

*Salvatore Ferragamo*

***Salvatore Ferragamo Group***

**Interim Report as at 31 March 2020**

**Salvatore Ferragamo S.p.A.**

Florence

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

## **General information**

### **Registered office of the Parent company**

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

### **Legal information about the Parent company**

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

## Corporate boards

### Board of Directors (1)

Ferruccio Ferragamo (7)	Chairman
Micaela le Divelec Lemmi (7)(11)	Managing Director
Giacomo Ferragamo (8)	Deputy Chairman
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	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 (12)	

### Nomination and Remuneration Committee

Umberto Tombari	Chairman
Marzio Alessandro Alberto Saà	
Lidia Fiori	
Chiara Ambrosetti (12)	

### Product and Brand Strategy Committee

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

### Board of Statutory Auditors (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

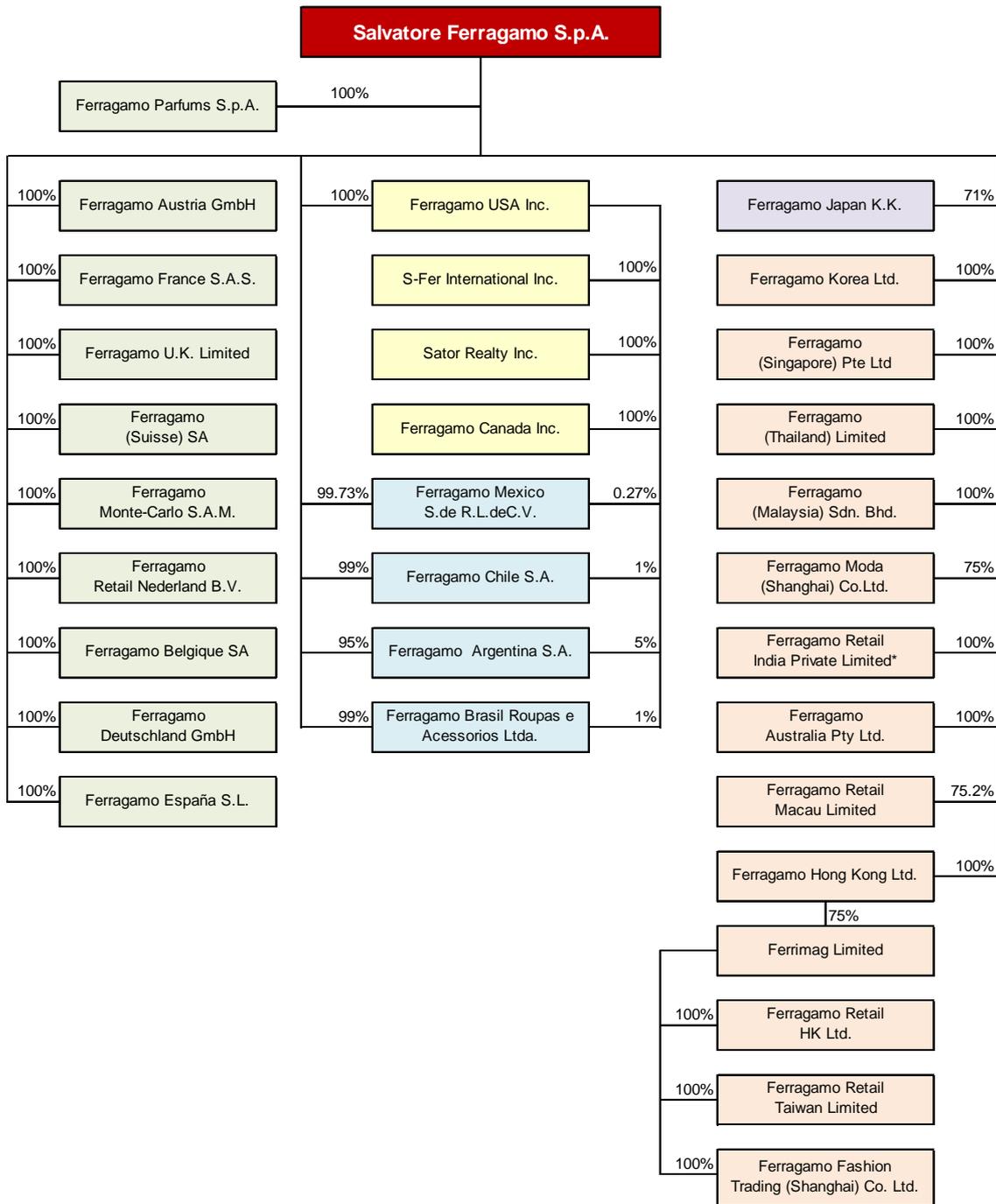
(9) Non-executive director

(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. In office until approval of the 31 December 2020 separate financial statements

(12) Appointed by the Board of Directors on 18 June 2019 effective immediately

## Group structure



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

\* Non-operating company

## Group description

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

### Europe

Ferragamo Retail Nederland B.V.

It manages directly operated stores (DOS) in Holland

Ferragamo France S.A.S.

It manages directly operated stores (DOS) in France

Ferragamo Deutschland GmbH

It manages directly operated stores (DOS) in Germany

Ferragamo Austria GmbH

It manages directly operated stores (DOS) in Austria

Ferragamo U.K. Limited

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

Ferragamo (Suisse) SA

It manages directly operated stores (DOS) in Switzerland

Ferragamo Belgique SA

It manages directly operated stores (DOS) in Belgium

Ferragamo Monte-Carlo S.A.M.

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

Ferragamo Espana S.L.

It manages directly operated stores (DOS) in Spain

Ferragamo Parfums S.p.A.

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

### North America

Ferragamo USA Inc.

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

Ferragamo Canada Inc.

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

S-Fer International Inc.

It manages directly operated stores (DOS) in the USA

Sator Realty Inc.

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

### Central and South America

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

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

Ferragamo Chile S.A.

It manages directly operated stores (DOS) in Chile

Ferragamo Argentina S.A.

It manages directly operated stores (DOS) in Argentina

Ferragamo Brasil Roupas e Acessorios Ltda.

It manages directly operated stores (DOS) in Brazil

### Asia Pacific

Ferragamo Hong Kong Ltd.

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

Ferragamo Australia Pty Ltd.

It manages directly operated stores (DOS) in Australia

Ferrimag Limited

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

Ferragamo Fashion Trading (Shanghai) Co. Ltd.

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

Ferragamo Moda (Shanghai) Co. Ltd.

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

Ferragamo Retail HK Limited

It manages directly operated stores (DOS) in Hong Kong

Ferragamo Retail Taiwan Limited

It manages directly operated stores (DOS) in Taiwan

Ferragamo Retail Macau Limited

It manages directly operated stores (DOS) in Macau

Ferragamo Retail India Private Limited

Non-operating company

Ferragamo Korea Ltd.

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

Ferragamo (Singapore) Pte Ltd.

It manages directly operated stores (DOS) in Singapore

Ferragamo (Thailand) Limited

It manages directly operated stores (DOS) in Thailand

Ferragamo (Malaysia) Sdn. Bhd.

It manages directly operated stores (DOS) in Malaysia

### Japan

Ferragamo Japan K.K.

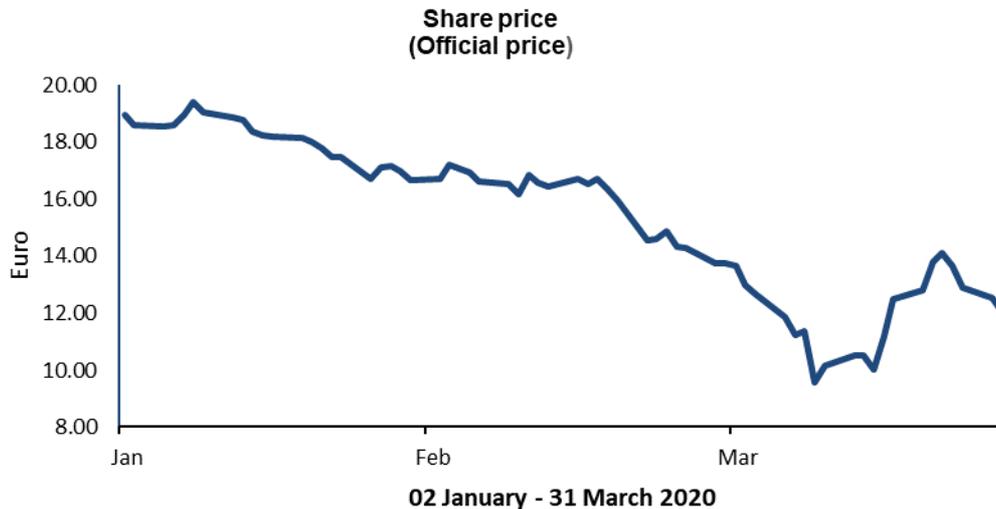
It manages directly operated stores (DOS) in Japan

## Interim Directors' report on operations

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

Official price as at 31 March 2020 in Euro	12.1
Stock Market capitalization as at 31 March 2020 in Euro	2,042,359,000
Number of shares making up the share capital as at 31 March 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 three months of 2020.



### Alternative performance measures

In order to better assess its performance, the Salvatore Ferragamo Group makes use of some alternative performance measures which are not identified as accounting measures under IFRS. Therefore, the measurement basis applied by the Group may differ from that adopted by other groups, and the balance may not be comparable. These alternative performance measures are derived exclusively from historical financial data and are determined in accordance with the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 and adopted by CONSOB with communication no. 92543 of 3 December 2015. They refer exclusively to the performance for the reporting period of this Interim report as well as the comparative periods, and not to the Group's expected performance and are not to be considered as substitutes for IFRS measures. The definitions of the alternative performance measures adopted in the Interim report are provided below:

**EBITDA:** it is *Operating Profit before Amortization and Depreciation and Write-downs of tangible/intangible assets and Right-of-use assets.*

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

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

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

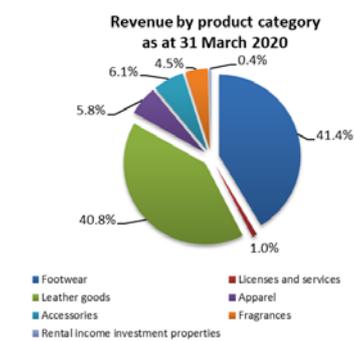
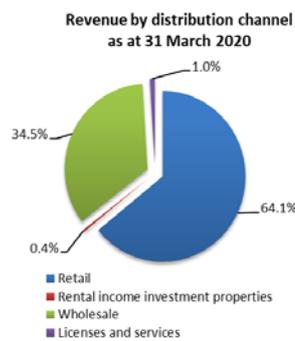
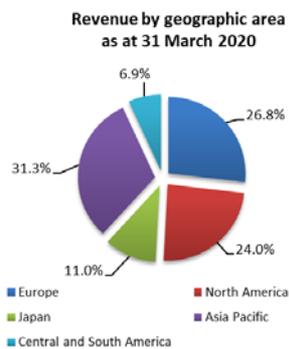
**Net financial debt/(surplus):** it is calculated as *Current and non current interest-bearing loans & borrowings plus Current and non current lease liabilities and Other current and non current financial liabilities* including the negative fair value of derivatives (non-hedge component), net of *Cash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

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

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

## Income and financial highlights for the first three months of 2020

(In millions of Euro)	Quarterly period ended 31 March		% change
	2020	2019	2020 vs 2019
Revenues	221.7	317.1	(30.1%)
Gross profit	130.2	200.6	(35.1%)
Gross profit %	58.7%	63.3%	
EBITDA	11.6	65.1	(82.2%)
EBITDA %	5.2%	20.5%	
Operating profit/(loss)	(36.3)	21.2	na
Operating profit/(loss) %	(16.4%)	6.7%	
Net profit/(loss) for the period	(41.4)	11.0	na
Net profit/(loss) – Group	(39.1)	10.2	na
Net profit/(loss) – minority interests	(2.4)	0.9	



(In millions of Euro)	31 March 2020	31 December 2019	31 March 2019
Investments in tangible/intangible assets	5.0	59.6	9.7
Net working capital	334.1	334.6	300.9
Shareholders' equity	737.1	785.3	774.5
Adjusted net financial debt/(surplus)	(123.4)	(171.9)	(178.7)
Adjusted cash flow generated from operating activities	(46.5)	135.6	21.9

	31 March 2020	31 December 2019	31 March 2019
Staff as at the reporting date	4,125	4,277	4,141
Number of DOS	391	393	398
Number of TPOS	261	261	264

### Geographical distribution of monobrand stores (March 31st, 2020)



652 Ferragamo monobrand stores

#### **Disclaimer**

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

In order to promote open and continuous dialog with the financial community and in light of the sector’s best practices followed by the main companies included in the FTSE MIB 30 – where Salvatore Ferragamo S.p.A. is listed – the Salvatore Ferragamo Group has decided, as from 14 November 2017, to publish its interim reports on a voluntary basis, although Leg. Decree no. 25 of 15 February 2016 has abolished the obligation to publish them.

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

The market in which the Salvatore Ferragamo Group operates is characterized by seasonal events that are typical of the retail and wholesale sales and which result in an uneven monthly breakdown in the sales flow and in operating costs. Therefore, it is important to remember that income statement results for the first three months of the year cannot be considered as proportional to the year as a whole. The figures are affected by seasonal events also in terms of equity and financial position as well as in terms of taxation.

The Interim report, in addition to the indicators required for financial statements, in compliance with International Financial Reporting Standards (IFRS), also includes some alternative performance measures used by management to monitor and assess the Group’s performance, as detailed in a specific section. This Interim report must be read together with the Annual Report as at 31 December 2019, which provides full details on the issues addressed.

#### **The Salvatore Ferragamo Group's Activities**

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

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

#### **Effect of exchange rate changes on operations**

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

Overall, in the first three months of 2020 currency markets saw significant volatility as a direct result of the measures taken by governments and central banks to address the emergency associated with the Covid19 outbreak. Overall, the EUR/USD exchange rate depreciated in the first quarter (1.12 at the end of 2019 compared to 1.10 at 31 March 2020) despite a sudden appreciation in early March, when it spiked to nearly 1.15. China was the first country hit by the emergency but also the first to take extraordinary steps to support the economy, and saw its currency fluctuate during the period: while the USD/CNY exchange rate appreciated slightly but steadily, EUR/CNY began the year at around 7.80 and initially fell down to 7.55 in early February before climbing back up to a high of 7.96 in early March and eventually settle at 7.78 at the end of the quarter. Considering its status as a safe haven, the Japanese yen performed well during the period, shifting from 122 at the start of the year to 118 at the end of March relative to the euro. Emerging market currencies were especially affected by the challenging market conditions and the resulting risk aversion. Specifically, the EUR/KRW pair shifted from approximately 1,300 at the start of the year to 1,350 at the end of the quarter after peaking at around

1,380. The EUR/MXN exchange rate suffered also from the record decline in oil prices and appreciated by approximately 30% in the second half of the quarter from around 20 to over 26. Another hard-hit currency was the Brazilian Real, which shifted from 4.4 at the beginning of the year to 5.7 at the end of the quarter. 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 three 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 throughout February and March 2020. This situation has led the Governments of all the countries affected to restrict and suspend business operations, the movement of people, and international traffic (so-called lockdown), . This had an especially negative impact on tourist flows across the globe, causing most of the Group's distribution network to shut down and the remaining part to suffer from significantly diminished traffic. Against this backdrop, the Group saw revenues decline by 30.1% at constant exchange rates (-31.5% at current exchange rates), which caused margins and profits to contract. Gross profit for the first quarter of 2020 amounted to 58.7% as a percentage of revenues, compared to 63.3% in the first quarter of 2019.

The Group reported a 36.3 million Euro operating loss in the first quarter of 2020, compared to a 21.2 million Euro operating profit in the first quarter of 2019.

The net loss for the period amounted to 41.4 million Euro, compared to 11.0 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 123.4 million Euro, down from 178.7 million Euro as at 31 March 2019 and 171.9 million Euro as at 31 December 2019, as the adjusted operating cash flow for the first quarter of 2020 was a negative 46.5 million Euro.

The following table shows the main income statement data.

(In thousands of Euro)	Quarterly period ended 31 March				
	2020	% of Revenues	2019	% of Revenues	% change
<b>Revenues</b>	<b>221,734</b>	100.0%	<b>317,075</b>	100.0%	<b>(30.1%)</b>
<b>Gross profit</b>	<b>130,239</b>	58.7%	<b>200,556</b>	63.3%	<b>(35.1%)</b>
Style, product development and logistics costs	(10,300)	(4.6%)	(12,354)	(3.9%)	(16.6%)
Sales & distribution costs	(106,924)	(48.2%)	(113,421)	(35.8%)	(5.7%)
Marketing & communication costs	(17,227)	(7.8%)	(20,428)	(6.4%)	(15.7%)
General and administrative costs	(31,653)	(14.3%)	(33,294)	(10.5%)	(4.9%)
Other operating costs	(5,666)	(2.6%)	(5,649)	(1.8%)	0.3%
Other income	5,202	2.3%	5,759	1.8%	(9.7%)
<b>Total operating costs (net of other income)</b>	<b>(166,568)</b>	(75.1%)	<b>(179,387)</b>	(56.6%)	<b>(7.1%)</b>
<b>Operating profit/(loss)</b>	<b>(36,329)</b>	(16.4%)	<b>21,169</b>	6.7%	<b>(271.6%)</b>
Net financial income and charges	(11,603)	(5.2%)	(5,861)	(1.8%)	98.0%
<i>of which Net interest expense on lease liabilities</i>	<i>(4,315)</i>	<i>(1.9%)</i>	<i>(4,310)</i>	<i>(1.4%)</i>	<i>0.1%</i>
<b>Profit/(loss) before taxes</b>	<b>(47,932)</b>	(21.6%)	<b>15,308</b>	4.8%	<b>(413.1%)</b>
Income Taxes	6,486	2.9%	(4,262)	(1.3%)	(252.2%)
<b>Net profit/(loss) for the period</b>	<b>(41,446)</b>	(18.7%)	<b>11,046</b>	3.5%	<b>(475.2%)</b>
Net profit/(loss) – Group	(39,076)	(17.6%)	10,163	3.2%	(484.5%)
Net profit/(loss) – minority interests	(2,370)	(1.1%)	883	0.3%	(368.4%)
Amortization, depreciation and write-downs	47,890	21.6%	43,890	13.8%	9.1%
<b>EBITDA</b>	<b>11,561</b>	5.2%	<b>65,059</b>	20.5%	<b>(82.2%)</b>

**Revenues** in the first three months of 2020 totaled 221,734 thousand Euro, down 30.1% from 317,075 thousand Euro in the first three months of 2019. The three main currencies other than the Euro in which the Group generates most of its revenues, i.e. the US Dollar, the Chinese Renminbi, and the Japanese Yen, performed as follows in the first three months of 2020 compared to the same period last year: the US Dollar appreciated by

2.9%<sup>(1)</sup>, the Japanese Yen appreciated by 4.0% <sup>(2)</sup> and the Chinese Renminbi slightly depreciated by 0.4% <sup>(3)</sup> against the Euro, the currency in which the amounts in the consolidated financial statements are expressed. Revenues were down 31.5% at constant exchange rates (applying to the revenues – not inclusive of the hedging effect – of the first three months of 2019 the average exchange rate of the first three months of 2020); in particular, they decreased by 26.3% in Europe, 24.7% in North America, 21.3% in Japan, 43.8% in Asia Pacific, and 13.8% in Central and South America. Asia Pacific contributed the most to Group revenues with 31.3%, followed by Europe (26.8%), North America (24.0%), Japan (11.0%), and Central and South America (6.9%).

**Gross profit** for the period ended 31 March 2020 totaled 130,239 thousand Euro (accounting for 58.7% of revenues), down by 35.1% compared to the prior-year period, when it amounted to 200,556 thousand Euro (accounting for 63.3% of revenues), as a result of shrinking sales across all distribution channels.

**Total operating costs** (net of other income) amounted to 166,568 thousand Euro for the first three months of 2020. Although they declined by 7.1% year-on-year, they amounted to 75.1% as a proportion of revenues, up from 56.6% in the first three months of 2019, due to the sharp contraction in revenues caused by the restrictions put in place to contain the Covid-19 pandemic. The decrease in operating costs was driven by the fall in costs directly associated with sales and, in part, by the steps that the Group's management is taking to mitigate the negative impact of the crisis triggered by the Covid-19 coronavirus pandemic.

The reduction in revenues and the fact that operating costs did not fall proportionately caused **EBITDA** to decline by 82.2% from 65,059 thousand Euro to 11,561 thousand Euro. The ratio to revenues amounted to 5.2%, down from 20.5% in the first three months of 2019.

The Group reported a 36,329 thousand Euro **operating loss** for the period ended 31 March 2020, compared to a 21,169 thousand Euro profit in the period ended 31 March 2019.

**Net financial income and charges** totaled 11,603 thousand Euro in charges in the first three months of 2020, compared to charges of 5,861 thousand Euro in the first three months of 2019.

<b>(In thousands of Euro)</b>	<b>Quarterly period ended 31 March</b>		
	<b>2020</b>	<b>2019</b>	<b>% change</b>
Net interest	172	175	(1.7%)
Other net income/(charges)	(323)	(443)	(27.1%)
Net interest expense on lease liabilities	(4,315)	(4,310)	0.1%
Net gains/(losses) on exchange rate differences	(6,300)	4,675	(234.8%)
Net financial income/(charges) for fair value adjustment of derivatives	(837)	(5,958)	(86.0%)
<b>Total</b>	<b>(11,603)</b>	<b>(5,861)</b>	<b>98.0%</b>

Net gains and losses on exchange rate differences mainly reflected the impact of commercial transactions in foreign currency. They shifted from 4,675 thousand Euro in net gains in the first three months of 2019 to 6,300 thousand Euro in net losses in the first three months of 2020 due to the depreciation in certain currencies especially affected by the challenging market conditions. Changes in net gains and losses should be correlated with the item "Net financial income/(charges) for fair value adjustment of derivatives", which refers to the premium or discount on transactions to hedge the exchange rate risk undertaken by the Parent company and the changes in the fair value of non-hedging derivatives. This item shifted from 5,958 thousand Euro in net charges in the first three months of 2019 to 837 thousand Euro in net charges in the first three months of 2020.

<sup>1</sup> With reference to the average Euro/USD exchange rate in the first three months of 2020 1.103; 2019: 1.136

<sup>2</sup> With reference to the average Euro/Yen exchange rate in the first three months of 2020 120.1; 2019: 125.08

<sup>3</sup> With reference to the average Euro/Cny exchange rate in the first three months of 2020 7.696; 2019 7.663

## Income Taxes

(In thousands of Euro)	Quarterly period ended 31 March		
	2020	2019	% change
<b>Profit/(loss) before taxes</b>	<b>(47,932)</b>	<b>15,308</b>	<b>(413.1%)</b>
Current and deferred taxes	6,486	(4,262)	(252.2%)
<b>Tax rate</b>	<b>na</b>	<b>27.8%</b>	

The 47,932 thousand Euro loss before taxes gave rise to a positive 6,486 thousand Euro in current and deferred taxes, mainly because of the positive impact of deferred tax assets, while the Group's tax rate had been 27.8% in the first quarter of 2019. The Parent Company Salvatore Ferragamo S.p.A. benefited from a reduction in its direct tax expense as a result of the benefit known as "Patent Box" amounting to 0.6 million Euro in the first quarter of 2020, compared to 2.5 million Euro in the prior-year period. This reduction was attributable to the decline in the Parent Company's earnings and to the fact, starting from 2020, the so-called "Patent Box" will no longer apply to trademarks—which represented the main component of such benefit—but rather only to designs and models. For further details on the "Patent Box", please refer to the Annual Report as at 31 December 2019.

In the first three months of 2020, the Salvatore Ferragamo Group posted a 41,446 thousand Euro **net loss**, compared to 11,046 thousand Euro in net profit in the prior-year period. The Group share of net loss amounted to 39,076 thousand Euro, compared to a 10,163 thousand Euro profit in the prior-year period.

## Revenues

The following table shows revenues by **geographic area** for the periods ended 31 March 2020 and 2019, and the relevant percentage changes:

(In thousands of Euro)	Quarterly period ended 31 March					at constant exchange rates
	2020	% of Revenues	2019	% of Revenues	% change	% change
Europe	59,488	26.8%	80,409	25.4%	(26.0%)	(26.3%)
North America	53,243	24.0%	65,359	20.6%	(18.5%)	(24.7%)
Japan	24,353	11.0%	30,332	9.6%	(19.7%)	(21.3%)
Asia Pacific	69,438	31.3%	122,790	38.7%	(43.4%)	(43.8%)
Central and South America	15,212	6.9%	18,185	5.7%	(16.3%)	(13.8%)
<b>Total</b>	<b>221,734</b>	<b>100.0%</b>	<b>317,075</b>	<b>100.0%</b>	<b>(30.1%)</b>	<b>(31.5%)</b>

In Europe revenues declined by 26.0% at current exchange rates and 26.3% at constant exchange rates, weighed down in both sales channels by the restrictions on business operations and international traffic (so-called lockdown) enacted in most European countries.

In North America revenues fell by 18.5% at current exchange rates and 24.7% at constant exchange rates because of both the restrictions on business operations and international traffic (so-called lockdown) as well as the decline in revenues from rental income investment properties, which were still present in the first quarter of 2019.

Japan saw revenues fall by 19.7% at current exchange rates (-21.3% at constant exchange rates), largely because of the dramatic slowdown in international traffic.

In Asia Pacific revenues were down 43.4% at current exchange rates and 43.8% at constant exchange rates, as this was the first region affected by the Covid-19 pandemic and the ensuing social distancing restrictions. Nevertheless, Asia Pacific contributed once again the most to Group revenues, accounting for 31.3% of the total compared to 38.7% as at 31 March 2019.

The Central and South American market saw revenues fall by 16.3% at current exchange rates (-13.8% at constant exchange rates), rising to 6.9% as a percentage of total revenues compared to 5.7% in the prior-year period. It should be noted that the revenues reported as at 31 March 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 8 thousand Euro in the first quarter of 2020.

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

(In thousands of Euro)	Quarterly period ended 31 March					at
	2020	% of Revenues	2019	% of Revenues	% change	constant exchange rates % change
Retail	142,257	64.1%	199,280	62.8%	(28.6%)	(29.4%)
Wholesale	76,411	34.5%	112,800	35.6%	(32.3%)	(34.8%)
Licenses and services	2,213	1.0%	2,851	0.9%	(22.4%)	(22.4%)
Rental income investment properties	853	0.4%	2,144	0.7%	(60.2%)	(61.4%)
<b>Total</b>	<b>221,734</b>	<b>100.0%</b>	<b>317,075</b>	<b>100.0%</b>	<b>(30.1%)</b>	<b>(31.5%)</b>

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

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

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

In the first quarter of 2020, and especially in February and March, retail sales were severely affected by the gradual closure of most of the Group's distribution network and the significant lack of traffic in the remaining part (so-called lockdown), resulting in a decline of 28.6% and 29.4% at current and constant exchange rates, respectively—mainly in Europe (-27.5% at current exchange rates) and Asia Pacific (-39.6% at current exchange rates). In the first three months of 2020, the retail channel accounted for 64.1% of total revenues compared to 62.8% in the prior-year period.

As at 31 March 2020, the number of directly operated stores (DOS) decreased by 2 units compared to the situation as at 31 December 2019 and by 7 units compared to 31 March 2019.

The wholesale channel was down 32.3% at current exchange rates and 34.8% at constant exchange rates, also because of order cancellations: specifically, at current exchange rates Asia Pacific, Europe, and Japan declined by 52.5%, 25.1%, and 36.9%, respectively.

In the first three months of 2020, revenues from licenses and services fell by 22.4% at current and constant exchange rates; this item mainly consists of royalties for the licensing of the Salvatore Ferragamo brand to the Marchon group in the eyewear industry and the Timex group in the watch industry.

Revenues from rental income investment properties refer solely to property located in the United States and leased/sub-leased to third parties; they decreased by 60.2% at current exchange rates (-61.4% at constant exchange rates) compared to the prior-year period following the end of a major lease contract for real estate management in February 2019.

The following table shows revenues by **product category** for the periods ended 31 March 2020 and 2019, indicating the relevant percentage of total revenues.

(In thousands of Euro)	Quarterly period ended 31 March					at constant exchange rates
	2020	% of Revenues	2019	% of Revenues	% change	% change
Footwear	91,860	41.4%	132,194	41.7%	(30.5%)	(32.4%)
Leather goods	90,356	40.8%	125,925	39.7%	(28.2%)	(29.4%)
Apparel	12,934	5.8%	17,681	5.6%	(26.8%)	(28.5%)
Accessories	13,565	6.1%	18,861	5.9%	(28.1%)	(29.1%)
Fragrances	9,953	4.5%	17,419	5.5%	(42.9%)	(43.4%)
Licenses and services	2,213	1.0%	2,851	0.9%	(22.4%)	(22.4%)
Rental income investment properties	853	0.4%	2,144	0.7%	(60.2%)	(61.4%)
<b>Total</b>	<b>221,734</b>	<b>100.0%</b>	<b>317,075</b>	<b>100.0%</b>	<b>(30.1%)</b>	<b>(31.5%)</b>

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

## Statement of financial position and Investments

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

(In thousands of Euro)	31 March 2020	31 December 2019	31 March 2019	% change 03.20 vs. 12.19	% change 03.20 vs. 03.19
Property, plant and equipment, investment property, intangible assets with a finite useful life	320,552	333,380	340,773	(3.8%)	(5.9%)
Right-of-use assets	551,752	576,455	565,070	(4.3%)	(2.4%)
Net working capital	334,066	334,552	300,862	(0.1%)	11.0%
Other non current assets/(liabilities), net	80,808	73,032	59,725	10.6%	35.3%
Other current assets/(liabilities), net	(18,663)	(27,721)	(6,304)	(32.7%)	196.1%
<b>Net invested capital</b>	<b>1,268,515</b>	<b>1,289,698</b>	<b>1,260,126</b>	<b>(1.6%)</b>	<b>0.7%</b>
Group shareholders' equity	716,858	763,647	745,979	(6.1%)	(3.9%)
Minority interests	20,221	21,618	28,556	(6.5%)	(29.2%)
<b>Shareholders' equity (A)</b>	<b>737,079</b>	<b>785,265</b>	<b>774,535</b>	<b>(6.1%)</b>	<b>(4.8%)</b>
<b>Net financial debt/(surplus) (B)</b>	<b>531,436</b>	<b>504,433</b>	<b>485,591</b>	<b>5.4%</b>	<b>9.4%</b>
<b>Total sources of financing (A+B)</b>	<b>1,268,515</b>	<b>1,289,698</b>	<b>1,260,126</b>	<b>(1.6%)</b>	<b>0.7%</b>
<b>Net financial debt/(surplus) (B)</b>	<b>531,436</b>	<b>504,433</b>	<b>485,591</b>	<b>5.4%</b>	<b>9.4%</b>
Lease liabilities (C)	654,798	676,329	664,284	(3.2%)	(1.4%)
<b>Adjusted net financial debt/(surplus) (B-C)</b>	<b>(123,362)</b>	<b>(171,896)</b>	<b>(178,693)</b>	<b>(28.2%)</b>	<b>(31.0%)</b>
<b>Adjusted net financial debt/(surplus)/ Shareholders' equity</b>	<b>(16.7%)</b>	<b>(21.9%)</b>	<b>(23.1%)</b>		

### Investments in fixed assets

During the period ended 31 March 2020, the Salvatore Ferragamo Group made investments in tangible and intangible assets for a total amount of 4,990 thousand Euro, of which 3,906 thousand Euro in tangible assets and 1,084 thousand Euro in intangible assets, compared to a total of 9,706 thousand Euro in the first three months of 2019. The reduction in investments in the first quarter of 2020 compared with the prior-year period was closely associated with the Group's decision to postpone non-essential projects in order to mitigate future economic-financial impacts and protect the financial soundness of the Group.

The most important investments in tangible assets were made in the opening and refurbishment of stores (3.3 million Euro, approximately 84% 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 completed in the first quarter of 2020; the development of the e-commerce platform; and the purchase of software licenses (totaling 0.4 million Euro, i.e. 40% of investments in intangible assets in the first three months of 2020).

Investments in tangible assets under construction, amounting to 4.2 million Euro, mainly concerned the investments made for the refurbishment and opening of new stores which were not yet operational as at the reporting date.

Investments in intangible assets under development totaled 4.2 million Euro and largely consisted of investments in the development of software to support business processes, chief among them the e-commerce project, 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 16,890 thousand Euro in the first three months of 2020, essentially in line with 16,919 thousand Euro in the prior-year period.

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

### Right-of-use assets

This line item, amounting to 551,752 thousand Euro as at 31 March 2020, refers to the recognition of "Right-of-use assets" against "Lease liabilities" following the application of IFRS 16 as from 1 January 2019 and was down 24,703 thousand Euro from 576,455 as at 31 December 2019, largely because of 29,985 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 33,043 thousand Euro as at 31 March 2020 (33,222 thousand Euro as at 31 December 2019).

### Net working capital

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

(In thousands of Euro)	31 March 2020	31 December 2019	31 March 2019	% change 03.20 vs. 12.19	% change 03.20 vs. 03.19
Inventories and Right of return assets	392,328	395,004	383,602	(0.7%)	2.3%
Trade receivables	93,651	147,202	127,955	(36.4%)	(26.8%)
Trade payables and Refund Liabilities	(151,913)	(207,654)	(210,695)	(26.8%)	(27.9%)
<b>Total</b>	<b>334,066</b>	<b>334,552</b>	<b>300,862</b>	<b>(0.1%)</b>	<b>11.0%</b>

Net working capital was in line with 31 December 2019 and up 11.0% from 31 March 2019. Compared to 31 December 2019, the decline in Trade receivables (-36.4%), which was directly attributable to the reduction in revenues for the first quarter of 2020, was offset by the fall in Trade payables and Refund Liabilities (-26.8%), while Inventories and Right of return assets were essentially stable (-0.7%). The change relative to 31 March 2019 was attributable to the decrease in Trade payables and Refund Liabilities (-27.9%) as well as, to a lesser extent, the increase in Inventories and Right of return assets (+2.3%), offset by the decline in Trade receivables (-26.8%). Specifically, inventories of finished products were down 11,837 thousand Euro from 31 December 2019 (-3.5%) and up 13,701 thousand Euro from 31 March 2019 (+4.4%). Raw materials for production were up 18.6% from 31 December 2019 and down 9.5% compared to 31 March 2019.

Trade receivables largely referred to wholesale sales.

Trade payables mainly refer to purchases of production materials, finished products, and costs relating to outsourced manufacturing. The item Trade payables was down 27.3% compared to 31 December 2019 and 29.8% compared to 31 March 2019.

### Net financial debt/(surplus)

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

(In thousands of Euro)	31 March 2020	31 December 2019	31 March 2019	Change 03.20 vs 12.19	Change 03.20 vs 03.19
A. Cash	399	1,152	1,079	(753)	(680)
B. Other cash equivalents	190,338	221,180	214,688	(30,842)	(24,350)
<b>C. Cash and cash equivalents (A)+(B)</b>	<b>190,737</b>	<b>222,332</b>	<b>215,767</b>	<b>(31,595)</b>	<b>(25,030)</b>
Derivatives – non-hedging component	679	101	286	578	393
Other financial assets	-	-	1,109	-	(1,109)
<b>D. Current financial receivables</b>	<b>679</b>	<b>101</b>	<b>1,395</b>	<b>578</b>	<b>(716)</b>
E. Current bank payables	65,088	48,060	19,882	17,028	45,206
F. Derivatives – non-hedging component	670	238	319	432	351
G. Other current financial payables	116,946	119,301	115,401	(2,355)	1,545
<b>H. Current financial debt (E)+(F)+(G)</b>	<b>182,704</b>	<b>167,599</b>	<b>135,602</b>	<b>15,105</b>	<b>47,102</b>
<b>I. Current financial debt, net (H)-(C)-(D)</b>	<b>(8,712)</b>	<b>(54,834)</b>	<b>(81,560)</b>	<b>46,122</b>	<b>72,848</b>
J. Non current bank payables	-	-	16,071	-	(16,071)
K. Derivatives – non-hedging component	-	-	4	-	(4)
M. Other non current payables	540,148	559,267	551,076	(19,119)	(10,928)
<b>N. Non current financial debt (J)+(K)+(M)</b>	<b>540,148</b>	<b>559,267</b>	<b>567,151</b>	<b>(19,119)</b>	<b>(27,003)</b>
<b>O. Net financial debt (I)+(N)</b>	<b>531,436</b>	<b>504,433</b>	<b>485,591</b>	<b>27,003</b>	<b>45,845</b>

Net financial debt as at 31 March 2020, including lease liabilities, amounted to 531,436 thousand Euro, of which 654,798 thousand Euro in current and non-current lease liabilities.

The main income and financial indicators were strongly impacted by the application of IFRS 16 starting from 1 January 2019 and are not comparable to the data from previous periods. With reference to the financial data, the recognition of Right-of-use assets mainly against lease liabilities caused a sharp increase in net financial debt.

Therefore, in order to make the financial figures in 2020 and 2019 comparable to the data of the previous years, the Group restated net financial debt as at 31 March 2020, 31 December 2019, and 31 March 2019 as follows:

<b>(In thousands of Euro)</b>	<b>31 March</b>	<b>31 December</b>	<b>31 March</b>	<b>Change</b>	<b>Change</b>
	<b>2020</b>	<b>2019</b>	<b>2019</b>	<b>03.20 vs</b>	<b>03.20 vs</b>
				<b>12.19</b>	<b>03.19</b>
<b>Net financial debt/(surplus) (a)</b>	<b>531,436</b>	<b>504,433</b>	<b>485,591</b>	<b>27,003</b>	<b>45,845</b>
Non current lease liabilities	540,148	559,267	551,076	(19,119)	(10,928)
Current lease liabilities	114,650	117,062	113,208	(2,412)	1,442
<b>Lease liabilities (b)</b>	<b>654,798</b>	<b>676,329</b>	<b>664,284</b>	<b>(21,531)</b>	<b>(9,486)</b>
<b>Adjusted net financial debt/(surplus) (a-b)</b>	<b>(123,362)</b>	<b>(171,896)</b>	<b>(178,693)</b>	<b>48,534</b>	<b>55,331</b>

In the period ended 31 March 2020, the adjusted net financial position amounted to a positive 123,362 thousand Euro, down 48,534 thousand Euro from 171,896 thousand Euro as 31 December 2019. This was largely due to the adjusted cash flows used in operating activities (negative 46,539 thousand Euro and strongly 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), and 5,432 in cash flows used for investment purposes during the period. Compared to 31 March 2019, the Group's adjusted net financial position was down 55,331 thousand Euro from a positive 178,693 thousand Euro to a positive 123,362 thousand Euro.

### **Significant events occurred during the first three months of 2020**

Below are the main events occurred during the first quarter of 2020.

#### **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 the conclusion of an agreement to acquire 100% of Arts S.r.l.—a company that 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 amount equal to the acquiree's net cash on hand as at 31 March 2020 (estimated at around 3.5 – 4.0 million Euro) by 28 February 2021.

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 at 9:00 am in single call to 8 May 2020 at 11:00 am, once again in single call, at the office of Notary Francesco Steidl, Via Giambologna no. 4, 50132 Florence, without any changes to the agenda. In addition, the Board of Directors resolved to use its authority as per article 106, paragraph 4 of Italian Law Decree no. 18/2020 to have shareholders participate in the Meeting exclusively through the designated representative as per article 135-undecies of Italian Legislative Decree no. 58 of 24 February 1998, i.e. Spafid S.p.A..

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. The Executive Committee is comprised of the Chairman Ferruccio Ferragamo, the Managing Director Micaela le Divelec Lemmi, and the Directors Francesco Caretti, Diego di San Giuliano, and Marzio Saà.

## **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 from China into South Korea, Italy, Spain, the United States, and then 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 affected traffic and sales throughout the first quarter of 2020 for the Salvatore Ferragamo Group across the various distribution channels starting from late January.

In the Retail channel, sales were affected by the mandatory closure of directly operated stores. During each month, the Group's stores that were ordered to close accounted for 5.8% of the total in January, 11.8% in February, and 49.1% in March, respectively. Overall, in March 187 stores were closed.

Third-party operated stores (TPOS) were also ordered to close, resulting in a significant impact also in wholesale sales channel.

As you know, closure orders were extended or introduced also throughout April across several markets.

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, there were problems attributable to the mandatory closure of the plants of suppliers of raw materials and finished products as well as contract manufacturers in Italy.

## **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.

## **Costs and investments**

The Group continues investing in the e-commerce channel and launched the new website at the end of April. The projects and investments considered non-essential or deferrable have been postponed. Investments in communication have also been scaled back—especially in the markets most affected by closure orders. Finally, the Group immediately took action to negotiate temporary or permanent rent reductions for its directly operated stores.

## **Personnel**

Starting from February, Salvatore Ferragamo has extended the use of smart-working, introduced as an experiment during 2019, to the Italian and international offices of the Group in order to protect the health of employees, allowing operations to continue where possible and in line with regulatory requirements.

To this end, 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.

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.

During this period, Salvatore Ferragamo Group began the process to apply for state aid.

## **Dividend**

In order to support the financial soundness of the Group and mitigate future economic-financial impacts, on 6 April 2020 the Board of Directors resolved to withdraw the proposal for the distribution of dividends out of Salvatore Ferragamo S.p.A.'s profits for the year 2019 and to propose that the Shareholders' Meeting allocate it to the extraordinary reserve.

## **Tax and customs disputes and audits (update)**

### **Tax disputes settled during the year**

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, we report the following. 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, reference should be made to the 2019 Annual Report, as there were no new developments during the first quarter of 2020.

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 quarter 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, reference should be made to the 2019 Annual Report, as there were no new developments during the first quarter of 2020.

### **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 quarter of 2020.

### **International standard ruling on transfer pricing**

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 quarter 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.

## **Other information**

### **Dividends**

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

On 6 April 2020, acknowledging that the global economic outlook has changed significantly 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. will allocate the 124,211,203 Euro profit for the year to 2019 to the extraordinary reserve.

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

## **Financial reporting and Investor relations**

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

## Stakes in Salvatore Ferragamo S.p.A.

As at 31 March 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.

## Treasury shares and shares or stakes in parent companies

As at 31 March 2020, Salvatore Ferragamo S.p.A. held 150,000 treasury shares, equal to 0.09% of the share capital. On the same date, its subsidiaries did not hold any of its shares. The Group does not hold directly or indirectly shares in parent companies, and during the period it did not buy or sell shares in parent companies.

## Staff

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

Staff	31 March 2020	31 December 2019	31 March 2019
Top managers, middle managers and store managers	782	771	745
White collars	3,048	3,207	3,095
Blue collars	295	299	301
<b>Total</b>	<b>4,125</b>	<b>4,277</b>	<b>4,141</b>

## Basis of presentation

This Interim report was approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 12 May 2020 and, on the same date, the Board authorized its release to the public. This Interim report was not prepared in accordance with IAS 34 "Interim Financial Reporting", as the Group applies said standard to half-year reports and not also quarterly reports.

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

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

The **accounting standards** used to prepare the equity, income and financial data as at 31 March 2020 were the International Financial Reporting Standards (IFRS) and the related interpretations, issued by the International Accounting Standards Board (IASB) and adopted by the European Union, in force at the reporting date.

In preparing the Interim report, the same accounting standards have been applied as adopted in drawing up the Consolidated Annual Report of the Salvatore Ferragamo Group for the year ended 31 December 2019, to which reference should be made, except for the adoption of the new or revised standards of the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), which are effective as from 1 January 2020.

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

## Consolidation area

During the first three months of 2020, the Group structure underwent no changes. 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 31 March 2020 is not to be considered material at the Group level.

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

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

	Average exchange rates		Exchange rates at the end of the reporting period		
	31 March 2020	31 March 2019	31 March 2020	31 December 2019	31 March 2019
US Dollar	1.1027	1.1358	1.0956	1.1234	1.1235
Swiss Franc	1.06684	1.13239	1.0585	1.0854	1.1181
Japanese Yen	120.097	125.083	118.90	121.94	124.45
Pound Sterling	0.8623	0.8725	0.8864	0.8508	0.8583
Danish Krone	7.4715	7.4637	7.4674	7.4715	7.4652
Australian Dollar	1.6791	1.5944	1.7967	1.5995	1.5821
South Korean Won	1,316.27	1,278.59	1,341.02	1,296.28	1,276.45
Hong Kong Dollar	8.5686	8.9116	8.4945	8.7473	8.8195
Mexican Peso	22.092	21.806	26.1772	21.2202	21.6910
New Taiwanese Dollar	33.171	34.9991	33.1762	33.5564	34.6170
Singapore Dollar	1.5281	1.5388	1.5633	1.5111	1.5214
Thai Baht	34.5025	35.9188	35.9250	33.4150	35.6320
Malaysian Ringgit	4.6094	4.6466	4.7330	4.5953	4.5838
Indian Rupee	79.9095	80.0720	82.8985	80.1870	77.7190
Macau Pataca	8.819	9.165	8.7569	9.0033	9.0618
Chinese Renminbi	7.6956	7.6635	7.7784	7.8205	7.5397
Chilean Peso	886.52	757.33	935.19	843.690	763.47
Argentine Peso	67.790	44.238	70.580	67.205	48.577
Brazilian Real	4.9167	4.2775	5.7001	4.5157	4.3865
Canadian Dollar	1.4819	1.5101	1.5617	1.4598	1.5000

## Transactions with related parties

Sales and purchases between related parties are carried out at normal market prices. The outstanding balances at the end of the period are not backed by guarantees, do not generate interest, and are settled in cash. As at 31 March 2020, bank guarantees were issued in favor of Palazzo Feroni Finanziaria S.p.A. (1,914 thousand Euro), in favor of Lungarno Alberghi S.r.l. (488 thousand Euro) and in favor of Ferragamo Finanziaria S.p.A. (23 thousand Euro): they concerned the leasing of properties owned by said companies. There are no other guarantees, given or received, relating to receivables and payables with related parties. The Salvatore Ferragamo Group has not set aside any provision for bad debt in relation to amounts due from related parties.

## Significant non-recurring events and transactions

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

## Transactions arising from atypical and/or unusual transactions

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

## Significant events occurred after 31 March 2020

### Shareholders' Meeting

#### - Approval of the 2019 Separate Financial Statements

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".

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 minority slate submitted by a group of Italian and international asset management companies and financial

intermediaries that own an interest in the Company, and subsequently appointed as Chairman of the Board; Giovanni Crostarosa Guicciardi and Paola Caramella, 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.

## **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 second half of 2020, 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 April forecasts, the International Monetary Fund anticipates a global recession in 2020, with GDP shrinking by -3%, and a +5.8% rebound in 2021. With respect to the world's major economies, GDP growth is expected to decline by -5.9% in 2020 and rise by +4.7% in the following year in the US, fall by -7.5% in 2020 and rise by +4.7% in 2021 in the Euro Area, and increase by +1.2% in 2020 and +9.2% in 2021 in China.

Management confirms its medium/long-term goals as it continues seeking to strengthen the Salvatore Ferragamo Group's competitive position among the leaders of the luxury market. Promoting creativity, glamour, Italian craftsmanship, and our consolidated heritage in the footwear and accessories sector remain the core values that drive the Group's strategy. Considering the uncertainty caused by the fast-moving Covid-19 Coronavirus outbreak and the challenges in estimating when it will end at the global level, Management believes it cannot make reliable forecasts as to how sales will perform this year in the various markets and distribution channels. Against this backdrop, in order to mitigate the potential negative impacts of the crisis triggered by the pandemic on the Group, Management has taken a series of concrete steps to curb spending and investments. These steps mainly consist in thoroughly and consistently rationalizing all costs, constantly and carefully monitoring whether to continue incurring certain expenses, and investing exclusively in projects considered to be essential or top priority in the current scenario.

Florence, 12 May 2020

On behalf of the Board of Directors

The Chairman  
Ferruccio Ferragamo

## Financial Statements

### Consolidated Statement of Financial Position – Assets

(In thousands of Euro)	31 March 2020	<i>of which with related parties</i>	31 December 2019	<i>of which with related parties</i>	31 March 2019	<i>of which with related parties</i>
<b>NON CURRENT ASSETS</b>						
Property, plant and equipment	241,385		251,805		257,209	
Investment property	38,973		39,091		42,334	
Right-of-use assets	551,752	113,981	576,455	117,789	565,070	103,174
Intangible assets with a finite useful life	40,194		42,484		41,230	
Other non current assets	2,601		2,642		3,285	
Other non current financial assets	16,807	4,947	16,939	5,193	17,129	5,229
Deferred tax assets	104,587		96,736		87,378	
<b>TOTAL NON CURRENT ASSETS</b>	<b>996,299</b>	<b>118,928</b>	<b>1,026,152</b>	<b>122,982</b>	<b>1,013,635</b>	<b>108,403</b>
<b>CURRENT ASSETS</b>						
Inventories	387,677		389,531		380,626	
Right of return assets	4,651		5,473		2,976	
Trade receivables	93,651	574	147,202	92	127,955	69
Tax receivables	19,043		20,107		19,890	
Other current assets	27,354	1,362	32,980	2,599	36,052	5,295
Other current financial assets	679		101		1,395	
Cash and cash equivalents	190,737		222,332		215,767	
<b>TOTAL CURRENT ASSETS</b>	<b>723,792</b>	<b>1,936</b>	<b>817,726</b>	<b>2,691</b>	<b>784,661</b>	<b>5,364</b>
<b>TOTAL ASSETS</b>	<b>1,720,091</b>	<b>120,864</b>	<b>1,843,878</b>	<b>125,673</b>	<b>1,798,296</b>	<b>113,767</b>

## Consolidated Statement of Financial Position – Liabilities and Shareholders' Equity

(In thousands of Euro)	31 March 2020	<i>of which with related parties</i>	31 December 2019	<i>of which with related parties</i>	31 March 2019	<i>of which with related parties</i>
<b>SHAREHOLDERS' EQUITY</b>						
<b>GROUP SHAREHOLDERS' EQUITY</b>						
Share capital	16,879		16,879		16,879	
Reserves	739,055		659,487		718,937	
Net profit/(loss) – Group	(39,076)		87,281		10,163	
<b>TOTAL GROUP SHAREHOLDERS' EQUITY</b>	<b>716,858</b>		<b>763,647</b>		<b>745,979</b>	
<b>MINORITY INTERESTS</b>						
Share capital and reserves – minority interests	22,591		21,534		27,673	
Net profit/(loss) – minority interests	(2,370)		84		883	
<b>TOTAL MINORITY INTERESTS</b>	<b>20,221</b>		<b>21,618</b>		<b>28,556</b>	
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>737,079</b>		<b>785,265</b>		<b>774,535</b>	
<b>NON CURRENT LIABILITIES</b>						
Non current interest-bearing loans & borrowings	-		-		16,071	
Provisions for risks and charges	13,783		13,921		20,209	
Employee benefit liabilities	12,150		11,901		11,452	
Other non current liabilities	12,066	98	11,893	49	10,922	
Non current lease liabilities	540,148	96,766	559,267	99,261	551,076	84,751
Other non current financial liabilities	-		-		4	
Deferred tax liabilities	5,188		5,570		5,484	
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>583,335</b>	<b>96,864</b>	<b>602,552</b>	<b>99,310</b>	<b>615,218</b>	<b>84,751</b>
<b>CURRENT LIABILITIES</b>						
Trade payables	144,586	274	198,934	423	205,852	435
Refund liabilities	7,327		8,720		4,843	
Interest-bearing loans & borrowings	65,088		48,060		19,882	
Tax payables	9,274		26,491		14,067	
Other current liabilities	55,786	11,398	54,317	10,753	48,179	1,712
Current lease liabilities	114,650	21,823	117,062	21,910	113,208	19,818
Other current financial liabilities	2,966		2,477		2,512	
<b>TOTAL CURRENT LIABILITIES</b>	<b>399,677</b>	<b>33,495</b>	<b>456,061</b>	<b>33,086</b>	<b>408,543</b>	<b>21,965</b>
<b>TOTAL LIABILITIES</b>	<b>983,012</b>	<b>130,359</b>	<b>1,058,613</b>	<b>132,396</b>	<b>1,023,761</b>	<b>106,716</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,720,091</b>	<b>130,359</b>	<b>1,843,878</b>	<b>132,396</b>	<b>1,798,296</b>	<b>106,716</b>

## Consolidated Income Statement

(In thousands of Euro)	Quarterly period ended 31 March			
	2020	<i>of which with related parties</i>	2019	<i>of which with related parties</i>
Revenues from contracts with customers	220,881	40	314,931	64
Rental income investment properties	853		2,144	
<b>Revenues</b>	<b>221,734</b>		<b>317,075</b>	
Cost of goods sold	(91,495)		(116,519)	
<b>Gross profit</b>	<b>130,239</b>		<b>200,556</b>	
Style, product development and logistics costs	(10,300)	(123)	(12,354)	(163)
Sales & distribution costs	(106,924)	(6,141)	(113,421)	(5,686)
Marketing & communication costs	(17,227)	(3)	(20,428)	(10)
General and administrative costs	(31,653)	(2,002)	(33,294)	(1,888)
Other operating costs	(5,666)	(19)	(5,649)	(13)
Other income	5,202	-	5,759	1
<b>Operating profit/(loss)</b>	<b>(36,329)</b>		<b>21,169</b>	
Financial charges	(26,794)	(879)	(15,405)	(682)
Financial income	15,191	-	9,544	
<b>Profit/(loss) before taxes</b>	<b>(47,932)</b>		<b>15,308</b>	
Income Taxes	6,486		(4,262)	
<b>Net profit/(loss) for the period</b>	<b>(41,446)</b>		<b>11,046</b>	
Net profit/(loss) – Group	(39,076)		10,163	
Net profit/(loss) – minority interests	(2,370)		883	

(In Euro)	Period ended 31 March	
	2020	2019
Net earnings/(loss) per share – ordinary shares	(0.232)	0.060
Diluted earnings/(loss) per share – ordinary shares	(0.232)	0.060

## Consolidated Statement of Comprehensive Income

(In thousands of Euro)	Quarterly period ended 31 March	
	2020	2019
<b>Net profit/(loss) for the period (A)</b>	<b>(41,446)</b>	<b>11,046</b>
<i>Other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period</i>		
- Currency translation differences of foreign operations	(6,567)	(2,300)
- Net gain/(loss) from cash flow hedge	(130)	(3,026)
- Income taxes	31	726
	(99)	(2,300)
<b>Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)</b>	<b>(6,666)</b>	<b>(4,600)</b>
<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	(131)	(12)
- Income taxes	32	2
	(99)	(10)
<b>Total other income/(losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)</b>	<b>(99)</b>	<b>(10)</b>
<b>Total other income/(losses) for the period, net of taxes (B1+B2 = B)</b>	<b>(6,765)</b>	<b>(4,610)</b>
<b>Total comprehensive income for the period, net of taxes (A+B)</b>	<b>(48,211)</b>	<b>6,436</b>
Group	(46,115)	4,843
Minority interests	(2,096)	1,593

## Consolidated Statement of Cash Flows

(In thousands of Euro)	Quarterly period ended 31 March			
	2020	of which with related parties	2019	of which with related parties
<b>NET PROFIT/(LOSS) FOR THE PERIOD</b>	<b>(41,446)</b>		<b>11,046</b>	
<b>Adjustments to reconcile net profit (loss) to net cash from (used in) operating activities:</b>				
Amortization, depreciation and write-downs of tangible and intangible assets, investment property and right-of-use assets	47,890	6,306	43,890	4,453
Income taxes*	(6,486)		4,262	
Provision for employee benefit plans	192		199	
Allocation to/(use of) the provision for obsolete inventory	18,818		6,339	
Losses and provision for bad debt	768		144	
Losses/(gains) on disposal of tangible/intangible assets	60		108	
Interest expense and interest expense on lease liabilities*	4,495	879	4,426	682
Interest income*	(357)	-	(291)	
Other non-monetary items	(525)		79	
<b>Changes in operating assets and liabilities:</b>				
Trade receivables	52,252	(482)	21,822	74
Inventories	(24,928)		(26,797)	
Trade payables	(54,231)	(149)	(5,133)	93
Other receivables and tax payables*	(6,183)		(5,024)	
Employee benefits payments	(138)		(202)	
Other assets and liabilities*	6,601	894	(1,032)	505
Other – net	(313)		(53)	
Income taxes paid*	(8,952)	1,283	(2,393)	5,094
Interest expense and interest expense on lease liabilities paid*	(5,713)	(974)	(4,426)	(682)
Interest income received*	357	-	291	
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>(17,839)</b>	<b>7,757</b>	<b>47,255</b>	<b>10,219</b>
<b>Cash flow from investing activities:</b>				
Purchase of tangible assets	(4,348)		(7,928)	
Purchase of intangible assets	(1,084)		(1,464)	
Proceeds from the sale of tangible and intangible assets	2		14	
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>(5,430)</b>	<b>-</b>	<b>(9,378)</b>	<b>-</b>
<b>Cash flow from financing activities:</b>				
Net change in financial receivables	-		(137)	
Net change in financial payables	15,794		(1,385)	
Repayment of lease liabilities	(28,700)	(5,021)	(25,353)	(4,287)
Treasury share repurchase	-		(638)	
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>(12,906)</b>	<b>(5,021)</b>	<b>(27,513)</b>	<b>(4,287)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(36,175)</b>		<b>10,364</b>	
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>222,332</b>		<b>207,707</b>	
Increase/(decrease) in cash and cash equivalents	(36,175)		10,364	
Effect of exchange rate translation differences	4,580		(2,304)	
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>190,737</b>		<b>215,767</b>	

\*To provide a better presentation, the additional information (interest paid, income taxes paid, interest received, and dividends received) reported as at 31 March 2019 in a dedicated table following the statement of cash flows has been included in the line item net cash from/(used in) operating activities, consistently with the data as at 31 March 2020.

## Statement of changes in consolidated shareholders' equity

(In thousands of Euro)	Share capital	Treasury share reserve	Share capital contributions	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Other reserves	Effect IAS 19 Equity	Net profit/(loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
<b>As at 01.01.2020</b>	<b>16,879</b>	<b>(2,776)</b>	<b>2,995</b>	<b>4,188</b>	<b>504,319</b>	<b>(499)</b>	<b>(16,002)</b>	<b>166,510</b>	<b>4,164</b>	<b>(3,412)</b>	<b>87,281</b>	<b>763,647</b>	<b>21,618</b>	<b>785,265</b>
Allocation of results	-	-	-	-	-	-	-	87,281	-	-	(87,281)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	(39,076)	(39,076)	(2,370)	(41,446)
Other comprehensive income/(loss)	-	-	-	-	-	(99)	(6,817)	(24)	-	(99)	-	(7,039)	274	(6,765)
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(99)</b>	<b>(6,817)</b>	<b>(24)</b>	<b>-</b>	<b>(99)</b>	<b>(39,076)</b>	<b>(46,115)</b>	<b>(2,096)</b>	<b>(48,211)</b>
Purchase of min. interests in companies consolidated on a line-by-line basis and accounting of options on min. interests	-	-	-	-	-	-	-	(699)	-	-	-	(699)	699	-
Stock Grant Reserve	-	-	-	-	-	-	-	-	25	-	-	25	-	25
<b>As at 31.03.2020</b>	<b>16,879</b>	<b>(2,776)</b>	<b>2,995</b>	<b>4,188</b>	<b>504,319</b>	<b>(598)</b>	<b>(22,819)</b>	<b>253,068</b>	<b>4,189</b>	<b>(3,511)</b>	<b>(39,076)</b>	<b>716,858</b>	<b>20,221</b>	<b>737,079</b>
<b>(In thousands of Euro)</b>	<b>Share capital</b>	<b>Treasury share reserve</b>	<b>Share capital contributions</b>	<b>Legal reserve</b>	<b>Extraordinary reserve</b>	<b>Cash flow hedge reserve</b>	<b>Translation reserve</b>	<b>Retained earnings</b>	<b>Other reserves</b>	<b>Effect IAS 19 Equity</b>	<b>Net profit/(loss) for the period</b>	<b>Group shareholders' equity</b>	<b>Minority interests</b>	<b>Total shareholders' equity</b>
<b>As at 01.01.2019</b>	<b>16,879</b>	<b>(251)</b>	<b>2,995</b>	<b>4,188</b>	<b>478,378</b>	<b>(3,049)</b>	<b>(9,014)</b>	<b>161,752</b>	<b>16,268</b>	<b>(2,816)</b>	<b>88,361</b>	<b>753,691</b>	<b>26,647</b>	<b>780,338</b>
Allocation of results	-	-	-	-	-	-	-	88,361	-	-	(88,361)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	10,163	10,163	883	11,046
Other comprehensive income/(loss)	-	-	-	-	-	(2,300)	(3,060)	50	-	(10)	-	(5,320)	710	(4,610)
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,300)</b>	<b>(3,060)</b>	<b>50</b>	<b>-</b>	<b>(10)</b>	<b>10,163</b>	<b>4,843</b>	<b>1,593</b>	<b>6,436</b>
Purchase of min. interests in companies consolidated on a line-by-line basis and accounting of options on min. interests	-	-	-	-	-	-	-	(340)	-	-	-	(340)	316	(24)
Treasury share repurchase	-	(638)	-	-	-	-	-	-	-	-	-	(638)	-	(638)
Effect of the first-time adoption of IFRS16	-	-	-	-	-	-	-	-	(11,761)	-	-	(11,761)	-	(11,761)
Stock Grant Reserve	-	-	-	-	-	-	-	-	184	-	-	184	-	184
<b>As at 31.03.2019</b>	<b>16,879</b>	<b>(889)</b>	<b>2,995</b>	<b>4,188</b>	<b>478,378</b>	<b>(5,349)</b>	<b>(12,074)</b>	<b>249,823</b>	<b>4,691</b>	<b>(2,826)</b>	<b>10,163</b>	<b>745,979</b>	<b>28,556</b>	<b>774,535</b>

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

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

Florence, 12 May 2020

Manager charged with preparing Company's Financial Reports  
Alessandro Corsi