

Salvatore Ferragamo

Salvatore Ferragamo Group

Half-year report as at 30 June 2021

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, 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 <https://group.ferragamo.com/>

Corporate boards

Board of Directors (1)

Leonardo Ferragamo (1)(7)(12)	Chairman
Michele Norsa (1)(8)(10)	Executive Deputy Chairman
Micaela le Divelec Lemmi (1)(9)(10)	Managing Director
Giacomo Ferragamo (1) (11)	
Patrizia Michela Giangualano (1)(12)(13)	
Marinella Soldi (1)(12)(13)(16)	
Umberto Tombari (1)(12)(13)	
Angelica Visconti (1)(11)	
Peter Woo Kwong Ching (1)(12)	
Anna Zanardi Cappon (1)(12)(13)	
Ferruccio Ferragamo (14)	
Giovanna Ferragamo (15)	
Diego Paternò Castello di San Giuliano (15)	
Francesco Caretti (15)	
Marzio Alessandro Alberto Saà (15)	
Chiara Ambrosetti (15)	
Lidia Fiori (15)	

Control and Risks Committee (2)

Patrizia Michela Giangualano	Chairwoman
Umberto Tombari	
Anna Zanardi Cappon	

Nomination and Remuneration Committee (2)

Marinella Soldi	Chairwoman
Umberto Tombari	
Anna Zanardi Cappon	

Growth Plan and Strategy Committee(2)

Michele Norsa	Chairman
Leonardo Ferragamo	
Micaela le Divelec Lemmi	

Brand and Product Strategy Committee(3)

Michele Norsa	Chairman
Micaela le Divelec Lemmi	
Diego Paternò Castello di San Giuliano	
Angelica Visconti	

Board of Statutory Auditors (4)

Andrea Balelli	Chairman
Paola Caramella	Acting Statutory Auditor
Giovanni Crostarosa Guicciardi	Acting Statutory Auditor
Roberto Coccia	Substitute Statutory Auditor
Antonella Andrei	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 22 April 2021 and serving until the approval of the separate financial statements as at 31 December 2023

(2) Set up by the Board of Directors on 22 April 2021

(3) Set up by the Board of Directors on 20 April 2018 and operational until 22 April 2021

(4) Appointed by the Shareholders' Meeting on 8 May 2020 and serving until the approval of the separate financial statements as at 31 December 2022

(5) Appointed for the 2020-2028 period

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

(7) Appointed as Chairman by the Board of Directors on 22 April 2021

(8) Appointed as Executive Deputy Chairman by the Board of Directors on 22 April 2021

(9) Appointed as Managing Director by the Board of Directors on 22 April 2021

(10) Executive director

(11) Executive director pursuant to the Corporate Governance Code for listed companies as a manager of the Company

(12) Non-executive director

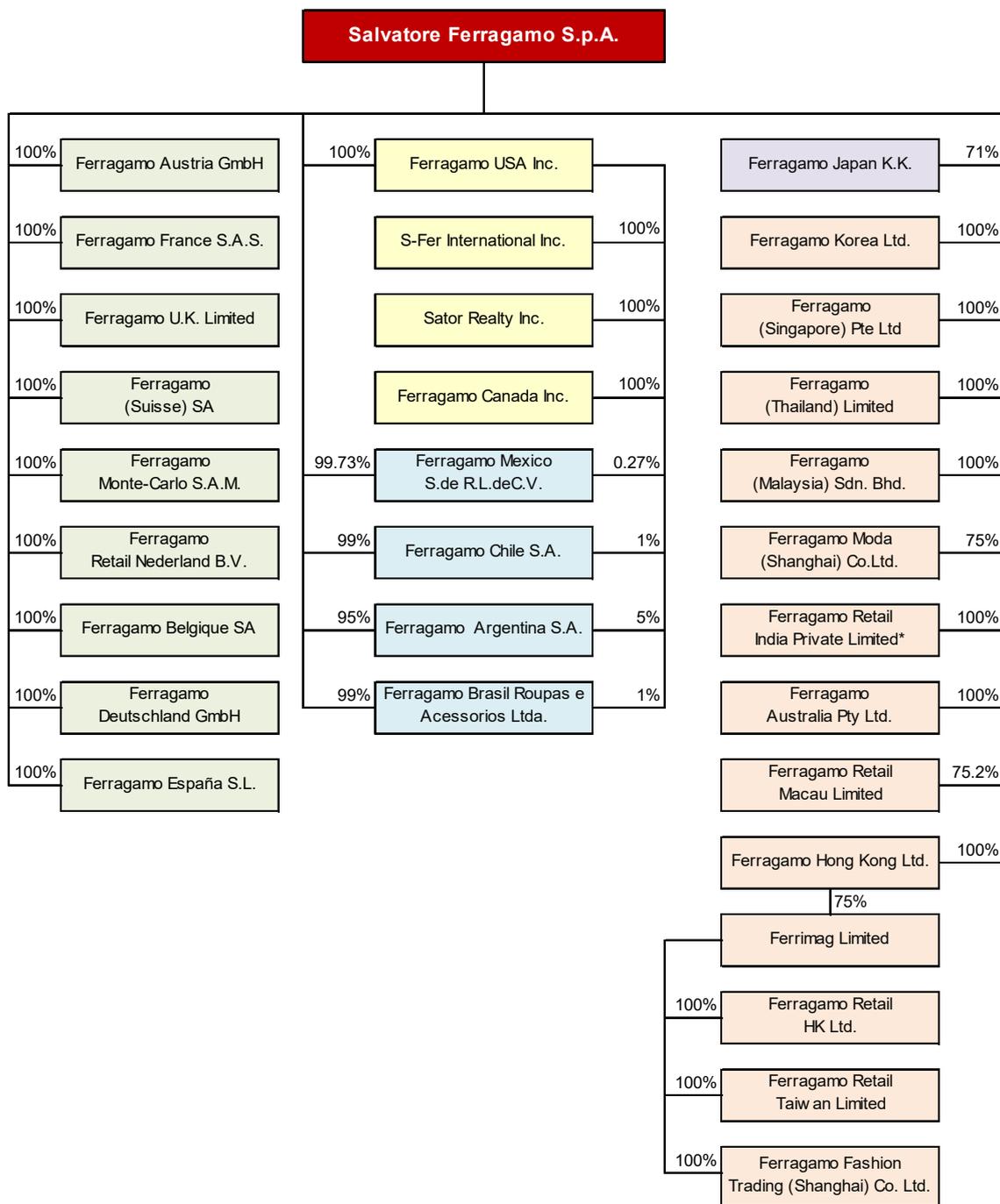
(13) Independent director pursuant to article 147-ter, paragraph 4 and article 148, paragraph 3 of Italian Legislative Decree no. 58 of 24 February 1998 ("T.U.F.", Consolidated Law on Finance) and the Corporate Governance Code for listed companies

(14) Director and Chairman of the Company until 22 April 2021

(15) Director of the Company until 22 April 2021

(16) Resigned on 27 July 2021 from the position of Director, 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 30 June 2021, 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, and licensee of the Ungaro brand for the fragrances product category; it undertakes production activities and it manages the retail distribution channel in Italy and the wholesale channel in Italy and abroad and acts as a holding company.

Europe

Ferragamo Retail Nederland B.V.

It manages directly operated stores (DOS) in Holland

Ferragamo France S.A.S.

It manages directly operated stores (DOS) in France

Ferragamo Deutschland GmbH

It manages directly operated stores (DOS) in Germany

Ferragamo Austria GmbH

It manages directly operated stores (DOS) in Austria

Ferragamo U.K. Limited

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

Ferragamo (Suisse) SA

It manages directly operated stores (DOS) in Switzerland

Ferragamo Belgique SA

It manages directly operated stores (DOS) in Belgium

Ferragamo Monte-Carlo S.A.M.

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

Ferragamo Espana S.L.

It manages directly operated stores (DOS) in Spain

North America

Ferragamo USA Inc.

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

Ferragamo Canada Inc.

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

S-Fer International Inc.

It manages directly operated stores (DOS) in the USA

Sator Realty Inc.

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

Central and South America

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

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

Ferragamo Chile S.A.

It manages directly operated stores (DOS) in Chile

Ferragamo Argentina S.A.

It manages directly operated stores (DOS) in Argentina

Ferragamo Brasil Roupas e Acessorios Ltda.

It manages directly operated stores (DOS) in Brazil

Asia Pacific

Ferragamo Hong Kong Ltd.

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

Ferragamo Australia Pty Ltd.

It manages directly operated stores (DOS) in Australia

Ferrimag Limited

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

Ferragamo Fashion Trading (Shanghai) Co. Ltd.

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

Ferragamo Moda (Shanghai) Co. Ltd.

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

Ferragamo Retail HK Limited

It manages directly operated stores (DOS) in Hong Kong

Ferragamo Retail Taiwan Limited

It manages directly operated stores (DOS) in Taiwan

Ferragamo Retail Macau Limited

It manages directly operated stores (DOS) in Macau

Ferragamo Retail India Private Limited

Non-operating company

Ferragamo Korea Ltd.

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

Ferragamo (Singapore) Pte Ltd.

It manages directly operated stores (DOS) in Singapore

Ferragamo (Thailand) Limited

It manages directly operated stores (DOS) in Thailand

Ferragamo (Malaysia) Sdn. Bhd.

It manages directly operated stores (DOS) in Malaysia

Japan

Ferragamo Japan K.K.

It manages directly operated stores (DOS) in Japan

Salvatore Ferragamo Group

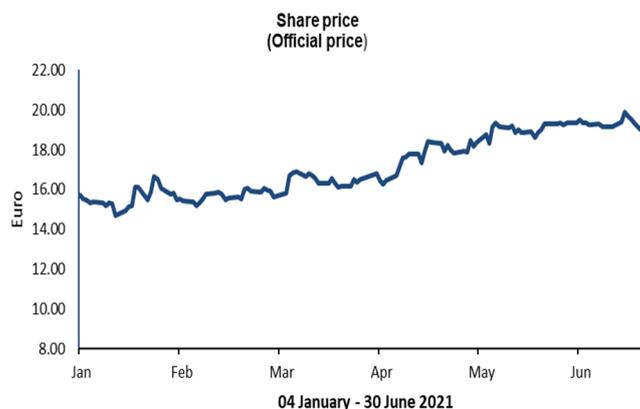
Interim Directors' report on operations

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

Official price as at 30 June 2021 in Euro	18.045
Stock Market capitalization as at 30 June 2021 in Euro	3,045,815,550
Number of shares making up the share capital as at 30 June 2021	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 2021.



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 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/(loss): it is the difference between revenues, cost of goods sold, and operating costs net of other income.

Adjusted operating profit/(loss): it is Operating Profit/(Loss) before Write-downs of tangible/intangible assets resulting from impairment tests conducted in accordance with IAS 36, in the wake of the extraordinary impact of the Covid-19 pandemic.

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).*

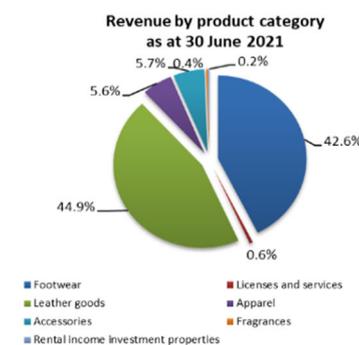
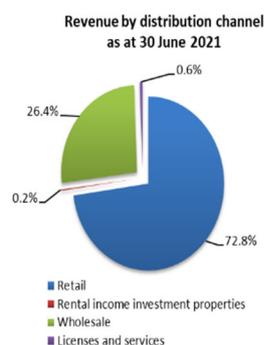
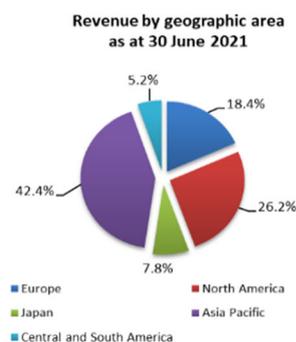
Adjusted net financial debt/(surplus): it is *Net financial debt/(surplus) excluding Current and non current lease liabilities.*

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

Income and financial highlights for the first half of 2021

(In millions of Euro)	2021	2020 Restated*	2021 vs 2020 Restated
Revenues	523.8	363.4	44.2%
Gross profit	361.0	221.7	62.8%
Gross profit %	68.9%	61.0%	
EBITDA	144.3	31.9	352.1%
EBITDA %	27.5%	8.8%	
Operating profit/(loss)	65.9	(71.6)	na
Operating profit/(loss) %	12.6%	(19.7%)	
Adjusted operating profit/(loss)	65.9	(62.3)	na
Adjusted operating profit/(loss) %	12.6%	(17.2%)	
Net profit/(loss) for the period	33.4	(86.4)	na
<i>Net profit/(loss) – Group</i>	30.7	(81.9)	na
<i>Net profit/(loss) – minority interests</i>	2.7	(4.5)	

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.



(In millions of Euro)	30 June 2021	31 December 2020	30 June 2020
Investments in tangible/intangible assets*	12.9	29.4	10.8
Net working capital	298.5	314.6	357.0
Shareholders' equity	754.8	709.7	695.9
Adjusted net financial debt/(surplus)	(204.8)	(138.7)	(58.1)
Adjusted cash flow from (used in) operating activities	79.8	(5.2)	(96.4)

* To provide a better presentation, investments in tangible/intangible assets are presented excluding the costs for the restoration of premises leased from third parties, recognized as fixed assets pursuant to the relevant contractual obligations

	30 June 2021	31 December 2020	30 June 2020
Staff as at the reporting date	3,782	3,855	3,994
Number of DOS	398	395	389
Number of TPOS	241	249	254

Geographical distribution of monobrand stores (30 June 2021)



639 Ferragamo monobrand stores

Disclaimer

This document contains forward-looking statements, in particular in the sections headed “Outlook” and “Significant events occurred after 30 June 2021” 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 2021 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 2021

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. Please note that, because of the classification of the fragrances division as assets held for sale and operation to be disposed of, following the definition of the terms of the transaction with Inter Parfums Inc. for the transfer of the business and the grant of an exclusive license under the Ferragamo brand – for more details, see the paragraphs Significant events occurred during the first half of 2021 and Significant events occurred after 30 June 2021 – the income statement and the statement of other comprehensive income for the six months ended 30 June 2020, presented as comparative information, were restated to present the operation to be discontinued separately from continuing operations. To this end, and to make information more comparable, in addition to the data for the six months ended 30 June 2021 and 30 June 2020, also the data for the second quarter of 2021 and 2020 were restated in this Interim Directors’ report on operations.

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 Group directly (previously Ferragamo Parfums S.p.A., and currently Salvatore Ferragamo S.p.A.) and third party distributors, which serve a network of selected mainly multibrand stores belonging to the specific fragrances channel. For further details on the fragrances product category, reference should be made to the paragraphs Significant events occurred during the first half of 2021 and Significant events occurred after 30 June 2021.

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 2021 numbered 398 (the so-called retail channel);
- a network of tailored single brand stores and/or stores-in-stores operated by third parties (TPOS), which as at 30 June 2021 numbered 241, 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 2021 was 639, 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 a foothold in markets for which a direct retail presence is currently not possible or not deemed necessary, such as the Middle East, Russia, some areas of Africa, and 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 2021, US interest rates rose steadily and forecasts for economic growth and inflation were revised upwards, causing the dollar to appreciate.

The EUR/USD exchange rate declined from 1.23 in January to 1.19 at the end of June; it hit a low of 1.17 in late March, and the average exchange rate for the first half of the year was 1.20.

The dollar's rally in the first quarter caused the Yuan to slide, but then the Chinese currency once again appreciated during the second quarter and climbed back to January's levels. Meanwhile, the Yuan maintained its relative strength against the Euro, shifting from 7.95 to 7.67; the appreciation was mainly attributable to macroeconomic and financial factors.

The South Korean Won, correlated with the balance of trade and exports, hovered around an average of 1347 against the Euro and ended the first half of the year at 1341.

Optimism about a global economic recovery and, therefore, the yen losing its appeal as a safe haven and the widening spread with US yields caused the Japanese currency to depreciate: the EUR/JPY exchange rate rose from 126 to 131 at the end of the first six months of the year, with peaks at around 134.

Finally, the Mexican Peso showed significantly volatility and depreciated steadily in the first quarter before appreciating in the second quarter: EUR/MXN shifted from 24.3 in January to a high of 25.6 in early March and then to 23.6 at the end of June, the lowest level registered in this period.

Operating performance

As is well known, the world economy in 2020 was severely affected by the spread of the Covid-19 pandemic, which peaked in the second quarter of 2020. Social distancing measures and restrictions on people's movement (so-called lockdowns) negatively and significantly influenced the economies of all countries around the globe as well as most sectors, including the luxury market. In the second half of 2020, as restrictions were eased, economic activity began to gradually recover – at a faster pace in Asia (and especially in China) and more gradually in countries (such as those in Europe) where new restrictions were put into place. The trend in the first six months of 2021 is similar to that for the last few months of 2020: the recovery is stronger in some areas, chief among them China, South Korea, and North America, than in others, such as Europe and Japan, that still suffer from the absence of tourist flows as well as more or less strict restrictions and closures. The first half of 2021 is certainly expected to be the period showing the strongest recovery, also because of the favorable comparison with a low base. However, it is still too early to tell how the Covid-19 pandemic will play out in the coming months and how it will affect economic growth in various countries around the world as well as various economic sectors.

Against this backdrop, the Salvatore Ferragamo Group's results for the first six months of 2021 point to a remarkably positive trend, in terms of both revenues (+44.2% at current exchange rates and +46.2% at constant exchange rates compared to the first half of 2020) and margins – driven by the retail channel's strong performance (+46.3% at current exchange rates compared to the first half of 2020, accounting for 72.8% as a percentage of total revenues). In the first six months of 2021, gross operating profit amounted to 68.9% as a proportion of revenues, up from 61.0% in the prior-year period – which had been severely affected by the contraction in revenues and the write-down of inventory.

The Group posted a 65.9 million Euro operating profit for the first six months of 2021, compared to a 71.6 million Euro operating loss for the period ended 30 June 2020, as the increase in operating costs to support growth was less than proportionate to the rise in revenues – also because of the steps promptly taken by the Group's management as soon as in 2020 to mitigate the negative impact of the crisis triggered by the Covid-19 pandemic. Similarly, the net profit for the period from continuing operations amounted to 37.3 million Euro, compared to an 83.5 million Euro net loss in the prior-year period.

The Group's financial situation remains robust and positive: the adjusted net financial position amounted to a positive 204.8 million Euro, up from 138.7 million Euro as at 31 December 2020 and 58.1 million Euro as at 30 June 2020, largely because the adjusted cash flow from operating activities for the first half of 2021 totaled 79.8 million Euro.

The following table shows the main income statement data.

(In thousands of Euro)	Half-year period ended 30 June				
	2021	% of Revenues	2020 Restated*	% of Revenues	% change
Revenues	523,817	100.0%	363,358	100.0%	44.2%
Gross profit	360,960	68.9%	221,735	61.0%	62.8%
Style, product development and logistics costs	(19,845)	(3.8%)	(16,767)	(4.6%)	18.4%
Sales & distribution costs	(192,206)	(36.7%)	(188,156)	(51.8%)	2.2%
Marketing & communication costs	(27,380)	(5.2%)	(23,645)	(6.5%)	15.8%
General and administrative costs	(59,687)	(11.4%)	(58,147)	(16.0%)	2.6%
Other operating costs	(10,521)	(2.0%)	(13,791)	(3.8%)	(23.7%)
Other income and revenues	14,604	2.8%	7,136	2.0%	104.7%
Total operating costs (net of other income)	(295,035)	(56.3%)	(293,370)	(80.7%)	0.6%
Operating profit/(loss)	65,925	12.6%	(71,635)	(19.7%)	na
Net financial income and charges	(9,906)	(1.9%)	(18,851)	(5.2%)	(47.5%)
Profit/(loss) before taxes	56,019	10.7%	(90,486)	(24.9%)	na
Income Taxes	(18,729)	(3.6%)	7,032	1.9%	na
Profit/(loss) from continuing operations	37,290	7.1%	(83,454)	(23.0%)	na
Profit/(loss) from operations to be disposed of	(3,851)	(0.7%)	(2,935)	(0.8%)	31.2%
Net profit/(loss) for the period	33,439	6.4%	(86,389)	(23.8%)	na
Net profit/(loss) – Group	30,714	5.9%	(81,898)	(22.5%)	na
Net profit/(loss) – minority interests	2,725	0.5%	(4,491)	(1.2%)	na
Amortization, depreciation and write-downs	78,377	15.0%	103,551	28.5%	(24.3%)
EBITDA	144,302	27.5%	31,916	8.8%	352.1%
Adjusted operating profit/(loss)	65,925	12.6%	(62,326)	(17.2%)	na

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

Please note that, because of the classification of the production and selling of the fragrances product category as operation to be disposed of – for more details, see the paragraphs Significant events occurred during the first half of 2021 and Significant events occurred after 30 June 2021 – the income statement and the relevant detailed statements for the six months ended 30 June 2020, presented as comparative information, were restated to present

the operation to be disposed of separately from continuing operations. To this end, and to make information more comparable, in addition to the data for the six months ended 30 June 2021 and 2020, also the data for the second quarter of 2021 and 2020 were restated in this Interim Directors' report on operations.

	(In thousands of Euro)				
	2021	% of Revenues	2nd quarter 2020 Restated*	% of Revenues	% change
Revenues	288,891	100.0%	151,011	100.0%	91.3%
Gross profit	207,182	71.7%	95,182	63.0%	117.7%
Style, product development and logistics costs	(9,784)	(3.4%)	(6,689)	(4.4%)	46.3%
Sales & distribution costs	(97,567)	(33.8%)	(84,054)	(55.7%)	16.1%
Marketing & communication costs	(12,268)	(4.2%)	(7,428)	(4.9%)	65.2%
General and administrative costs	(28,917)	(10.0%)	(26,622)	(17.6%)	8.6%
Other operating costs	(5,419)	(1.9%)	(8,229)	(5.4%)	(34.1%)
Other income and revenues	5,991	2.1%	2,035	1.3%	194.4%
Total operating costs (net of other income)	(147,964)	(51.2%)	(130,987)	(86.7%)	13.0%
Operating profit/(loss)	59,218	20.5%	(35,805)	(23.7%)	na
Net financial income and charges	(5,563)	(1.9%)	(7,356)	(4.9%)	(24.4%)
Profit/(loss) before taxes	53,655	18.6%	(43,161)	(28.6%)	na
Income Taxes	(15,072)	(5.2%)	546	0.4%	na
Profit/(loss) from continuing operations	38,583	13.4%	(42,615)	(28.2%)	na
Profit/(loss) from operations to be disposed of	(4,559)	(1.6%)	(2,328)	(1.5%)	95.8%
Net profit/(loss) for the period	34,024	11.8%	(44,943)	(29.8%)	na
Net profit/(loss) – Group	31,949	11.1%	(42,822)	(28.4%)	na
Net profit/(loss) – minority interests	2,075	0.7%	(2,121)	(1.4%)	na
Amortization, depreciation and write-downs	38,299	13.3%	55,975	37.1%	(31.6%)
EBITDA	97,517	33.8%	20,170	13.4%	383.5%
Adjusted operating profit/(loss)	59,218	20.5%	(26,496)	(17.5%)	na

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

Revenues in the first six months of 2021 totaled 523,817 thousand Euro, up 44.2% from 363,358 thousand Euro in the first six months of 2020. The main currencies other than the Euro in which the Group generates most of its revenues, i.e. US dollar, Chinese Renminbi, South-Korean Won, and Japanese Yen, performed as follows in the first six months of 2021 compared to the same period last year: the US dollar depreciated by 9.4%⁽¹⁾, the Japanese Yen depreciated by 8.9%⁽²⁾, the South Korean Won depreciated by 1.4%⁽³⁾, and the Chinese Renminbi depreciated by 0.6%⁽⁴⁾ against the Euro, the currency in which the amounts in the consolidated financial statements are expressed. Revenues were up 46.2% at constant exchange rates (applying to the revenues – not inclusive of the hedging effect – of the first six months of 2020 the average exchange rate of the first six months of 2021) across all geographies where the Group operates; in particular, they rose by 122.2% in North America, 73.7% in Central and South America, 34.0% in Asia Pacific, 20.5% in Europe, and 18.2% in Japan. Asia Pacific contributed the most to Group revenues with 42.4% and, combined with Japan, at 7.8%, the entire Asian market accounted for over 50% of revenues; this is followed by North America (26.2%), Europe (18.4%), and Central and South America (5.2%). In the second quarter of 2021, revenues amounted to 288,891 thousand Euro, up 91.3% at current exchange rates and 90.5% at constant exchange rates compared to the second quarter of 2020.

Gross profit for the period ended 30 June 2021 amounted to 360,960 thousand Euro, accounting for 68.9% of revenues – up steadily year-on-year from 221,735 thousand Euro and 61% as a percentage of revenues, as sales volumes rose and the retail channel accounted for a greater share of total revenues; conversely, the contraction in sales and the write-down of inventory resulting from the Covid-19 pandemic had weighed on gross profit in the first half of 2020. Gross profit for the second quarter of 2021 amounted to 207,182 thousand Euro, up 112,000 thousand Euro compared to the prior-year period.

Total operating costs (net of other income) totaled 295,035 thousand Euro for the first half of 2021, essentially in line (+ 0.6%) with the first half of 2020, and amounted to 56.3% as a percentage of revenues, down from 80.7% in the first half of 2020. The increase in total operating costs, supporting the growth in revenues, was limited thanks to the steps promptly taken by the Group's management as soon as in 2020 to mitigate the negative impact of the crisis triggered by the Covid-19 pandemic. Specifically, the Group continued benefiting from negotiations to revise

¹ With reference to the average Euro/Usd exchange rate in the first six months of 2021 1.205; of 2020 1.102

² With reference to the average Euro/Yen exchange rate in the first six months of 2021 129.87; of 2020 119.3

³ With reference to the average Euro/Krw exchange rate in the first six months of 2021 1,347.54; of 2020 1,329.53

⁴ With reference to the average Euro/Cny exchange rate in the first six months of 2021 7.796; of 2020 7.751

the terms and conditions of the leases of its distribution network, resulting in a 3,973 thousand Euro positive variable lease payment in the first half of 2021 (11,226 thousand Euro in the first half of 2020). In addition, in the first half of 2021 Other income benefited from the 5.0 million Euro insurance payout that Ferragamo Usa Inc. received for the damage caused to some stores in North America during the protests that took place in the second quarter of 2020. Thanks to the positive results for the first half of 2021 across all areas in which the Group operates, it was not necessary to consider and account for impairment losses on tangible and intangible assets in addition to those recognized in 2020 – and specifically in the first half of 2020, when total operating costs included 9,309 thousand Euro as a result of the impairment tests conducted to measure the recoverable amount of the Group's tangible and intangible assets. In the second quarter of 2021, total net operating costs came in at 147,964 thousand Euro, up 13.0% compared to the second quarter of 2020 (when they amounted to 130,987 thousand Euro).

Thanks to the increase in gross profit, **EBITDA** was up from 31,916 thousand Euro to 144,302 thousand Euro. The ratio to revenues stood at 27.5%, compared to 8.8% in the first half of 2020. In the second quarter of 2021, EBITDA totaled 97,517 thousand Euro compared to 20,170 thousand Euro in the second quarter of 2020, and the ratio to revenues rose from 13.4% to 33.8%.

The Group posted a 65,925 thousand Euro **operating profit** for the period ended 30 June 2021, amounting to 12.6% as a percentage of revenues, up steadily compared to a 71,635 thousand Euro operating loss for the first half of 2020. With reference to the second quarter of 2021, operating profit totaled 59,218 thousand Euro compared to a 35,805 thousand Euro operating loss in the second quarter of 2020.

Net financial income and charges amounted to a negative 9,906 thousand Euro, improving by 8,945 thousand Euro compared to the first six months of 2020.

(In thousands of Euro)	Half-year period ended 30 June		Change 2021 vs 2020 Restated*
	2021	2020 Restated*	
Net interest	(503)	207	(710)
Other net income/(charges)	(476)	(592)	116
Net interest and expenses on lease liabilities	(6,466)	(8,428)	1,962
Net gains/(losses) on exchange rate differences	4,325	(9,986)	14,311
Net financial income/(charges) for fair value adjustment of derivatives	(6,786)	(52)	(6,734)
Total	(9,906)	(18,851)	8,945

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

Gains and losses on exchange rate differences mainly reflect the impact of commercial transactions in foreign currency, and went from 9,986 thousand Euro in net losses in the first half of 2020 to 4,325 thousand Euro in net gains in the first half of 2021. 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, improved from a negative 10,038 thousand Euro in the first six months of 2020 to a negative 2,461 thousand Euro in the first six months of 2021. In the second quarter of 2021 alone, the Group posted 5,563 thousand Euro in net financial charges, compared to 7,356 thousand Euro in net financial charges in the second quarter of 2020.

Income Taxes

(In thousands of Euro)	Half-year period ended 30 June		Change 2021 vs 2020 Restated
	2021	2020 Restated*	
Profit/(loss) before taxes	56,019	(90,486)	146,505
Current taxes	(11,715)	(8,144)	(3,571)
Deferred taxes	(7,014)	15,176	(22,190)
Tax rate	33.4%	na	

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

Taxes were calculated using the best possible estimate of the annual average expected tax rate at the reporting date, resulting in a 33.4% tax rate.

The Group posted a 3,851 thousand Euro **net loss from operations to be disposed of** for the first half of 2021, compared to a 2,935 thousand Euro net loss for the first half of 2020. This referred to the fragrances business: under the agreement with Inter Parfums, Inc., effective October 2021, this will be transferred with the grant of an exclusive global license to produce and distribute Ferragamo-branded fragrances. For further details, reference should be made to the paragraphs Significant events occurred during the first half of 2021 and Significant events occurred after 30 June 2021.

In the first half of 2021, the Group posted a 33,439 thousand Euro consolidated **net profit**, compared to an 86,389 thousand Euro net loss in the first half of 2020. The Group's share of net profit amounted to 30,714 thousand Euro, compared to an 81,898 thousand Euro net loss in the prior-year period. In the second quarter of 2021, net profit amounted to 34,024 thousand Euro, compared to a 44,943 thousand Euro net loss in the second quarter of 2020; the Group's share of net profit amounted to 31,949 thousand Euro, compared to a 42,822 thousand Euro net loss in the second quarter of 2020.

Revenues

The following table shows revenues by **geographic area** for the periods ended 30 June 2021 and 30 June 2020, and the relevant changes:

(In thousands of Euro)	Half-year period ended 30 June					at
	2021	% of Revenues	2020 Restated*	% of Revenues	% change	constant exchange rates % change
Europe	96,133	18.4%	78,639	21.6%	22.2%	20.5%
North America	136,960	26.2%	67,603	18.6%	102.6%	122.2%
Japan	41,041	7.8%	36,184	10.0%	13.4%	18.2%
Asia Pacific	222,259	42.4%	164,374	45.2%	35.2%	34.0%
Central and South America	27,424	5.2%	16,558	4.6%	65.6%	73.7%
Total	523,817	100.0%	363,358	100.0%	44.2%	46.2%

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

In the first half of 2021, although still affected by store closures and limited tourist flows, Europe saw revenues rise by 22.2% at current exchange rates and 20.5% at constant exchange rates.

In North America, revenues were up 102.6% at current exchange rates and 122.2% at constant exchange rates, driven by growth in both the wholesale and retail channels thanks to the resilience of domestic demand. Sales were over five times higher in the second quarter of 2021 than in the second quarter of 2020.

Japan saw revenues rise by 13.4% at current exchange rates (+18.2% at constant exchange rates), even though the region is still affected by the fact that international traffic has not resumed yet as well as by the evolution of the pandemic and the relevant restrictions; performance was positive in the second quarter of 2021 (+55.0% at current exchange rates and +66.9% at constant exchange rates) compared to the prior-year period.

The Asia-Pacific region saw revenues jump by a robust 35.2% at current exchange rates (+34.0% at constant exchange rates) in both sales channels and specifically at directly operated stores in China and South Korea. Asia Pacific contributed once again the most to Group revenues, accounting for 42.4% of the total compared to 45.2% as at 30 June 2020.

The Central and South American market saw revenues increase by 65.6% at current exchange rates (+73.7% at constant exchange rates), rising to 5.2% as a percentage of total revenues compared to 4.6% in the prior-year period. It should be noted that the revenues recorded in the first half of 2021 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 2020) with a positive residual effect of 64 thousand Euro (25 thousand Euro as at 30 June 2020).

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

(In thousands of Euro)	Half-year period ended 30 June					at
	2021	% of Revenues	2020 Restated*	% of Revenues	% change	constant exchange rates % change
<i>Retail</i>	381,356	72.8%	260,614	71.7%	46.3%	49.4%
<i>Wholesale</i>	138,095	26.4%	97,858	27.0%	41.1%	40.5%
Licenses and services	3,223	0.6%	3,755	1.0%	(14.2%)	(14.2%)
Rental income investment properties	1,143	0.2%	1,131	0.3%	1.1%	10.5%
Total	523,817	100.0%	363,358	100.0%	44.2%	46.2%

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

In the first half of 2021, retail sales were up 46.3% at current exchange rates and 49.4% at constant exchange rates, benefiting from the recovery of directly operated stores seen mainly in China and South Korea, North America, and Latin America. The retail channel's share of total revenues shifted from 66.5% in the first half of 2019 (restated by excluding the amounts associated with the fragrances business) to 71.7% in the first half of 2020 and 72.8% in the first half of 2021.

During the first six months of 2021, the number of directly operated stores (DOS) increased by 3 units compared to the situation as at 31 December 2020. Compared to 30 June 2020, there was a net increase of 9 units.

In the wholesale channel, revenues were up 41.1% at current exchange rates (+40.5% at constant exchange rates) year-on-year, accounting for 26.4% of overall revenues compared to 27.0% in the first half of 2020.

Revenues from licenses and services in the first half of 2021 decreased by 14.2% compared to the first half of 2020 (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; the item was essentially unchanged compared to the first half of 2020 (+1.1% at current exchange rates and +10.5% at constant exchange rates).

The following table shows the breakdown of revenues by **product category** in the six months ended 30 June 2021 and 2020, indicating the relevant percentage of total revenues:

(In thousands of Euro)	Half-year period ended 30 June					at
	2021	% of Revenues	2020 Restated*	% of Revenues	% change	constant exchange rates % change
Footwear	223,228	42.6%	159,490	43.9%	40.0%	44.4%
Leather goods	235,431	44.9%	158,551	43.6%	48.5%	47.8%
Apparel	29,188	5.6%	19,091	5.3%	52.9%	56.6%
Accessories	29,685	5.7%	20,302	5.6%	46.2%	49.3%
Fragrances	1,919	0.4%	1,038	0.3%	84.9%	90.0%
Licenses and services	3,223	0.6%	3,755	1.0%	(14.2%)	(14.2%)
Rental income investment properties	1,143	0.2%	1,131	0.3%	1.1%	10.5%
Total	523,817	100.0%	363,358	100.0%	44.2%	46.2%

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

All main product categories saw a significant increase in turnover compared to the first half of 2020, with footwear and leather goods accounting for 42.6% and 44.9% of turnover, respectively, in the first half of 2021 (up from 40.0% and 48.5%, respectively, at current exchange rates).

Cost of goods sold and gross profit

(In thousands of Euro)	Half-year period ended 30 June				
	2021	% of Revenues	2020 Restated*	% of Revenues	% change
Consumables	(100,272)	(19.1%)	(71,656)	(19.7%)	39.9%
Services	(59,057)	(11.3%)	(67,021)	(18.4%)	(11.9%)
Personnel	(3,520)	(0.7%)	(2,939)	(0.8%)	19.8%
Depreciation and amortization	(8)	(0.0%)	(7)	(0.0%)	14.3%
Cost of goods sold	(162,857)	(31.1%)	(141,623)	(39.0%)	15.0%
Gross profit	360,960	68.9%	221,735	61.0%	62.8%

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

The **cost of goods sold** in the first half of 2021 amounted to 162,857 thousand Euro, up 15.0% from the prior-year period. **Gross profit** amounted to 68.9% as a percentage of revenues in the first half of 2021, up steadily from 61.0% in the prior-year period thanks to the strong growth in revenues and the fact that the retail channel accounted for a greater share of total revenues; the write-down of inventory and the contraction in sales had weighed on the first half of 2020.

Statement of financial position and Investments

Below is the statement of financial position as at 30 June 2021 reclassified by sources and uses, compared to the position as at 31 December 2020 and 30 June 2020:

(In thousands of Euro)	30 June 2021	31 December 2020	30 June 2020	% change 06.21 vs 12.20	% change 06.21 vs 06.20
Property, plant and equipment, investment property, intangible assets with a finite useful life and goodwill	245,624	260,515	308,103	(5.7%)	(20.3%)
Right-of-use assets	469,553	475,240	520,291	(1.2%)	(9.8%)
Net working capital	298,455	314,552	356,977	(5.1%)	(16.4%)
Other non current assets/(liabilities), net	91,822	91,973	84,494	(0.2%)	8.7%
Other current assets/(liabilities), net	(11,504)	(3,418)	(11,818)	236.6%	(2.7%)
Assets/(liabilities) held for sale, net	18,305	-	-	na	na
Net invested capital	1,112,255	1,138,862	1,258,047	(2.3%)	(11.6%)
Group shareholders' equity	734,684	693,582	674,396	5.9%	8.9%
Minority interests	20,101	16,114	21,535	24.7%	(6.7%)
Shareholders' equity (A)	754,785	709,696	695,931	6.4%	8.5%
Net financial debt/(surplus) (B)	357,470	429,166	562,116	(16.7%)	(36.4%)
Total sources of financing (A+B)	1,112,255	1,138,862	1,258,047	(2.3%)	(11.6%)
Net financial debt/(surplus) (B)	357,470	429,166	562,116	(16.7%)	(36.4%)
Lease liabilities (C)	562,244	567,909	620,238	(1.0%)	(9.4%)
Adjusted net financial debt/(surplus) (B-C)	(204,774)	(138,743)	(58,122)	47.6%	252.3%
Adjusted net financial debt(surplus)/ Shareholders' equity	(27.1%)	(19.5%)	(8.4%)		

Investments in fixed assets

During the first half of 2021, the Salvatore Ferragamo Group made investments in tangible and intangible assets totaling 12,863 thousand Euro, of which 10,168 thousand Euro in tangible assets (excluding the costs for the restoration of premises leased from third parties, recognized as Property, plant and equipment pursuant to the relevant contractual obligations) and 2,695 thousand Euro in intangible assets, compared to a total of 10,756 thousand Euro in the first half of 2020.

The most important investments in tangible assets were made in the opening and refurbishment of stores (9.2 million Euro, approximately 90% of total investments in tangible assets). The main investments in intangible assets refer to the development of the e-commerce platform (0.5 million Euro overall, approximately 20% of total investments in intangible assets).

Investments in tangible assets under construction, amounting to 3.6 million Euro, mainly concerned the investments made for the refurbishment and opening of new stores which were not yet operational as at the reporting date.

Investments in intangible assets under development totaled approximately 3.3 million Euro and largely consisted of investments in the development of software to support business processes, including the RIO "Regional Inventory Optimization" project, intended to optimize the regional retail stock as part of the new distribution model, and the so-called "Marlin Project" aimed at standardizing the Group's retail information systems relying on SAP.

Amortization and depreciation (excluding depreciation of Right-of-use assets) amounted to 24,867 thousand Euro in the first six months of 2021, down from 33,192 thousand Euro in the prior-year period. This was largely because of the impairment losses recognized in 2020 after testing assets for impairment.

During the first half of 2021, the Group did not make any investments in financial assets.

Right-of-use assets

This line item, amounting to 469,553 thousand Euro as at 30 June 2021, refers to the recognition of "Right-of-use assets" against "Lease liabilities" following the application of IFRS 16 and was down from 475,240 thousand Euro as at 31 December 2020, largely because of 51,987 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 25,752 thousand Euro as at 30 June 2021.

Net working capital

Below is the breakdown of, and changes in, net working capital as at 30 June 2021 compared with 31 December 2020 and 30 June 2020.

(In thousands of Euro)	30 June 2021	31 December 2020	30 June 2020	% change 06.21 vs 12.20	% change 06.21 vs 06.20
Inventories and Right of return assets	316,570	346,181	394,793	(8.6%)	(19.8%)
Trade receivables	109,884	113,909	95,845	(3.5%)	14.6%
Trade payables and Refund Liabilities	(127,999)	(145,538)	(133,661)	(12.1%)	(4.2%)
Total	298,455	314,552	356,977	(5.1%)	(16.4%)

Net working capital was down 5.1% compared to 31 December 2020 and 16.4% compared to 30 June 2020. The decrease compared to 31 December 2020 and 30 June 2020 was mainly attributable to the decline in Inventories, partly because of greater operational efficiency and partly caused by the classification of 16,561 thousand Euro in inventories related to the fragrances business as Assets held for sale during the reporting period (for more details, see the paragraphs Significant events occurred during the first half of 2021 and Significant events occurred after 30 June 2021); the reduction in Inventories was partly offset by the decrease in Trade payables and Refund liabilities.

Specifically, inventories of finished products were down 16,017 thousand Euro from 31 December 2020 (-5.2%) and down 47,675 thousand Euro from 30 June 2020 (-14.1%). Raw materials for production were down 38.0% compared to 31 December 2020 and 57.9% compared to 30 June 2020, partly because of the classification of 7,663 thousand Euro in inventories of raw materials related to the fragrances business as Assets held for sale.

Trade receivables were down 3.5% from 31 December 2020 and up 14.6% from 30 June 2020. They essentially referred to wholesale sales. The increase compared to 30 June 2020 reflects rising sales also in the wholesale channel during the first half of 2021.

Trade payables mainly referred to purchases of production materials, finished products, and costs relating to outsourced manufacturing. The item Trade Payables and Refund Liabilities was down 12.1% compared to 31 December 2020 and 4.2% compared to 30 June 2020.

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

Other non current assets/(liabilities), amounting to 91,822 thousand Euro in net assets, were essentially in line with 31 December 2020, down 151 thousand Euro. This was largely because of the decrease in deferred tax assets, calculated mainly on the provisions for obsolete inventory and the reversal of unrealized intragroup profits on inventories, compensated by the decline in primarily deferred tax liabilities and provisions for risks and charges.

Other current assets/(liabilities) shifted from 3,418 thousand Euro in net liabilities as at 31 December 2020 to 11,504 thousand Euro in net liabilities as at 30 June 2021, largely because Other current liabilities were up 11,566 thousand Euro (mainly due to rising payables due to employees). These were offset by the 4,056 thousand Euro decline in Other current assets, largely because of the change in Short-term hedging derivatives.

Assets and liabilities held for sale

Assets held for sale, totaling 19,493 thousand Euro, and Liabilities held for sale, amounting to 1,188 thousand Euro, respectively include assets and liabilities associated with the production and selling of the fragrances product category, as required under IFRS 5; they are measured at the lower of their carrying amount and fair value less costs to sell, calculated based on the agreement with Inter Parfums, Inc. for the transfer of the fragrances business and the grant of an exclusive global license to produce and distribute Ferragamo-branded fragrances effective October 2021. For further details, reference should be made to the paragraphs Significant events occurred during the first half of 2021 and Significant events occurred after 30 June 2021.

Shareholders' equity

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

- the 30,714 thousand Euro increase in the profit for the period;
- the 5,555 thousand Euro decrease resulting from the valuation of hedging derivatives net of the relevant tax effect;
- the 15,924 thousand Euro increase attributable to the translation into Euro of the subsidiaries' financial statements denominated in other currencies;
- 19 thousand Euro in other minor increases.

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)	30 June 2021	
	Shareholders' equity	Net profit/(loss) for the period
Salvatore Ferragamo S.p.A. data	672,595	21,207
Elimination of consolidated investments	204,723	18
Elimination of unrealized profits, deriving from transactions between Group companies, relating to inventories, net of the deferred tax effect	(137,830)	12,194
Other consolidation adjustments	15,297	20
Total shareholders' equity and net profit/(loss)	754,785	33,439
Minority interests – shareholders' equity and net profit/(loss)	20,101	2,725
Group – shareholders' equity and net profit/(loss)	734,684	30,714

Net financial debt

Net financial debt as at 30 June 2021, 31 December 2020, and 30 June 2020 was as follows:

(In thousands of Euro)	30 June	31 December	30 June	% change	% change
	2021	2020	2020	06.21 vs 12.20	06.21 vs 06.20
Cash and cash equivalents (A)	370,273	327,880	264,511	12.9%	40.0%
Other current financial assets (B)	160	566	197	(71.7%)	(18.8%)
Interest-bearing loans and borrowings (C)	164,813	186,000	199,261	(11.4%)	(17.3%)
Other financial liabilities (D)	846	3,703	7,325	(77.2%)	(88.5%)
Lease liabilities (E)	562,244	567,909	620,238	(1.0%)	(9.4%)
Net financial debt/(surplus) (C + D + E – A – B)	357,470	429,166	562,116	(16.7%)	(36.4%)

Net financial debt declined from 429,166 thousand Euro as at 31 December 2020 to 357,470 thousand Euro as at 30 June 2021, largely because of the decrease in interest-bearing loans and borrowings as well as the increase in cash and cash equivalents during the period. During the first half of 2021, the Group used part of its cash surpluses to repay one of the main outstanding medium/long-term loans early, for an amount of 20,000 thousand Euro, thus reducing its bank debt.

Net financial debt/(surplus), excluding lease liabilities, as at 30 June 2021 and 2020 as well as 31 December 2020 was restated as follows:

(In thousands of Euro)	30 June	31 December	30 June	Change	Change
	2021	2020	2020	06.21 vs 12.20	06.21 vs 06.20
Net financial debt/(surplus) (a)	357,470	429,166	562,116	(71,696)	(204,646)
Non current lease liabilities	459,885	464,400	508,163	(4,515)	(48,278)
Current lease liabilities	102,359	103,509	112,075	(1,150)	(9,716)
Lease liabilities (b)	562,244	567,909	620,238	(5,665)	(57,994)
Adjusted net financial debt/(surplus) (a-b)	(204,774)	(138,743)	(58,122)	(66,031)	(146,652)

As at 30 June 2021, the **adjusted net financial surplus** amounted to 204,774 thousand Euro, compared to an adjusted net financial surplus of 138,743 thousand Euro as at 31 December 2020. This was largely due to a positive 79,789 thousand Euro in adjusted cash flows from operating activities (positive 62,310 thousand Euro in the first half of 2019, negative 96,406 thousand Euro in the first half of 2020), 13,195 thousand Euro in cash flows used for the purposes of investing in tangible and intangible assets during the first six months of 2021, and the payment of deferred consideration for the acquisition of Arts S.r.l. and Aura 1 S.r.l. (3,629 thousand Euro) in the first half of 2021. Compared to 30 June 2020, the adjusted net financial position improved by 146,652 thousand Euro, from an adjusted net financial surplus of 58,122 thousand Euro to an adjusted net financial surplus of 204,774 thousand Euro.

Income and financial indicators

The tables below set out the trend in the main income and financial indicators for the half-year periods ended 30 June 2021 and 30 June 2020.

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	
	2021	2020 Restated*
ROE (Group net profit/(loss) for the period/average Group shareholders' equity)	4.3%	(11.4%)
ROI (Operating profit/(loss) / Net average invested capital)	5.9%	(5.6%)
ROS (Operating profit/(loss) / Revenues)	12.6%	(19.7%)

Financial ratios	Half-year period ended 30 June	
	2021	2020
Coverage of shareholders' equity ratio (Shareholders' equity / Non current assets)	89.3%	72.7%
Liquidity ratio (Current assets excluding inventories/Current liabilities)	153.5%	80.6%

Turnover ratios expressed in days	Half-year period ended 30 June	
	2021	2020 Restated*
Turnover of trade receivables (Average value of Trade receivables in the period / Revenues x days)	38	60
Turnover of Trade payables (Average value of Trade payables in the period / Purchases of goods and services x days)	82	125
Inventory turnover (Average value of Inventories in the period / Cost of goods sold x days)	362	495
Turnover of Average invested capital (Average value of Net invested capital / Revenues x days)	387	631

* The data for the year six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

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 22 April 2021. 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.

During the reporting period, the Company complied with the Corporate Governance Code issued by Borsa Italiana S.p.A.'s Corporate Governance Committee, effective 1 January 2021, and its corporate governance model was in line with the recommendations contained therein.

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 Shareholders' Meeting of 22 April 2021 elected the current Board using the slate-voting system, setting the number of its members at 10 and fixing their term of office at three years, until the Shareholders' Meeting convened to approve the financial statements as at 31 December 2023.

Therefore, the members of the Board of Directors are: Leonardo Ferragamo, Michele Norsa, Micaela le Divelec Lemmi, Giacomo Ferragamo, Angelica Visconti, Peter K.C. Woo, Umberto Tombari, Patrizia Michela Giangualano, and Marinella Soldi, elected from the majority slate submitted by Ferragamo Finanziaria S.p.A., which owns 54.276% of the Company, and Anna Zanardi Cappon, elected from the minority slate submitted by a group of shareholders who collectively own 1.77651% of the Company.

On 22 April 2021, the Board of Directors, which met after the Shareholders' Meeting that elected it, appointed Leonardo Ferragamo as Non-Executive Chairman, as well as appointed Michele Norsa as Executive Deputy Chairman and Micaela le Divelec Lemmi as Managing Director, confirming all the powers already vested in them.

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

- 1) the Nomination and Remuneration Committee, comprised of the Independent Directors Marinella Soldi (Chairwoman), Umberto Tombari, and Anna Zanardi Cappon;
- 2) the Control and Risks Committee, responsible also for Transactions with Related Parties and Corporate Sustainability, comprised of the Independent Directors Patrizia Michela Giangualano (Chairwoman), Umberto Tombari, and Anna Zanardi Cappon.
- 3) the Growth Plan and Strategy Committee, comprised of Michele Norsa (Chairman), Leonardo Ferragamo, and Micaela le Divelec Lemmi.

With respect to the Company's governance, the Board of Directors also confirmed the responsibilities and tasks of the various entities involved in the internal control and risk management system as redefined under Article 6 of the new Corporate Governance Code, including with specific reference to the role of the governing body, to the Chief Executive Officer as primarily responsible for setting up and maintaining the internal control and risk management system, to the Control and Risks Committee, as well as to the heads of internal audit and the other functions involved in the control system.

Please note that on 28 June 2021 the Company and the holding company Ferragamo Finanziaria S.p.A. disclosed they have reached an agreement with Mr Marco Gobbetti for him to join Salvatore Ferragamo S.p.A. as General Manager and Managing Director as soon as he is released from his contractual obligations.

In addition, on 8 May 2020 the Shareholders' Meeting 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, on 10 March 2020, the Board of Directors appointed the Chief Financial Officer 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 (Consolidated Law on Finance) 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 (James) Ferragamo, and the Chief Financial Officer 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 and risk management system in accordance with the Company's strategies and assessing its adequacy relative to the characteristics of the business and the risk profile assumed, as well as its effectiveness.

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

- Chief Executive Officer

They have the duty of supervising the system, i.e., identifying the main business risks while accounting for the characteristics of the operations conducted by the Company and its subsidiaries, as well as designing, implementing, and managing the internal control and risk management system, in compliance with the Board of Directors' guidelines, continuously ensuring and verifying its adequacy and effectiveness as well as adjusting it to changes in operating conditions and the legal and regulatory landscape.

- Control and Risks Committee

It is responsible for supporting the assessments and decisions of the governing body concerning the internal control system, the risk management system, including risks that may be material to the medium/long-term sustainability of the Company's operations, and approving periodic financial and non-financial reports; in addition, it supervises sustainability-related matters associated with the Company's operations and their interaction with all stakeholders, reporting to the Board of Directors on the activities undertaken as well as the adequacy of the internal control and risk management system at least at the time of the approval of the annual and half-year financial report.

- ERM (Enterprise Risk management) Guidance Committee

It has the task of assisting the Chief Executive Officer as the person mainly responsible for setting up and maintaining the internal control and risk management system in taking key 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.

- Risk & Compliance Department

It coordinates the risk management process and systematically supports the ERM Guidance Committee and, generally, all the management staff involved. It reports directly to the Managing Director, interacts with the Control and Risks 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 Director of Risk & Compliance, who also manages insurance policies at Group level.

- Internal Audit Manager

Reporting to the Board of Directors, the manager is responsible – through the relevant department – for verifying that the internal control and risk management system is operational, adequate, and consistent with the guidelines defined by the Board of Directors, liaising with the Control and Risks Committee and the Board of Statutory Auditors.

- 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 2021, Ferragamo Finanziaria S.p.A. held a majority stake in the share capital of Salvatore Ferragamo S.p.A., i.e. 54.276% as per the disclosure of Ferragamo Finanziaria S.p.A. pursuant to form 120/A in Attachment 4 to the Consob Issuers' Regulation. Please note that Ferragamo Finanziaria S.p.A. has requested to register the Salvatore Ferragamo ordinary shares it owns in the Special List set up by the Company pursuant to article 127-quinquies, paragraph 2, of the Consolidated Law on Finance to benefit from increased voting rights, as described below:

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

Pursuant to article 6 of the Bylaws and article 9 of the Company's Rules for Increased Voting Rights, the increased voting rights attached to the ordinary shares held by Ferragamo Finanziaria S.p.A. and included in the Special List on 2 July 2018 and 14 January 2019 became effective on 7 August 2020 and 5 February 2021, respectively, as they have met the requirements under applicable law.

Considering the above, as at 30 June 2021 Ferragamo Finanziaria owned 172,998,020 voting rights, accounting for 62.152% of the Company's share capital, attached to the mentioned 86,499,010 shares, and 10,225,600 voting rights, accounting for 3.673% of the Company's share capital, attached to 5,112,800 shares. Therefore, as at 30 June 2021 Ferragamo Finanziaria S.p.A. owned 183,223,620 voting rights, accounting for 65.825% of the total.

Treasury shares and shares or stakes in parent companies

On 22 April 2021, the Shareholders' Meeting of Salvatore Ferragamo S.p.A., following withdrawal of the authorization issued by the Ordinary Shareholders' Meeting to the extent not executed, 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% of the Company's share capital from time to time in accordance with article 2357, paragraph 3 of the Italian Civil Code.

On 22 April 2021, 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.

The Company is authorized to buy back ordinary shares in one or multiple installments, including on a rolling basis, for a period of 18 months from 22 April 2021, 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 2021, 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 2021

Ordinary Shareholders' Meeting

On 22 April 2021, the Ordinary Shareholders' Meeting of the Parent Company Salvatore Ferragamo S.p.A.:

- approved the separate financial statements for the year ended 31 December 2020 and resolved to cover the loss for 2020, totaling 34,070,066 Euro, by using the Extraordinary Reserve;
- approved the policy concerning the remuneration of the members of the governing bodies, managers with strategic responsibilities, and the members of control bodies for the year 2021, and also 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 2020;
- elected the new Board of Directors using the slate-voting system, setting the number of its members at 10 and fixing their term of office at three years, until the Shareholders' Meeting convened to approve the financial statements as at 31 December 2023. Therefore, the members of the Board of Directors are: Leonardo Ferragamo, Michele Norsa, Micaela le Divelec Lemmi, Giacomo Ferragamo, Angelica Visconti, Peter K.C. Woo, Umberto Tombari, Patrizia Michela Giangualano, and Marinella Soldi, elected from the majority slate submitted by Ferragamo Finanziaria S.p.A., which owns 54.276% of the Company, and Anna Zanardi Cappon, elected from the minority slate submitted by a group of shareholders who collectively own 1.77651% of the Company;
- 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% of the Company's share capital from time to time in accordance with article 2357, paragraph 3 of the Italian Civil Code.

On the same date, the Extraordinary Shareholders' Meeting:

- approved the amendments to article 6 of the Bylaws concerning increased voting rights to align it with the interpretation of art. 127-quinquies of the Consolidated Law on Finance issued by Consob with Communication no. 0214548 of 18 April 2019, establishing that increased voting rights shall be assigned automatically at the commencement of the relevant period after the inclusion of the shares in the special list maintained by the Company.

Board of Directors

At the meeting held on 9 March 2021, the Company's Board of Directors approved, (i) the draft Separate Financial Statements for 2020, the Consolidated Financial Statements as at 31 December 2020, and the Directors' report on operations for 2020, containing the consolidated Non-Financial Statement for 2020 that includes non-financial information pursuant to Legislative Decree no. 254 of 30 December 2016; (ii) the Report on Corporate Governance and Ownership Structure, referring to the year 2020 and prepared by the Company pursuant to art. 123-bis of the Consolidated Law on Finance; (iii) the Report on remuneration policy and fees paid, prepared pursuant to art. 123-ter of the Consolidated Law on Finance, art. 84-quater and Annex 3A, Scheme 7-bis of CONSOB Regulation no. 11971/1999 as amended by Consob's resolution of 10 December 2020, and art. 5 of the Corporate Governance Code, and subsequently updated by the Board of Directors on 29 March 2021 after finalizing the variable fees of Executive Directors; and resolved to (iv) convene the Ordinary and Extraordinary Shareholders' Meeting for 22 April 2021.

At the same meeting on 9 March 2021, Salvatore Ferragamo S.p.A.'s Board of Directors also resolved to propose that the Shareholders' Meeting convened for 22 April 2021 cover the loss for the year 2020 of Salvatore Ferragamo S.p.A., totaling 34,070,066 Euro, by drawing the same amount from the Extraordinary Reserve.

On 22 April 2021, the Board of Directors, which met after the Shareholders' Meeting that elected it, appointed Leonardo Ferragamo as Non-Executive Chairman, as well as appointed Michele Norsa as Executive Deputy Chairman and Micaela le Divelec Lemmi as Managing Director, confirming all the powers already vested in them. The Board then set up the Control and Risks Committee, comprised of the independent directors Patrizia Michela Giangualano (Chairwoman), Umberto Tombari, and Anna Zanardi Cappon, the Nomination and Remuneration Committee, comprised of the independent directors Marinella Soldi (Chairwoman), Umberto Tombari, and Anna Zanardi Cappon, and the Growth Plan and Strategy Committee, comprised of Michele Norsa (Chairman), Leonardo Ferragamo, and Micaela le Divelec Lemmi.

Merger of Ferragamo Parfums S.p.A. (single-member company)

On 16 April 2021, Salvatore Ferragamo S.p.A. (hereinafter also referred to as the "Company") and Ferragamo Parfums S.p.A. (hereinafter also referred to as the "Merging Entity") executed the deed of Merger of Ferragamo Parfums S.p.A. into Salvatore Ferragamo S.p.A. authorized by a notary public in accordance with the resolution passed by the Company's Board of Directors and the resolution passed by the Shareholders' Meeting of the Merging Entity on 15 December 2020, as no objections were raised pursuant to article 2503 of the Italian Civil Code. The deed of merger was filed with the Company Register with jurisdiction over Salvatore Ferragamo S.p.A. on 21 April 2021. Salvatore Ferragamo S.p.A. did not carry out any rights issue. The 10,000,000 ordinary shares with a nominal amount of 1 Euro each representing 100% of Ferragamo Parfums S.p.A. (single-member company) owned by Salvatore Ferragamo S.p.A. were canceled without assigning or swapping shares. For further details, reference should be made to the 2020 Annual Report, paragraph Significant events occurred during the year. No changes were made to Salvatore Ferragamo S.p.A.'s Bylaws. The merger is effective retroactively to 1 January 2021 for accounting and tax purposes and effective 1 May 2021 for legal purposes.

Agreement to transfer the fragrances business and grant the license

On 3 June 2021, Salvatore Ferragamo S.p.A. announced it was in exclusive negotiations with Inter Parfums, Inc., a manufacturer and distributor of premium fragrances and cosmetics, to manage the business of Ferragamo-branded fragrances under a worldwide license. On 7 July 2021, the Company and Inter Parfums, Inc. announced they had defined and agreed to the terms of the business transfer and the grant of an exclusive global license to produce and distribute Ferragamo-branded fragrances effective October 2021 (see also the paragraph Significant events occurred after 30 June 2021). The transaction is structured to give additional momentum to the fragrances business, maintaining the brand's values and heritage with products made in Italy and selective distribution aligned with the brand's positioning. As the sale was highly likely as at 30 June 2021, the assets and operations associated with the fragrances business were classified as assets and liabilities held for sale and operation to be disposed of in the condensed consolidated half-year financial statements of the Salvatore Ferragamo Group, since they meet the requirements under IFRS 5.

Tax and customs disputes and audits (update)

Tax disputes settled 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 continued 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). The audit was formally completed in March 2021 after nine months of investigation without any objections.

Updates on ongoing audits

- With respect to the tax audit carried out on Salvatore Ferragamo S.p.A. relating to the pass-through mechanism for CFCs for the year 2012, already discussed in the 2020 Annual Report – to which reference should be made – there were no new developments during the first half of 2021.
- As for the tax audit of Ferragamo France S.A.S., relating to the tax years 2008-2010 and which started in 2011, as already discussed in the 2020 Annual Report – to which reference should be made – there were no new developments during the first half of 2021.
- As for the ongoing tax audit of Ferragamo Deutschland GmbH relating to the tax years 2011-2014 and that was expanded to include the year 2015 in December 2020, reference should be made to the 2020 Annual Report, as there were no new developments during the first half of 2021.

- With respect to the tax dispute involving Salvatore Ferragamo S.p.A. over the greater amount of VAT assessed for the year 2013 (67 thousand Euro assessment, plus interest and penalties), reference should be made to the 2020 Annual Report, as there were no new developments during the first half of 2021.

In addition to the above and the information disclosed in the 2020 Annual Report, concerning such disputes, the Group believes that, at present, the risk of defeat is no more than possible.

Tax and customs audits commenced during the period

No significant tax and customs audits of the Group's companies were commenced during the first half of 2021.

Patent Box and Research and Development Tax Credit (update)

As for the tax benefits Patent Box and research and development, design and aesthetic conception, and technological innovation tax credit, reference should be made to the 2020 Annual Report, as there were no new developments during the first half of 2021.

International standard ruling on transfer pricing (update)

As for the international standard ruling between Salvatore Ferragamo S.p.A. and the Inland Revenue Office – Central Assessment Department – International Ruling Office, concerning the determination of the transfer pricing policy Salvatore Ferragamo S.p.A. applies to its foreign subsidiaries that perform distribution operations, reference should be made to the 2020 Annual Report, as there were no new developments during the first half of 2021.

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 2021, this item totaled 12,003 thousand Euro, compared to 10,824 thousand Euro in the same period last year – restated by excluding the impact of operations to be disposed of.

Staff

Below is the Salvatore Ferragamo Group's staff divided by category as at 30 June 2021, 31 December 2020, and 30 June 2020.

Staff	30 June 2021	31 December 2020	30 June 2020
Top managers, middle managers and store managers	780	777	776
White collars	2,731	2,809	2,934
Blue collars	271	269	284
Total	3,782	3,855	3,994

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

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, updated with respect to Covid-19 events, please refer to the 2020 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.

Significant events occurred after 30 June 2021

Board of Directors

On 1 July 2021, the Company's Board of Directors approved, with the favorable opinion of the Nomination and Remuneration Committee, the Control and Risks Committee (competent body pursuant to the procedure for minor Transactions with Related Parties), and the Board of Statutory Auditors, the agreement reached with the Managing Director Micaela le Divelec Lemmi for the continuation of the business relationship until the meeting of the Board of Directors of 7 September 2021, following the communication of the Half-Year Report as at 30 June 2021, with her resignation from the position of Director and Managing Director of the Company and all the Group's companies as of said date.

Effective said date, the Deputy Chairman Michele Norsa shall be vested with all executive powers.

Pursuant to art. 5 of the Corporate Governance Code, the Company also disclosed that Ms le Divelec Lemmi will receive, in addition to the fixed components of remuneration due pro rata temporis, consideration for the termination of the relationship and in final settlement of any claim for such termination, totaling 1,974,000.00 Euro, to be paid by 30 September 2021 and already accounted for as at 30 June 2021. The above was determined in accordance and consistently with the Company's Remuneration Policy as approved by the Board of Directors, as well as pursuant to the contractual obligations established with Ms le Divelec Lemmi at the time of her appointment and approved with a resolution of the Board of Directors and the favorable opinion of the Nomination and Remuneration Committee as well as the Board of Statutory Auditors.

Please note that no claw back or malus clauses applied, and that the parties confirmed they agreed to terminate the non-compete agreement. No amount will be awarded to Ms le Divelec Lemmi for this reason.

At the same meeting, the Company's Board of Directors approved the terms and conditions of the agreement with Mr Marco Gobbetti for him to join the Company as General Manager and Managing Director, starting in this position as soon as he is released from previous contractual obligations.

On 27 July 2021, Salvatore Ferragamo S.p.A. disclosed that Ms Marinella Soldi, Independent Non-Executive Director as well as Chairwoman of the Nomination and Remuneration Committee, resigned effective immediately from her position as Director of Salvatore Ferragamo S.p.A. for professional reasons. In line with the Company's remuneration policy, no termination indemnities or other benefits will be paid.

Agreement to transfer the fragrances business and grant the license

On 7 July 2021, the Company and Inter Parfums, Inc. announced they had defined and agreed to the terms of the business transfer and the grant of an exclusive global license to produce and distribute Ferragamo-branded fragrances. The agreement will become effective in October 2021 and have an initial term of 10 years. Inter Parfums, Inc. will operate through a wholly-owned Italian subsidiary, based in Florence, and ensure production remains in Italy.

Renewal of the licensing agreement with Vertime B.V.

On 20 July 2021, the Company and Vertime B.V., which has extensive experience in the production and distribution of luxury and high-quality watches, announced they had renewed the licensing agreement for the production and distribution of the Ferragamo-branded watch collection. The renewed agreement will have a term of 10 years effective 1 January 2023.

Outlook

The short-term economic outlook faces considerable uncertainty. After more than one year since the Covid-19 pandemic broke out, causing a significant adverse shock that has had a strong negative impact on business operations and affected both supply and demand, assessing its full impact is still extremely hard. Early base-case assumptions about the virus being contained by the end of 2020 and growth gradually returning to normal in the first half of 2021 have been replaced by others according to which, although financial markets have stabilized as an accommodating monetary policy ensures the credit system continues working as usual, the easing of global uncertainty and the ensuing recovery are farther away. This is expected to unfold at different paces depending on the markets and the industries considered. The International Monetary Fund's July 2021 forecasts, in line with those issued in April, point to GDP contracting by -3.2% in 2020 and then rebounding by +6% in 2021. With respect to expectations for the world's major economies in 2021, the US is expected to grow by +7%, the Euro Area by +4.6%, and China by +8.1%.

Management continues seeking to strengthen the Salvatore Ferragamo Group's competitive position among the leaders of the luxury market. The market scenario remains volatile because of the pandemic, even though it is gradually returning to normal. That said, management believes it cannot make detailed year-end forecasts, while performance continues improving in the markets that contribute the most to the Group's revenues.

Florence, 7 September 2021

On behalf of the Board of Directors
The Chairman
Leonardo Ferragamo

Salvatore Ferragamo Group

Condensed Consolidated Half-Year Financial Statements as at 30 June 2021

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Financial Statements

Consolidated Statement of Financial Position – Assets

(In thousands of Euro)	Notes	30 June 2021	<i>of which with related parties</i>	31 December 2020	<i>of which with related parties</i>	30 June 2020	<i>of which with related parties</i>
NON CURRENT ASSETS							
Property, plant and equipment	6	173,398		183,121		222,567	
Investment property	7	30,814		31,824		37,045	
Goodwill	8	6,679		6,679		11,279	
Right-of-use assets	9	469,553	103,863	475,240	99,070	520,291	107,384
Intangible assets with a finite useful life	10	34,733		38,891		37,212	
Other non current assets	11	1,822		2,518		2,330	
Other non current financial assets	12	16,447	4,870	15,574	4,594	16,573	4,859
Deferred tax assets	41	112,156		119,656		110,381	
TOTAL NON CURRENT ASSETS		845,602	108,733	873,503	103,664	957,678	112,243
CURRENT ASSETS							
Inventories	13	312,525		341,636		389,646	
Right of return assets	14	4,045		4,545		5,147	
Trade receivables	15	109,884	419	113,909	336	95,845	50
Tax receivables	16	16,568		15,974		14,969	
Other current assets	17	31,888	2,690	35,944	2,690	29,476	613
Other current financial assets	18	160		566		197	
Cash and cash equivalents	19	370,273		327,880		264,511	
TOTAL CURRENT ASSETS		845,343	3,109	840,454	3,026	799,791	663
Assets held for sale	4- 20	19,493		-		-	
TOTAL ASSETS HELD FOR SALE		19,493		-		-	
TOTAL ASSETS		1,710,438	111,842	1,713,957	106,690	1,757,469	112,906

Consolidated Statement of Financial Position – Liabilities and Shareholders' Equity

(In thousands of Euro)	Notes	30 June 2021	of which with related parties	31 December 2020	of which with related parties	30 June 2020	of which with related parties
SHAREHOLDERS' EQUITY							
GROUP SHAREHOLDERS' EQUITY							
Share capital	21	16,879		16,879		16,879	
Reserves	21	687,091		743,100		739,415	
Net profit/(loss) – Group		30,714		(66,397)		(81,898)	
TOTAL GROUP SHAREHOLDERS' EQUITY		734,684		693,582		674,396	
MINORITY INTERESTS							
Share capital and reserves – minority interests		17,376		21,413		26,026	
Net profit/(loss) – minority interests		2,725		(5,299)		(4,491)	
TOTAL MINORITY INTERESTS		20,101		16,114		21,535	
TOTAL SHAREHOLDERS' EQUITY		754,785		709,696		695,931	
NON CURRENT LIABILITIES							
Non current interest-bearing loans & borrowings	28	108,923		129,302		-	
Provisions for risks and charges	22	13,143		14,401		13,770	
Employee benefit liabilities	23	10,026		11,867		12,381	
Other non current liabilities	24	11,923	-	12,564	-	12,521	307
Non current lease liabilities	25	459,885	93,323	464,400	89,138	508,163	91,247
Deferred tax liabilities	41	3,511		6,943		6,118	
TOTAL NON CURRENT LIABILITIES		607,411	93,323	639,477	89,138	552,953	91,554
CURRENT LIABILITIES							
Trade payables	26	120,516	547	136,399	624	124,608	1,244
Refund liabilities	27	7,483		9,139		9,053	
Interest-bearing loans & borrowings	28	55,890		56,698		199,261	
Tax payables	29	19,032		25,974		13,291	
Other current liabilities	30	40,928	2,799	29,362	1,347	42,972	13,326
Current lease liabilities	25	102,359	15,256	103,509	14,155	112,075	21,064
Other current financial liabilities	31	846		3,703		7,325	
TOTAL CURRENT LIABILITIES		347,054	18,602	364,784	16,126	508,585	35,634
Liabilities held for sale	4 - 32	1,188		-		-	
TOTAL LIABILITIES HELD FOR SALE		1,188		-		-	
TOTAL LIABILITIES		955,653	111,925	1,004,261	105,264	1,061,538	127,188
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,710,438	111,925	1,713,957	105,264	1,757,469	127,188

Consolidated Income Statement

(In thousands of Euro)	Notes	Half-year period ended 30 June			
		2021	of which with related parties	2020 Restated*	of which with related parties
Revenues from contracts with customers	35	522,674	68	362,227	76
Rental income investment properties	36	1,143		1,131	
Revenues		523,817		363,358	
Cost of goods sold	37 - 38	(162,857)	(49)	(141,623)	
Gross profit		360,960		221,735	
Style, product development and logistics costs	37 - 38	(19,845)	(414)	(16,767)	(289)
Sales & distribution costs	37 - 38	(192,206)	(9,141)	(188,156)	(10,155)
Marketing & communication costs	37 - 38	(27,380)	(11)	(23,645)	(8)
General and administrative costs	37 - 38	(59,687)	(5,171)	(58,147)	(3,707)
Other operating costs	37 - 38	(10,521)	(21)	(13,791)	(41)
Other income and revenues	39	14,604	-	7,136	5
Operating profit/(loss)		65,925		(71,635)	
Financial charges	40	(25,613)	(1,546)	(42,296)	(1,767)
Financial income	40	15,707	-	23,445	-
Profit/(loss) before taxes		56,019		(90,486)	
Income Taxes	41	(18,729)		7,032	
Profit/(loss) from continuing operations		37,290		(83,454)	
Profit/(loss) from operations to be disposed of	4	(3,851)		(2,935)	
Net profit/(loss) for the period		33,439		(86,389)	
Net profit/(loss) – Group		30,714		(81,898)	
Net profit/(loss) – minority interests		2,725		(4,491)	

(In Euro)	Notes	Half-year period ended 30 June	
		2021	2020 Restated*
Basic earnings/(loss) per share – ordinary shares	42	0.182	(0.486)
Diluted earnings/(loss) per share – ordinary shares	42	0.182	(0.486)
Basic earnings/(loss) per share from continuing operations – ordinary shares	42	0.205	(0.468)
Diluted earnings/(loss) per share from continuing operations – ordinary shares	42	0.205	(0.468)

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

Consolidated Statement of Comprehensive Income

(In thousands of Euro)	Notes	Half-year period ended 30 June	
		2021	2020 Restated*
Net profit/(loss) for the period (A)		33,439	(86,389)
<i>- Other gains / (losses) that will be subsequently reclassified to net profit/(loss) for the period</i>			
- Currency translation differences of foreign operations	21	16,824	(7,004)
- Net gain/(loss) from cash flow hedge	33	(7,309)	5,748
- Tax consequences on components that will be subsequently reclassified to net profit/(loss) for the period		1,754	(1,380)
Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)		11,269	(2,636)
<i>- Other gain / (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	23	448	(460)
- Tax consequences on components that will not be subsequently reclassified to net profit/(loss) for the period		(67)	94
Total other gains / (losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)		381	(366)
Total other gains / (losses) net of taxes (B1+B2 = B) from continuing operations		11,650	(3,002)
Total other gains / (losses) net of taxes (C) from operations to be disposed of		-	-
Total comprehensive income for the period, net of taxes (A+ B+ C)		45,089	(89,391)
Group		41,102	(84,806)
Minority interests		3,987	(4,585)

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

Consolidated Statement of Cash Flows

(In thousands of Euro)	Notes	Half-year period ended 30 June			
		2021	of which with related parties	2020	of which with related parties
NET PROFIT/(LOSS) FOR THE PERIOD		33,439		(86,389)	
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	6-7-9-10	80,255	8,731	104,172	12,766
Income Taxes	41	18,729		(7,032)	
Provision for employee benefit plans	23	269		378	
Allocation to/(use of) the provision for obsolete inventory	13	(6,130)		24,146	
Losses and provision for bad debt	15	383		3,324	
Losses/(gains) on disposal of tangible/intangible assets		483		961	
Interest expense and interest expense on lease liabilities	25	7,677	1,546	8,914	1,767
Interest income		(311)	-	(607)	-
Other non-monetary items		(5,889)	(525)	1,028	
Changes in operating assets and liabilities:					
Trade receivables	15	7,875	(83)	47,858	42
Inventories	13	33,263		(34,073)	
Trade payables	26	(16,238)	(77)	(71,609)	821
Other receivables and tax payables	16-29	(3,493)		2,262	
Employee benefits payments	23	(1,145)		(442)	
Other assets and liabilities		4,715	1,176	(5,819)	(44)
Other – net		(1,006)		(501)	
Income taxes paid		(15,880)	-	(12,052)	5,195
Interest expense and interest expense on lease liabilities paid	25	(7,794)	(1,672)	(10,199)	(1,926)
Interest income received		311	-	607	-
NET CASH FROM (USED IN) OPERATING ACTIVITIES		129,513	9,096	(35,073)	18,621
Cash flow from investing activities:					
Purchase of tangible assets	6-7	(10,500)		(8,476)	
Purchase of intangible assets	10	(2,695)		(2,721)	
Proceeds from the sale of tangible and intangible assets		57		2	
Acquisition of Arts S.r.l. and Aura 1 S.r.l. net of cash acquired	5	(3,629)		(7,581)	
NET CASH FROM (USED IN) INVESTING ACTIVITIES		(16,767)	-	(18,776)	-
Cash flow from financing activities:					
Net change in financial receivables	19	284		-	
Net change in financial payables	19	(20,704)		150,924	
Repayment of lease liabilities	19-25	(49,724)	(7,343)	(61,333)	(12,241)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		(70,144)	(7,343)	89,591	(12,241)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		42,602		35,742	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		327,880		222,332	
Increase/(decrease) in cash and cash equivalents		42,602		35,742	
Effect of exchange rate translation differences		(209)		6,437	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	19	370,273		264,511	

Statement of changes in consolidated shareholders' equity

(In thousands of Euro) Note 21	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 01.01.2021	16,879	(2,776)	2,995	4,188	628,530	5,123	(25,368)	129,770	4,322	(3,684)	(66,397)	693,582	16,114	709,696
Allocation of results	-	-	-	-	(34,070)	-	-	(32,327)	-	-	66,397	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	30,714	30,714	2,725	33,439
Other comprehensive income/(loss)	-	-	-	-	-	(5,555)	15,924	(350)	-	369	-	10,388	1,262	11,650
Total comprehensive income (loss)	-	-	-	-	-	(5,555)	15,924	(350)	-	369	30,714	41,102	3,987	45,089
Reclassifications	-	-	-	-	60	-	-	887	(947)	-	-	-	-	-
As at 30.06.2021	16,879	(2,776)	2,995	4,188	594,520	(432)	(9,444)	97,980	3,375	(3,315)	30,714	734,684	20,101	754,785

(In thousands of Euro) Note 21	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

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 2021 of Salvatore Ferragamo S.p.A. has been approved by the Board of Directors during the meeting held on 7 September 2021.

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 amended and supplemented.

The condensed consolidated half-year report as at 30 June 2021 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 2020, 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 2020 and 30 June 2020 and the consolidated income statement as at 30 June 2020, which were restated following the classification of the business associated with the fragrances product category as operation to be disposed of, as described in note 4 below.

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 2021 are the same as those used in preparing the 2020 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 2021, 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 for Rent Concessions beyond 30 June 2021, which the Group elected to adopt early. For details, see the section "Changes in international accounting standards, interpretations and amendments".

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 2021, reference should be made to the consolidated report as at 31 December 2020, as they are consistent.

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 beyond 30 June 2021.

Amendment to IFRS16 Leases – Covid-19 Related Rent Concessions beyond 30 June 2021

On 31 March 2021, the International Accounting Standard Board ("IASB") approved the amendment to IFRS16 "Covid-19 Related Rent Concessions beyond 30 June 2021".

Said amendment introduces an additional practical expedient to simplify lessee accounting for rent concessions (i.e. lease payment reductions, holidays and/or deferrals granted to a lessee by a lessor) received in the wake of the Covid-19 pandemic and that extend beyond 30 June 2021. 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 2022;
- 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 938 thousand Euro in the six months to 30 June 2021, accounted for largely as a deduction from Sales & Distribution Costs in the Consolidated Income Statement.

The Group adopted such practical expedient, endorsed by the European Union in August 2021, early to represent the concessions granted by lessors as a result of the Covid-19 pandemic in line with expected industry practices and what was already done in 2020 based on the first amendment to IFRS16 regarding rent concessions. 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 2021. 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.

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS9, IAS 39, IFRS7, IFRS4, and IFRS16

The amendment includes temporary expedients and exceptions to address the effects of the Interbank Offered Rates (IBOR) reform on financial reporting. The amendment includes the following practical expedients:

- contractual changes that are a direct consequence of the reform may be treated as changes in the interest rate due to changes in the market interest rate;
- modifications required by the IBOR reform to the documentation and designation of hedges can be made without discontinuing hedging relationships;
- there is temporary relief from having to meet the separately identifiable requirement when a risk-free interest rate is designated as the hedge of a risk component.

The amendments are effective for annual periods beginning on or after 1 January 2021. 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.

Consolidation area

The following companies are included in consolidation as at 30 June 2021 and are consolidated on a line-by-line basis.

Company name	Location	Currency	Share capital	30 June 2021		Notes
				Controlling interest (%) Direct	Indirect	
Salvatore Ferragamo S.p.A.	Florence, Italy	Euro	16,879,000	Parent company		
Ferragamo Retail Nederland B.V.	Amsterdam, Holland	Euro	500,000	100%		
Ferragamo France S.A.S.	Paris, France	Euro	4,334,094	100%		
Ferragamo Deutschland GmbH	Munich, Germany	Euro	3,300,000	100%		
Ferragamo Austria GmbH	Vienna, Austria	Euro	1,853,158	100%		
Ferragamo U.K. Limited	London, United Kingdom	Pound Sterling	7,672,735	100%		
Ferragamo (Suisse) SA	Mendrisio, Switzerland	Swiss Franc	1,000,000	100%		
Ferragamo Belgique SA	Brussels, Belgium	Euro	750,000	100%		
Ferragamo Monte-Carlo S.A.M.	Principality of Monaco	Euro	304,000	100%		
Ferragamo Espana S.L.	Madrid, Spain	Euro	4,600,000	100%		
Ferragamo 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	16,000,000	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%		
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%		(4)
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%		

1 – Through Ferragamo USA Inc. 2 – Through Ferragamo Hong Kong Ltd. 3 – Through Ferrimag Ltd. 4 — 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 2021.

In the first half of 2021, the Salvatore Ferragamo Group's structure underwent the following change: on 16 April 2021, Salvatore Ferragamo S.p.A. and Ferragamo Parfums S.p.A. executed the deed of Merger of Ferragamo Parfums S.p.A. into Salvatore Ferragamo S.p.A. authorized by a notary public. The deed of merger was filed with the Company Register with jurisdiction over Salvatore Ferragamo S.p.A. on 21 April 2021. The merger is effective retroactively to 1 January 2021 for accounting and tax purposes and effective 1 May 2021 for legal purposes. For more details on the transaction, reference should be made to the section Significant events occurred during the first half of 2021 in this Interim Directors' report on operations.

The assets and operations associated with the fragrances business were classified as assets and liabilities held for sale and operation to be disposed of in the condensed consolidated half-year financial statements of the Salvatore Ferragamo Group, since they meet the requirements under IFRS 5. For more details on the transaction currently underway, reference should be made to the sections Significant events occurred during the first half of 2021 in this Interim Directors' report on operations, Significant events occurred after 30 June 2021, and note 4 below.

In addition, Ferragamo Argentina S.A. operates in a country that has been considered a hyperinflationary economy since 1 July 2018 in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies"; therefore, this accounting standard has been applied as from 2018 in the reporting of the financial position, financial performance, and cash flows of Ferragamo Argentina S.A. for consolidated purposes. For further details, reference should be made to note 2 Basis of presentation in the Explanatory notes to the Consolidated financial statements as at 31 December 2018, 2019, and 2020. The impact of the application of the new standard as at 30 June 2021 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 2021	30 June 2020	30 June 2021	31 December 2020	30 June 2020
US Dollar	1.2053	1.1020	1.1884	1.2271	1.1198
Swiss Franc	1.09457	1.06415	1.0980	1.0802	1.0651
Japanese Yen	129.868	119.267	131.43	126.49	120.66
Pound Sterling	0.8680	0.8746	0.8580	0.8990	0.9124
Danish Krone	7.4368	7.4648	7.4362	7.4409	7.4526
Australian Dollar	1.5626	1.6775	1.5853	1.5896	1.6344
South Korean Won	1,347.55	1,329.54	1,341.42	1,336.01	1,345.82
Hong Kong Dollar	9.3551	8.5531	9.2293	9.5142	8.6788
Mexican Peso	24.327	23.843	23.5784	24.4160	25.9470
New Taiwanese Dollar	33.7597	33.0436	33.0938	34.4518	33.0394
Singapore Dollar	1.6059	1.5411	1.5976	1.6218	1.5648
Thai Baht	37.1531	34.8239	38.1180	36.7270	34.6240
Malaysian Ringgit	4.9387	4.6836	4.9336	4.9340	4.7989
Indian Rupee	88.4126	81.7046	88.3240	89.6605	84.6235
Macau Pataca	9.635	8.805	9.4884	9.7929	8.9414
Chinese Renminbi	7.7960	7.7509	7.6742	8.0225	7.9219
Chilean Peso	867.75	895.34	860.08	870.708	923.06
Argentine Peso	110.129	71.153	113.543	102.959	78.902
Brazilian Real	6.4902	5.4104	5.9050	6.3735	6.1118
Canadian Dollar	1.5030	1.5033	1.4722	1.5633	1.5324

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. Operations to be disposed of

In June 2021, Salvatore Ferragamo S.p.A. announced it was in exclusive negotiations with Inter Parfums, Inc., a manufacturer and distributor of premium fragrances and cosmetics. Said negotiations ended in July 2021 with the definition of the terms of the transfer of the fragrances business and the grant of an exclusive global license. The agreement will become effective in October 2021 and have an initial term of 10 years. Inter Parfums, Inc. will operate through a wholly-owned Italian subsidiary, based in Florence, and ensure production remains in Italy. The transaction was structured to give additional momentum to the fragrances business, maintaining the brand's values and heritage with products made in Italy and selective distribution aligned with the brand's positioning. As at 30 June 2021, since the sale was highly likely, the assets and operations associated with the fragrances business were classified as assets and liabilities held for sale and operation to be disposed of in the condensed consolidated half-year financial statements of the Salvatore Ferragamo S.p.A. Group, since they meet the requirements under IFRS 5.

The income statement and the statement of other comprehensive income, as well as additional economic details, were restated for comparative purposes to present the operation to be disposed of separately from continuing operations.

The financial performance of Operations to be disposed of for the first half of 2021 and the comparative period are presented net of intragroup transactions.

Below is the financial performance of the fragrances business, which is being disposed of, for the six months ended 30 June 2021 and 30 June 2020:

(In thousands of Euro)	Half-year period ended 30 June	
	2021	2020
Revenues from contracts with customers	20,363	13,168
Revenues	20,363	13,168
Cost of goods sold	(18,216)	(8,917)
Gross Profit	2,147	4,251
Style, product development and logistics costs	(495)	(456)
Sales & distribution costs	(3,427)	(4,048)
Marketing & communication costs	(2,190)	(1,642)
General and administrative costs	(146)	(214)
Other operating costs	(8)	(858)
Other income and revenues	328	170
Operating profit/(loss)	(3,791)	(2,797)
Financial charges	(111)	(544)
Financial income	51	406
Profit/(loss) before taxes	(3,851)	(2,935)
Income Taxes	-	-
Profit/(loss) from the operation to be disposed of, net of taxes	(3,851)	(2,935)
Basic earnings per share from operations to be disposed of – ordinary shares (Euro)	(0.023)	(0.017)
Diluted earnings per share from operations to be disposed of – ordinary shares (Euro)	(0.023)	(0.017)

The loss from the operation to be disposed of for the first half of 2021 totaled 3,851 thousand Euro, including the loss for the measurement at the lower of the carrying amount and fair value less costs to sell, calculated based on current agreements with Inter Parfums, Inc..

Below are the main classes of assets and liabilities of the fragrances business classified as held for sale as at 30 June 2021:

(In thousands of Euro)	30 June 2021
Property, plant and equipment	1,267
Other non current assets	650
Inventories	16,561
Other current assets	1,015
Assets held for sale	19,493
Provisions for risks and charges	221
Employee benefit liabilities	578
Other current liabilities	389
Liabilities held for sale	1,188

Below are the net cash flows from the fragrances business, which is being disposed of, for the six months ended 30 June 2021 and 30 June 2020:

(In thousands of Euro)	Half-year period ended 30 June	
	2021	2020
Net cash provided by (used in) operating activities	3,213	(10,228)
Net cash provided by (used in) investing activities	(28)	(228)
Net cash provided by (used in) financing activities	-	24,840
Increase/(decrease) in cash and cash equivalents	3,185	14,384

5. Business combinations

On 16 April 2021, Salvatore Ferragamo S.p.A. and Ferragamo Parfums S.p.A. executed the deed of Merger of Ferragamo Parfums S.p.A. into Salvatore Ferragamo S.p.A. authorized by a notary public. The deed of merger was filed with the Company Register with jurisdiction over Salvatore Ferragamo S.p.A. on 21 April 2021. The merger is effective retroactively to 1 January 2021 for accounting and tax purposes and effective 1 May 2021 for legal purposes.

In 2020, Salvatore Ferragamo S.p.A. acquired 100% of Arts S.r.l. and Aura 1 S.r.l., and said entities were subsequently merged into Salvatore Ferragamo S.p.A.. For more details, reference should be made to the Annual Report as at 31 December 2020. Based on the agreed economic conditions, Salvatore Ferragamo S.p.A. paid a total of 11.3 million Euro in 2020, and then an additional 3,629 thousand Euro in the first quarter of 2021.

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 2021.

(In thousands of Euro)	Value at 01.01.2021	Translation diff.	Additions	Disposals	Depreciation	Impairment	Assets to be disposed of	Value at 30.06.2021
Land	29,144	81	-	-	-	-	-	29,225
Buildings	58,719	126	1	-	(1,475)	-	-	57,371
Plant and equipment	21,361	3	150	-	(2,510)	-	-	19,004
Industrial and commercial equipment	21,697	319	2,077	(86)	(3,992)	(37)	(2,567)	17,411
Other assets	10,647	30	718	(34)	(2,616)	-	-	8,745
Leasehold improvements	35,898	571	9,426	(419)	(7,436)	-	-	38,040
Fixed assets in progress and payments on account	5,655	125	4,188	(6,366)	-	-	-	3,602
Total	183,121	1,255	16,560	(6,905)	(18,029)	(37)	(2,567)	173,398

The increase:

- in plant and equipment largely refers to the Parent company for works carried out at Osmannoro-Sesto Fiorentino;
- in "Industrial and commercial equipment" mainly refers to the opening and renovation of stores (2,049 thousand Euro) and the purchase of equipment and molds (28 thousand Euro) for the fragrances product category;
- in "Other assets" mainly concerns furniture and furnishings (157 thousand Euro) and IT equipment (521 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 2021.

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 primarily 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.

As at 30 June 2021, considering also the impairment losses recognized as at 31 December 2020 on Property, plant and equipment after testing the assets for impairment, the Group considered whether there were any indicators of impairment, which could be identified using internal or external sources of information. The 37 thousand Euro impairment loss on Industrial and commercial equipment, included in Profit/(loss) from operations to be disposed of, represents the impairment recognized on tangible assets associated with the operation to be disposed of, which the Group believes will no longer be useful to its operations. From the analyses carried out no need emerged to recognize any further impairment or revaluations on this item.

The 2,567 thousand Euro decline in Assets to be disposed of refers to the classification of Industrial and commercial equipment (mainly molds) relating to the fragrances business as Assets held for sale. These will be sold to Inter Parfums, Inc. and meet the requirements under IFRS 5. Said amount was subsequently adjusted to the fair value, totaling 1,267 thousand Euro, emerged from the agreement with Inter Parfums, Inc., recognizing the impairment loss under Profit/(loss) from operations to be disposed of. For more details, see note 4 in this document.

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 2021.

(In thousands of Euro)	Value at 01.01.2021	Translation difference	Additions	Disposals	Depreciation	Value at 30.06.2021
Land	4,561	149	-	-	-	4,710
Buildings	498	14	-	-	(160)	352
Right-of-use assets: -	26,765	845	-	-	(1,858)	25,752
Total	31,824	1,008	-	-	(2,018)	30,814

Please note that the right-of-use assets qualifying as investment property are classified in this line item and amounted to 25,752 thousand Euro as at 30 June 2021.

As at 30 June 2021, the Group considered whether there were any indicators of impairment, which could be identified using internal or external sources of information.

From the analyses carried out no need emerged to record any impairment on this item.

8. Goodwill

Goodwill was entirely acquired during 2020 through the business combination of Arts S.r.l. and Aura 1 S.r.l.. This item amounted to 6,679 thousand Euro and was unchanged during the first half of 2021.

As at 30 June 2021, the Group considered whether there were any indicators of impairment, which could be identified using internal or external sources of information.

From the analyses carried out no need emerged to record any impairment on this item.

9. Right-of-use assets

The following table shows the change in right-of-use assets for the half-year period ended 30 June 2021.

(In thousands of Euro)	Value at 01.01.2021	Translation difference	Additions	Disposals	Depreciation	Value at 30.06.2021
Buildings	472,291	8,951	46,886	(10,151)	(51,089)	466,888
Vehicles	2,606	3	619	(8)	(765)	2,455
Equipment and other assets	343	-	-	-	(133)	210
Total	475,240	8,954	47,505	(10,159)	(51,987)	469,553

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 2021 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.

As at 30 June 2021, the Group considered whether there were any indicators of impairment, which could be identified using internal or external sources of information.

From the analyses carried out no need emerged to record any impairment on this item.

10. 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 2021.

(In thousands of Euro)	Value at 01.01.2021	Translation diff.	Additions	Disposals	Amortization	Impair- ment	Value at 30.06.2021
Industrial patents and use of intellectual property rights	2,034	2	168	-	(680)	(206)	1,318
Concessions, licenses and trademarks	1,686	-	140	-	(176)	-	1,650
Development costs	25,107	-	1,830	(1)	(5,165)	-	21,771
Others	7,265	30	70	-	(657)	-	6,708
Intangible assets with a finite useful life in progress	2,799	-	2,633	(2,146)	-	-	3,286
Total	38,891	32	4,841	(2,147)	(6,678)	(206)	34,733

In the first half of 2021, intangible assets with a finite useful life, net of the decrease in Intangible assets with a finite useful life in progress, rose 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”), and trademark registration costs (item “Concessions, licenses and trademarks”), net of the amortization for the period.

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). As at 30 June 2021, the Group reported no intangible assets arising from internal development.

The item “Others” primarily includes the Know – how arising from the fair value measurement of the assets acquired and liabilities assumed in the business combination with Arts S.r.l. and Aura 1 S.r.l., which occurred in 2020 (net amount of 5,383 thousand Euro as at 30 June 2021); the item “Others” includes also 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 amount of 781 thousand Euro as at 30 June 2021).

As at 30 June 2021, considering also the impairment losses recognized as at 31 December 2020 on Intangible assets with a finite useful life after testing the assets for impairment, the Group considered whether there were any indicators of impairment, which could be identified using internal or external sources of information.

The 206 thousand Euro impairment loss on Industrial patents and use of intellectual property rights represents the impairment recognized on intangible assets with a finite useful life, which the Group believes will no longer be useful to its operations.

From the analyses carried out no need emerged to recognize any further impairment or revaluations on this item.

11. Other non current assets

As at 30 June 2021, other non current assets totaled 1,822 thousand Euro, down compared to 31 December 2020 (2,518 thousand Euro), and refer for 745 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 the non-current portion of Due from tax authorities, totaling 1,077 thousand Euro – essentially unchanged from 31 December 2020. They primarily relate to the Research and Development, design and aesthetic conception, and technological innovation tax credit as well as the “Art Bonus” tax credit to promote donations in support of cultural activities, which the Parent company was eligible for.

As at 31 December 2020, the item also included 650 thousand Euro relating to the non-current portion of advances of royalties originally paid by Ferragamo Parfums S.p.A. to the owner of the Ungaro fragrances brand, which were classified as Assets held for sale, since they meet the requirements under IFRS 5. For more details, see note 4 in this document.

12. Other non current financial assets

Other non current financial assets, totaling 16,447 thousand Euro as at 30 June 2021 (15,574 thousand Euro as at 31 December 2020), mainly refer to guarantee deposits for existing rental contracts, and are accounted for at amortized cost.

13. Inventories

Closing inventories refer to the following categories:

(In thousands of Euro)	30 June 2021	31 December 2020	Change 2021 vs 2020
Gross value of raw materials, accessories and consumables	25,565	42,250	(16,685)
Provision for obsolete inventory	(4,188)	(7,779)	3,591
Raw materials, accessories and consumables	21,377	34,471	(13,094)
Gross value of finished products and goods for resale	359,389	383,469	(24,080)
Provision for obsolete inventory	(68,241)	(76,304)	8,063
Finished products and goods for resale	291,148	307,165	(16,017)
Total	312,525	341,636	(29,111)

The 13,094 thousand Euro decline in raw materials compared to 31 December 2020 depends on production volumes for the period and reflects also the classification of raw materials related to the fragrances business as Assets held for sale during 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 down 5.2% from 31 December 2020, partly because of greater operational efficiency in managing inventories, and partly

because of the classification of the inventories of finished products related to the fragrances business as Assets held for sale during the period. For more details, see note 4 in this document.

(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 2021 vs
	2021	2020 Restated*	2020 Restated
Raw materials	(1,081)	3,765	(4,846)
Finished products	(8,751)	20,855	(29,606)
Total	(9,832)	24,620	(34,452)

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

14. 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 4,045 thousand Euro as at 30 June 2021 (4,545 thousand Euro as at 31 December 2020) and includes the estimated cost of the products expected to be returned, measured at the lower of the previous carrying amount of inventories (estimated cost of production) and net realizable value, less potential future costs associated with their recovery.

15. Trade receivables

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

(In thousands of Euro)	30 June	31 December	Change
	2021	2020	2021 vs 2020
Trade receivables	114,465	119,540	(5,075)
Provision for bad debt	(4,581)	(5,631)	1,050
Total	109,884	113,909	(4,025)

Trade receivables, down 3.5% from 31 December 2020, essentially referred to sales in the wholesale channel, are interest-free, and are generally due in 90 days or less. The related provision for bad debt is considered adequate to meet any cases of insolvency. In addition, during the first half of the year the Group reported 145 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 2021 was as follows:

(In thousands of Euro)	Value at	Translation	Provisions	Uses	Value at
	01.01.2021	difference			30.06.2021
Provision for bad debt	5,631	37	166	(1,253)	4,581

16. Tax receivables

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

(In thousands of Euro)	30 June	31 December	Change
	2021	2020	2021 vs 2020
Due from tax authorities (value added tax and other taxes)	10,599	7,547	3,052
Due from tax authorities for direct taxes	5,510	8,135	(2,625)
Withholding taxes	459	292	167
Total	16,568	15,974	594

Tax receivables mainly refer to VAT receivables and amounts due from tax authorities for income taxes relating to advances paid during the period. They were up a net 594 thousand Euro compared to 31 December 2020, primarily because of VAT receivables.

17. Other current assets

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

(In thousands of Euro)	30 June 2021	31 December 2020	Change 2021 vs 2020
Other receivables	16,375	15,796	579
Accrued income	139	164	(25)
Prepaid expenses	14,429	13,106	1,323
Short-term hedging derivatives	945	6,878	(5,933)
Total	31,888	35,944	(4,056)

As at 30 June 2021, the item “Other receivables” mainly includes:

- receivables due from credit card management companies for retail sales amounting to 7,439 thousand Euro (6,213 thousand Euro as at 31 December 2020);
- 2,690 thousand Euro in IRES receivables (unchanged from 31 December 2020) due from the Holding company Ferragamo Finanziaria S.p.A. of Salvatore Ferragamo S.p.A. under the domestic fiscal unity;
- advances to suppliers amounting to 2,882 thousand Euro (2,708 thousand Euro as at 31 December 2020).

Prepaid expenses mainly include contributions to customers relating to the fit-out of tailored single brand stores and/or stores-in-stores for 8,763 thousand Euro, insurance premiums for 2,288 thousand Euro, and rents for 172 thousand Euro.

Other receivables for hedging derivatives amounting to 945 thousand Euro (6,878 thousand Euro as at 31 December 2020) 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.

18. Other current financial assets

Other current financial assets as at 30 June 2021 totaled 160 thousand Euro (566 thousand Euro as at 31 December 2020), and include the fair value measurement of derivatives for the non-hedging component.

19. Cash and cash equivalents

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

(In thousands of Euro)	30 June 2021	31 December 2020	Change 2021 vs 2020
Time deposits	48,501	31,188	17,313
Bank and post office sight deposits	320,839	295,791	25,048
Cash and values on hand	933	901	32
Total	370,273	327,880	42,393

Time deposits at banks expire in no more than 90 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 2021, the Group maintained its financial structure stable and used part of its cash surpluses to repay one of the main outstanding medium/long-term loans early, for an amount of 20,000 thousand Euro, thus reducing its bank debt.

As at 30 June 2021, the Group had unused credit lines amounting to 757,320 thousand Euro, including 368,804 thousand Euro in committed lines and 388,516 thousand Euro in uncommitted credit lines. As at 31 December 2020, unused credit lines totaled 773,084 thousand Euro. For more details, see note 28 Interest-bearing loans & borrowings.

For the purposes of the consolidated statement of cash flows, the item “Cash and cash equivalents” as at 30 June 2021 and 31 December 2020 was broken down as follows:

(In thousands of Euro)	30 June 2021	30 June 2020	Change 2021 vs 2020
Cash and bank sight deposits	321,772	231,082	90,690
Time deposits	48,501	33,429	15,072
Total	370,273	264,511	105,762

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 2021.

(In thousands of Euro)	Value at 01.01.2021	Cash flow			Translation difference	New leases	Other non- cash changes	Value at 30.06.2021
		for principal repaid/ received	for interest paid/ received					
Other current financial assets	279	(284)	-	5	-	-	-	
Total assets from financing activities	279	(284)	-	5	-	-	-	
Non current interest-bearing loans & borrowings	129,302	(19,785)	(581)	(594)	-	581	108,923	
Current interest-bearing loans & borrowings (excluding bank overdrafts)	56,698	(919)	(246)	111	-	246	55,890	
Non current lease liabilities	464,400	-	-	9,543	47,200	(61,258)	459,885	
Current lease liabilities	103,509	(49,724)	(6,967)	1,947	-	53,594	102,359	
Total liabilities from financing activities	753,909	(70,428)	(7,794)	11,007	47,200	(6,837)	727,057	

20. Assets held for sale

Assets held for sale, totaling 19,493 thousand Euro, primarily include the inventories of finished products and raw materials, molds, and advances of royalties, originally paid by Ferragamo Parfums S.p.A. to the owner of the Ungaro fragrances brand, of Salvatore Ferragamo S.p.A., measured at the lower of their carrying amount and fair value less costs to sell, calculated based on current agreements with Inter Parfums, Inc.. Because of the decisions made by management (see paragraphs “Significant events occurred during the first half of 2021” in this Interim Directors’ report on operations and “Significant events occurred after 30 June 2021”), they meet the requirements under IFRS 5 to be classified in this item. For more details, see note 4 in this document.

21. Share capital and reserves

Here below are the main changes occurred in the Group’s share capital and reserves during the first half of 2021. The authorized, subscribed, and paid up **share capital** of the Parent company as at 30 June 2021 totaled 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 594,520 thousand Euro, which refers entirely to the Parent company, was set up with retained earnings; the change recorded in the period was due to a decrease of 34,070 thousand Euro, relating to Salvatore Ferragamo S.p.A.’s loss for the year 2020, which was covered by using the extraordinary reserve. The 60 thousand Euro increase refers to the reclassification of the entirety of the specific reserve set up to service the 2016 – 2020 Stock Grant plan, and the resulting reversal of said reserve, set up in 2016, as the 1st and 2nd Cycles of the Stock Grant plan came to a close during 2020 without granting any shares in Salvatore Ferragamo S.p.A..

The **cash flow hedge reserve** was negative for 432 thousand Euro and is the result of the measurement of the financial instruments defined as cash flow hedges as at 30 June 2021, given the hedges of the Parent company against exchange rate risk, and is shown net of the tax effect.

The **translation reserve**, negative for 9,444 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 97,980 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 2021 was the result of several factors. It was up 887 thousand Euro primarily because of the transfer of the Reserve for the 2016-2020 Stock Grant Plan, which came to an end in 2020 without granting any shares in Salvatore Ferragamo S.p.A., from of the item “Other reserves”; on the other hand, it declined by 32,327 thousand Euro because of the capitalization of the 2020 result, net of the Parent company’s profit or loss which was allocated to the extraordinary reserve, and by 350 thousand Euro due to other minor effects.

The items “**Other reserves**” and “**Effect IAS 19 equity**” (net total of 60 thousand Euro) include mainly the amounts recognized for the valuation differences required by IAS/IFRS compared to the local standards of Group companies. This item was down 60 thousand Euro as result of the reversal of the specific reserve set up to service

the 2016 – 2020 Stock Grant plan, and 887 thousand Euro mainly because the 2016-2020 Stock Grant Reserve was transferred to retained earnings. The 369 thousand Euro increase refers to the actuarial valuation of outstanding defined benefit plans at some of the Group's companies.

The amounts are net of the tax effects where applicable.

22. 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 01.01.2021	Translation difference	Additions	Uses	Liabilities to be disposed of	Value at 30.06.2021
Legal disputes	3,073	7	257	(1,523)	-	1,814
Other	11,328	(24)	342	(96)	(221)	11,329
Total	14,401	(17)	599	(1,619)	(221)	13,143

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 and some subsidiaries during the period, while allocations to the provision primarily 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 (11,329 thousand Euro as at 30 June 2021). The provision for the period included 337 thousand Euro referring to costs for the restoration of premises incurred by some foreign subsidiaries. The 221 thousand Euro decline in Liabilities to be disposed of refers to the classification of the additional allowance for agents associated with the fragrances business, operating in Italy, as Liabilities held for sale. These will be sold to Inter Parfums, Inc. and meet the requirements under IFRS 5. For more details, see note 4 in this document.

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 2021 – Tax and customs disputes and audits".

23. Employee benefit liabilities

The following table shows the breakdown of employee benefits as at 30 June 2021 and 31 December 2020:

(In thousands of Euro)	30 June 2021	31 December 2020	Change 2021 vs 2020
Employee defined benefit liabilities	9,886	11,713	(1,827)
Other employee benefit liabilities	140	154	(14)
Total	10,026	11,867	(1,841)

Employee defined benefit liabilities of the Group's Italian company (the Parent company Salvatore Ferragamo S.p.A.) amounted to 7,100 thousand Euro, down 1,733 thousand Euro compared to 31 December 2020, also because of the classification of the part relating to employees, to be transferred to Inter Parfums, Inc. based on current agreements, as Liabilities held for sale, since they meet the requirements under IFRS 5. For more details, see note 4 in this document.

Employee defined benefit liabilities of the Group's non-Italian companies refer to Ferragamo Japan KK, Ferragamo Retail Taiwan Ltd., Ferragamo France SAS, Ferragamo Montecarlo SAM, Ferragamo Belgique SA, Ferragamo Mexico S.L.de C.V., Ferragamo Usa Inc., Ferragamo (Thailand) Limited, and Ferragamo Retail India Private Ltd.. They amounted to 2,786 thousand Euro, down by 94 thousand Euro compared to 31 December 2020.

24. Other non current liabilities

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

(In thousands of Euro)	30 June 2021	31 December 2020	Change 2021 vs 2020
Payables for deferred liabilities	11,599	12,256	(657)
Other payables	324	308	16
Total	11,923	12,564	(641)

Payables for deferred liabilities (amounting to 11,599 thousand Euro as at 30 June 2021) 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 2021, the item “Other payables”, equal to 324 thousand Euro, included 302 thousand Euro in security deposits received for lease contracts (292 thousand Euro as at 31 December 2020).

25. Lease liabilities

Below are the changes in lease liabilities occurred in the first half of 2021, broken down between current and non current.

(In thousands of Euro)	Lease liabilities		
	non current	current	Total
Value at 01.01.2021	464,400	103,509	567,909
Translation difference	9,543	1,947	11,490
Additions	47,200	-	47,200
Disposals	(10,540)	-	(10,540)
Repayment of lease liabilities	-	(49,724)	(49,724)
Interest expense on lease liabilities paid	-	(6,967)	(6,967)
Other changes	(50,718)	53,594	2,876
Value at the end of the period	459,885	102,359	562,244

The average weighted IBR applicable to leases outstanding as at 30 June 2021 was 2.54%.

26. Trade payables

The breakdown of trade payables was as follows:

(In thousands of Euro)	30 June	31 December	Change
	2021	2020	2021 vs 2020
Trade payables	118,947	134,094	(15,147)
Advances from customers	1,569	2,305	(736)
Total	120,516	136,399	(15,883)

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.

27. Refund liabilities

Concerning the right of return as per “Revenue from contracts with customers”, the line item “Refund Liabilities” totaled 7,483 thousand Euro as at 30 June 2021 (9,139 thousand Euro as at 31 December 2020) and primarily refers to the liability to customers for the amount of the products expected to be returned.

28. Interest-bearing loans & borrowings

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

(In thousands of Euro)	30 June	31 December	Change
	2021	2020	2021 vs 2020
Medium/long-term financial payables to banks	108,923	129,302	(20,379)
Short-term financial payables to banks	55,890	56,698	(808)
Total	164,813	186,000	(21,187)

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

During the first half of 2021, the Group used part of its cash surpluses to repay one of the main outstanding medium/long-term loans early, for an amount of 20,000 thousand Euro, thus reducing its bank debt.

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

(In thousands of Euro)	30 June 2021		31 December 2020	
	Agreed	Used	Agreed	Used
Committed credit lines	496,630	127,826	532,671	151,564
<i>Revolving credit lines</i>	376,413	7,609	391,859	10,752
<i>Term loans</i>	120,217	120,217	140,812	140,812
Uncommitted credit lines	425,396	36,880	426,467	34,490
Total	922,026	164,706	959,138	186,054

The following table provides the breakdown of, and changes in, the net financial position as at 30 June 2021, 31 December 2020, and 30 June 2020, presented in accordance with the model included in CONSOB Communication no. DEM/6064293 of 28 July 2006 as supplemented by Consob's Warning no. 5/21.

(In thousands of Euro)	30 June	31 December	30 June	Change	Change
	2021	2020	2020	06.21 vs 12.20	06.21 vs 06.20
A. Cash;	321,772	296,692	231,082	25,080	90,690
B. Cash equivalents	48,501	31,188	33,429	17,313	15,072
C. Other current financial assets	160	566	197	(406)	(37)
D. Cash and cash equivalents (A+B+C)	370,433	328,446	264,708	41,987	105,725
E. Current financial payables (including debt instruments)	45,366	48,972	206,586	(3,606)	(161,220)
F. Current portion of non-current financial payables*	113,729	114,938	112,075	(1,209)	1,654
G. Current financial debt (E+F)	159,095	163,910	318,661	(4,815)	(159,566)
H. Current financial debt, net (G-D)	(211,338)	(164,536)	53,953	(46,802)	(265,291)
I. Non-current financial payables (excluding debt instruments)*	568,808	593,702	508,163	(24,894)	60,645
J. Debt instruments	-	-	-	-	-
K. Trade and other current payables	-	-	-	-	-
L. Non current financial debt (I+J+K)	568,808	593,702	508,163	(24,894)	60,645
M. Net financial debt (H+L)	357,470	429,166	562,116	(71,696)	(204,646)

* As at 30 June 2021, the Current portion of non-current financial payables included 15,256 thousand Euro in Current lease liabilities to related parties (14,155 thousand Euro as at 31 December 2020 and 21,064 thousand Euro as at 30 June 2020). As at 30 June 2021, Non current financial payables included 93,323 thousand Euro in Non current lease liabilities to related parties (89,138 thousand Euro as at 31 December 2020 and 91,247 thousand Euro as at 30 June 2020). 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.

One exception is the loan agreement entered into with Intesa Sanpaolo S.p.A. on 24 July 2020 (for more details, see the 2020 Annual Report, paragraph "Significant events occurred during the year"), which includes a financial covenant based on the ratio of Adjusted net financial debt/(surplus) to restated EBITDA (EBITDA excluding the impact of the introduction of the accounting standard IFRS16), to be tested annually starting from 31 December 2021.

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.

As at 30 June 2021, the financial and non-financial covenants were complied with by all the companies involved.

29. Tax payables

As at 30 June 2021, tax payables amounted to 19,032 thousand Euro and concerned payables for income taxes pertaining to the period and other taxes due by Group companies. The 6,942 thousand Euro decline recognized in the first half of the year is mainly attributable to the decreased direct tax liability.

30. Other current liabilities

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

(In thousands of Euro)	30 June 2021	31 December 2020	Change 2021 vs 2020
Other payables	28,587	17,712	10,875
Payables to social security institutions	2,973	4,695	(1,722)
Accrued expenses	836	1,648	(812)
Deferred income	3,826	3,654	172
Hedging derivatives	4,706	1,653	3,053
Total	40,928	29,362	11,566

Other payables mainly include the Company’s payables to employee, directors, and statutory auditors for amounts accrued but not yet paid at the reporting date.

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 2021, Deferred income amounted to 3,826 thousand Euro and largely referred to 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 33 below.

31. 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 2021	31 December 2020	Change 2021 vs 2020
Short-term derivatives	846	74	772
Other current financial payables	-	3,629	(3,629)
Total	846	3,703	(2,857)

As at 31 December 2020, “Other current financial payables” included 3,629 thousand Euro in the amount owed by Salvatore Ferragamo S.p.A. for the purchase price adjustment, whose payment was deferred to February 2021, relating to the acquisition of Arts S.r.l. and Aura 1 S.r.l..

The item “Short-term derivatives” mainly refers to the fair value of financial derivatives with a negative mark to market at the reporting date. For further details, reference should be made to note 33 below.

32. Liabilities held for sale

Liabilities held for sale, totaling 1,188 thousand Euro, primarily include the additional allowance set aside for Italian agents, amounts accrued but not yet paid, and the defined benefit plan liability relating to employees of Salvatore Ferragamo S.p.A. associated with the fragrances business, to be transferred to Inter Parfums, Inc., based on current agreements, and measured at the lower of their carrying amount and fair value less costs to sell, calculated based on the agreement with Inter Parfums, Inc.. Because of the decisions made by management (see paragraphs “Significant events occurred during the first half of 2021” in this Interim Directors’ report on operations and “Significant events occurred after 30 June 2021”), they meet the requirements under IFRS 5 to be classified in this item. For more details, see note 4 in this document.

33. 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 2021 and 31 December 2020.

Classification of financial instruments and presentation of their fair value.

FINANCIAL ASSETS	30 June 2021			31 December 2020		
	Book value		Fair Value	Book value		Fair Value
	Current portion	Non current portion		Current portion	Non current portion	
(In thousands of Euro)						
Financial assets at fair value through profit or loss						
Derivatives – non-hedging component	160	-	160	287	-	287
Receivables and loans						
Receivables from others (M/L term)	-	-	-	892	650	1,542
Receivables due from credit cards	7,439	-	7,439	6,213	-	6,213
Trade receivables	109,884	-	109,884	113,909	-	113,909
Guarantee deposits	-	16,447	16,447	-	15,574	15,574
Other current financial assets	-	-	-	279	-	279
Cash and cash equivalents	370,273	-	370,273	327,880	-	327,880
Financial assets at fair value through other comprehensive income						
Derivatives – hedging component	945	-	945	6,878	-	6,878
Total	488,701	16,447	505,148	456,338	16,224	472,562
FINANCIAL LIABILITIES						
	30 June 2021			31 December 2020		
	Book value		Fair Value	Book value		Fair Value
	Current portion	Non current portion		Current portion	Non current portion	
(In thousands of Euro)						
Liabilities at amortized cost						
Trade payables and payments on account	120,516	-	120,516	136,399	-	136,399
Payables to banks	55,890	108,923	164,813	56,698	129,302	186,000
Other financial payables	-	-	-	3,629	-	3,629
Guarantee deposits	72	302	374	108	292	400
Lease liabilities	102,359	459,885	n/a*	103,509	464,400	n/a*
Financial liabilities at fair value through profit or loss						
Derivatives – non-hedging component	846	-	846	74	-	74
Financial liabilities at fair value through other comprehensive income						
Derivatives – hedging component	4,706	-	4,706	1,653	-	1,653
Total	284,389	569,110	291,255	302,070	593,994	328,155

*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), which as at 31 December 2020 included receivables due originally 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, were classified as Assets held for sale totaling 900 thousand Euro as at 30 June 2021 and measured at fair value less costs to sell, calculated based on current agreements with Inter Parfums, Inc.. For more details, see note 4 in this document.

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 2021 and the year ended 31 December 2020:

Exchange rate risk	Cash flow hedge reserve	
	30 June 2021	31 December 2020
(In thousands of Euro)		
Opening balance	6,740	(658)
+ increases for recognition of new positive effectiveness	1,584	18,852
- decreases for recognition of new negative effectiveness	(4,587)	(5,099)
- decreases for reversal of positive effectiveness from shareholders' equity and recognition of income in profit or loss	(5,973)	(12,970)
+ increases for reversal of negative effectiveness from shareholders' equity and recognition of cost in profit or loss	1,667	6,615
Closing balance	(569)	6,740

The Reserve, which consists of the value changes in hedges for expected transactions in foreign currency, decreased overall by 7,309 thousand Euro overall during the first half of 2021, due to the moderate depreciation of the Euro against the major 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 2021, when the underlying cash flows materialized, was positive and amounted to 4,306 thousand Euro.

During the first six months of 2021, no hedge was interrupted due to the cancellation of the expected underlying value. Hedges were one hundred percent effective for the whole duration of the underlying asset.

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

(in thousands of Euro)	Expected highly probable sales	
	30 June 2021	31 December 2020
Notional amount	208,875	168,971
Cash flow hedge reserve / change in fair value used to measure ineffectiveness	(569)	6,740
Other current assets	704	5,502
Other current liabilities	(2,900)	(1,230)

34. Management of financial risks

For the Management of financial risks, reference should be made to the Annual Report as at 31 December 2020.

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 2021 and 2020.

35. Revenues from contracts with customers

In the first half of 2021 and 2020, revenues from contracts with customers totaled 522,674 thousand Euro and 362,227 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 2021 and 30 June 2020.

(In thousands of Euro)	Half-year period ended 30 June 2021			Total Revenues from contracts with customers
	Retail	Wholesale	Licenses and services	
Europe	36,825	56,350	2,958	96,133
North America	96,326	39,364	127	135,817
Japan	41,307	(266)	0	41,041
Asia Pacific	185,498	36,654	107	222,259
Central and South America	21,400	5,993	31	27,424
Total	381,356	138,095	3,223	522,674

(In thousands of Euro)	Half-year period ended 30 June 2020 Restated*			Total Revenues from contracts with customers
	Retail	Wholesale	Licenses and services	
Europe	31,542	43,684	3,413	78,639
North America	45,215	21,092	165	66,472
Japan	35,340	843	1	36,184
Asia Pacific	137,771	26,475	128	164,374
Central and South America	10,746	5,764	48	16,558
Total	260,614	97,858	3,755	362,227

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

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.

36. 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 2021 they amounted to 1,143 thousand Euro, essentially unchanged compared to the first half of 2020, when they amounted to 1,131 thousand Euro.

37. Cost of goods sold and operating costs

The breakdown of costs by function for the first half of 2021 and 2020 is shown in the following table:

(In thousands of Euro)	Half-year period ended 30 June		Change 2021 vs 2020 Restated
	2021	2020 Restated*	
Cost of goods sold	162,857	141,623	21,234
Style, product development and logistics costs	19,845	16,767	3,078
Sales & distribution costs	192,206	188,156	4,050
Marketing & communication costs	27,380	23,645	3,735
General and administrative costs	59,687	58,147	1,540
Other operating costs	10,521	13,791	(3,270)
Total	472,496	442,129	30,367

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

Costs slightly rose by 6.9% from 442,129 thousand Euro in the first half of 2020 to 472,496 thousand Euro in the first half of 2021 to directly support the growth in sales (+44.2%), but the increase was limited thanks also to the steps promptly taken by the Group's management as soon as in 2020 to mitigate the negative impact of the crisis triggered by the Covid-19 pandemic.

38. 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 2021 vs 2020 Restated
	2021	2020 Restated*	
Raw materials, finished products and consumables used	106,207	76,291	29,916
Costs for services	176,563	157,227	19,336
Personnel costs	100,828	91,269	9,559
Amortization and depreciation of tangible and intangible assets	24,407	32,660	(8,253)
Depreciation of right-of-use assets	53,764	61,582	(7,818)
Write-downs of tangible/intangible assets	206	9,309	(9,103)
Other charges	10,521	13,791	(3,270)
Total	472,496	442,129	30,367

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

Compared to 30 June 2020, the cost of Raw materials, finished products and consumables used rose as a result of rising volumes of revenue, while the costs for Amortization, depreciation, and write-downs of tangible and intangible assets declined largely because of the impairment losses recognized in 2020 (9,309 thousand Euro in the first half of 2020) after testing assets for impairment.

The following table shows the impacts of leases on profit or loss, broken down by nature, in the first half of 2021 and 2020:

(In thousands of Euro)	Half-year period ended 30 June				Change 2021 vs 2020 Restated
	2021	% of Total	2020 Restated*	% of Total	
Depreciation of right-of-use assets	53,764	58.3%	61,582	71.7%	(7,818)
Interest and expenses on lease liabilities	6,855	7.4%	8,491	9.9%	(1,636)
Income from lease liabilities	(389)	(0.4%)	(63)	(0.1%)	(326)
Costs relating to short-term leases	3,551	3.8%	3,806	4.4%	(255)
Costs relating to low-value leases	242	0.3%	258	0.3%	(16)
Costs relating to leases with variable payments not included in the measurement of lease liabilities	32,138	34.9%	23,101	26.9%	9,037
Lease payment reductions	(3,973)	(4.3%)	(11,226)	(13.1%)	7,253
Total	92,188	100.0%	85,949	100.0%	6,239

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

Some of the Group's leases include variable lease payments linked to the revenues generated by stores (DOS), which, in accordance with the accounting standard IFRS 16, are not included in the measurement of leases and are recognized on an accrual basis. As at 30 June 2021, overall variable lease payments accounted for 34.9% (26.9% in the first half of 2020) 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 Group's performance in subsequent years. The Group estimates that in the future variable lease payments will continue to be proportionate to the sales of finished goods.

To curb the negative impacts of the Covid-19 pandemic, the Group continued benefiting from negotiations, which had already started in 2020, to revise the terms and conditions of the leases of its distribution network, resulting in a 3,973 thousand Euro positive variable lease payment in the first half of 2021 (11,226 thousand Euro as at 30 June 2020). This accounting treatment is consistent with the amendments to IFRS 16 relating to renegotiations resulting from the Covid-19 pandemic; specifically, at the date of preparation of this condensed consolidated half-year report as at 30 June 2021, the second amendment, relating to renegotiations beyond 30 June 2021, was issued by the IASB in March 2021 and endorsed by the European Union in August 2021.

39. Other income and revenues

Other income and revenues are broken down as follows:

(In thousands of Euro)	Half-year period ended 30 June		Change 2021 vs 2020 Restated
	2021	2020 Restated*	
Expense recovery	1,989	1,671	318
Rental income from operating properties	-	218	(218)
Advertising contributions	5	2	3
Other income and revenues	11,878	4,708	7,170
Gains on disposal of tangible/intangible assets	24	-	24
Windfall profit	708	537	171
Total	14,604	7,136	7,468

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

As at 30 June 2021, other income and revenues amounted to 14,604 thousand Euro, up 7,468 thousand Euro compared to the first half of 2020, with the ratio to total revenues increasing from 2.0% to 2.8%. In the first half of 2021 Other income and revenues benefited from the 5.0 million Euro insurance payout that Ferragamo Usa Inc. received for the damage caused to some stores in North America during the protests that took place in the second quarter of 2020.

40. Financial operations

Financial operations are broken down as follows:

(In thousands of Euro)	Half-year period ended 30 June		Change 2021 vs 2020 Restated
	2021	2020 Restated*	
Financial charges			
Interest expense	814	389	425
Discount charges and other financial charges	1,143	794	349
Interest expense on lease liabilities	6,849	8,482	(1,633)
Expenses on lease liabilities	6	9	(3)
Losses on exchange rate differences	6,775	21,057	(14,282)
Financial charges for fair value adjustment of derivatives	10,026	11,565	(1,539)
Total	25,613	42,296	(16,683)
(In thousands of Euro)	Half-year period ended 30 June		Change 2021 vs 2020 Restated
Financial income	2021	2020 Restated*	
Interest income	311	596	(285)
Other financial income	667	202	465
Income from lease liabilities	389	63	326
Gains on exchange rate differences	11,100	11,071	29
Financial income for fair value adjustment of derivatives	3,240	11,513	(8,273)
Total	15,707	23,445	(7,738)

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

Net interest expense (amounting to a net expense of 503 thousand Euro) slightly deteriorated compared to the first half of 2020 (net income of 207 thousand Euro).

Interest and expenses on lease liabilities totaled 6,855 thousand Euro in the first half of 2021 (8,491 thousand Euro in the first half of 2020).

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 2021, net exchange rate gains amounted to 4,325 thousand Euro compared to net exchange rate losses of 9,986 thousand Euro in the first half of 2020.

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 2021, the Group reported 6,786 thousand Euro in net financial charges, compared to 52 thousand Euro in net financial charges in the first half of 2020.

41. Income Taxes

The taxes recorded in the income statement were as follows:

(In thousands of Euro)	Half-year period ended 30 June		Change 2021 vs 2020 Restated
	2021	2020 Restated*	
Current taxes	(11,715)	(8,144)	(3,571)
Deferred taxes	(7,014)	15,176	(22,190)
Total	(18,729)	7,032	(25,761)
Tax rate	33.4%	7.8%	

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

Taxes were calculated using the best possible estimate of the annual average expected tax rate at the reporting date.

Deferred taxes include the reversal in the period of deferred tax assets on tax losses totaling 857 thousand Euro.

Deferred tax assets and liabilities

The following table provides a breakdown by nature of deferred tax assets and liabilities as at 30 June 2021 and 31 December 2020:

(In thousands of Euro)	30 June 2021	31 December 2020	Change 2021 vs. 2020
Deferred tax assets			
- on employee benefits	1,433	1,483	(50)
- on tangible assets	11,758	10,498	1,260
- on intangible assets	2,090	215	1,875
- on right-of-use assets and lease liabilities	15,268	14,849	419
- on the cash flow hedge reserve	138	-	138
- on the valuation of inventories	15,716	17,867	(2,151)
- on the elimination of the profit unrealized in inventories	44,486	48,747	(4,261)
- on tax losses	11,671	12,528	(857)
- on taxed provisions	1,199	2,793	(1,594)
- for other temporary differences	8,397	10,676	(2,279)
Deferred tax assets	112,156	119,656	(7,500)
Deferred tax liabilities			
- on employee benefits	-	(32)	32
- on tangible assets	(335)	(336)	1
- on right-of-use assets and lease liabilities	(144)	(130)	(14)
- on intangible assets	-	(1,613)	1,613
- on the cash flow hedge reserve	-	(1,616)	1,616
- on the valuation of inventories	(2,072)	(2,249)	177
- for other temporary differences	(960)	(967)	7
Deferred tax liabilities	(3,511)	(6,943)	3,432
Net effect	108,645	112,713	(4,068)

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.

42. 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.

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

	Half-year period ended 30 June 2020	
	2021	Restated*
Profit (loss) from continuing operations (Euro)	34,564,944	(78,963,177)
Profit (loss) from operations to be disposed of (Euro)	(3,850,932)	(2,935,461)
Net profit (loss) – shareholders of the Parent company (Euro)	30,714,012	(81,898,638)
Average number of ordinary shares	168,640,000	168,640,000
Basic earnings per share from continuing operations – ordinary shares (Euro)	0.205	(0.468)
Basic earnings per share from operations to be disposed of – ordinary shares (Euro)	(0.023)	(0.017)
Basic earnings per share – ordinary shares (Euro)	0.182	(0.486)
Diluted average number of ordinary shares	168,640,000	168,640,000
Diluted earnings per share from continuing operations – ordinary shares (Euro)	0.205	(0.468)
Diluted earnings per share from operations to be disposed of – ordinary shares (Euro)	(0.023)	(0.017)
Diluted earnings per share – ordinary shares (Euro)	0.182	(0.486)

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

Other information

43. 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	
	2021	2020 Restated*
Retail revenues	381,356	260,614
Wholesale revenues	138,095	97,858
Licenses and services	3,223	3,755
Rental income investment properties	1,143	1,131
Revenues	523,817	363,358
Gross profit	360,960	221,735
Gross profit %	68.9%	61.0%
Personnel costs	(93,203)	(84,998)
Rental costs	(39,190)	(23,936)
Amortization, depreciation and write-downs of non current assets	(77,992)	(103,153)
Communication costs	(24,459)	(20,394)
Other costs (net of other income)	(60,191)	(60,889)
Operating profit/(loss)	65,925	(71,635)
Net financial (charges)/income	(9,906)	(18,851)
Profit before taxes	56,019	(90,486)
Income Taxes	(18,729)	7,032
Profit/(loss) from continuing operations	37,290	(83,454)
Profit/(loss) from operations to be disposed of	(3,851)	(2,935)
Net profit/(loss)	33,439	(86,389)

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

(In thousands of Euro)	30 June 2021	31 December 2020
Inventories and Right of return assets	316,570	346,181
Trade receivables	109,884	113,909
Tangible assets and investment property	204,212	214,945
Right-of-use assets	469,553	475,240
Intangible assets with a finite useful life and goodwill	41,412	45,570
Other assets	178,881	189,666
Assets held for sale, net	18,305	-
Total assets gross of cash and cash equivalents and current financial receivables	1,338,817	1,385,511
Net financial debt*	357,470	429,166
Trade payables and Refund Liabilities	127,999	145,538
Other liabilities	98,563	101,111
Shareholders' equity	754,785	709,696
Total liabilities and shareholders' equity (net of cash and cash equivalents and current financial receivables)	1,338,817	1,385,511

* As regards the definition of Net financial debt, reference should be made to the specific paragraph in the Interim Directors' report on operations on alternative performance measures and note 28 Interest-bearing loans & borrowings.

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)	Italy	Europe (excluding Italy)	North America	Japan	Asia - Pacific	Central and South America	Consolidated
30 June 2021	243,650	157,981	168,596	15,584	136,138	11,497	733,446
31 December 2020	249,658	168,254	160,559	18,877	147,543	8,956	753,847

44. Transactions with related parties

The following tables show the overall values of transactions with related parties in the first half of 2021 and 2020:

(In thousands of Euro)	Half-year period ended 30 June 2021						30 June 2021		
	Revenues	Cost of goods sold and 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.)	10	(38)	(12)	630	10	2,690	-	-	(657)
Related companies under joint control									
Palazzo Feroni Finanziaria S.p.A.	21	(2,562)	(765)	51,190	15	70	(34)	-	(53,022)
Lungarno Alberghi S.r.l.	10	(952)	(343)	17,865	10	-	-	-	(19,448)
Ferragamo Foundation	2	(50)	-	-	-	-	(50)	-	-
Companies connected to members of the Board of Directors									
Arpa S.r.l.	-	(9)	-	-	-	-	(9)	-	-
Bacco S.r.l.	-	(1)	-	7	-	-	-	-	(7)
Caretti & Associati S.r.l.	-	(50)	-	-	-	-	(61)	-	-
Castiglion del Bosco S.a.r.l.	-	(9)	-	-	-	-	(4)	-	-
Castiglion del Bosco Hotel S.r.l.	2	-	-	-	3	-	-	-	-
Il Borro S.r.l. Società agricola	2	-	-	-	2	-	-	-	-
Prisma Property Investment Management S.r.l.	1	-	-	-	1	-	-	-	-
Vivia di Vivia Ferragamo & C. SAS	-	(87)	-	-	-	-	(15)	-	-
Harbour City Estates Limited	-	(3,343)	(99)	17,461	253	2,703	(139)	-	(18,118)
Times Square Ltd.	-	(519)	-	-	112	-	(196)	-	-
Harriman Property Management Limited	-	(1)	-	-	-	-	-	-	-
Harriman Leasing Limited	-	(1)	-	-	-	719	-	-	-
Long Jin Complex Development (Chengdu) Co. Ltd	-	(1,251)	(250)	12,862	-	714	(34)	-	(13,226)
Dalian Times Square Commercial Co. Ltd.	-	(297)	(36)	1,625	-	181	-	-	(1,791)
Pedder Group Limited	-	-	-	-	3	-	-	-	-
Pedder Vision Limited	20	-	-	-	10	-	-	-	-
OIS Realty Limited	-	(233)	(10)	729	-	123	-	-	(727)
Shanghai Wheelock square Development Co. Ltd.	-	(361)	(23)	1,187	-	224	-	-	(1,221)
Wharf IFS (Chengdu) Property Management Limited Company	-	(11)	-	-	-	-	-	-	-
Shanghai Harriman Property Management Co. Ltd.	-	(50)	-	-	-	28	-	-	-
Wharf (China) Property Management Co. Ltd - IFS Branch	-	(53)	-	-	-	-	-	-	-
Chongqing Jiayi Real Estate Development Co Ltd.	-	(168)	(8)	307	-	104	-	-	(362)
Chengdu Times Outlets Commerce Co., Ltd	-	(139)	-	-	-	4	(5)	-	-
Other related parties connected to members of the Board of Directors									
Massimo Ferragamo	-	(62)	-	-	-	-	-	-	-
Riccardo Ferragamo	-	(14)	-	-	-	-	-	(1)	-
Federica Anichini	-	(49)	-	-	-	-	-	-	-
Angiolo Anichini	-	(94)	-	-	-	-	-	(25)	-
Giuseppe Anichini	-	(5)	-	-	-	-	-	-	-
Directors, Statutory Auditors and Managers with strategic responsibilities									
Directors, Statutory Auditors and Managers with strategic responsibilities	-	(4,398)	-	-	-	-	-	(2,773)	-
Total	68	(14,807)	(1,546)	103,863	419	7,560	(547)	(2,799)	(108,579)
Group total	523,817	(457,892)	(25,613)	469,553	109,884	48,335	(120,516)	(40,928)	(562,244)
% ratio	0.0%	3.2%	6.0%	22.1%	0.4%	15.6%	0.5%	6.8%	19.3%

(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)	-	-	-	-	-	-	-
Castiglion del Bosco S.a.r.l.	-	(2)	-	-	-	-	(2)	-	-
Castiglion 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	363,358	(293,370)	(42,296)	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%

* The data for the six months ended 30 June 2020 were restated following the classification of the fragrances business as operation to be disposed of, as described in note 4 of the Explanatory Notes to this Half-Year Report as at 30 June 2021.

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. (1,686 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), Other current assets included 2,690 thousand Euro in corporate income tax (IRES) receivables of Salvatore Ferragamo S.p.A..

Salvatore Ferragamo S.p.A. has 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. Since it falls within the scope of IFRS 16, the lease was 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 (net of the reduction in lease payments granted because of the Covid-19 pandemic), 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 trade receivables) 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 trade payables) include 50 thousand Euro relating to services rendered for the management of the Salvatore Ferragamo S.p.A. historical archive (50 thousand Euro in the first half of 2020).

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 (net of the reduction in lease payments granted because of the Covid-19 pandemic), and financial charges largely refer to leases for premises in Hong Kong, including also

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., operating costs, and the relevant trade payables, mainly refer to rents for premises for a store in Hong Kong, which is outside the scope of IFRS16, 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.

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.

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 IFRS16, whereas other assets refer to the relevant guarantee deposits.

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

Costs, and the relevant payables, refer to the cost incurred by Ferragamo Usa Inc. under the working relationship with Massimo Ferragamo, and by Salvatore Ferragamo S.p.A. under the working relationship with Riccardo Ferragamo, Federica Anichini, Angiolo Anichini, and Giuseppe Anichini.

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 and Director*
Alessandro Corsi	Chief Financial Officer and Manager charged with preparing Company's Financial Reports

*Appointed as Director by the Shareholders' Meeting on 22 April 2021.

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. In the first half of 2021, they amounted to 572 thousand Euro (473 thousand Euro in the first half of 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 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; in the first half of 2021, remuneration amounted to 3,723 thousand Euro (1,967 thousand Euro in the first half of 2020), including 1,974 thousand Euro as consideration paid to the Managing Director for the termination of the employment relationship and in final settlement of any claim for such termination. Some directors receive non-monetary benefits such as cars, mobile phones, insurance policies, and accommodation.

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 103 thousand Euro (97 thousand Euro in the first half of 2020).

45. Dividends

Pursuant to the resolution passed by the Shareholders' Meeting held on 22 April 2021, the Parent Company Salvatore Ferragamo S.p.A. covered the 34,070,066 Euro loss the year 2020 by using the Extraordinary Reserve. Other Group companies with third-party minority shareholders did not pay or authorize any dividends during the first six months of 2021.

46. Commitments and risks

The breakdown of the risks and commitments is as follows:

(In thousands of Euro)	30 June 2021	31 December 2020
Sureties and guarantees provided by third parties to third parties in the interests of Group companies	23,175	21,500
Guarantees provided by Group companies to third parties in the interests of Group companies	92,002	132,806
Total	115,177	154,306

The sureties and guarantees provided by third parties in the interests of Group companies largely refer to sureties and guarantees on lease contracts entered into by Group companies, including a guarantee for 6.0 million US dollars (equal to 5.0 million Euro) relating to a lease contract of the Ferragamo Usa Group.

The guarantees provided by Group companies are mainly in favor of banks to guarantee credit lines which may be used locally.

47. Significant events occurred after 30 June 2021

Board of Directors

On 1 July 2021, the Company's Board of Directors approved, with the favorable opinion of the Nomination and Remuneration Committee, the Control and Risks Committee (competent body pursuant to the procedure for minor Transactions with Related Parties), and the Board of Statutory Auditors, the agreement reached with the Managing Director Micaela le Divelec Lemmi for the continuation of the business relationship until the meeting of the Board of Directors of 7 September 2021, following the communication of the Half-Year Report as at 30 June 2021, with her resignation from the position of Director and Managing Director of the Company and all the Group's companies as of said date.

Effective said date, the Deputy Chairman Michele Norsa shall be vested with all executive powers.

Pursuant to art. 5 of the Corporate Governance Code, the Company also disclosed that Ms le Divelec Lemmi will receive, in addition to the fixed components of remuneration due pro rata temporis, consideration for the termination of the employment relationship and in final settlement of any claim for such termination, totaling 1,974,000.00 Euro, to be paid by 30 September 2021 and already accounted for as at 30 June 2021. The above was determined in accordance and consistently with the Company's Remuneration Policy as approved by the Board of Directors, as well as pursuant to the contractual obligations established with Ms le Divelec Lemmi at the time of her appointment and approved with a resolution of the Board of Directors and the favorable opinion of the Nomination and Remuneration Committee as well as the Board of Statutory Auditors.

Please note that no claw back or malus clauses applied, and that the parties confirmed they agreed to terminate the non-compete agreement. No amount will be awarded to Ms le Divelec Lemmi for this reason.

At the same meeting, the Company's Board of Directors approved the terms and conditions of the agreement with Mr Marco Gobetti for him to join the Company as General Manager and Managing Director, starting in this position as soon as he is released from previous contractual obligations.

On 27 July 2021, Salvatore Ferragamo S.p.A. disclosed that Ms Marinella Soldi, Independent Non-Executive Director as well as Chairwoman of the Nomination and Remuneration Committee, resigned effective immediately from her position as Director of Salvatore Ferragamo S.p.A. for professional reasons. In line with the Company's remuneration policy, no termination indemnities or other benefits will be paid.

Agreement to transfer the fragrances business and grant the license

On 7 July 2021, the Company and Inter Parfums, Inc. announced they had defined and agreed to the terms of the business transfer and the grant of an exclusive global license to produce and distribute Ferragamo-branded fragrances. The agreement will become effective in October 2021 and have an initial term of 10 years. Inter

Parfums, Inc. will operate through a wholly-owned Italian subsidiary, based in Florence, and ensure production remains in Italy.

Renewal of the licensing agreement with Vertime B.V.

On 20 July 2021, the Company and Vertime B.V., which has extensive experience in the production and distribution of luxury and high-quality watches, announced they had renewed the licensing agreement for the production and distribution of the Ferragamo-branded watch collection. The renewed agreement will have a term of 10 years effective 1 January 2023.

48. Significant non-recurring events and transactions

During the first half of 2021, the Salvatore Ferragamo Group did not carry out significant non-recurring transactions.

49. 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, 7 September 2021

On behalf of the Board of Directors
The Chairman
Leonardo 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 2021.

2. The adequacy of the administrative and accounting procedures for the preparation of the condensed consolidated half-year financial statements as at 30 June 2021 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 2021:

- 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, 7 September 2021

Managing Director
Micaela le Divelec Lemmi

Manager charged with preparing Company’s Financial Reports
Alessandro Corsi



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(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 as at 30 June 2021, the income statement and the statements of comprehensive income, changes in equity and cash flows for the six months then ended and notes thereto. The 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.

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 Limited, società di diritto inglese.

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Salvatore Ferragamo Group
Independent auditors' report
30 June 2021

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 2021 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.

Florence, 8 September 2021

KPMG S.p.A.

(signed on the original)

Riccardo Cecchi
Director