

Salvatore Ferragamo

Salvatore Ferragamo Group

Interim Report as at 30 September 2020

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 (8)	Chairman
	Michele Norsa (6)(11)	Executive Deputy Chairman
	Micaela le Divelec Lemmi (6)(10)	Managing Director
	Giovanna Ferragamo (8)	
	Leonardo Ferragamo (8)	
	Diego Paternò Castello di San Giuliano (8)	
	Angelica Visconti (7)	
	Francesco Caretti (8)	
	Peter Woo Kwong Ching (8)	
	Umberto Tombari (8)(9)	
	Marzio Alessandro Alberto Saà (8)(9)	
	Chiara Ambrosetti (8)(9)	
Lidia Fiori (8)(9)		
Executive Committee (2)	Michele Norsa (12)	Chairman
	Micaela le Divelec Lemmi	
	Diego Paternò Castello di San Giuliano	
	Francesco Caretti	
	Marzio Alessandro Alberto Saà	
Control and Risk Committee	Marzio Alessandro Alberto Saà	Chairman
	Umberto Tombari	
	Chiara Ambrosetti	
	Lidia Fiori	
Nomination and Remuneration Committee	Umberto Tombari	Chairman
	Marzio Alessandro Alberto Saà	
	Lidia Fiori	
	Chiara Ambrosetti	
Product and Brand Strategy Committee	Michele Norsa (12)	Chairman
	Micaela le Divelec Lemmi	
	Diego Paternò Castello di San Giuliano	
	Angelica Visconti	
Board of Statutory Auditors (3)	Andrea Balelli (3)	Chairman
	Paola Caramella (3)	Acting Statutory Auditor
	Giovanni Crostarosa Guicciardi (3)	Acting Statutory Auditor
	Roberto Coccia (3)	Substitute Statutory Auditor
	Antonella Andrei (3)	Substitute Statutory Auditor
Independent Auditors (4)	KPMG S.p.A.	
Manager charged with preparing Company's Financial Reports (5)	Alessandro Corsi	

(1) Appointed by the Shareholders' Meeting on 20 April 2018 and serving for the 2018-2020 period

(2) Set up by the Board of Directors on 6 April 2020

(3) Appointed by the Shareholders' Meeting on 8 May 2020 and serving for the 2020-2022 period

(4) Appointed for the 2020-2028 period. EY S.p.A. serving until the approval of the separate financial statements as at 31 December 2019

(5) Appointed by the Board of Directors on 10 March 2020 effective as from 1 April 2020

(6) Executive director

(7) Executive director pursuant to article 2 of the Corporate Governance Code as a manager of the Company

(8) Non-executive director

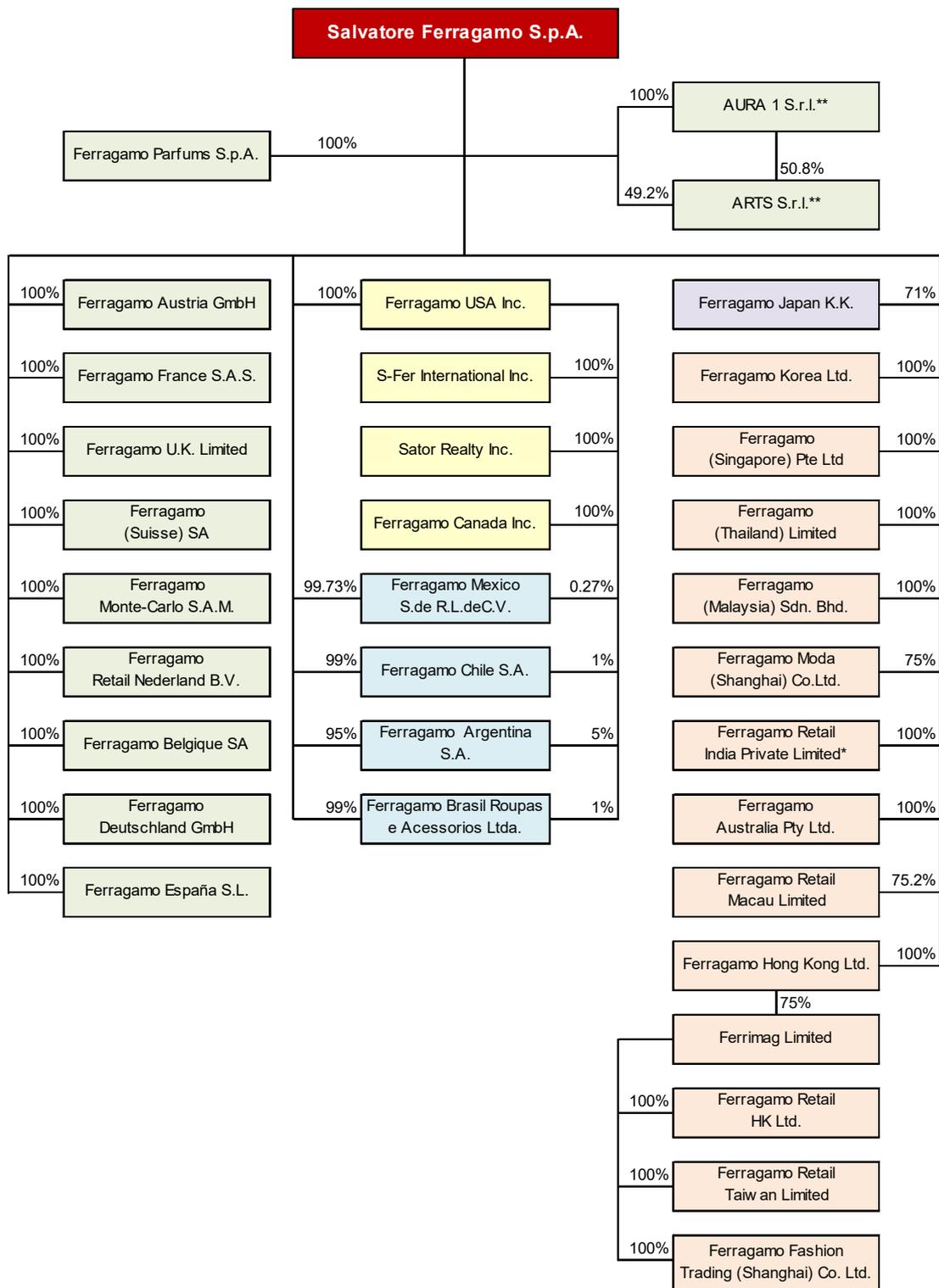
(9) Independent director pursuant to article 147-ter, paragraph 4 and article 148, paragraph 3 of Italian Legislative Decree no. 58 of 24 February 1998 ("Testo Unico della Finanza" or "T.U.F.", Consolidated Law on Finance) and article 3 of the Corporate Governance Code.

(10) 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. Serving until the approval of the separate financial statements as at 31 December 2020

(11) Co-opted pursuant to art. 2386, paragraph 1, of the Italian Civil Code by the Board of Directors on 27 May 2020, effective 28 May 2020, in place of the Director Giacomo Ferragamo and serving until the approval of the Separate Financial Statements as at 31 December 2020

(12) Appointed by the Board of Directors on 27 May 2020

Group structure



Notes

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

* Non operating company

** Company acquired on 27 April 2020

Group description

As at 30 September 2020, 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 Parfums S.p.A.

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

Aura 1 S.r.l.

Sub-holding company for Arts S.r.l.

Arts S.r.l.

It collaborates with Salvatore Ferragamo S.p.A., helping with the prototyping, industrialization, and quality control of products as well as the monitoring of the Group's network of suppliers with respect to men's footwear

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

Interim Directors' report on operations

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

Official price as at 30 September 2020 in Euro	12.57
Stock Market capitalization as at 30 September 2020 in Euro	2,121,690,300
Number of shares making up the share capital as at 30 September 2020	168,790,000
Number of outstanding shares net of treasury shares (free float)	48,979,090

Below is the trend in Salvatore Ferragamo's share price during the first nine months of 2020.



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 measurement basis 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*.

Operating profit: it is the difference between revenues, cost of goods sold, and operating costs net of other income.

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*).

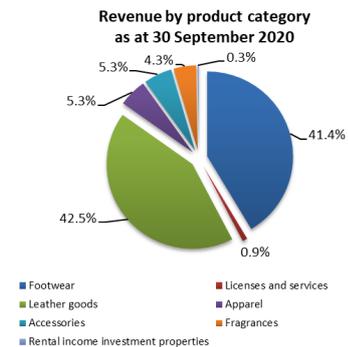
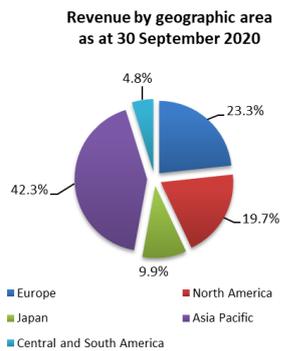
Net financial debt/(surplus): it is calculated as *Current and non current interest-bearing loans & borrowings plus Current and non current lease liabilities and Other current and non current financial liabilities* including the negative fair value of derivatives (non-hedge component), net of *Cash and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

Adjusted cash flow from (used in) 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 nine months of 2020

(In millions of Euro)	Period ended 30 September		% change 2020 vs 2019
	2020	2019	
Revenues	611.2	994.4	(38.5%)
Gross profit	367.6	644.2	(42.9%)
Gross profit %	60.10%	64.80%	
EBITDA	77.8	242.7	(67.9%)
EBITDA %	12.70%	24.40%	
Operating profit/(loss)	(70.1)	105.2	na
Operating profit/(loss) %	(11.5%)	10.60%	
Net profit/(loss) for the period	(96.1)	61.4	na
Net profit/(loss) – Group	(96.5)	60	na
Net profit/(loss) – minority interests	0.4	1.5	



(In millions of Euro)	30 September 2020	31 December 2019	30 September 2019
Investments in tangible/intangible assets	15.1	59.6	40.2
Net working capital	342.1	334.6	335.3
Shareholders' equity	690.4	785.3	760.7
Adjusted net financial debt/(surplus)	(75.1)	(171.9)	(150.4)
Adjusted cash flow from (used in) operating activities	(83.5)	135.6	97.5

	30 September 2020	31 December 2019	30 September 2019
Staff as at the reporting date	3,891	4,277	4,193
Number of DOS	393	393	394
Number of TPOS	253	261	262

Geographical distribution of monobrand stores (30 September 2020)



646 Ferragamo monobrand stores

Disclaimer

This document contains forward-looking statements, in particular in the sections headed “Outlook” and “Significant events occurred after 30 September 2020” 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

This Interim report was not audited nor prepared in accordance with IAS 34 “Interim Financial Reporting”, as the Group applies said standard to half-year reports and not also quarterly reports. Publication is voluntary.

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 the financial performance for the first nine months of the year cannot be considered as proportional to the year as a whole. The figures are affected by the mentioned 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. This Interim report must be read together with the Annual Report as at 31 December 2019, 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 well as the e-commerce channel.

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 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 to both settlement and translation risk.

In the first nine months of 2020, the Euro delivered a mixed performance relative to the above currencies; the main variables that influenced the foreign exchange market during this period were the perceptions of how the pandemic is evolving and the effectiveness of the steps taken by local authorities to contain it.

Specifically, after the Euro started out at approximately 1.12 relative to the US dollar and fluctuated in the first two quarters between a low of 1.08 and a high of 1.1450, in the third quarter the greenback depreciated, and the single currency settled at just above 1.17 at the end of September.

The Chinese renminbi had a similar performance relative to the Euro in the first eight months of the year, but then steadily appreciated in September 2020 and eventually ended the period below 8.0, not far from 7.8 at the start of the year.

The Japanese yen, considered to be a safe haven – and which therefore performs strongly in risk-off environments and poorly in risk-on ones – also was in a similar position at the beginning of the year (approximately 122) and the end of the third quarter (around 123.50) relative to the Euro, but it appreciated sharply during the first 4 months (hitting 114.50) of the reporting period and then depreciated in the remaining 5 months.

The Mexican peso performed differently relative to the Euro, as it depreciated heavily and swiftly during the period from about 21 at the start of the year to around 26 at the end of September 2020 – also because of its strong correlation with oil prices.

Similarly to other emerging market currencies, the South Korean won experienced a significant depreciation against the Euro, shifting from less than 1,300 at the beginning of the year to approximately 1,350 at the end of September.

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 nine months of 2020 were significantly influenced by the outbreak of the pandemic caused by the novel coronavirus, known as Covid-19, which gradually spread from China to the rest of the world. This situation has led the Governments of all the countries affected to restrict and suspend business operations, the movement of people, and international traffic (so-called lockdown) . This had an especially negative impact on tourist flows across the globe, causing most of the Group's distribution network to shut down and the remaining part to suffer from significantly diminished traffic, especially in the first half of 2020. The consequences of the Covid-19 pandemic continued to linger also in the third quarter of 2020, although they were less severe. Against this backdrop, in the first nine months of 2020 the Group saw revenues decline by 38.5% at current exchange rates (-38.6% at constant exchange rates), which caused margins and profits to contract. The Group promptly took a series of steps and actions to contain costs, maintaining only the investments considered to be essential or top priority. In the first nine months of 2020, gross operating profit amounted to 60.1% as a proportion of revenues, down from 64.8% in the prior-year period largely because of the write-down of inventory.

The Group posted a 70.1 million Euro operating loss for the first nine months of 2020, compared to a 105.2 million Euro profit for the period ended 30 September 2019 – also because of a 9.3 million Euro write-down of the Group's assets after these were tested for impairment in the second quarter of 2020 to measure their recoverable amount.

The net loss for the period amounted to 96.1 million Euro, compared to 61.4 million Euro in net profit in the prior-year period.

The Group's financial situation remains robust and positive: the adjusted net financial position amounted to a positive 75.1 million Euro, down from 171.9 million Euro as at 31 December 2019 but up from 58.1 million Euro as at 30 June 2020, largely because the adjusted cash flow from operating activities for the third quarter of 2020 totaled 12.9 million Euro.

The following table shows the main income statement data.

(In thousands of Euro)	Period ended 30 September				
	2020	% of Revenues	2019	% of Revenues	% change
Revenues	611,226	100.0%	994,364	100.0%	(38.5%)
Gross profit	367,626	60.1%	644,164	64.8%	(42.9%)
Style, product development and logistics costs	(26,419)	(4.3%)	(37,198)	(3.7%)	(29.0%)
Sales & distribution costs	(282,889)	(46.3%)	(349,304)	(35.1%)	(19.0%)
Marketing & communication costs	(38,815)	(6.4%)	(55,844)	(5.6%)	(30.5%)
General and administrative costs	(84,800)	(13.9%)	(93,295)	(9.4%)	(9.1%)
Other operating costs	(18,012)	(2.9%)	(16,998)	(1.7%)	6.0%
Other income and revenues	13,233	2.2%	13,708	1.4%	(3.5%)
Total operating costs (net of other income)	(437,702)	(71.6%)	(538,931)	(54.2%)	(18.8%)
Operating profit/(loss)	(70,076)	(11.5%)	105,233	10.6%	(166.6%)
Net financial income and charges	(25,636)	(4.2%)	(22,259)	(2.2%)	15.2%
Profit/(loss) before taxes	(95,712)	(15.7%)	82,974	8.3%	(215.4%)
Income Taxes	(344)	(0.1%)	(21,548)	(2.2%)	(98.4%)
Net profit/(loss) for the period	(96,056)	(15.7%)	61,426	6.2%	(256.4%)
Net profit/(loss) – Group	(96,463)	(15.8%)	59,966	6.0%	(260.9%)
Net profit/(loss) – minority interests	407	0.1%	1,460	0.1%	(72.1%)
Amortization, depreciation and write-downs	147,869	24.2%	137,485	13.8%	7.6%
EBITDA	77,793	12.7%	242,718	24.4%	(67.9%)

Revenues in the first nine months of 2020 totaled 611,226 thousand Euro, down 38.5% from 994,364 thousand Euro in the first nine months of 2019. The three main currencies other than the Euro in which the Group generates most of its revenues, i.e. the US Dollar, the Chinese Renminbi, and the Japanese Yen, performed as follows in the first nine months of 2020 compared to the same period last year: the US Dollar slightly

depreciated by 0.1%⁽¹⁾, the Japanese Yen appreciated by 1.4%⁽²⁾, and the Chinese Renminbi depreciated by 2.0%⁽³⁾ against the Euro, the currency in which the amounts in the consolidated financial statements are expressed. Revenues were down 38.6% at constant exchange rates (applying to the revenues – not inclusive of the hedging effect – of the first nine months of 2019 the average exchange rate of the first nine months of 2020); in particular, they decreased by 44.6% in Europe, 47.5% in North America, 31.2% in Japan, 30.3% in Asia Pacific, and 42.0% in Central and South America. Asia Pacific contributed the most to Group revenues with 42.3%, followed by Europe (23.3%), North America (19.7%), Japan (9.9%), and Central and South America (4.8%). In the third quarter of 2020, revenues amounted to 234,700 thousand Euro, down 18.9% at current exchange rates and 18.1% at constant exchange rates compared to the third quarter of 2019.

Gross profit for the period ended 30 September 2020 amounted to 367,626 thousand Euro, accounting for 60.1% of revenues; it was down 42.9% compared to the prior-year period, when it amounted to 644,164 thousand Euro (accounting for 64.8% of revenues). It was negatively affected by the contraction in sales – caused by store closures and the absence of tourist flows – as well as the 31,742 thousand Euro write-down of inventory, which were direct and indirect consequences of the Covid-19 pandemic. In the third quarter of 2020, gross profit totaled 141,640 thousand Euro, down by 24.4% compared to the prior-year period, and accounted for 60.3% of revenues compared to 64.7% in the third quarter of 2019.

Total operating costs (net of other income) totaled 437,702 thousand Euro for the first nine months of 2020. Although they were down 18.8% year-on-year, they amounted to 71.6% as a percentage of revenues, up from 54.2% in the first nine months of 2019, because of the sharp contraction in revenues (resulting from the so-called lockdown). They included the write-down of Property, plant and equipment (7,998 thousand Euro) and Intangible assets with a finite useful life (1,270 thousand Euro), totaling a combined 9,268 thousand Euro, resulting from the impairment tests conducted in the second quarter of 2020 to measure the recoverable amount of these assets. For more details, see note 4 Impacts of the Covid-19 Emergency in the Half-year report as at 30 June 2020. The decrease in operating costs was driven by the fall in costs directly associated with sales and, in part, by the steps that the Group's management is taking to mitigate the negative impact of the crisis triggered by the Covid-19 coronavirus pandemic. Specifically, the Group launched a plan to streamline the organization and entered into important negotiations to revise the terms and conditions of the leases of its distribution network, resulting in a 14,802 thousand Euro positive variable lease payment in the first nine months of 2020 that was directly recognized through profit or loss – rather than as a lease modification. This accounting treatment is consistent with the amendment to IFRS 16 relating to renegotiations resulting from the Covid-19 pandemic, which was formally endorsed by the European Union in October 2020. In the third quarter of 2020, total net operating costs totaled 137,284 thousand Euro (accounting for 58.5% of revenues), down 22.0% compared to the third quarter of 2019 (when they amounted to 175,950 thousand Euro, accounting for 60.8% of revenues).

Even though variable costs fell proportionately to the contraction in revenues and the Group took steps to contain fixed costs, **EBITDA** was down 67.9% from 242,718 thousand Euro to 77,793 thousand Euro. The ratio to revenues amounted to 12.7%, down from 24.4% in the first nine months of 2019. In the third quarter of 2020, EBITDA totaled 48,053 thousand Euro, compared to 58,543 thousand Euro in the third quarter of 2019 (-17.9%), and the ratio to revenues rose from 20.2% to 20.5%.

The Group posted a 70,076 thousand Euro **operating loss** for the period ended 30 September 2020, compared to a 105,233 thousand Euro operating profit in the period ended 30 September 2019 – also because of the 9,268 thousand Euro negative impact resulting from the impairment test conducted in the second quarter of 2020 to measure the recoverable amount of the Group's assets. With reference to the third quarter of 2020, operating profit totaled 4,356 thousand Euro compared to 11,319 thousand Euro in the third quarter of 2019.

Net financial income and charges totaled 25,636 thousand Euro in charges in the first nine months of 2020, compared to charges of 22,259 thousand Euro in the first nine months of 2019.

(In thousands of Euro)	Period ended 30 September		
	2020	2019	% change
Net interest	103	382	(73.0%)
Other net income/(charges)	(1,035)	(1,023)	1.2%
Net interest and expenses on lease liabilities	(12,082)	(13,242)	(8.8%)
Net gains/(losses) on exchange rate differences	(18,558)	8,940	(307.6%)
Net financial income/(charges) for fair value adjustment of derivatives	5,936	(17,316)	(134.3%)
Total	(25,636)	(22,259)	15.2%

Net gains and losses on exchange rate differences mainly reflect the impact of commercial transactions in foreign currency, and shifted from 8,940 thousand Euro in net gains in the first nine months of 2019 to 18,558

¹ With reference to the average Euro/USD exchange rate in the first nine months of 2020 1.125; 2019: 1.124
² With reference to the average Euro/Yen exchange rate in the first nine months of 2020 120.91; 2019: 122.57
³ With reference to the average Euro/Cny exchange rate in the first nine months of 2020 7.866; 2019 7.713

thousand Euro in net losses in the first nine months of 2020. 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. The net impact of these two line items, Net gains/(losses) on exchange rate differences and Net financial income/(charges) for fair value adjustment of derivatives, shifted from a negative 8,376 thousand Euro in the first nine months of 2019 to a negative 12,622 thousand Euro – largely because of the sudden and significant depreciation in some currencies relative to which the Group did not fully hedge for exchange rate risk. In the third quarter of 2020 alone, the Group posted 6,647 thousand Euro in net financial charges, compared to 7,242 thousand Euro in net financial charges in the third quarter of 2019.

Income Taxes

(In thousands of Euro)	Period ended 30 September		
	2020	2019	% change
Profit/(loss) before taxes	(95,712)	82,974	(215.4%)
Current and deferred taxes	(344)	(21,548)	(98.4%)
Tax rate	na	26.0%	

In the first nine months of 2020, income taxes had a 344 thousand Euro net negative impact – the result of 18,587 thousand Euro in current taxes and 18,253 thousand Euro in net deferred tax assets, which were largely attributable to the deferred tax assets recognized on tax losses by some subsidiaries and on the provision for obsolete inventory; in the first nine months of 2019 the Group paid a 26.0% tax rate. In the first nine months of 2019, the direct tax expense of the Parent company Salvatore Ferragamo S.p.A. had declined thanks to the benefit known as “Patent box” by approximately 11.4 million Euro, whereas in the first nine months of 2020 this was not recognized, as the Parent company filed an application to renew the agreement that is yet to be processed. For further details on the “Patent Box”, please refer to the Annual Report as at 31 December 2019.

In the first nine months of 2020, the Salvatore Ferragamo Group posted a 96,056 thousand Euro **net loss**, compared to 61,426 thousand Euro in net profit in the prior-year period. The Group share of net loss amounted to 96,463 thousand Euro, compared to a 59,966 thousand Euro profit in the prior-year period. With reference to the third quarter of 2020, the Group posted a 9,667 thousand Euro net loss, compared to a 1,391 thousand Euro net profit in the third quarter of 2019.

Revenues

The following table shows revenues by geographic area for the periods ended 30 September 2020 and 2019, and the relevant percentage changes:

(In thousands of Euro)	Period ended 30 September					at constant
	2020	% of Revenues	2019	% of Revenues	% change	exchange rates % change
Europe	142,425	23.3%	258,720	26.0%	(45.0%)	(44.6%)
North America	120,594	19.7%	219,718	22.1%	(45.1%)	(47.5%)
Japan	60,219	9.9%	87,118	8.8%	(30.9%)	(31.2%)
Asia Pacific	258,733	42.3%	373,072	37.5%	(30.6%)	(30.3%)
Central and South America	29,255	4.8%	55,736	5.6%	(47.5%)	(42.0%)
Total	611,226	100.0%	994,364	100.0%	(38.5%)	(38.6%)

In Europe revenues declined by 45.0% at current exchange rates and 44.6% at constant exchange rates, weighed down in both sales channels by the restrictions on business operations and international traffic (so-called lockdown) enacted in most European countries.

In North America revenues fell by 45.1% at current exchange rates and 47.5% at constant exchange rates because of both the restrictions on business operations and international traffic (so-called lockdown) as well as, to a lesser extent, the protests in the United States.

Japan saw revenues fall by 30.9% at current exchange rates (-31.2% at constant exchange rates), largely because of the dramatic slowdown in international traffic.

The Asia-Pacific region, which was the first to face the Covid-19 outbreak and the ensuing social distancing measures, reported a 30.6% fall in revenues at current exchange rates (-30.3% at constant exchange rates), with the recovery continuing into the third quarter of 2020 thanks to the positive performance of directly operated stores in China, South Korea, and Taiwan. Asia Pacific contributed once again the most to Group revenues, accounting for 42.3% of the total compared to 37.5% as at 30 September 2019.

The Central and South American market saw revenues fall by 47.5% at current exchange rates (-42.0% at constant exchange rates), falling to 4.8% as a percentage of total revenues compared to 5.6% in the prior-year period. It should be noted that the revenues reported as at 30 September 2020 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 2019) with a positive

residual effect of 58 thousand Euro in the first nine months of 2020 (positive 152 thousand Euro in the prior-year period).

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

(In thousands of Euro)	Period ended 30 September					at constant
	2020	% of Revenues	2019	% of Revenues	% change	exchange rates % change
Retail	415,928	68.0%	643,336	64.7%	(35.3%)	(34.8%)
Wholesale	187,947	30.8%	338,748	34.1%	(44.5%)	(45.6%)
Licenses and services	5,656	0.9%	8,310	0.8%	(31.9%)	(31.9%)
Rental income investment properties	1,695	0.3%	3,970	0.4%	(57.3%)	(57.2%)
Total	611,226	100.0%	994,364	100.0%	(38.5%)	(38.6%)

Retail sales refer to revenues generated by sales in directly operated stores (DOS) as well as through the direct e-commerce channel.

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 nine months of 2020, retail sales were severely affected by the gradual closure of most of the Group's distribution network and the significant reduction in traffic (so-called lockdown), falling by 35.3% at current exchange rates and 34.8% at constant exchange rates across all the Group's geographies. They benefited from the recovery of directly operated stores in China, South Korea, and Taiwan. In the first nine months of 2020, the retail channel accounted for 68.0% of total revenues, up from 64.7% in the prior-year period.

As at 30 September 2020, the number of directly operated stores (DOS) was unchanged compared to the situation as at 31 December 2019 and decreased by 1 unit compared to 30 September 2019.

The wholesale channel was down 44.5% at current exchange rates and 45.6% at constant exchange rates, also because of the slowdown in the Travel Retail channel: specifically, at current exchange rates Asia Pacific, Japan, and Central and South America declined by 60.6%, 47.0%, and 41.8%, respectively.

In the first nine months of 2020, revenues from licenses and services fell by 31.9% at current and constant exchange rates; this item mainly consists of royalties for the licensing of the Salvatore Ferragamo brand in the eyewear industry and 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 57.3% at current exchange rates (-57.2% at constant exchange rates) compared to the prior-year period following the end of some lease contracts for real estate management during the period.

The following table shows revenues by **product category** for the periods ended 30 September 2020 and 2019, indicating the relevant percentage of total revenues.

(In thousands of Euro)	Period ended 30 September					at constant
	2020	% of Revenues	2019	% of Revenues	% change	exchange rates % change
Footwear	253,179	41.4%	419,974	42.3%	(39.7%)	(40.0%)
Leather goods	259,839	42.5%	392,314	39.5%	(33.8%)	(33.7%)
Apparel	32,240	5.3%	53,009	5.3%	(39.2%)	(39.1%)
Accessories	32,606	5.3%	56,821	5.7%	(42.6%)	(42.1%)
Fragrances	26,011	4.3%	59,966	6.0%	(56.6%)	(56.7%)
Licenses and services	5,656	0.9%	8,310	0.8%	(31.9%)	(31.9%)
Rental income investment properties	1,695	0.3%	3,970	0.4%	(57.3%)	(57.2%)
Total	611,226	100.0%	994,364	100.0%	(38.5%)	(38.6%)

All product categories were down for the reasons already discussed in the previous two sections.

Statement of financial position and Investments

Below is the statement of financial position as at 30 September 2020, reclassified by sources and uses compared to the position as at 31 December 2019 and 30 September 2019:

(In thousands of Euro)	30 September 2020	31 December 2019	30 September 2019	% change 09.20 vs 12.19	% change 09.20 vs 09.19
Property, plant and equipment, investment property, intangible assets with a finite and indefinite useful life and goodwill	293,249	333,380	336,453	(12.0%)	(12.8%)
Right-of-use assets	497,045	576,455	587,193	(13.8%)	(15.4%)
Net working capital	342,098	334,552	335,265	2.3%	2.0%
Other non current assets/(liabilities), net	80,753	73,032	68,392	10.6%	18.1%
Other current assets/(liabilities), net	(7,936)	(27,721)	(28,607)	(71.4%)	(72.3%)
Net invested capital	1,205,209	1,289,698	1,298,696	(6.6%)	(7.2%)
Group shareholders' equity	668,757	763,647	737,210	(12.4%)	(9.3%)
Minority interests	21,620	21,618	23,446	0.0%	(7.8%)
Shareholders' equity (A)	690,377	785,265	760,656	(12.1%)	(9.2%)
Net financial debt/(surplus) (B)	514,832	504,433	538,040	2.1%	(4.3%)
Total sources of financing (A+B)	1,205,209	1,289,698	1,298,696	(6.6%)	(7.2%)
Net financial debt/(surplus) (B)	514,832	504,433	538,040	2.1%	(4.3%)
Lease liabilities (C)	589,972	676,329	688,407	(12.8%)	(14.3%)
Adjusted net financial debt/(surplus) (B-C)	(75,140)	(171,896)	(150,367)	(56.3%)	(50.0%)
Adjusted net financial debt/(surplus)/ Shareholders' equity	(10.9%)	(21.9%)	(19.8%)		

Investments in tangible/intangible assets

During the period ended 30 September 2020, the Salvatore Ferragamo Group made investments in tangible and intangible assets for a total amount of 15,103 thousand Euro, of which 11,378 thousand Euro in tangible assets and 3,725 thousand Euro in intangible assets, compared to a total of 40,230 thousand Euro in the first nine months of 2019. The reduction in investments in the first nine months of 2020 compared with the prior-year period was closely associated with the Group's decision to postpone non-essential projects in order to mitigate future economic-financial impacts and protect the financial soundness of the Group.

The most important investments in tangible assets were made in the opening and refurbishment of stores (8.5 million Euro, approximately 74% of total investments in tangible assets). The main investments in intangible assets referred to the "Project Life Cycle Management-PLM" (for the integrated management of the product's 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), which was all but completed in early 2020; the development of the e-commerce platform; and the purchase of software licenses (totaling 1.3 million Euro, i.e. 35% of investments in intangible assets in the first nine months of 2020).

Investments in tangible assets under construction, amounting to 1.9 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.

Investments in intangible assets under development totaled 2.7 million Euro and largely consisted of investments in the development of software to support business processes, chief among them the Enterprise Business Intelligence project – aimed at rationalizing corporate reporting and analytics systems by establishing a single shared "Data Warehouse" – and a new distribution model by the Parent Company Salvatore Ferragamo S.p.A..

Amortization and depreciation (excluding depreciation of Right-of-use assets) amounted to 48,583 thousand Euro in the first nine months of 2020, slightly down from 50,393 thousand Euro in the prior-year period.

In the first nine months of 2020, Salvatore Ferragamo S.p.A. acquired control over Arts S.r.l. e Aura1 S.r.l. – for the details, see the paragraph Significant events occurred during the first half of 2020 and note 5 Business Combinations in the Explanatory Notes to the Half-Year Report as at 30 June 2020. To allocate the consideration for the transaction in accordance with IFRS3 Business Combinations, Salvatore Ferragamo S.p.A. identified and measured the fair value of the assets acquired and liabilities assumed with the help of an independent consultant. The analysis estimated the value of manufacturing know-how at 6,380 thousand Euro. Arts S.r.l. has been collaborating with Salvatore Ferragamo S.p.A. since its inception in 1984, helping with the prototyping, industrialization, and quality control of products as well as the monitoring of the Group's network of suppliers with respect to men's footwear. Net of the fair value of the assets acquired and liabilities assumed, the residual amount allocated to goodwill arising from the acquisition totaled 6,679 thousand Euro. The amount of goodwill

is attributable to the synergies and other economic benefits arising from the combination of the assets and industrial operations of the acquirees with those of Salvatore Ferragamo S.p.A..

During the first nine months of 2020, the Group did not make any investments in financial assets.

Right-of-use assets

This line item, amounting to 497,045 thousand Euro as at 30 September 2020, refers to the recognition of “Right-of-use assets” against “Lease liabilities” following the application of IFRS 16 as from 1 January 2019 and was down 79,410 thousand Euro from 576,455 thousand Euro as at 31 December 2019, largely because of 87,032 thousand Euro in depreciation expense recognized during the period.

Right-of-use assets relating to lease contracts for property leased in the United States are included under Investment property and amounted to 29,008 thousand Euro as at 30 September 2020 (33,222 thousand Euro as at 31 December 2019).

Net working capital

Below is the breakdown of, and changes in, net working capital as at 30 September 2020 compared with 31 December 2019 and 30 September 2019.

(In thousands of Euro)	30 September 2020	31 December 2019	30 September 2019	% change 09.20 vs 12.19	% change 09.20 vs 09.19
Inventories and Right of return assets	372,126	395,004	407,556	(5.8%)	(8.7%)
Trade receivables	100,075	147,202	110,564	(32.0%)	(9.5%)
Trade payables and Refund Liabilities	(130,103)	(207,654)	(182,855)	(37.3%)	(28.8%)
Total	342,098	334,552	335,265	2.3%	2.0%

Net working capital slightly increased by 2.3% compared to 31 December 2019 and by 2.0% compared to 30 September 2019. Compared to 31 December 2019, the decline in Trade receivables (-32.0%), which was directly attributable to the reduction in revenues for the first nine months of 2020, and in Inventories and Right of return assets (-5.8%) was offset by the fall in Trade Payables and Refund Liabilities (-37.3%). The change relative to 30 September 2019 was attributable to the decrease in Trade receivables (-9.5%) and in Inventories and Right of return assets (-8.7%), offset by the decline in Trade Payables and Refund Liabilities (-28.8%). Specifically, inventories of finished products were down 17,044 thousand Euro from 31 December 2019 (-5.1%) and down 18,489 thousand Euro from 30 September 2019 (-5.5%). Raw materials for production were down 6.0% from 31 December 2019 and down 23.4% compared to 30 September 2019.

Trade receivables largely referred to wholesale sales.

Trade payables mainly referred to purchases of production materials, finished products, and costs relating to outsourced manufacturing. The item Trade payables was down 37.5% compared to 31 December 2019 and 29.3% compared to 30 September 2019.

Net financial debt/(surplus)

The following table shows net financial debt as at 30 September 2020, 31 December 2019, and 30 September 2019:

(In thousands of Euro)	30 September 2020	31 December 2019	30 September 2019	Change 09.20 vs 12.19	Change 09.20 vs 09.19
A. Cash	949	1,152	1,131	(203)	(182)
B. Other cash equivalents	368,408	221,180	197,001	147,228	171,407
C. Cash and cash equivalents (A)+(B)	369,357	222,332	198,132	147,025	171,225
Derivatives – non-hedging component	705	101	75	604	630
Other financial assets	425	-	283	425	142
D. Current financial receivables	1,130	101	358	1,029	772
E. Current bank payables	159,712	48,060	45,149	111,652	114,563
F. Derivatives – non-hedging component	187	238	653	(51)	(466)
G. Other current financial payables	112,541	119,301	122,057	(6,760)	(9,516)
H. Current financial debt (E)+(F)+(G)	272,440	167,599	167,859	104,841	104,581
I. Current financial debt, net (H)-(C)-(D)	(98,047)	(54,834)	(30,631)	(43,213)	(67,416)
J. Non current bank payables	129,614	-	-	129,614	129,614
K. Derivatives – non-hedging component	-	-	-	-	-
M. Other non current payables	483,265	559,267	568,671	(76,002)	(85,406)
N. Non current financial debt (J)+(K)+(M)	612,879	559,267	568,671	53,612	44,208
O. Net financial debt (I)+(N)	514,832	504,433	538,040	10,399	(23,208)

Net financial debt as at 30 September 2020, including lease liabilities, amounted to 514,832 thousand Euro, of which 589,972 thousand Euro in current and non-current lease liabilities.

Net financial debt/(surplus), excluding lease liabilities, as at 30 September 2020, 31 December 2019, and 30 September 2019 was restated as follows:

(In thousands of Euro)	30 September 2020	31 December 2019	30 September 2019	Change 09.20 vs 12.19	Change 09.20 vs 09.19
Net financial debt/(surplus) (a)	514,832	504,433	538,040	10,399	(23,208)
Non current lease liabilities	483,265	559,267	568,671	(76,002)	(85,406)
Current lease liabilities	106,707	117,062	119,736	(10,355)	(13,029)
Lease liabilities (b)	589,972	676,329	688,407	(86,357)	(98,435)
Adjusted net financial debt/(surplus) (a-b)	(75,140)	(171,896)	(150,367)	96,756	75,227

In the period ended 30 September 2020, the adjusted net financial position amounted to a positive 75,140 thousand Euro, down 96,756 thousand Euro from 171,896 thousand Euro as at 31 December 2019. This was largely due to the adjusted cash flows used in operating activities (negative 83,465 thousand Euro and severely affected by the decline in revenues caused by the closure of part of the Group's distribution network as well as international traffic restrictions, so-called lockdown), the cash flows used for the purposes of investing in tangible and intangible assets during the first six months of 2020 (15,544 thousand Euro), and the acquisition of Arts S.r.l. and Aura 1 S.r.l., net of the cash acquired (7,581 thousand Euro), in April 2020. In the third quarter of 2020, the adjusted net financial position was up from 58,122 thousand Euro as at 30 June 2020 to 75,140 thousand Euro as at 30 September 2020, largely because of the adjusted cash flow from operating activities in the third quarter of 2020, totaling 12,941 thousand Euro. Compared to 30 September 2019, the Group's adjusted net financial position was down 75,227 thousand Euro from a positive 150,367 thousand Euro to a positive 75,140 thousand Euro.

Significant events occurred during the first nine months of 2020

For information on significant events occurred in the first six months of the year, reference should be made to the Half-year report as at 30 June 2020, approved on 15 September 2020. Below are the main events occurred during the third quarter of 2020.

Medium-term credit lines

On 24 July 2020, the Company entered into a loan agreement with Intesa Sanpaolo S.p.A. as initial lender, which also acted as “global coordinator”, “bookrunner”, and “sustainability coordinator” through the IMI Corporate & Investment Banking Division for an overall amount of up to 250 million Euro. The credit facility consists of a term loan with a five-year maturity in 2025 and a revolving credit line with maturity in 2024 that can be extended for a year, each amounting to 125 million Euro. The loan was granted to support specific ESG (Environmental, Social and Governance) targets of Salvatore Ferragamo S.p.A. and meet the Company's general cash needs, with an incentive mechanism linked to agreed sustainability targets. Specifically, the interest rate on both lines involves a margin, to be applied to the benchmark Euribor rate, that varies based on whether the Company achieves targets linked to ESG KPIs in full or in part.

Merger of Arts S.r.l. and Aura1 S.r.l. into Salvatore Ferragamo S.p.A.

On 28 July 2020, the Company's Board of Directors, pursuant to art. 2505, paragraph 2 of the Italian Civil Code and art. 25, paragraph 2, lett. a) of the Bylaws, and the Shareholders' Meetings of Aura 1 S.r.l. and Arts S.r.l. approved the merger of Aura 1 S.r.l. and Arts S.r.l. into Salvatore Ferragamo S.p.A.. On 4 August 2020, said resolutions - along with the relevant documentation as per applicable law - were filed with the relevant Company Register and made available to the public.

Refunds settled

On 9 May 2017, Salvatore Ferragamo S.p.A. claimed a refund of 7,297,871 Euro relating to the estimated tax payments made in 2015 for the purposes of separate taxation calculated under the Controlled Foreign Companies (CFC) rules. Salvatore Ferragamo S.p.A. calculated said estimated tax payments using the “historical” method, i.e. by reference to the tax paid in 2014: this method allowed avoiding penalties for the underpayment of estimated taxes, a risk that in 2015 appeared to be especially material in light of the regulatory changes concerning controlled foreign companies as per art. 167 of Italian Presidential Decree no. 917 of 22 December 1986 (“TUIR”). After the Inland Revenue Office provided clarification on the new rules (circ. no. 35/E of 4 August 2016), the Company concluded that in 2015 Ferragamo Hong Kong Ltd., Ferragamo Retail HK Ltd., Ferragamo (Singapore) Pte Ltd, and Ferragamo (Malaysia) Sdn. Bhd. were not subject to CFC rules and, therefore, pass-through taxation in Italy. In July 2020, the Inland Revenue Office approved the refund and returned the 7.3 million Euro paid by Salvatore Ferragamo S.p.A. in 2015 plus approximately 0.4 million Euro in interest.

Covid-19 Update

The Covid-19 pandemic and the ensuing containment and social distancing measures that several Governments around the world have gradually put in place to contain the outbreak and reduce the spread of the virus continued having a negative impact also in the third quarter of 2020, albeit this was less severe compared to the first half of the year. As we enter the fourth quarter of 2020, we are once again seeing most countries around the world gradually ramp up these measures to deal with a second wave of the virus.

These events have significantly impacted the various business areas of the Salvatore Ferragamo Group and continue to do so, causing both revenues and margins to decline.

In the first nine months of 2020, the Group saw a 38.5% drop in revenues at current exchange rates and, therefore, a deterioration in its margins and financial performance, as detailed in the Operating performance section. The Group incurred direct costs to address this emergency, and specifically the expenses associated with the measures taken to protect the health of employees at both offices and directly operated stores: it also received, where possible, government grants and subsidies, such as the different kinds of aid aimed at supporting employment. Personnel costs were down 20.8% in the first nine months of 2020 compared to the prior-year period, in part thanks to government benefits and subsidies, such as employment support measures, and in part due to the effects of a newly launched plan to streamline the organization.

In addition, the Group started, successfully concluded, and continues important negotiations to reduce operating costs, especially with lessors, in order to revise the terms and conditions of the leases of its distribution network, resulting in an 14,802 thousand Euro positive variable lease payment in the first nine months of 2020 that was directly recognized through profit or loss (largely within the line item “Sales & distribution costs”) in accordance with the amendment to IFRS 16 endorsed by the European Union in October 2020.

In addition, the Group wrote down inventories, net of uses, by 31,742 thousand Euro, mainly to account for the potential risk of obsolescence related to a future reduction in the sales of certain products—due to the current situation. The provision for bad debt, to which the Group allocated 1,749 thousand Euro in the first nine months of 2020, was adjusted according to the risk assessments associated with the specific situation during the period. In order to bolster its financial structure and soundness, the Group has seen it fit to increase the amount of committed lines outstanding with diversified banking counterparties, promptly opening additional short- and medium/long-term lines of credit.

Considering the severity of the current situation associated with the impact of the Covid-19 pandemic and the uncertainty about how long this will last, recently strengthened by limitation in movements and distancing measures, adopted again by West Countries of the world, it is hard to forecast future impacts and the recoverable amounts of the Group's assets, except for the information reported in the following paragraph.

Impairment test

The Covid-19 emergency qualifies as an impairment indicator, therefore the Group took it into consideration when making estimates and assumptions. For more details, see note 4 Impacts of the Covid-19 emergency in the Half-year report as at 30 June 2020.

The impairment test, conducted on the Group's data for the second quarter of 2020, resulted in a 9,268 thousand Euro impairment loss, including 7,998 thousand Euro relating to Property, plant and equipment and 1,270 thousand Euro to Intangible assets with a finite useful life.

Costs and investments

The Group has continued investing in the E-commerce channel: in the first nine months of 2020, it launched the new e-commerce website in Canada, the United States, Mexico, South Korea, Australia, the People's Republic of China, Japan, and several European countries (Eurozone and United Kingdom). Some projects and investments considered low-priority or deferrable have been postponed.

Personnel

In the first nine months of 2020, in response to the Covid-19 pandemic, human resource management heavily focused on measures to protect the health of employees at both offices and directly operated stores. In this regard, it has defined specific safety protocols that include stringent safety measures and, finally, put in place a supplemental health insurance policy for Italian employees covering symptoms associated with Covid-19. Where allowed by law, the company offered free, voluntary antibody testing.

During this period, the Group began the process to apply for state aid in the various countries in which it operates, where available, and these applications were successful. In addition, management has voluntarily decided to forgo part of their remuneration for the current year.

Starting from February, in order to protect the health of employees, Salvatore Ferragamo has extended the use of smart-working, introduced as an experiment during 2019, to the Italian and international offices of the Group, allowing operations to continue where possible and in line with regulatory requirements. It has provided training to optimize the use of remote work tools and bolstered internal communication, creating accounts dedicated to answering all health- and business-related questions of the Group's employees.

Directors' Fees

Considering the Covid-19 pandemic and its impact on the business, the Managing Director and some Directors notified Salvatore Ferragamo S.p.A. that they would forgo all or part of their remuneration for the current year.

Tax and customs disputes and audits (update)

Tax disputes settled during the period

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, already reported on in the 2019 Annual Report, please note that on 28 February 2020 the Company finalized the settlement of the tax audits concerning the 2016 and 2017 IRAP taxes, paying a total of 35 thousand Euro in IRAP, interest, and penalties. Moreover, the company will request a refund of approximately 21 thousand Euro's worth of excess taxes from the Inland Revenue Office as agreed under the settlement of the audit.

Updates on ongoing audits

- With reference to the tax audit carried out on Salvatore Ferragamo S.p.A. (Company) relating to the pass-through mechanism for CFCs for the years 2012, 2013, and 2014, as already disclosed in the 2019 Annual Report, to which reference should be made, the following events occurred in 2020. As for the year 2012, Florence's Provincial Tax Commission had upheld in full the Company's appeal in a ruling filed on 24 January 2019. The Office filed an appeal against said ruling that the Company challenged in accordance with the law. A hearing is scheduled for 19 November 2020. As for the year 2013, please note that in May 2019 the Company had appealed against the notice assessing an additional 65 thousand Euro corporate income tax liability plus nearly 30 thousand Euro in interest and penalties. Florence's Provincial Tax Commission rejected the Company's appeal and reimbursed the legal fees in a ruling filed on 14 January 2020, which the Company has not challenged as this would have been uneconomic. The dispute was settled in April 2020 with the Company paying all amounts due.

- 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 relating to the years from 2015 to 2017, already discussed in the 2019 Annual Report – to which reference should be made – we report the following. On 27 May 2020, at a public hearing before the Council of State on the dispute over the years from 2008 to 2010, the judge-rapporteur found in favor of the company and asked the Council to reject the appeal and order French Tax Authorities to pay the legal fees. Considering the legal complexity of the case, the court deferred a decision to the Council of State in plenary session, which held a public hearing on the case on 4 November 2020. By the end of November 2020, the Council of State in plenary session shall issue a ruling that will affect also the tax audit relating to the years from 2015 to 2017.

- As for the ongoing tax audit of Ferragamo Deutschland GmbH relating to the tax years 2011-2014 and which started in 2016, reference should be made to the 2019 Annual Report, as there were no new developments during the first nine months of 2020.

- 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, already discussed in the 2019 Annual Report – to which reference should be made – on 11 May 2020 the Regional Unit of the Tuscany Inland Revenue Office filed an appeal against the first-instance ruling that upheld the Company's appeal. Once again convinced that its actions were awful, Salvatore Ferragamo S.p.A. filed counterclaims and an appearance. A date for the hearing of the appeal is yet to be scheduled.

Tax and customs audits commenced during the period

- On 17 June 2020, the Seoul Customs Office commenced a customs audit of Ferragamo Korea Ltd. with respect to duties, VAT, and other local taxes for the period from 1 June 2015 through 31 May 2020. The audit at the company's office was completed on 23 July 2020 without any objections with respect to compliance. The investigation phase of the audit continues with the examination of the Group's transfer pricing policy, the implementation of the Italian Advance Pricing Agreement (“APA”), and other intercompany relationships (chief among them the services rendered by Ferragamo Hong Kong Ltd. to the South Korean company between 2015 and June 2017). Therefore, it is currently impossible to estimate if and to what extent the Office will assess any amount in duties, import taxes, and/or customs penalties.

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 2019 Annual Report, as there were no new developments during the first nine months of 2020.

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, there were no new developments during the first nine months of 2020, except for the following. In the wake of the Covid-19 pandemic's impact on the world economy, the Company notified the competent Office of these exceptional circumstances on 2 October 2020 and is looking forward to receiving a response from the Inland Revenue Office concerning a potential amendment to the terms of the Advance Pricing Agreement (“APA”) for 2020 and 2021 by the end of the year.

Other information

Dividends

On 10 March 2020, the Company's Board of Directors resolved to propose that the Shareholders' Meeting convened for 21 April 2020 distribute a dividend of 0.34 Euro per ordinary share.

On 6 April 2020, acknowledging that the global economic outlook has changed significantly due to the outbreak of the Covid-19 pandemic, the Board of Directors, after resolving to postpone the Shareholders' Meeting to 8 May 2020, in order to support the financial soundness of the Group and mitigate future economic-financial impacts, decided to withdraw the proposal for the distribution of dividends out of the Company's profits for the year 2019, already approved on 10 March 2020 and disclosed to the market on the same date, and to propose that the Shareholders' Meeting allocate Salvatore Ferragamo S.p.A.'s 124,211,203 Euro profit for the year 2019 to the extraordinary reserve.

Pursuant to the resolution passed by the Shareholders' Meeting on 8 May 2020, the Parent Company Salvatore Ferragamo S.p.A. allocated the 124,211,203 Euro profit for the year to 2019 to the extraordinary reserve.

Other Group companies with third-party minority shareholders did not pay or authorize any dividends during the first nine months of 2020.

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 (Italy's stock market watchdog), has set up the Investor Relator function, which ensures a continuous exchange of information between the Group and financial market participants. Financial data, corporate presentations, interim reports, official press releases, and real-time share price information are available on the Group's website <http://group.ferragamo.com>.

Stakes in Salvatore Ferragamo S.p.A.

As at 30 September 2020, 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 disclosure of Ferragamo Finanziaria S.p.A. pursuant to form 120/A in Attachment 4 to the Consob Issuers' Regulation. Please note that Ferragamo Finanziaria S.p.A. has requested to register the Salvatore Ferragamo ordinary shares it owns in the Special List set up by the Company pursuant to article 127-quinquies, paragraph 2, of the Consolidated Law on Finance to benefit from increased voting rights, as described below:

- on 2 July 2018, 86,499,010 shares, accounting for 51.246% of the Company's share capital; and
- on 14 January 2019, 5,112,800 shares, accounting for 3.029% of the Company's share capital.

Pursuant to article 6 of the Bylaws and article 9 of the Company's Rules for Increased Voting Rights, the increased voting rights attached to the ordinary shares held by Ferragamo Finanziaria S.p.A. and included in the Special List on 2 July 2018 became effective on 7 August 2020, as they have met the requirements under applicable law.

Considering the above, as at the date of approval of this interim report Ferragamo Finanziaria owned 172,998,020 voting rights, accounting for 66.583% of the Company's share capital, attached to the mentioned 86,499,010 shares, and 5,112,800 voting rights, accounting for 1.967% of the Company's share capital, attached to the 5,112,800 shares whose voting rights will be increased in 2021. Therefore, to date Ferragamo Finanziaria S.p.A. owns 178,110,820 voting rights, accounting for 68.55% of the total.

Treasury shares and shares or stakes in parent companies

On 8 May 2020, the Shareholders' Meeting of Salvatore Ferragamo S.p.A. authorized the Board of Directors, in accordance with and pursuant to article 2357 of the Italian Civil Code, to buy, including in multiple rounds, ordinary shares in Salvatore Ferragamo S.p.A. with a par value of 0.10 Euro each, up to a maximum amount that, considering the ordinary shares in Salvatore Ferragamo S.p.A. held from time to time by the Companies or its subsidiaries, shall not exceed 1% (i.e. 1,687,900 ordinary shares) of the Company's share capital in accordance with article 2357, paragraph 3 of the Italian Civil Code.

On 8 May 2020, the Meeting also authorized the Board of Directors, in accordance with article 2357-ter of the Italian Civil Code, to sell, including in multiple rounds, all or part of the ordinary shares bought under the above authorization or otherwise held by the Company.

The Company is authorized to buy back ordinary shares in one or multiple installments for a period of 18 months from 8 May 2020, i.e. the date of the resolution of the Shareholders' Meeting, whereas there was no time limit for selling ordinary shares.

As at 30 September 2020, Salvatore Ferragamo S.p.A. held 150,000 treasury shares, equal to 0.09% of the Share Capital, bought throughout 2018 and 2019 for a total outlay of around 2,776 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.

Staff

Here below is the Salvatore Ferragamo Group's staff divided by category as at 30 September 2020, 31 December 2019, and 30 September 2019.

Staff	30 September 2020	31 December 2019	30 September 2019
Top managers, middle managers and store managers	779	771	760
White collars	2,833	3,207	3,130
Blue collars	279	299	303
Total	3,891	4,277	4,193

Basis of presentation

This Interim report was approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 10 November 2020 and, on the same date, the Board authorized its release to the public. This Interim report was not prepared in accordance with IAS 34 "Interim Financial Reporting", as the Group applies said standard to half-year reports and not also quarterly reports.

For comparative purposes, the consolidated financial statements show the comparison with the consolidated statement of financial position as at 31 December 2019 and 30 September 2019 and the consolidated income statement as at 30 September 2019.

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

The **accounting standards** used to prepare the equity, income and financial data as at 30 September 2020 were 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 2019, 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 are effective as from 1 January 2020. Specifically, the Group decided to early adopt the amendment to IFRS16 Leases, endorsed by the European Union in October 2020, starting with the Half-Year Report as at 30 June 2020. This approach aims to represent the concessions granted by lessors as a result of the Covid-19 pandemic in line with expected industry practices. Not adopting said practical expedient would have given rise to significant accounting costs (the same costs that led the IASB to issue the amendment) and made it impossible to adopt it also for the Consolidated Financial Statements as at 31 December 2020. These considerations were decisive in electing to adopt the amendment early, given also the number of leases being renegotiated across the different geographies and jurisdictions in which the Group operates.

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

Consolidation area

In the first nine months of 2020, the Salvatore Ferragamo Group's structure underwent the following change: on 27 April 2020, Salvatore Ferragamo S.p.A. finalized the agreement to acquire, directly and indirectly, 100% of Arts S.r.l. and 100% of Aura 1 S.r.l., a sub-holding company owning 50.8% of Arts S.r.l.

As already mentioned in the Annual Report as at 31 December 2019, Ferragamo Denmark ApS, which had ceased operations in 2019, was struck off the Copenhagen Company Register on 7 January 2020.

In addition, 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 Consolidated financial statements as at 31 December 2018 and 2019. The impact of the application of the new standard as at 30 September 2020 is not to be considered material at the Group level.

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		
	30 September	30 September	30 September	31 December	30 September
	2020	2019	2020	2019	2019
US Dollar	1.1250	1.1236	1.1708	1.1234	1.0889
Swiss Franc	1.06801	1.11788	1.0804	1.0854	1.0847
Japanese Yen	120.911	122.570	123.76	121.94	117.59
Pound Sterling	0.8851	0.8835	0.9123	0.8508	0.8857
Danish Krone	7.4580	7.4644	7.4462	7.4715	7.4662
Australian Dollar	1.6627	1.6077	1.6438	1.5995	1.6126
South Korean Won	1,349.75	1,306.37	1,368.51	1,296.28	1,304.84
Hong Kong Dollar	8.7273	8.8074	9.0742	8.7473	8.5368
Mexican Peso	24.523	21.634	26.1848	21.2202	21.4522
New Taiwanese Dollar	33.472	34.8740	33.8933	33.5564	33.8631
Singapore Dollar	1.5635	1.5332	1.6035	1.5111	1.5060
Thai Baht	35.4437	35.1732	37.0790	33.4150	33.3150
Malaysian Ringgit	4.7613	4.6463	4.8653	4.5953	4.5592
Indian Rupee	83.4946	78.8301	86.2990	80.1870	77.1615
Macau Pataca	8.985	9.062	9.3493	9.0033	8.7902
Chinese Renminbi	7.8659	7.7135	7.9720	7.8205	7.7784
Chilean Peso	900.88	770.46	923.39	843.690	794.15
Argentine Peso	76.143	49.961	89.218	67.205	60.534
Brazilian Real	5.7100	4.3646	6.6308	4.5157	4.5288
Canadian Dollar	1.5218	1.4935	1.5676	1.4598	1.4426

Transactions with related parties

Sales and purchases between related parties are carried out at normal market prices. The outstanding balances at the end of the period are not backed by guarantees, do not generate interest, and are settled in cash. As at 30 September 2020, bank guarantees were issued in favor of Palazzo Feroni Finanziaria S.p.A. (1,901 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 Salvatore Ferragamo Group has not set aside any provision for bad debt in relation to amounts due from related parties.

Significant non-recurring events and transactions

During the first nine months of 2020, 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 30 September 2020

No significant events occurred after 30 September 2020.

Outlook

The short-term economic outlook has suddenly deteriorated at a global level and faces considerable uncertainty. The Covid-19 pandemic, which began in China and then spread to the rest of the world, caused a significant adverse shock that is having a strong negative impact on business operations, at least in the short term, by affecting both supply and demand; assessing the full impact of such a shock is still extremely hard. Early base-case assumptions about the virus being contained by the end of 2020 and growth gradually returning to normal in the first half of 2021 are being replaced by others according to which, although financial markets have stabilized as an accommodating monetary policy ensures the credit system continues working as usual, the easing of global uncertainty and the ensuing recovery are farther away. In its October forecasts – although these are slightly more optimistic than the ones issued in June – the International Monetary Fund anticipates a global recession in 2020, with GDP shrinking by -4.4%, and a +5.2% rebound in 2021. With respect to the world's major economies, GDP growth is expected to decline by -4.3% in 2020 and rise by +3.1% in the following year in the US, fall by -8.3% in 2020 and rise by +5.2% in 2021 in the Euro Area, and increase by +1.9% in 2020 and +8.2% in 2021 in China.

Management confirms its medium/long-term goals as it continues seeking to strengthen the Salvatore Ferragamo Group's competitive position among the leaders of the luxury market. The market scenario remains uncertain because of the recent new restrictions imposed by Western governments as well as the time horizon for overcoming the negative impact of the Covid-19 pandemic. Management therefore believes it cannot make detailed forecasts as to how the Group will perform in the various markets and distribution channels, but remains committed to curbing costs so as to mitigate the adverse impact of this period.

Florence, 10 November 2020

On behalf of the Board of Directors

The Chairman
Ferruccio Ferragamo

Financial Statements

Consolidated Statement of Financial Position – Assets

(In thousands of Euro)	30 September 2020	<i>of which</i> <i>with related</i> <i>parties</i>	31 December 2019	<i>of which</i> <i>with related</i> <i>parties</i>	30 September 2019	<i>of which</i> <i>with related</i> <i>parties</i>
NON CURRENT ASSETS						
Property, plant and equipment	211,376		251,805		254,517	
Investment property	34,393		39,091		41,446	
Goodwill and other intangible assets with an indefinite useful life	6,679		-		-	
Right-of-use assets	497,045	100,136	576,455	117,789	587,193	123,705
Intangible assets with a finite useful life	40,801		42,484		40,490	
Other non current assets	2,293		2,642		3,177	
Other non current financial assets	15,748	4,680	16,939	5,193	17,180	5,407
Deferred tax assets	111,248		96,736		98,435	
TOTAL NON CURRENT ASSETS	919,583	104,816	1,026,152	122,982	1,042,438	129,112
CURRENT ASSETS						
Inventories	369,273		389,531		403,120	
Right of return assets	2,853		5,473		4,436	
Trade receivables	100,075	87	147,202	92	110,564	110
Tax receivables	9,921		20,107		19,941	
Other current assets	33,793	1	32,980	2,599	32,008	2,123
Other current financial assets	1,130		101		358	
Cash and cash equivalents	369,357		222,332		198,132	
TOTAL CURRENT ASSETS	886,402	88	817,726	2,691	768,559	2,233
TOTAL ASSETS	1,805,985	104,904	1,843,878	125,673	1,810,997	131,345

Consolidated Statement of Financial Position – Liabilities and Shareholders' Equity

(In thousands of Euro)	30 September 2020	<i>of which with related parties</i>	31 December 2019	<i>of which with related parties</i>	30 September 2019	<i>of which with related parties</i>
SHAREHOLDERS' EQUITY						
GROUP SHAREHOLDERS' EQUITY						
Share capital	16,879		16,879		16,879	
Reserves	748,341		659,487		660,365	
Net profit/(loss) – Group	(96,463)		87,281		59,966	
TOTAL GROUP SHAREHOLDERS' EQUITY	668,757		763,647		737,210	
MINORITY INTERESTS						
Share capital and reserves – minority interests	21,213		21,534		21,986	
Net profit/(loss) – minority interests	407		84		1,460	
TOTAL MINORITY INTERESTS	21,620		21,618		23,446	
TOTAL SHAREHOLDERS' EQUITY	690,377		785,265		760,656	
NON CURRENT LIABILITIES						
Non current interest-bearing loans & borrowings	129,614		-		-	
Provisions for risks and charges	13,281		13,921		20,377	
Employee benefit liabilities	12,500		11,901		12,280	
Other non current liabilities	14,084	409	11,893	49	12,056	
Non current lease liabilities	483,265	86,045	559,267	99,261	568,671	102,433
Deferred tax liabilities	8,671		5,570		5,687	
TOTAL NON CURRENT LIABILITIES	661,415	86,454	602,552	99,310	619,071	102,433
CURRENT LIABILITIES						
Trade payables	124,367	1,195	198,934	423	176,007	1,307
Refund liabilities	5,736		8,720		6,848	
Interest-bearing loans & borrowings	159,712		48,060		45,149	
Tax payables	12,554		26,491		13,833	
Other current liabilities	39,096	9,834	54,317	10,753	66,723	16,246
Current lease liabilities	106,707	18,000	117,062	21,910	119,736	23,332
Other current financial liabilities	6,021		2,477		2,974	
TOTAL CURRENT LIABILITIES	454,193	29,029	456,061	33,086	431,270	40,885
TOTAL LIABILITIES	1,115,608	115,483	1,058,613	132,396	1,050,341	143,318
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,805,985	115,483	1,843,878	132,396	1,810,997	143,318

Consolidated Income Statement

(In thousands of Euro)	Period ended 30 September			
	2020	of which with related parties	2019	of which with related parties
Revenues from contracts with customers	609,531	107	990,394	327
Rental income investment properties	1,695		3,970	
Revenues	611,226		994,364	
Cost of goods sold	(243,600)		(350,200)	
Gross profit	367,626		644,164	
Style, product development and logistics costs	(26,419)	(395)	(37,198)	(531)
Sales & distribution costs	(282,889)	(14,816)	(349,304)	(18,311)
Marketing & communication costs	(38,815)	(12)	(55,844)	(68)
General and administrative costs	(84,800)	(5,533)	(93,295)	(5,778)
Other operating costs	(18,012)	(58)	(16,998)	(154)
Other income and revenues	13,233	6	13,708	12
Operating profit/(loss)	(70,076)		105,233	
Financial charges	(62,463)	(2,583)	(49,938)	(2,518)
Financial income	36,827	-	27,679	
Profit/(loss) before taxes	(95,712)		82,974	
Income Taxes	(344)		(21,548)	
Net profit/(loss) for the period	(96,056)		61,426	
Net profit/(loss) – Group	(96,463)		59,966	
Net profit/(loss) – minority interests	407		1,460	

(In Euro)	Period ended 30 September	
	2020	2019
Basic earnings/(loss) per share – ordinary shares	(0.572)	0.355
Diluted earnings/(loss) per share – ordinary shares	(0.572)	0.355

Consolidated Statement of Comprehensive Income

(In thousands of Euro)	Period ended 30 September	
	2020	2019
Net profit/(loss) for the period (A)	(96,056)	61,426
<i>Other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period</i>		
- Currency translation differences of foreign operations	(8,201)	(332)
- Net gain/(loss) from cash flow hedge	12,866	(4,618)
- Income taxes	(3,088)	1,108
	9,778	(3,510)
Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)	1,577	(3,842)
<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	(663)	(923)
- Income taxes	141	247
	(522)	(676)
Total other income/(losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)	(522)	(676)
Total other income/(losses) for the period, net of taxes (B1+B2 = B)	1,055	(4,518)
Total comprehensive income for the period, net of taxes (A+B)	(95,001)	56,908
Group	(95,003)	55,217
Minority interests	2	1,691

Consolidated Statement of Cash Flows

(In thousands of Euro)	Period ended 30 September			
	2020	<i>of which with related parties</i>	2019	<i>of which with related parties</i>
NET PROFIT/(LOSS) FOR THE PERIOD	(96,056)		61,426	
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	147,869	18,396	137,485	16,708
Income Taxes	344		21,548	
Provision for employee benefit plans	568		645	
Allocation to/(use of) the provision for obsolete inventory	31,742		9,585	
Losses and provision for bad debt	2,199		508	
Losses/(gains) on disposal of tangible/intangible assets	1,198		1,086	
Interest expense and interest expense on lease liabilities	13,286	2,583	13,633	2,518
Interest income	(1,119)	-	(697)	
Other non-monetary items	(180)		979	
Changes in operating assets and liabilities:				
Trade receivables	44,858	5	42,770	33
Inventories	(25,908)		(47,394)	
Trade payables	(72,877)	772	(31,056)	965
Other receivables and tax payables	(1,383)		(5,330)	
Employee benefits payments	(588)		(834)	
Other assets and liabilities	(5,147)	891	3,327	2,015
Other – net	(724)		(611)	
Income taxes paid	(18,147)	1,661	(12,861)	21,112
Interest expense and interest expense on lease liabilities paid	(14,654)	(2,816)	(11,994)	(1,942)
Interest income received	1,119	-	697	
NET CASH FROM (USED IN) OPERATING ACTIVITIES	6,400	21,492	182,912	41,409
Cash flow from investing activities:				
Purchase of tangible assets	(11,819)		(36,748)	
Purchase of intangible assets	(3,725)		(7,364)	
Proceeds from the sale of tangible and intangible assets	18		174	
Acquisition of Arts S.r.l. and Aura 1 S.r.l. net of cash acquired	(7,581)		-	
NET CASH FROM (USED IN) INVESTING ACTIVITIES	(23,107)	-	(43,938)	-
Cash flow from financing activities:				
Net change in financial receivables	(430)		688	
Net change in financial payables	242,740		5,672	
Repayment of lease liabilities	(89,865)	(17,608)	(85,397)	(16,409)
Dividends paid to shareholders of the Parent company	-		(57,372)	(40,685)
Dividends paid to minority shareholders	-		(5,194)	(5,194)
Treasury share repurchase	-		(2,525)	
NET CASH FROM (USED IN) FINANCING ACTIVITIES	152,445	(17,608)	(144,128)	(62,288)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	135,738		(5,154)	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	222,332		207,707	
Increase/(decrease) in cash and cash equivalents	135,738		(5,154)	
Effect of exchange rate translation differences	11,287		(4,421)	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	369,357		198,132	

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 01.01.2020	16,879	(2,776)	2,995	4,188	504,319	(499)	(16,002)	166,510	4,164	(3,412)	87,281	763,647	21,618	785,265
Allocation of results	-	-	-	-	124,211	-	-	(36,930)	-	-	(87,281)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	(96,463)	(96,463)	407	(96,056)
Other comprehensive income/(loss)	-	-	-	-	-	9,778	(7,907)	115	-	(526)	-	1,460	(405)	1,055
Total comprehensive income (loss)	-	-	-	-	-	9,778	(7,907)	115	-	(526)	(96,463)	(95,003)	2	(95,001)
Purchase of min. interests in companies consolidated on a line-by-line basis and accounting of options on min. interests	-	-	-	-	-	-	-	33	-	-	-	33	-	33
Change in scope of consolidation	-	-	-	-	-	-	-	18	(18)	-	-	-	-	-
Stock Grant Reserve	-	-	-	-	-	-	-	-	80	-	-	80	-	80
As at 30.09.2020	16,879	(2,776)	2,995	4,188	628,530	9,279	(23,909)	129,746	4,226	(3,938)	(96,463)	668,757	21,620	690,377

(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	-	-	-	-	25,941	-	-	62,420	-	-	(88,361)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	59,966	59,966	1,460	61,426
Other comprehensive income/(loss)	-	-	-	-	-	(3,510)	(797)	234	-	(676)	-	(4,749)	231	(4,518)
Total comprehensive income (loss)	-	-	-	-	-	(3,510)	(797)	234	-	(676)	59,966	55,217	1,691	56,908
Distribution of dividends	-	-	-	-	-	-	-	(57,372)	-	-	-	(57,372)	(5,315)	(62,687)
Purchase of min. interests in companies consolidated on a line-by-line basis and accounting of options on min. interests	-	-	-	-	-	-	-	(575)	-	-	-	(575)	423	(152)
Treasury share repurchase	-	(2,525)	-	-	-	-	-	-	-	-	-	(2,525)	-	(2,525)
Effect of the first-time adoption of IFRS16	-	-	-	-	-	-	-	-	(11,761)	-	-	(11,761)	-	(11,761)
Stock Grant Reserve	-	-	-	-	-	-	-	-	535	-	-	535	-	535
As at 30.09.2019	16,879	(2,776)	2,995	4,188	504,319	(6,559)	(9,811)	166,459	5,042	(3,492)	59,966	737,210	23,446	760,656

**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, 10 November 2020

Manager charged with preparing Company's Financial Reports
Alessandro Corsi