

Salvatore Ferragamo

Salvatore Ferragamo Group

Half-year report as at 30 June 2020

Salvatore Ferragamo S.p.A.

Florence

Contents

<i>General information</i>	3
<i>Corporate boards</i>	4
<i>Group structure</i>	5
<i>Group description</i>	6
<i>Interim Directors' report on operations</i>	7
<i>Main Stock Market indicators – Salvatore Ferragamo S.p.A.</i>	8
<i>Income and financial highlights for the first half of 2020</i>	9
<i>Introduction</i>	10
<i>The Group's activities</i>	10
<i>Operating performance</i>	11
<i>Statement of financial position and Investments</i>	16
<i>Income and financial indicators</i>	19
<i>Information on corporate governance and ownership structure</i>	20
<i>Other information</i>	22
<i>Significant events occurred during the first half of 2020</i>	23
<i>Research and development</i>	27
<i>Staff</i>	27
<i>Transactions with related parties</i>	27
<i>Main risks and uncertainties</i>	28
<i>Significant events occurred after 30 June 2020</i>	28
<i>Outlook</i>	29
<i>Condensed Consolidated Half-Year Financial Statements as at 30 June 2020</i>	30
<i>Financial Statements</i>	31
<i>Consolidated Statement of Financial Position – Assets</i>	31
<i>Consolidated Statement of Financial Position – Liabilities and Shareholders' Equity</i>	32
<i>Consolidated Income Statement</i>	33
<i>Consolidated Statement of Comprehensive Income</i>	34
<i>Consolidated Statement of Cash Flows</i>	35
<i>Statement of changes in consolidated shareholders' equity</i>	36
<i>Explanatory Notes</i>	37
<i>Comments on the main statement of financial position items (assets, shareholders' equity and liabilities)</i>	43
<i>Comments on the main income statement items</i>	58
<i>Other information</i>	62
<i>Statement pursuant to article 154 bis of Leg. Decree no. 58/98 (Consolidated Law on Finance)</i>	72
<i>Report on review of condensed interim consolidated financial statements</i>	73

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 (9)	Chairman
	Michele Norsa (7)(12)	Executive Deputy Chairman
	Micaela le Divelec Lemmi (7)(11)	Managing Director
	Giovanna Ferragamo (9)	
	Leonardo Ferragamo (9)	
	Diego Paternò Castello di San Giuliano (9)	
	Angelica Visconti (8)	
	Francesco Caretti (9)	
	Peter Woo Kwong Ching (9)	
	Umberto Tombari (9)(10)	
	Marzio Alessandro Alberto Saà (9)(10)	
	Chiara Ambrosetti (9)(10)	
	Lidia Fiori (9)(10)	
Executive Committee (2)	Ferruccio Ferragamo (13)	Chairman
	Michele Norsa (14)	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	Ferruccio Ferragamo (13)	Chairman
	Michele Norsa (14)	Chairman
	Micaela le Divelec Lemmi	
	Giacomo Ferragamo (13)	
	Diego Paternò Castello di San Giuliano	
	Angelica Visconti	
Board of Statutory Auditors (3)	Andrea Balelli (3)	Chairman
	Fulvio Favini (4)	Acting Statutory Auditor
	Paola Caramella (3)	Acting Statutory Auditor
	Giovanni Crostarosa Guicciardi (3)	Acting Statutory Auditor
	Roberto Coccia (3)	Substitute Statutory Auditor
	Antonietta Donato (4)	Substitute Statutory Auditor
	Antonella Andrei (3)	Substitute Statutory Auditor
Independent Auditors (5)	KPMG S.p.A.	
Manager charged with preparing Company's Financial Reports (6)	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) Serving until the approval of the separate financial statements as at 31 December 2019

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

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

(7) Executive director

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

(9) Non-executive director

(10) 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.

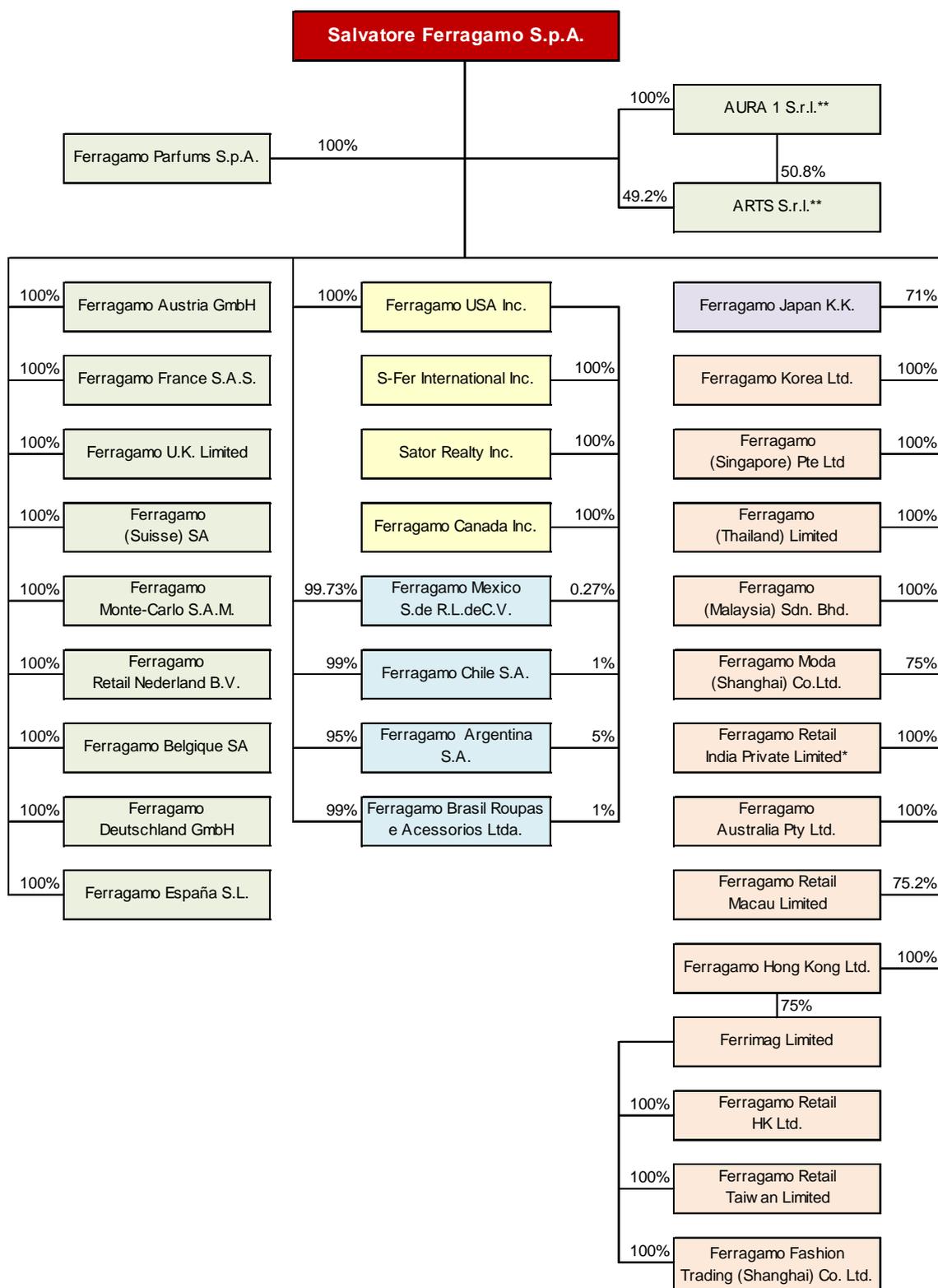
(11) Appointed as Director by the Shareholders' Meeting on 18 April 2019 and appointed as Managing Director by the Board of Directors on the same date. Serving until the approval of the separate financial statements as at 31 December 2020

(12) 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

(13) Serving until 27 May 2020

(14) 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 June 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 DOS in Holland

Ferragamo France S.A.S.

It manages DOS in France

Ferragamo Deutschland GmbH

It manages DOS in Germany

Ferragamo Austria GmbH

It manages DOS in Austria

Ferragamo U.K. Limited

It manages DOS in the United Kingdom

Ferragamo (Suisse) SA

It manages DOS in Switzerland

Ferragamo Belgique SA

It manages DOS in Belgium

Ferragamo Monte-Carlo S.A.M.

It manages DOS in the Principality of Monaco

Ferragamo Espana S.L.

It manages 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 DOS and the wholesale channel in Canada

S-Fer International Inc.

It manages DOS in the USA

Sator Realty Inc.

It manages DOS in the USA and real estate assets

Central and South America

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

It manages DOS and the wholesale channel in Mexico

Ferragamo Chile S.A.

It manages DOS in Chile

Ferragamo Argentina S.A.

It manages DOS in Argentina

Ferragamo Brasil Roupas e Acessorios Ltda.

It manages 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 DOS in Australia

Ferrimag Limited

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

Ferragamo Fashion Trading (Shanghai) Co. Ltd.

It manages DOS and the wholesale channel in the People's Republic of China

Ferragamo Moda (Shanghai) Co. Ltd.

It manages DOS in the People's Republic of China

Ferragamo Retail HK Limited

It manages DOS in Hong Kong

Ferragamo Retail Taiwan Limited

It manages DOS in Taiwan

Ferragamo Retail Macau Limited

It manages DOS in Macau

Ferragamo Retail India Private Limited

Non-operating company

Ferragamo Korea Ltd.

It manages DOS and the wholesale channel in South Korea

Ferragamo (Singapore) Pte Ltd.

It manages DOS in Singapore

Ferragamo (Thailand) Limited

It manages DOS in Thailand

Ferragamo (Malaysia) Sdn. Bhd.

It manages DOS in Malaysia

Japan

Ferragamo Japan K.K.

It manages DOS in Japan

Salvatore Ferragamo Group

Interim Directors' report on operations

Main Stock Market indicators – Salvatore Ferragamo S.p.A.	8
Income and financial highlights for the first half of 2020	9
Introduction	10
The Group's activities	10
Operating performance	11
Statement of financial position and Investments	16
Income and financial indicators	19
Information on corporate governance and ownership structure.....	20
Other information	22
Significant events occurred during the first half of 2020	23
Research and development	27
Staff	27
Transactions with related parties	27
Main risks and uncertainties	28
Significant events occurred after 30 June 2020	28
Outlook	29

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

Official price as at 30 June 2020 in Euro	12.05
Stock Market capitalization as at 30 June 2020 in Euro	2,033,919,500
Number of shares making up the share capital as at 30 June 2020	168,790,000
Number of outstanding shares net of treasury shares (free float)	48,979,090

Here below is the trend in Salvatore Ferragamo's share price during the first six 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 determination criterion applied by the Group may differ from that adopted by other groups, and the balance may not be comparable. These alternative performance measures are derived exclusively from historical financial data and are determined in accordance with the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 and adopted by CONSOB with communication no. 92543 of 3 December 2015. They refer exclusively to the performance for the reporting period of this Half-year report as well as the comparative periods, and not to the Group's expected performance and are not to be considered as substitutes for IFRS measures. The definitions of the alternative performance measures adopted in the Half-year report are provided below:

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

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*).

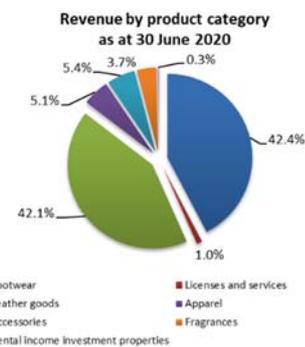
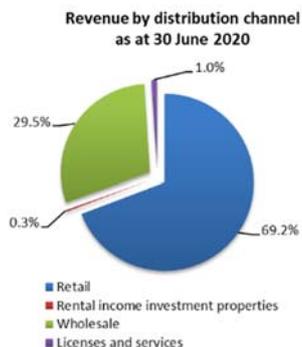
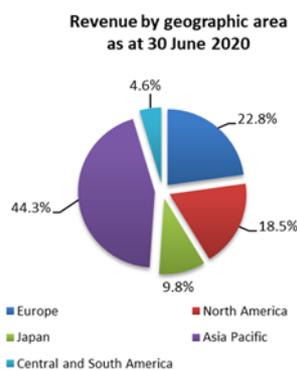
Net financial debt/(surplus): it is calculated as *Current and non current interest-bearing loans & borrowings plus Current and non current lease liabilities and Other current and non current financial liabilities* including the negative fair value of derivatives (non-hedging component), net of *Cash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

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

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

Income and financial highlights for the first half of 2020

(In millions of Euro)	Half-year period ended 30 June		% change 2020 vs 2019
	2020	2019	
Revenues	376.5	704.9	(46.6%)
Gross profit	226.0	456.9	(50.5%)
Gross profit %	60.0%	64.8%	
EBITDA	29.8	184.2	(83.9%)
EBITDA %	7.9%	26.1%	
Operating profit/(loss)	(74.4)	93.9	na
Operating profit/(loss) %	(19.8%)	13.3%	
Net profit/(loss) for the period	(86.4)	60.0	na
Net profit/(loss) – Group	(81.9)	58.1	na
Net profit/(loss) – minority interests	(4.5)	2.0	



(In millions of Euro)	30 June 2020	31 December 2019	30 June 2019
Investments in tangible/intangible assets	10.8	59.6	24.8
Net working capital	357.0	334.6	327.0
Shareholders' equity	695.9	785.3	757.4
Adjusted net financial debt/(surplus)	(58.1)	(171.9)	(141.1)
Adjusted cash flow generated from operating activities	(96.4)	135.6	62.3

	30 June 2020	31 December 2019	30 June 2019
Staff as at the reporting date	3,994	4,277	4,205
Number of DOS	389	393	397
Number of TPOS	254	261	264

Geographical distribution of monobrand stores (30 June 2020)



593 punti vendita monomarca

Disclaimer

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

The half-year report as at 30 June 2020 has been prepared in accordance with the international accounting standard regarding interim reporting (IAS 34 – Interim Financial Reporting) and consists of:

- Consolidated statement of financial position
- Consolidated Income Statement
- Consolidated Statement of Comprehensive Income
- Consolidated statement of cash flows
- Statement of changes in consolidated shareholders’ equity
- Explanatory notes to the condensed consolidated half-year report as at 30 June 2020

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

The Group’s activities

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

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

The distribution system

The organization of distribution and sales is one of the Group’s strengths, by virtue of its extensive and consolidated presence both in so-called traditional markets (Europe, United States and Japan) and in emerging markets (such as Asia Pacific and Latin America), as well as because it is extremely well positioned in terms of store locations.

The Group attributes great importance to monitoring distribution, which is done through:

- a network of directly operated Ferragamo brand stores (DOS), which as at 30 June 2020 numbered 389 (the so-called retail channel);
- a network of tailored monobrand stores and/or stores-in-stores managed by third parties (TPOS), which as at 30 June 2020 numbered 254, as well as through a multibrand channel (taken as a whole, the so-called wholesale channel).

Therefore, the total number of tailored Ferragamo monobrand stores (DOS and TPOS) as at 30 June 2020 was 643, distributed across the various geographic areas.

Through the retail channel (both the physical and e-commerce channel), the Group directly markets all product lines to end customers. Directly operated stores (DOS) are spread across all the main markets served by the Group in exclusive and strategic locations, both from a reputational and commercial point of view.

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

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

Effect of exchange rate changes on operations

The Ferragamo Group has a strong presence in international markets, including through commercial companies located in countries with currencies other than the Euro, mainly the US dollar, the Chinese renminbi, the Japanese yen, the South Korean won, and the Mexican peso. Therefore, the Group is exposed to both settlement and translation risk.

In the first six months of 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 the steps taken by local economies to deal with the emergency caused by the pandemic. Specifically, the Euro started out at approximately 1.12 relative to the US dollar and fluctuated between a low of 1.08 and a high of 1.1450 before ending the period at about 1.1250.

The Chinese renminbi had a similar performance relative to the Euro, starting out at around 7.8 and ending at approximately 7.9.

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 and end of the reporting period relative to the Euro (around 121), but it appreciated sharply during the first 4 months (hitting 114.50) and then saw an abrupt depreciation in the last two 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 June – 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 the reporting period.

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

Operating performance

The results for the first six months of 2020 were significantly influenced by the outbreak of the pandemic caused by the novel coronavirus, known as Covid-19, which began in earnest in January 2020 in China and Asia and subsequently spread to Europe, America, and the rest of the world. This situation has led the Governments of all the countries affected to restrict, ban 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. Against this backdrop, the Group saw revenues decline by 46.6% at current exchange rates (-46.9% at constant exchange rates), which caused margins and profits to contract. The Group promptly took a series of steps and actions to contain costs without negatively affecting the investments required for the economic recovery. In the first half of 2020, gross profit amounted to 60.0% as a proportion of revenues, down from 64.8% in the prior-year period largely because of the write-down of inventory and despite the favorable channel mix.

The Group posted a 74.4 million Euro operating loss in the first half of 2020, compared to a 93.9 million Euro profit in the first half of 2019 – also because of a 9.3 million Euro write-down of the Group's assets after these were tested for impairment to measure their recoverable amount.

The net loss for the period amounted to 86.4 million Euro, compared to 60.0 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 58.1 million Euro, down from 141.1 million Euro as at 30 June 2019 and 171.9 million Euro as at 31 December 2019, as the adjusted operating cash flow for the first six months of 2020 was a negative 96.4 million Euro.

The following table shows the main income statement data.

(In thousands of Euro)	Half-year period ended 30 June				
	2020	% of Revenues	2019	% of Revenues	% change
Revenues	376,526	100.0%	704,870	100.0%	(46.6%)
Gross profit	225,986	60.0%	456,895	64.8%	(50.5%)
Style, product development and logistics costs	(17,223)	(4.6%)	(25,997)	(3.7%)	(33.8%)
Sales & distribution costs	(192,204)	(51.0%)	(233,492)	(33.1%)	(17.7%)
Marketing & communication costs	(25,287)	(6.7%)	(37,064)	(5.3%)	(31.8%)
General and administrative costs	(58,361)	(15.5%)	(62,906)	(8.9%)	(7.2%)
Other operating costs	(14,649)	(3.9%)	(11,222)	(1.6%)	30.5%
Other income and revenues	7,306	1.9%	7,700	1.1%	(5.1%)
Total operating costs (net of other income)	(300,418)	(79.8%)	(362,981)	(51.5%)	(17.2%)
Operating profit/(loss)	(74,432)	(19.8%)	93,914	13.3%	(179.3%)
Net financial income and charges	(18,989)	(5.0%)	(15,017)	(2.1%)	26.5%
Profit/(loss) before taxes	(93,421)	(24.8%)	78,897	11.2%	(218.4%)
Income Taxes	7,032	1.9%	(18,862)	(2.7%)	(137.3%)
Net profit/(loss) for the period	(86,389)	(22.9%)	60,035	8.5%	(243.9%)
Net profit/(loss) – Group	(81,898)	(21.8%)	58,074	8.2%	(241.0%)
Net profit/(loss) – minority interests	(4,491)	(1.2%)	1,961	0.3%	(329.0%)
Amortization, depreciation and write-downs	104,172	27.7%	90,261	12.8%	15.4%
EBITDA	29,740	7.9%	184,175	26.1%	(83.9%)

Revenues in the first half of 2020 totaled 376,526 thousand Euro compared to 704,870 thousand Euro in the first half of 2019, down by 46.6%. The three main currencies other than the Euro in which the Group generates most of its revenues, i.e. the US dollar, the Chinese renminbi, and the Japanese yen, performed as follows in the first half of 2020 compared to the same period last year: the US dollar appreciated by 2.5%⁽¹⁾, the Japanese yen appreciated by 4.0%⁽²⁾ and the Chinese renminbi depreciated by 1.1%⁽³⁾ against the Euro, the currency in which the figures in the consolidated financial statements are expressed.

Revenues declined by 46.9% overall at constant exchange rates (applying to the revenues – not inclusive of the hedging effect – of the first half of 2019 the average exchange rate of the first half of 2020): they decreased by 51.2% in Europe, 57.8% in North America, 39.3% in Japan, 39.1% in Asia Pacific, and 50.1% in Central and South America. As in the past, Asia Pacific contributed the most to Group revenues with 44.3%, followed by Europe (22.8%), North America (18.5%), Japan (9.8%), and Central and South America (4.6%). In the second quarter of 2020, revenues amounted to 154,792 thousand Euro, down 60.1% at current exchange rates and 59.4% at constant exchange rates compared to the second quarter of 2019.

Gross profit for the period ended 30 June 2020 amounted to 225,986 thousand Euro, accounting for 60.0% of revenues; it was down 50.5% compared to the prior-year period, when it amounted to 456,895 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 24,146 thousand Euro write-down of inventory, which were direct and indirect consequences of the Covid-19 pandemic. In the second quarter of 2020, gross profit totaled 95,747 thousand Euro, down by 62.6% compared to the prior-year period, accounting for 61.9% of revenues compared to 66.1% in the second quarter of 2019.

Total **operating costs** (net of other income) amounted to 300,418 thousand Euro in the first half of 2020, down 17.2% compared to the first half of 2019 (362,981 thousand Euro) and rising to 79.8% from 51.5% as a percentage of revenues. The Group promptly took a series of steps and actions to contain operating costs without negatively affecting the investments required for the economic recovery. Specifically, it entered into important negotiations to revise the terms and conditions of the leases of its distribution network, resulting in an 11,226 thousand Euro positive variable lease payment in the first half of 2020 that was directly recognized through profit or loss – rather

¹ With reference to the average Euro/USD exchange rate for the period – first half of: 2020: 1.102; 2019: 1.130

² With reference to the average Euro/Yen exchange rate for the period – first half of: 2020 : 119.27; 2019: 124.28

³ With reference to the average Euro/Cny exchange rate for the period – first half of: 2020: 7.7509; 2019: 7.668

than as a lease modification. This accounting treatment is consistent with the amendment to IFRS 16 issued by the IASB in late May 2020 relating to renegotiations resulting from the Covid-19 pandemic, even though said amendment had not yet been endorsed by the European Union at the date of preparation of this half-year report as at 30 June 2020. In the second quarter of 2020 alone, total net operating costs amounted to 133,850 thousand Euro, down 27.1% compared to 183,594 thousand Euro (47.3% as a percentage of revenues) in the second quarter of 2019. They included the write-down of Property, plant and equipment (8,037 thousand Euro) and Intangible assets with a finite useful life (1,272 thousand Euro), totaling a combined 9,309 thousand Euro, resulting from the impairment tests conducted to measure the recoverable amount of these assets.

Even though variable costs fell proportionately to the contraction in revenues and the Group took steps to contain fixed costs, **EBITDA** was down 83.9% from 184,175 thousand Euro to 29,740 thousand Euro. The ratio to revenues stood at 7.9%, compared to 26.1% in the first half of 2019. In the second quarter of 2020, EBITDA totaled 18,179 thousand Euro, down 84.7% compared to 119,116 thousand Euro in the second quarter of 2019, and declined from 30.7% to 11.7% as a percentage of revenues.

The Group posted a 74,432 thousand Euro **operating loss** for the period ended 30 June 2020, compared to a 93,914 thousand Euro operating profit for the first half of 2019. The second quarter of 2020 alone saw an operating loss of 38,103 thousand Euro, compared to a 72,745 thousand Euro operating profit in the second quarter of 2019 – also because of the 9,309 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.

Net financial income and charges amounted to a negative 18,989 thousand Euro, deteriorating by 3,972 thousand Euro compared to the first six months of 2019.

(In thousands of Euro)	Half-year period ended 30 June		
	2020	2019	% change
Net interest	177	301	(41.2%)
Other net income/(charges)	(620)	(733)	(15.4%)
Net interest expense on lease liabilities	(8,430)	(8,786)	(4.1%)
Net gains/(losses) on exchange rate differences	(10,064)	3,184	(416.1%)
Net financial income/(charges) for fair value adjustment of derivatives	(52)	(8,983)	(99.4%)
Total	(18,989)	(15,017)	26.5%

Gains and losses on exchange rate differences mainly reflect the impact of commercial transactions in foreign currency, and went from 3,184 thousand Euro in net gains in the first half of 2019 to 10,064 thousand Euro in net losses in the first half 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 5,799 thousand Euro in the first half of 2019 to a negative 10,116 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 second quarter of 2020 alone, the Group posted 7,386 thousand Euro in net financial charges, compared to 9,156 thousand Euro in net financial charges in the second quarter of 2019.

Income Taxes

(In thousands of Euro)	Half-year period ended 30 June		
	2020	2019	% change
Profit/(loss) before taxes	(93,421)	78,897	(218.4%)
Current and deferred taxes	7,032	(18,862)	(137.3%)
Tax rate	na	23.9%	

The 93,421 thousand Euro loss before taxes gave rise to a positive 7,032 thousand Euro in current and deferred taxes, mainly because of the positive impact of deferred tax assets. These were largely attributable to the deferred tax assets recognized on tax losses by some subsidiaries and on the provision for obsolete inventory. The Group's tax rate had been 23.9% in the first half of 2019. In the first half 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 9.4 million Euro, whereas in the first six months of 2020 this benefit 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 half of 2020, the Group posted an 86,389 thousand Euro consolidated **net loss**, compared to a 60,035 thousand Euro profit in the first half of 2019.

The Group's share of net loss amounted to 81,898 thousand Euro, compared to 58,074 thousand Euro in profit in the prior-year period. In the second quarter of 2020, the net loss amounted to 44,943 thousand Euro, compared to 48,989 thousand Euro in net profit the second quarter of 2019; the Group's share of net loss amounted to 42,822 thousand Euro, compared to a 47,911 thousand Euro profit in the second quarter of 2019.

Revenues

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

(In thousands of Euro)	Half-year period ended 30 June					at constant exchange rates
	2020	% of Revenues	2019	% of Revenues	% change	% change
Europe	85,759	22.8%	177,608	25.2%	(51.7%)	(51.2%)
North America	69,740	18.5%	152,808	21.7%	(54.4%)	(57.8%)
Japan	36,886	9.8%	58,905	8.4%	(37.4%)	(39.3%)
Asia Pacific	166,746	44.3%	277,225	39.3%	(39.9%)	(39.1%)
Central and South America	17,395	4.6%	38,324	5.4%	(54.6%)	(50.1%)
Total	376,526	100.0%	704,870	100.0%	(46.6%)	(46.9%)

In the first half of 2020, revenues in Europe were heavily affected in both sales channels by the restrictions on business operations and international traffic (so-called lockdown) enacted in most European countries, declining by 51.7% at current exchange rates and 51.2% at constant exchange rates. In the second quarter of 2020, sales were down 71.9% at constant exchange rates.

In North America revenues fell by 54.4% at current exchange rates and 57.8% 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 staged in the United States in May and June 2020.

Japan saw revenues decline by 37.4% at current exchange rates and 39.3% at constant exchange rates, largely because of the sharp slowdown in international traffic and, in the second quarter of 2020, the impact of protracted store closures.

The Asia-Pacific region, which was the first to face the Covid-19 outbreak and the ensuing social distancing measures, reported a 39.9% fall in revenues at current exchange rates (-39.1% at constant exchange rates), with an improvement in the second quarter of 2020 (-35.3% at constant exchange rates) thanks to the positive performance of directly operated stores in China. Asia Pacific contributed once again the most to Group revenues with 44.3% compared to 39.3% in the prior-year period.

In Central and South America revenues were down 54.6% at current exchange rates (-50.1% at constant exchange rates), as they were heavily affected by store closures in the second quarter of 2020. It should be noted that the revenues recorded in the first half of 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 25 thousand Euro (45 thousand Euro as at 30 June 2019).

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

(In thousands of Euro)	Half-year period ended 30 June					at constant exchange rates
	2020	% of Revenues	2019	% of Revenues	% change	% change
Retail	260,614	69.2%	441,686	62.7%	(41.0%)	(41.1%)
Wholesale	110,882	29.5%	254,376	36.1%	(56.4%)	(56.8%)
Licenses and services	3,899	1.0%	5,687	0.8%	(31.4%)	(31.4%)
Rental income investment properties	1,131	0.3%	3,121	0.4%	(63.8%)	(64.6%)
Total	376,526	100.0%	704,870	100.0%	(46.6%)	(46.9%)

In the first half 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 41.0% at current exchange rates and 41.1% at constant exchange rates across all the Group's geographies. They benefited from the reopening of directly operated stores in China in the second quarter. In the first half of 2020, the retail channel accounted for 69.2% of total revenues, compared to 62.7% in the prior-year period.

During the first six months of 2020, the number of directly operated stores (DOS) decreased by four units compared to the situation as at 31 December 2019. Relative to 30 June 2019, there was a net decrease of eight stores. Because of the restrictions enacted in various countries around the world to contain the Covid-19 pandemic (so-called lockdown) and, to a lesser extent, social protest movements in the United States, most of the Group's directly operated stores were forced to close in the first half of 2020.

The wholesale channel was down 56.4% at current exchange rates and 56.8% at constant exchange rates – also because of the slowdown in the Travel Retail channel.

Revenues from licenses and services in the first half of 2020 decreased by 31.4% compared to the first half of 2019 (both at current and constant exchange rates); this item mainly consists of royalties for the licensing of the Salvatore Ferragamo brand in the eyewear and watch sectors.

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 63.8% at current exchange rates compared to the prior-year period, as some real estate leases came to an end in the first six months of 2020.

The following table shows the breakdown of revenues by **product category** in the six months ended 30 June 2020 and 2019, indicating the relevant percentage of total revenues:

(In thousands of Euro)	Half-year period ended 30 June					at constant exchange rates
	2020	% of Revenues	2019	% of Revenues	% change	% change
Footwear	159,490	42.4%	297,288	42.2%	(46.4%)	(47.3%)
Leather goods	158,551	42.1%	280,910	39.9%	(43.6%)	(43.1%)
Apparel	19,091	5.1%	36,222	5.1%	(47.3%)	(47.9%)
Accessories	20,302	5.4%	39,886	5.7%	(49.1%)	(49.2%)
Fragrances	14,062	3.7%	41,756	5.9%	(66.3%)	(66.6%)
Licenses and services	3,899	1.0%	5,687	0.8%	(31.4%)	(31.4%)
Rental income investment properties	1,131	0.3%	3,121	0.4%	(63.8%)	(64.6%)
Total	376,526	100.0%	704,870	100.0%	(46.6%)	(46.9%)

All product categories were down at current and constant exchange rates (-46.4% for footwear, -43.6% for leather goods, and -66.3% for fragrances at current exchange rates).

Cost of goods sold and gross profit

(In thousands of Euro)	Half-year period ended 30 June				
	2020	% of Revenues	2019	% of Revenues	% change
Consumables	(76,887)	(20.4%)	(124,346)	(17.6%)	(38.2%)
Services	(70,060)	(18.6%)	(118,931)	(16.9%)	(41.1%)
Personnel	(3,070)	(0.8%)	(4,205)	(0.6%)	(27.0%)
Depreciation and amortization	(523)	(0.1%)	(493)	(0.1%)	6.1%
Cost of goods sold	(150,540)	(40.0%)	(247,975)	(35.2%)	(39.3%)
Gross profit	225,986	60.0%	456,895	64.8%	(50.5%)

The **cost of goods sold** in the first half of 2020 amounted to 150,540 thousand Euro, down 39.3% from the prior-year period. **Gross profit** as a proportion of revenues stood at 60.0% in the first half of 2020, down from 64.8% in the prior-year period largely because of the write-down of inventory (the amount set aside, net of uses, in the first six months of the year was 24,146 thousand Euro, compared to 1,935 thousand Euro in the first half of 2019) and despite the favorable channel mix.

Statement of financial position and Investments

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

(In thousands of Euro)	30 June 2020	31 December 2019	30 June 2019	% change 06.20 vs 12.19	% change 06.20 vs 06.19
Property, plant and equipment, investment property, intangible assets with a finite and indefinite useful life and goodwill	308,103	333,380	335,065	(7.6%)	(8.0%)
Right-of-use assets	520,291	576,455	580,601	(9.7%)	(10.4%)
Net working capital	356,977	334,552	327,049	6.7%	9.2%
Other non current assets/(liabilities), net	84,494	73,032	61,092	15.7%	38.3%
Other current assets/(liabilities), net	(11,818)	(27,721)	(9,519)	(57.4%)	24.2%
Net invested capital	1,258,047	1,289,698	1,294,288	(2.5%)	(2.8%)
Group shareholders' equity	674,396	763,647	733,902	(11.7%)	(8.1%)
Minority interests	21,535	21,618	23,487	(0.4%)	(8.3%)
Shareholders' equity (A)	695,931	785,265	757,389	(11.4%)	(8.1%)
Net financial debt/(surplus) (B)	562,116	504,433	536,899	11.4%	4.7%
Total sources of financing (A+B)	1,258,047	1,289,698	1,294,288	(2.5%)	(2.8%)
Net financial debt/(surplus) (B)	562,116	504,433	536,899	11.4%	4.7%
Lease liabilities (C)	620,238	676,329	678,047	(8.3%)	(8.5%)
Adjusted net financial debt/(surplus) (B-C)	(58,122)	(171,896)	(141,148)	(66.2%)	(58.8%)
Adjusted net financial debt(surplus)/ Shareholders' equity	(8.4%)	(21.9%)	(18.6%)		

Investments in fixed assets

During the first half of 2020, the Salvatore Ferragamo Group made investments in tangible and intangible assets totaling 10,756 thousand Euro, of which 8,035 thousand Euro in tangible assets and 2,721 thousand Euro in intangible assets, compared to a total of 24,837 thousand Euro in the first half of 2019. The reduction in investments in the first half of 2020 compared with the prior-year period was closely associated with the Group's decision to postpone low-priority 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 (6.3 million Euro, approximately 78% 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 the first half of 2020; the development of the e-commerce platform; and the purchase of software licenses (totaling 1.1 million Euro, i.e. 39% of investments in intangible assets in the first six months of 2020).

Investments in tangible assets under construction, amounting to 3.0 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 4.4 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 33,192 thousand Euro in the first six months of 2020, down 1.8% from 33,800 thousand Euro in the prior-year period.

In the first half 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 this Half-Year Report – provisionally recognizing 11,279 thousand Euro in goodwill. Salvatore Ferragamo S.p.A. tasked an independent expert with measuring the fair value of the assets acquired and liabilities assumed.

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

Right-of-use assets, amounting to 520,291 thousand Euro as at 30 June 2020, refer to the recognition of "Right-of-use assets" against "Lease liabilities" following the application of IFRS 16 as from 1 January 2019 and were

down from 576,455 thousand Euro as at 31 December 2019, largely because of 59,639 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 31,330 thousand Euro as at 30 June 2020.

Net working capital

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

(In thousands of Euro)	30 June 2020	31 December 2019	30 June 2019	% change 06.20 vs 12.19	% change 06.20 vs 06.19
Inventories and Right of return assets	394,793	395,004	388,646	(0.1%)	1.6%
Trade receivables	95,845	147,202	154,633	(34.9%)	(38.0%)
Trade payables and Refund Liabilities	(133,661)	(207,654)	(216,230)	(35.6%)	(38.2%)
Total	356,977	334,552	327,049	6.7%	9.2%

Net working capital increased by 6.7 % compared to 31 December 2019 and by 9.2% compared to 30 June 2019. The increase compared to 31 December 2019 and 30 June 2019 was largely attributable to the decline in Trade Payables and Refund Liabilities, offset by the decrease in Trade Receivables, while Inventories and Right of return assets were essentially unchanged – also because of the write-down of inventory.

Specifically, inventories of finished products were up 2,913 thousand Euro from 31 December 2019 (+0.9%) and up 14,249 thousand Euro from 30 June 2019 (+4.4%). Raw materials for production were down 5.2% from 31 December 2019 and 16.4% from 30 June 2019.

Trade receivables declined by 34.9% (51,357 thousand Euro) compared to 31 December 2019 and 38.0% (58,788 thousand Euro) compared to 30 June 2019 and essentially referred to wholesale sales, reflecting the contraction in sales registered in the first half of 2020.

Trade payables mainly refer to purchases of production materials, finished products, and costs relating to outsourced manufacturing. The item Trade Payables and Refund Liabilities was down 35.6% compared to 31 December 2019 and 38.2% compared to 30 June 2019.

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

Other non current assets/(liabilities), amounting to 84,494 thousand Euro in net assets, were up 11,462 thousand Euro compared to 31 December 2019 – largely because of the 13,645 thousand Euro increase in deferred tax assets, calculated mainly on the reversal of unrealized intragroup profits on inventories and the estimated tax losses of some of the Group's subsidiaries as at 30 June 2020.

Other current assets/(liabilities) shifted from 27,721 thousand Euro in net liabilities as at 31 December 2019 to 11,818 thousand Euro in net liabilities as at 30 June 2020, largely because Tax payables were down 13,200 thousand Euro (specifically due to the payment in the first half of 2020 of the amount due under the settlement of the tax dispute involving Salvatore Ferragamo S.p.A., which was finalized in November 2019) and Other current liabilities declined by 11,345 thousand Euro (mainly because of the decrease in payables due to employees) – which was offset by the 5,138 thousand Euro reduction in Tax receivables.

Shareholders' equity

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

- the 81,898 thousand Euro decrease resulting from the loss for the period;
- the 4,368 thousand Euro increase resulting from the measurement of hedging derivatives net of the relevant tax effect;
- the 80 thousand Euro increase arising from the recognition of the Stock Grant Reserve's effect for the period;
- the 6,977 thousand Euro decrease attributable to the translation into Euro of the subsidiaries' financial statements denominated in other currencies;
- the 4,525 thousand Euro decrease arising from changes in the fair value of the put options assigned to pre-existing minority shareholders, mainly because of the reclassification out of minority interests;
- 299 thousand Euro in other minor decreases.

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

(In thousands of Euro)	Half-year period ended 30 June 2020	
	Shareholders' equity	Net profit/(loss) for the period
Salvatore Ferragamo S.p.A. data	693,375	4,273
Elimination of consolidated investments	156,908	(85,767)
Elimination of unrealized profits, deriving from transactions between Group companies, relating to inventories, net of the deferred tax effect	(163,840)	(2,744)
Effect of IAS 39 – cash flow hedge reserve, net of the deferred tax effect	-	(1,750)
Other consolidation adjustments	9,488	(401)
Total shareholders' equity and net profit/(loss)	695,931	(86,389)
Minority interests – shareholders' equity and net profit/(loss)	21,535	(4,491)
Group – shareholders' equity and net profit/(loss)	674,396	(81,898)

Net financial debt

Net financial debt (calculated in accordance with CONSOB Communication no. DEM/6064293 and presented here in condensed form) as at 30 June 2020, 31 December 2019, and 30 June 2019 was as follows:

(In thousands of Euro)	30 June	31 December	30 June	%	%
	2020	2019	2019	change 06.20 vs 12.19	change 06.20 vs 06.19
Cash and cash equivalents (A)	264,511	222,332	178,180	19.0%	48.5%
Other current financial assets (B)	197	101	236	95.0%	(16.5%)
Interest-bearing loans and borrowings (C)	199,261	48,060	34,897	314.6%	471.0%
Other financial liabilities (D)	7,325	2,477	2,371	195.7%	208.9%
Lease liabilities (E)	620,238	676,329	678,047	(8.3%)	(8.5%)
Net financial debt/(surplus) (C + D +E – A – B)	562,116	504,433	536,899	11.4%	4.7%

Net financial debt rose from 504,433 thousand Euro as at 31 December 2019 to 562,116 thousand Euro as at 30 June 2020, largely because of the increase in interest-bearing loans and borrowings during the period.

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

(In thousands of Euro)	30 June	31 December	30 June	Change	Change
	2020	2019	2019	06.20 vs 12.19	06.20 vs 06.19
Net financial debt/(surplus) (a)	562,116	504,433	536,899	57,683	25,217
Non current lease liabilities	508,163	559,267	560,306	(51,104)	(52,143)
Current lease liabilities	112,075	117,062	117,741	(4,987)	(5,666)
Lease liabilities (b)	620,238	676,329	678,047	(56,091)	(57,809)
Adjusted net financial debt/(surplus) (a-b)	(58,122)	(171,896)	(141,148)	113,774	83,026

As at 30 June 2020, the **adjusted net financial surplus** amounted to 58,122 thousand Euro, compared to a net financial surplus of 171,896 thousand Euro as at 31 December 2019. This was largely due to the adjusted cash flows used in operating activities (negative 96,406 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 (11,197 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 – for more details, see the paragraph “Significant events occurred during the first half of 2020”. Compared to 30 June 2019, the adjusted net financial position declined by 83,026 thousand Euro, from a net financial surplus of 141,148 thousand Euro to an adjusted net financial surplus of 58,122 thousand Euro. Please note that in the first half of 2020, in order to support the financial soundness of the Group and maintain significant investment capacity, the Shareholders' Meeting of Salvatore Ferragamo that approved the 2019 separate financial statements resolved not to distribute dividends and to allocate instead the 124,211,203 Euro profit for the year 2019 entirely to the extraordinary reserve.

Income and financial indicators

The tables below set out the trend in the main income and financial indicators for the half-year periods ended 30 June 2020 and 30 June 2019.

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

Profitability ratios	Half-year period ended 30 June	
	2020	2019
ROE	(11.4%)	7.8%
(Group net profit for the period/average Group shareholders' equity)		
ROI	(5.8%)	9.9%
(Operating profit / Net average invested capital)		
ROS	(19.8%)	13.3%
(Operating profit / Revenues)		

Financial ratios	Half-year period ended 30 June	
	2020	2019
Coverage of shareholders' equity ratio	72.7%	73.8%
(Shareholders' equity / Non current assets)		
Liquidity ratio	80.6%	93.3%
(Current assets excluding inventories/Current liabilities)		

Turnover ratios expressed in days	Half-year period ended 30 June	
	2020	2019
Turnover of trade receivables	58	38
(Average value of Trade receivables in the period / Revenues x days)		
Turnover of Trade payables	118	94
(Average value of Trade payables in the period / Purchases of goods and services x days)		
Inventory turnover	466	272
(Average value of Inventories in the period / Cost of goods sold x days)		
Turnover of Average invested capital	609	243
(Average value of Net invested capital / Revenues x days)		

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

Information on corporate governance and ownership structure

Corporate Governance

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

The Bylaws in force were approved by the Extraordinary Shareholders' Meeting on 20 April 2018. The Bylaws establish the essential features of the Company and set the main rules for its management and operation, as well as provide a description of the membership of corporate bodies, their powers, and their relationships. The Bylaws also include the description of shareholders' rights and how to exercise them.

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

The main corporate governance body is the Board of Directors, which has the primary responsibility for determining and pursuing the strategic objectives of the Company and the Group. The current Board was elected by the Shareholders' Meeting on 20 April 2018 according to the single list submitted by the majority shareholder Ferragamo Finanziaria S.p.A., except for:

(i) the Director Micaela le Divelec Lemmi, who was co-opted pursuant to article 2386 of the Italian Civil Code on 31 July 2018 and appointed to the Company's Board of Directors with the resolution of the Shareholders' Meeting of 18 April 2019. On the same date, Ms Micaela le Divelec Lemmi was confirmed as the Company's Managing Director, assigning her the powers to represent and sign on behalf of the Company, as well as all the powers of ordinary administration, except for those expressly reserved to the exclusive competence of the Board of Directors; and

(ii) the Director Michele Norsa, co-opted by the Board of Directors on 27 May 2020 pursuant to article 2386 of the Italian Civil Code in place of the Director Giacomo Ferragamo effective 28 May 2020. On the same date, the Board of Directors also appointed him as Executive Deputy Chairman, vesting him with the executive powers previously exercised by the Chairman Ferruccio Ferragamo.

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

On 6 April 2020, the Company's Board of Directors established an Executive Committee within the Board, vesting it with the powers to monitor, oversee and support the implementation of the initiatives launched by the Company to address the emergency caused by the Covid-19 pandemic. The Executive Committee, which shall remain in office until the end of the extraordinary situation as per the resolution passed by the Board of Directors, does not have any other powers over the Company's day-to-day business operations. The original members of the Committee were the Director Ferruccio Ferragamo (Committee Chairman), the Managing Director Micaela le Divelec Lemmi, and the Directors Francesco Caretti, Diego Paternò Castello di San Giuliano, and Marzio Alessandro Alberto Saà. On 27 May 2020, the Company's Board of Directors appointed the Director Michele Norsa to the Executive Committee in place of Mr Ferruccio Ferragamo, electing him also as Chairman of said Committee.

In addition, the Company's Board of Directors also appointed the following Board Committees:

- 1) the Nomination and Remuneration Committee, consisting of the Independent Directors Umberto Tombari (Chairman), Chiara Ambrosetti, Lidia Fiori, and Marzio Alessandro Alberto Saà;
- 2) the Control and Risk Committee – which is also responsible for transactions with related parties – consisting of the Independent Directors Marzio Alessandro Alberto Saà (Chairman), Chiara Ambrosetti, Lidia Fiori, and Umberto Tombari;
- 3) the Product and Brand Strategy Committee, consisting of the Directors Michele Norsa (Chairman of the Committee), Micaela le Divelec Lemmi, Angelica Visconti, and Diego Paternò Castello di San Giuliano.

With respect to the Company's governance, the Board of Directors also appointed the Director Marzio Alessandro Alberto Saà as Lead Independent Director and the Managing Director Micaela le Divelec Lemmi as Director responsible for the internal control and risk management system. The relevant duties and responsibilities are outlined in the Corporate Governance Code.

Finally, on 8 May 2020 the Shareholders' Meeting elected the new members of the Board of Statutory Auditors for the 2020-2022 period based on a slate-voting system. The members, who shall remain in office until the Meeting convened to approve the financial statements at 31 December 2022, are: Andrea Balelli, elected from the slate submitted by a group of minority shareholders in the Company and subsequently appointed as Chairman of the Board; Paola Caramella and Giovanni Crostarosa Guicciardi, Acting Statutory Auditors elected from the majority slate submitted by Ferragamo Finanziaria S.p.A.; Antonella Andrei and Roberto Coccia, Substitute

Statutory Auditors elected from the majority and minority slates, respectively. On 10 March 2020, the Board of Directors also appointed the CFO and Manager with strategic responsibilities Alessandro Corsi as Manager charged with preparing Company's Financial Reports pursuant to art. 154 bis of Italian Legislative Decree no. 58 of 24 February 1998 effective 1 April 2020.

To date, the Board of Directors has identified the following as Managers with strategic responsibilities: the Brand & Product and Communication Manager Giacomo Ferragamo, and the CFO and Manager charged with preparing Company's Financial Reports Alessandro Corsi.

Main features of the systems of risk management and internal control

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

Salvatore Ferragamo S.p.A. establishes the general principles governing the Group's internal control system, in compliance with local laws and rules, implementing operational and organizational procedures that are suitable for the specific context. The following must be considered as integral parts of the overall internal control system:

- the Code of Ethics, intended to promote and maintain an appropriate level of fairness, transparency, and ethical conduct in the performance of the Group's operations;
- the risk management system in relation to the financial disclosure process adopted in compliance with the provisions of art. 154-bis of the Consolidated Law on Finance;
- the organization, management and control model adopted for the purposes of preventing the crimes as set out in Leg. Decree 231/2001;
- the Anticorruption Policy;
- the Supplier Code of Conduct, which sets out ethical standards and rules of conduct in addition to legal, regulatory and procedural requirements that govern the business relationships of Salvatore Ferragamo S.p.A. with its supply chain;
- the process for managing, and the activities implemented to prepare, the Non-Financial Statement (NFS) with the aim of collecting the information required by Italian Legislative Decree 254/2016 as well as on the basis and methods of reporting.

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

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

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

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

- Director responsible for the internal control and risk management system

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

- Control and Risk Committee

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

- ERM (Enterprise Risk management) Guidance Committee

It has the task of assisting the Director responsible for the internal control and risk management system in taking the main decisions concerning the design, implementation and management of the ERM Model. Among other things, these concern the direct assessment of "strategic" risks, the confirmation of assessments concerning other risks, and the approval of high-priority measures and action plans.

- Chief Risk Officer and Sustainability Coordinator

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

reports to the Chief Risk Officer and Sustainability Coordinator. The latter also manages insurance policies at the Group level and coordinates Group Corporate Social Responsibility activities, reporting to the Chairman.

- Internal Audit Manager

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

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

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

- Supervisory Body pursuant to Leg. Decree no. 231/01.

It is responsible for checking the effectiveness, adequacy and compliance of the Organization, Management and Control Model pursuant to Leg. Decree no. 231/01 and ensuring it is constantly updated.

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

Other information

Financial reporting and Investor relations

Salvatore Ferragamo S.p.A. in order to maintain a constant dialogue with its Shareholders, potential investors and financial analysts, and in compliance with the recommendation of CONSOB (Italy's stock market watchdog), has set up the Investor Relator function, which ensures a continuous exchange of information between the Group and financial markets.

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

Stakes in Salvatore Ferragamo S.p.A.

As at 30 June 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 (TUF) 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 included in the Special List that have met the requirements under applicable law became effective on 7 August 2020.

Considering the above, as at the date of approval of this 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 June 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.

Transactions arising from atypical and/or unusual transactions

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

Significant events occurred during the first half of 2020

Ordinary Shareholders' Meeting

Considering the epidemiological emergency caused by the Covid-19 virus, at the meeting held on 6 April 2020 the Board of Directors resolved to postpone the Shareholders' Meeting originally convened for 21 April 2020 in single call to 8 May 2020, once again in single call, without any changes to the agenda.

On 8 May 2020, the Shareholders' Meeting of the Parent company Salvatore Ferragamo S.p.A. approved the separate financial statements for the year ended 31 December 2019 and the allocation of the 124,211,203 profit for the year 2019 to the extraordinary reserve, as detailed in the specific section "Dividends" of the explanatory notes.

On the same date, the Shareholders' Meeting also:

- elected the members of the Board of Statutory Auditors for the 2020 - 2022 period based on a slate-voting system. The members, who shall remain in office until the Meeting convened to approve the financial statements at 31 December 2022, are: Andrea Balelli, elected from the slate submitted by a group of minority shareholders in the Company and subsequently appointed as Chairman of the Board; Paola Caramella and Giovanni Crostarosa Guicciardi, Acting Statutory Auditors elected from the majority slate submitted by Ferragamo Finanziaria S.p.A.; Antonella Andrei and Roberto Coccia, Substitute Statutory Auditors elected from the majority and minority slates, respectively. Finally, the Meeting fixed the gross annual fee of the Chairman of the Board of Statutory Auditors at 64,000 Euro and the gross annual fee of each Acting Statutory Auditor at 48,000 Euro;
- authorized the Board of Directors to buy, including in multiple rounds, ordinary shares in Salvatore Ferragamo with a par value of 0.10 Euro each, up to a maximum amount that, considering the ordinary shares in Salvatore Ferragamo 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;
- approved the Company's policy concerning the remuneration of the members of the governing bodies, general managers, managers with strategic responsibilities, and the members of control bodies for the year 2020, as well as the procedures used to adopt and implement said policy, as described in Section I of the report on remuneration policy and fees paid;
- voted in favor of Section II of the report on remuneration policy and fees paid, which includes, among other things, a list of the fees paid to said individuals in any capacity and in any form for the year ended 31 December 2019.

Board of Directors

At the meeting held on 10 March 2020, the Company's Board of Directors approved, (i) the draft separate financial statements for 2019, the Directors' report on operations for 2019 and the consolidated financial statements as at 31 December 2019, (ii) the Report on corporate governance and ownership structure, (iii) the Report on remuneration policy and fees paid, (iv) the consolidated Non-Financial Statement for 2019, containing non-financial information pursuant to Legislative Decree no. 254 of 30 December 2016, as a separate document from the Directors' report on operations, and convened the ordinary Shareholders' Meeting for 21 April 2020.

At the same meeting on 10 March 2020, Salvatore Ferragamo S.p.A.'s Board of Directors also:

- resolved to propose that the Shareholders' Meeting convened for 21 April 2020 distribute a dividend of 0.34 Euro per ordinary share; this proposal was subsequently withdrawn with the resolution of the Board of Directors dated 6 April 2020;
- appointed the CFO Alessandro Corsi as Manager charged with preparing Company's Financial Reports, after consulting with the Nomination and Remuneration Committee as well as the Board of Statutory Auditors, pursuant

to art. 154 bis of Italian Legislative Decree no. 58 of 24 February 1998. The appointment is effective as from 1 April 2020;

- approved an agreement to acquire 100% of Arts S.r.l..

On 6 April 2020, considering the epidemiological emergency caused by the Covid-19 virus and the restrictions enacted by the Italian Government, the Company's Board of Directors resolved to postpone the Shareholders' Meeting originally convened for 21 April 2020 to 8 May 2020, once again in single call

At the same meeting on 6 April 2020 the Board of Directors, having confirmed all the powers previously granted to the Chairman and Managing Director upon their appointment, established an Executive Committee within the Board, vesting it with the powers to monitor, oversee and support the implementation of the initiatives launched by the Company to address the emergency caused by the Covid-19 pandemic. The Executive Committee, which shall remain in office until the end of the extraordinary situation as per the resolution passed by the Board of Directors, was not granted any powers over the Company's day-to-day business operations.

On 27 May 2020, the Board of Directors co-opted Michele Norsa, pursuant to art. 2386, paragraph 1 of the Italian Civil Code, with the favorable opinion of the Nomination and Remuneration Committee as well as the Board of Statutory Auditors, as Director as well as Executive Deputy Chairman, vesting him with the executive powers previously exercised by the Chairman Ferruccio Ferragamo. To allow this appointment, the Company's Director and Deputy Chairman Giacomo Ferragamo resigned from all his positions. On the same date, the Board of Directors appointed Michele Norsa also as Chairman of the Executive Committee as well as the Brand and Product Strategy Committee.

Acquisition of Arts S.r.l. and Aura1 S.r.l.

On 27 April 2020, Salvatore Ferragamo S.p.A. acquired:

- 49.2% of Arts S.r.l.; and
- 100% of Aura 1 S.r.l..

As a result of the above acquisitions, Salvatore Ferragamo S.p.A. directly owns 100% of Aura 1 S.r.l., and – since Aura 1 S.r.l. owns in turn the remaining 50.8% of Arts S.r.l. – directly and indirectly owns 100% of Arts S.r.l.. 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. With this deal, which closed on 27 April 2020, the Group seeks to strengthen its control over its supply chain and acquire strategic capabilities in one of its key product categories. Based on the agreed economic conditions, Salvatore Ferragamo S.p.A. paid a total of 11.3 million Euro, on top of which it shall pay an additional 3,629 thousand Euro (amount agreed on the basis of the net cash on hand as at 31 March 2020) by 28 February 2021.

In order to streamline the ownership structure, allowing for more flexible internal processes – and therefore optimize the management of resources and intercompany financial flows arising from the operations currently divided between Aura 1 S.r.l. and Arts S.r.l. – the Group deemed it appropriate to merge said entities into Salvatore Ferragamo S.p.A..

On 25 June 2020, the Company's Board of Directors approved the draft terms of the merger of the wholly-owned subsidiaries Arts S.r.l. and Aura1 S.r.l. into Salvatore Ferragamo S.p.A.. The Sole Director of Arts S.r.l. and the Sole Director of Aura 1 S.r.l. approved the Draft Terms of the Merger on the same date.

Covid-19 Update

At the end of 2019, a new coronavirus, known as Covid-19, was found in Wuhan, China. The Covid-19 Coronavirus has spread gradually from China into the rest of the world—to the point that on 11 March 2020 the World Health Organization declared a pandemic due to the speed and extent of the epidemic. In order to contain the outbreak and protect public health, several Governments around the world, starting with the Chinese one, have gradually put in place containment and social distancing measures, shutting down non-essential retail and manufacturing operations as well as limiting international and domestic travel.

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

In the Retail channel, sales were affected by the mandatory closure of directly operated stores and other government restrictions on the movement of people and tourist flows (so-called lockdown) and, as far as North America is concerned, the closures caused by the unrest associated with racial protests.

Wholesale stores were also affected by the closures ordered by the various Governments as well as restrictions on the movement of people and tourist flows (so-called lockdown), which caused revenues to fall considerably also within this distribution channel.

Against this backdrop, the Group saw a 46.6% drop in revenues at current exchange rates and, therefore, a deterioration in its margins and financial performance, as detailed in the Operating performance section.

In terms of logistics, the Group was forced to shut down the Sesto Fiorentino hub, which supplies markets all around the world and ships e-commerce orders in Europe. As for production operations, the Group has partially cancelled and planned again the production orders for following collections, based on changed market condition and new business forecasts.

In the first half of 2020, 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. In the first half of 2020 the payroll cost down by 19.7% compared to the prior-year period, of which approximately half is attributable to benefits and subsidies obtained by governments, as aid aimed supporting employment.

In addition, the Group started 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 11,226 thousand Euro positive variable lease payment in the first half of 2020 that was directly recognized through profit or loss (largely within the line item “Sales & distribution costs”) in accordance with the amendment to IFRS16 issued by the IASB in May 2020—even though this is yet to be endorsed by the European Union.

In addition, it wrote down inventories, net of uses, by 24,146 thousand Euro, mainly to account for the potential risk of a future reduction in the sales of certain products—also because of the current situation (see note 12 Inventories in the Explanatory Notes to the Half-Year Report as at 30 June 2020). The provision for bad debt, to which the Group had allocated 3,058 thousand Euro in the first half of 2020, was adjusted in accordance with the risk assessments relating to the current situation (see note 14 Trade receivables in the Explanatory Notes to the Half-Year Report as at 30 June 2020). As for the analysis of liquidity and credit risks, see note 31 Management of financial risks in the Explanatory Notes to the Half-Year Report as at 30 June 2020. Specifically, 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 applying for further short and medium/long term lines.

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, 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.

The uncertainty and complexity of this moment do not allow to develop a new business plan within the time frame of preparing this Half-Year Report. Therefore, the recoverable amounts have been measured based on assumptions in line with the main market analyses currently available.

As in the past, impairment tests were carried out by considering the individual geographic areas in which the Group operates as CGUs (Cash Generating Units). Said areas usually coincide with the Group's individual legal entities, except where multiple legal entities of the Group operate in the same country or in neighboring territories or markets with a shared and homogeneous customer base.

The Group used a 7.73% discount rate (WACC) and a 1.0% “g” growth rate.

The impairment test resulted in a 9,309 thousand Euro impairment loss, including 8,037 thousand Euro relating to Property, plant and equipment and 1,272 thousand Euro to Intangible assets with a finite useful life. For more details, see notes 6 Property, plant and equipment and 9 Intangible assets with a finite useful life in the Explanatory Notes to the Half-Year Report as at 30 June 2020.

The sensitivity analysis of the above assumptions (WACC and g) used to measure the recoverable amount, conducted on the CGUs tested for impairment, found that negative changes in key assumptions could lead to an additional impairment loss.

Executive Committee

On 6 April 2020, the Board of Directors, having confirmed all the powers previously granted to the Chairman and Managing Director upon their appointment, established an Executive Committee within the Board, vesting it with the powers to monitor, oversee and support the implementation of the initiatives launched by the Company to address the emergency caused by the Covid-19 pandemic. The Executive Committee will remain in office until the end of this extraordinary situation. The original members of the Committee were the Director Ferruccio Ferragamo (Committee Chairman), the Managing Director Micaela le Divelec Lemmi, and the Directors Francesco Caretti, Diego Paternò Castello di San Giuliano, and Marzio Alessandro Alberto Saà. On 27 May 2020, the Company's Board of Directors appointed the Director Michele Norsa to the Executive Committee in place of Mr Ferruccio Ferragamo, electing him also as Chairman of said Committee.

Costs and investments

The Group continues investing in the e-commerce channel and launched the new website at the end of April. Some projects and investments considered non-priority or deferrable have been postponed.

Personnel

In the first half 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 and 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 that have had a positive outcome. Moreover, Group management has voluntarily decided to reduce part of its compensation for 2020.

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 by leveraging the “Ferragamo Together” platform and creating accounts dedicated to answering all health- and business-related questions of the Group's employees.

As for organizational development and personnel training, in the first six months of 2020 the Group launched the “Ilearn” platform with digital contents for both retail and office staff.

Directors' Fees

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

Dividend

In order to support the financial soundness of the Group and maintain relevant investment capability for the future, the Shareholders' Meeting held on 8 May 2020 approved the separate financial statements of Salvatore Ferragamo S.p.A. and the allocation of all profits to the extraordinary reserve, as proposed in the resolution passed on 6 April 2020 by the Board of Directors.

Tax and customs disputes and audits

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 the first half of 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 30 October 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. However, considering the legal complexity of the case, the court deferred a decision to the Council of State in plenary session, while confirming the same judge-rapporteur that found in favor of the company. By the month of September, 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 half 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 half 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 half of 2020. The Company is waiting for the Inland Revenue Office to clarify how the Advance Pricing Agreement (“APA”) is to be implemented for the year 2020 in light of the economic impact of the epidemiological emergency caused by Covid-19 on international markets.

Research and development

As part of its creative and production studies, the Group incurred costs for research and development for the study of new products and the use of new materials, which were wholly recognized through profit or loss.

In the first half of 2020, this item totaled 11,122 thousand Euro, compared to 16,049 thousand Euro in the same period last year.

Staff

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

Staff	30 June 2020	31 December 2019	30 June 2019
Top managers, middle managers and store managers	776	771	771
White collars	2,934	3,207	3,128
Blue collars	284	299	306
Total	3,994	4,277	4,205

Transactions with related parties

Transactions with related parties – as listed in the financial statements and set out in detail in the specific note at the bottom of the comments to the income statement items, to which reference should be made – cannot be considered as atypical or unusual, since they form part of the Group companies' regular business and are regulated at market conditions.

As for the Procedure for Transactions with related Parties, reference should be made to the documentation on the corporate website <http://group.ferragamo.com> under Governance, Corporate Governance, Procedure.

Main risks and uncertainties

The pandemic caused by the global outbreak of Covid-19 has disrupted our society and our economy. It will upend conventional business models as well as entire industries.

This new scenario has laid the foundation for a review of our risk portfolio. This was necessary to understand how the Group has dealt and is dealing with the global pandemic, so as to ensure that the emergency is handled effectively and monitor the most appropriate mitigation actions.

Also in response to Consob's Warning no. 8/20 of 16 July 2020, the risk management function promptly carried out a specific Covid Risk Assessment to identify and assess the main risks and areas affected by the Covid-19 emergency and monitor the relevant mitigation actions.

In identifying and assessing Covid-19 risks, the risk management function, aided by Department/Function Heads at the Company's Headquarters as well as the representatives of the various Regions, focused on ten areas (People & Society, Technology, Production & Operation, Liquidity & Profitability, Reputational & Ethics, Compliance, HSE, Strategy, Growth & Competition), finding 30 main risks – with a higher concentration in Production & Operation.

In preparing the master plan of the actions to be taken, special emphasis was placed on the five main risks relating to Over Stock, Liquidity, IT Security, Strategic Planning, and Challenges for Contractors.

The findings of the Covid Risk Assessment will be incorporated into the Company's Risk Map.

For a description of the main risk factors to which the Parent company and the subsidiaries (the Group) are exposed, identified by type: strategic, operating, financial and compliance risks, please refer to the 2019 Annual Report. For a description of the overall Risk management system through which risks are managed and controlled, reference should be made to the specific description in the report on corporate governance and ownership structure.

During 2019, in line with the recommendations issued by the European Commission (Guidelines on reporting climate-related information) as part of the Action Plan on Sustainable Finance, the Salvatore Ferragamo Group began incorporating climate-related risk factors into its own risk map.

This involved analyzing the organization's impact on the climate as well as the climate's impact on the organization in order to confirm whether or not the risk factors mapped to date actually exist and incorporate them if required. This process allowed to raise awareness as well as improve the understanding and monitoring of climate-related risks and opportunities within the Group.

Significant events occurred after 30 June 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.

Acquisition of Arts S.r.l. and Aura1 S.r.l.

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.

No additional significant events occurred after 30 June 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, is causing a significant adverse shock that could have a strong negative impact on business operations, at least in the short term, by affecting both supply and demand; at this time, assessing the full impact of such a shock is still extremely hard. Assuming a base scenario where the virus is contained in the next few months and growth gradually returns to normal in the first half of 2021, looking beyond the short term, the combination of very favorable financial conditions, slightly reduced uncertainty at the global level, the ensuing gradual rebound in external demand, and the considerable easing of fiscal policies should fuel a recovery. In its June forecasts – which are more pessimistic than the ones issued in April – the International Monetary Fund anticipates a global recession in 2020, with GDP shrinking by -4.9%, and a +5.4% rebound in 2021. With respect to the world's major economies, GDP growth is expected to decline by -8% in 2020 and rise by +4.5% in the following year in the US, fall by -10.2% in 2020 and rise by +6% in 2021 in the Euro Area, and increase by +1% in 2020 and +8% 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 gradually improving market scenario confirms the uncertainty over how long it will take to overcome the negative impact of the Covid-19 pandemic, therefore Management believes it cannot make detailed forecasts as to how the Group will perform in the various markets and distribution channels.

Florence, 15 September 2020

On behalf of the Board of Directors
The Chairman
Ferruccio Ferragamo

Salvatore Ferragamo Group

Condensed Consolidated Half-Year Financial Statements as at 30 June 2020

Financial Statements.....	31
Consolidated Statement of Financial Position – Assets.....	31
Consolidated Statement of Financial Position – Liabilities and Shareholders' Equity.....	32
Consolidated Income Statement	33
Consolidated Statement of Comprehensive Income	34
Consolidated Statement of Cash Flows	35
Statement of changes in consolidated shareholders' equity.....	36
Explanatory Notes	37
Comments on the main statement of financial position items (assets, shareholders' equity and liabilities).....	43
Comments on the main income statement items	58
Other information	62

Financial Statements

Consolidated Statement of Financial Position – Assets

(In thousands of Euro)	Notes	30 June 2020	<i>of which with related parties</i>	31 December 2019	<i>of which with related parties</i>	30 June 2019	<i>of which with related parties</i>
NON CURRENT ASSETS							
Property, plant and equipment	6	222,567		251,805		253,251	
Investment property	7	37,045		39,091		40,727	
Goodwill and other intangible assets with an indefinite useful life	5	11,279		-		-	
Right-of-use assets	8	520,291	107,384	576,455	117,789	580,601	126,845
Intangible assets with a finite useful life	9	37,212		42,484		41,087	
Other non current assets	10	2,330		2,642		3,189	
Other non current financial assets	11	16,573	4,859	16,939	5,193	16,949	5,249
Deferred tax assets	38	110,381		96,736		90,192	
TOTAL NON CURRENT ASSETS		957,678	112,243	1,026,152	122,982	1,025,996	132,094
CURRENT ASSETS							
Inventories	12	389,646		389,531		385,332	
Right of return assets	13	5,147		5,473		3,314	
Trade receivables	14	95,845	50	147,202	92	154,633	198
Tax receivables	15	14,969		20,107		21,087	
Other current assets	16	29,476	613	32,980	2,599	34,078	2,167
Other current financial assets	17	197		101		236	
Cash and cash equivalents	18	264,511		222,332		178,180	
TOTAL CURRENT ASSETS		799,791	663	817,726	2,691	776,860	2,365
TOTAL ASSETS		1,757,469	112,906	1,843,878	125,673	1,802,856	134,459

Consolidated Statement of Financial Position – Liabilities and Shareholders' Equity

(In thousands of Euro)	Notes	30 June 2020	<i>of which with related parties</i>	31 December 2019	<i>of which with related parties</i>	30 June 2019	<i>of which with related parties</i>
SHAREHOLDERS' EQUITY							
GROUP SHAREHOLDERS' EQUITY							
Share capital	19	16,879		16,879		16,879	
Reserves	19	739,415		659,487		658,949	
Net profit/(loss) – Group		(81,898)		87,281		58,074	
TOTAL GROUP SHAREHOLDERS' EQUITY		674,396		763,647		733,902	
MINORITY INTERESTS							
Share capital and reserves – minority interests		26,026		21,534		21,526	
Net profit/(loss) – minority interests		(4,491)		84		1,961	
TOTAL MINORITY INTERESTS		21,535		21,618		23,487	
TOTAL SHAREHOLDERS' EQUITY		695,931		785,265		757,389	
NON CURRENT LIABILITIES							
Non current interest-bearing loans & borrowings	26	-		-		16,313	
Provisions for risks and charges	20	13,770		13,921		20,004	
Employee benefit liabilities	21	12,381		11,901		11,841	
Other non current liabilities	22	12,521	307	11,893	49	11,353	
Non current lease liabilities	23	508,163	91,247	559,267	99,261	560,306	105,239
Deferred tax liabilities	38	6,118		5,570		6,040	
TOTAL NON CURRENT LIABILITIES		552,953	91,554	602,552	99,310	625,857	105,239
CURRENT LIABILITIES							
Trade payables	24	124,608	1,244	198,934	423	210,916	453
Refund liabilities	25	9,053		8,720		5,314	
Interest-bearing loans & borrowings	26	199,261		48,060		18,584	
Tax payables	27	13,291		26,491		16,322	
Other current liabilities	28	42,972	13,326	54,317	10,753	48,362	11,176
Current lease liabilities	23	112,075	21,064	117,062	21,910	117,741	23,350
Other current financial liabilities	29	7,325		2,477		2,371	
TOTAL CURRENT LIABILITIES		508,585	35,634	456,061	33,086	419,610	34,979
TOTAL LIABILITIES		1,061,538	127,188	1,058,613	132,396	1,045,467	140,218
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,757,469	127,188	1,843,878	132,396	1,802,856	140,218

Consolidated Income Statement

(In thousands of Euro)		Half-year period ended 30 June			
	Notes	2020	<i>of which with related parties</i>	2019	<i>of which with related parties</i>
Revenues from contracts with customers	32	375,395	76	701,749	232
Rental income investment properties	33	1,131		3,121	
Revenues		376,526		704,870	
Cost of goods sold	34 - 35	(150,540)		(247,975)	
Gross profit		225,986		456,895	
Style, product development and logistics costs	34 - 35	(17,223)	(289)	(25,997)	(374)
Sales & distribution costs	34 - 35	(192,204)	(10,155)	(233,492)	(12,096)
Marketing & communication costs	34 - 35	(25,287)	(8)	(37,064)	(60)
General and administrative costs	34 - 35	(58,361)	(3,707)	(62,906)	(3,854)
Other operating costs	34 - 35	(14,649)	(41)	(11,222)	(41)
Other income and revenues	36	7,306	5	7,700	11
Operating profit/(loss)		(74,432)		93,914	
Financial charges	37	(42,840)	(1,767)	(31,453)	(1,576)
Financial income	37	23,851	-	16,436	
Profit/(loss) before taxes		(93,421)		78,897	
Income Taxes	38	7,032		(18,862)	
Net profit/(loss) for the period		(86,389)		60,035	
Net profit/(loss) – Group		(81,898)		58,074	
Net profit/(loss) – minority interests		(4,491)		1,961	

(In Euro)		Half-year period ended 30 June	
	Notes	2020	2019
Basic earnings/(loss) per share – ordinary shares	39	(0.486)	0.344
Diluted earnings/(loss) per share – ordinary shares	39	(0.486)	0.344

Consolidated Statement of Comprehensive Income

(In thousands of Euro)	Notes	Half-year period ended 30 June	
		2020	2019
Net profit/(loss) for the period (A)		(86,389)	60,035
<i>Other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period</i>			
- Currency translation differences of foreign operations	19	(7,004)	(10,613)
- Net gain/(loss) from cash flow hedge	30	5,748	3,508
- Income taxes		(1,380)	(842)
		<u>4,368</u>	<u>2,666</u>
Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)		(2,636)	(7,947)
<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	21	(460)	(581)
- Income taxes		94	165
		<u>(366)</u>	<u>(416)</u>
Total other income/(losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)		(366)	(416)
Total other income/(losses) for the period, net of taxes (B1+B2 = B)		(3,002)	(8,363)
Total comprehensive income for the period, net of taxes (A+B)		(89,391)	51,672
Group		(84,806)	50,014
Minority interests		(4,585)	1,658

Consolidated Statement of Cash Flows

(In thousands of Euro)	Notes	Half-year period ended 30 June			
		2020	of which with related parties	2019	of which with related parties
NET PROFIT/(LOSS) FOR THE PERIOD		(86,389)		60,035	
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	6-7-8-9	104,172	12,766	90,261	10,397
Income Taxes	38	(7,032)		18,862	
Provision for employee benefit plans	21	378		400	
Allocation to/(use of) the provision for obsolete inventory	12	24,146		1,935	
Losses and provision for bad debt	14	3,324		315	
Losses/(gains) on disposal of tangible/intangible assets		961		664	
Interest expense and interest expense on lease liabilities	18	8,914	1,767	8,986	1,576
Interest income		(607)	-	(501)	
Other non-monetary items		1,028		610	
Changes in operating assets and liabilities:					
Trade receivables	14	47,858	42	(6,611)	(55)
Inventories	12	(34,073)		(32,571)	
Trade payables	24	(71,609)	821	489	111
Other receivables and tax payables	15-27	2,262		(3,854)	
Employee benefits payments	21	(442)		(562)	
Other assets and liabilities		(5,819)	(44)	(3,767)	1,117
Other – net		(501)		(502)	
Income taxes paid		(12,052)	5,195	(9,257)	17,054
Interest expense and interest expense on lease liabilities paid	18	(10,199)	(1,926)	(7,414)	(999)
Interest income received		607	-	501	
NET CASH FROM (USED IN) OPERATING ACTIVITIES		(35,073)	18,621	118,019	29,201
Cash flow from investing activities:					
Purchase of tangible assets	6-7	(8,476)		(19,896)	
Purchase of intangible assets	9	(2,721)		(4,686)	
Proceeds from the sale of tangible and intangible assets		2		33	
Acquisition of Arts S.r.l. and Aura 1 S.r.l. net of cash and cash equivalent acquired	5	(7,581)		-	
NET CASH FROM (USED IN) INVESTING ACTIVITIES		(18,776)	-	(24,549)	-
Cash flow from financing activities:					
Net change in financial receivables		-		961	
Net change in financial payables	18	150,924		(2,872)	
Repayment of lease liabilities	18-23	(61,333)	(12,241)	(55,709)	(10,448)
Dividends paid to shareholders of the Parent company	43	-		(57,372)	(40,685)
Dividends paid to minority shareholders	43	-		(5,163)	(5,163)
Treasury share repurchase	19	-		(638)	
NET CASH FROM (USED IN) FINANCING ACTIVITIES		89,591	(12,241)	(120,793)	(56,296)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		35,742		(27,323)	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		222,332		207,707	
Increase/(decrease) in cash and cash equivalents		35,742		(27,323)	
Effect of exchange rate translation differences		6,437		(2,204)	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	18	264,511		178,180	

Statement of changes in consolidated shareholders' equity

(In thousands of Euro) Note 19	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	-	-	-	-	-	-	-	-	-	-	(81,898)	(81,898)	(4,491)	(86,389)
Other comprehensive income/(loss)	-	-	-	-	-	4,368	(6,977)	71	-	(370)	-	(2,908)	(94)	(3,002)
Total comprehensive income (loss)	-	-	-	-	-	4,368	(6,977)	71	-	(370)	(81,898)	(84,806)	(4,585)	(89,391)
Distribution of dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of min. interests in companies consolidated on a line-by-line basis and accounting of options on min. interests	-	-	-	-	-	-	-	(4,525)	-	-	-	(4,525)	4,502	(23)
Change in scope of consolidation	-	-	-	-	-	-	-	18	(18)	-	-	-	-	-
Stock Grant Reserve	-	-	-	-	-	-	-	-	80	-	-	80	-	80
As at 30.06.2020	16,879	(2,776)	2,995	4,188	628,530	3,869	(22,979)	125,144	4,226	(3,782)	(81,898)	674,396	21,535	695,931
(In thousands of Euro) Note 19	Share capital	Treasury share reserve	Share capital contributions	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Other reserves	Effect IAS 19 Equity	Net profit/(loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
As at 01.01.2019	16,879	(251)	2,995	4,188	478,378	(3,049)	(9,014)	161,752	16,268	(2,816)	88,361	753,691	26,647	780,338
Allocation of results	-	-	-	-	25,941	-	-	62,420	-	-	(88,361)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	58,074	58,074	1,961	60,035
Other comprehensive income/(loss)	-	-	-	-	-	2,666	(10,387)	77	-	(416)	-	(8,060)	(303)	(8,363)
Total comprehensive income (loss)	-	-	-	-	-	2,666	(10,387)	77	-	(416)	58,074	50,014	1,658	51,672
Distribution of dividends	-	-	-	-	-	-	-	(57,372)	-	-	-	(57,372)	(5,163)	(62,535)
Purchase of min. interests in companies consolidated on a line-by-line basis and accounting of options on min. interests	-	-	-	-	-	-	-	(402)	-	-	-	(402)	345	(57)
Treasury share repurchase	-	(638)	-	-	-	-	-	-	-	-	-	(638)	-	(638)
Effect of the first-time adoption of	-	-	-	-	-	-	-	-	(11,761)	-	-	(11,761)	-	(11,761)
Stock Grant Reserve	-	-	-	-	-	-	-	-	370	-	-	370	-	370
As at 30.06.2019	16,879	(889)	2,995	4,188	504,319	(383)	(19,401)	166,475	4,877	(3,232)	58,074	733,902	23,487	757,389

Explanatory Notes

1. Corporate information

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

The condensed consolidated half-year report as at 30 June 2020 of Salvatore Ferragamo S.p.A. has been approved by the Board of Directors during the meeting held on 15 September 2020.

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

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

2. Basis of presentation

Contents and structure of the consolidated financial statements

This condensed consolidated half-year report has been prepared pursuant to art. 154-ter of Leg. Decree no. 58 of 24 February 1998 (TUF) as subsequently integrated and amended.

The condensed consolidated half-year report as at 30 June 2020 has been prepared in accordance with the international accounting standard regarding interim reporting (IAS 34 - Interim Financial Reporting) and does not include all the information required in the consolidated annual report; therefore, it must be read together with the Consolidated Annual Report of the Salvatore Ferragamo Group for the year ended 31 December 2019, which is available on the corporate website <http://group.ferragamo.com> in the section Investor Relations, Financial Documents.

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

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

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

Accounting standards

The Group's accounting standards adopted in the preparation of the condensed consolidated half-year report as at 30 June 2020 are the same as those used in preparing the 2019 Consolidated Annual Report, to which reference should be made, except for the adoption of the new or revised standards of the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), which have been endorsed by the European Union and applied as from 1 January 2020, as described below. Their adoption had no significant impact on the Group's financial position or results. One exception is the adoption of the amendment to IFRS 16 Leases, which the Group elected to adopt early. For details, see the section "Changes in international accounting standards, interpretations and amendments".

As detailed in the following paragraph, the Group adopted the practical expedient introduced by the amendment to IFRS 16 issued by the IASB on 28 May 2020 early, even though it is yet to be endorsed by the European Union. 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.

Discretionary valuations and significant accounting estimates

The preparation of the Condensed Consolidated Half-Year Report has entailed the use of estimates and assumptions, both in determining some assets and liabilities, and in assessing contingent assets and liabilities, by using the best available information. Actual results might not fully correspond to estimates. For details on the main discretionary valuations and accounting estimates used in preparing the condensed consolidated half-year report as at 30 June 2020, reference should be made to the consolidated report as at 31 December 2019, as they are consistent.

The negative impacts that the Covid-19 pandemic had on the Group's results in the first half of 2020 when compared to the prior-year period were considered to be an indicator of impairment. Therefore, in the first half of 2020 the Group measured any impairment losses on its Cash Generating Units (CGUs) in accordance with its Impairment Indicator Analysis and Impairment Testing procedures. For details on impairment testing, see note 4 Impacts of the Covid-19 Emergency – Impairment Testing and the notes on individual assets.

Changes in international accounting standards, interpretations and amendments

The Group has not adopted in advance any standard, interpretation or improvement that has been issued but which is not yet in force, except for the amendment to IFRS16 Leases Covid-19 Related Rent Concessions.

Amendment to IFRS16 Leases – Covid-19 Related Rent Concessions

On 28 May 2020, the International Accounting Standard Board ("IASB") approved the amendment to IFRS16 "Covid-19 Related Rent Concessions (Amendment to IFRS 16)".

Said amendment introduces a practical expedient to simplify lessee accounting for rent concessions (i.e. lease payment reductions, forgiveness and/or deferrals granted to a lessee by a lessor) received in the wake of the Covid-19 pandemic. If specified conditions are met, the practical expedient allows recognizing a "positive variable lease payment" through profit or loss as operating income deducted directly from the lease liability.

The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- following the rent concession, the revised consideration for the lease is substantially the same as, or less than, the original consideration for the lease;
- the rent concession refers exclusively to payments originally due on or before 30 June 2021;
- there is no substantive change to other terms and conditions of the lease.

If the above conditions are not met, rent concessions shall be recognized according to the general principle concerning lease modifications under IFRS 16.

Adopting the amendment early caused the Group to recognize rent concessions related to the Covid-19 emergency amounting to 11,226 thousand Euro in the six months to 30 June 2020, accounted for largely as a deduction from Sales & Distribution Costs in the Consolidated Income Statement.

Amendments to "References to the Conceptual Framework in IFRS Standards"

The IASB issued the Conceptual Framework in March 2018, setting out a comprehensive set of concepts for financial reporting, the definition of standards, the development of consistent accounting policies, and the assistance to understand and interpret standards. It introduces some new concepts, provides updated definitions and recognition criteria for assets and liabilities, and clarifies some important concepts. These amendments did not have any impact on the Group's condensed consolidated half-year report.

Amendments to IFRS 3 – Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to assist entities to determine whether an acquired set of assets and liabilities is a business. These clarify the minimum requirements for a business; remove the assessment of whether market participants are capable of replacing any missing elements; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business. The Board provided also new illustrative examples in addition to the amendments. This standard was adopted effective 1 January 2020 with respect to the business combinations occurred in the first half of 2020.

Amendments to IAS 1 and IAS 8

In October 2018, the IASB issued amendments to IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements." The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. These amendments did not, and are not expected to, have any impact on the Group's condensed consolidated half-year report.

Interest Rate Benchmark Reform – Amendments to IFRS9, IAS 39, and IFRS7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39, and IFRS 7 "Financial Instruments: Disclosures", which mark the end of the Phase 1 of its project to address the effects of the Interbank Offered Rates (IBOR) reform on financial reporting. The amendments include temporary changes that make hedge accounting applicable during the period of uncertainty caused by the replacement of the pre-existing Interest Rate Benchmark with an alternative risk-free interest rate. The amendments assume that the benchmark on which the hedged cash flows and/or the hedging instrument are based will not be altered as a result of the IBOR reform. The amendments shall be applied retroactively. The amendments are effective for annual periods beginning on or after 1 January 2020. The Group will monitor the evolution of the changes being made to the reform. These amendments did not have any impact on the Group's condensed consolidated half-year report, as the Group does not have interest rate hedges outstanding.

Consolidation area

The following companies are included in consolidation as at 30 June 2020.

Company name	Location	Currency	Share capital	30 June 2020		Notes
				Controlling interest (%)	Direct	
Salvatore Ferragamo S.p.A.	Florence, Italy	Euro	16,879,000	Parent company		
Ferragamo Retail Nederland B.V.	Amsterdam, Holland	Euro	500,000	100%		
Ferragamo France S.A.S.	Paris, France	Euro	4,334,094	100%		
Ferragamo Deutschland GmbH	Munich, Germany	Euro	3,300,000	100%		
Ferragamo Austria GmbH	Vienna, Austria	Euro	1,853,158	100%		
Ferragamo U.K. Limited	London, United Kingdom	Pound Sterling	7,672,735	100%		
Ferragamo (Suisse) SA	Mendrisio, Switzerland	Swiss Franc	1,000,000	100%		
Ferragamo Belgique SA	Brussels, Belgium	Euro	750,000	100%		
Ferragamo Monte-Carlo S.A.M.	Principality of Monaco	Euro	304,000	100%		
Ferragamo Espana S.L.	Madrid, Spain	Euro	4,600,000	100%		
Ferragamo USA Inc.	New York, United States	US Dollar	74,011,969	100%		
Ferragamo Canada Inc.	Vancouver, Canada	Canadian Dollar	4,441,461		100%	(1)
S-Fer International Inc.	New York, United States	US Dollar	4,600,000		100%	(1)
Sator Realty Inc.	New York, United States	US Dollar	100,000		100%	(1)
Ferragamo Mexico S. de R.L. de C.V.	Mexico City, Mexico	Mexican Peso	4,592,700	99.73%	0.27%	(1)
Ferragamo Chile S.A.	Santiago, Chile	Chilean Peso	1,362,590,000	99%	1%	(1)
Ferragamo Argentina S.A.	Buenos Aires, Argentina	Argentine Peso	76,361,136	95%	5%	(1)
Ferragamo Brasil Roupas e Acessorios Ltda.	Sao Paulo, Brazil	Brazilian Real	55,615,000	99%	1%	(1)
Ferragamo Hong Kong Ltd.	Hong Kong, China	Hong Kong Dollar	10,000	100%		
Ferragamo Japan K.K.	Tokyo, Japan	Japanese Yen	305,700,000	71%		(5)
Ferragamo Australia Pty Ltd.	Sydney, Australia	Australian Dollar	13,637,003	100%		
Ferrimag Limited	Hong Kong, China	Hong Kong Dollar	109,200,000		75%	(2)
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	Shanghai, China	US Dollar	200,000		75%	(3)
Ferragamo Moda (Shanghai) Co. Ltd.	Shanghai, China	US Dollar	1,400,000	75%		
Ferragamo Retail HK Limited	Hong Kong, China	Hong Kong Dollar	39,000,000		75%	(3)
Ferragamo Retail Taiwan Limited	Taipei, Taiwan	New Taiwanese Dollar	136,250,000		75%	(3)
Ferragamo Retail Macau Limited	Macau, China	Macau Pataca	25,000	75.2%		
Ferragamo Retail India Private Limited	New Delhi, India	Indian Rupee	300,000,000	100%		(6)
Ferragamo Korea Ltd.	Seoul, South Korea	South Korean Won	3,291,200,000	100%		
Ferragamo (Singapore) Pte Ltd.	Singapore	Singapore Dollar	4,600,000	100%		
Ferragamo (Thailand) Limited	Bangkok, Thailand	Baht	100,000,000	100%		
Ferragamo (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	Malaysian Ringgit	1,300,000	100%		
Ferragamo Parfums S.p.A.	Florence, Italy	Euro	10,000,000	100%		
Aura 1 S.r.l.	Florence, Italy	Euro	33,659	100%		
Arts S.r.l.	Scandicci, Italy	Euro	150,000	49.2%	50.8%	(4)

1 – Through Ferragamo USA Inc. 2 – Through Ferragamo Hong Kong Ltd. 3 – Through Ferrimag Ltd. 4 – Through Aura 1 S.r.l. 5 – The investment in Ferragamo Japan K.K. refers to the legal percentage of ownership. In light of a put option attributed to the company's minority shareholders, all references to the minority interest have been removed from consolidated shareholders' equity. 6 – Non-operating company.

The condensed consolidated half-year report provides information on the financial position, financial performance, and cash flows of the Parent company Salvatore Ferragamo S.p.A. and its Italian and foreign subsidiaries consolidated on a line-by-line basis as at 30 June 2020.

In the first half 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.. For more details, reference should be made to note 5 Business Combinations and the Directors' report on operations, paragraph "Significant events occurred during the first half of 2020".

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.

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 June 2020 is not to be considered material at the Group level.

Translation of financial statements in currencies other than the Euro

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

	Average exchange rates		Exchange rates at the end of the reporting period		
	30 June	30 June	30 June	31 December	30 June
	2020	2019	2020	2019	2019
US Dollar	1.1020	1.1298	1.1198	1.1234	1.1380
Swiss Franc	1.06415	1.12946	1.0651	1.0854	1.1105
Japanese Yen	119.267	124.284	120.66	121.94	122.60
Pound Sterling	0.8746	0.8736	0.9124	0.8508	0.8966
Danish Krone	7.4648	7.4651	7.4526	7.4715	7.4636
Australian Dollar	1.6775	1.6003	1.6344	1.5995	1.6244
South Korean Won	1,329.54	1,295.20	1,345.82	1,296.28	1,315.36
Hong Kong Dollar	8.5531	8.8611	8.6788	8.7473	8.8866
Mexican Peso	23.843	21.654	25.9470	21.2202	21.8201
New Taiwanese Dollar	33.044	34.9849	33.0394	33.5564	35.2608
Singapore Dollar	1.5411	1.5356	1.5648	1.5111	1.5395
Thai Baht	34.8239	35.7137	34.6240	33.4150	34.8970
Malaysian Ringgit	4.6836	4.6545	4.7989	4.5953	4.7082
Indian Rupee	81.7046	79.1240	84.6235	80.1870	78.5240
Macau Pataca	8.805	9.116	8.9414	9.0033	9.1545
Chinese Renminbi	7.7509	7.6678	7.9219	7.8205	7.8185
Chilean Peso	895.34	762.88	923.06	843.690	773.71
Argentine Peso	71.153	46.789	78.902	67.205	48.275
Brazilian Real	5.4104	4.3417	6.1118	4.5157	4.3511
Canadian Dollar	1.5033	1.5069	1.5324	1.4598	1.4893

3. Seasonality

The market in which the Group operates is characterized by seasonal events that are typical of the retail and wholesale sales and which can cause an uneven monthly breakdown in the sales flow and in operating costs.

Therefore, it is important to remember that income statement results for the first half of the year cannot be considered as proportional to the year as a whole. The half-year figures are affected by seasonal events also in terms of equity and financial position.

4. Impacts of the Covid-19 emergency

The health emergency by Covid-19 has led the Governments of all the countries affected to restrict, ban 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. Against this backdrop, the Group saw revenues decline by 46.6% at current exchange rates, which caused margins and profits to contract.

In the first half of 2020, 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.

In the first half of 2020 the payroll cost down by 19.7% compared to the prior-year period, of which approximately half is attributable to benefits and subsidies obtained by governments, as aid aimed supporting employment.

In addition, the Group started 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 11,226 thousand Euro positive variable lease payment in the first half of 2020 that was directly recognized through profit or loss (largely within the line item "Sales & distribution costs") in accordance with the amendment to IFRS16 issued by the IASB in May 2020—even though this is yet to be endorsed by the European Union.

In addition, it wrote down inventories, net of uses, by 24,146 thousand Euro, mainly to account for the potential risk of a future reduction in the sales of certain products—also because of the current situation (see note 12 Inventories). The provision for bad debt, to which the Group had allocated 3,058 thousand Euro in the first half of 2020, was adjusted in accordance with the risk assessments relating to the current situation (see note 14 Trade receivables). As for the analysis of liquidity and credit risks, see note 31 Management of financial risks. Specifically, 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 applying for further short and medium/long term lines.

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, 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.

The uncertainty and complexity of this moment do not allow to develop a new business plan within the time frame of preparing this Half-Year Report. Therefore, the recoverable amounts have been measured based on assumptions in line with the main market analyses currently available.

As in the past, impairment tests were carried out by considering the individual geographic areas in which the Group operates as CGUs (Cash Generating Units). Said areas usually coincide with the Group's individual legal entities, except where multiple legal entities of the Group operate in the same country or in neighboring territories or markets with a shared and homogeneous customer base.

The Group used a 7.73% discount rate (WACC) and a 1.0% "g" growth rate.

The impairment test resulted in a 9,309 thousand Euro impairment loss, including 8,037 thousand Euro relating to Property, plant and equipment and 1,272 thousand Euro to Intangible assets with a finite useful life. For more details, see notes 6 Property, plant and equipment and 9 Intangible assets with a finite useful life.

The sensitivity analysis of the above assumptions (WACC and g) used to measure the recoverable amount, conducted on the CGUs tested for impairment, found that negative changes in key assumptions could lead to an additional impairment loss.

5. Business combinations

On 27 April 2020, Salvatore Ferragamo S.p.A. acquired:

- 49.2% of Arts S.r.l.; and
- 100% of Aura 1 S.r.l.

As a result of the above acquisitions, Salvatore Ferragamo S.p.A. directly owns 100% of Aura 1 S.r.l., and – since Aura 1 S.r.l. owns in turn the remaining 50.8% of Arts S.r.l. – directly and indirectly owns 100% of Arts S.r.l.. 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. The Group pursued this deal to strengthen its control over its supply chain and acquire strategic capabilities in one of its key product categories. Based on the agreed economic conditions, Salvatore Ferragamo S.p.A. paid a total of 11.3 million Euro, on top of which it shall pay an additional 3,629 thousand Euro (amount agreed on the basis of the net cash on hand as at 31 March 2020) by 28 February 2021.

(In thousands of Euro)	Arts S.r.l.	Aura 1 S.r.l.	Subconsolidated
ASSETS			
Property, plant and equipment	82	-	82
Intangible assets with a finite useful life (provisional*)	14	-	14
Investments in subsidiaries	-	538	-
Trade receivables	267	-	267
Tax receivables	22	-	22
Other current assets	28	-	28
Cash and cash equivalents	2,360	1,359	3,719
TOTAL ASSETS*	2,773	1,897	4,132
LIABILITIES			
Employee benefit liabilities	78	-	78
Trade payables	50	-	50
Tax payables	295	12	307
Other current liabilities	47	-	47
TOTAL LIABILITIES*	470	12	482
TOTAL NET IDENTIFIABLE ASSETS AT FAIR VALUE	2,303	1,885	3,650
Goodwill arising from the acquisition (provisional*)			11,279
CONSIDERATION FOR THE ACQUISITION			14,929

Cash flow analysis at acquisition:

Net cash acquired with the subsidiary (included in cash flows from investing activities)	2,360	1,359	3,719
Consideration paid	(5,560)	(5,740)	(11,300)
Deferred consideration	(1,122)	(2,507)	(3,629)
Net cash flow of the acquisition	(4,322)	(6,888)	(11,210)

* As at the date of preparation of this condensed consolidated half-year report as at 30 June 2020, the estimate of the fair value of the assets acquired and liabilities assumed, and therefore of the goodwill arising from the acquisition, had not yet been completed. The Group thus recognized a provisional amount, deferring the recognition of the final amount of the assets acquired and liabilities assumed to the annual report. Salvatore Ferragamo S.p.A. tasked an independent expert with measuring the fair value of the assets acquired and liabilities assumed.

The reported 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..

Transaction costs, totaling 430 thousand Euro, were recognized in profit or loss under General and administrative costs.

Since the acquisition date, Arts S.r.l. and Aura 1 S.r.l. have contributed to the Group's result with a 127 thousand Euro loss.

In order to streamline the ownership structure, allowing for more flexible internal processes – and therefore optimize the management of resources and intercompany financial flows arising from the operations currently divided between Aura and Arts – the Group deemed it appropriate to merge said entities into Salvatore Ferragamo S.p.A..

On 25 June 2020, the Company's Board of Directors approved the draft terms of the merger of the wholly-owned subsidiaries Arts S.r.l. and Aura 1 S.r.l. into Salvatore Ferragamo S.p.A.. The Sole Director of Arts S.r.l. and the Sole Director of Aura 1 S.r.l. approved the Draft Terms of the Merger on the same date.

Comments on the main statement of financial position items (assets, shareholders' equity and liabilities)

6. Property, plant and equipment

The following table shows the change in property, plant and equipment for the half-year period ended 30 June 2020.

(In thousands of Euro)	Value at 01.01.2020	Translation diff.	Additions	Disposals	Depreciation	Impair- ment	Change in scope of consol- idation	Value at 30.06.2020
Land	29,696	(280)	-	-	-	-	-	29,416
Buildings	61,758	(7)	150	-	(1,497)	-	-	60,404
Plant and equipment	26,057	1	257	-	(2,844)	-	31	23,502
Industrial and commercial equipment	32,251	(807)	3,531	(342)	(5,766)	-	-	28,867
Other assets	15,300	(51)	520	(3)	(3,291)	-	51	12,526
Leasehold improvements	82,663	(879)	4,629	(618)	(12,882)	(8,037)	-	64,876
Fixed assets in progress and payments on account	4,080	(52)	2,574	(3,626)	-	-	-	2,976
Total	251,805	(2,075)	11,661	(4,589)	(26,280)	(8,037)	82	222,567

The increase:

- in buildings refers to some construction work performed on the property owned by Ferragamo Korea Ltd.;
- in plant and equipment largely refers to the Parent company (248 thousand Euro) for works carried out at Osmannoro-Sesto Fiorentino;
- in "Industrial and commercial equipment" mainly refers to the opening and renovation of stores (3,465 thousand Euro) and the purchase of equipment and molds (66 thousand Euro) for the fragrances product category;
- in "Other assets" mainly concerns furniture and furnishings (90 thousand Euro) and IT equipment (356 thousand Euro);
- in "Leasehold improvements" refers mainly to work carried out for the opening or refurbishment of stores;
- in "Fixed assets in progress and payments on account" refers in part to expenses incurred and payments on account made for the renovation or opening of stores not yet operational as at 30 June 2020.

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

The 8,037 thousand Euro decline in Leasehold improvements reflects the result of the impairment test conducted by the Group and recognized on the tangible assets of Ferragamo Japan K.K. and Ferragamo (Thailand) Limited. For the details, see note 4 Impacts of the Covid-19 Emergency – Impairment Testing.

The change in the scope of consolidation refers to the initial consolidation of the entities Arts S.r.l. and Aura 1 S.r.l., acquired in the first half of 2020. For the details, see note 5 Business Combinations.

7. Investment property

Investment property entirely refers to buildings located in the United States that are not used for operations but produce income through rental.

The following table shows the change in investment property for the half-year period ended 30 June 2020.

(In thousands of Euro)	Value at 01.01.2020	Translation difference	Additions	Depreciation	Value at 30.06.2020
Land	4,982	16	-	-	4,998
Buildings	886	6	-	(175)	717
Right-of-use assets: - Buildings	33,223	139	-	(2,032)	31,330
Total	39,091	161	-	(2,207)	37,045

Please note that the right-of-use assets qualifying as investment property are classified in this line item and amounted to 31,330 thousand Euro as at 30 June 2020.

8. Right-of-use assets

The following table shows the change in right-of-use assets for the half-year period ended 30 June 2020.

(In thousands of Euro)	Value at 01.01.2020	Translation difference	Additions	Disposals	Depreciation	Value at 30.06.2020
Right-of-use assets:						
- Buildings	573,771	(4,841)	11,904	(4,111)	(58,881)	517,842
- Vehicles	2,072	(9)	540	(7)	(624)	1,972
- Equipment and other assets	612	(1)	-	-	(134)	477
Total	576,455	(4,851)	12,444	(4,118)	(59,639)	520,291

The line item Buildings includes Right-of-use assets largely relating to leases of stores (accounting for approximately 95% of right-of-use assets - Buildings) and, to a lesser extent, leases of offices, company lodgings, and other premises. The largest increases observed during the first half of 2020 refer to new leases entered into during the period – largely concerning stores – whereas the most significant declines relate to leases that were either terminated early or for which the Group negotiated a reduction in future lease payments.

9. Intangible assets with a finite useful life

The following table shows the changes in intangible assets with a finite useful life for the period ended 30 June 2020.

(In thousands of Euro)	Value at 01.01.2020	Translation diff.	Additions	Disposals	Amortization	Impair- ment	Change in scope of consol- idation	Value at 30.06.2020
Industrial patents and use of intellectual property rights	3,130	-	309	-	(1,033)	(368)	6	2,044
Concessions, licenses and trademarks	1,717	(1)	169	-	(177)	-	8	1,716
Development costs	26,763	-	4,414	-	(5,067)	-	-	26,110
Others	4,259	3	9	-	(460)	(904)	-	2,907
Intangible assets with a finite useful life in progress	6,615	-	1,543	(3,723)	-	-	-	4,435
Total	42,484	2	6,444	(3,723)	(6,737)	(1,272)	14	37,212

Intangible assets with a finite useful life rose compared to 31 December 2019 mainly due to new investment in software application development costs (item “Development costs”), software license costs (item “Industrial patents and use of intellectual property rights”).

The item “Development costs” mainly includes the capitalization of software development costs incurred by the Parent company for the development of business software applications (SAP accounting system, ERP, reporting systems, development costs for the e-commerce platform).

The item “Others” refers mainly to the so-called key money, i.e. the sums paid to obtain the use of leased property by taking over existing contracts or by obtaining the withdrawal of the lessees in such a way as to be able to enter into new contracts with the lessors (net value of 2,088 thousand Euro as at 30 June 2020).

The overall 1,272 thousand Euro decline in the line items Concessions, licenses and trademarks and Others represents the result of the impairment test conducted by the Group and recognized on the intangible assets of Ferragamo Japan K.K., Ferragamo Deutschland GmbH, Ferragamo UK Limited, and Ferragamo Espania S.L.. For the details, see note 4 Impacts of the Covid-19 Emergency – Impairment Testing.

The change in the scope of consolidation refers to the initial consolidation of the entities Arts S.r.l. and Aura 1 S.r.l., acquired in the first half of 2020. For the details, see note 5 Business Combinations.

10. Other non current assets

As at 30 June 2020, other non current assets totaled 2,330 thousand Euro, down compared to 31 December 2019 (2,642 thousand Euro), and refer for 844 thousand Euro to the impact relating to the straight-lining of rental income from investment property in the USA, as provided for by the relevant standards.

The item also includes 1,150 thousand Euro (unchanged from 31 December 2019) relating to the non current portion of advances of royalties paid by Ferragamo Parfums S.p.A. to the owner of the Ungaro fragrances brand, as provided for by the new license contract partially renegotiated in July 2017. These advances are recovered with the accrual of royalties.

11. Other non current financial assets

Other non current financial assets, totaling 16,573 thousand Euro as at 30 June 2020 (16,939 thousand Euro as at 31 December 2019), mainly refer to guarantee deposits for existing rental contracts, and are accounted for at amortized cost.

12. Inventories

Closing inventories refer to the following categories:

(In thousands of Euro)	30 June 2020	31 December 2019	Change 2020 vs 2019
Gross value of raw materials, accessories and consumables	61,195	60,457	738
Provision for obsolete inventory	(10,372)	(6,836)	(3,536)
Raw materials, accessories and consumables	50,823	53,621	(2,798)
Gross value of finished products and goods for resale	409,901	387,377	22,524
Provision for obsolete inventory	(71,078)	(51,467)	(19,611)
Finished products and goods for resale	338,823	335,910	2,913
Total	389,646	389,531	115

The change in raw materials compared to 31 December 2019 depends on production volumes for the period; the provision reflects the obsolescence of raw materials (mainly leather and accessories) which are no longer suitable for production plans. Inventories of finished products were essentially unchanged (+0.9%) compared to 31 December 2019 also as a result of the impairment losses recognized in the first half of 2020.

(Uses of) and/or allocations to the provision for obsolete inventory were as follows:

(In thousands of Euro)	Half-year period ended 30 June		Change
	2020	2019	2020 vs 2019
Raw materials	3,536	292	3,244
Finished products	20,610	1,643	18,967
Total	24,146	1,935	22,211

13. Right of return assets

Concerning the right of return as part of the measurement of variable consideration as per “Revenue from contracts with customers”, the line item “Contract assets” amounted to 5,147 thousand Euro as at 30 June 2020 (5,473 thousand Euro as at 31 December 2019) and includes the estimated cost of the products expected to be returned, equal to the previous carrying amount of inventories (estimated cost of production) less potential future costs associated with their recovery.

14. Trade receivables

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

(In thousands of Euro)	30 June 2020	31 December 2019	Change 2020 vs 2019
Trade receivables	104,162	152,543	(48,381)
Provision for bad debt	(8,317)	(5,341)	(2,976)
Total	95,845	147,202	(51,357)

Trade receivables declined by 34.9% compared to 31 December 2019, mainly due to the decrease in wholesale sales in the first half of the year. They refer for around 10,985 thousand Euro to fragrances and, for the remainder, to other product categories mainly for wholesale sales. They are interest-free and are generally due in 90 days or less. The related risk provision was deemed adequate to deal with potential defaults, and the amount set aside for the period largely refers to risk assessments associated with the specific situation during the period. In addition, during the first half of the year the Group reported 266 thousand Euro in credit losses after writing off trade receivables classified as non-performing.

The change in the provision for bad debt in the half-year period ended 30 June 2020 was as follows:

(In thousands of Euro)	Value at 01.01.2020	Translation difference	Provisions	Uses	Value at 30.06.2020
Provision for bad debt	5,341	(81)	3,058	(1)	8,317

15. Tax receivables

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

(In thousands of Euro)	30 June 2020	31 December 2019	Change 2020 vs 2019
Due from tax authorities (value added tax and other taxes)	2,932	8,405	(5,473)
Due from tax authorities for direct taxes	12,037	11,695	342
Withholding taxes	-	7	(7)
Total	14,969	20,107	(5,138)

Tax receivables mainly refer to VAT receivables and amounts due from tax authorities for income taxes relating to advances paid. They were down 5,138 thousand Euro compared to 31 December 2019, primarily because of the decline in amounts due from tax authorities for other taxes.

16. Other current assets

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

(In thousands of Euro)	30 June 2020	31 December 2019	Change 2020 vs 2019
Other receivables	11,975	16,690	(4,715)
Accrued income	80	129	(49)
Prepaid expenses	13,939	14,695	(756)
Other receivables for short-term hedging derivatives	3,482	1,466	2,016
Total	29,476	32,980	(3,504)

As at 30 June 2020, the item "Other receivables" mainly includes:

- receivables due from credit card management companies for retail sales amounting to 3,467 thousand Euro (9,234 thousand Euro as at 31 December 2019);
- receivables due from the Holding company Ferragamo Finanziaria S.p.A. totaling 613 thousand Euro (2,599 thousand Euro as at 31 December 2019), broken down as follows:
 - (i) 574 thousand Euro due to Ferragamo Parfums S.p.A. under the domestic fiscal unity, unchanged from 31 December 2019;
 - (ii) 39 thousand Euro referring to receivables concerning the IRES refund claim (online request sent on 5 February 2013) regarding the failed deduction of the regional manufacturing tax (IRAP) in relation to personnel costs from 2007 to 2011, recognized in 2012, relating to Ferragamo Parfums S.p.A. alone. The decline from 2,025 thousand Euro as at 31 December 2019 was the result of the 1,986 thousand Euro collected in the first half of 2020;
- advances to suppliers amounting to 3,568 thousand Euro (3,404 thousand Euro as at 31 December 2019).

Prepaid expenses mainly include contributions to customers relating to the fit-out of tailored single brand stores and/or stores-in-stores for 8,220 thousand Euro, insurance premiums for 1,683 thousand Euro, and rents for 151 thousand Euro.

Other receivables for hedging derivatives amounting to 3,482 thousand Euro (1,466 thousand Euro as at 31 December 2019) refer to the fair value measurement of outstanding derivative contracts (hedging component) entered into by the Parent company to manage exchange rate risk on sales in currencies other than the Euro.

17. Other current financial assets

Other current financial assets as at 30 June 2020 totaled 197 thousand Euro (101 thousand Euro as at 31 December 2019), and include the fair value measurement of derivatives for the non-hedging component.

18. Cash and cash equivalents

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

(In thousands of Euro)	30 June 2020	31 December 2019	Change 2020 vs 2019
Time deposits	33,429	27,705	5,724
Bank and post office sight deposits	230,438	193,475	36,963
Cash and values on hand	644	1,152	(508)
Total	264,511	222,332	42,179

Time deposits at banks expire in no more than 92 days, except for some 2-year deposits that can be immediately converted into cash. Bank and post office deposits refer to temporary cash holdings maintained mainly to meet imminent payments.

During the first half of the year, the Group bolstered its financial structure by opening new committed lines of credit amounting to 260,000 thousand Euro and continuing to use a part of its cash surpluses not in time-deposit investments, but to take out intercompany loans, regulated at current market conditions, so as to curb its average bank debt.

As at 30 June 2020, the Group had unused credit lines for 767,835 thousand Euro. As at 31 December 2019, unused credit lines totaled 661,231 thousand Euro. For more details, see note 26 Interest-bearing loans & borrowings.

For the purposes of the consolidated statement of cash flows, the item "Cash and cash equivalents" as at 30 June 2020 and 30 June 2019 was broken down as follows:

(In thousands of Euro)	30 June 2020	30 June 2019	Change 2020 vs 2019
Cash and bank sight deposits	231,082	171,583	59,499
Time deposits	33,429	6,597	26,832
Total	264,511	178,180	86,331

Below is the reconciliation of the liabilities from financing activities as reported on the statement of cash flows for the half-year period ended 30 June 2020.

(In thousands of Euro)	Value at 01.01.2020	Cash flow		Translation difference	New leases	Other non- cash changes	Value at 30.06.2020
		for principal repaid/ received	for interest paid/ received				
Current interest-bearing loans & borrowings (excluding bank overdrafts)	48,060	150,924	(430)	277	-	430	199,261
Non current lease liabilities	559,267	-	-	(3,833)	12,444	(59,715)	508,163
Current lease liabilities	117,062	(61,333)	(8,674)	(868)	-	65,888	112,075
Total liabilities from financing activities	724,389	89,591	(9,104)	(4,424)	12,444	6,603	819,499

19. Share capital and reserves

Here below are the main changes occurred in the Group's share capital and reserves during the first half of 2020. The authorized **share capital** of the Parent company as at 30 June 2020 totaled 16,939,000 Euro; the subscribed and paid up share capital amounted to 16,879,000 Euro and consisted of 168,790,000 ordinary shares with a nominal value of 0.10 Euro each.

The **treasury share reserve**, amounting to 2,776 thousand Euro, consisted of 150,000 shares in Salvatore Ferragamo S.p.A., purchased in 2018 (no. 14,000) and 2019 (no. 136,000) at an overall average unit price of 18.50 Euro.

The **extraordinary reserve** of 628,530 thousand Euro, which refers entirely to the Parent company, was set up with retained earnings; the change recorded in the period was due to an increase of 124,211 thousand Euro, relating to Salvatore Ferragamo S.p.A.'s entire profit for the year 2019.

The **cash flow hedge reserve** was positive for 3,869 thousand Euro and is the result of the valuation of the financial instruments defined as cash flow hedges as at 30 June 2020, given the hedges of the Parent company against exchange rate risk, and is shown net of the tax effect.

The **translation reserve**, negative for 22,979 thousand Euro, reflects value changes in the Group share of shareholders' equity of the consolidated companies, due to changes in the exchange rates of the companies' functional currencies against the Euro, the presentation currency of the consolidated financial statements.

Retained earnings, amounting to 125,144 thousand Euro, include profits/losses capitalized during the years, taking due account of consolidation adjustments, in particular unrealized profit on inventories. The change in this reserve during the first half of 2020 was the result of several factors. On the one hand, it rose by 18 thousand Euro due to the initial consolidation of the entities Arts S.r.l and Aura 1 S.r.l. (for the details, see note 5 Business Combinations) and by 71 thousand Euro due to minor effects; on the other hand, the decrease in the reserve was mainly due to the capitalization of the 2019 result, net of the Parent company's profit which was allocated to the extraordinary reserve (36,930 thousand Euro), and to the effect in the period of recognizing the put and call agreements on pre-existing minority interests (4,525 thousand Euro), mainly because of the reclassification out of minority interests.

The items **“Other reserves”** and **“Effect IAS 19 equity”** (net total of 444 thousand Euro) include mainly the amounts recognized for the valuation differences required by IAS/IFRS compared to the local standards of Group companies. In addition, the item Other Reserves includes:

- The IFRS 16 First-Time Adoption Reserve, negative 11,761 thousand Euro, referring to two leases for which the Group elected to measure the right-of-use asset at the carrying amount as if the standard had been applied since the commencement date, net of the relevant tax effect;
- the specific reserve set up to service the Parent company's future free share capital increase for a nominal amount of 60 thousand Euro for the shares that should have been assigned under the 2016-2020 Stock Grant Plan (up to a maximum of 600,000 shares with a nominal value of 0.10 Euro each);
- 921 thousand Euro in the Stock Grant Reserve, referring to the fair value measurement as at 30 June 2020 of the rights to receive shares in the Parent company: their impact on the period amounted to 80 thousand Euro.

The amounts are net of the tax effects where applicable.

20. Provision for risks and charges

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

(In thousands of Euro)	Value at 01.01.2020	Translation difference	Additions	Uses	Value at 30.06.2020
Legal disputes	2,084	(8)	568	(656)	1,988
Other	11,837	12	20	(87)	11,782
Total	13,921	4	588	(743)	13,770

Legal disputes mainly include provisions set aside for likely future liabilities relating to labor disputes involving the Parent company and some subsidiaries, as well as legal proceedings against the Parent company and some proceedings regarding subsidiaries. Labor disputes refer to both litigations and estimates of settlement amounts which the Group companies might pay for settlement in the pre-litigation stage. The use of the provision for legal disputes mainly refers to the settlement of a number of labor and legal proceedings and/or disputes involving the Parent company during the period, while allocations to the provision refer to labor disputes that have arisen during the first half of the year.

The provision for other risks mainly includes allocations against likely contingent liabilities; the main allocation concerns expenses for the restoration of premises leased from third parties recognized pursuant to the relevant contractual obligations, where the Group anticipates an actual outflow of financial resources at the end of the lease term (11,519 thousand Euro); in addition, it includes the additional allowance set aside by Ferragamo Parfums S.p.A. for agents operating in Italy (263 thousand Euro). The provision for the period included 10 thousand Euro referring to costs for the restoration of premises incurred by some foreign subsidiaries.

As regards contingent liabilities at Group level, for which no provisions have been made, please refer to the section “Significant events occurred during the first half of 2020 – Tax and customs disputes and audits”.

21. Employee benefit liabilities

The following table shows the breakdown of employee benefits as at 30 June 2020 and 31 December 2019:

(In thousands of Euro)	30 June 2020	31 December 2019	Change 2020 vs 2019
Employee defined benefit liabilities	12,132	11,686	446
Other employee benefit liabilities	249	215	34
Total	12,381	11,901	480

Employee defined benefit liabilities of the Group's Italian companies (the Parent company, Ferragamo Parfums S.p.A., and Arts S.r.l.) amounted to 9,053 thousand Euro, up by 356 thousand Euro compared to 31 December 2019. Employee defined benefit liabilities of the Group's non-Italian companies refer to Ferragamo Japan KK,

Ferragamo Retail Taiwan Ltd., Ferragamo France SAS, Ferragamo Montecarlo SAM, Ferragamo Belgique SA, Ferragamo Mexico S.L.de C.V., Ferragamo Usa Inc., Ferragamo (Thailand) Limited, and Ferragamo Retail India Private Ltd.. They amounted to 3,079 thousand Euro, up by 90 thousand Euro compared to 31 December 2019.

22. Other non current liabilities

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

(In thousands of Euro)	30 June 2020	31 December 2019	Change 2020 vs 2019
Payables for deferred liabilities	10,717	11,188	(471)
Other payables	1,804	705	1,099
Total	12,521	11,893	628

Payables for deferred liabilities (amounting to 10,717 thousand Euro as at 30 June 2020) largely refer to the straight-lining of the amounts received from lessors for the costs incurred to fit out the stores.

As at 30 June 2020, Other payables amounted to 1,804 thousand Euro and included 186 thousand Euro in guarantee deposits received for lease contracts (unchanged from 31 December 2019) and a 1,618 thousand Euro liability to the Group's employees for the portion of the Long-Term Incentive Plan (2019-2021 LTIP) recognized in 2019 and the first half of 2020. The Plan became effective on 1 October 2019 and will expire on 31 December 2021.

23. Lease liabilities

Below are the changes in lease liabilities occurred in the first half of 2020, broken down between current and non current.

(In thousands of Euro)	Lease liabilities		
	non current	current	Total
Value at 01.01.2020	559,267	117,062	676,329
Translation difference	(3,833)	(868)	(4,701)
Additions	12,444	-	12,444
Disposals	(4,170)	-	(4,170)
Repayment of lease liabilities	-	(61,333)	(61,333)
Interest expense on lease liabilities paid	-	(8,674)	(8,674)
Other changes	(55,545)	65,888	10,343
Value at the end of the period	508,163	112,075	620,238

The average weighted IBR applicable to leases outstanding as at 30 June 2020 was 2.74%.

24. Trade payables

The breakdown of trade payables was as follows:

(In thousands of Euro)	30 June 2020	31 December 2019	Change 2020 vs 2019
Trade payables	123,597	197,460	(73,863)
Advances from customers	1,011	1,474	(463)
Total	124,608	198,934	(74,326)

Trade payables do not bear interest and usually become due after 60/90 days.

This item consists of payables relating to the normal commercial activity carried out by Group companies, in particular relating to the purchase of raw materials, parts and costs relating to outsourced manufacturing.

25. Refund liabilities

Concerning the right of return as part of the measurement of variable consideration as per "Revenue from contracts with customers", the line item "Refund Liabilities" amounted to 9,053 thousand Euro as at 30 June 2020 (8,720 thousand Euro as at 31 December 2019) and largely refers to the liability to customers for the amount of the products expected to be returned.

26. Interest-bearing loans & borrowings

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

(In thousands of Euro)	30 June 2020	31 December 2019	Change 2020 vs 2019
Short-term financial payables to banks	199,261	48,060	151,201
Total	199,261	48,060	151,201

The Group's financial requirements are covered by short-term payables relating to short- and medium/long-term bank credit lines. The Group's loans and credit lines are at floating rates. The cost of debt is generally benchmarked to the market rate for the period (usually Euribor/Libor) increased by a spread which depends on the type of credit line used. The margins applied are in line with the best market standards.

During the first six months of the year, the Group opened new committed lines of credit totaling 260,000 thousand Euro in the form of revolving and term loan facilities. In addition, the Group continued to use a part of its cash surpluses not in time-deposit investments, but to take out intercompany loans, regulated at current market conditions, so as to curb its average bank debt.

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

(In thousands of Euro)	30 June 2020		31 December 2019	
	Agreed	Used	Agreed	Used
Committed credit lines	449,008	131,728	188,703	28,703
<i>Revolving credit lines</i>	327,432	10,152	172,301	12,301
<i>Term loans</i>	121,576	121,576	16,402	16,402
Uncommitted credit lines	518,088	67,533	520,588	19,357
Total	967,096	199,261	709,291	48,060

The following table provides the breakdown of, and changes in, the net financial position as at 30 June 2020, 31 December 2019 and 30 June 2019, restated in accordance with the model included in CONSOB Communication no. DEM/6064293 of 28 July 2006.

(In thousands of Euro)	30 June	31 December	30 June	Change	Change
	2020	2019	2019	06.20 vs 12.19	06.20 vs 06.19
A. Cash	644	1,152	1,299	(508)	(655)
B. Other cash equivalents	263,867	221,180	176,881	42,687	86,986
C. Cash and cash equivalents (A)+(B)	264,511	222,332	178,180	42,179	86,331
Derivatives – non-hedging component	197	101	236	96	(39)
Other financial assets	-	-	-	-	-
D. Current financial receivables	197	101	236	96	(39)
E. Current bank payables	199,261	48,060	18,584	151,201	180,677
F. Derivatives – non-hedging component	1,434	238	144	1,196	1,290
G. Other current financial payables*	117,966	119,301	119,968	(1,335)	(2,002)
H. Current financial debt (E)+(F)+(G)	318,661	167,599	138,696	151,062	179,965
I. Current financial debt, net (H)-(C)-(D)	53,953	(54,834)	(39,720)	108,787	93,673
J. Non current bank payables	-	-	16,313	-	(16,313)
K. Derivatives – non-hedging component	-	-	-	-	-
M. Other non current payables*	508,163	559,267	560,306	(51,104)	(52,143)
N. Non current financial debt (J)+(K)+(M)	508,163	559,267	576,619	(51,104)	(68,456)
O. Net financial debt (I)+(N)	562,116	504,433	536,899	57,683	25,217

* As at 30 June 2020, Other current financial payables included 21,064 thousand Euro in Current lease liabilities to related parties (21,910 thousand Euro as at 31 December 2019 and 23,350 thousand Euro as at 30 June 2019). As at 30 June 2020, Other non current payables included 91,247 thousand Euro in Non current lease liabilities to related parties (99,261 thousand Euro as at 31 December 2019 and 105,239 thousand Euro as at 30 June 2019). For more details, please refer to the note "Transactions with Related Parties" below.

Limitations on the use of financial resources

In general, the Group's committed credit lines (both revolving credit lines and term loans) that are currently outstanding do not require compliance with financial covenants (see the Directors' report on operations, paragraph Significant events occurred after 30 June 2020 for additional information on a loan agreement entered into on 24 July 2020).

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

27. Tax payables

As at 30 June 2020, tax payables amounted to 13,291 thousand Euro and concerned payables for income taxes pertaining to the period and other taxes due by Group companies. The 13,200 thousand Euro decrease in the first half of the year was largely attributable to the reduction in payables for direct taxes (including 9.4 million Euro relating to direct taxes, interest and penalties for the payment of the amount due under the settlement of the tax dispute over the fiscal years 2014 and 2015 involving Salvatore Ferragamo S.p.A. that was finalized in 2019; for the details, see the paragraph “Tax and customs disputes and audits” of the Annual Report as at 31 December 2019) and value-added tax (VAT).

28. Other current liabilities

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

(In thousands of Euro)	30 June 2020	31 December 2019	Change 2020 vs 2019
Other payables	29,054	37,382	(8,328)
Payables to social security institutions	4,460	5,224	(764)
Accrued expenses	1,643	2,548	(905)
Deferred income	6,470	3,609	2,861
Other payables for hedging derivatives	1,345	5,554	(4,209)
Total	42,972	54,317	(11,345)

The item “Other payables” mainly includes the Group’s payables to employees for amounts accrued but not yet paid at the reporting date, Salvatore Ferragamo S.p.A.’s payable due to the holding company Ferragamo Finanziaria S.p.A. under the domestic fiscal unity, and, to a lesser extent, payables to suppliers and service providers that had not been invoiced at the reporting date. The 8,328 thousand Euro decline compared to 31 December 2019 was mainly attributable to the reduction in payables due to employees, net of the 3,209 thousand Euro increase in payables due to the holding company Ferragamo Finanziaria S.p.A. under the domestic fiscal unity.

The item “Payables to social security institutions” refers to payables to social security institutions paid in the month after the reporting period and relating to amounts due to employees.

As at 30 June 2020, Deferred income amounted to 6,470 thousand Euro, up from 31 December 2019 largely because of deferred royalties and advertising contributions deriving from the license contract with the Marchon Group for the production and distribution of glasses (“Salvatore Ferragamo” brand) and with the Timex Group for the production and distribution of watches (“Salvatore Ferragamo” brand), received in advance, to be recognized during the year pursuant to the relevant agreements.

The item “Other payables for hedging derivatives” shows the fair value measurement at the end of the period of outstanding derivatives (hedging component) entered into by the Parent company to manage exchange rate risk. For further details, reference should be made to note 30 below.

29. Other current financial liabilities

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

(In thousands of Euro)	30 June 2020	31 December 2019	Change 2020 vs 2019
Short-term derivatives	1,434	238	1,196
Other current financial payables	5,891	2,239	3,652
Total	7,325	2,477	4,848

The item “Other current financial payables” as at 30 June 2020 includes:

- the put option (2,262 thousand Euro) granted to the minority shareholders of Ferragamo Japan K.K. to sell to Salvatore Ferragamo S.p.A. their 29% investment in the Japanese company, which is valued in compliance with the conditions set out in the shareholders’ agreement signed by the parties. This put option was recognized under Group shareholders’ equity after eliminating minority interests. As at 31 December 2019, this item amounted to 2,239 thousand Euro;
- the outstanding 3,629 thousand Euro to be paid by 28 February 2021 for the acquisition of the interests in Arts S.r.l. and Aura 1 S.r.l. in April 2020; for more details, see note 5 Business Combinations and the paragraph “Significant events occurred during the first half of 2020” in the Directors’ report on operations.

30. Financial instruments and fair value measurement

The classification of financial instruments under IFRS 9 involves various items. The following table sets out the book value of outstanding financial instruments, divided by category, compared to the corresponding fair values, as at 30 June 2020 and 31 December 2019.

Classification of financial instruments and presentation of their fair value.

FINANCIAL ASSETS	30 June 2020			31 December 2019		
	Book value		Fair Value	Book value		Fair Value
	<i>Current</i>	<i>Non current</i>		<i>Current</i>	<i>Non current</i>	
(In thousands of Euro)	<i>portion</i>	<i>portion</i>		<i>portion</i>	<i>portion</i>	
Financial assets at fair value through profit or loss						
Derivatives – non-hedging component	197	-	197	101	-	101
Receivables and loans						
Receivables from others (M/L term)	450	1,150	1,600	709	1,150	1,859
Receivables due from credit cards	3,467	-	3,467	9,234	-	9,234
Trade receivables	95,845	-	95,845	147,202	-	147,202
Guarantee deposits	-	16,573	16,573	-	16,939	16,939
Cash and cash equivalents	264,511	-	264,511	222,332	-	222,332
Derivatives – hedging component	3,482	-	3,482	1,466	-	1,466
Total	367,952	17,723	385,675	381,044	18,089	399,133
FINANCIAL LIABILITIES	30 June 2020			31 December 2019		
	Book value		Fair Value	Book value		Fair Value
	<i>Current</i>	<i>Non current</i>		<i>Current</i>	<i>Non current</i>	
(In thousands of Euro)	<i>portion</i>	<i>portion</i>		<i>portion</i>	<i>portion</i>	
Liabilities at amortized cost						
Trade payables and payments on account	124,608	-	124,608	198,934	-	198,934
Payables to banks	199,261	-	199,261	48,060	-	48,060
Other financial payables	5,891	-	5,891	2,239	-	2,239
Guarantee deposits	50	186	236	67	186	253
Lease liabilities	112,075	508,163	n/a*	117,062	559,267	n/a*
Financial liabilities at fair value through profit or loss						
Derivatives – non-hedging component	1,434	-	1,434	238	-	238
Derivatives – hedging component	1,345	-	1,345	5,554	-	5,554
Total	444,664	508,349	332,775	372,154	559,453	255,278

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

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

In all other cases, fair value is measured according to methods which can be classified as Level 2 of the hierarchy of the significance of inputs to the fair value measurement as defined by IFRS 13.

The Group uses internal valuation models, which are generally used in finance, on the basis of prices provided by market participants or prices collected on active markets through leading info-providers.

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

“Receivables from others (M/L term)” included receivables due to Ferragamo Parfums S.p.A. from Emanuel Ungaro Italia S.r.l. for advance payments under the licensing agreement for the production and distribution of Ungaro-branded fragrances, which was renegotiated in July 2017. The new agreement provides for a repayment plan with installments of equal amount to be deducted from future royalties. Payments are expected to be made in annual installments starting from 2019 through 2023; as at 30 June 2020, the amount outstanding totaled 1,600 thousand Euro, consisting in a 450 thousand Euro current portion and a 1,150 thousand Euro non current portion; fair value was measured by discounting the nominal amount using the market IRS rates quoted for the individual annual maturities and adjusted to take account of the half-year maturities, in accordance with the discounted cash flow method.

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

The Group calculates non-performance risk, i.e. the risk that one of the parties may not fulfill its contractual obligations due to a potential default before the derivative expires, both in reference to counterparty risk (Credit Value Adjustment: CVA), and to its own risk (Debt Risk Adjustment: DVA), applying it to the market value of the risk-free portfolio. Taking into account the type of derivatives in the portfolio (solely currency forward contracts), the related expiry dates (not over twelve months), and the ratings of the Group and the counterparties, these adjustments are immaterial.

In addition, it should be noted that, in compliance with the ISDA Master Agreements and the existing framework agreements relating to derivatives, it is generally possible to offset all the outstanding financial assets and liabilities arising from these derivatives.

The following table shows the changes in the cash flow hedge reserve for the six months ended 30 June 2020 and the year ended 31 December 2019:

Exchange rate risk (In thousands of Euro)	Cash flow hedge reserve	
	30 June 2020	31 December 2019
Opening balance	(658)	(4,012)
+ increases for recognition of new positive effectiveness	6,566	3,685
- decreases for recognition of new negative effectiveness	(4,184)	(9,225)
- decreases for reversal of positive effectiveness from shareholders' equity and recognition of income in profit or loss	(884)	(5,512)
+ increases for reversal of negative effectiveness from shareholders' equity and recognition of cost in profit or loss	4,250	14,406
Closing balance	5,090	(658)

The Reserve, which consists of the value changes in hedges for expected transactions in foreign currency, increased overall by 5,748 thousand Euro overall during the first half of 2020, due to the moderate appreciation of the Euro against the currencies in which the Group carries out hedging transactions against exchange rate risk. The effect directly reclassified out of the Reserve to profit or loss under revenues from sales during the first half of 2020, when the underlying cash flows materialized, was negative and amounted to 2,987 thousand Euro.

In the first six months of 2020 there were limited interruptions of hedges due to the cancellation of the expected underlying value; the relevant impact resulted in overall accumulated financial charges totaling 379 thousand Euro. The remaining hedges were one hundred percent effective for the whole duration of the underlying asset.

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

(in thousands of Euro)	Expected highly probable sales	
	30 June 2020	31 December 2019
Notional amount	317,439	414,443
Cash flow hedge reserve / change in fair value used to measure ineffectiveness	5,090	(658)
Other current assets	2,968	1,206
Other current liabilities	(1,182)	(3,363)

31. Management of financial risks

The Salvatore Ferragamo Group is exposed in different measure to the various financial risks related to its business, in particular to the market risk category which includes the following types of risk:

- interest rate risks relating to the impact of changes in market interest rates;
- exchange rate risks, due to operations in currency areas other than that of the accounting currency;
- liquidity risks relating to the availability of financial resources and the ease of access to the credit market and connected to the need to fulfill the Group's financial commitments in the short term;
- credit (or counterparty) risks, representing the risks of default on commercial or financial obligations assumed by the various counterparties and arising from normal commercial transactions or from use, financing and risk hedging activities.

Financial risks are managed on the basis of guidelines established by the Parent company, in compliance with the goals set centrally by the Board of Directors. This enables the control and coordination of the operations of the individual subsidiaries, also through more effective financial planning and control, the systematic monitoring of the Group's levels of exposure to financial risks as well as the trend in cash management, and the provision of useful indications in order to optimize the management of dealings with the reference credit institutions. In accordance with these directives, the Group specifically controls the management of individual financial risks and intervenes to contain their impact, also by using derivatives. Derivatives are used for hedging purposes only. In

accordance with IFRS, some derivatives have been classified as held for trading, although they have been entered into solely for hedging purposes.

Financial liabilities largely consist of trade payables, payables to banks and other financial payables, and lease liabilities after the accounting standard IFRS16 became effective on 1 January 2019. The management of these liabilities is largely aimed at financing the Group's operations.

For the Management of financial risks, reference should be made to the information in the Annual Report as at 31 December 2019 – with the exception of liquidity and credit risks, which warrant an in-depth discussion in light of the overall post-Covid-19 scenario.

Liquidity risk

Liquidity risk represents the risk that the Group cannot meet its financial obligations due to problems in obtaining funds at current market price conditions (funding liquidity risk) or in liquidating assets on the market to find the necessary financial resources (asset liquidity risk).

The first consequence is a negative impact on the income statement, should the Company be forced to incur additional costs to meet its commitments.

The factors which mainly influence the Group's liquidity are the resources generated or absorbed by current operating and investing activities, the possible distribution of dividends and the expiry and possibility of renewal of debt or the expiry and possibility of liquidation of financial investments of surplus cash. Liquidity needs or surpluses are monitored on a daily basis by the Parent company in order to guarantee effective sourcing of financial resources or adequate investment of liquidity.

The negotiation and management of credit lines is coordinated by the Parent company with the aim of satisfying the short and medium-term needs of the individual companies according to efficiency and cost-effectiveness criteria. As at 30 June 2020, committed credit lines with a number of banks were outstanding for a total of 449,008 thousand Euro, of which 327,432 thousand Euro can be used on one or more occasions (revolving credit lines) and 121,576 thousand Euro in the form of short-term loans (105,000 thousand Euro) and medium/long-term loans (16,576 thousand Euro) denominated in Euro (105,000 thousand Euro) and foreign currency (16,576 thousand Euro), which can be repaid in full upon expiry (term loans), and uncommitted short-term credit lines relating to the Parent company and some of its subsidiaries for a total of 518,088 thousand Euro.

As at 30 June 2020, the Group had unused committed credit lines (as revolving credit lines or term loans) amounting to 317,280 thousand Euro and uncommitted lines totaling 450,555 thousand Euro, against gross debt of 199,261 thousand Euro and an adjusted net financial position amounting to a surplus of 58,122 thousand Euro (562,116 thousand Euro debt when considering also lease liabilities in accordance with IFRS 16). As at 30 June 2020, committed credit lines had a maximum residual duration of thirty-six months and a weighted average residual duration of sixteen months. The credit lines and the related financial business are spread among leading national and international banks. As at the reporting date, their maximum use is below one year.

It has always been the Group's policy to sign and constantly maintain with various and diversified banks a total amount of committed credit lines that is considered consistent with the needs of the individual companies and suitable to ensure at any time the liquidity needed to satisfy and comply with all the Group's financial commitments, at the established economic conditions, as well as guaranteeing the availability of an adequate level of operational flexibility for any expansion programs. In the first six months of 2020, given the global uncertainty associated with the overall post-Covid-19 scenario, the Parent Company deemed it appropriate to increase the amount of the committed lines outstanding in 2019 and 2018. As at 30 June 2020, the term loan related to Ferragamo Japan K.K., which can be fully repaid at maturity, was still outstanding and had a residual maturity of 1 month. Cash surpluses are used with reference banks in largely short-term (usually between one day and twelve months, and in rare cases up to twenty-four months) time deposit transactions, referring to the Euribor/Libor rate for the period or the benchmark of the investment currency on the specific interbank market. Liquidity investments are carried out with the prime objectives of making resources available at short notice and neutralizing the risk of capital losses, avoiding speculative transactions.

In seeking ever greater efficiency, also during the first half of 2020, the Group used a significant part of its cash surplus in order to take out intercompany loans, which are regulated at current market conditions, so as to curb average gross bank debt and financial charges at a consolidated level as well as reduce the credit risk connected with the investment of liquidity with banks.

These choices, which also take account of the likely future trend in cash flows together with prompt renegotiation of credit lines (even before their expiry), enable a significant reduction in the exposure to the risk under review and allow to adjust the cost of debt to the best market conditions. The Group has constantly maintained access to a wide range of financing sources at competitive costs despite the external scenario, which is characterized by rigidity in the credit market. Despite the Group's capacity to generate high cash flows from current operations, the constant availability of an adequate amount of committed credit lines allowed the Group to confidently face the most turbulent market phases, such as the current one, and volatility in credit flows. The total financial position of each company and that of the Group overall is measured every month, and compared with the latest

Budget/Forecast. Management believes that the funds and credit lines currently available, with the new facilities described in the paragraph “Significant events occurred after 30 June 2020” and the addition of the funds which are expected to be generated from current operations, will enable the Group to safely address the repayment of loans at their natural expiries and to meet the needs arising from investment activities and working capital management.

Liquidity risk – Maturity analysis	30 June 2020				
(In thousands of Euro)	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	116,603	8,005	-	-	124,608
Payables to banks	94,332	105,837	-	-	200,169
Payables to third parties	2,262	3,629	-	-	5,891
Lease liabilities	33,186	89,965	337,651	223,131	683,933
Guarantee deposits	50	-	186	-	236
Derivatives – non-hedging component	1,689	-	-	-	1,689
Derivatives – hedging component	885	802	-	-	1,687
Total	249,007	208,238	337,837	223,131	1,018,213

Liquidity risk – Maturity analysis	31 December 2019				
(In thousands of Euro)	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	191,340	7,594	-	-	198,934
Payables to banks	31,717	16,435	-	-	48,152
Payables to third parties	2,239	-	-	-	2,239
Lease liabilities	35,102	96,160	365,741	254,234	751,237
Guarantee deposits	14	53	128	58	253
Derivatives – non-hedging component	199	14	-	-	213
Derivatives – hedging component	3,985	3,917	-	-	7,902
Total	264,596	124,173	365,869	254,292	1,008,930

The analysis carried out on the items relating to financial liabilities showed a concentration of maturities within three months, with the exception of lease liabilities. In the first half of 2020, payables to banks had a maximum residual duration below one year.

Financial assets recorded in the statement of financial position largely have a similar residual life.

Credit risk

Credit risk represents the Company’s exposure to potential losses arising from failure to meet trade or financial obligations taken on by counterparties. The Group’s exposure to credit risk depends on the nature of the activities which have generated the relevant receivables. The Group’s exposure to trade credit risk refers exclusively to wholesale sales and the receivables associated with licensing revenues, which combined represent nearly 30 percent of global turnover; the rest refers to retail sales, which are paid with cash or credit and debit cards at the time of purchase. Trade receivables mainly refer to wholesale sales and are generally due in 90 days or less. The Group generally favors trade dealings with customers with whom it has well-established and consolidated relations. It is the Group’s policy to check credit ratings of customers who ask for extended payment terms, based both on information which can be obtained from specialist agencies and on the observation and analysis of historical data of established customers. In addition, the balance of trade receivables is constantly monitored during the year in order to ensure prompt intervention and to reduce the risk of losses. The allocation of the credit risk among a number of customers helps to further mitigate the risk.

Trade receivables are recorded net of write-downs, which are estimated based on the counterparty’s insolvency risk, determined by considering the information available on the customer’s solvency, historical data, and forecast economic conditions.

Besides obtaining, where possible, guarantees from wholesale customers or the adoption of means of payment which are less risky for the creditor, such as documentary letters of credit, another instrument used to manage commercial credit risk is the subscription of insurance policies, with the aim of preventing the risk of non-payment through careful selection of the customer portfolio jointly with the insurance companies, which agree to guarantee payment of the indemnity in the case of insolvency.

In general, the Company believes that the credit risk management policies implemented enabled overdue and bad debts, which required the adoption of legal credit collection measures, to be kept within reasonable limits.

The credit risk connected to financing, investing and operating activities in derivatives to hedge the exchange rate risk is represented by the inability of the counterparty or the issuer of the financial instruments to meet their contractual obligations, i.e. the so-called counterparty risk. The Group manages this type of risk by selecting counterparties with high credit ratings and who are considered solvent by the market and with whom it has routine

and ongoing trade and banking service relations and by diversifying the accounting currency of surplus cash. In line with prior years, during the first half of 2020 – even though, considering the external scenario, the Group prudentially expanded its bank lines of credit and, therefore, its gross cash on hand – with the aim of minimizing the counterparty risk, the Group used a significant part of its cash surpluses not in time-deposit investments, but to take out intercompany loans, regulated at current market conditions, so as to reduce its average bank debt.

The Group negotiated and entered into master agreements, in accordance with the international standards (ISDA Master Agreement), with all counterparties of derivatives, in order to regulate the various cases.

The credit risk regarding the Group’s other financial assets, consisting of cash and cash equivalents, available-for-sale financial assets and some derivatives, has a risk equal to the book value of these assets in case of insolvency of the counterparty.

(In thousands of Euro)	30 June 2020		31 December 2019	
	Current portion	Non current portion	Current portion	Non current portion
Receivables and loans				
Receivables from others (M/L term)	450	1,150	709	1,150
Trade receivables	95,845	-	147,202	-
Receivables due from credit cards	3,467	-	9,234	-
Cash and cash equivalents	264,511	-	222,332	-
Guarantee deposits	-	16,573	-	16,939
Derivatives	3,679	-	1,567	-
Total	367,952	17,723	381,044	18,089

The table shows how the Group’s exposure to credit risk – both commercial and counterparty risk – is defined by the book value of the items representing outstanding financial assets as at 30 June 2020 and 31 December 2019, and is almost exclusively limited to the current portion. Excluding “Guarantee deposits”, which largely include cash deposits paid by several companies under property lease agreements and are recognized at their nominal amount, the non-current portion entirely consists of receivables due from Emanuel Ungaro Italia S.r.l. to Ferragamo Parfums S.p.A. under a licensing agreement that was renegotiated in July 2017. Under the agreement, both the 450 thousand Euro current portion and 1,150 thousand Euro non current portion are to be repaid based on a repayment plan, to be calculated in accordance with future royalties. Payments are expected to be made in annual installments through 2023; the fair value was calculated by discounting the nominal amount using the market IRS rates quoted for the individual annual maturities, in accordance with the discounted cash flow method. The negative market interest rates for some maturities until 2023 were assumed to be zero, resulting in a fair value equal to the nominal amount.

Concentration of credit risk by geographic area				
(In thousands of Euro)	30 June 2020	%	31 December 2019	%
Italy	18,757	19.6%	23,454	15.9%
Europe	12,078	12.6%	22,603	15.4%
North America	7,828	8.2%	22,728	15.4%
Japan	7,595	7.9%	11,666	7.9%
Asia Pacific	45,602	47.6%	57,202	38.9%
Central and South America	3,985	4.1%	9,549	6.5%
Total	95,845	100.0%	147,202	100.0%

The table shows the concentration of commercial credit risk by geographic area of the Group activity in the two years under review.

(In thousands of Euro)	Receivables neither past due nor impaired	Receivables past due but not impaired					Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days	
		30 June 2020	69,698	6,339	1,196	8,066	
31 December 2019	131,386	8,566	2,812	1,173	745	2,520	147,202
Figures in % as at 30 June 2020	72.7%	6.6%	1.2%	8.4%	6.8%	4.2%	100.0%
Figures in % as at 31 December 2019	89.3%	5.8%	1.9%	0.8%	0.5%	1.7%	100.0%

The analysis carried out on the expiry dates of receivables which are past due but not impaired shows they were concentrated within thirty days as at 30 June 2020 as well as 31 December 2019. The increase in receivables 60 to

120 days past due was attributable to some customers asking to extend payment terms as their operations were temporarily suspended in the wake of the decisions made by individual governments. Such cases were gradually resolved in the months after 30 June 2020.

The concentration of sales to the main customers is shown in the table below; for the concentration of sales by geographic area, reference should be made to the contents in the specific section above:

Concentration of market risk	Period ended	
	30 June 2020	31 December 2019
Percentage of revenues with the biggest customer	1.6%	1.6%
Percentage of revenues with the 3 biggest customers	4.0%	4.7%
Percentage of revenues with the 10 biggest customers	10.2%	11.0%

Comments on the main income statement items

For a better understanding of the trend in income statement items, reference should also be made to the comments in the Interim Directors' report on operations relating to the comparison between the data for the first half of 2020 and 2019.

32. Revenues from contracts with customers

In the first half of 2020 and 2019, revenues from contracts with customers totaled 375,395 thousand Euro and 701,749 thousand Euro, respectively. The tables below provide the breakdown by channel and geographical area of the main categories of revenues from contracts with customers as at 30 June 2020 and 30 June 2019.

(In thousands of Euro)	Half-year period ended 30 June 2020			Total Revenues from contracts with customers
	Retail	Wholesale	Licenses and services	
Europe	31,542	50,794	3,423	85,759
North America	45,215	23,176	218	68,609
Japan	35,340	1,545	1	36,886
Asia Pacific	137,771	28,847	128	166,746
Central and South America	10,746	6,520	129	17,395
Total	260,614	110,882	3,899	375,395

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

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

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

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

33. Rental income investment properties

Rental income investment properties were wholly due to the Ferragamo USA Group for the lease of space in owned or leased and sub-leased properties. In the first half of 2020, they amounted to 1,131 thousand Euro, down 1,990 thousand Euro from 3,121 thousand Euro in the prior-year period as some real estate leases came to an end during the reporting period.

34. Cost of goods sold and operating costs

Cost of goods sold and operating costs in the first half of 2020 and 2019 totaled 458,264 thousand Euro and 618,656 thousand Euro, respectively, and were classified by function as follows:

(In thousands of Euro)	Half-year period ended 30 June		Change 2020 vs. 2019
	2020	2019	
Cost of goods sold	150,540	247,975	(97,435)
Style, product development and logistics costs	17,223	25,997	(8,774)
Sales & distribution costs	192,204	233,492	(41,288)
Marketing & communication costs	25,287	37,064	(11,777)
General and administrative costs	58,361	62,906	(4,545)
Other operating costs	14,649	11,222	3,427
Total	458,264	618,656	(160,392)

Costs were down 25.9% compared to the first half of 2019 as a direct consequence of the reduction in revenues and the steps taken by the Group's management to mitigate the negative impacts of the economic crisis caused by the Covid-19 pandemic.

35. Breakdown by nature of income statement cost items

The breakdown by nature of income statement cost items is set out in the following table:

(In thousands of Euro)	Half-year period ended 30 June		Change 2020 vs. 2019
	2020	2019	
Raw materials, finished products and consumables used	81,636	131,896	(50,260)
Costs for services	165,348	270,087	(104,739)
Personnel costs	92,459	115,190	(22,731)
Amortization and depreciation of tangible and intangible assets	33,192	33,800	(608)
Depreciation of right-of-use assets	61,671	56,368	5,303
Write-downs of tangible/intangible assets	9,309	93	9,216
Other charges	14,649	11,222	3,427
Total	458,264	618,656	(160,392)

Costs for services and personnel costs were sharply down from 30 June 2019 as a direct consequence of the reduction in variable costs associated with the contraction in revenues, and as an indirect consequence of the steps promptly taken by the Group to curb costs – including, among others, applying for state aid aimed at supporting employment in the various countries in which the Group operates, where available, and negotiating the terms and conditions of the leases of its distribution network.

The following table shows the impacts of leases on profit or loss, broken down by nature, in the first half of 2020:

(In thousands of Euro)	Half-year period ended 30 June	
	2020	% of Total
Depreciation of right-of-use assets	61,671	71.7%
Interest and expenses on lease liabilities	8,493	9.9%
Income from lease liabilities	(63)	(0.1%)
Costs relating to short-term leases	3,808	4.4%
Costs relating to low-value leases	267	0.3%
Costs relating to leases with variable payments not included in the measurement of lease liabilities	23,102	26.8%
Lease payment reductions	(11,226)	(13.0%)
Total	86,052	100.0%

Some of the Group's leases contain variable lease payments linked to the revenues generated by stores (DOS), inside leased premises that are not included in the measurement of leases, in accordance with the accounting standard IFRS 16, and are recognized on an accrual basis. As at 30 June 2020, overall variable lease payments accounted for 26.8% (28.3% in the first half of 2019) of the total expense recognized in profit or loss associated with leases either included or not in the lease liability as per the accounting standard IFRS 16. Variable lease payments depend on sales, and therefore the Company's performance in subsequent years. The Company estimates that in the future variable lease payments will continue to be proportionate to the sales of finished goods.

To curb the negative impacts of the Covid-19 pandemic, the Group entered into important negotiations to revise the terms and conditions of the leases of its distribution network, resulting in an 11,226 thousand Euro positive variable lease payment (including 669 thousand Euro relating to subsequent months) 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 issued by the IASB in late May relating to renegotiations resulting from the Covid-19 pandemic, even though said amendment had not yet been endorsed by the European Union at the date of preparation of this condensed consolidated half-year report as at 30 June 2020.

36. Other income and revenues

Other income and revenues are broken down as follows:

(In thousands of Euro)	Half-year period ended 30 June		Change 2020 vs. 2019
	2020	2019	
Expense recovery	1,703	1,304	399
Rental income from operating properties	218	216	2
Advertising contributions	2	4	(2)
Other income and revenues	4,708	4,991	(283)
Gains on disposal of tangible/intangible assets	-	27	(27)
Windfall profit	675	1,158	(483)
Total	7,306	7,700	(394)

As at 30 June 2020, other income and revenues amounted to 7,306 thousand Euro, down 394 thousand Euro compared to the first half of 2019, with the ratio to total revenues increasing from 1.1% to 1.9%.

37. Financial operations

Financial operations are broken down as follows:

(In thousands of Euro)	Half-year period ended 30 June		Change 2020 vs. 2019
	2020	2019	
Financial charges			
Interest expense	430	200	230
Discount charges and other financial charges	824	963	(139)
Interest expense on lease liabilities	8,484	8,786	(302)
Expenses on lease liabilities	9	-	9
Losses on exchange rate differences	21,528	10,023	11,505
Financial charges for fair value adjustment of derivatives	11,565	11,481	84
Total	42,840	31,453	11,387

(In thousands of Euro)	Half-year period ended 30 June		Change 2020 vs. 2019
	2020	2019	
Financial income			
Interest income	607	501	106
Other financial income	204	230	(26)
Income from lease liabilities	63	-	63
Gains on exchange rate differences	11,464	13,207	(1,743)
Financial income for fair value adjustment of derivatives	11,513	2,498	9,015
Total	23,851	16,436	7,415

Net interest expense (amounting to a net gain of 177 thousand Euro) was essentially in line with the first half of 2019 (net gain of 301 thousand Euro).

Interest and expenses on lease liabilities – which the Group started recognizing as of 1 January 2019, following the introduction of the accounting standard IFRS 16 – amounted to 8,493 thousand Euro in the first half of 2020 (8,786 thousand Euro in the first half of 2019).

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

Gains and losses on exchange rate differences arise from the Group's foreign sales, both intercompany and to third parties, in currencies other than the Euro. During the first half of 2020, net exchange rate losses amounted to 10,064 thousand Euro compared to net exchange rate gains of 3,184 thousand Euro in the first half of 2019.

Financial income/(charges) for fair value adjustment of derivatives refer to the premium or discount on transactions to hedge the exchange rate risk undertaken by the Parent company and the changes in the fair value of non-hedging derivatives, and are closely related to net gains and losses on exchange rate differences. During the first half of 2020, the Group reported 52 thousand Euro in net financial charges, compared to 8,983 thousand Euro in net financial charges in the first half of 2019.

38. Income Taxes

The taxes recorded in the income statement were as follows:

(In thousands of Euro)	Half-year period ended 30 June		Change 2020 vs. 2019
	2020	2019	
Current taxes	(8,144)	(27,655)	19,511
Deferred taxes	15,176	8,793	6,383
Total	7,032	(18,862)	25,894
Tax rate	na	23.9%	

Taxes were calculated using the best possible estimate of the annual average expected tax rate at the reporting date. The 93,421 thousand Euro loss before taxes gave rise to a positive 7,032 thousand Euro in current and deferred taxes, mainly because of the positive impact of deferred tax assets. These were largely attributable to the deferred tax assets recognized on tax losses by some subsidiaries and on the provision for obsolete inventory. The Group's tax rate had been 23.9% in the first half of 2019. In the first half 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 9.4 million Euro, whereas in the first six months of 2020 this benefit 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.

Deferred tax assets and liabilities

The following table provides a breakdown by nature of deferred tax assets and liabilities as at 30 June 2020 and 31 December 2019:

(In thousands of Euro)	30 June 2020	31 December 2019	Change 2020 vs. 2019
Deferred tax assets			
- on employee benefits	1,594	1,533	61
- on tangible assets	7,715	7,653	62
- on intangible assets	1,369	1,113	256
- on right-of-use assets and lease liabilities	16,829	16,578	251
- on the valuation of inventories	17,669	12,403	5,266
- on the elimination of the profit unrealized in inventories	48,347	46,867	1,480
- on tax losses	6,585	560	6,025
- on taxed provisions	3,014	3,582	(568)
- for other temporary differences	7,259	6,447	812
Deferred tax assets	110,381	96,736	13,645
Deferred tax liabilities			
- on employee benefits	(110)	(97)	(13)
- on tangible assets	(320)	(373)	53
- on right-of-use assets and lease liabilities	(3)	-	(3)
- on the cash flow hedge reserve	(1,101)	(274)	(827)
- on the valuation of inventories	(2,269)	(2,433)	164
- for other temporary differences	(2,315)	(2,393)	78
Deferred tax liabilities	(6,118)	(5,570)	(548)
Net effect	104,263	91,166	13,097

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

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

39. Earnings per share

As required by IAS 33, information is provided on the data used to calculate basic and diluted earnings per share. Basic earnings per share is calculated by dividing the profit and/or loss for the period attributable to the shareholders of the Parent company by the weighted average number of outstanding shares during the period.

In the first half of 2019, for the purposes of calculating diluted earnings per share, the weighted average number of shares was increased in order to take into account the dilution effects of the 2016-2020 Stock Grant Plan (1st and 2nd cycle). For further details, reference should be made to note 40.

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

	Half-year period ended 30 June	
	2020	2019
Net profit (loss) – shareholders of the Parent company (Euro)	(81,898,638)	58,074,549
Average number of ordinary shares	168,640,000	168,740,400
Basic earnings per share – ordinary shares (Euro)	(0.486)	0.344
Average number of ordinary shares	168,640,000	168,740,400
Dilution effect: number of shares which could have been issued (Stock Grant Plan)	-	69,174
Diluted average number of ordinary shares	168,640,000	168,809,574
Diluted earnings per share – ordinary shares (Euro)	(0.486)	0.344

Other information

40. Share-based payments

2016-2020 Stock Grant Plan

(a) Plan Description

In order to adopt a medium/long-term incentive system based on the financial instruments of Salvatore Ferragamo S.p.A. for the top management of the Salvatore Ferragamo Group, at the proposal of the Nomination and Remuneration Committee, during 2016 the Board of Directors approved a specific plan (the 2016-2020 Stock Grant Plan or, in short, the Plan), which ended in June 2020. For more details on the plan's objectives, scope, and term, as well as the method for measuring fair value, please refer to the consolidated financial statements as at 31 December 2019 (note 40).

As briefly detailed below, the Plan was divided into two Cycles:

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

The Plan involved the following:

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

The Board of Directors set the performance targets for the 1st Cycle in 2016 (resolution of 30 June 2016) and for the 2nd Cycle in 2017 (resolution of 22 June 2017).

Here below is how the shares were granted in both Cycles based on the performance targets met, with each one of them accounting separately for 50% of the options:

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

B. Consolidated gross profit (before taxes) versus 2016 - 2017- 2018 Budget (1st Cycle) and versus 2017-2018 and 2019 Budget (2nd Cycle)	Percentage of vesting options
Gross Profit Performance Measure lower than 90%	0%
Gross Profit Performance Measure = 90%	50%
Gross Profit Performance Measure = 100%	100%
Gross Profit Performance Measure higher than 100%	100%

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

At the meeting held on 25 June 2020, with respect to the 2nd Cycle of the 2016-2020 Stock Grant Plan, which was set to end on 30 June 2020, the Board of Directors of Salvatore Ferragamo S.p.A, having heard the Nomination and Remuneration Committee, confirmed that the performance targets of said Plan were not achieved and resolved to close also the 2nd Cycle of the 2016-2020 Stock Grant Plan without granting any shares in Salvatore Ferragamo S.p.A..

Changes in the period of the number of rights assigned to receive shares*

(i) outstanding at the start of the year	105,000
(ii) assigned in the period	-
(iii) canceled in the period	5,000
(iv) exercised in the period	-
(v) expired in the period (2nd cycle)	100,000
(vi) outstanding at the end of the period	-
(vii) exercisable at the end of the period	-

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

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

	30 June 2020		31 December 2019	
	Number	Fair Value (In thousands of Euro)	Number	Fair Value (In thousands of Euro)
<u>Rights to receive shares assigned to the top managers of Salvatore Ferragamo S.p.A.</u>				
- at the start of the year	70,000	387	120,000	753
- assigned in the year	-	-	-	-
- canceled in the period	5,000	29	-	-
- expired in the period	65,000	432	50,000	159
- at the end of the period	-	-	70,000	387
<u>Rights to receive shares assigned to the subsidiaries' top managers</u>				
- at the start of the year	35,000	184	60,000	431
- assigned in the period	-	-	-	-
- canceled in the period	-	-	-	-
- expired in the period	35,000	219	25,000	111
- at the end of the period	-	-	35,000	184
<u>Total rights to receive shares assigned to Ferragamo Group's top managers</u>				
- at the start of the year	105,000	571	180,000	1,184
- assigned in the period	-	-	-	-
- canceled in the period	5,000	29	-	-
- expired in the period	100,000	651	75,000	270
- at the end of the period	-	-	105,000	571

(c) Fair value measurement

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

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

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

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

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

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

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

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

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

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

41. Segment reporting

IFRS 8 requires entities to provide detailed information for each operating segment, understood as a component of an entity whose operating results are regularly reviewed by the entity's top management to make decisions about resources to be allocated to the segment and assess its performance. At management level, the organization of the Salvatore Ferragamo Group is based on a matrix structure, divided by distribution channel, geographic area, and product category. Operating segments cannot therefore be identified, and top management reviews financial performance across the Group as a whole. Therefore, the Group's activity has been represented as a single reportable segment pursuant to IFRS 8.

(In thousands of Euro)	Half-year period ended 30 June	
	2020	2019
Retail revenues	260,614	441,686
Wholesale revenues	110,882	254,376
Licenses and services	3,899	5,687
Rental income investment properties	1,131	3,121
Revenues	376,526	704,870
Gross profit	225,986	456,895
Gross profit %	60.0%	64.8%
Personnel costs	(86,687)	(107,736)
Rental costs	(23,938)	(46,953)
Amortization, depreciation and write-downs of non current assets	(103,519)	(89,649)
Communication costs	(22,125)	(32,739)
Other costs (net of other income)	(64,149)	(85,904)
Operating profit/(loss)	(74,432)	93,914
Net financial (charges)/income	(18,989)	(15,017)
Profit before taxes	(93,421)	78,897
Income Taxes	7,032	(18,862)
Net profit/(loss)	(86,389)	60,035
EBITDA*	29,740	184,175

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

(In thousands of Euro)	30 June 2020	31 December 2019
Inventories and Right of return assets	394,793	395,004
Trade receivables	95,845	147,202
Tangible assets and investment property	259,612	290,896
Right-of-use assets	520,291	576,455
Intangible assets with a finite and indefinite useful life	48,491	42,484
Other assets	173,729	169,404
Total assets gross of cash and cash equivalents and current financial receivables	1,492,761	1,621,445
Net financial debt	562,116	504,433
Trade payables and Refund Liabilities	133,661	207,654
Other liabilities	101,053	124,093
Shareholders' equity	695,931	785,265
Total liabilities and shareholders' equity (net of cash and cash equivalents and current financial receivables)	1,492,761	1,621,445

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

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

(In thousands of Euro)	Europe	North America	Japan	Asia - Pacific	Central and South America	Consolidated
30 June 2020	452,865	202,178	26,365	156,662	9,227	847,297
31 December 2019	474,164	219,750	36,943	185,659	12,900	929,416

42. Transactions with related parties

The following tables show the overall values of transactions with related parties in the first half of 2020 and 2019:

(In thousands of Euro)	Half-year period ended 30 June 2020						30 June 2020		
	Revenues	Operating costs (net of other income)	Financial charges	Right-of- use assets	Trade receivables	Other assets	Trade payables	Other liabilities	Lease liabilities
Holding company:									
Ferragamo Finanziaria S.p.A. (company which exercises management and coordination on Salvatore Ferragamo S.p.A.)	-	(43)	(13)	706	-	613	-	(11,698)	(723)
Related companies									
Palazzo Feroni Finanziaria S.p.A.	21	(3,031)	(818)	46,517	15	70	(146)	-	(49,140)
Lungarno Alberghi S.r.l.	20	(841)	(370)	19,745	7	-	-	-	(21,071)
Ferragamo Foundation	2	(50)	-	-	-	-	(50)	-	-
Companies connected to members of the Board of Directors									
Arpa S.r.l.	-	(10)	-	-	-	-	(2)	-	-
Bacco S.r.l.	-	(1)	-	9	-	-	-	-	(10)
Caretti & Associati S.r.l.	-	(202)	-	-	-	-	-	-	-
Castiglione del Bosco S.a.r.l.	-	(2)	-	-	-	-	(2)	-	-
Castiglione del Bosco Hotel S.r.l.	1	-	-	-	-	-	-	-	-
Il Borro S.r.l. Società agricola	2	-	-	-	2	-	-	-	-
The European House Ambrosetti S.p.A.	-	(4)	-	-	-	-	(4)	-	-
Prisma Property Investment Management S.r.l.	-	-	-	-	1	-	-	-	-
Harbour City Estates Limited	-	(3,993)	(438)	34,127	-	2,813	(846)	-	(34,920)
Imaginex Management Co. Ltd.	-	3	-	-	-	-	-	-	-
Times Square Ltd.	-	(1,299)	(10)	188	8	-	(1)	-	(187)
Harriman Property Management Limited	-	(2)	-	-	-	-	-	-	-
Harriman Leasing Limited	-	-	-	-	-	777	-	-	-
Lane Crawford (Hong Kong) Limited	-	(1)	-	-	-	-	-	-	-
Long Jin Complex Development (Chengdu) Co. Ltd	-	(1,018)	(17)	538	-	588	(33)	-	(435)
Dalian Times Square Commercial Co. Ltd.	-	(254)	(46)	2,082	-	176	(61)	-	(2,244)
Pedder Group Limited	30	-	-	-	17	-	-	-	-
OIS Realty Limited	-	(260)	(17)	1,247	-	130	-	-	(1,240)
Shanghai Wheelock square Development Co. Ltd.	-	(320)	(24)	1,652	-	178	(45)	-	(1,682)
Shanghai Harriman Property Management Co. Ltd.	-	(46)	-	-	-	22	(8)	-	-
Wharf (China) Property Management Co. Ltd - IFS Branch	-	(62)	-	-	-	-	-	-	-
Chongqing Jiayi Real Estate Development Co Ltd.	-	(133)	(14)	573	-	101	(42)	-	(659)
Chengdu Times Outlets Commerce Co., Ltd	-	(83)	-	-	-	4	(4)	-	-
Other related parties connected to members of the Board of Directors									
Edoardo Ferragamo	-	(6)	-	-	-	-	-	-	-
Directors, Statutory Auditors and Managers with strategic responsibilities*									
Directors, Statutory Auditors and Managers with strategic responsibilities	-	(2,537)	-	-	-	-	-	(1,935)	-
Total	76	(14,195)	(1,767)	107,384	50	5,472	(1,244)	(13,633)	(112,311)
Group total	376,526	(300,418)	(42,840)	520,291	95,845	46,049	(124,608)	(55,493)	(620,238)
% ratio	0.0%	4.7%	4.1%	20.6%	0.1%	11.9%	1.0%	24.6%	18.1%

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

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. (1,901 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 Group has not set aside any provision for bad debt in relation to amounts due from related parties.

Specifically:

Holding company

Ferragamo Finanziaria S.p.A.

Under the domestic fiscal unity in which the Parent company Salvatore Ferragamo S.p.A. participates together with Ferragamo Finanziaria S.p.A. (consolidating entity) and Ferragamo Parfums S.p.A., Other current assets included 574 thousand Euro in corporate income tax (IRES) receivables of Ferragamo Parfums S.p.A., as well as 39 thousand Euro in receivables not yet collected as at 30 June 2020 concerning the corporate income tax refund claim regarding the failure to deduct the regional manufacturing tax (IRAP) in relation to personnel costs from 2007 to 2011, as set out in Law Decree no. 201 of 6 December 2011, recognized in 2012 (2,025 thousand Euro as at 31 December 2019). Other current liabilities included 11,698 thousand Euro in corporate income tax payables of the Parent company.

Salvatore Ferragamo S.p.A. has entered into one outstanding lease contract with Ferragamo Finanziaria S.p.A. concerning the lease of an industrial shed adjacent to the Osmannoro facility, which the Parent company converted into a design and prototyping laboratory for the development of leather goods; in addition, Salvatore Ferragamo S.p.A. had a contract for the lease of a parking area next to the Osmannoro facility that ended in the first half of 2020. Since they fall within the scope of IFRS 16, the two leases were accounted for by recognizing a right-of-use asset, depreciated over the lease term, and a corresponding lease liability.

Related companies

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

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

In particular, the following transactions should be noted:

Palazzo Feroni Finanziaria S.p.A.

Revenues and the relevant receivables refer to IT and administrative services. Right-of-use assets and lease liabilities, operating costs, and finance expense largely refer to leases for the headquarters in Florence and some stores of the Italian chain, which mostly fall within the scope of IFRS 16. Other assets refer to the relevant guarantee deposits.

Lungarno Alberghi S.r.l.

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

Ferragamo Foundation

Costs (and the relevant debit balances) include 50 thousand Euro relating to services rendered for the management of the Salvatore Ferragamo S.p.A. historical archive (60 thousand Euro in the first half of 2019).

Companies connected to members of the Board of Directors

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

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

In particular, the following transactions should be noted:

Harbour City Estates Limited

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

Times Square Ltd. and Harriman Leasing Limited

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

Long Jin Complex Development (Chengdu) Co. Ltd

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

Dalian Times Square Commercial Co. Ltd.

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

Shanghai Wheelock square Development Co. Ltd.

Right-of-use assets and lease liabilities, operating costs, and financial charges refer to the lease of the offices of Ferragamo Fashion Trading Shanghai Co. Limited and Ferragamo Moda Shanghai Limited, which falls within the scope of IFRS 16, whereas other assets refer to the relevant guarantee deposits.

OIS Realty Limited

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

Chongqing Jiayi Real Estate Development Co Ltd.

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

Other related parties connected to members of the Board of Directors

Edoardo Ferragamo

The costs refer to social security costs associated with business consulting services that Edoardo Ferragamo rendered to Ferragamo Parfums S.p.A..

Directors, Statutory Auditors and Managers with strategic responsibilities

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

Full name	Role
Giacomo Ferragamo	Brand & Product and Communication Manager*
Alessandro Corsi	Manager of Administration, Finance and Control

*Deputy Chairman of the Board of Directors until 27 May 2020, when he resigned from his position as Director.

The costs associated with the managers with strategic responsibilities as well as the relevant payables referred to the cost incurred by the Group as part of the employment relationship, including variable bonuses, and included the cost of the 2nd cycle of the 2016-2020 Stock Grant Plan. These costs amounted to 473 thousand Euro in the first half of 2020 (275 thousand Euro in the first half of 2019, not including Giacomo Ferragamo's remuneration as manager with strategic responsibilities, as this is included in the remuneration of the Board of Directors), including 29 thousand Euro relating to the 2016-2020 Stock Grant Plan, which ended in June 2020. The managers with strategic responsibilities receive non-monetary benefits such as cars, mobile phones, and insurance policies.

The **remuneration** of the **Directors** of Salvatore Ferragamo S.p.A. includes the estimated variable bonus due to the Chairman, the Executive Deputy Chairman, and the Managing Director, committee meeting fees and, as regards Angelica Visconti, the cost incurred as part of the employment relationship, including variable bonuses, and included the cost of the 2nd cycle of the 2016-2020 Stock Grant Plan; in the first half of 2020 remuneration amounted to 1,967 thousand Euro (2,472 thousand Euro in the first half of 2019, including Giacomo Ferragamo's remuneration as a Group employee, now included in the remuneration of managers with strategic responsibilities), of which 6 thousand Euro refer to the 2016-2020 Stock Grant Plan that ended in June 2020.

The remuneration of the Board of Statutory Auditors of Salvatore Ferragamo S.p.A. (also for the auditors' role as members of the Supervisory Body) amounted to 97 thousand Euro (97 thousand Euro in the first half of 2019).

43. 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 since the Board met on 10 March 2020 following 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, also resolved 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. In this regard, it has clarified that the Group will potentially reconsider paying a dividend out of the profits for the year 2019 when there will be more certainty about the economic outlook.

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 approve and/or pay any dividends during the first half of 2020.

44. Commitments and risks

The breakdown of the risks and commitments is as follows:

(In thousands of Euro)	30 June 2020	31 December 2019
Sureties provided by third parties in the interests of Group companies	9,793	9,689
Guarantees provided by third parties in the interests of Group companies	4,530	4,602
Guarantees provided by Group companies in the interests of third parties	115,434	136,238
Total	129,757	150,529

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

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

Guarantees provided by Group companies include a 6.0 million US dollar (5.4 million Euro) guarantee relating to a lease contract of the Ferragamo USA Group, and the remainder is mainly in favor of banks to guarantee credit lines which may be used locally.

45. Significant events occurred after 30 June 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.

Acquisition of Arts S.r.l. and Aura1 S.r.l.

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.

No additional significant events occurred after 30 June 2020.

46. Significant non-recurring events and transactions

During the first half of 2020, the Salvatore Ferragamo Group did not carry out significant non-recurring transactions.

47. Transactions arising from atypical and/or unusual transactions

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

Florence, 15 September 2020

On behalf of the Board of Directors
The Chairman
Ferruccio Ferragamo

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

1. The undersigned Micaela le Divelec Lemmi in her capacity as “Managing Director” and Alessandro Corsi in his capacity as “Manager charged with preparing Company’s Financial Reports” of Salvatore Ferragamo S.p.A. certify, having also taken account of the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the company’s structure and
- the effective application of the administrative and accounting procedures for the preparation of the condensed consolidated half-year financial statements for the first half of 2020.

2. The adequacy of the administrative and accounting procedures for the preparation of the condensed consolidated half-year financial statements as at 30 June 2020 has been assessed on the basis of the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission which is the generally accepted model internationally.

3. It is also certified that

3.1 The condensed consolidated half-year financial statements as at 30 June 2020:

- a. have been prepared in accordance with the applicable International Accounting Standards as endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002, and in particular IAS 34 – Interim Financial Reporting;
- b. correspond with accounting books and records;
- c. are suitable to provide a true and fair representation of the equity, income and financial position of the Parent company and of the group of companies included in the consolidation area.

3.2 The Interim Directors’ report on operations includes a reliable analysis of the significant events occurred during the first six months of the year and of their impact on the condensed consolidated half-year financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The Interim Directors’ report on operations also includes a reliable analysis of the information on significant transactions with related parties.

Florence, 15 September 2020

Managing Director
Micaela le Divelec Lemmi

Manager charged with preparing Company’s Financial Reports
Alessandro Corsi



KPMG S.p.A.
Revisione e organizzazione contabile
Viale Niccolò Machiavelli, 29
50125 FIRENZE FI
Telefono +39 055 213391
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

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

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Salvatore Ferragamo Group comprising the statement of financial position, income statement, statement of comprehensive income, statement of cash flows, statement of changes in equity and notes thereto, as at and for the six months ended 30 June 2020. The company's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Salvatore Ferragamo Group as at and for the six months ended 30 June 2020 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

Ancona Aosta Bari Bergamo
Bologna Bolzano Brescia
Cagliari Como Firenze Genova
Lecce Milano Napoli Novara
Padova Palermo Parma Perugia
Pescara Roma Torino Treviso
Trieste Varese Verona

Società per azioni
Capitale sociale
Euro 10.415.500,00 I.v.
Registro Imprese Milano e
Codice Fiscale N. 00709600159
R.E.A. Milano N. 512887
Partita IVA 00709600159
VAT number IT00709600159
Sede legale: Via Vittor Pisani, 25
20124 Milano MI ITALIA



Other matters

The consolidated financial statements of the previous year and the condensed interim consolidated financial statements as at and for the six months ended 30 June 2019 have been respectively audited and reviewed by another auditor who expressed an unmodified opinion on the consolidated financial statements and an unmodified conclusion on the condensed interim consolidated financial statements on 26 March 2020 and on 30 July 2019, respectively.

Florence, 16 September 2020

KPMG S.p.A.

(signed on the original)

Riccardo Cecchi
Director of Audit