

Salvatore Ferragamo

Salvatore Ferragamo Group

Interim report as at 31 March 2019

Salvatore Ferragamo S.p.A.

Florence

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

General information

Registered office of the Parent company

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

Legal information about the Parent company

Authorized share capital 16,939,000 Euro
Subscribed and paid-up share capital 16,879,000 Euro
Tax code and Florence Company Register no.: 02175200480
Registered with the Florence Chamber of Commerce under REA (Economic and Administrative Register) no. 464724
Corporate website www.ferragamo.com

Corporate boards

Board of

Directors (1)

Ferruccio Ferragamo (4)	Chairman
Micaela Le Divelec Lemmi (4)(9)	Managing Director
Giacomo Ferragamo (4)	Deputy Chairman
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)	

Control and Risk Committee

Marzio Alessandro Alberto Saà	Chairman
Umberto Tombari	
Chiara Ambrosetti	

Nomination and Remuneration Committee

Umberto Tombari	Chairman
Marzio Alessandro Alberto Saà	
Lidia Fiori	

Product and Brand Strategy Committee

Ferruccio Ferragamo	Chairman
Micaela Le Divelec Lemmi	
Giacomo Ferragamo	
Diego Paternò Castello di San Giuliano	
Angelica Visconti	

Board of Statutory Auditors (2)

Andrea Balelli	Chairman
Fulvio Favini	Acting Statutory Auditor
Paola Caramella (8)	Acting Statutory Auditor
Roberto Coccia	Substitute Statutory Auditor
Antonietta Donato (8)	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

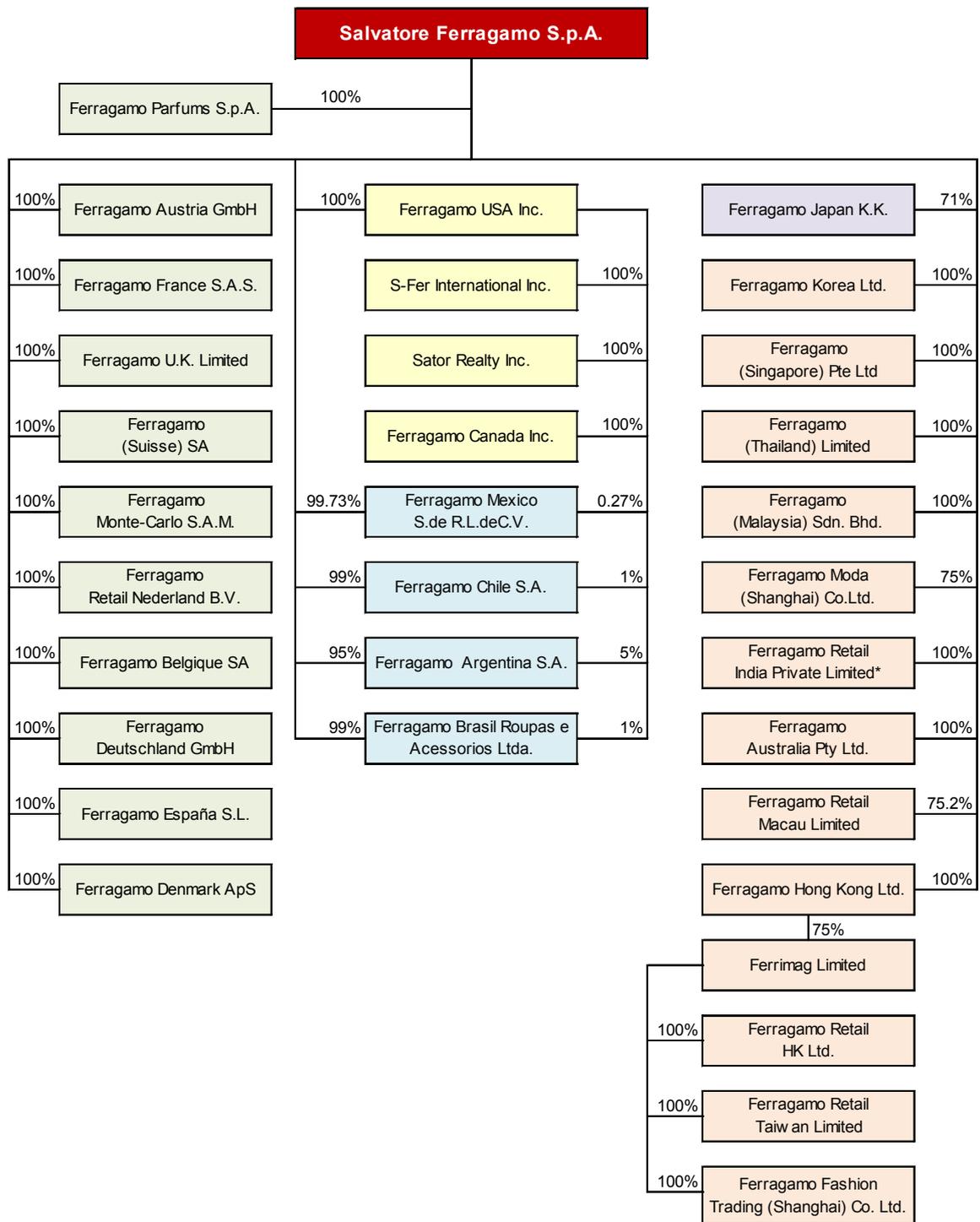
(6) Independent director pursuant to article 147-ter, paragraph 4 and article 148, paragraph 3 of Italian Legislative Decree no. 58 of 24 February 1998 ("Testo Unico della Finanza" or "T.U.F.", Consolidated Law on Finance) and article 3 of the Corporate Governance Code

(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

Group structure



Notes

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

* Non-operating company

Group description

As at 31 March 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 manages the retail distribution channel in Italy as well as the wholesale channel in Italy and abroad, and acts as a holding company.

Europe

Ferragamo Retail Nederland B.V.

It manages directly operated stores (DOS) in Holland

Ferragamo France S.A.S.

It manages directly operated stores (DOS) in France

Ferragamo Deutschland GmbH

It manages directly operated stores (DOS) in Germany

Ferragamo Austria GmbH

It manages directly operated stores (DOS) in Austria

Ferragamo U.K. Limited

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

Ferragamo (Suisse) SA

It manages directly operated stores (DOS) in Switzerland

Ferragamo Belgique SA

It manages directly operated stores (DOS) in Belgium

Ferragamo Monte-Carlo S.A.M.

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

Ferragamo Espana S.L.

It manages directly operated stores (DOS) in Spain

Ferragamo Denmark ApS

It manages directly operated stores (DOS) in Denmark

Ferragamo Parfums S.p.A.

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

North America

Ferragamo USA Inc.

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

Ferragamo Canada Inc.

It manages the retail and wholesale channels in Canada

S-Fer International Inc.

It manages directly operated stores (DOS) in the USA

Sator Realty Inc.

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

Central and South America

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

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

Ferragamo Chile S.A.

It manages directly operated stores (DOS) in Chile

Ferragamo Argentina S.A.

It manages directly operated stores (DOS) in Argentina

Ferragamo Brasil Roupas e Acessorios Ltda.

It manages directly operated stores (DOS) in Brazil

Asia Pacific

Ferragamo Hong Kong Ltd.

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

Ferragamo Australia Pty Ltd.

It manages directly operated stores (DOS) in Australia

Ferrimag Limited

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

Ferragamo Fashion Trading (Shanghai) Co. Ltd.

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

Ferragamo Moda (Shanghai) Co. Ltd.

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

Ferragamo Retail HK Limited

It manages directly operated stores (DOS) in Hong Kong

Ferragamo Retail Taiwan Limited

It manages directly operated stores (DOS) in Taiwan

Ferragamo Retail Macau Limited

It manages directly operated stores (DOS) in Macau

Ferragamo Retail India Private Limited

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.

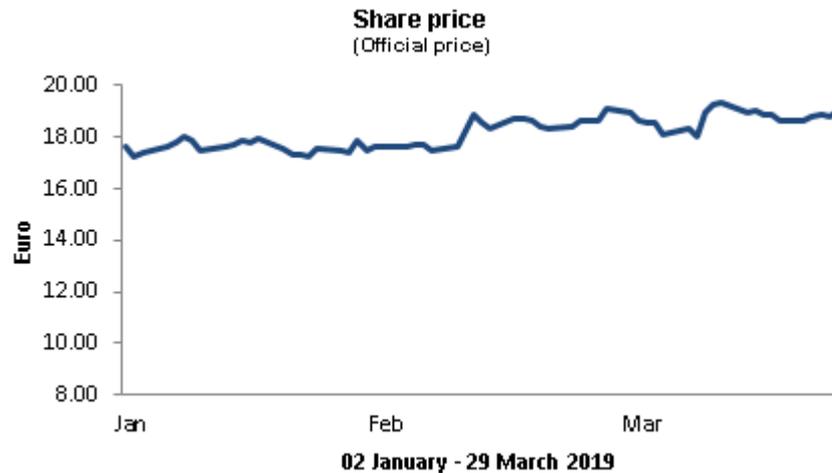
It manages directly operated stores (DOS) in Japan

Interim Directors' report on operations

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

Official price as at 29 March 2019 in Euro	19,0447
Stock Market capitalization as at 29 March 2019 in Euro	3,214,554,913
Number of shares making up the share capital as at 29 March 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 three 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 Interim 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 Interim 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-hedge component), net of *Cash and cash equivalents and Other current financial assets*, including the positive fair value of derivatives (non-hedge component).

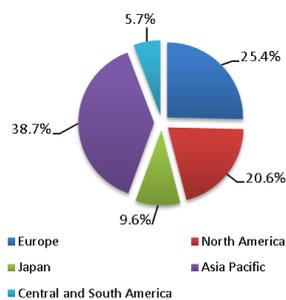
Adjusted net financial debt/(surplus): it is *Net financial debt/(surplus) before Current and non current lease liabilities.*

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*).

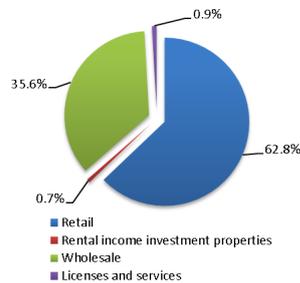
Income and financial highlights for the first three months of 2019

(In millions of Euro)	Quarterly period ended 31 March			% change	% change
	2019	2018	2017	2019 vs. 2018	2018 vs. 2017
Revenues	317.1	303.9	309.1	4.3%	(1.7%)
Gross profit	200.6	189.4	196.5	5.9%	(3.6%)
Gross profit %	63.3%	62.3%	63.6%		
Adjusted EBITDA	33.8	32.4	33.1	4.1%	(1.9%)
Adjusted EBITDA %	10.7%	10.7%	10.7%		
Adjusted operating profit	16.9	17.1	17.0	(1.2%)	0.3%
Adjusted operating profit %	5.3%	5.6%	5.5%		
Net profit/(loss) for the period	11.0	8.9	11.0	23.5%	(18.8%)
Net profit/(loss) – Group	10.2	9.2	12.4	10.8%	(26.3%)
Net profit/(loss) – minority interests	0.9	(0.2)	(1.4)		

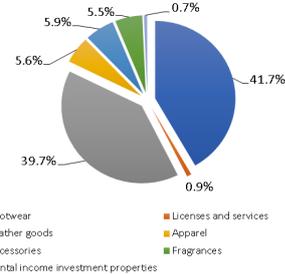
Revenue by geographic area as at 31 March 2019



Revenue by distribution channel as at 31 March 2019



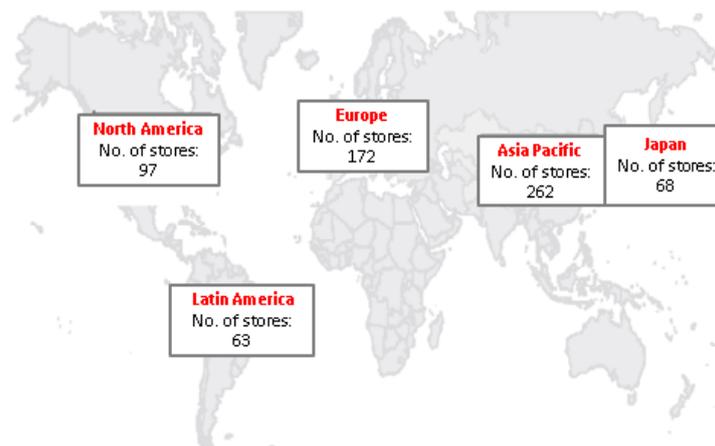
Revenue by product category as at 31 March 2019



(In millions of Euro)	31 March 2019	31 December 2018	31 March 2018
Investments in tangible/intangible assets	9.7	71.0	9.3
Net working capital	300.9	293.6	286.1
Shareholders' equity	774.5	780.3	768.0
Adjusted net financial debt/(surplus)	(178.7)	(169.0)	(141.3)
Adjusted cash flow generated from operating activities	21.9	186.3	31.4

	31 March 2019	31 December 2018	31 March 2018
Staff as at the reporting date	4,141	4,228	4,113
Number of DOS	398	409	406
Number of TPOS	264	263	272

Geographical distribution of monobrand stores (March 31st, 2019)



662 Ferragamo monobrand stores

Disclaimer

This document contains forward-looking statements, in particular in the sections headed “Outlook” and “Significant events occurred after 31 March 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

In order to promote open and continuous dialogue with the financial community and in light of the sector’s best practices followed by the main companies included in the FTSE MIB 30 – where Salvatore Ferragamo S.p.A. is listed – the Salvatore Ferragamo Group has decided, as from 14 November 2017, to publish its interim reports on a voluntary basis, although Leg. Decree no. 25 of 15 February 2016 has abolished the obligation to publish them. This Interim report has not been subject to audit.

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

The Interim report, in addition to the indicators required for financial statements, in compliance with International Financial Reporting Standards (IFRS), also includes some alternative performance measures used by management to monitor and assess the Group’s performance, as detailed in a specific section. 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 at 31 March 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 variances compared to previous periods, reference should be made to these adjusted values.

This Interim report must be read together with the Annual Report as at 31 December 2018 which provides full details on the issues addressed.

The Salvatore Ferragamo Group’s activities

The Salvatore Ferragamo Group is active in the creation, production and sale of luxury goods for men and women: footwear, leather goods, apparel, silk goods, other accessories, jewels and fragrances. The product range also includes eyewear and watches manufactured under license by third parties. The product range stands out for its uniqueness, which is the result of the combination of creative and innovative style with the quality and craftsmanship that are the hallmark of luxury goods made in Italy. The Salvatore Ferragamo Group carries out product sales mainly through a network of Salvatore Ferragamo monobrand stores, managed both directly (DOS) or by third parties, and, alongside this network, also through a significant and well-established presence in department stores and multibrand specialty stores.

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

Effect of exchange rate changes on operations

The 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 both to settlement and translation risk.

After initial consolidation, the first three months of 2019 were characterized by a gradual depreciation of the Euro against these currencies.

In particular, after briefly rising to as much as 1.155 against the US dollar, continuous weakening followed down to around 1.12 due to signs of a slowdown in global growth and an increase in the demand for safe-haven assets.

The Euro maintained a strong position against the other aforementioned currencies, with the exception of the yen against which it kept a level of around 124 both at the start and at the end of the quarter with quite volatile trends in the period. The Bank of Japan is among the few central banks which is still to assess an exit strategy and does

not seem to intend to do so, especially now that the ECB has postponed the first rate hike to 2020 and the Fed has indicated that there will be no further rate hike during 2019.

Operating performance

The results for the first three months of 2019 show a positive change compared to the previous quarters given the increase in revenues of 4.3% (at both current and constant exchange rates) and the improvement in the main economic indicators compared to the first three months of 2018. The growth in revenue, together with the improvement in the percentage of sales from the primary channel compared to the secondary (outlets and commercial initiatives) in the retail chain, led to an increase in the gross sales margin (+5.9%).

The Group's Adjusted EBITDA increased by 4.1%, accounting for 10.7% of revenues, in line with the first quarter of 2018. Adjusted operating profit, which was affected by the increase in operating costs, partly also due to the negative impact from exchange rates, fell by 1.2%, standing at 5.3% of revenues compared to 5.6% in the prior-year period.

Net profit for the period totaled 11.0 million Euro, up by 23.5% compared to the prior-year period. Group net profit for the period increased by 10.8% from 9.2 million Euro to 10.2 million Euro.

The Group's solid financial performance was confirmed and also in the first quarter of 2019 generated an increase in the cash surplus, standing at a positive adjusted net financial position of 178.7 million Euro as at 31 March 2019 compared to a positive net financial position of 141.3 million Euro at 31 March 2018 and 169.0 million Euro as at 31 December 2018.

The following table shows the main income statement data.

(In thousands of Euro)	Quarterly period ended 31 March				
	2019	% of revenues	2018	% of revenues	% change
Revenues	317,075	100.0%	303,911	100.0%	4.3%
Gross profit	200,556	63.3%	189,441	62.3%	5.9%
Style, product development and logistics costs	(12,354)	(3.9%)	(11,173)	(3.7%)	10.6%
Sales & distribution costs	(113,421)	(35.8%)	(107,895)	(35.5%)	5.1%
Marketing & communication costs	(20,428)	(6.4%)	(19,990)	(6.6%)	2.2%
General and administrative costs	(33,294)	(10.5%)	(32,213)	(10.6%)	3.4%
Other operating costs	(5,649)	(1.8%)	(3,845)	(1.3%)	46.9%
Other income and revenues	5,759	1.8%	2,741	0.9%	110.1%
Total operating costs (net of other income)	(179,387)	(56.6%)	(172,375)	(56.7%)	4.1%
Operating profit	21,169	6.7%	17,066	5.6%	24.0%
Net financial income and charges	(5,861)	(1.8%)	(2,502)	(0.8%)	na
<i>of which Interest expense on lease liabilities</i>	<i>(4,310)</i>	<i>(1.4%)</i>	-	-	<i>na</i>
Profit before taxes	15,308	4.8%	14,564	4.8%	5.1%
Income taxes	(4,262)	(1.3%)	(5,619)	(1.8%)	(24.2%)
Net profit/(loss) for the period	11,046	3.5%	8,945	2.9%	23.5%
Net profit/(loss) – Group	10,163	3.2%	9,169	3.0%	10.8%
Net profit/(loss) – minority interests	883	0.3%	(224)	(0.1%)	(494.2%)
EBITDA	65,059	20.5%	32,437	10.7%	100.6%

(In thousands of Euro)	Quarterly period ended 31 March				
	2019	% of revenues	2018	% of revenues	% change
Operating profit	21,169		17,066		
Interest expense on lease liabilities	(4,310)	(1.4%)	-	-	na
Adjusted operating profit	16,859	5.3%	17,066	5.6%	(1.2%)
Amortization and depreciation and write-downs of tangible/intangible assets (excluding Depreciation of the Right-of-use assets)	16,919	5.3%	15,371	5.1%	10.1%
Adjusted EBITDA	33,778	10.7%	32,437	10.7%	4.1%

As previously indicated 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 of 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 the costs for rents (for rental contracts falling under this new standard), determined 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 payments of rental fees), leads to higher financial charges on the income statement 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 related comments refer to the adjusted values.

Revenues in the first three months of 2019 totaled 317,075 thousand Euro compared to 303,911 thousand Euro in the first three months of 2018, up by 4.3%. 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 three months of 2019 compared to the same period last year: the US dollar appreciated by 7.6%⁽¹⁾, the Japanese Yen appreciated by 6.1%⁽²⁾ and the Chinese Renminbi appreciated by 1.9%⁽³⁾ against the Euro, the currency in which the figures in the consolidated financial statements are expressed. In the first three months of 2019, revenues increased by 4.3% at constant exchange rates (applying to the revenues – not inclusive of the hedging effect – of the first three months of 2018 the average exchange rate of the first three months of 2019); in particular, they increased by 2.8% in Europe, 2.1% in Japan, 7.9% in Asia Pacific and 12.0% in Central and South America, while they decreased by 0.7% in North America. Asia Pacific contributed the most to Group revenues with 38.7%, followed by Europe (25.4%), North America (20.6%), Japan (9.6%), and Central and South America (5.7%).

Gross profit for the period ended 31 March 2019 amounted to 200,556 thousand Euro (accounting for 63.3% of revenues), up by 5.9% compared to the prior-year period, when it amounted to 189,441 thousand Euro (accounting for 62.3% of revenues). Margins were positively affected by the increase in sales through the primary channel.

Total operating costs (net of other income) amounted to 179,387 thousand Euro for the first three months of 2019, up by 4.1% compared to the first three months of 2018, and their ratio to revenues was virtually unchanged from 56.7% to 56.6%. By reclassifying the interest expense on lease liabilities (4,310 thousand Euro) under operating costs to take into account the new IFRS 16, total operating costs (net of other income) would amount to 183,697 thousand Euro, an increase of 6.6% compared to the prior-year period and with a ratio to revenues of 57.9%.

Owing to the combination of the increase in sales and the gross margin, **adjusted EBITDA** went from 32,437 thousand Euro to 33,778 thousand Euro, an increase of 4.1%. The ratio to revenues amounted to 10.7%, in line with the first three months of 2018.

In the period ended 31 March 2019, **adjusted operating profit** totaled 16,859 thousand Euro compared to 17,066 thousand Euro in the period ended 31 March 2018, slightly down by 1.2%. Its ratio to revenues decreased from 5.6% in the first quarter of 2018 to 5.3% in the first quarter of 2019.

Net financial income and charges shifted from 2,502 thousand Euro in charges in the first three months of 2018 to 5,861 thousand Euro in charges in the first three months of 2019, largely because of the impact of the interest expense on lease liabilities (amounting to 4,310 thousand Euro) recognized as of 1 January 2019 following the application of the new accounting standard IFRS 16.

(In thousands of Euro)	Quarterly period ended 31 March		
	2019	2018	% change
Net interest	175	(470)	(137.2%)
Other net income/(charges)	(443)	(513)	(13.6%)
Interest expense on lease liabilities	(4,310)	-	na
Net gains/(losses) on exchange rate differences	4,675	(682)	(785.5%)
Net financial income/(charges) for fair value adjustment of derivatives	(5,958)	(837)	611.8%
Total	(5,861)	(2,502)	134.3%

¹ With reference to the average Euro/USD exchange rate in the first three months of 2019 1.136; 2018: 1.229

² With reference to the average Euro/Yen exchange rate in the first three months of 2019 125.08; 2018: 133.166

³ With reference to the average Euro/Cny exchange rate in the first three months of 2019 7.663; 2018 7.815

Net gains and losses on exchange rate differences mainly reflect the impact of commercial transactions in foreign currency, and went from 682 thousand Euro in net losses in the first three months of 2018 to 4,675 thousand Euro in net gains in the first three months of 2019. Changes in net gains and losses should be correlated with the item "Net financial income/(charges) for fair value adjustment of derivatives", which refers to the premium or discount on transactions to hedge the exchange rate risk undertaken by the Parent company and the changes in the fair value of non-hedging derivatives. This item went from 837 thousand Euro in net charges in the first three months of 2018 to 5,958 thousand Euro in net charges in the first three months of 2019.

Income taxes

(In thousands of Euro)	Quarterly period ended 31 March		
	2019	2018	% change
Profit before taxes	15,308	14,564	5.1%
Income taxes	(4,262)	(5,619)	(24.2%)
Tax rate	27.8%	38.6%	

The estimated effective tax rate for the first three months of 2019 was 27.8% compared to 38.6% in the prior-year period. The direct tax expense of the Parent company Salvatore Ferragamo S.p.A. declined thanks to the benefit known as "Patent Box", with an estimated income tax reduction in the first three months of 2019 of approximately 2.5 million Euro, compared to the estimated 0.9 million Euro reduction in the first quarter of 2018. For further details on the "Patent Box", reference should be made to the Annual Report as at 31 December 2016, 2017 and 2018.

In the first three months of 2019, the Salvatore Ferragamo Group posted 11,046 thousand Euro in **net profit**, compared to 8,945 thousand Euro in the prior-year period (+23.5%). The Group share of net profit amounted to 10,163 thousand Euro, up (+10.8%) from 9,169 thousand Euro in the prior-year period.

Revenues

The following table shows revenues by **geographic area** for the periods ended 31 March 2019 and 2018, and the relevant percentage changes:

(In thousands of Euro)	Quarterly period ended 31 March					at constant exchange rates
	2019	% of revenues	2018	% of revenues	% change	% change
Europe	80,409	25.4%	78,223	25.7%	2.8%	2.8%
North America	65,359	20.6%	65,450	21.5%	(0.1%)	(0.7%)
Japan	30,332	9.6%	29,717	9.8%	2.1%	2.1%
Asia Pacific	122,790	38.7%	114,539	37.7%	7.2%	7.9%
Central and South America	18,185	5.7%	15,982	5.3%	13.8%	12.0%
Total	317,075	100.0%	303,911	100.0%	4.3%	4.3%

Europe saw revenues increase by 2.8% at current and constant exchange rates mainly due to the good performance of the retail channel.

The North American saw a slight decreased in revenues of 0.1% at current exchange rates (-0.7% at constant exchange rates), which was negatively impacted by the trend in the retail channel, but it was offset by the good performance of the wholesale channel.

Japan saw revenues increased by 2.1% at current and constant exchange rates due to the improvement of both channels.

Asia Pacific saw an increase in revenues of 7.2% at current exchange rates (+7.9% at constant exchange rates), recording an improvement both in the retail and wholesale channels. Asia Pacific contributed once again the most to Group revenues with 38.7% compared to 37.7% in the prior-year period.

The Central and South American market saw a significant increase of 13.8% at current exchange rates (+12.0% at constant exchange rates), with the ratio to total revenues slightly increased to 5.7% compared to the previous year (5.3% of the total revenues). It should be noted that the revenues recorded in the first quarter 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 9 thousand Euro.

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

(In thousands of Euro)	Quarterly period ended 31 March					at constant exchange rates
	2019	% of revenues	2018	% of revenues	% change	% change
Retail	199,280	62.8%	191,856	63.1%	3.9%	3.2%
Wholesale	112,800	35.6%	106,920	35.2%	5.5%	7.0%
Licenses and services	2,851	0.9%	2,218	0.7%	28.5%	28.5%
Rental income investment properties	2,144	0.7%	2,917	1.0%	(26.5%)	(32.1%)
Total	317,075	100.0%	303,911	100.0%	4.3%	4.3%

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

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

- franchisees, which ensure the presence in markets that are still not sufficiently large or developed to justify a direct retail presence, for example in some areas of the People's Republic of China;
- stores opened inside airports (travel retail/duty free);
- specific operators of the fragrances sector;
- department stores and luxury specialist retailers, in order to strengthen the presence in countries where the Salvatore Ferragamo Group has its own network of directly operated stores; the business in the United States is of particular importance.

In the first three months of 2019 retail sales increased by 3.9% at current exchange rates and by 3.2% at constant exchange rates, mainly thanks to the good performance in Asia Pacific (+7.0% at current exchange rates) and Europe (+3.9% at current exchange rates). In the first three months of 2019, the retail channel accounted for 62.8% of total revenues compared to 63.1% in the prior-year period.

As at 31 March 2019 the number of directly operated stores (DOS) decreased by 11 units compared to the situation as at 31 December 2018 and by 8 units compared to 31 March 2018.

The wholesale channel increased by 5.5% at current exchange rates and 7.0% at constant exchange rates; mainly thanks to the good performance in Asia Pacific (+7.5% at current exchange rates) and North America (+7.3% at current exchange rates).

In the first three months of 2019, revenues from licenses and services increased by 28.5% at current and constant exchange rates; this item mainly consists of royalties for the licensing of the Salvatore Ferragamo brand to the Marchon group in the eyewear industry and the Timex group in the watch industry.

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 26.5% at current exchange rates (-32.1% at constant exchange rates) compared to the prior-year period, due to the execution of a major lease contract for real estate management in February 2019.

The following table shows revenues by **product category** for the periods ended 31 March 2019 and 2018, indicating the relevant percentage of total revenues.

(In thousands of Euro)	Quarterly period ended 31 March					at constant exchange rates
	2019	% of revenues	2018	% of revenues	% change	% change
Footwear	132,194	41.7%	123,522	40.7%	7.0%	7.3%
Leather goods	125,925	39.7%	116,184	38.2%	8.4%	8.7%
Apparel	17,681	5.6%	18,609	6.1%	(5.0%)	(4.6%)
Accessories	18,861	5.9%	17,910	5.9%	5.3%	5.1%
Fragrances	17,419	5.5%	22,551	7.4%	(22.8%)	(24.3%)
Licenses and services	2,851	0.9%	2,218	0.7%	28.5%	28.5%
Rental income investment properties	2,144	0.7%	2,917	1.0%	(26.5%)	(32.1%)
Total	317,075	100.0%	303,911	100.0%	4.3%	4.3%

A good performance was recorded at current and constant exchange rates by footwear (+7.0% at current exchange rates), leather goods (+8.4% at current exchange rates) and accessories (+5.3% at current exchange rates).

Statement of financial position and Investments

Here below is the statement of financial position as at 31 March 2019 reclassified by sources and uses compared to the position as at 31 December 2018 and 31 March 2018:

(In thousands of Euro)	31 March 2019	31 December 2018	31 March 2018	% change 03.19 vs. 12.18	% change 03.19 vs. 03.18
Property, plant and equipment, investment property, intangible assets with a finite useful life	340,773	308,794	291,818	10.4%	16.8%
Right-of-use assets	565,070	-	-	na	na
Net working capital	300,862	293,559	286,068	2.5%	5.2%
Other non current assets/(liabilities), net	59,725	2,758	11,962	2065.5%	399.3%
Other current assets/(liabilities), net	(6,304)	6,231	35,998	(201.2%)	(117.5%)
Assets/(liabilities) held for sale, net	-	-	846	na	na
Net invested capital	1,260,126	611,342	626,692		
Group shareholders' equity	745,979	753,691	741,520	(1.0%)	0.6%
Minority interests	28,556	26,647	26,456	7.2%	7.9%
Shareholders' equity (A)	774,535	780,338	767,976	(0.7%)	0.9%
Net financial debt/(surplus) (B)	485,591	(168,996)	(141,284)		
Total sources of financing (A+B)	1,260,126	611,342	626,692	106.1%	101.1%
Net financial debt/(surplus) (B)	485,591	(168,996)	(141,284)		
Lease liabilities (C)	664,284	-	-	na	na
Adjusted net financial debt/(surplus) (B-C)	(178,693)	(168,996)	(141,284)	5.7%	26.5%
Adjusted net financial debt/(surplus)/ Shareholders' equity	(23.1%)	(21.7%)	(18.4%)		

(In thousands of Euro)	31 March 2019	31 December 2018	31 March 2018	% change 03.19 vs. 12.18	% change 03.19 vs. 03.18
Net invested capital (a)	1,260,126	611,342	626,692		
Right-of-use assets recognized under Investment property (b)	36,209	-	-		
Right-of-use assets (c)	565,070	-	-		
Adjusted net invested capital (a-b-c)	658,847	611,342	626,692	7.8%	5.1%

Investments in fixed assets

During the period ended 31 March 2019, the Salvatore Ferragamo Group made investments in tangible and intangible assets for a total amount of 9,706 thousand Euro, of which 8,241 thousand Euro in tangible assets and 1,465 thousand Euro in intangible assets, compared to a total of 9,336 thousand Euro in the first three months of 2018.

The most important investments in tangible assets were made in the opening and refurbishment of stores (5.1 million Euro, approximately 62% of total investments in tangible assets) and the works carried out at the Osmannoro facility, which are part of the broader project undertaken by the Parent company to expand and renovate the whole industrial complex. The main investments in intangible assets refer to the so-called "Marlin Project", aimed at standardizing the Group's retail information systems, developing the e-commerce platform and purchasing software licenses (for a total amount of 0.7 million Euro, i.e. around 50% of investments in intangible assets incurred in the first quarter of 2019).

Investments in tangible assets under construction of 4.2 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 works at the showrooms of the Parent company's offices, and works carried out at the Osmannoro facility, which are part of the broader project to renovate and expand the whole industrial complex by the Parent company, including the building of a new conveyor system for the production of women's shoes.

Investments in intangible assets under construction amounted to 4.1 million Euro were mainly represented by the investment in the development of software to support corporate procedures (mainly represented by the "Project Life Cycle Management-PLM" scheme for the integrated management of the product life cycle, which involves all the manufacturing categories, in which product development is optimized in terms of timing and synergies with the Merchandising and Production divisions, as a high value-added process in the luxury sector, integrating and improving all the internal 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 the Right-of-use assets) amounted to 16,919 thousand Euro in the first three months of 2019 and 15,371 thousand Euro in the prior-year period, up by 10.1%.

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

Right-of-use assets

The item of 565,070 thousand Euro as at 31 March 2019 refers to the recognition of “Right-of-use assets” against “Lease liabilities” following the application of 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 for 36,209 thousand as at 31 March 2019.

Net working capital

Here below is the breakdown and change in net working capital as at 31 March 2019 compared with 31 December 2018 and 31 March 2018.

(In thousands of Euro)	31 March 2019	31 December 2018	31 March 2018	% change 03.19 vs. 12.18	% change 03.19 vs. 03.18
Inventories and Right of return assets	383,602	365,779	359,189	4.9%	6.8%
Trade receivables	127,955	142,905	122,299	(10.5%)	4.6%
Trade payables and Refund liabilities	(210,695)	(215,125)	(195,420)	(2.1%)	7.8%
Total	300,862	293,559	286,068	2.5%	5.2%

Net working capital increased by 2.5% compared to 31 December 2018 and by 5.2% compared to 31 March 2018. The change from 31 December 2018 was largely due to the increase in Inventories and Right of return assets (+4.9%), which was offset by the drop in Trade receivables (-10.5%); the change from 31 March 2018 was attributable to the increase in Inventories and Right of return assets (+6.8%) as well as Trade Payables (+4.6%). Specifically, inventories of finished products were up 6,571 thousand Euro from 31 December 2018 (+2.2%) and 21,699 thousand Euro from 31 March 2018 (+7.5%). Raw materials for production were up 18.8% from 31 December 2018 and 2.6% from 31 March 2018.

Trade receivables, decreasing 10.5% from 31 December 2018 and increasing 4.6% from 31 March 2018, largely referred to wholesale sales.

Trade payables mainly refer to purchases of production materials, finished products and costs relating to manufacturing in outsourcing. The item “Trade payables” decreased compared to 31 December 2018 (2.1%) and increased compared to 31 March 2018 (+7.3%).

Net financial debt/(surplus)

Net financial debt as at 31 March 2019, 31 December 2018 and 31 March 2018 was as follows:

(In thousands of Euro)	31 March 2019	31 December 2018	31 March 2018	Change 03.19 vs. 12.18	Change 03.19 vs. 03.18
Cash	1,079	1,506	1,132	(427)	(53)
Other cash equivalents	214,688	206,204	207,652	8,484	7,036
Cash and cash equivalents (A)	215,767	207,710	208,784	8,057	6,983
Derivatives – non-hedging component	286	120	476	166	(190)
Other financial assets	1,109	960	-	149	1,109
Current financial receivables (B)	1,395	1,080	476	315	919
Current bank payables	19,882	20,939	49,179	(1,057)	(29,297)
Derivatives – non-hedging component	319	790	128	(471)	191
Other current financial payables	2,193	2,169	3,322	24	(1,129)
Current lease liabilities	113,208	-	-	113,208	113,208
Current financial debt (C)	135,602	23,898	52,629	111,704	82,973
Current financial debt, net (D=-A-B+C)	(81,560)	(184,892)	(156,631)	103,332	75,071
Non current bank payables	16,071	15,892	15,250	179	821
Derivatives – non-hedging component	4	4	97	-	(93)
Other non current payables	-	-	-	-	-
Non current lease liabilities	551,076	-	-	551,076	551,076
Non current financial debt (E)	567,151	15,896	15,347	551,255	551,804
Net financial debt/(surplus) (F= D+E)	485,591	(168,996)	(141,284)	654,587	626,875

Net financial debt as at 31 March 2019, including lease liabilities, was 485,591 thousand Euro, of which 664,284 thousand Euro in current and non-current lease liabilities.

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 of the previous years, net financial debt as at 31 March 2019 was adjusted as follows:

(In thousands of Euro)	31 March	31 December	31 March	Change	Change
	2019	2018	2018	03.19 vs.	03.19 vs.
				12.18	03.18
Net financial debt/(surplus) (a)	485,591	(168,996)	(141,284)	654,587	626,875
Non current lease liabilities	551,076	-	-	551,076	551,076
Current lease liabilities	113,208	-	-	113,208	113,208
Lease liabilities (b)	664,284	-	-	664,284	664,284
Adjusted net financial debt/(surplus) (a-b)	(178,693)	(168,996)	(141,284)	(9,697)	(37,409)

In the period ended 31 March 2019, the adjusted net financial position amounted to 178,693 thousand Euro, improving by 9,697 thousand Euro compared to 31 December 2018 when net financial position amounted to 168,996 thousand Euro. The increase was largely attributable to the positive cash flows from operating activities (47,255 thousand Euro), net of cash flows used for investments in the period amounting to 9,392 thousand Euro and for the repayment of lease liabilities (25,353 thousand Euro).

Compared to 31 March 2018, the Group's adjusted net financial position increased by 37,409 thousand Euro, from a net financial position of 141,284 thousand Euro to an adjusted net financial position of 178,693 thousand Euro.

Assets and liabilities held for sale

As at 31 March 2018, **Net assets/(liabilities) held for sale** totaled 846 thousand Euro and included inventories of finished products as well as the equipment and furniture of Ferragamo Retail India Private Limited, measured at the lower of the book value and the estimated realizable value, which meet the requirements outlined in IFRS 5 to be included within this line item. During 2018 these assets were sold to a local company. For further details reference should be made to the Annual Report as at 31 December 2018.

Significant events occurred during the first three months of 2019

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.

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 convened the ordinary Shareholders' Meeting for 18 April 2019.

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 Italian fiscal unity (as provided for by articles 117 ff. of the TUIR-Presidential Decree no. 917 of 22 December 1986) with the Holding company Ferragamo Finanziaria S.p.A. (the consolidating company) and Ferragamo Parfums S.p.A. for the 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, reference should be made to the Annual Report as at 31 December 2018, as there were no new developments during the first quarter of 2019.

- 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 quarter of 2019.

- As for the still ongoing tax audit involving Ferragamo Deutschland GmbH, relating to the tax years 2011-2014 that was started in 2016, 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 asked, on a provisional basis, for additional taxes on the companies and interest for the years 2011-2014 for a total amount of 2,523 thousand Euro, with consequent cancellation of previous tax losses. These amounts must be confirmed by the payment orders which will be notified to Ferragamo Deutschland GmbH and against which the Company, firmly convinced that its actions were lawful (in compliance with the official communication issued by the German tax authorities), reserves the right to appeal 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. relating 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 quarter 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 quarter 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 2015 tax year. The audit was then expanded to include the year 2014, limited to the audit of transfer prices applied to sales of finished products by the company to foreign associates. The audit ended on 18 December 2018 with a Tax assessment report served on the same date, in which the auditors retroactively applied for 2014 and 2015 the contents of the Advance Pricing Agreement signed with the Inland Revenue Office and in force since 2017 (so-called Roll Back). Specifically, the Regional Unit of the Tuscany Inland Revenue Office claims a higher taxable income for IRES of around 9.4 million Euro and a higher taxable income for IRAP of around 22 million Euro for the 2014 fiscal year, as well as a higher taxable income for both IRES and IRAP of around 20.2 million Euro for the 2015 fiscal year. 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 or 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. In this case, the impact in terms of higher IRES and IRAP taxes for the Company would be around 7.4 million Euro (i.e. 2 million Euro for 2014 and 5.4 million Euro for 2015) less around 1.1 million Euro due to the benefit associated with the Patent Box for 2015. The net impact of Euro 6.3 million for IRES and IRAP was set aside in the financial statements for 2018 under income taxes against the provision for risks and charges. No sanctions were applied thanks to the so-called penalty protection guaranteed by the Transfer Pricing documentation which the Company prepares each year. In addition, the Tax assessment report also includes a notification (which is not a finding) regarding the non-taxation for transparency of Ferragamo Hong Kong Ltd. for the 2015 fiscal year. Salvatore Ferragamo S.p.A. considers this notification completely baseless in fact and in law and, therefore, on 18 March 2019, the company filed further documentation to support the non-taxation for transparency within the timeframes envisaged by the assessment 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. Once again, Salvatore Ferragamo S.p.A. denies any wrongdoing and will provide further elements to support its position within the envisaged timeframe.

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 three months 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 three months of 2019.

Other information

Dividends

Pursuant to the resolution of the Shareholders' Meeting of 18 April 2019, the Parent company Salvatore Ferragamo S.p.A. will pay Shareholders a single dividend of 0.34 Euro 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, record date on 21 May 2019 and payment of the dividend as from 22 May 2019.

Other Group companies with third-party minority shareholders did not pay or authorize any dividends during the first three months of 2019.

Financial reporting and Investor relations

Salvatore Ferragamo S.p.A., in order to maintain a constant dialogue with its Shareholders, potential investors and financial analysts, and in compliance with the recommendation of CONSOB, has set up the Investor Relator function, which ensures a continuous exchange of information between the Company and financial markets. Financial data, corporate presentations, interim reports, official press releases, and real-time share price information are available on the Group's website <http://group.ferragamo.com>.

Stakes in Salvatore Ferragamo S.p.A.

As at 31 March 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 31 March 2019, Salvatore Ferragamo S.p.A. held 50,000 treasury shares, equal to 0.03% of the share capital, of which 36,000 shares bought on 2 January 2019 for a total outlay of around 638 thousand Euro, including banking fees and accessory 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.

Staff

Here below is the Salvatore Ferragamo Group's staff divided by category as at 31 March 2019, 31 December 2018 and 31 March 2018.

Staff	31 March 2019	31 December 2018	31 March 2018
Top managers, middle managers and store managers	745	729	749
White collars	3,095	3,197	3,073
Blue collars	301	302	291
Total	4,141	4,228	4,113

Basis of presentation

This Interim report was approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 14 May 2019 and, on the same date, the Board authorized its release to the public.

For comparative purposes, the consolidated financial statements show the comparison with the consolidated statement of financial position as at 31 December 2018 and 31 March 2018 and the consolidated income statement as at 31 March 2018.

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

The equity, income and financial data as at 31 March 2019 have been prepared according to the International Financial Reporting Standards (IFRS), and the related interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union, in force at the reporting date.

In preparing the Interim report the same accounting standards have been applied as adopted in drawing up the Consolidated Annual Report of the Salvatore Ferragamo Group for the year ended 31 December 2018, 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 applied as from 1 January 2019.

In particular, the Salvatore Ferragamo Group has applied IFRS 16, IFRIC 23, Amendments to IFRS 9, Annual improvements cycle 2015-2017 for the first time as from 1 January 2019; for further details on application, reference should be made to the Explanatory notes to the consolidated financial statements as at 31 December 2018.

The first-time application of IFRS 16 at 1 January 2019 had a significant impact as summarized in the following table.

(In thousands of Euro)	Impacts of the first-time application IFRS16 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 application 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 procedures used for making estimates and assumptions are the same as those used in preparing the consolidated annual report.

Consolidation area

During the first three months of 2019, the Group structure underwent no changes.

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

The exchange rates used to determine the value in Euro of 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		
	31 March	31 March	31 March	31 December	31 March
	2019	2018	2019	2018	2018
US Dollar	1.1358	1.2292	1.1235	1.1450	1.2321
Swiss Franc	1.13239	1.16528	1.1181	1.1269	1.1779
Japanese Yen	125.083	133.166	124.45	125.85	131.15
Pound Sterling	0.8725	0.8834	0.8583	0.8945	0.8749
Danish Krone	7.4637	7.4467	7.4652	7.4673	7.4530
Australian Dollar	1.5944	1.5632	1.5821	1.6220	1.6036
South Korean Won	1,278.59	1,317.64	1,276.45	1,277.92	1,310.89
Hong Kong Dollar	8.9116	9.6216	8.8195	8.9675	9.6696
Mexican Peso	21.806	23.037	21.6910	22.4921	22.5249
New Taiwanese Dollar	34.999	35.9909	34.6170	34.9976	35.8926
Singapore Dollar	1.5388	1.6210	1.5214	1.5591	1.6158
Thai Baht	35.9188	38.7942	35.6320	37.0520	38.4780
Malaysian Ringgit	4.6466	4.8239	4.5838	4.7317	4.7658
Indian Rupee	80.0720	79.1264	77.7190	79.7298	80.2960
Macau Pataca	9.165	9.892	9.0618	9.2208	9.9587
Chinese Renminbi	7.6635	7.8154	7.5397	7.8751	7.7468
Chilean Peso	757.33	739.62	763.47	792.343	742.93
Argentine Peso	44.238	24.205	48.577	43.057	24.774
Brazilian Real	4.2775	3.9887	4.3865	4.4440	4.0938
Canadian Dollar	1.5101	1.5540	1.5000	1.5605	1.5895

Transactions with related parties

Sales and purchases between related parties are carried out at normal market prices. The outstanding balances at the end of the period are not backed by guarantees, do not generate interest, and are settled in cash. Bank guarantees were issued in favor of Palazzo Feroni Finanziaria S.p.A. (1,329 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) as at 31 March 2019: 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 Salvatore Ferragamo Group has not set aside any provision for bad debt in relation to amounts due from related parties.

Significant non-recurring events and transactions

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

Transactions arising from atypical and/or unusual transactions

The Group did not undertake atypical and/or unusual transactions, i.e. those transactions which, due to their importance/size, the counterparties involved, the subject of the transaction, the means of determining the transfer price, and the timing of the event, may give rise to doubts about the fairness/completeness of the information provided in the Interim report, conflicts of interest, the safeguarding of the company's equity, and the protection of minority interests.

Significant events occurred after 31 March 2019

Ordinary Shareholders' Meeting

The Ordinary Shareholders' Meeting of the Parent company Salvatore Ferragamo S.p.A., held on 18 April 2019, passed resolutions on the following agenda items:

- **2018 financial statements and dividend distribution**

The Shareholders' Meeting approved the financial statements of the Parent company Salvatore Ferragamo S.p.A. for the year ended 31 December 2018 and the distribution of a dividend of 0.34 Euro per outstanding share, as detailed in the specific section "Dividends".

- **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 Micaela Le Divelec Lemmi previously 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

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 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.

Outlook

After 2018, which once again saw an increase in global GDP, albeit gradually slowing down as from April, 2019 started with a cut in growth forecasts by the International Monetary Fund to +3.3% from +3.5%. The cut regards all the main countries, with the Euro Area down to +1.3% from +1.8% in 2018 and the USA at +2.3% from +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 aforementioned macroeconomic uncertainty, analysts from the luxury sector expect a further year of growth supported in particular by the demand from Chinese consumers on the domestic and foreign markets, as well as the travel retail channel (also owing to the relative strength of the renminbi).

In a macroeconomic and market context which is characterized by permanent complexity, the main actions of the Salvatore Ferragamo Group remain focused on enhancing brand communication, optimizing processes and the organizational structure, consistently with the plans started as from the second half of 2018 which are the basis for sustainable growth in the medium term.

Florence, 14 May 2019

On behalf of the Board of Directors

The Chairman
Ferruccio Ferragamo

Financial statements

Consolidated statement of financial position – assets

(In thousands of Euro)	31 March 2019	<i>of which with related parties</i>	31 December 2018	<i>of which with related parties</i>	31 March 2018	<i>of which with related parties</i>
NON CURRENT ASSETS						
Property, plant and equipment	257,209		259,821		243,911	
Investment property	42,334		6,094		5,898	
Right-of-use assets	565,070	103,174	-		-	
Intangible assets with a finite useful life	41,230		42,879		42,009	
Other non current assets	3,285		3,331		4,495	
Other non current financial assets	17,129	5,229	16,646	5,106	16,166	4,808
Deferred tax assets	87,378		76,869		79,513	
TOTAL NON CURRENT ASSETS	1,013,635	108,403	405,640	5,106	391,992	4,808
CURRENT ASSETS						
Inventories	380,626		362,948		357,117	
Right of return assets	2,976		2,831		2,072	
Trade receivables	127,955	69	142,905	143	122,299	128
Tax receivables	19,890		21,851		25,430	
Other current assets	36,052	5,295	42,166	10,389	58,007	19,294
Other current financial assets	1,395		1,080		476	
Cash and cash equivalents	215,767		207,710		208,784	
TOTAL CURRENT ASSETS	784,661	5,364	781,491	10,532	774,185	19,422
Assets held for sale	-		-		846	
TOTAL ASSETS HELD FOR SALE	-		-		846	
TOTAL ASSETS	1,798,296	113,767	1,187,131	15,638	1,167,023	24,230

Consolidated statement of financial position – liabilities and shareholders' equity

(In thousands of Euro)	31 March 2019	<i>of which with related parties</i>	31 December 2018	<i>of which with related parties</i>	31 March 2018	<i>of which with related parties</i>
SHAREHOLDERS' EQUITY						
GROUP SHAREHOLDERS' EQUITY						
Share capital	16,879		16,879		16,879	
Reserves	718,937		648,451		715,472	
Net profit/(loss) – Group	10,163		88,361		9,169	
TOTAL GROUP SHAREHOLDERS' EQUITY	745,979		753,691		741,520	
MINORITY INTERESTS						
Share capital and reserves – minority interests	27,673		24,821		26,680	
Net profit/(loss) – minority interests	883		1,826		(224)	
TOTAL MINORITY INTERESTS	28,556		26,647		26,456	
TOTAL SHAREHOLDERS' EQUITY	774,535		780,338		767,976	
NON CURRENT LIABILITIES						
Non current interest-bearing loans & borrowings	16,071		15,892		15,250	
Provisions for risks and charges	20,209		19,491		12,253	
Employee benefit liabilities	11,452		11,392		11,446	
Other non current liabilities	10,922		57,681		56,913	
Non current lease liabilities	551,076	84,751	-		-	
Other non current financial liabilities	4		4		97	
Deferred tax liabilities	5,484		5,524		7,600	
TOTAL NON CURRENT LIABILITIES	615,218	84,751	109,984	-	103,559	-
CURRENT LIABILITIES						
Trade payables	205,852	435	210,293	342	191,779	246
Refund liabilities	4,843		4,832		3,641	
Interest-bearing loans & borrowings	19,882		20,939		49,179	
Tax payables	14,067		19,507		11,202	
Other current liabilities	48,179	1,712	38,279	1,084	36,237	1,353
Current lease liabilities	113,208	19,818	-		-	
Other current financial liabilities	2,512		2,959		3,450	
TOTAL CURRENT LIABILITIES	408,543	21,965	296,809	1,426	295,488	1,599
TOTAL LIABILITIES	1,023,761	106,716	406,793	1,426	399,047	1,599
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,798,296	106,716	1,187,131	1,426	1,167,023	1,599

Consolidated income statement

(In thousands of Euro)	Quarterly period ended 31 March			
	2019	of which with related parties	2018	of which with related parties
Revenues from contracts with customers	314,931	64	300,994	99
Rental income investment properties	2,144		2,917	
Revenues	317,075		303,911	
Cost of goods sold	(116,519)		(114,470)	
Gross profit	200,556		189,441	
Style, product development and logistics costs	(12,354)	(163)	(11,173)	(161)
Sales & distribution costs	(113,421)	(5,686)	(107,895)	(5,813)
Marketing & communication costs	(20,428)	(10)	(19,990)	(7)
General and administrative costs	(33,294)	(1,888)	(32,213)	(3,888)
Other operating costs	(5,649)	(13)	(3,845)	
Other income and revenues	5,759	1	2,741	1
Operating profit	21,169		17,066	
Financial charges	(15,405)	(682)	(10,348)	
Financial income	9,544		7,846	
Profit before taxes	15,308		14,564	
Income taxes	(4,262)		(5,619)	
Net profit/(loss) for the period	11,046		8,945	
Net profit/(loss) – Group	10,163		9,169	
Net profit/(loss) – minority interests	883		(224)	

(In Euro)	Quarterly period ended 31 March	
	2019	2018
Basic earnings per share – ordinary shares	0.060	0.054
Diluted earnings per share – ordinary shares	0.060	0.054

Consolidated statement of comprehensive income

(In thousands of Euro)	Quarterly period ended 31 March	
	2019	2018
Net profit/(loss) for the period (A)	11,046	8,945
<i>Other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period</i>		
- Currency translation differences of foreign operations	(2,300)	14,506
- Net gain/(loss) from cash flow hedge	(3,026)	(5,721)
- Income taxes	726	1,373
	<u>(2,300)</u>	<u>(4,348)</u>
Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)	(4,600)	10,158
<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	(12)	52
- Income taxes	2	(13)
	<u>(10)</u>	<u>39</u>
Total other income/(losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)	(10)	39
Total other income/(losses) for the period, net of taxes (B1+B2 = B)	(4,610)	10,197
Total comprehensive income for the period, net of taxes (A+B)	6,436	19,142
Group	4,843	19,554
Minority interests	1,593	(412)

Consolidated statement of cash flows

(In thousands of Euro)	Quarterly period ended 31 March			
	2019	of which with related parties	2018	of which with related parties
NET PROFIT/(LOSS) FOR THE PERIOD	11,046		8,945	
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	43,890	4,453	15,371	
Allocation/(use) of deferred taxes	(4,540)		388	
Provision for employee benefit plans	199		188	
Allocation to/(use of) the provision for obsolete inventory	6,339		6,626	
Losses and provision for bad debt	144		235	
Losses/(gains) on disposal of tangible/intangible assets	108		1	
Other non-monetary items	79		527	
Changes in operating assets and liabilities:				
Trade receivables	21,822	74	24,914	(12)
Inventories and Right of return assets	(26,797)		(21,158)	
Trade payables and Refund liabilities	(5,133)	93	(3,593)	(194)
Tax receivables	2,113		1,910	
Tax payables	(5,821)		(8,455)	
Employee benefits payments	(202)		(156)	
Other assets and liabilities	4,061	5,599	6,140	2,016
Other – net	(53)		(494)	
NET CASH FROM (USED IN) OPERATING ACTIVITIES	47,255	10,219	31,389	1,810
Cash flow from investing activities:				
Purchase of tangible assets	(7,928)		(14,512)	
Purchase of intangible assets	(1,464)		(1,411)	
Proceeds from the sale of tangible and intangible assets	14		26	
NET CASH FROM (USED IN) INVESTING ACTIVITIES	(9,378)	-	(15,897)	-
Cash flow from financing activities:				
Net change in financial receivables	(137)		-	
Net change in financial payables	(1,385)		(17,363)	
Repayment of lease liabilities	(25,353)	(4,287)	-	
Treasury share repurchase	(638)		-	
NET CASH FROM (USED IN) FINANCING ACTIVITIES	(27,513)	(4,287)	(17,363)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,364		(1,871)	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	207,707		212,088	
Increase/(decrease) in cash and cash equivalents	10,364		(1,871)	
Effect of exchange rate translation differences	(2,304)		(1,433)	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	215,767		208,784	
ADDITIONAL INFORMATION				
Interest paid	116		636	
Interest expense on lease liabilities paid	4,310	682	-	
Income taxes paid	2,393		1,489	
Interest received	291		166	
Dividends received	-		-	

Statement of changes in consolidated shareholders' equity

(In thousands of Euro)	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	-	-	-	-	-	-	-	88,361	-	-	(88,361)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	10,163	10,163	883	11,046
Other comprehensive income/(loss)	-	-	-	-	-	(2,300)	(3,060)	50	-	(10)	-	(5,320)	710	(4,610)
Total comprehensive income (loss)	-	-	-	-	-	(2,300)	(3,060)	50	-	(10)	10,163	4,843	1,593	6,436
Purchase of minority interests in companies consolidated on a line-by-line basis and accounting of options on minority interests	-	-	-	-	-	-	-	(340)	-	-	-	(340)	316	(24)
Treasury share repurchase	-	(638)	-	-	-	-	-	-	-	-	-	(638)	-	(638)
Effect of the first-time application of IFRS16	-	-	-	-	-	-	-	-	(11,761)	-	-	(11,761)	-	(11,761)
Stock Grant Reserve	-	-	-	-	-	-	-	-	184	-	-	184	-	184
As at 31.03.2019	16,879	(889)	2,995	4,188	478,378	(5,349)	(12,074)	249,823	4,691	(2,826)	10,163	745,979	28,556	774,535

(In thousands of Euro)	Share capital	Share capital contributions	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Other reserves	Effect IAS 19 Equity	Net profit/(loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
As at 01.01.2018	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	-	-	-	-	-	-	118,641	-	-	(118,641)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	9,169	9,169	(224)	8,945
Other comprehensive income/(loss)	-	-	-	-	(4,348)	14,662	32	-	39	-	10,385	(188)	10,197
Total comprehensive income (loss)	-	-	-	-	(4,348)	14,662	32	-	39	9,169	19,554	(412)	19,142
Purchase of minority interests in companies consolidated on a line-by-line basis and accounting of options on minority interests	-	-	-	-	-	-	(689)	-	-	-	(689)	687	(2)
Stock Grant Reserve	-	-	-	-	-	-	-	405	-	-	405	-	405
As at 31.03.2018	16,879	2,995	4,188	429,505	9,792	(18,467)	273,610	16,800	(2,951)	9,169	741,520	26,456	767,976

**Statement pursuant to paragraph 2, article 154 bis of Leg. Decree no. 58/98
(Consolidated Law on Finance)**

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

Florence, 14 May 2019

Manager charged with preparing Company's Financial Reports
Marco Fortini