Salvatore Ferragamo Group

Interim report as at 30 September 2017

Salvatore Ferragamo S.p.A.

Florence

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

General information

Registered office of the Parent company

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

Legal information about the Parent company

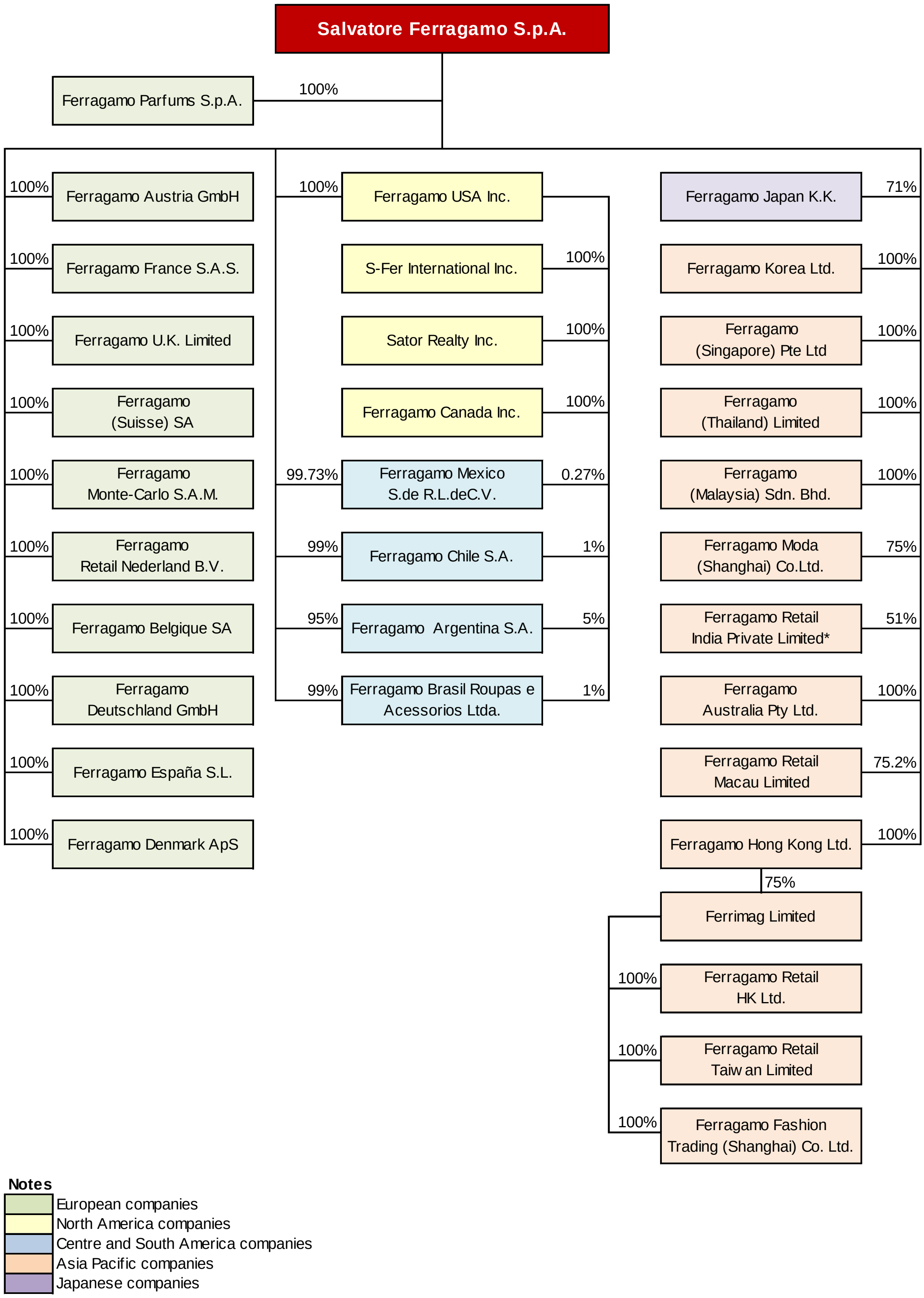
Authorized share capital 16,939,000 Euro
Subscribed and paid-up share capital 16,879,000 Euro
Tax code and Florence Company Register no.: 02175200480
Registered with the Florence Chamber of Commerce under REA (Economic and Administrative Register) no. 464724
Corporate website www.ferragamo.com

Corporate boards

Honorary Chairman (1)	Wanda Miletti Ferragamo	
Board of Directors (1)	Ferruccio Ferragamo (4)	Chairman
	Eraldo Poletto (4)(8)	Managing Director
	Giovanna Ferragamo (5)	Deputy Chairman
	Fulvia Ferragamo (5)	
	Leonardo Ferragamo (5)	
	Francesco Caretti (5)	
	Diego Paternò Castello di San Giuliano (5)	
	Peter Woo Kwong Ching (5)	
	Piero Antinori (5)	
	Umberto Tombari (5)(6)	
	Marzio Saà (5)(6)	
	Chiara Ambrosetti (5)(6)	
	Lidia Fiori (5)(6)	
Control and Risk Committee	Marzio Saà	Chairman
	Umberto Tombari	
	Chiara Ambrosetti	
Nomination and Remuneration Committee	Umberto Tombari	Chairman
	Marzio Saà	
	Lidia Fiori	
Product and Brand Strategy Committee	Ferruccio Ferragamo	Chairman
	Eraldo Poletto	
	Fulvia Ferragamo	
	Leonardo Ferragamo	
Board of Statutory Auditors (2)	Andrea Balelli	Chairman
	Fulvio Favini	Acting Statutory Auditor
	Alessandra Daccò (9)	Acting Statutory Auditor
	Paola Caramella (10)	Substitute Statutory Auditor
	Roberto Coccia	Substitute Statutory Auditor
Independent Auditors (3)	EY S.p.A.	
Manager charged with preparing Company's Financial Reports (7)	Ugo Giorcelli	

(1) Appointed by the Shareholders' Meeting on 24 April 2015 and serving for the 2015-2017 period
(2) Appointed by the Shareholders' Meeting on 27 April 2017 and serving for the 2017-2019 period
(3) Appointed for the 2011-2019 period
(4) Executive director
(5) Non-executive director
(6) Independent director pursuant to art. 148, paragraph 3 of the Consolidated Law on Finance and the Corporate Governance Code
(7) Appointed by the Board of Directors on 14 March 2017
(8) Appointed as Director by the Shareholders' Meeting on 27 April 2017 and appointed as Managing Director by the Board of Directors on the same date. In office until approval of the 2017 financial statements
(9) Resigning Statutory Auditor, effective as from 11 October 2017
(10) Acting Statutory Auditor, effective as from 11 October 2017

Group structure



* Ferragamo Retail India Private Limited – Subsidiary held for sale

Group description

As at 30 September 2017, the Salvatore Ferragamo Group consists of Salvatore Ferragamo S.p.A. (Parent company) and the following consolidated subsidiaries in which the Parent company holds majority stakes, both directly or indirectly, and which it controls.

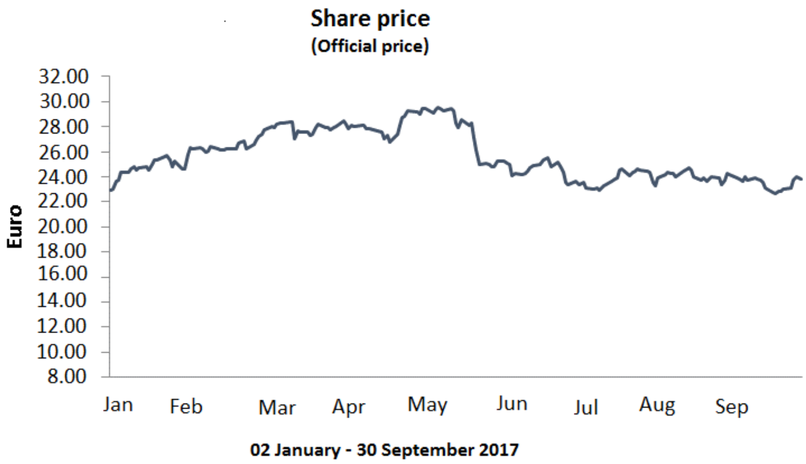
Salvatore Ferragamo S.p.A.	Parent company, owner of the Ferragamo and Salvatore Ferragamo brands, as well as of numerous other figurative and shape-based trademarks; it undertakes production activities and manages the retail distribution channel in Italy as well as the wholesale channel in Italy and abroad, and acts as a holding company.
Europe	
Ferragamo Retail Nederland B.V.	It manages directly operated stores (DOS) in Holland
Ferragamo France S.A.S.	It manages directly operated stores (DOS) in France
Ferragamo Deutschland GmbH	It manages directly operated stores (DOS) in Germany
Ferragamo Austria GmbH	It manages directly operated stores (DOS) in Austria
Ferragamo U.K. Limited	It manages directly operated stores (DOS) in the United Kingdom
Ferragamo (Suisse) SA	It manages directly operated stores (DOS) in Switzerland
Ferragamo Belgique SA	It manages directly operated stores (DOS) in Belgium
Ferragamo Monte-Carlo S.A.M.	It manages directly operated stores (DOS) in the Principality of Monaco
Ferragamo Espana S.L.	It manages directly operated stores (DOS) in Spain
Ferragamo Denmark ApS	It manages directly operated stores (DOS) in Denmark
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 the retail and wholesale channels 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	It manages directly operated stores (DOS) in India (subsidiary held for sale)
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) and the wholesale channel in Singapore
Ferragamo (Thailand) Limited	It manages directly operated stores (DOS) in Thailand
Ferragamo (Malaysia) Sdn. Bhd.	It manages directly operated stores (DOS) in Malaysia
Japan	
Ferragamo Japan K.K.	It manages directly operated stores (DOS) in Japan

Interim Directors' report on operations

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

Official price as at 30 September 2017 in Euro	23.8663
Stock Market capitalization as at 30 September 2017 in Euro	4,028,392,777
Number of shares making up the share capital as at 30 September 2017	168,790,000
Number of outstanding shares (free float)	45,017,138

Here below is the trend in Salvatore Ferragamo's share price during the first nine months of 2017.



Alternative performance measures

In order to better assess its performance, the Salvatore Ferragamo Group makes use of some alternative performance measures which are not identified as accounting measures under IFRS. Therefore, the determination criterion applied by the Group may differ from that adopted by other groups, and the balance may not be comparable. These alternative performance measures are derived exclusively from historical financial data and are determined in accordance with the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 and adopted by CONSOB with communication no. 92543 of 3 December 2015. They refer exclusively to the performance for the reporting period of this 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*.

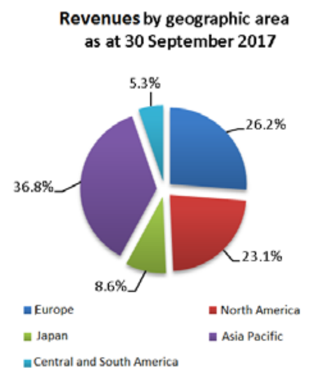
Net working capital: it is calculated as *Inventories* plus *Trade receivables*, net of *Trade payables*.

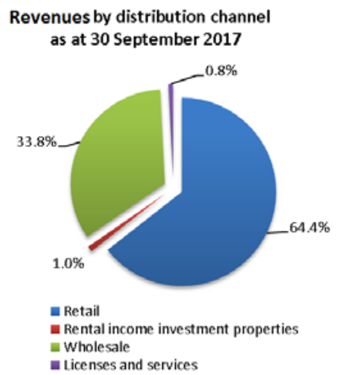
Net invested capital: it is the total amount of *Non current assets, Current assets* and *Assets held for sale*, excluding financial assets (*Other current financial assets* and *Cash and cash equivalents*) net of *Non current liabilities, Current liabilities* and *Liabilities held for sale*, excluding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

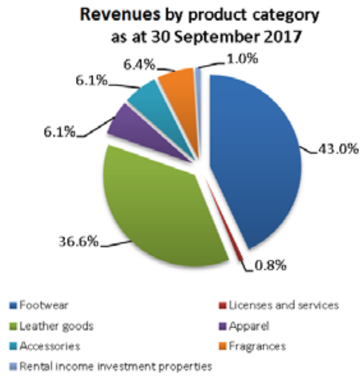
Net financial debt: it is calculated as *Current and non current interest-bearing loans & borrowings* plus *Other current and non current financial liabilities* including the negative fair value of derivatives (non-hedge component), net of *Cash and cash equivalents* and *Other current financial assets*,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

Income and financial highlights for the first nine months of 2017

(In millions of Euro)	Period ended 30 September 2017	2016	2015	% change 2017 vs. 2016	% change 2016 vs. 2015
Revenues	1,004.9	1,013.9	1,021.0	(0.9%)	(0.7%)
Gross profit	645.1	679.5	672.1	(5.1%)	1.1%
Gross profit %	64.2%	67.0%	65.8%		
EBITDA	161.8	216.1	217.6	(25.1%)	(0.7%)
EBITDA %	16.1%	21.3%	21.3%		
Operating profit	115.2	170.0	173.6	(32.2%)	(2.1%)
Operating profit %	11.5%	16.8%	17.0%		
Net profit/(loss) for the period	78.9	110.1	113.4	(28.3%)	(3.0%)
Net profit/(loss) – Group	*82.3*	*112.5*	*112.3*	*(26.8%)*	*0.2%*
Net profit/(loss) – minority interests	*(3.4)*	*(2.4)*	*1.2*		

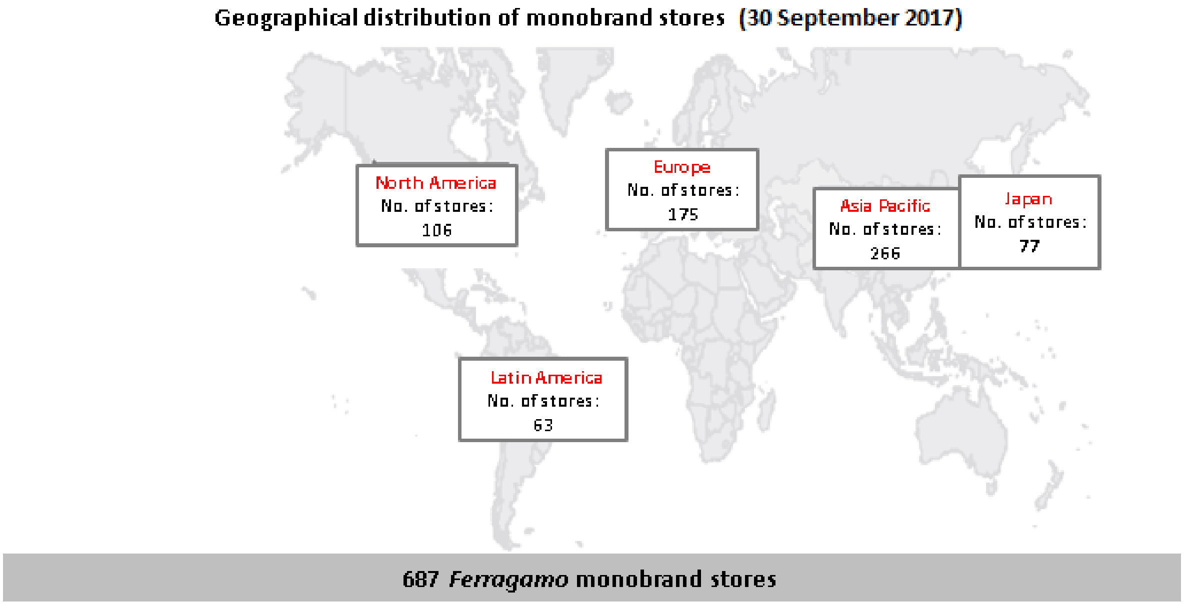






(In millions of Euro)	30 September 2017	31 December 2016	30 September 2016
Investments in tangible/intangible assets	51.0	74.4	46.2
Net working capital	272.1	374.1	350.5
Shareholders' equity	714.9	722.6	641.5
Net financial debt/(surplus)	(100.4)	8.0	18.2
Cash flow generated from operating activities	219.3	161.0	118.4

	30 September 2017	31 December 2016	30 September 2016
Staff as at the reporting date	4,095	4,104	3,990
Number of DOS	407	402	396
Number of TPOS	280	281	277



Disclaimer

This document contains forward-looking statements, in particular in the sections headed "Outlook" and "Significant events occurred after 30 September 2017" relating to future events and the operating, income and financial results of the Salvatore Ferragamo Group. These statements are based on the Group's current expectations and forecasts regarding future events and, by their nature, involve risks and uncertainties, since they refer to events and depend on circumstances which may, or may not, happen or occur in the future. As such, they must not be unduly relied upon. The actual results could differ significantly from those contained in these statements due to a variety of factors, including the volatility and deterioration in the performance of securities and financial markets, changes in raw material prices, changes in macroeconomic conditions and in economic growth, and other changes in business conditions, in the legal and institutional framework (both in Italy and abroad), and many other factors, most of which are beyond the Group's control.

Introduction

In order to promote open and continuous dialogue with the financial community and in light of the best practices followed by the main companies included in the FTSE MIB 30 – where Salvatore Ferragamo S.p.A. is listed – the Salvatore Ferragamo Group has decided, as from 14 November 2017, to return to publishing its interim reports on a voluntary basis, thus reviewing its decision of December 2016 to suspend such publication in line with the changes introduced by Leg. Decree no. 25 of 15 February 2016 which abolished the obligation to do so.

This Interim report has not been subject to audit.

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 nine months of the year cannot be considered as proportional to the year as a whole. The figures are affected by seasonal events also in terms of equity and financial position.

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 2016 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 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, on 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 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, and the Japanese yen. Therefore, the Group is exposed both to settlement and translation risk.

The rising trend of the Euro against the US dollar accelerated between the end of June and the end of August: while in the first half of the year the EUR/USD exchange rate went from values around 1.03 to around 1.11, in just two months the rate went up to above 1.20, the highest level since 2015, up by 8%. The exchange rate was affected by the improvement in the economic and political framework of the Eurozone and the simultaneous deterioration in sentiment towards the United States. Despite Governor Draghi having clearly highlighted that the ECB will only gradually adjust its monetary policy, the market has already discounted an imminent withdrawal of the monetary stimulus measures, contributing to the excessive appreciation of the Euro. On the other hand, the US dollar was affected by doubts over the ability of the Trump administration to implement the announced fiscal stimulus plan, by the sharpening of international geopolitical tensions, and the slowdown in inflation, which significantly reduced the expectation for the continuation of the cycle of interest rate rises by the Federal Reserve.

The strong appreciation of the EUR/JPY exchange rate, which went from around 115 in April to a maximum of over 134 in September, was mainly due to the strength of Euro while, against the US dollar, the USD/JPY exchange rate recorded a sideways movement, with fluctuations within the 103-113 range since the start of 2017. Pound sterling had stopped its slide on expectations of interest rate rises by the Bank of England, but the currency once again depreciated following the political problems of Theresa May and the impact of the Brexit negotiations with Brussels. During the summer, the Chinese Renminbi appreciated further against the US dollar. This was supported not only by the general depreciation of the US dollar, but also by the improvement in capital flow trends and by the elimination of the measures introduced in 2016 to support the exchange rate: the USD/CNY rate fell from 6.80 in mid-June reaching a low of 6.48 in September. A widespread appreciation trend affected many currencies in emerging countries, following the recovery of capital flows and growth prospects of improving domestic demand.

Operating performance

Sales volumes declined slightly in the first nine months of 2017 (-0.9%) due to the wholesale channel. This, together with the plan to sell products from previous collections through the Group's outlets as well as other specific initiatives aimed at disposing of excess inventories (already implemented during the first half of 2017) resulted in a decline in the gross sales margin (-5.1%). This, together with rising operating costs (+4.0%), also attributable to the actions taken by the new management to relaunch the Salvatore Ferragamo Group, resulted in a decline in the operating performance compared to the prior-year period. As a percentage of revenues, the Group's EBITDA was down 25.1% to 16.1% from 21.3% in the first nine months of 2016. Operating profit fell by 32.2% to 11.5% as a proportion of revenues, compared to 16.8% in the first nine months of 2016. Net profit for the period totaled 78.9 million Euro, down by 28.3% compared to the prior-year period. In addition, Group net profit for the period fell by 26.8% from 112.5 million Euro to 82.3 million Euro. Net financial debt improved by a significant 118.6 million Euro from negative 18.2 million Euro as at 30 September 2016 to a positive net financial position of 100.4 million Euro as at 30 September 2017, mainly due to 219.3 million Euro in cash flows from operating activities.

The following table shows the main income statement data.

(In thousands of Euro)	**Period ended 30 September**				
	2017	**% of revenues**	**2016**	**% of revenues**	**% change**
Revenues	**1,004,897**	100.0%	**1,013,870**	100.0%	**(0.9%)**
Gross profit	**645,102**	64.2%	**679,476**	67.0%	**(5.1%)**
Style, product development and logistics costs	(32,144)	(3.2%)	(31,999)	(3.2%)	0.5%
Sales & distribution costs	(353,446)	(35.2%)	(336,498)	(33.2%)	5.0%
Marketing & communication costs	(48,145)	(4.8%)	(51,969)	(5.1%)	(7.4%)
General and administrative costs	(86,269)	(8.6%)	(83,088)	(8.2%)	3.8%
Other operating costs	(17,199)	(1.7%)	(15,203)	(1.5%)	13.1%
Other income and revenues	7,347	0.7%	9,293	0.9%	(20.9%)
Total operating costs (net of other income)	**(529,856)**	(52.7%)	**(509,464)**	(50.2%)	**4.0%**
Operating profit	**115,246**	11.5%	**170,012**	16.8%	**(32.2%)**
Net financial income and charges	(8,849)	(0.9%)	(12,132)	(1.2%)	(27.1%)
Profit before taxes	**106,397**	10.6%	**157,880**	15.6%	**(32.6%)**
Income taxes	(27,472)	(2.7%)	(47,796)	(4.7%)	(42.5%)
Net profit/(loss) for the period	**78,925**	7.9%	**110,084**	10.9%	**(28.3%)**
Net profit/(loss) – Group	82,333	8.2%	112,457	11.1%	(26.8%)
Net profit/(loss) – minority interests	(3,408)	(0.3%)	(2,373)	(0.2%)	43.6%
Amortization, depreciation and write-downs of tangible/intangible assets	46,545	4.6%	46,056	4.5%	1.1%
EBITDA	**161,791**	16.1%	**216,068**	21.3%	**(25.1%)**

Revenues in the first nine months of 2017 totaled 1,004,897 thousand Euro compared to 1,013,870 thousand Euro in the first nine months of 2016, slightly down by 0.9%. The three main currencies other than the Euro in which the Group generates most of its revenues, i.e. the US dollar, the Chinese Renminbi, and the Japanese Yen, performed as follows in the first nine months of 2017 compared to the prior-year period: the US dollar was largely stable in the first nine months of the year, but it depreciated sharply as from August ([1]), the Japanese Yen

[1] With reference to the average Euro/USD exchange rate in the first nine months of 2017 1.114; 2016: 1.116

depreciated by 3.1% ([2]) and the Chinese Renminbi depreciated by 3.1% ([3]) against the Euro, the currency in which the figures in the consolidated financial statements are expressed. In the first nine months of 2017, revenues slightly increased (+0.2%) at constant exchange rates (applying to the revenues – not inclusive of the hedging effect – of the first nine months of 2016 the average exchange rate of the first nine months of 2017); in particular, they decreased by 0.9% in Europe, 3.3% in North America, 4.0% in Japan, while they improved by 3.5% in Asia Pacific and by 6.9% in Central and South America. Asia Pacific contributed the most to Group revenues with 36.8%, followed by Europe (26.2%), North America (23.1%), Japan (8.6%), and Central and South America (5.3%). In the third quarter of 2017 revenues amounted to 286,974 thousand Euro, down 5.5% at current exchange rates and mostly unchanged (+0.5%) at constant exchange rates compared to the prior-year period.

Gross profit for the period ended 30 September 2017 amounted to 645,102 thousand Euro or 64.2% as a proportion of revenues, slightly down from 679,476 thousand Euro or 67.0% as a proportion of revenues in the prior-year period – largely because of the plan to sell products from previous collections through the Group's outlets and other commercial initiatives. In addition, gross profit was affected by an increase in allocations to the provision for obsolete inventory. In the third quarter of 2017, gross profit was 176,870 thousand Euro, down by 13.3% compared to the prior-year period, accounting for 61.6% of revenues compared to 67.1% in the third quarter of 2016.

Total operating costs (net of other income) for the first nine months of 2017 amounted to 529,856 thousand Euro or 52.7% as a percentage of revenues. They increased by 4.0% compared to the first nine months of 2016, when they accounted for 50.2% of revenues, due to the enhancement of the distribution network and, in part, due to the costs associated with the change in the Group’s management and the actions undertaken in the first nine months of 2017 aimed at relaunching the Salvatore Ferragamo Group. The item includes 3,058 thousand Euro for the impairment of the net assets of the Indian company Ferragamo Retail India Private Limited in order to adjust them to the estimated realizable value, since it is classified as held for sale pursuant to IFRS 5, following the resolution of the Board of Directors of Salvatore Ferragamo S.p.A.. For details, reference should be made to the section “Significant events occurred during the first nine months of 2017”. In the third quarter of 2017, total net operating costs, including the impairment relating to the disposal plan for the Indian company, were 166,447 thousand Euro, down by 1.7% compared to the third quarter of 2016 (when they amounted to 169,411 thousand Euro).

EBITDA decreased from 216,068 thousand Euro to 161,791 thousand Euro (-25.1%), due to the reduction in gross profit as well as rising operating costs. The ratio to revenues amounted to 16.1%, down from 21.3% in the first nine months of 2016. In the third quarter of 2017, EBITDA totaled 25,460 thousand Euro compared to 49,943 thousand Euro in the third quarter of 2016 (-49.0%), and the ratio to revenues decreased from 16.4% to 8.9%.

In the period ended 30 September 2017, **operating profit** totaled 115,246 thousand Euro compared to 170,012 thousand Euro as at 30 September 2016, down by 32.2%, with the ratio to revenues decreasing from 16.8% for the period ended 30 September 2016 to 11.5% as at 30 September 2017. In the third quarter of 2017, operating profit totaled 10,423 thousand Euro compared to 34,516 thousand Euro in the third quarter of 2016 (-69.8%), and the ratio to revenues decreased from 11.4% to 3.6%.

Net financial income and charges totaled 8,849 thousand Euro in charges in the first nine months of 2017 compared to charges of 12,132 thousand Euro in the first nine months of 2016.

(In thousands of Euro)	**Period ended 30 September**		
	2017	**2016**	**% change**
Net interest	(2,116)	(3,291)	(35.7%)
Other net income/(charges)	(1,654)	(1,729)	(4.3%)
Net gains/(losses) on exchange rate differences	(10,712)	(1,344)	697.0%
Net financial income/(charges) for fair value adjustment of derivatives	5,648	(5,768)	(197.9%)
Gains/(losses) on disposal of available-for-sale financial assets	(15)	-	na
Total	**(8,849)**	**(12,132)**	**(27.1%)**

Net gains and losses on exchange rate differences mainly reflect the impact of commercial transactions in foreign currency, and went from 1,344 thousand Euro in net losses in the first nine months of 2016 to 10,712 thousand Euro in net losses. Changes in net gains and losses should be correlated with the item "Net financial income/(charges) for fair value adjustment of derivatives", which refers to the premium or discount on transactions to hedge the exchange rate risk undertaken by the Parent company and the changes in the fair value of non-hedging derivatives. This item went from 5,768 thousand Euro in net charges in the first nine months of 2016 to 5,648 thousand Euro in net income in the first nine months of 2017. In the third quarter of 2017, net financial income and charges totaled 2,000 thousand Euro in charges improving from charges of 4,321 thousand Euro in the third quarter of 2016.

[2] With reference to the average Euro/Yen exchange rate in the first nine months of 2017 124.68; 2016: 120.95

[3] With reference to the average Euro/Cny exchange rate in the first nine months of 2017 7.577; 2016: 7.347

Income taxes

(In thousands of Euro)	Period ended 30 September		
	2017	2016	% change
Profit before taxes	**106,397**	**157,880**	**(32.6%)**
Income taxes	(27,472)	(47,796)	(42.5%)
Tax rate	**25.8%**	**30.3%**	

The estimated effective tax rate for the first nine months of 2017 (the best estimate of the annual tax rate expected for the whole year) was 25.8%, down from 30.3% in the prior-year period. The decline is mainly due to the reduction in the direct tax expense (IRES and IRAP) of the Parent company Salvatore Ferragamo S.p.A. due to the benefit associated with the so-called “Patent Box”. The impact estimated in the first nine months of 2017 amounted to a 10.5 million Euro reduction in income taxes. For further details on the “Patent Box”, reference should be made to the section “Significant events occurred during the first half of 2017” in the Half-year report as at 30 June 2017 and to the Annual Report as at 31 December 2016.

In the first nine months of 2017, the Salvatore Ferragamo Group posted 78,925 thousand Euro in **net profit**, compared to 110,084 thousand Euro in the prior-year period. The Group share of net profit amounted to 82,333 thousand Euro, down from 112,457 thousand Euro in the prior-year period. With reference to the third quarter of 2017, net profit totaled 2,692 thousand Euro compared to 19,962 thousand Euro in the third quarter of 2016. The Group share of net profit amounted to 3,923 thousand Euro compared to 22,243 thousand Euro in the third quarter of 2016.

Revenues

The following table shows revenues by **geographic area** for the periods ended 30 September 2017 and 30 September 2016, and the relevant percentage changes:

(In thousands of Euro)	Period ended 30 September					at constant exchange rates
	2017	% of revenues	2016	% of revenues	% change	% change
Europe	263,515	26.2%	267,686	26.4%	(1.6%)	(0.9%)
North America	231,875	23.1%	242,181	23.9%	(4.3%)	(3.3%)
Japan	86,651	8.6%	92,833	9.2%	(6.7%)	(4.0%)
Asia Pacific	370,123	36.8%	360,035	35.5%	2.8%	3.5%
Central and South America	52,733	5.3%	51,135	5.0%	3.1%	6.9%
Total	**1,004,897**	**100.0%**	**1,013,870**	**100.0%**	**(0.9%)**	**0.2%**

Europe saw revenues fall by 1.6% at current exchange rates (0.9% at constant exchange rates) due to the decline in the wholesale channel (-5.2% at current exchange rates, -4.9% at constant exchange rates), offset by the good performance of the retail channel, up by 2.5% at current exchange rates and 3.6% at constant exchange rates.
The North American market saw a decrease in revenues of 4.3% at current exchange rates (-3.3% at constant exchange rates), which was negatively impacted by the trend in the wholesale channel (-10.4% at current exchange rates, -9.5% at constant exchange rates).
Japan saw revenues fall by 6.7% at current exchange rates (-4.0% at constant exchange rates) due to the strategic restructuring of the wholesale channel.
Asia Pacific saw an increase in revenues of 2.8% at current exchange rates (3.5% at constant exchange rates), recording an improvement in both the retail and wholesale channels (+2.2% at current exchange rates in the retail channel and +4.6% at current exchange rates in the wholesale channel). Asia Pacific contributed once again the most to Group revenues with 36.8% compared to 35.5% in the prior-year period.
The Central and South American market once again saw a good increase in revenues: up by 3.1% at current exchange rates and 6.9% at constant exchange rates, accounting for 5.3% of total revenues (5.0% in the prior-year period), mainly thanks to the strong performance of the Mexican market and notwithstanding the slowdown recorded in September due to the earthquake.

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

(In thousands of Euro)	Period ended 30 September					at constant exchange rates
	2017	% of revenues	2016	% of revenues	% change	% change
Retail	647,662	64.4%	639,995	63.1%	1.2%	2.9%
Wholesale	339,514	33.8%	356,380	35.2%	(4.7%)	(4.7%)
Licenses and services	8,060	0.8%	7,843	0.7%	2.8%	2.8%
Rental income investment properties	9,661	1.0%	9,652	1.0%	0.1%	(0.1%)
Total	**1,004,897**	**100.0%**	**1,013,870**	**100.0%**	**(0.9%)**	**0.2%**

Retail revenues refer to revenues generated by sales in directly operated stores (DOS).
Wholesale sales are targeted mainly at retailers and, to a lesser extent, distributors. Wholesale customers consist of:

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

In the first nine months of 2017 retail sales grew by 1.2% at current exchange rates and by 2.9% at constant exchange rates (-1.0% on a like-for-like basis), thanks to the good performance in Europe (+2.5% at current exchange rates and +3.6% at constant exchange rates), Asia Pacific (+2.2% at current exchange rates and +3.3% at constant exchange rates), and in Latin America (+0.7% at current exchange rates and +9.3% at constant exchange rates). In the first nine months of 2017, the retail channel accounted for 64.4% of total revenues compared to 63.1% in the prior-year period.
As at 30 September 2017 the number of directly operated stores (DOS) increased by 5 units compared to the situation as at 31 December 2016. Compared to 30 September 2016, there was a net increase of 11 units.
Wholesale sales decreased by 4.7% at current and constant exchange rates, mainly in North America (-10.4% at current exchange rates and -9.5% at constant exchange rates) and in Japan (-37.6% at current exchange rates and -36.9% at constant exchange rates).

In the first nine months of 2017, revenues from licenses and services increased by 2.8% (at both current and constant exchange rates); this item mainly consists of royalties for the licensing of the Salvatore Ferragamo brand to the Marchon group in the eyewear industry and the Timex group in the watch industry.
Revenues from rental income investment properties refer solely to property located in the United States and leased/sub-leased to third parties; the item is broadly unchanged compared to the prior-year period.

The following table shows revenues by **product category** for the periods ended 30 September 2017 and 30 September 2016, indicating the relevant percentage of total revenues:

(In thousands of Euro)	Period ended 30 September					at constant exchange rates
	2017	% of revenues	2016	% of revenues	% change	% change
Footwear	432,424	43.0%	437,836	43.2%	(1.2%)	0.1%
Leather goods	367,395	36.6%	369,684	36.4%	(0.6%)	0.3%
Apparel	61,814	6.1%	62,397	6.2%	(0.9%)	0.4%
Accessories	60,817	6.1%	63,753	6.3%	(4.6%)	(3.3%)
Fragrances	64,726	6.4%	62,705	6.2%	3.2%	3.5%
Licenses and services	8,060	0.8%	7,843	0.7%	2.8%	2.8%
Rental income investment properties	9,661	1.0%	9,652	1.0%	0.1%	(0.1%)
Total	**1,004,897**	**100.0%**	**1,013,870**	**100.0%**	**(0.9%)**	**0.2%**

Fragrances did especially well, rising by 3.2% at current exchange rates and 3.5% constant exchange rates.

Statement of financial position and Investments

Here below is the statement of financial position as at 30 September 2017 reclassified by sources and uses, compared to the position as at 31 December 2016 and 30 September 2016:

(In thousands of Euro)	30 September 2017	31 December 2016	30 September 2016	% change 09.17 vs. 12.16	% change 09.17 vs. 09.16
Property, plant and equipment, investment property, intangible assets with a finite useful life	279,421	288,618	274,776	(3.2%)	1.7%
Net working capital	272,081	374,132	350,457	(27.3%)	(22.4%)
Other non current assets/(liabilities), net	32,582	41,042	54,075	(20.6%)	(39.7%)
Other current assets/(liabilities), net	35,290	26,820	(19,618)	31.6%	(279.9%)
Assets/(liabilities) held for sale, net	(4,886)	-		na	na
Net invested capital	**614,488**	**730,612**	**659,690**	**(15.9%)**	**(6.9%)**
Group shareholders' equity	688,667	693,138	598,697	(0.6%)	15.0%
Minority interests	26,195	29,476	42,798	(11.1%)	(38.8%)
Shareholders' equity (A)	**714,862**	**722,614**	**641,495**	**(1.1%)**	**11.4%**
Net financial debt/(surplus) (B)	**(100,374)**	**7,998**	**18,195**	**(1355.0%)**	**(651.7%)**
Total sources of financing (A+B)	**614,488**	**730,612**	**659,690**	**(15.9%)**	**(6.9%)**
Net financial debt/shareholders' equity	(14.0%)	1.1%	2.8%		

Investments in fixed assets

During the period ended 30 September 2017, the Salvatore Ferragamo Group made investments in tangible and intangible assets for a total amount of 50,954 thousand Euro, of which 43,765 thousand Euro in tangible assets and 7,189 thousand Euro in intangible assets, compared to a total of 46,241 thousand Euro in the first nine months of 2016.

The most important investments in tangible assets were made in the opening and refurbishment of stores (17 million Euro, approximately 39% of total investments in tangible assets) and the works carried out at the Osmannoro facility, which are part of the broader project undertaken by the Parent company to expand and renovate the whole industrial complex. Investments in intangible assets mainly refer to the so-called "Marlin Project", aimed at standardizing the Group's SAP-based retail information systems and developing the e-commerce platform (for a total amount of 3.2 million Euro).

Investments in tangible assets under construction mainly concerned the investments made in the Osmannoro-Sesto Fiorentino facility for the construction of the new logistics center by the Parent company Salvatore Ferragamo S.p.A. (for a total amount of 25.9 million Euro as at 30 September 2017) and, to a minor extent, the refurbishment and opening of new stores which were not yet operational as at 30 September 2017. The Group's largest investment in intangible assets under construction was represented by the "Old Replacement" project of the Parent company Salvatore Ferragamo S.p.A.: the aim is introducing a new SAP-based distribution system integrated with the logistic shipping and billing system.

Amortization and depreciation amounted to 46,545 thousand Euro in the first nine months of 2017 and 46,056 thousand Euro in the prior-year period, up by 1.1%.

Net working capital

Here below is the breakdown and change in net working capital as at 30 September 2017 compared with 31 December 2016 and 30 September 2016.

(In thousands of Euro)	30 September 2017	31 December 2016	30 September 2016	% change 09.17 vs. 12.16	% change 09.17 vs. 09.16
Inventories	334,742	374,710	393,075	(10.7%)	(14.8%)
Trade receivables	100,235	179,678	113,857	(44.2%)	(12.0%)
Trade payables	(162,896)	(180,256)	(156,475)	(9.6%)	4.1%
Total	**272,081**	**374,132**	**350,457**	**(27.3%)**	**(22.4%)**

Net working capital decreased by 27.3% compared to 31 December 2016 and by 22.4% compared to 30 September 2016, mainly due to the decrease in trade receivables (-44.2% compared to 31 December 2016 and -12.0% compared to 30 September 2016) and to the decrease in inventories (-10.7% compared to 31 December 2016 and -14.8% compared to 30 September 2016). Specifically, inventories of finished products declined by 56,739 thousand Euro compared to 31 December 2016 and by 61,563 thousand Euro compared to 30 September 2016, also because of the plan to sell products from previous collections through the Group's outlets. Raw materials for production were up 36.7% compared to 31 December 2016 and 5.5% compared to 30 September 2016 and depend on production volumes for the period.

Trade receivables largely referred to wholesale sales.

Trade payables are mainly due to purchases of production materials, finished products and costs relating to outsourced manufacturing; they decreased by 9.6% compared to 31 December 2016 and they increased by 4.1% compared to 30 September 2016.

Net financial debt

Net financial debt as at 30 September 2017, 31 December 2016 and 30 September 2016 was as follows:

(In thousands of Euro)	30 September 2017	31 December 2016	30 September 2016	Change 09.17 vs. 12.16	Change 09.17 vs. 09.16
A. Cash	1,001	1,855	752	(854)	249
B. Other cash equivalents	196,635	115,394	128,743	81,241	67,892
C. Cash and cash equivalents (A)+(B)	**197,636**	**117,249**	**129,495**	**80,387**	**68,141**
Derivatives – non-hedging component	311	264	203	47	108
Other financial assets	-	-	-	-	-
D. Current financial receivables	**311**	**264**	**203**	**47**	**108**
E. Current bank payables	79,022	121,251	115,371	(42,229)	(36,349)
F. Derivatives – non-hedging component	233	526	838	(293)	(605)
G. Other current financial payables	3,260	3,379	6,124	(119)	(2,864)
H. Current financial debt (E)+(F)+(G)	**82,515**	**125,156**	**122,333**	**(42,641)**	**(39,818)**
I. Current financial debt, net (H)-(C)-(D)	**(115,432)**	**7,643**	**(7,365)**	**(123,075)**	**(108,067)**
J. Non current bank payables	15,058	-	25,484	15,058	(10,426)
K. Derivatives – non-hedging component	-	355	76	(355)	(76)
M. Other non current payables	-	-	-	-	-
N. Non current financial debt (J)+(K)+(M)	**15,058**	**355**	**25,560**	**14,703**	**(10,502)**
O. Net financial debt (I)+(N)	**(100,374)**	**7,998**	**18,195**	**(108,372)**	**(118,569)**
Net financial debt – subsidiary held for sale	**5,766**	-	-	**5,766**	**5,766**

In the period ended 30 September 2017, the net financial position amounted to 100,374 thousand Euro, improving by 108,372 thousand Euro compared to 31 December 2016 when net financial debt amounted to 7,998 thousand Euro. The improvement was largely attributable to the positive cash flows from operating activities (219,330 thousand Euro), net of the 77,643 thousand Euro dividend payout approved by the Parent company, and cash absorption attributable to investments for the period amounting to 47,714 thousand Euro. It should be noted that net financial debt concerning the subsidiary Ferragamo Retail India Private Limited (classified as subsidiary held for sale) amounted to 5,766 thousand Euro and is not included in the Group's net financial position as at 30 September 2017.

Compared to 30 September 2016, net financial debt decreased by 118,569 thousand Euro, from net financial debt of 18,195 thousand Euro to a net financial position of 100,374 thousand Euro.

Assets and liabilities held for sale

Assets held for sale of 3,490 thousand Euro and liabilities held for sale of 8,376 thousand Euro (largely due to financial debt of 5,766 thousand Euro) respectively include the assets and liabilities of Ferragamo Retail India Private Limited, which are valued at the lower of the book value and the estimated realizable value as can be inferred from the current status of negotiations to sell the company to third parties, which, according to the management's decisions (see the section "Significant events occurred during the first nine months of 2017"), meet the requirements outlined in IFRS 5 for the classification as such.

A total amount of 3,058 thousand Euro has been recorded in the income statement, under Other operating costs, as impairment in order to align the value of the net assets held for sale to the estimated realizable value based on the ongoing negotiations, net of sale costs.

Significant events occurred during the first nine months of 2017

For information on significant events occurred in the first six months of the year, reference should be made to the Half-year report as at 30 June 2017. Here below are the main events occurred during the third quarter of 2017.

Start of the process to dispose of the investment in the subsidiary Ferragamo Retail India Private Limited

At its meeting on 31 July 2017 the Board of Directors of Salvatore Ferragamo S.p.A. assigned a broad and separate mandate to the Chairman and Managing Director to negotiate the disposal of the investment in Ferragamo Retail India Private Limited. Since the sale is highly likely, in light of the current progress in negotiations, the Indian company has been classified as asset/liability held for sale in the consolidated financial statements of the Salvatore Ferragamo S.p.A. Group, in compliance with the requirements outlined in IFRS 5.

Tax and customs disputes and audits (update)

Following a documentary inspection started in July 2014, on 1 December 2015 the Regional Unit of the Tuscany Inland Revenue Office issued to Salvatore Ferragamo S.p.A. (the Company) an assessment notice relating to the pass-through mechanism of taxation in Italy of the subsidiary Ferragamo Hong Kong Ltd. for the 2010 tax year, pursuant to Italian rules and regulations on controlled foreign companies. In the assessment notice, the tax base of Ferragamo Hong Kong Ltd. was redetermined and the credit for taxes paid abroad and used for tax return purposes was partly rejected, and more income tax (IRES) was claimed to the tune of around 170 thousand Euro, plus interest and sanctions for approximately 55 thousand Euro. On 2 May 2016, the Company appealed against the assessment notice, after the unsuccessful outcome of the assessment with acceptance process. On 29 September 2017, the Regional Unit of the Inland Revenue Office partially annulled the assessment notice, in compliance with Resolution no. 112/E of 11 August 2017, which was issued when the Regional Unit raised a query with the Regulatory Central Unit. The Company then settled the tax dispute for the residual part by paying 18 thousand Euro in additional tax liabilities (in addition to 9 thousand Euro which had already been paid as provisional amount of tax due), benefitting from the settlement of outstanding tax disputes as set out in art. 11, Law Decree no. 50 of 24 April 2017, converted with the relevant amendments into Law no. 96 of 21 June 2017.

The Holding Company Ferragamo Finanziaria S.p.A. was subject to a tax audit for the 2011 tax year. The process ended with a Tax assessment report notified on 15 July 2015 that included some findings concerning the tax liability of Salvatore Ferragamo S.p.A. with reference to the pass-through mechanism of taxation for Ferragamo Hong Kong Ltd. for the year 2011, once again partially rejecting the credit for taxes paid abroad. Ferragamo Finanziaria S.p.A. is a so-called 1st-level reporting agent as far as the income of the CFC is concerned. Following these findings, on 12 October 2016 the Regional Unit of the Tuscany Inland Revenue Office invited Salvatore Ferragamo S.p.A. to state any objections. On 27 October 2016, the Company submitted a statement of defense. On 23 December 2016, the Regional Unit served an assessment notice on both companies, assessing an additional 633 thousand Euro corporate income tax liability plus 685 thousand Euro in interest and penalties on top of the penalties assessed against both firms as part of the proceeding concerning the year 2010. The companies filed requests for assessment with acceptance on 8 February 2017. At the end of the assessment with acceptance process, the internal opinion had not yet been formally delivered. Therefore, on 22 May 2017 the Company filed an appeal. Also in this case, the assessment notice should be canceled pursuant to Resolution No. 112/E/2017 dated 11 August 2017.

As for the tax audits carried out by the French tax authorities and involving Ferragamo France S.A.S., reference should be made to the Half-year report as at 30 June 2017, as there were no new developments during the third quarter of 2017.

Patent Box and Research and Development Tax Credit (update)

As for the tax benefits (Patent Box and R&D Tax Credit), reference should be made to the Half-year report as at 30 June 2017, as there were no new developments during the third quarter of 2017.

International standard ruling on transfer pricing (update)

On 11 August 2014, Salvatore Ferragamo S.p.A. requested an international standard ruling from the Italian Inland Revenue Office – Central Assessment Department – International Ruling Office, pursuant to Art. 8 of Italian Law Decree no. 269 dated 30 September 2003 (converted into law no. 326/2003), as implemented by the Decision of the Head of the Inland Revenue Office dated 23 July 2004. The request concerned the setting of transfer prices for the products sold by Salvatore Ferragamo S.p.A. to its foreign subsidiaries. The goal is reaching an agreement that would last five years between tax authorities and the taxpayer on how to set prices for such transactions. On 5 September 2014, the International Ruling Office accepted the request, formally starting the international standard ruling procedure. The procedure ended with the agreement signed on 28 July 2017, which is effective for the fiscal years from 2017 to 2021 and can be extended for further five years.

Other information

Dividends

Pursuant to the resolution of the Shareholders' Meeting of 27 April 2017, the Parent company Salvatore Ferragamo S.p.A. paid Shareholders a single dividend of 0.46 Euro per share, relating to the profit for 2016, for a total amount of 77,643,400 Euro, with coupon detachment on 22 May 2017 and payment of the dividend as from 24 May 2017. Other Group companies with third-party minority shareholders did not pay any dividends during the first nine months of 2017.

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

Stakes in Salvatore Ferragamo S.p.A.

As at 30 September 2017, Ferragamo Finanziaria S.p.A. held a majority stake in the share capital of Salvatore Ferragamo S.p.A., i.e. 57.776% as per the communication of Ferragamo Finanziaria S.p.A. pursuant to form 120/A in Attachment 4 to the CONSOB Issuers' Regulation.

Treasury shares and shares or stakes in parent companies

It should be noted that as at 30 September 2017, the Company Salvatore Ferragamo S.p.A. does not hold its treasury shares and the same applies to its subsidiaries. The Group does not hold directly or indirectly treasury shares or shares in parent companies, and during the period it did not buy or sell treasury shares or shares in parent companies.

Staff

Here below is the Salvatore Ferragamo Group's staff divided by category as at 30 September 2017, 31 December 2016 and 30 September 2016.

Staff	30 September 2017	31 December 2016	30 September 2016
Top managers, middle managers and store managers	765	761	754
White collars	3,058	3,072	2,958
Blue collars	272	271	278
Total	**4,095**	**4,104**	**3,990**

Basis of presentation

This Interim report was approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 14 November 2017 and, on the same date, the Board authorized its release to the public.
For comparative purposes, the consolidated financial statements show the comparison with the consolidated statement of financial position as at 31 December 2016 and 30 September 2016 and the consolidated income statement as at 30 September 2016.
All amounts are expressed in Euro and are rounded to the nearest thousand Euro, unless otherwise indicated.
The equity, income and financial data as at 30 September 2017 have been prepared according to 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 end of the reporting period.
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 2016, to which reference should be made. The Group has not adopted new or revised standards of the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as the European Union has not endorsed new standards, amendments or interpretations applicable from 1 January 2017.

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 nine months of 2017 the Group structure underwent no changes. It should be noted that Ferragamo Retail India Private Limited has been classified as held for sale, in line with the requirements outlined in IFRS 5.

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 rates		Exchange rates at the end of the reporting period		
	30 September 2017	30 September 2016	30 September 2017	31 December 2016	30 September 2016
US Dollar	1.1140	1.1162	1.1806	1.0541	1.1161
Swiss Franc	1.09510	1.09361	1.1457	1.0739	1.0876
Japanese Yen	124.681	120.952	132.82	123.40	113.09
Pound Sterling	0.8732	0.8030	0.8818	0.8562	0.8610
Danish Krone	7.4373	7.4472	7.4423	7.4344	7.4513
Australian Dollar	1.4539	1.5048	1.5075	1.4596	1.4657
South Korean Won	1,268.10	1,295.67	1,351.83	1,269.36	1,229.76
Hong Kong Dollar	8.6771	8.6659	9.2214	8.1751	8.6547
Mexican Peso	21.008	20.430	21.4614	21.7719	21.7389
New Taiwanese Dollar	33.993	36.1255	35.8118	34.1345	35.0604
Singapore Dollar	1.5470	1.5297	1.6031	1.5234	1.5235
Thai Baht	38.1357	39.3279	39.3380	37.7260	38.6950
Malaysian Ringgit	4.8377	4.5570	4.9827	4.7287	4.6148
Indian Rupee	72.6449	74.9164	77.0690	71.5935	74.3655
Macau Pataca	8.930	8.918	9.4829	8.4189	8.9405
Chinese Renminbi	7.5766	7.3466	7.8534	7.3202	7.4463
Chilean Peso	728.14	758.41	753.86	707.679	736.43
Argentine Peso	18.121	16.215	20.685	16.715	17.065
Brazilian Real	3.5352	3.9561	3.7635	3.4305	3.6210
Canadian Dollar	1.4546	1.4746	1.4687	1.4188	1.4690

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. Bank guarantees were issued in favor of Palazzo Feroni Finanziaria S.p.A. (1,329 thousand Euro as at 30 September 2017) and in favor of Lungarno Alberghi S.r.l. (488 thousand Euro as at 30 September 2017): they concerned the leasing of properties owned by said companies. There are no other guarantees, given or received, relating to receivables and payables with related parties. The Salvatore Ferragamo Group has not set aside any provision for bad debt in relation to amounts due from related parties.

Significant non-recurring events and transactions

During the first nine months of 2017, the Salvatore Ferragamo Group did not carry out significant non-recurring transactions.

Transactions arising from atypical and/or unusual transactions

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

Significant events occurred after 30 September 2017

The Acting Statutory Auditor Alessandra Daccò resigned, effective as from 11 October 2017. Pursuant to article 2401 of the Italian Civil Code and article 30 of the Company's Bylaws, the Substitute Statutory Auditor Paola Caramella took over as Acting Statutory Auditor, effective as from 11 October 2017 and until the next Shareholders' Meeting. She was selected from the same majority list submitted by the shareholder Ferragamo Finanziaria S.p.A. in which Alessandra Daccò had been included as a candidate at the Shareholders' Meeting of 27 April 2017.

Outlook

The performance of the global economy continued to improve in the third quarter of 2017: the flow of economic data offered positive, above-forecast indications, with particular reference to emerging countries. Industrial production indices were supported by investments and international trade volumes; the stabilization of oil prices increased the prospects for inflation, which still shows a moderate trend. The assessment of political risks is more balanced; confidence surveys stabilized at high levels. The change in direction towards a normalization of monetary policies concerns an increasingly wide number of advanced economies, while in the emerging economies – with differences among different areas and countries – monetary policies continue to be accommodative. The currency realignment had a negative impact on the US dollar. Future prospects are mainly affected by a slowdown in the global economy due to China and the normalization of monetary policies adopted by the central banks.

In the United States growth is supported by domestic consumption, a solid labor market, expansionary monetary policies and the confidence of operators; the announced fiscal stimulus is awaited. The second half of the year will be affected by the transitory impact of the hurricanes, which should slow down demand in coming months. Below target inflation has an impact on the normalization of monetary policy by the FED. Political risk has increased owing to the reputational crisis of the Trump administration. The expansionary trend continues throughout the Eurozone, at higher rates than expected, thanks to stable consumption levels and to the start of an expansionary investment cycle; the unemployment rate is at its lowest in nine years. The uncertainties about the rise in inflation are the reasons for caution in the normalization of monetary policy by the ECB. Political risk, albeit reduced, has not completely disappeared. The biggest uncertainties refer to the future economic developments globally. Growth is expected to strengthen in Italy too, but at lower rates compared to the European average. In Japan, the pro-cyclical measures in monetary and fiscal policy, which led to a significant fall in the exchange rate and contributed to exports, support economic growth; the low propensity to consumption continues, enhancing savings. In China GDP rose by 6.9% on an annual basis also in the second quarter: domestic orders increased, while foreign trade slowed down. The reduction in systemic financial risks, in particular on the credit market, together with the need to cool down the real estate industry, remain the regulator's primary objective for coming years. The outlook is that of a gradual slowdown in growth, which should in any case stay around 6%. The economies of emerging markets are once again less of a cause for concern, although the new policy of the US administration raises serious doubts about commercial and geopolitical trends. Mexico continues to suffer from its proximity to the United States; encouraging trends continue in Russia, favored by the oil price trend, and in Brazil.

Despite the above macroeconomic uncertainty, the luxury sector is growing at a moderate rate, driven especially by Chinese demand in the domestic and international market as well as the travel retail channel. If the marked depreciating trend of the US dollar should continue in the remainder of 2017, this would impact on the values expressed in Euro in the financial statements of the Ferragamo Group.

This year the Salvatore Ferragamo Group is going through a transition, implementing wide-ranging strategic actions and initiatives across its core business areas.

Florence, 14 November 2017

On behalf of the Board of Directors

The Chairman
Ferruccio Ferragamo

Financial statements

Consolidated statement of financial position – assets

(In thousands of Euro)	30 September 2017	*of which with related parties*	31 December 2016	*of which with related parties*	30 September 2016	*of which with related parties*
NON CURRENT ASSETS						
Property, plant and equipment	237,026		243,692		235,247	
Investment property	6,318		7,350		7,028	
Intangible assets with a finite useful life	36,077		37,576		32,501	
Available-for-sale financial assets	-		20		20	
Other non current assets	5,979		7,395		7,618	
Other non current financial assets	16,380	*1,512*	17,278	*1,552*	16,535	*1,772*
Deferred tax assets	103,434		110,277		114,202	
TOTAL NON CURRENT ASSETS	**405,214**	***1,512***	**423,588**	***1,552***	**413,151**	***1,772***
CURRENT ASSETS						
Inventories	334,742		374,710		393,075	
Trade receivables	100,235	*94*	179,678	*69*	113,857	*102*
Tax receivables	23,018		31,854		23,078	
Other current assets	59,530	*13,475*	67,898	*32,410*	33,071	*2,072*
Other current financial assets	311		264		203	
Cash and cash equivalents	197,636		117,249		129,495	
TOTAL CURRENT ASSETS	**715,472**	***13,569***	**771,653**	***32,479***	**692,779**	***2,174***
Assets held for sale	3,490		-		-	
TOTAL ASSETS HELD FOR SALE	**3,490**		**-**		**-**	
TOTAL ASSETS	**1,124,176**	***15,081***	**1,195,241**	***34,031***	**1,105,930**	***3,946***

Consolidated statement of financial position – liabilities and shareholders' equity

(In thousands of Euro)	30 September 2017	*of which with related parties*	31 December 2016	*of which with related parties*	30 September 2016	*of which with related parties*
SHAREHOLDERS' EQUITY						
GROUP SHAREHOLDERS' EQUITY						
Share capital	16,879		16,879		16,879	
Reserves	589,455		474,275		469,361	
Net profit/(loss) – Group	82,333		201,984		112,457	
TOTAL GROUP SHAREHOLDERS' EQUITY	**688,667**		**693,138**		**598,697**	
MINORITY INTERESTS						
Share capital and reserves – minority interests	29,603		33,102		45,171	
Net profit/(loss) – minority interests	(3,408)		(3,626)		(2,373)	
TOTAL MINORITY INTERESTS	**26,195**		**29,476**		**42,798**	
TOTAL SHAREHOLDERS' EQUITY	**714,862**		**722,614**		**641,495**	
NON CURRENT LIABILITIES						
Non current interest-bearing loans & borrowings	15,058		-		25,484	
Provisions for risks and charges	13,743		14,328		8,877	
Employee benefit liabilities	11,431		12,283		12,945	
Other non current liabilities	58,234		60,756		57,472	
Other non current financial liabilities	-		355		76	
Deferred tax liabilities	9,803		6,561		5,006	
TOTAL NON CURRENT LIABILITIES	**108,269**	**-**	**94,283**	**-**	**109,860**	**-**
CURRENT LIABILITIES						
Trade payables	162,896	*2,012*	180,256	*513*	156,475	*2,506*
Interest-bearing loans & borrowings	79,022		121,251		115,371	
Tax payables	11,721		21,615		18,611	
Other current liabilities	35,537	*6,530*	51,317	*3,760*	57,156	*19,673*
Other current financial liabilities	3,493		3,905		6,962	
TOTAL CURRENT LIABILITIES	**292,669**	***8,542***	**378,344**	***4,273***	**354,575**	***22,179***
Liabilities held for sale	8,376		-		-	
TOTAL LIABILITIES HELD FOR SALE	**8,376**		-		-	
TOTAL LIABILITIES	**409,314**	***8,542***	**472,627**	***4,273***	**464,435**	***22,179***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,124,176**	***8,542***	**1,195,241**	***4,273***	**1,105,930**	***22,179***

Consolidated income statement

(In thousands of Euro)	Period ended 30 September			
	2017	*of which with related parties*	2016	*of which with related parties*
Revenues from sales and services	995,236	*197*	1,004,218	*175*
Rental income investment properties	9,661		9,652	
Revenues	**1,004,897**		**1,013,870**	
Cost of goods sold	(359,795)		(334,394)	
Gross profit	**645,102**		**679,476**	
Style, product development and logistics costs	(32,144)	*(1,148)*	(31,999)	*(1,171)*
Sales & distribution costs	(353,446)	*(17,705)*	(336,498)	*(16,919)*
Marketing & communication costs	(48,145)	*(37)*	(51,969)	*(76)*
General and administrative costs	(86,269)	*(7,402)*	(83,088)	*(9,269)*
Other operating costs	(17,199)	*(106)*	(15,203)	-
Other income and revenues	7,347	*17*	9,293	*17*
Operating profit	**115,246**		**170,012**	
Financial charges	(41,183)		(29,413)	
Financial income	32,334	-	17,281	
Profit before taxes	**106,397**		**157,880**	
Income taxes	(27,472)		(47,796)	
Net profit/(loss) for the period	**78,925**		**110,084**	
Net profit/(loss) – Group	82,333		112,457	
Net profit/(loss) – minority interests	(3,408)		(2,373)	

	Period ended 30 September	
	2017	**2016**
Basic earnings per share – ordinary shares	0.488	0.666
Diluted earnings per share – ordinary shares	0.488	0.666

Consolidated statement of comprehensive income

(In thousands of Euro)	**Period ended 30 September**	
	2017	**2016**
Net profit/(loss) for the period (A)	**78,925**	**110,084**
Other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period		
- Currency translation differences of foreign operations	(33,718)	(252)
- Net gain/(loss) from cash flow hedge	31,319	3,132
- Income taxes	(7,517)	(968)
	23,802	2,164
Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)	**(9,916)**	**1,912**
Other income/(losses) that will not be subsequently reclassified to net profit/(loss) for the period		
- Net gain/(loss) from recognition of defined-benefit plans for employees	401	(1,266)
- Income taxes	(93)	296
	308	(970)
Total other income/(losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)	**308**	**(970)**
Total other income/(losses) for the period, net of taxes (B1+B2 = B)	**(9,608)**	**942**
Total comprehensive income for the period, net of taxes (A+B)	**69,317**	**111,026**
Group	74,779	113,749
Minority interests	(5,462)	(2,723)

Consolidated statement of cash flows

(In thousands of Euro)	**Period ended 30 September**			
	2017	*of which with related parties*	**2016**	*of which with related parties*
NET PROFIT / (LOSS) FOR THE PERIOD	**78,925**		**110,084**	
Adjustments to reconcile net profit (loss) to net cash from (used in) operating activities:				
Amortization, depreciation and write-downs of tangible and intangible assets and investment property	46,545		46,056	
Allocation / (use) of deferred taxes	(2,251)		(7,258)	
Provision for employee benefit plans	622		591	
Allocation to / (use of) the provision for obsolete inventory	9,214		1,996	
Losses and provision for bad debt	499		1,525	
Losses / (gains) on disposal of tangible/intangible assets	523		577	
Impairment of net assets held for sale	3,058		-	
Other non-monetary items	1,583		1,784	
Changes in operating assets and liabilities:				
Trade receivables	78,110	(25)	55,373	(23)
Inventories	529		(39,544)	
Trade payables	(17,796)	1,499	(45,579)	2,162
Tax receivables	6,450		(4,272)	
Tax payables	(8,746)		(3,856)	
Employee benefits payments	(746)		(640)	
Other assets and liabilities	23,196	21,745	1,855	1,388
Other – net	(385)		(322)	
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**219,330**	**23,219**	**118,370**	**3,527**
Cash flow from investing activities:				
Purchase of tangible assets	(40,525)	-	(40,341)	(11)
Purchase of intangible assets	(7,189)		(5,900)	
Net change in available-for-sale financial assets	5		-	
Proceeds from the sale of tangible and intangible assets	30		29	
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**(47,679)**	**-**	**(46,212)**	**(11)**
Cash flow from financing activities:				
Net change in financial receivables	(131)		90	
Net change in financial payables	(14,000)		(7,632)	
Dividends paid to shareholders of the Parent company	(77,643)	(56,934)	(77,643)	(57,080)
Purchase of minority interests in companies consolidated on a line-by-line basis	(804)		-	
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**(92,578)**	**(56,934)**	**(85,185)**	**(57,080)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**79,073**		**(13,027)**	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**117,249**		**142,121**	
Increase/(decrease) in cash and cash equivalents	79,073		(13,027)	
Effect of exchange rate translation differences	2,796		395	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD*	**199,118**		**129,489**	

ADDITIONAL INFORMATION				
Interest paid	2,585		3,731	
Income taxes paid	7,224		59,956	
Interest received	469		439	
Dividends received	-		-	

* **Cash and cash equivalents at the end of the period amounted to 1,760 thousand Euro and refer to Ferragamo Retail India Private Limited, a subsidiary held for sale. For details, reference should be made to the section "Assets and liabilities held for sale" of this Interim report.**

Statement of changes in consolidated shareholders' equity

(In thousands of Euro)	Share capital	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 01.01.2017	**16,879**	**2,995**	**4,188**	**316,082**	**(6,884)**	**(4,035)**	**149,570**	**15,525**	**(3,166)**	**201,984**	**693,138**	**29,476**	**722,614**
Allocation of results	-	-	-	113,423	-	-	88,561	-	-	(201,984)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	82,333	82,333	(3,408)	78,925
Other comprehensive income/(loss)	-	-	-	-	23,802	(31,650)	(13)	-	307	-	(7,554)	(2,054)	(9,608)
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**23,802**	**(31,650)**	**(13)**	**-**	**307**	**82,333**	**74,779**	**(5,462)**	**69,317**
Distribution of dividends	-	-	-	-	-	-	(77,643)	-	-	-	(77,643)	-	(77,643)
Purchase of minority interests in companies consolidated on a line-by-line basis and accounting of options on minority interests	-	-	-	-	-	-	(2,746)	-	-	-	(2,746)	2,181	(565)
Stock Grant Reserve	-	-	-	-	-	-	-	1,139	-	-	1,139	-	1,139
As at 30.09.2017	**16,879**	**2,995**	**4,188**	**429,505**	**16,918**	**(35,685)**	**157,729**	**16,664**	**(2,859)**	**82,333**	**688,667**	**26,195**	**714,862**

(In thousands of Euro)	Share capital	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 01.01.2016	**16,879**	**2,995**	**4,188**	**191,676**	**(4,486)**	**(15,208)**	**182,959**	**14,780**	**(2,590)**	**172,733**	**563,926**	**44,815**	**608,741**
Allocation of results	-	-	-	124,465	-	-	48,268	-	-	(172,733)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	112,457	112,457	(2,373)	110,084
Other comprehensive income/(loss)	-	-	-	-	2,164	(234)	328	-	(966)	-	1,292	(350)	942
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**2,164**	**(234)**	**328**	**-**	**(966)**	**112,457**	**113,749**	**(2,723)**	**111,026**
Distribution of dividends	-	-	-	-	-	-	(77,643)	-	-	-	(77,643)	-	(77,643)
Purchase of minority interests in companies consolidated on a line-by-line basis and accounting of options on minority interests	-	-	-	-	-	-	(1,536)	-	-	-	(1,536)	706	(830)
Stock Grant Reserve	-	-	-	-	-	-	-	201	-	-	201	-	201
Reclassifications	-	-	-	(60)	-	-	-	60	-	-	-	-	-
As at 30.09.2016	**16,879**	**2,995**	**4,188**	**316,081**	**(2,322)**	**(15,442)**	**152,376**	**15,041**	**(3,556)**	**112,457**	**598,697**	**42,798**	**641,495**

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, 14 November 2017

Manager charged with preparing Company's Financial Reports
Ugo Giorcelli