes	8,793	(1,272)	10,065
Total	(18,862)	(20,987)	2,125
Tax rate	23.9%	26.4%	

Taxes were calculated using the best possible estimate of the annual average expected tax rate at the reporting date. The decrease in the tax rate was mainly due to the greater benefits for Salvatore Ferragamo S.p.A. in relation to the so-called "Patent Box", with an estimated direct tax expense reduction in the first half of 2019 of approximately 9.4 million Euro, compared to an estimated 6.6 million Euro in the first six months of 2018. For further details on the "Patent Box", please refer to the Annual Report as at 31 December 2016, 2017, and 2018.

Deferred tax assets and liabilities

The following table provides a breakdown by nature of deferred tax assets and liabilities as at 30 June 2019 and 31 December 2018:

(In thousands of Euro)	30 June 2019	31 December 2018	Change 2019 vs. 2018
Statement of financial position			
Deferred tax assets			
- on employee benefits	1,439	1,300	139
- on tangible assets	6,549	6,393	156
- on intangible assets	1,101	1,070	31
- on right-of-use assets and lease liabilities	15,572	-	15,572
- on the cash flow hedge reserve	-	256	(256)
- on the valuation of inventories	12,093	11,413	680
- on the elimination of the profit unrealized in inventories	41,641	35,745	5,896
- on tax losses	3,257	1,154	2,103
- on taxed provisions	2,567	2,613	(46)
- for other temporary differences	5,973	16,925	(10,952)
Deferred tax assets	90,192	76,869	13,323
Deferred tax liabilities			
- on employee benefits	(71)	(74)	3
- on tangible assets	(434)	(583)	149
- on the cash flow hedge reserve	(511)	-	(511)
- on the valuation of inventories	(2,633)	(2,446)	(187)
- for other temporary differences	(2,391)	(2,421)	30
Deferred tax liabilities	(6,040)	(5,524)	(516)

Deferred taxes reflect the net tax effect of temporary differences between the book value and the taxable amount of assets and liabilities.

Deferred tax assets on right-of-use assets and lease liabilities include 4,493 thousand Euro associated with the tax effect of the impacts of the first-time adoption of the new accounting standard IFRS 16 on Shareholders' Equity (Other Reserves).

The accounting of deferred tax assets was duly adjusted to take account of their effective possibility to be realized.

38. Earnings per share

As required by IAS 33, information is provided on the data used to calculate basic and diluted earnings per share. Basic earnings per share is calculated by dividing the profit and/or loss for the period attributable to the shareholders of the Parent company by the weighted average number of outstanding shares during the period. For the purposes of calculating diluted earnings per share, the weighted average number of shares was increased in order to take into account the dilution effects of the 2016-2020 Stock Grant Plan (1st and 2nd cycle). For further details, reference should be made to note 39.

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

	Half-year period ended 30 June	
	2019	2018
Net profit (loss) – shareholders of the Parent company (Euro)	58,074,549	57,463,026
Average number of ordinary shares	168,740,199	168,790,000
Basic earnings per share – ordinary shares (Euro)	0.344	0.340
Average number of ordinary shares	168,740,199	168,790,000
Dilution effect: number of shares which could have been issued (Stock Grant Plan)	69,174	120,462
Diluted average number of ordinary shares	168,809,373	168,910,462
Diluted earnings per share – ordinary shares (Euro)	0.344	0.340

Other information

39. Share-based payments

2016-2020 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, during 2016 the Board of Directors approved a specific plan (the 2016-2020 Stock Grant Plan or, in short, the Plan). For more details on the plan's objectives, scope, and term, as well as the method for measuring fair value, please refer to the consolidated financial statements as at 31 December 2018 (note 39).

As briefly detailed below, 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 a maximum of 600,000 ordinary shares in the Parent company Salvatore Ferragamo S.p.A. over the two cycles;
- a three-year Performance Period for each cycle (1st cycle: 2016/2018 three-year period – 2nd cycle: 2017/2019 three-year period);
- 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 set the performance targets for the 1st Cycle in 2016 (resolution of 30 June 2016) and for the 2nd Cycle in 2017 (resolution of 22 June 2017).

Here below is how the shares will be granted in both Cycles 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 2016 - 2017- 2018 Budget (1st Cycle) and versus 2017-2018 and 2019 Budget (2nd Cycle)

	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%

At the meeting held on 18 June 2019, with respect to the 1st Cycle of the 2016-2020 Stock Grant Plan, which was set to end on 30 June 2019, the Board of Directors of Salvatore Ferragamo S.p.A. , having heard the Nomination and Remuneration Committee, confirmed that the performance targets of said Plan were not achieved and resolved to close the 1st Cycle of the 2016-2020 Stock Grant Plan without granting any shares in Salvatore Ferragamo S.p.A..

Changes in the period of the number of rights assigned to receive shares*	
(i) outstanding at the start of the year	180,000
(ii) assigned in the period	-
(iii) canceled in the period	-
(iv) exercised in the period	-
(v) expired in the period (1st cycle)	75,000
(vi) outstanding at the end of the period (2nd cycle)	105,000
(vii) exercisable at the end of the period	-

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

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

	30 June 2019		31 December 2018	
	Number	Fair Value (In thousands of Euro)	Number	Fair Value (In thousands of Euro)
<u>Rights to receive shares assigned to the top managers</u>				
<u>of Salvatore Ferragamo S.p.A.</u>				
- at the start of the year	120,000	753	180,000	867
- assigned in the year	-	-	-	-
- canceled in the period	-	-	80,000	420
- transferred in the period	-	-	20,000	-
- expired in the period (1st cycle)	50,000	159	-	-
- at the end of the period (2nd cycle)	70,000	842	120,000	753
<u>Rights to receive shares assigned to the subsidiaries' top managers</u>				
- at the start of the year	60,000	431	90,000	444
- assigned in the period	-	-	10,000	47
- canceled in the period	-	-	20,000	111
- transferred in the period	-	-	(20,000)	-
- expired in the period (1st cycle)	25,000	111	-	-
- at the end of the period (2nd cycle)	35,000	442	60,000	431
<u>Total rights to receive shares assigned to Ferragamo Group's top managers</u>				
- at the start of the year	180,000	1,184	270,000	1,311
- assigned in the period	-	-	10,000	47
- canceled in the period	-	-	100,000	531
- expired in the period (1st cycle)	75,000	270	-	-
- at the end of the period (2nd cycle)	105,000	1,284	180,000	1,184

The balance of outstanding rights to receive shares at the end of period was as follows: 105,000 rights granted relating entirely to the 2nd Cycle of the 2016-2020 Stock Grant Plan, which 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.

(c) Fair value measurement

Considering the assignment mechanism, the Group had to make two fair value assessments:

- Assessment A, which considers the market condition (TSR). In this case, the fair value of the shares at the beginning of the vesting period of the rights was calculated using a Monte Carlo simulation model;
- Assessment B, which considers the non-market condition (Consolidated gross profit before taxes).

Here below are the main assumptions used in the assessments made for the three start dates of the **1st Cycle's** vesting period:

	4 July 2016		2 August 2016		14 March 2017	
	Assess. A (TSR)	Assess. B (CGP before Taxes)	Assess. A (TSR)	Assess. B (CGP before Taxes)	Assess. A (TSR)	Assess. B (CGP before Taxes)
Share price at the vesting period start date (in Euro)	18.56	18.56	20.57	20.57	28.20	28.20
- Expected volatility*	33%	-	33%	-	32%	-
- Expected volatility of the share price of similar companies	20%<X<39%	-	20%<X<39%	-	20%<X<38%	-
- Correlation of the share price between Ferragamo and similar companies	33%	-	33%	-	30%	-
- Expected dividends	1.96%	1.96%	2.02%	2.02%	2.13%	2.13%
- Risk-free interest rate**	(0.61%)	-	(0.58%)	-	(0.75%)	-
Fair Value per share at the vesting period start date (in Euro)	7.189	17.686	9.255	19.6	17.506	27.15

*Expected volatility is based on the historic share price volatility in a period equal to the whole vesting period.

**The risk-free interest rate has been identified at each grant date as the yield on Euro Area government bonds at the start date of the vesting period for a period equal to the remaining term of the plan.

Here below are the main assumptions used in the assessments made for the two start dates of the **2nd Cycle's** vesting period:

	22 June 2017		8 March 2018	
	<u>Assessment A</u> <u>(TSR)</u>	<u>Assessment B</u> <u>(CGP before</u> <u>Taxes)</u>	<u>Assessment A</u> <u>(TSR)</u>	<u>Assessment B</u> <u>(CGP before</u> <u>Taxes)</u>
Share price at the vesting period start date (in Euro)	25.46	25.46	21.70	21.70
- Expected volatility*	33%	-	31%	-
- Expected volatility of the share price of similar companies	20%<X<38%	-	18%<X<40%	-
- Correlation of the share price between Ferragamo and similar companies	30%	-	32%	-
- Expected dividends	1.98%	1.98%	1.91%	1.91%
- Risk-free interest rate**	(0.56%)	-	(0.56%)	-
Fair Value per share at the vesting period start date (in Euro)	13.8455	24.2311	5.64	20.97

*Expected volatility is based on the historic share price volatility in a period equal to the whole vesting period.

**The risk-free interest rate has been identified at each grant date as the yield on Euro Area government bonds at the start date of the vesting period for a period equal to the remaining term of the plan.

40. Segment reporting

IFRS 8 requires entities to provide detailed information 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. Operating segments cannot therefore be identified, and 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	
	2019	2018
Retail revenues	441,686	426,208
Wholesale revenues	254,376	236,877
Licenses and services	5,687	4,651
Rental income investment properties	3,121	5,953
Revenues	704,870	673,689
Gross profit	456,895	432,019
Gross profit %	64.8%	64.1%
Personnel costs	(107,736)	(101,070)
Rental costs	(46,953)	(99,616)
Amortization, depreciation and write-downs of non current assets	(89,649)	(30,614)
Communication costs	(32,739)	(31,634)
Other costs (net of other income)	(85,904)	(83,610)
Operating profit	93,914	85,475
Net financial (charges)/income	(15,017)	(5,875)
Profit before taxes	78,897	79,600
Income taxes	(18,862)	(20,987)
Net profit/(loss)	60,035	58,613
EBITDA*	184,175	116,600
Adjusted EBITDA*	119,021	116,600

* As regards the definition of EBITDA and Adjusted 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 2019	31 December 2018
Inventories and Right of return assets	388,646	365,779
Trade receivables	154,633	142,905
Tangible assets and investment property	293,978	265,915
Right-of-use assets	580,601	-
Intangible assets with a finite useful life	41,087	42,879
Other assets	165,495	160,863
Total assets gross of cash and cash equivalents and current financial receivables	1,624,440	978,341
Net financial debt	536,899	(168,996)
Trade payables and Refund Liabilities	216,230	215,125
Other liabilities	113,922	151,874
Shareholders' equity	757,389	780,338
Total liabilities and shareholders' equity (net of cash and cash equivalents and current financial receivables)	1,624,440	978,341

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 2019	479,125	220,280	37,471	185,715	13,213	935,804
31 December 2018	177,894	54,899	20,447	68,447	7,084	328,771

41. Transactions with related parties

The following tables show the overall values of transactions with related parties in the first half of 2019 and 2018:

(In thousands of Euro)	Half-year period ended 30 June 2019						30 June 2019		
	Revenues	Operating costs (net of other income)	Financial charges	Right-of-use assets	Trade receivables	Other assets	Trade payables	Other current liabilities	Lease liabilities
Holding company:									
Ferragamo Finanziaria S.p.A. (company which exercises management and coordination on Salvatore Ferragamo S.p.A.)	-	(47)	(14)	800	-	2,167	-	(8,832)	(807)
Related companies									
Palazzo Feroni Finanziaria S.p.A.	21	(3,506)	(546)	51,887	15	70	(314)	-	(52,442)
Lungarno Alberghi S.r.l.	70	(997)	(395)	21,626	64	-	(11)	-	(22,444)
Ferragamo Foundation	2	(60)	-	-	-	-	(60)	-	-
Companies connected to members of the Board of Directors									
Arpa S.r.l.	15	(20)	-	-	16	-	(16)	-	-
Bacco S.r.l.	-	(1)	-	12	-	-	-	-	(12)
Baia di Scarlino S.r.l.	1	-	-	-	-	-	-	-	-
Castiglion del Bosco S.a.r.l.	-	3	-	-	5	-	(1)	-	-
Castiglion del Bosco Hotel S.r.l.	6	-	-	-	5	-	-	-	-
Il Borro S.r.l. Società agricola	12	(8)	-	-	13	-	-	-	-
Osteria del Borro S.r.l.	-	(8)	-	-	-	-	(5)	-	-
Prisma Property Investment Management S.r.l.	2	-	-	-	2	-	-	-	-
Harbour City Estates Limited	-	(4,746)	(434)	42,651	-	2,747	-	-	(42,730)
Imaginex Management Co. Ltd.	-	(4)	-	-	-	-	(1)	-	-
Times Square Ltd.	-	(1,498)	(45)	2,967	-	-	-	-	(2,984)
Harriman Property Management Limited	-	(2)	-	-	-	-	-	-	-
Harriman Leasing Limited	-	-	-	-	-	759	-	-	-
Lane Crawford (Hong Kong) Limited	-	(2)	-	-	-	-	-	-	-
Long Jin Complex Development (Chengdu) Co. Ltd.	-	(1,213)	(52)	2,416	-	596	(36)	-	(2,512)
Dalian Times Square Commercial Co. Ltd.	-	(298)	(55)	2,629	-	316	-	-	(2,753)
Pedder Group Limited	103	-	-	-	78	-	-	-	-
OIS Realty Limited	-	(217)	(9)	661	-	110	-	-	(672)
Shanghai Wheelock square Development Co. Ltd.	-	(273)	(8)	325	-	149	-	-	(294)
Shanghai Longxing Property Development Co. Ltd.	-	(134)	-	-	-	373	(1)	-	-
Shanghai Harriman Property Management Co. Ltd.	-	(39)	-	-	-	19	-	-	-
Shanghai Times Square Property Management (Shanghai) Co. Ltd.	-	(45)	-	-	-	-	-	-	-
Wharf (China) Property Management Co. Ltd - IFS Branch	-	(60)	-	-	-	-	-	-	-
Chongqing Jiayi Real Estate Development Co. Ltd.	-	(173)	(18)	859	-	102	(3)	-	(939)
Changsha Times Outlet Commerce Limited	-	(21)	-	-	-	4	(2)	-	-
Chengdu Times Outlets Commerce Co. Ltd.	-	(96)	-	-	-	4	(3)	-	-
Other related parties connected to members of the Board of Directors									
Heirs of Wanda Miletta Ferragamo	-	(39)	-	12	-	-	-	-	-
Massimo Ferragamo	-	(66)	-	-	-	-	-	-	-
Directors, Statutory Auditors and Managers with strategic responsibilities									
Directors, Statutory Auditors and Managers with strategic	-	(2,844)	-	-	-	-	-	(2,344)	-
Total	232	(16,414)	(1,576)	126,845	198	7,416	(453)	(11,176)	(128,589)
Group total	704,870	(362,981)	(31,453)	580,601	154,633	51,027	(210,916)	(48,362)	(678,047)
% ratio	0.0%	4.5%	5.0%	21.8%	0.1%	14.5%	0.2%	23.1%	19.0%

(In thousands of Euro)	Half-year period ended 30 June 2018			30 June 2018		
	Revenues	Operating costs (net of other income)	Trade receivables	Other assets	Trade payables	Other current liabilities
Holding company:						
Ferragamo Finanziaria S.p.A.	-	(72)	-	11,041	(10)	-
(company which exercises management and coordination on Salvatore Ferragamo S.p.A.)						
Related companies						
Palazzo Feroni Finanziaria S.p.A.	10	(3,499)	15	70	(1,924)	-
Lungarno Alberghi S.r.l.	85	(1,063)	71	-	(7)	-
Ferragamo Foundation	2	(55)	-	-	(55)	-
Companies connected to members of the Board of Directors						
Arpa S.r.l.	14	(9)	17	-	(4)	-
Bacco S.r.l.	-	(1)	-	-	-	-
Baia di Scarlino S.r.l.	3	-	4	-	-	-
Castiglione del Bosco Hotel S.r.l.	6	-	4	-	-	-
Il Borro S.r.l. Società agricola	4	(6)	5	-	(7)	-
The European House Ambrosetti S.p.A.	-	(6)	-	-	-	-
Nautor Holding S.r.l.	-	-	1	-	-	-
Osteria del Borro S.r.l.	-	(2)	-	-	(2)	-
Prisma Property Investment Management S.r.l.	1	-	2	-	-	-
Harbour City Estates Limited	-	(4,718)	-	2,669	(882)	-
Imaginex Management Co. Ltd.	-	(97)	-	-	-	-
Times Square Ltd.	-	(1,423)	-	-	(190)	-
Harriman Property Management Limited	-	(10)	-	742	(8)	-
Lane Crawford (Hong Kong) Limited	-	(2)	-	-	-	-
Long Jin Complex Development (Chengdu) Co. Ltd.	-	(1,051)	-	604	-	-
Dalian Times Square Commercial Co. Ltd.	-	(493)	-	301	-	-
Pedder Group Limited	144	-	42	-	-	-
OIS Realty Limited	-	(105)	-	-	(12)	-
Shanghai Wheelock square Development Co. Ltd.	-	(277)	-	151	-	-
Shanghai Longxing Property Development Co. Ltd.	-	(129)	-	378	-	-
Shanghai Harriman Property Management Co. Ltd.	-	(36)	-	19	-	-
Shanghai Times Square Property Management (Shanghai) Co. Ltd.	-	(44)	-	6	-	-
Changsha Times Outlet Commerce Limited	-	(19)	-	4	-	-
Chengdu Times Outlets Commerce Co. Ltd.	-	(90)	-	4	-	-
Other related parties connected to members of the Board of Directors						
Wanda Miletto Ferragamo	-	(40)	1	-	-	-
Massimo Ferragamo	-	(62)	-	-	-	-
Directors, Statutory Auditors and Managers with strategic responsibilities						
Directors, Statutory Auditors and Managers with strategic responsibilities	-	(4,556)	-	-	-	(1,403)
Total	269	(17,865)	162	15,989	(3,101)	(1,403)
Group total	673,689	(346,544)	147,481	59,908	(199,434)	(37,359)
% ratio	0.0%	5.2%	0.1%	26.7%	1.6%	3.8%

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 were issued in favor of Palazzo Feroni Finanziaria S.p.A. (1,864 thousand Euro), in favor of Lungarno Alberghi S.r.l. (488 thousand Euro) and in favor of Ferragamo Finanziaria S.p.A. (23 thousand Euro): they concerned the leasing of properties owned by said companies. 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.

Under the domestic fiscal unity in which the Parent company Salvatore Ferragamo S.p.A. participates together with Ferragamo Finanziaria S.p.A. (consolidating entity) and Ferragamo Parfums S.p.A., Other current assets included 142 thousand Euro in corporate income tax (IRES) receivables of Ferragamo Parfums S.p.A., as well as 2,025 thousand Euro in receivables concerning the corporate income tax refund claim regarding the failure to deduct 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. Other current liabilities included 8,832 thousand Euro in corporate income tax payables of the Parent company.

Salvatore Ferragamo S.p.A. has entered into two outstanding lease contracts with Ferragamo Finanziaria S.p.A. concerning the lease of an industrial shed adjacent to the Osmannoro facility, which the Parent company converted into a design and prototyping laboratory for the development of leather goods, as well as a parking area next to the Osmannoro facility. Since they fall within the scope of IFRS 16, the two leases were accounted for by recognizing a right-of-use asset, depreciated over the lease term, and a corresponding lease liability.

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;
- leases; if they fall within the scope of IFRS 16, they are accounted for accordingly (i.e. by recognizing right-of-use assets, lease liabilities, depreciation expense, and financial charges), otherwise lease payments are recognized through profit or loss on a straight-line basis over the lease term and the relevant payables are included in Trade payables;
- 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. Right-of-use assets and lease liabilities, operating costs, and finance expense largely refer to leases for the headquarters in Florence and some stores of the Italian chain, which mostly fall within the scope of IFRS 16. Other assets refer to the relevant guarantee deposits.

Lungarno Alberghi S.r.l.

Revenues (and the relevant credit balances) refer to product sales; right-of-use assets, lease liabilities, operating costs, and interest expense largely refer to leases for premises used as stores of the Italian chain, which fall within the scope of IFRS 16.

Ferragamo Foundation

Costs (and the relevant debit balances) include 60 thousand Euro relating to services rendered for the management of the Salvatore Ferragamo S.p.A. historical archive (55 thousand Euro in the first half of 2018).

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;
- leases; if they fall within the scope of IFRS 16, they are accounted for accordingly (i.e. by recognizing right-of-use assets, lease liabilities, depreciation expense, and financial charges), otherwise lease payments are recognized through profit or loss on a straight-line basis over the lease term and the relevant payables are included in Trade payables;
- rendering of services

In particular, the following transactions should be noted:

Harbour City Estates Limited

Right-of-use assets and lease liabilities, operating costs, and financial charges largely refer to leases for premises in Hong Kong, including the Canton Road flagship store, which mostly fall within the scope of IFRS 16. Other assets refer to the relevant guarantee deposits.

Times Square Ltd. and Harriman Leasing Limited

As regards Times Square Ltd., right-of-use assets and lease liabilities, operating costs, and financial charges mainly refer to leases for premises for a store in Hong Kong within the scope of IFRS 16, while as regards Harriman Leasing Limited, they refer to the guarantee deposit for the same store in Hong Kong.

Long Jin Complex Development (Chengdu) Co. Ltd.

Right-of-use assets and lease liabilities, operating costs, and financial charges refer to the lease for a store of Ferragamo Moda (Shanghai) Limited, which falls within the scope of IFRS 16, whereas other assets refer to the relevant guarantee deposit.

Dalian Times Square Commercial Co. Ltd.

Right-of-use assets and lease liabilities, operating costs, and financial charges refer to the lease for a store of Ferragamo Moda (Shanghai) Limited, which falls within the scope of IFRS 16, whereas other assets refer to the relevant guarantee deposit.

Shanghai Wheelock square Development Co. Ltd.

Right-of-use assets and lease liabilities, operating costs, and financial charges refer to the lease for the offices of Ferragamo Fashion Trading Shanghai Co. Limited and Ferragamo Moda (Shanghai) Limited, which falls within the scope of IFRS16, whereas other assets refer to the relevant guarantee deposits.

OIS Realty Limited

Right-of-use assets and lease liabilities, operating costs, and financial charges refer to the lease for the offices of Ferragamo Hong Kong Limited and Ferragamo Retail Hong Kong Ltd, which falls within the scope of IFRS 16, whereas other assets refer to the relevant guarantee deposit.

Chongqing Jiayi Real Estate Development Co. Ltd.

Right-of-use assets and lease liabilities, operating costs, and financial charges refer to the lease for a store of Ferragamo Moda (Shanghai) Limited, which falls within the scope of IFRS 16, whereas other assets refer to the relevant guarantee deposit.

Other related parties connected to members of the Board of Directors

Heirs of Wanda Miletta Ferragamo

Right-of-use assets, operating costs, and financial charges refer to the lease for a property used as a store, which falls within the scope of IFRS 16 and whose term will end in the second half of 2019.

Massimo Ferragamo

Costs refer to a consultancy agreement between Massimo Ferragamo and Ferragamo USA Inc.

Directors, Statutory Auditors and Managers with strategic responsibilities

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

Full name	Role
Giacomo Ferragamo	Brand and Product Manager and Deputy Chairman of the Board of Directors
Micaela le Divelec Lemmi	Managing Director
Alessandro Corsi*	Manager of Administration, Finance and Control
Ugo Giorcelli**	Manager of Administration, Finance and Control

* Alessandro Corsi in office as from 11 January 2019

** Ugo Giorcelli has held this position until 10 January 2019

The costs associated with the managers with strategic responsibilities as well as the relevant payables (excluding the remuneration and payables related to the Managing Director and the Deputy Chairman Giacomo Ferragamo, reported in the section Directors) referred to the cost incurred by the Group as part of the employment relationship, including variable bonuses, and included the cost of the 2016-2020 Stock Grant Plan for the rights granted as part of the 1st and 2nd cycles. These amounted to 275 thousand Euro in the first half of 2019 (589 thousand Euro in the prior-year period) and included 37 thousand Euro in costs associated with the 2016-2020 Stock Grant Plan. The managers with strategic responsibilities receive non-monetary benefits such as cars, mobile phones, insurance policies, and accommodation.

The **remuneration** of the **Directors** of Salvatore Ferragamo S.p.A. includes the estimated variable bonus due to the Chairman and Managing Director, committee meeting fees and, as regards Giacomo Ferragamo and Angelica Visconti, the cost incurred as part of the employment relationship, including variable bonuses, and included the cost of the 2016-2020 Stock Grant Plan for the rights granted as part of the 1st and 2nd cycles; in the first half of 2019 remuneration amounted to 2,472 thousand Euro (3,870 thousand Euro in the first half of 2018), of which 74 thousand Euro refer to the 2016-2020 Stock Grant Plan.

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 97 thousand Euro (97 thousand Euro in the first half of 2018).

42. Dividends

Pursuant to the resolution of the Shareholders' Meeting of 18 April 2019, the Parent company Salvatore Ferragamo S.p.A. paid Shareholders a single dividend of 0.34 Euro per share for each of the 168,740,000 outstanding ordinary shares (net of 50,000 treasury shares), relating to the profit for 2018, for a total amount of 57,371,600 Euro, with coupon detachment on 20 May 2019, and payment of the dividend as from 22 May 2019.

Other Group companies, during the first half of 2019, paid third-party shareholders dividends amounting to 5,163 thousand Euro.

43. Commitments and risks

The breakdown of the risks and commitments is as follows:

(In thousands of Euro)	30 June 2019	31 December 2018
Sureties provided by third parties in the interests of Group companies	10,062	9,037
Guarantees provided by third parties in the interests of Group companies	4,241	4,059
Guarantees provided by Group companies in the interests of third parties	150,312	166,420
Total	164,615	179,516

Sureties provided by third parties in the interests of Group companies mainly consist of sureties issued in favor of third parties on lease contracts entered into by Group companies.

Guarantees provided by third parties in the interests of Group companies mainly relate to lease contracts.

Guarantees provided by Group companies include a 6.0 million US dollars (5.3 million Euro) guarantee 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.

44. Significant events occurred after 30 June 2019

No significant events occurred after 30 June 2019.

45. Significant non-recurring events and transactions

During the first half of 2019, the Salvatore Ferragamo Group did not carry out significant non-recurring transactions.

46. 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, 30 July 2019

On behalf of the Board of Directors
The Chairman
Ferruccio Ferragamo

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

1. The undersigned Micaela le Divelec Lemmi in her 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 consolidate half-year financial statements for the first half of 2019.

2. The adequacy of the administrative and accounting procedures for the preparation of the condensed consolidated half-year financial statements as at 30 June 2019 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 2019:

- 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, 30 July 2019

Managing Director
Micaela le Divelec Lemmi

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 changes in equity and cash flows and the related explanatory notes of Salvatore Ferragamo S.p.A. and its subsidiaries (the "Salvatore Ferragamo Group") as of 30 June 2019. 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, 2019 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, July 30, 2019

EY S.p.A.
Signed by: Dante Valobra, 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 Euro 2.525.000,00 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 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro 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