

Salvatore Ferragamo

Salvatore Ferragamo Group

Interim Report as at 31 March 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 www.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)	
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

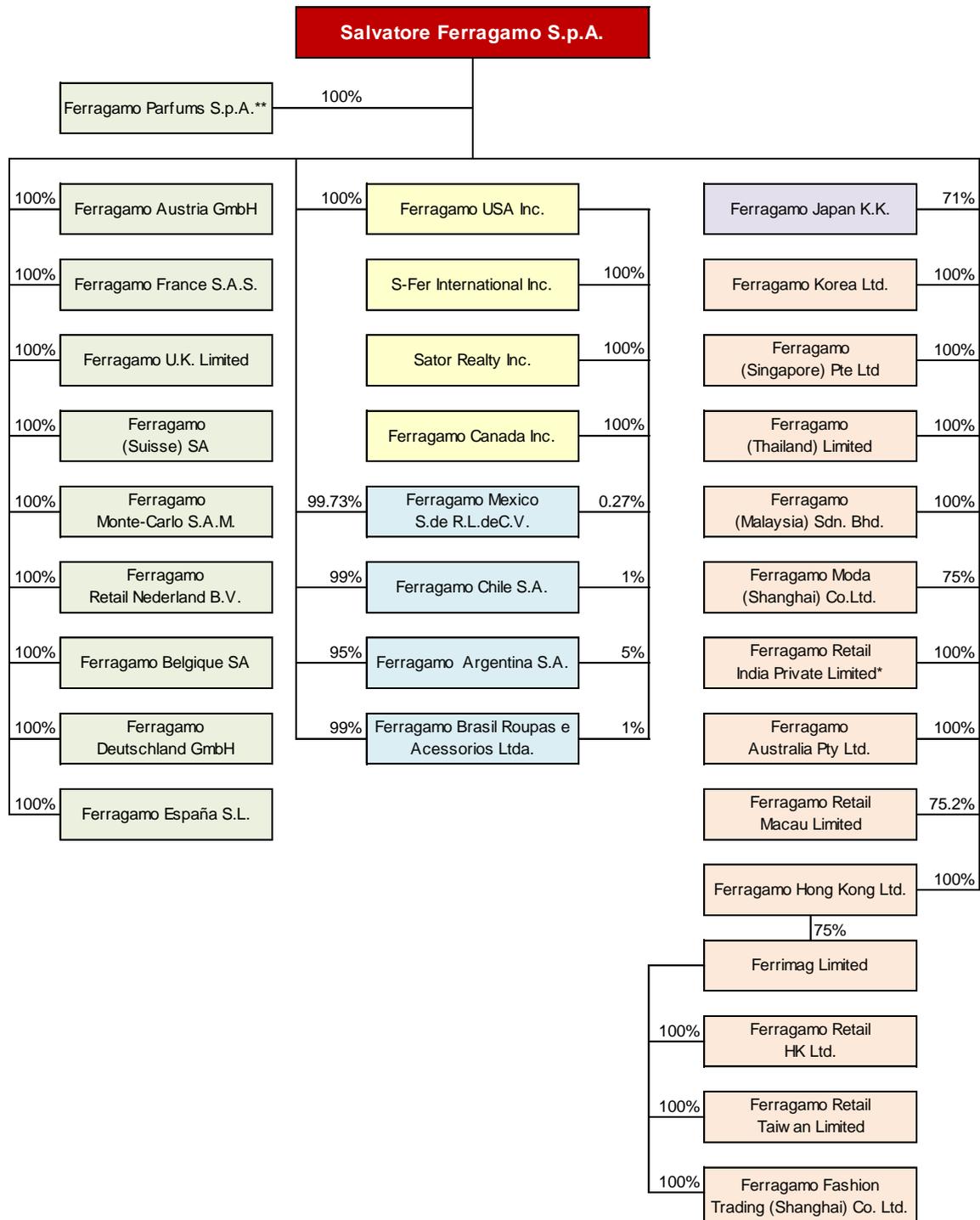
(12) Non-executive director

(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

Group structure



Notes

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

* Non-operating company

** Company merged into Salvatore Ferragamo S.p.A. with deed of merger dated 16 April 2021, effective 1 May 2021 for legal purposes, and 1 January 2021 for accounting and tax purposes

Group description

As at 31 March 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; it undertakes production activities and it manages the retail distribution channel in Italy and the wholesale channel in Italy and abroad and acts as a holding company.

Europe

Ferragamo Retail Nederland B.V.

It manages directly operated stores (DOS) in Holland

Ferragamo France S.A.S.

It manages directly operated stores (DOS) in France

Ferragamo Deutschland GmbH

It manages directly operated stores (DOS) in Germany

Ferragamo Austria GmbH

It manages directly operated stores (DOS) in Austria

Ferragamo U.K. Limited

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

Ferragamo (Suisse) SA

It manages directly operated stores (DOS) in Switzerland

Ferragamo Belgique SA

It manages directly operated stores (DOS) in Belgium

Ferragamo Monte-Carlo S.A.M.

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

Ferragamo Espana S.L.

It manages directly operated stores (DOS) in Spain

Ferragamo Parfums S.p.A.*

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

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

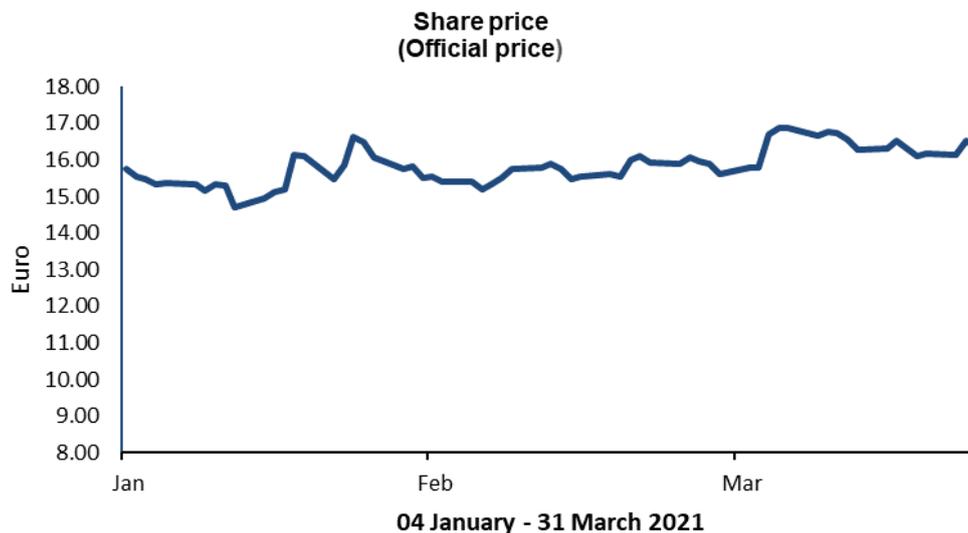
* Company merged into Salvatore Ferragamo S.p.A. with deed of merger dated 16 April 2021, effective 1 May 2021 for legal purposes, and 1 January 2021 for accounting and tax purposes

Interim Directors' report on operations

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

Official price as at 31 March 2021 in Euro	16.36
Stock Market capitalization as at 31 March 2021 in Euro	2,761,404,400
Number of shares making up the share capital as at 31 March 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 three 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 Interim report as well as the comparative periods, and not to the Group's expected performance and are not to be considered as substitutes for IFRS measures. The definitions of the alternative performance measures adopted in the Interim report are provided below:

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

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

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

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

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

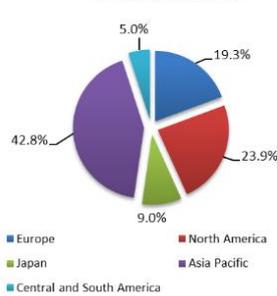
Adjusted net financial debt/ (surplus): it is *Net financial debt/(surplus)* net of *Current and non current lease liabilities*.

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

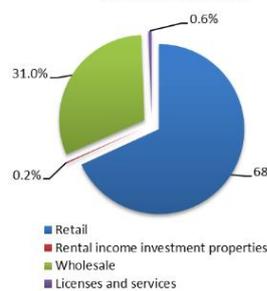
Income and financial highlights for the first three months of 2021

(In millions of Euro)	Quarterly period ended 31 March		% change
	2021	2020	2021 vs 2020
Revenues	244.7	221.7	10.3%
Gross profit	157.0	130.2	20.6%
Gross profit %	64.2%	58.7%	
EBITDA	47.7	11.6	313.0%
EBITDA %	19.5%	5.2%	
Operating profit/(loss)	7.4	(36.3)	na
Operating profit/(loss) %	3.0%	(16.4%)	
Net profit/(loss) for the period	(0.6)	(41.4)	na
<i>Net profit/(loss) – Group</i>	<i>(1.2)</i>	<i>(39.1)</i>	<i>na</i>
<i>Net profit/(loss) – minority interests</i>	<i>0.7</i>	<i>(2.4)</i>	

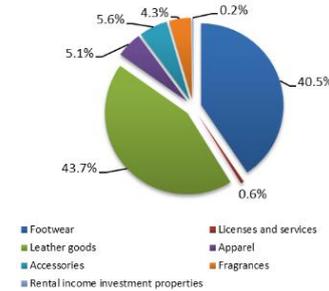
Revenue by geographic area as at 31 March 2021



Revenue by distribution channel as at 31 March 2021



Revenue by product category as at 31 March 2021



(In millions of Euro)	31 March 2021	31 December 2020	31 March 2020
Investments in tangible/intangible assets	5.6	29.4	5.0
Net working capital	320.8	314.6	334.1
Shareholders' equity	724.2	709.7	737.1
Adjusted net financial debt/(surplus)	(168.7)	(138.7)	(123.4)
Adjusted cash flow from (used in) operating activities	38.2	(5.2)	(46.5)

	31 March 2021	31 December 2020	31 March 2020
Staff as at the reporting date	3,762	3,855	4,125
Number of DOS	390	395	391
Number of TPOS	248	249	261

Geographical distribution of monobrand stores (31 March 2021)



638 Ferragamo monobrand stores

Disclaimer

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

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

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

The Interim report, in addition to the indicators required for financial statements, in compliance with International Financial Reporting Standards (IFRS), also includes some alternative performance measures used by management to monitor and assess the Group’s performance, as detailed in a specific section. This Interim report must be read together with the Annual Report as at 31 December 2020, which provides full details on the issues addressed.

The Salvatore Ferragamo Group's Activities

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

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

Effect of exchange rate changes on operations

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

In the first three months of 2021, US interest rates rose steadily and forecasts for economic growth and prices were revised upwards, causing the dollar to appreciate against all major currencies.

The EUR/USD exchange rate declined from 1.23 in January to 1.17 as at 31 March 2021, the lowest level for the quarter. The stronger dollar caused the Yuan to depreciate, with the USD/CNY exchange rate rising from 6.46 to 6.55 early in the year – breaking out of the downtrend that had started in the second half of 2020. Meanwhile, the Yuan maintained its relative strength against the Euro, going from 7.95 to 7.68. This was also driven by the encouraging macroeconomic data from China, which firmly and successfully dealt with the Covid-19 pandemic. Similarly, the South Korean Won, which is correlated with the business cycle and the balance of trade, went from 1332 to 1324 against the Euro.

Optimism about a global economic recovery and, therefore, the Japanese Yen losing its appeal as a safe haven caused this currency to depreciate and stand out as one of the worst performers in the year to date. The EUR/JPY exchange rate was up from 126 in early January to 129 at the end of the quarter, with peaks at around 130.

Finally, the Mexican Peso showed significant volatility and then depreciated in February, but eventually managed to erase its losses in March. The EUR/MXN pair went from over 25 in late February to 24 at the end of March, also because the dollar shed some of its strength.

Operating performance

Against a global backdrop that in 2021 will certainly continue to be negatively affected by the Covid-19 pandemic, the results for the first three months of 2021 show a positive trend in terms of both revenues (+10.3% at current exchange rates and 13.0% at constant exchange rates compared to the first quarter of 2020) and margins, driven by the robust performance of the retail channel (+17.2% at current exchange rates compared to the first quarter of 2020), as well as the Asia Pacific and North America regions (+50.6% and +9.9% at current exchange rates compared to the first quarter of 2020, respectively), even though several countries are still negatively impacted by the measures to contain the spread of Covid-19 and the reduction in tourist flows. In the first three months of 2021, gross operating profit amounted to 64.2% as a proportion of revenues, up from 58.7% in the prior-year period – which had been negatively affected by the contraction in revenues and the write-down of inventory.

The Group reported a 7.4 million Euro operating profit in the first quarter of 2021, compared to a 36.3 million Euro operating loss for the period ended 31 March 2020.

The Group essentially broke even for the period (0.6 million Euro net loss), a remarkable improvement compared to the 41.4 million Euro net loss for the prior-year period.

The Group's financial situation remains robust and positive: the adjusted net financial position amounted to a positive 168.7 million Euro, up from 138.7 million Euro as at 31 December 2020 and 123.4 million Euro as at 31 March 2020, largely because the adjusted cash flow from operating activities for the first quarter of 2021 totaled 38.2 million Euro.

The following table shows the main income statement data.

(In thousands of Euro)	Quarterly period ended 31 March				
	2021	% of Revenues	2020	% of Revenues	% change
Revenues	244,650	100.0%	221,734	100.0%	10.3%
Gross profit	157,037	64.2%	130,239	58.7%	20.6%
Style, product development and logistics costs	(10,272)	(4.2%)	(10,300)	(4.6%)	(0.3%)
Sales & distribution costs	(96,085)	(39.3%)	(106,924)	(48.2%)	(10.1%)
Marketing & communication costs	(15,968)	(6.5%)	(17,227)	(7.8%)	(7.3%)
General and administrative costs	(30,873)	(12.6%)	(31,653)	(14.3%)	(2.5%)
Other operating costs	(5,148)	(2.1%)	(5,666)	(2.6%)	(9.1%)
Other income and revenues	8,687	3.6%	5,202	2.3%	67.0%
Total operating costs (net of other income)	(149,659)	(61.2%)	(166,568)	(75.1%)	(10.2%)
Operating profit/(loss)	7,378	3.0%	(36,329)	(16.4%)	na
Net financial income and charges	(4,306)	(1.8%)	(11,603)	(5.2%)	(62.9%)
Profit/(loss) before taxes	3,072	1.3%	(47,932)	(21.6%)	na
Income Taxes	(3,657)	(1.5%)	6,486	2.9%	na
Net profit/(loss) for the period	(585)	(0.2%)	(41,446)	(18.7%)	na
Net profit/(loss) – Group	(1,235)	(0.5%)	(39,076)	(17.6%)	na
Net profit/(loss) – minority interests	650	0.3%	(2,370)	(1.1%)	na
Amortization, depreciation and write-downs	40,364		47,890		(15.7%)
EBITDA	47,742	19.5%	11,561	5.2%	313.0%

Revenues in the first three months of 2021 totaled 244,650 thousand Euro, up 10.3% from 221,734 thousand Euro in the first three months of 2020. The three main currencies other than the Euro in which the Group generates most of its revenues, i.e. the US dollar, the Chinese Renminbi, and the Japanese Yen, performed as follows in the first three months of 2021 compared to the same period last year: the US dollar depreciated by 9.3% ⁽¹⁾, the Japanese Yen depreciated by 6.4%, ⁽²⁾ and the Chinese Renminbi depreciated by 1.5% ⁽³⁾ against the Euro, the currency in which the amounts in the consolidated financial statements are expressed. In the first three months of 2021, revenues increased by 13.0% at constant exchange rates (applying to the revenues – not inclusive of the hedging

¹ With reference to the average Euro/ Usd exchange rate in the first three months of 2021 1.205; of 2020 1.103

² With reference to the average Euro/ Yen exchange rate in the first three months of 2021 127.81; of 2020 120.1

³ With reference to the average Euro/Cny exchange rate in the first three months of 2021 7.808; of 2020 7.696

effect – of the first three months of 2020 the average exchange rate of the first three months of 2021); in particular, they were up 18.2% in North America and 51.7% in Asia Pacific, while they decreased by 22.5% in Europe, 6.5% in Japan, and 10.0% in Central and South America. Asia Pacific contributed the most to Group revenues with 42.8%, followed by North America (23.9%), Europe (19.3%), Japan (9.0%), and Central and South America (5.0%).

Gross profit for the period ended 31 March 2021 amounted to 157,037 thousand Euro (accounting for 64.2% of revenues), up 20.6% compared to the period ended 31 March 2020, when it amounted to 130,239 thousand Euro (accounting for 58.7% of revenues). The gross profit for the first quarter of 2021 was positively affected by the retail channel accounting for a greater share of total revenues, whereas the contraction in sales and the write-down of inventory resulting from the Covid-19 pandemic had weighed on the gross margin for the first quarter of 2020.

Total operating costs (net of other income) amounted to 149,659 thousand Euro for the first three months of 2021. They declined by 10.2% year-on-year and amounted to 61.2% as a proportion of revenues, down from 75.1% in the first three months of 2020, thanks to the actions – which continue to this day – promptly taken by the Group's management during 2020 to mitigate the negative impact of the crisis caused by the Covid-19 pandemic. Specifically, the Group launched a plan to streamline the organization and continued important negotiations to revise the terms and conditions of the leases of its distribution network, resulting in a 1,807 thousand Euro positive variable lease payment in the first three months of 2021 that was directly recognized through profit or loss. In addition, in the first quarter of 2021 Other income benefited from the 4.3 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 rising gross profit and the containment of operating costs, **EBITDA** was up from 11,561 thousand Euro to 47,742 thousand Euro. The ratio to revenues amounted to 19.5%, up from 5.2% in the first three months of 2020.

The Group reported a 7,378 thousand Euro **operating profit** for the period ended 31 March 2021, amounting to 3.0% as a proportion of total revenues, compared to a 36,329 thousand Euro operating loss for the period ended 31 March 2020.

Net financial income and charges totaled 4,306 thousand Euro in charges in the first three months of 2021, compared to charges of 11,603 thousand Euro in the first three months of 2020.

(In thousands of Euro)	Quarterly period ended 31 March		
	2021	2020	% change
Net interest	(278)	172	(261.6%)
Other net income/(charges)	(431)	(323)	33.4%
Net interest and expenses on lease liabilities	(3,320)	(4,315)	(23.1%)
Net gains/(losses) on exchange rate differences	6,109	(6,300)	(197.0%)
Net financial income/(charges) for fair value adjustment of derivatives	(6,386)	(837)	663.0%
Total	(4,306)	(11,603)	(62.9%)

Net gains and losses on exchange rate differences mainly reflect the impact of commercial transactions in foreign currency, and swung from 6,300 thousand Euro in net losses in the first three months of 2020 to 6,109 thousand Euro in net gains in the first three months 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 7,137 thousand Euro in the first three months of 2020 to a negative 277 thousand Euro in the first quarter of 2021.

Income Taxes

(In thousands of Euro)	Quarterly period ended 31 March	
	2021	2020
Profit/(loss) before taxes	3,072	(47,932)
Current and deferred taxes	(3,657)	6,486

In the first three months of 2021, income taxes had a 3,657 thousand Euro net negative impact – the result of 4,181 thousand Euro in current taxes and a 524 thousand Euro gain on net deferred tax assets; the first three months of 2020 had seen a 6,486 thousand Euro positive impact on current and deferred income taxes.

With respect to the **net result for the period**, the Salvatore Ferragamo Group essentially broke even (585 thousand Euro net loss), a considerable improvement compared to the 41,446 thousand Euro net loss for the prior-year period. The Group share of net loss amounted to 1,235 thousand Euro, compared to a 39,076 thousand Euro loss the prior-year period.

Revenues

The following table shows revenues by geographic area for the periods ended 31 March 2021 and 2020, and the relevant percentage changes:

(In thousands of Euro)	Quarterly period ended 31 March				at constant exchange rates	
	2021	% of Revenues	2020	% of Revenues	% change	% change
Europe	47,311	19.3%	59,488	26.8%	(20.5%)	(22.5%)
North America	58,533	23.9%	53,243	24.0%	9.9%	18.2%
Japan	22,076	9.0%	24,353	11.0%	(9.3%)	(6.5%)
Asia Pacific	104,575	42.8%	69,438	31.3%	50.6%	51.7%
Central and South America	12,155	5.0%	15,212	6.9%	(20.1%)	(10.0%)
Total	244,650	100.0%	221,734	100.0%	10.3%	13.0%

In Europe, revenues declined by 20.5% at current exchange rates and 22.5% at constant exchange rates: especially in the retail channel, the region was negatively affected by the restrictions on business operations (so-called lockdown) that were extended into the first quarter of 2021 in most European countries, as well as the absence of tourist flows.

In North America, revenues were up 9.9% at current exchange rates and 18.2% at constant exchange rates, driven mainly by the wholesale and also the retail channel thanks to the resilience of domestic demand.

Japan saw revenues fall by 9.3% at current exchange rates (-6.5% at constant exchange rates), largely because international traffic did not resume while the pandemic raged on and the relevant restrictions remained in place.

The Asia-Pacific region saw revenues jump by a robust 50.6% at current exchange rates (+51.7% at constant exchange rates), largely in the retail channel and specifically at directly operated stores in China, South Korea, Macau, and Taiwan. Asia Pacific contributed once again the most to Group revenues, accounting for 42.8% of the total compared to 31.3% as at 31 March 2020.

The Central and South American market saw revenues fall by 20.1% at current exchange rates (-10.0% at constant exchange rates), falling to 5.0% as a percentage of total revenues compared to 6.9% in the prior-year period. It should be noted that the revenues reported as at 31 March 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 14 thousand Euro in the first three months of 2021 (positive 8 thousand Euro in the prior-year period).

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

(In thousands of Euro)	Quarterly period ended 31 March					at
	2021	% of Revenues	2020	% of Revenues	% change	constant exchange rates
Retail	166,701	68.2%	142,257	64.1%	17.2%	20.8%
Wholesale	75,869	31.0%	76,411	34.5%	(0.7%)	0.3%
Licenses and services	1,514	0.6%	2,213	1.0%	(31.6%)	(31.6%)
Rental income investment properties	566	0.2%	853	0.4%	(33.6%)	(27.5%)
Total	244,650	100.0%	221,734	100.0%	10.3%	13.0%

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

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

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

In the first three months of 2021, retail sales were up 17.2% at current exchange rates and 20.8% at constant exchange rates, benefiting from the recovery of directly operated stores seen mainly in Asia-Pacific and, to a lesser extent, North America. In the first three months of 2021, the retail channel accounted for 68.2% of total revenues, up from 64.1% in the prior-year period.

As at 31 March 2021, the number of directly operated stores (DOS) saw a net decrease of 5 stores compared to the situation as at 31 December 2020 and of 1 store compared to 31 March 2020.

In the wholesale channel, revenues were essentially unchanged from the first quarter of 2020 (-0.7% at current exchange rates and +0.3% at constant exchange rates), as the slump in the Travel Retail channel – accounting for 31.0% of total revenues compared to 34.5% in the first quarter of 2020 – continued weighing on performance.

In the first three months of 2021, revenues from licenses and services fell by 31.6% at current and constant exchange rates; this item mainly consists of royalties for the licensing of the Salvatore Ferragamo brand in the eyewear industry and in the watch industry.

Revenues from rental income investment properties refer solely to property located in the United States and leased/sub-leased to third parties; they decreased by 33.6% at current exchange rates (-27.5% at constant exchange rates) compared to the prior-year period.

The following table shows revenues by **product category** for the periods ended 31 March 2021 and 2020, indicating the relevant percentage of total revenues.

(In thousands of Euro)	Quarterly period ended 31 March					at constant exchange rates
	2021	% of Revenues	2020	% of Revenues	% change	% change
Footwear	99,186	40.5%	91,860	41.4%	8.0%	11.9%
Leather goods	106,786	43.7%	90,356	40.8%	18.2%	19.6%
Apparel	12,429	5.1%	12,934	5.8%	(3.9%)	(1.0%)
Accessories	13,688	5.6%	13,565	6.1%	0.9%	3.7%
Fragrances	10,481	4.3%	9,953	4.5%	5.3%	7.3%
Licenses and services	1,514	0.6%	2,213	1.0%	(31.6%)	(31.6%)
Rental income investment properties	566	0.2%	853	0.4%	(33.6%)	(27.5%)
Total	244,650	100.0%	221,734	100.0%	10.3%	13.0%

Footwear (+8.0% at current exchange rates), leather goods (+18.2% at current exchange rates) and fragrances (+5.3% at current exchange rates) delivered a strong performance at both current and constant exchange rates.

Statement of financial position and Investments

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

(In thousands of Euro)	31 March 2021	31 December 2020	31 March 2020	% change 03.21 vs 12.20	% change 03.21 vs 03.20
Property, plant and equipment, investment property, intangible assets with a finite useful life and goodwill	255,766	260,515	320,552	(1.8%)	(20.2%)
Right-of-use assets	474,585	475,240	551,752	(0.1%)	(14.0%)
Net working capital	320,756	314,552	334,066	2.0%	(4.0%)
Other non current assets/(liabilities), net	97,059	91,973	80,808	5.5%	20.1%
Other current assets/(liabilities), net	(22,208)	(3,418)	(18,663)	549.7%	19.0%
Net invested capital	1,125,958	1,138,862	1,268,515	(1.1%)	(11.2%)
Group shareholders' equity	706,317	693,582	716,858	1.8%	(1.5%)
Minority interests	17,858	16,114	20,221	10.8%	(11.7%)
Shareholders' equity (A)	724,175	709,696	737,079	2.0%	(1.8%)
Net financial debt/(surplus) (B)	401,783	429,166	531,436	(6.4%)	(24.4%)
Total sources of financing (A+B)	1,125,958	1,138,862	1,268,515	(1.1%)	(11.2%)
Net financial debt/(surplus) (B)	401,783	429,166	531,436	(6.4%)	(24.4%)
Lease liabilities (C)	570,524	567,909	654,798	0.5%	(12.9%)
Adjusted net financial debt/(surplus) (B-C)	(168,741)	(138,743)	(123,362)	21.6%	36.8%
Adjusted net financial debt/(surplus)/ Shareholders' equity	(23.3%)	(19.5%)	(16.7%)		

Investments in tangible/intangible assets

During the period ended 31 March 2021, the Salvatore Ferragamo Group made investments in tangible and intangible assets for a total amount of 5,621 thousand Euro, of which 4,539 thousand Euro in tangible assets and 1,082 thousand Euro in intangible assets, compared to a total of 4,990 thousand Euro in the first three months of 2020.

The most important investments in tangible assets were made in the opening and refurbishment of stores (4.2 million Euro, approximately 94% of total investments in tangible assets). The main investments in intangible assets refer to the development of the e-commerce platform (0.3 million Euro overall, approximately 27% of total investments in intangible assets).

Investments in tangible assets under construction, amounting to 3.1 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 2.8 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 12,727 thousand Euro in the first three months of 2021, down from 16,890 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 three months of 2021, the Group did not make any investments in financial assets.

Right-of-use assets

This line item, amounting to 474,585 thousand Euro as at 31 March 2021, refers to the recognition of "Right-of-use assets" against "Lease liabilities" following the application of IFRS 16 and was down 655 thousand Euro from 475,240 thousand Euro as at 31 December 2020, largely because of 26,708 thousand Euro in depreciation expense recognized during the period and the increases resulting from the new leases entered into 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 27,056 thousand Euro as at 31 March 2021 (26,765 thousand Euro as at 31 December 2020).

Net working capital

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

(In thousands of Euro)	31 March 2021	31 December 2020	31 March 2020	% change 03.21 vs 12.20	% change 03.21 vs 03.20
Inventories and Right of return assets	356,189	346,181	392,328	2.9%	(9.2%)
Trade receivables	99,028	113,909	93,651	(13.1%)	5.7%
Trade payables and Refund Liabilities	(134,461)	(145,538)	(151,913)	(7.6%)	(11.5%)
Total	320,756	314,552	334,066	2.0%	(4.0%)

Net working capital slightly rose by 2.0% compared to 31 December 2020 while it was down 4.0% compared to 31 March 2020. Compared to 31 December 2020, the slight increase in Inventories and Right of return assets (+2.9%) and the decline in Trade payables and Refund Liabilities (-7.6%) were partly offset by the decrease in Trade receivables (-13.1%). The change relative to 31 March 2020 was attributable to the decrease in Inventories and Right of return assets (-9.2%), offset by the decline in Trade Payables and Refund Liabilities (-11.5%) and the increase in Trade receivables (+5.7%). Specifically, inventories of finished products were slightly up by 1,643 thousand Euro from 31 December 2020 (+0.5%) and down 15,265 thousand Euro from 31 March 2020 (-4.7%). Raw materials for production were up 25.9% compared to 31 December 2020 and 31.8% compared to 31 March 2020 and depend on production volumes for the period.

Trade receivables largely referred to wholesale sales.

Trade payables mainly referred to purchases of production materials, finished products, and costs relating to outsourced manufacturing. The item Trade payables was down 6.4% compared to 31 December 2020 and 11.7% compared to 31 March 2020.

Net financial debt/(surplus)

The following table shows net financial debt as at 31 March 2021, 31 December 2020, and 31 March 2020:

(In thousands of Euro)	31 March 2021	31 December 2020	31 March 2020	Change 03.21 vs 12.20	Change 03.21 vs 03.20
A. Cash	759	901	399	(142)	360
B. Other cash equivalents	339,367	326,979	190,338	12,388	149,029
C. Cash and cash equivalents (A)+(B)	340,126	327,880	190,737	12,246	149,389
Derivatives – non-hedging component	558	287	679	271	(121)
Other financial assets	144	279	-	(135)	144
D. Current financial receivables	702	566	679	136	23
E. Current bank payables	61,743	56,698	65,088	5,045	(3,345)
F. Derivatives – non-hedging component	1,283	74	670	1,209	613
G. Other current financial payables	104,528	107,138	116,946	(2,610)	(12,418)
H. Current financial debt (E)+(F)+(G)	167,554	163,910	182,704	3,644	(15,150)
I. Current financial debt, net (H)-(C)-(D)	(173,274)	(164,536)	(8,712)	(8,738)	(164,562)
J. Non current bank payables	109,061	129,302	-	(20,241)	109,061
K. Derivatives – non-hedging component	-	-	-	-	-
M. Other non current payables	465,996	464,400	540,148	1,596	(74,152)
N. Non current financial debt (J)+(K)+(M)	575,057	593,702	540,148	(18,645)	34,909
O. Net financial debt (I)+(N)	401,783	429,166	531,436	(27,383)	(129,653)

Net financial debt as at 31 March 2021, including lease liabilities, amounted to 401,783 thousand Euro, of which 570,524 thousand Euro in current and non-current lease liabilities.

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

(In thousands of Euro)	31 March	31 December	31 March	Change	Change
	2021	2020	2020	03.21 vs	03.21 vs
				12.20	03.20
Net financial debt/(surplus) (a)	401,783	429,166	531,436	(27,383)	(129,653)
Non current lease liabilities	465,996	464,400	540,148	1,596	(74,152)
Current lease liabilities	104,528	103,509	114,650	1,019	(10,122)
Lease liabilities (b)	570,524	567,909	654,798	2,615	(84,274)
Adjusted net financial debt/(surplus) (a-b)	(168,741)	(138,743)	(123,362)	(29,998)	(45,379)

In the period ended 31 March 2021, the adjusted net financial position amounted to a positive 168,741 thousand Euro, up 29,998 thousand Euro from 138,743 thousand Euro as at 31 December 2020. This was largely due to 38,209 thousand Euro in adjusted cash flows from operating activities (negative 46,539 thousand Euro in the first quarter of 2020), 5,621 thousand Euro in cash flows used for the purposes of investing in tangible and intangible assets during the first three 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 quarter of 2021. Compared to 31 March 2020, the Group's adjusted net financial position was up 45,379 thousand Euro from a positive 123,362 thousand Euro to a positive 168,741 thousand Euro.

Significant events occurred during the first three months of 2021

Below are the main events occurred during the first quarter of 2021.

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.

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 quarter 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 quarter 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 quarter 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 quarter 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.

Patent Box and Research and Development, Design, and Innovation 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 quarter 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 quarter of 2021.

Other information

Dividends

On 9 March 2021, the Board of Directors of Salvatore Ferragamo S.p.A. resolved to propose that the Shareholders' Meeting cover the loss for the year 2020, totaling 34,070,066 Euro, by using the Extraordinary Reserve.

Other Group companies with third-party minority shareholders did not pay or authorize any dividends during the first three months of 2021.

Financial reporting and Investor relations

Salvatore Ferragamo S.p.A., in order to maintain a constant dialogue with its Shareholders, potential investors and financial analysts, and in compliance with the recommendation of Consob, has set up the Investor Relator function, which ensures a continuous exchange of information between the Group and financial market participants.

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

Stakes in Salvatore Ferragamo S.p.A.

As at 31 March 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 31 March 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 31 March 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

As at 31 March 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.

Staff

Here below is the Salvatore Ferragamo Group's staff divided by category as at 31 March 2021, 31 December 2020, and 31 March 2020.

Staff	31 March 2021	31 December 2020	31 March 2020
Top managers, middle managers and store managers	787	777	782
White collars	2,706	2,809	3,048
Blue collars	269	269	295
Total	3,762	3,855	4,125

Basis of presentation

This Interim report was approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 11 May 2021 and, on the same date, the Board authorized its release to the public. This Interim report was not prepared in accordance with IAS 34 "Interim Financial Reporting", as the Group applies said standard to half-year reports and not also quarterly reports.

For comparative purposes, the consolidated financial statements show the comparison with the consolidated statement of financial position as at 31 December 2020 and 31 March 2020 and the consolidated income statement as at 31 March 2020.

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

The **accounting standards** used to prepare the equity, income and financial data as at 31 March 2021 were the International Financial Reporting Standards (IFRS) and the related interpretations, issued by the International Accounting Standards Board (IASB) and adopted by the European Union, in force at the reporting date.

In preparing the Interim report, the same accounting standards have been applied as adopted in drawing up the Consolidated Annual Report of the Salvatore Ferragamo Group for the year ended 31 December 2020, to which reference should be made, except for the adoption of the new or revised standards of the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), which are effective as from 1 January 2021.

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

Consolidation area

During the first three months of 2021, the Group structure underwent no changes.

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 31 March 2021 is not to be considered material at the Group level.

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

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

	Average exchange rates		Exchange rates at the end of the reporting period		
	31 March	31 March	31 March	31 December	31 March
	2021	2020	2021	2020	2020
US Dollar	1.2048	1.1027	1.1725	1.2271	1.0956
Swiss Franc	1.09129	1.06684	1.1070	1.0802	1.0585
Japanese Yen	127.806	120.097	129.91	126.49	118.90
Pound Sterling	0.8739	0.8623	0.8521	0.8990	0.8864
Danish Krone	7.4372	7.4715	7.4373	7.4409	7.4674
Australian Dollar	1.5597	1.6791	1.5412	1.5896	1.7967
South Korean Won	1,343.22	1,316.27	1,324.19	1,336.01	1,341.02
Hong Kong Dollar	9.3465	8.5686	9.1153	9.5142	8.4945
Mexican Peso	24.527	22.092	24.0506	24.4160	26.1772
New Taiwanese Dollar	33.8139	33.1711	33.4048	34.4518	33.1762
Singapore Dollar	1.6054	1.5281	1.5768	1.6218	1.5633
Thai Baht	36.4957	34.5025	36.6580	36.7270	35.9250
Malaysian Ringgit	4.8997	4.6094	4.8618	4.9340	4.7330
Indian Rupee	87.8484	79.9095	85.8130	89.6605	82.8985
Macau Pataca	9.623	8.819	9.4018	9.7929	8.7569
Chinese Renminbi	7.8080	7.6956	7.6812	8.0225	7.7784
Chilean Peso	872.12	886.52	846.51	870.708	935.19
Argentine Peso	106.768	67.790	108.021	102.959	70.580
Brazilian Real	6.5990	4.9167	6.7409	6.3735	5.7001
Canadian Dollar	1.5258	1.4819	1.4782	1.5633	1.5617

Transactions with related parties

Sales and purchases between related parties are carried out at normal market prices. The outstanding balances at the end of the period are not backed by guarantees, do not generate interest, and are settled in cash. As at 31 March 2021, bank guarantees were issued in favor of Palazzo Feroni Finanziaria S.p.A. (1,901 thousand Euro), in favor of Lungarno Alberghi S.r.l. (488 thousand Euro) and in favor of Ferragamo Finanziaria S.p.A. (23 thousand Euro): they concerned the leasing of properties owned by said companies. There are no other guarantees, given or received, relating to receivables and payables with related parties. The Salvatore Ferragamo Group has not set aside any provision for bad debt in relation to amounts due from related parties.

Significant non-recurring events and transactions

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

Transactions arising from atypical and/or unusual transactions

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

Significant events occurred after 31 March 2021

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

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. The merger was born out of the need to streamline the Salvatore Ferragamo Group's corporate structure in Italy, optimizing the management of resources and making structures more efficient. Following the merger, Salvatore Ferragamo S.p.A. took over the operations of Ferragamo Parfums S.p.A., resulting in greater synergies and support to the growth of the business. 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. 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.

Outlook

The short-term economic outlook has suddenly deteriorated at a global level and 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 April 2021 forecasts – although slightly more optimistic than the ones issued in January – point to a global recession in 2020, with GDP shrinking by -3.3%, and then rebounding by +6% in 2021. With respect to the world's major economies, GDP growth is expected to decline by -3.5% in 2020 and rise by +6.4% in the following year in the US, fall by -6.6% in 2020 and rise by +4.4% in 2021 in the Euro Area, and increase by +2.3% in 2020 and +8.4% in 2021 in China.

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 recovering. That said, management believes it cannot make detailed forecasts as to how the Group will perform this year in the various markets, but remains committed to growing revenues in high-potential channels and curbing costs.

Florence, 11 May 2021

On behalf of the Board of Directors

The Chairman
Leonardo Ferragamo

Financial Statements

Consolidated Statement of Financial Position – Assets

(In thousands of Euro)	31 March 2021	<i>of which with related parties</i>	31 December 2020	<i>of which with related parties</i>	31 March 2020	<i>of which with related parties</i>
NON CURRENT ASSETS						
Property, plant and equipment	180,157		183,121		241,385	
Investment property	32,269		31,824		38,973	
Goodwill	6,679		6,679		-	
Right-of-use assets	474,585	98,168	475,240	99,070	551,752	113,981
Intangible assets with a finite useful life	36,661		38,891		40,194	
Other non current assets	2,515		2,518		2,601	
Other non current financial assets	16,061	4,918	15,574	4,594	16,807	4,947
Deferred tax assets	122,222		119,656		104,587	
TOTAL NON CURRENT ASSETS	871,149	103,086	873,503	103,664	996,299	118,928
CURRENT ASSETS						
Inventories	352,194		341,636		387,677	
Right of return assets	3,995		4,545		4,651	
Trade receivables	99,028	200	113,909	336	93,651	574
Tax receivables	10,669		15,974		19,043	
Other current assets	29,322	2,690	35,944	2,690	27,354	1,362
Other current financial assets	702		566		679	
Cash and cash equivalents	340,126		327,880		190,737	
TOTAL CURRENT ASSETS	836,036	2,890	840,454	3,026	723,792	1,936
TOTAL ASSETS	1,707,185	105,976	1,713,957	106,690	1,720,091	120,864

Consolidated Statement of Financial Position – Liabilities and Shareholders' Equity

(In thousands of Euro)	31 March 2021	<i>of which with related parties</i>	31 December 2020	<i>of which with related parties</i>	31 March 2020	<i>of which with related parties</i>
SHAREHOLDERS' EQUITY						
GROUP SHAREHOLDERS' EQUITY						
Share capital	16,879		16,879		16,879	
Reserves	690,673		743,100		739,055	
Net profit/(loss) – Group	(1,235)		(66,397)		(39,076)	
TOTAL GROUP SHAREHOLDERS' EQUITY	706,317		693,582		716,858	
MINORITY INTERESTS						
Share capital and reserves – minority interests	17,208		21,413		22,591	
Net profit/(loss) – minority interests	650		(5,299)		(2,370)	
TOTAL MINORITY INTERESTS	17,858		16,114		20,221	
TOTAL SHAREHOLDERS' EQUITY	724,175		709,696		737,079	
NON CURRENT LIABILITIES						
Non current interest-bearing loans & borrowings	109,061		129,302		-	
Provisions for risks and charges	14,387		14,401		13,783	
Employee benefit liabilities	11,441		11,867		12,150	
Other non current liabilities	12,589	-	12,564	-	12,066	98
Non current lease liabilities	465,996	88,843	464,400	89,138	540,148	96,766
Deferred tax liabilities	5,322		6,943		5,188	
TOTAL NON CURRENT LIABILITIES	618,796	88,843	639,477	89,138	583,335	96,864
CURRENT LIABILITIES						
Trade payables	127,737	717	136,399	624	144,586	274
Refund liabilities	6,724		9,139		7,327	
Interest-bearing loans & borrowings	61,743		56,698		65,088	
Tax payables	22,266		25,974		9,274	
Other current liabilities	39,933	1,454	29,362	1,347	55,786	11,398
Current lease liabilities	104,528	14,466	103,509	14,155	114,650	21,823
Other current financial liabilities	1,283		3,703		2,966	
TOTAL CURRENT LIABILITIES	364,214	16,637	364,784	16,126	399,677	33,495
TOTAL LIABILITIES	983,010	105,480	1,004,261	105,264	983,012	130,359
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,707,185	105,480	1,713,957	105,264	1,720,091	130,359

Consolidated Income Statement

(In thousands of Euro)	Quarterly period ended 31 March			
	2021	of which with related parties	2020	of which with related parties
Revenues from contracts with customers	244,084	24	220,881	40
Rental income investment properties	566		853	
Revenues	244,650		221,734	
Cost of goods sold	(87,613)		(91,495)	
Gross profit	157,037		130,239	
Style, product development and logistics costs	(10,272)	(174)	(10,300)	(123)
Sales & distribution costs	(96,085)	(5,280)	(106,924)	(6,141)
Marketing & communication costs	(15,968)	(2)	(17,227)	(3)
General and administrative costs	(30,873)	(1,677)	(31,653)	(2,002)
Other operating costs	(5,148)	(21)	(5,666)	(19)
Other income and revenues	8,687	-	5,202	-
Operating profit/(loss)	7,378		(36,329)	
Financial charges	(15,186)	(773)	(26,794)	(879)
Financial income	10,880	-	15,191	-
Profit/(loss) before taxes	3,072		(47,932)	
Income Taxes	(3,657)		6,486	
Net profit/(loss) for the period	(585)		(41,446)	
Net profit/(loss) – Group	(1,235)		(39,076)	
Net profit/(loss) – minority interests	650		(2,370)	

(In Euro)	Quarterly period ended 31 March	
	2021	2020
Basic earnings/(loss) per share – ordinary shares	(0.007)	(0.232)
Diluted earnings/(loss) per share – ordinary shares	(0.007)	(0.232)

Consolidated Statement of Comprehensive Income

(In thousands of Euro)	Quarterly period ended 31 March	
	2021	2020
Net profit/(loss) for the period (A)	(585)	(41,446)
<i>Other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period</i>		
- Currency translation differences of foreign operations	21,267	(6,567)
- Net gain/(loss) from cash flow hedge	(8,080)	(130)
- Tax consequences on components that will be subsequently reclassified to net profit/(loss) for the period	1,939	31
Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)	15,126	(6,666)
<i>Other income/(losses) that will not be subsequently reclassified to net profit/(loss) for the period</i>		
- Net gain/(loss) from recognition of defined-benefit plans for employees	(81)	(131)
- Tax consequences on components that will not be subsequently reclassified to net profit/(loss) for the period	19	32
Total other income/(losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)	(62)	(99)
Total other income/(losses) for the period, net of taxes (B1+B2 = B)	15,064	(6,765)
Total comprehensive income for the period, net of taxes (A+B)	14,479	(48,211)
Group	12,735	(46,115)
Minority interests	1,744	(2,096)

Consolidated Statement of Cash Flows

(In thousands of Euro)	Quarterly period ended 31 March			
	2021	of which with related parties	2020	of which with related parties
NET PROFIT/(LOSS) FOR THE PERIOD	(585)		(41,446)	
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	40,364	5,176	47,890	6,306
Income Taxes	3,657		(6,486)	
Provision for employee benefit plans	146		192	
Allocation to/(use of) the provision for obsolete inventory	(681)		18,818	
Losses and provision for bad debt	372		768	
Losses/(gains) on disposal of tangible/intangible assets	15		60	
Interest expense and interest expense on lease liabilities	3,932	775	4,495	879
Interest income	(157)	-	(357)	-
Other non-monetary items	(3,857)	(226)	(525)	
Changes in operating assets and liabilities:				
Trade receivables	21,028	136	52,252	(482)
Inventories	11,238		(24,928)	
Trade payables	(9,595)	93	(54,231)	(149)
Other receivables and tax payables	(3,040)		(6,183)	
Employee benefits payments	(757)		(138)	
Other assets and liabilities	5,005	(217)	6,601	894
Other – net	(413)		(313)	
Income taxes paid	119	-	(8,952)	1,283
Interest expense and interest expense on lease liabilities paid	(4,026)	(847)	(5,713)	(974)
Interest income received	157	-	357	-
NET CASH FROM (USED IN) OPERATING ACTIVITIES	62,922	4,890	(17,839)	7,757
Cash flow from investing activities:				
Purchase of tangible assets	(4,539)		(4,348)	
Purchase of intangible assets	(1,082)		(1,084)	
Proceeds from the sale of tangible and intangible assets	11		2	
Acquisition of Arts S.r.l. and Aura 1 S.r.l. - deferred consideration	(3,629)		-	
NET CASH FROM (USED IN) INVESTING ACTIVITIES	(9,239)	-	(5,430)	-
Cash flow from financing activities:				
Net change in financial receivables	142		-	
Net change in financial payables	(15,416)		15,794	
Repayment of lease liabilities	(24,713)	(3,723)	(28,700)	(5,021)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	(39,987)	(3,723)	(12,906)	(5,021)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,696		(36,175)	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	327,880		222,332	
Increase/(decrease) in cash and cash equivalents	13,696		(36,175)	
Effect of exchange rate translation differences	(1,450)		4,580	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	340,126		190,737	

Statement of changes in consolidated shareholders' equity

(In thousands of Euro)	Share capital	Treasury share reserve	Share capital contributions	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Other reserves	Effect IAS 19 Equity	Net profit/(loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
As at 01.01.2021	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	-	-	-	-	-	-	-	(66,397)	-	-	66,397	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	(1,235)	(1,235)	650	(585)
Other comprehensive income/(loss)	-	-	-	-	-	(6,141)	20,188	(15)	-	(62)	-	13,970	1,094	15,064
Total comprehensive income (loss)	-	-	-	-	-	(6,141)	20,188	(15)	-	(62)	(1,235)	12,735	1,744	14,479
Reclassifications	-	-	-	-	60	-	-	921	(981)	-	-	-	-	-
As at 31.03.2021	16,879	(2,776)	2,995	4,188	628,590	(1,018)	(5,180)	64,279	3,341	(3,746)	(1,235)	706,317	17,858	724,175

(In thousands of Euro)	Share capital	Treasury share reserve	Share capital contributions	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Other reserves	Effect IAS 19 Equity	Net profit/(loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
As at 01.01.2020	16,879	(2,776)	2,995	4,188	504,319	(499)	(16,002)	166,510	4,164	(3,412)	87,281	763,647	21,618	785,265
Allocation of results	-	-	-	-	-	-	-	87,281	-	-	(87,281)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	(39,076)	(39,076)	(2,370)	(41,446)
Other comprehensive income/(loss)	-	-	-	-	-	(99)	(6,817)	(24)	-	(99)	-	(7,039)	274	(6,765)
Total comprehensive income (loss)	-	-	-	-	-	(99)	(6,817)	(24)	-	(99)	(39,076)	(46,115)	(2,096)	(48,211)
Purchase of min. interests in companies consolidated on a line-by-line basis and accounting of options on min. interests	-	-	-	-	-	-	-	(699)	-	-	-	(699)	699	-
Stock Grant Reserve	-	-	-	-	-	-	-	-	25	-	-	25	-	25
As at 31.03.2020	16,879	(2,776)	2,995	4,188	504,319	(598)	(22,819)	253,068	4,189	(3,511)	(39,076)	716,858	20,221	737,079

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

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

Florence, 11 May 2021

Manager charged with preparing Company's Financial Reports
Alessandro Corsi