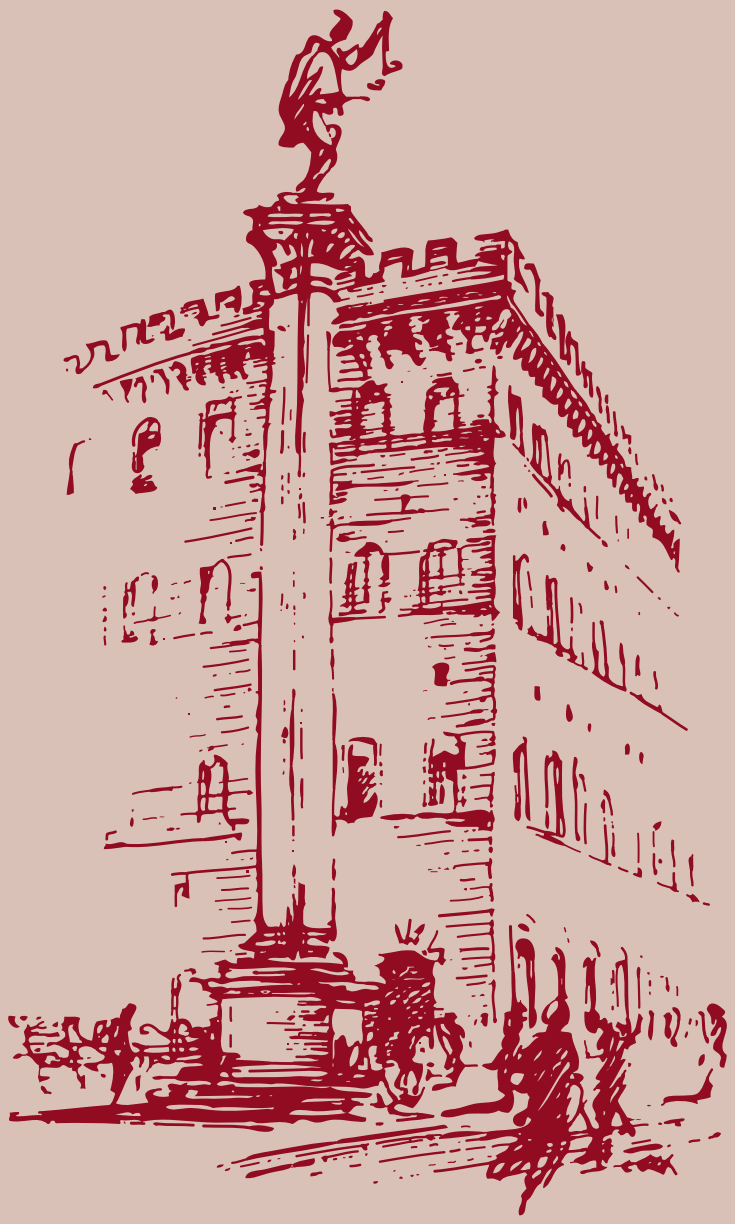
Salvatore Ferragamo



Annual Report 2020

Salvatore Ferragamo

Salvatore Ferragamo Group
Annual Report
as at 31 December 2020

Salvatore Ferragamo S.p.A.
Florence

General information

Registered office Salvatore Ferragamo S.p.A. Via Tornabuoni, 2 - 50123 Florence
Legal information 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 https://group.ferragamo.com/it/

Contents

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

Letter from the Chairman

We will always remember 2020 for the personal and professional challenges it posed, but also for the solidarity, determination, resilience, and courage of many.

The health emergency has changed the world and, as a result, also Companies and how these approach their business. The Covid-19 emergency and the lockdowns imposed in several geographies during the first half of the year significantly affected the Group's business, causing a contraction in both revenues and margins.

The industry we operate in was forced to rethink schedules and priorities.
This was an overdue and useful exercise: for Salvatore Ferragamo, it made us even more aware that we must make a fresh start by putting sustainability at the center of our strategy.

We have reimagined our way of working, putting the health of our staff first and striving to ensure everyone can work safely. Technology has allowed us to continue meeting, and the Ferrragamo teams have showed great dedication and willingness. I am grateful to our people for the passion and sense of belonging to the brand that they have showed even at the most challenging times.

As the health emergency swept over us, we took action to support associations and healthcare entities in the fight against the pandemic. Among other projects, we helped the Italian Red Cross with the renovation of Florence's Fraticini Hospital, and supported the Tuscany Region by donating 50,000 units of hand sanitizer and pledging to manufacture and donate over 100,000 masks through our contract manufacturers.

That said, the pandemic did not sway us from our commitments.

We continued our partnership with the Meyer Foundation, supporting newborn screening activities and the planned expansion of the Children's Hospital in Florence. At such a particular and challenging historical moment, we made a point of supporting the young and research efforts, which are key to a fresh start.

In 2020, in line with the commitments of the Fashion Pact, we were the first Italian luxury company to set science-based targets to reduce our direct and indirect CO_2 emissions by 42% by 2029. This commitment makes us proud: a heartfelt thanks to all the teams that worked together to define the targets and dedicate themselves every day to achieving them.

Our history has taught us that at challenging times, we can find solutions in creativity and innovation: this vision has guided us also during this year as we discovered alternative, regenerated and circular materials for our collections. From organic silk to regenerated nylon yarns, from recycled post-consumer cashmere to certified leather, we are combining creativity and experimentation with the same enthusiasm that colored my father's work.

The experience of our supply chain, comprised of world-class artisans, has allowed us to continue providing our customers with products that are the pinnacle of Italian quality, beauty, and comfort. And we want to start again from our products.

Before the pandemic, our company had been working to consolidate its positioning, investing to bolster its digital presence, optimize physical stores, and communicate in a way consistent with the values that have always defined us. The pandemic has reinforced our vision, and we continue on this journey by focusing on the long-term strategy: we believe the key to the recovery is continuing to believe in ideas, commitment, and creativity, without ever forgetting our history and heritage.

The main lesson we have learned is that the power of collaboration allows to grow and innovate, always responding positively to change.

Ferruccio Ferragamo
Salvatore Ferragamo S.p.A. Chairman

Board of Directors' report on operations

as at 31 December 2020

Board of Directors' report on operations as at 31 December 2020

Corporate boards

Board of Directors [1]	Ferruccio Ferragamo [8] Michele Norsa [6] [11] Micaela le Divelec Lemmi [6] [10] Giacomo Ferragamo [7] [13] Giovanna Ferragamo [8] Leonardo Ferragamo [8] Diego Paternò Castello di San Giuliano [8] Angelica Visconti [7] Francesco Caretti [8] Peter Woo Kwong Ching [8] Umberto Tombari [8] [9] Marzio Alessandro Alberto Saà [8] [9] Chiara Ambrosetti [8] [9] Lidia Fiori [8] [9]	Chairman Executive Deputy Chairman Managing Director
Executive Committee [2]	Michele Norsa [12] Micaela le Divelec Lemmi Diego Paternò Castello di San Giuliano Francesco Caretti Marzio Alessandro Alberto Saà	Chairman
Control and Risk Committee	Marzio Alessandro Alberto Saà Umberto Tombari Chiara Ambrosetti Lidia Fiori	Chairman
Nomination and Remuneration Committee	Umberto Tombari Marzio Alessandro Alberto Saà Lidia Fiori Chiara Ambrosetti	Chairman

Product and Brand Strategy Committee	Michele Norsa [12] Micaela le Divelec Lemmi Diego Paternò Castello di San Giuliano Angelica Visconti Giacomo Ferragamo [13]	Chairman
Board of Statutory Auditors [3]	Andrea Balelli [3] Paola Caramella [3] Giovanni Crostarosa Guicciardi [3] Roberto Coccia [3] Antonella Andrei [3]	Chairman Acting Statutory Auditor Acting Statutory Auditor Substitute Statutory Auditor Substitute Statutory Auditor
Independent Auditors [4]	KPMG S.p.A.	
Manager charged with preparing Company's Financial Reports [5]	Alessandro Corsi	

[1] Appointed by the Shareholders' Meeting on 20 April 2018 and serving until the approval of the separate financial statements as at 31 December 2020

[2] Appointed by the Board of Directors on 6 April 2020 and served in the role until 15 December 2020.

[3] Appointed by the Shareholders' Meeting on 8 May 2020 and serving until the approval of the separate financial statements as at 31 December 2022.

[4] Appointed for the 2020-2028 period.

[5] Appointed by the Board of Directors on 10 March 2020 effective as from 1 April 2020.

[6] Executive director

[7] Executive director pursuant to article 2 of the Corporate Governance Code as a manager of the Company.

[8] Non-executive director

[9] Independent director pursuant to article 147-ter, paragraph 4 and article 148, paragraph 3 of Italian Legislative Decree no. 58 of 24 February 1998 ("Testo Unico della Finanza" or "T.U.F.", Consolidated Law on Finance) and article 3 of the Corporate Governance Code.

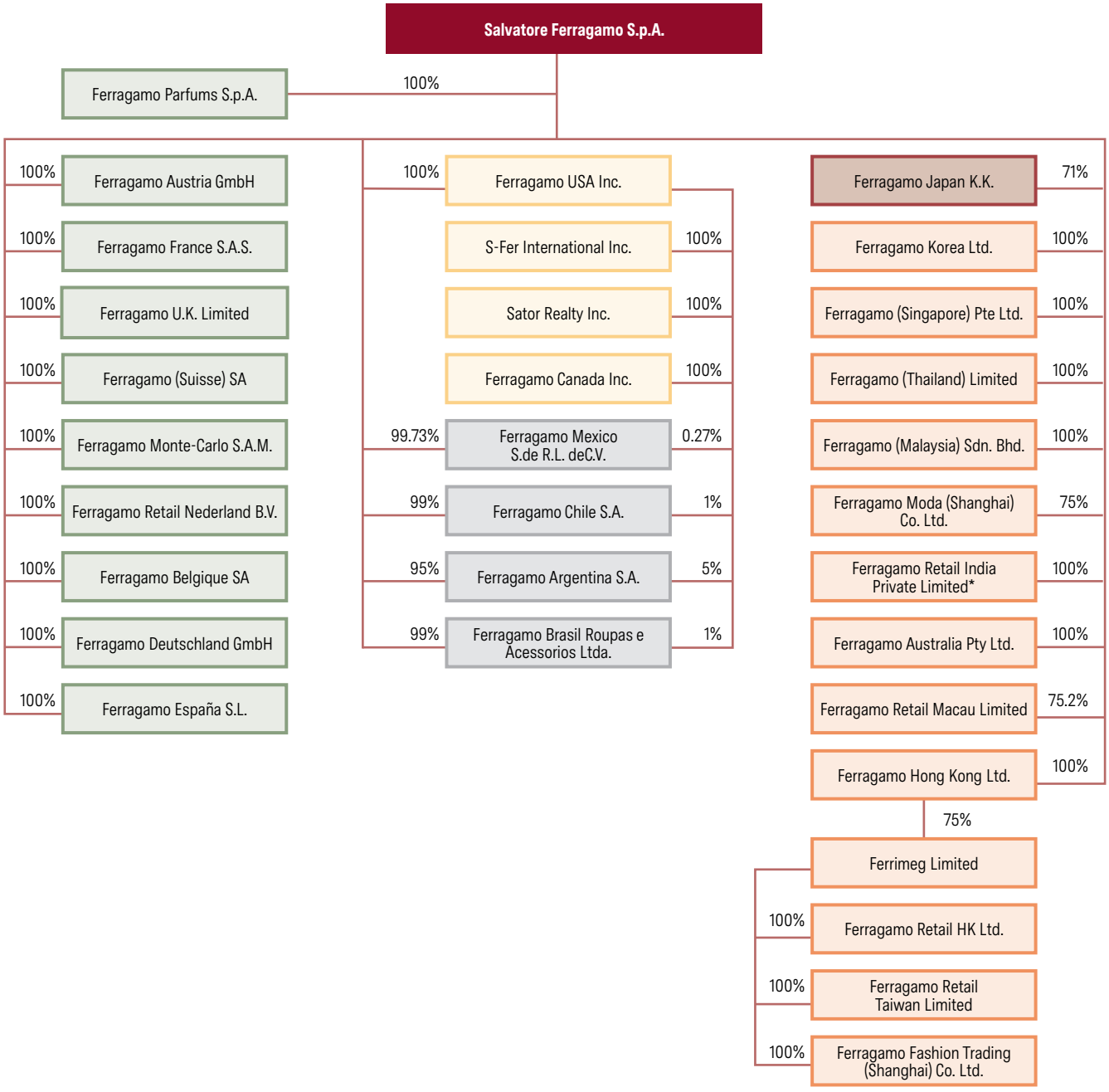
[10] Appointed by the Shareholders' Meeting on 18 April 2019 and serving until the approval of the separate financial statements as at 31 December 2020.

[11] Co-opted pursuant to art. 2386, paragraph 1, of the Italian Civil Code by the Board of Directors on 27 May 2020, in place of the outgoing Director Giacomo Ferragamo, effective 28 May 2020 and serving until the approval of the Separate Financial Statements as at 31 December 2020.

[12] Appointed by the Board of Directors on 27 May 2020.

[13] Appointed as Director by the Shareholders' Meeting on 20 April 2018 and served until 27 May 2020, when he resigned.

Group structure



Note

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

* Non-operating company

Group description

As at 31 December 2020, the Salvatore Ferragamo Group consists of Salvatore Ferragamo S.p.A. (Parent company) and the following subsidiaries – consolidated on a line by line basis – in which the Parent company holds majority stakes, both directly or indirectly, and which it controls.

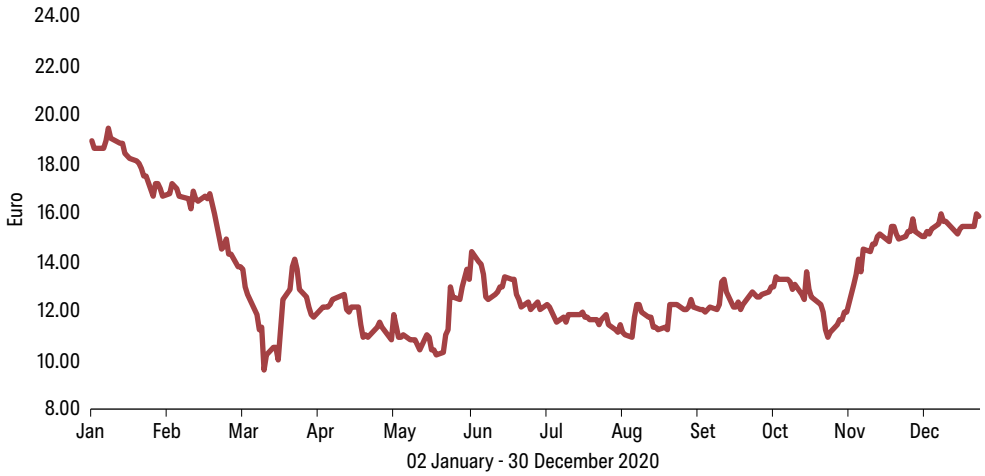
Salvatore Ferragamo S.p.A.	Parent company, owner of the Ferragamo and Salvatore Ferragamo brands, as well as of numerous other figurative and shape-based trademarks; it undertakes production activities and it manages the retail distribution channel in Italy as well as the wholesale channel in Italy and abroad, and acts as a holding company.
EUROPE	
Ferragamo Retail Nederland B.V.	It manages directly operated stores (DOS) in Holland
Ferragamo France S.A.S.	It manages directly operated stores (DOS) in France
Ferragamo Deutschland GmbH	It manages directly operated stores (DOS) in Germany
Ferragamo Austria GmbH	It manages directly operated stores (DOS) in Austria
Ferragamo U.K. Limited	It manages directly operated stores (DOS) in the United Kingdom
Ferragamo (Suisse) SA	It manages directly operated stores (DOS) in Switzerland
Ferragamo Belgique SA	It manages directly operated stores (DOS) in Belgium
Ferragamo Monte-Carlo S.A.M.	It manages directly operated stores (DOS) in the Principality of Monaco
Ferragamo Espana S.L.	It manages directly operated stores (DOS) in Spain
Ferragamo Parfums S.p.A.	Licensee of the Ferragamo and Ungaro brands for the production and distribution of the fragrances product category
NORTH AMERICA	
Ferragamo USA Inc.	It distributes and promotes products in the USA and acts as a sub-holding for North America (USA and Canada)
Ferragamo Canada Inc.	It manages directly operated stores (DOS) and the wholesale channel in Canada
S-Fer International Inc.	It manages directly operated stores (DOS) in the USA
Sator Realty Inc.	It manages directly operated stores (DOS) in the USA and real estate assets
CENTRAL AND SOUTH AMERICA	
Ferragamo Mexico S. de R.L. de C.V.	It manages directly operated stores (DOS) and the wholesale channel in Mexico
Ferragamo Chile S.A.	It manages directly operated stores (DOS) in Chile
Ferragamo Argentina S.A.	It manages directly operated stores (DOS) in Argentina
Ferragamo Brasil Roupas e Acessorios Ltda.	It manages directly operated stores (DOS) in Brazil
ASIA PACIFIC	
Ferragamo Hong Kong Ltd.	It distributes and promotes products in Asia and acts as a sub-holding for the Chinese area (Hong Kong, Taiwan, PRC)
Ferragamo Australia Pty Ltd.	It manages directly operated stores (DOS) in Australia
Ferrimag Limited	Sub-holding company for the Chinese area (Hong Kong, Taiwan, PRC)
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	It manages directly operated stores (DOS) and the wholesale channel in the People's Republic of China
Ferragamo Moda (Shanghai) Co. Ltd.	It manages directly operated stores (DOS) in the People's Republic of China
Ferragamo Retail HK Limited	It manages directly operated stores (DOS) in Hong Kong
Ferragamo Retail Taiwan Limited	It manages directly operated stores (DOS) in Taiwan
Ferragamo Retail Macau Limited	It manages directly operated stores (DOS) in Macau
Ferragamo Retail India Private Limited	Non-operating company
Ferragamo Korea Ltd.	It manages directly operated stores (DOS) and the wholesale channel in South Korea
Ferragamo (Singapore) Pte Ltd	It manages directly operated stores (DOS) in Singapore
Ferragamo (Thailand) Limited	It manages directly operated stores (DOS) in Thailand
Ferragamo (Malaysia) Sdn. Bhd.	It manages directly operated stores (DOS) in Malaysia
JAPAN	
Ferragamo Japan K.K.	It manages directly operated stores (DOS) in Japan

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

Official price as at 30 December 2020 in Euro	15.86
Minimum price as at 16 March 2020 in Euro [1]	9.498
Maximum price as at 10 January 2020 in Euro [1]	19.52
Stock Market capitalization as at 31 December 2020 in Euro	2,677,009,400
Number of shares making up the share capital as at 31 December 2020	168,790,000
Number of outstanding shares (free float)	48,979,090

Here below is the trend in Salvatore Ferragamo's share price during 2020.

Share price (Official price)



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.

[1] Minimum and maximum prices recorded during the day's trading session and, therefore, not coinciding with official and reference prices on the same date.

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 Annual 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 Annual Report are provided below:

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

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

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

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

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

Net financial debt/(surplus): it is calculated as *Current and non current interest-bearing loans & borrowings* plus *Current and non current lease liabilities and Other current and non current financial liabilities* including the negative fair value of derivatives (non-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.*

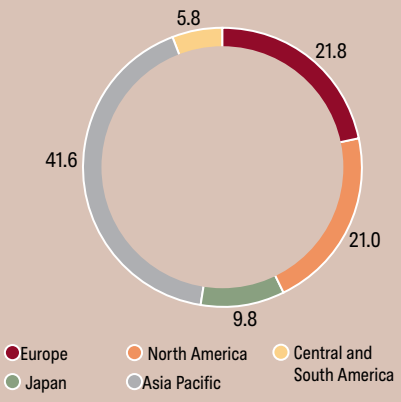
Adjusted cash flow from (used in) operating activities: it is *Net cash from (used in) operating activities* net of *Repayment of lease liabilities (classified as Cash flow from financing activities).*

The alternative performance indicators *EBITDA excluding IFRS16, Operating Profit/(Loss) excluding IFRS16, Net profit/(loss) for the period excluding IFRS16*, and *Adjusted net invested capital*, presented in the Annual Report as at 31 December 2019 to provide a better understanding of the Group's performance following the introduction of the accounting standard IFRS16 effective 1 January 2019, are no longer presented in this Annual Report, as the amounts for both comparison periods (2020 and 2019) have been reported in accordance with the accounting standard IFRS16.

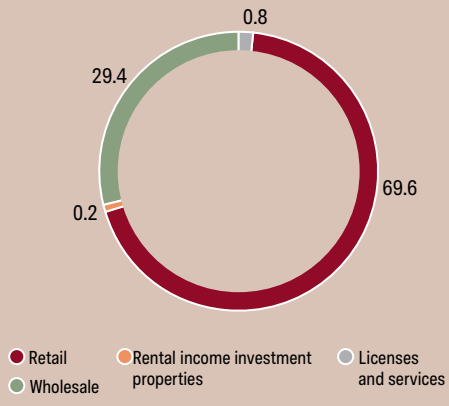
1. The Group's main income and financial results for the year 2020

(In millions of Euro)	2020	2019	% change 2020 vs 2019
Revenues	915.8	1,377.3	(33.5%)
Gross profit	565.5	893.5	(36.7%)
Gross profit %	61.8%	64.9%	
EBITDA	160.2	335.5	(52.2%)
EBITDA %	17.5%	24.4%	
Operating profit/(loss)	(61.5)	149.7	na
Operating profit/(loss) %	(6.7%)	10.9%	
Adjusted operating profit/(loss)	(26.9)	149.7	na
Adjusted operating profit/(loss) %	(2.9%)	10.9%	
Net profit/(loss) for the period	(71.7)	87.4	na
Net profit/(loss) – Group	*(66.4)*	*87.3*	*na*
Net profit/(loss) – minority interests	*(5.3)*	*0.1*	

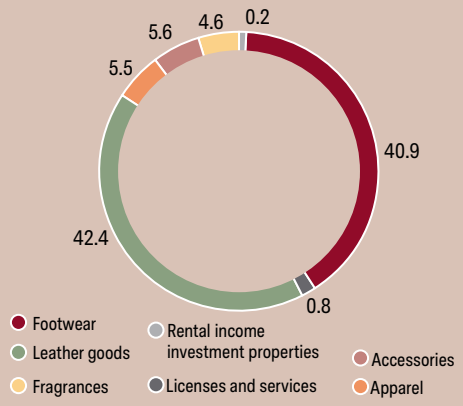
Revenue by geographic area as at 31 December 2020 (%)



Revenue by distribution channel as at 31 December 2020 (%)



Revenue by product category as at 31 December 2020 (%)



(In millions of Euro)	31 December 2020	31 December 2019
Investments in tangible/intangible assets*	29.4	59.0
Net working capital	314.6	334.6
Shareholders' equity	709.7	785.3
Adjusted net financial debt/(surplus)	(138.7)	(171.9)
Adjusted cash flow from (used in) operating activities	(5.2)	135.6

* To provide a better presentation, investments in tangible/intangible assets are presented excluding the costs for the restoration of premises leased from third parties, recognized as fixed assets pursuant to the relevant contractual obligations, restating the comparative information from 2019 accordingly.

	31 December 2020	31 December 2019
Staff as at the reporting date	3,855	4,277
Number of DOS	395	393
Number of TPOS	249	261

Geographical distribution of monobrand stores (31 December 2020)

No. of stores:

644 *Ferragamo* monobrand stores

Disclaimer

This document contains forward-looking statements, in particular in the sections headed "Macroeconomic situation and outlook", "Significant events occurred after 31 December 2020", and "Consolidated Non-Financial Statement pursuant to Italian Legislative Decree 254/2016" relating to future events and the operating, income, financial, social, and environmental 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.

2. Introduction

The Parent company Salvatore Ferragamo S.p.A. is a legal entity set up under Italian law and, pursuant to art. 40, paragraph 2 bis, of Legislative Decree 127/91, it prepares the Directors' report on operations of both the Separate Financial Statements and the Consolidated Financial Statements in a single document.
The Directors' report on operations, in addition to the indicators required for financial statements, in compliance with International Financial Reporting Standards (IFRS), also includes some alternative performance measures used by management to monitor and assess the Group's performance, as detailed in a specific section. In addition, this Directors' report on operations includes the Consolidated Non-Financial Statement as required by Legislative Decree no. 254/2016 on non-financial statements about the following: environmental, social and employee-related matters, respect for human rights, and anti-corruption and bribery matters.

3. The Salvatore Ferragamo Group's activities

The Group is active in the creation, production and sale of luxury goods for men and women: footwear, leather goods, apparel, silk goods, jewels, other accessories and fragrances. The product range also includes eyewear and watches manufactured under license by third parties. The product range stands out for its uniqueness, which is the result of the combination of creative and innovative style with the quality and craftsmanship that are the hallmark of luxury goods made in Italy.

The Salvatore Ferragamo Group is present in over 90 countries worldwide and sells its products mainly through:

1. a network of single Salvatore Ferragamo brand stores, managed both directly (DOS) and by third parties (TPOS);
2. 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 handled by both the company Ferragamo Parfums S.p.A. and third-party distributors which serve a network of selected mainly multibrand stores belonging to the specific fragrances channel. The Group is also active in the licensing of the Salvatore Ferragamo brand and in real estate management.

History of the Group

1898 Salvatore Ferragamo is born in Bonito, in the province of Avellino.

1923 After joining his siblings in America, Salvatore Ferragamo opens the Hollywood Boot Shop marking the start of his career as "shoemaker to the stars".

1927 Salvatore Ferragamo Italia is set up, producing women's shoes.The first laboratory is opened in Florence.

1936 Salvatore Ferragamo transfers the shoe laboratory to Palazzo Spini Feroni, which he then bought in 1938 and is still the registered office of the Group.

1938 Salvatore Ferragamo makes the famous Rainbow model for Judy Garland, the year after having invented and patented the cork wedge heel.

1947 In Dallas, Salvatore Ferragamo receives the Neiman Marcus Prize for his "Invisibile" sandal.

1950s Launch of the Women's Leather Goods and Women's Ready-To-Wear lines. The success is now international and the shop in Florence is visited by celebrities such as Audrey Hepburn and the Dukes of Windsor.

1960s After the death of the Founder, his widow Wanda took over the reins of the Company. In 1965 the production of bags starts.

1970s Launch of the first men's RTW collections, men's footwear, silk and accessories.

1978 Creation of Vara, one of the most famous shoes by Salvatore Ferragamo.

1986 Opening of the first DOS in Asia (Hong Kong) and entry into the Asian market.

1990 Creation of the bag with the famous Gancini decorative symbol.

1995 Inauguration of the Salvatore Ferragamo Museum at Palazzo Spini Feroni, dedicated to the shoes and history of the Company.

1998 Launch of the Salvatore Ferragamo Fragrances and Eyewear lines.

2003 Realization of the first Salvatore Ferragamo watches.

2006 Launch of the Ferragamo's Creations collection: limited production run of some of the most famous shoes made by Salvatore.

2011 Salvatore Ferragamo S.p.A. is listed on the Mercato Telematico Azionario (screen-based stock exchange) organized and managed by Borsa Italiana S.p.A.

2019 Appointment of Paul Andrew as Salvatore Ferragamo's Creative Director.

2020 "Salvatore, shoemaker of Dream", directed by Luca Guadagnino, premieres Out of Competition at the 77th Venice Film Festival.

Distinctive features of the Parent company and the Group

The main factors which have enabled the development and consolidation of the Group's competitive positioning can be summarized as follows:

Brand heritage as a synonym of glamour, elegance, craftsmanship, creativity and innovation

- the legendary status of the founder Salvatore Ferragamo which is inseparably linked to the world of luxury footwear;
- over 80 years' history associated with high quality, classic luxury products which have always been known for their "*Made in Italy*" excellence;
- continuous product innovation with a high level of customization and use of rare and high-quality materials, often incorporating particular and unusual details;
- abundant archive of designs and models to draw on as inspiration for new collections;
- use of Ferragamo products by leading personalities from the world of cinema, theatre and entertainment.

Global brand awareness

- high and consolidated level of brand awareness;
- worldwide distribution of products and presence, through tailored single brand stores, in the key shopping streets and prestigious locations for the luxury sector;
- significant and consolidated presence in Europe, America and Asia.

Sustainable Thinking

- incorporation of sustainability throughout the value chain, in keeping with the core values of creativity, innovation, and world-class craftsmanship; governance model mindful of the context and the need to balance/mitigate ESG risks;
- development of initiatives to engage stakeholders and promote partnerships at all levels to gradually transform the industry in the direction of more sustainable models inspired by the circular economy.

Ongoing search for quality applied to the whole product range

- "Made in Italy" production process realized through a number of expert and carefully selected manufacturers which have been working with the Group for several years;
- particular attention to quality control, both in choosing and processing materials, and on the finished product;
- introduction of new product categories (with particular attention to the development of those with high growth and profit potential), while maintaining the integrity and identity of the brand over time;
- RTW products and accessories (especially in silk) made with sophisticated and prestigious materials in order to enhance the footwear and leather product ranges;
- granting of a limited number of licenses solely to highly qualified and prestigious companies.

Consolidated, extended distribution network that is diversified across different channels

Consolidated, extended distribution network that is diversified across different channels (DOS-TPOS-multibrand channel):

- consolidated presence of Ferragamo single brand stores in the main luxury sector locations around the world;
- presence in the digital channel (Internet) with a website (www.ferragamo.com) in seven languages (Italian, French, Spanish, English, Chinese, Korean and Japanese) and e-commerce functions (directly managed by the Group) for various European countries (Eurozone and United Kingdom), United States, South Korea, Japan, Mexico, People's Republic of China and Australia;
- significant presence in the travel retail channel with Ferragamo single brand stores in the main airports around the globe.

Geographically balanced distribution with a significant historic presence both in developed and developing markets thanks to the Group's pioneering attitude which has driven it to enter new markets timely:

- significant and consolidated presence in markets with high growth rates, such as, in particular, Asia (China and Asia Pacific) and Latin America.

Strategy

The Group's strategy, in line with its commitment to pursuing sustainable growth, aims to enhance its competitive position among the leaders in the global luxury market, by leveraging its creativity, glamour, Italian craftsmanship, and standing in the footwear and accessories sector, in order to create value for shareholders through sustainable and profitable growth. For more information on the main ESG topics, please refer to the Consolidated non-financial statement pursuant to Legislative Decree 254/2016, where they are discussed in detail.

The main guidelines can be summarized as follows:

Consolidation of its position in the luxury market, enhancing its classical elegance and glamour with a contemporary style that keeps pace with the times

The Group aims to maintain its position in the high-end luxury segment at global level, by emphasizing the specific and central role played in its product range by the excellent quality of Italian products, also thanks to the adequate support of marketing, communication, and sustainable thinking activities.

Expansion of the distribution network in emerging markets and optimization of retail and wholesale performance at global level

The Group intends to leverage its distribution network, which is strategically well balanced in terms of channels and geographic areas, in order to take advantage of the opportunities offered by high growth countries and to improve the effectiveness of each distribution channel, through:

- further expansion of its commercial presence in emerging countries, above all in Asia Pacific;
- improvement in the performance of the retail channel, which is to be achieved through more effective management of product categories in stores, the renovation of stores improving their layout, the opening of stores dedicated exclusively to men or women's products as well as, above all in historic luxury markets, renewal of the stores' image;
- constant control of the wholesale channel, consolidating its presence in the most prestigious department stores in historic luxury markets and continuing to exploit this channel to penetrate emerging countries; particular importance is also attached to the travel retail segment;
- development of the e-commerce channel. 2020 saw the launch of the new e-commerce website in Canada, the United States, Mexico, South Korea, Australia, the People's Republic of China, Japan, and several European countries (Eurozone and United Kingdom).

Optimization of the product range and the collection structure

The Group believes that it can increase revenues and operating profits also by making changes to the product range and the collection structure:

- by supplementing the collections so as not only to satisfy new purchasing opportunities, including with a specific focus on younger customers and the needs of specific geographic areas/markets, but also to optimize the price structure and profits from the collection;
- by increasing the focus on the Group's core product categories (men and women's footwear and leather goods) and which, at the same time, are among those with the highest profits and forecast growth.

Ongoing modernization of the supply chain and the organizational structure to allow Salvatore Ferragamo S.p.A. and the Group to achieve its objectives

The Group intends to continue leveraging the Italian spirit, sustainability, and flexibility of its production structure, based on integration with the external manufacturing workshops with which it maintains consolidated and long-standing relations.

In order to achieve the strategic objectives, the Group intends to focus even more on the development of its human resources who have always been one of the company's main assets, through a series of initiatives to train and develop in-house staff, as well as on the ability to recruit new, expert professionals. The Group intends to strengthen its IT and logistics infrastructure.

Specifically, please note that in 2018 the "New Logistics Hub" at Osmannoro - Sesto Fiorentino became operational, featuring innovative systems and a high level of automation. The main benefits the Group expects from this major investment are: bringing the reception/storing/shipping of the Parent's products together into a single logistics site; being able to handle much larger product volumes than currently possible; boosting the productivity, quality, and efficiency of the logistics process, so as to meet market demands in a more flexible and faster manner; improving overall working conditions by installing ergonomic workstations.

The strategic/organizational model

The success of the Salvatore Ferragamo Group is based on pursuing a coherent strategy over time, centered on constant monitoring of the value chain through the adoption of a shared Group organizational model for the various product categories. In particular, the Salvatore Ferragamo Group has always operated with the aim of offering its customers products that are characterized by a high quality level, based on a solid tradition of craftsmanship, exclusive design and a style aimed at preserving the brand's strong identity. This approach has been applied in the choice of materials, in the design phase, in production processes and in the design and architecture of stores.

The production system

The organizational model adopted by the Group entrusts the production process entirely to expert staff in external workshops, although keeping in-house the management and organization of the most important stages in the value chain.

The Group's operating model ensures flexibility and efficiency in the production and logistics cycle through the use of a broad network of selected and expert Italian manufacturers which have been working with the Group for many years. This strong integration between the Parent company Salvatore Ferragamo S.p.A. (the only manufacturing company in the Group) and the network of suppliers has enabled broad control to be maintained over the critical stages of the value chain in the production process.

With reference to production, the Group directly manages the product development and industrialization stage and usually undertakes quality controls, both during the production process and on 100% of the finished products.

The distribution system

The organization of distribution and sales is one of the Group's strengths, thanks to its extensive and consolidated presence both in so-called traditional markets (Europe, United States and Japan) and in emerging markets (such as Asia Pacific and Latin America), as well as thanks to its store locations.

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

- a network of directly operated Ferragamo single brand stores (DOS), which as at 31 December 2020 numbered 395 (the so-called retail channel);
- a network of tailored single brand stores and/or stores-in-stores operated by third parties (TPOS), which as at 31 December 2020 numbered 249, as well as through a multibrand channel (taken as a whole the so-called wholesale channel).

Therefore, the total number of tailored Ferragamo single brand stores (DOS and TPOS) as at 31 December 2020 was 644.

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

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

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

Stores are selected on the basis of their coherence with the positioning of the "Salvatore Ferragamo" brand, their location, and the visibility which they can guarantee the brand.

Changes to the Group structure

In 2020, the Salvatore Ferragamo Group's structure underwent the following change: on 27 April 2020, Salvatore Ferragamo S.p.A. finalized the agreement to acquire, directly and indirectly, 100% of Arts S.r.l. and 100% of Aura 1 S.r.l., a sub-holding company owning 50.8% of Arts S.r.l.. In order to streamline the ownership structure, allowing for more flexible internal processes – and therefore optimize the management of resources and intercompany financial flows arising from the operations currently divided between Aura 1 S.r.l. and Arts S.r.l. – the Group deemed it appropriate to merge said entities into Salvatore Ferragamo S.p.A.. The merger was finalized on 25 November 2020 by filing the deed of merger authorized by a notary public with the relevant Company Register. The merger is effective for legal purposes as of 1 December 2020 and for accounting and tax purposes as of 1 January 2020. For more details, please refer to "Significant events occurred during the year" as well as note 5 "Business Combinations" in the Consolidated Financial Statements.

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.

Financial markets saw significant volatility in 2020. The events that influenced currency markets the most were the Covid-19 pandemic, which prompted central banks to implement major expansionary monetary policy measures and Governments to deploy massive fiscal stimulus packages, trade relations between the United States and China, and the US presidential election.

The Euro gradually appreciated against the dollar throughout the year as the Fed engaged in greater quantitative easing than the European Central Bank and Joe Biden won the presidential election in the United States. In the first two months of the year, the EUR/USD exchange rate swung from 1.12 to a low of 1.07 in March, when Covid-19 started negatively affecting the world economy and revived interest in the dollar as a safe haven. In the following months, the monetary and fiscal response from central banks caused the EUR/USD pair to gradually weaken and eventually end the year at approximately 1.22.

The Euro performed similarly relative to the Japanese yen, which early in the year benefited from the significant risk aversion associated with the pandemic's impact across the world, swinging from 122 to a low of about 115. Starting from May, as economic data improved, the currency depreciated, eventually hitting 127 at the end of the year.

The USD/CNY, after strengthening at first to 6.85 in January following the signing of the US-China phase 1 trade deal, depreciated due to the slump in domestic and global demand, hitting 7.16 in May.In the second half of the year, the economic recovery and the weak dollar fueled an appreciation in the yuan, which ended 2020 at 6.54 against the greenback. The Chinese currency saw a more pronounced decline against the Euro early in the year: EUR/CNY went from 7.55 in February to 8.26 in July as the renminbi weakened and the Euro gained strength – also thanks to the European Central Bank's monetary policy. The yuan then appreciated against the Euro in the final months of 2020, ending at 8.02.

The South Korean Won performed similarly against the dollar, swinging from 1,160 at the start of the year to 1,263 in March before ending at around 1,089. Similarly, the EUR/KRW exchange rate went from 1,298 to 1,336.

Early in the year, the Mexican peso sharply depreciated against both the dollar and the Euro as OPEC+ members failed to agree on production cuts and the epidemic spread across the globe. The USD/MXN exchange rate went from 19.0 in January to 25.1 in April, and the EUR/MXN pair from 21.1 in January to 27.1 in April. As oil prices rebounded and the dollar weakened in the second half of the year, the Mexican peso gained strength and ended 2020 at 19.9 against the dollar and 24.4 against the Euro.

4. The Group's operating performance

The results for 2020 were significantly influenced by the outbreak of the pandemic caused by the novel coronavirus, known as Covid-19, which gradually spread from China to the rest of the world. This situation has led Governments across the world to restrict and suspend business operations, the movement of people, and international traffic (so-called lockdown). This had an especially negative impact on tourist flows across the globe, causing most of the Group's distribution network to shut down and the remaining part to suffer from significantly diminished traffic, especially in the first half of 2020 and part of the fourth quarter of the year. Against this backdrop, the Group saw revenues decline by 33.5% at current exchange rates (-33.4% at constant exchange rates), which caused margins and profits to contract. The Group promptly took a series of steps and actions to contain costs, maintaining only the investments considered to be essential or top priority. In 2020, gross operating profit amounted to 61.8% as a proportion of Revenues, down from 64.9% in the prior year largely because of the write-down of inventory.

Adjusted operating profit/(loss) (Operating profit/(loss) adjusted for the impairment losses resulting from impairment tests performed in 2020) was down from 149.7 million Euro in profit in 2019 to a 26.9 million Euro loss in 2020. In 2020, the Group reported 34.6 million Euro in impairment losses on tangible and intangible assets after testing these for impairment to measure their recoverable amount in light of the new scenario determined by the Covid-19 pandemic emergency.
The Group posted a 71.7 million Euro net loss for the period, compared to 87.4 million Euro in net profit for the prior year.

The Group's financial situation remained robust and positive: the adjusted net financial position amounted to a positive 138.7 million Euro, down from 171.9 million Euro as at 31 December 2019 but up from 75.1 million Euro as at 30 September 2020, largely because of the adjusted cash flow from operating activities for the fourth quarter of 2020.

The following table shows the main income statement data.

(In thousands of Euro)	2020	% of Revenues	2019	% of Revenues	% change
Revenues	**915,825**	**100.0%**	**1,377,261**	**100.0%**	**(33.5%)**
Gross profit	**565,541**	**61.8%**	**893,494**	**64.9%**	**(36.7%)**
Style, product development and logistics costs	(35,868)	(3.9%)	(50,292)	(3.7%)	(28.7%)
Sales & distribution costs	(414,906)	(45.3%)	(482,315)	(35.0%)	(14.0%)
Marketing & communication costs	(54,246)	(5.9%)	(79,676)	(5.8%)	(31.9%)
General and administrative costs	(122,154)	(13.3%)	(127,837)	(9.3%)	(4.4%)
Other operating costs	(23,264)	(2.5%)	(24,467)	(1.8%)	(4.9%)
Other income and revenues	23,356	2.6%	20,791	1.5%	12.3%
Total operating costs (net of other income)	**(627,082)**	**(68.5%)**	**(743,796)**	**(54.0%)**	**(15.7%)**
Operating profit/(loss)	**(61,541)**	**(6.7%)**	**149,698**	**10.9%**	**na**
Net financial income and charges	(18,284)	(2.0%)	(32,564)	(2.4%)	(43.9%)
Profit/(loss) before taxes	**(79,825)**	**(8.7%)**	**117,134**	**8.5%**	**na**
Income Taxes	8,129	0.9%	(29,769)	(2.2%)	(127.3%)
Net profit/(loss) for the period	**(71,696)**	**(7.8%)**	**87,365**	**6.3%**	**na**
Net profit/(loss) – Group	*(66,397)*	*(7.2%)*	*87,281*	*6.3%*	*na*
Net profit/(loss) – minority interests	*(5,299)*	*(0.6%)*	*84*	*0.0%*	*na*
Amortization, depreciation and write-downs	221,767		185,832		19.3%
EBITDA	**160,226**	**17.5%**	**335,530**	**24.4%**	**(52.2%)**
Write-downs from impairment tests in the wake of the extraordinary impact of the Covid-19 pandemic	34,627	3.8%	-	-	na
Adjusted operating profit/(loss)	**(26,914)**	**(2.9%)**	**149,698**	**10.9%**	**na**

In 2020, **revenues** reached 915,825 thousand Euro, compared to 1,377,261 thousand Euro in 2019, down 33.5%. 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 2020 compared to the previous year: the US dollar depreciated by 2.0% ( ), the Chinese Renminbi depreciated by 1.8% ( ), and the Japanese Yen slightly appreciated by 0.1% ( ) against the Euro, the currency in which the figures in the consolidated financial statements are expressed. Revenues were down 33.4% at constant exchange rates (applying the 2020 average exchange rate to the revenues for 2019 – net of the hedging impact). With reference to the fourth quarter of 2020 only, revenues amounted to 304,599 thousand Euro, down 20.4% compared to the prior-year period (-19.9% at constant exchange rates). Currency hedges of Revenues resulted in a positive 6,734 thousand Euro adjustment to revenues in 2020, compared to a negative 8,894 thousand Euro adjustment in 2019.

(2) With reference to the average Euro/Usd exchange rate in 2020 1.142; 2019 1.119
(3) With reference to the average Euro/Cny exchange rate in 2020 7.875; 2019 7.735
(4) With reference to the average Euro/Yen exchange rate in 2020 121.85; 2019 122.01

In 2020, **gross profit** totaled 565,541 thousand Euro, down 36.7% from 893,494 thousand Euro in the prior year. Gross profit amounted to 61.8% as a percentage of Revenues, compared to 64.8% in 2019. It was negatively affected by the contraction in sales – caused by store closures and the absence of tourist flows – as well as the 28,654 thousand Euro write-down of inventory, which were direct and indirect consequences of the Covid-19 pandemic. In the fourth quarter of 2020 alone, the Group generated 197,915 thousand Euro in gross profit, down 20.6% from 249,330 thousand Euro in the prior-year period and essentially unchanged as a percentage of Revenues (65.0% compared to 65.1% in the fourth quarter of 2019).

Total **operating costs** (net of other income) totaled 627,082 thousand Euro for 2020. They were down 15.7% from 743,796 thousand Euro in 2019 and amounted to 68.5% as a percentage of Revenues, largely because of the sharp contraction in revenues (resulting from the so-called lockdown). They included impairment losses on Property, plant and equipment (33,011 thousand Euro) and Intangible assets with a finite useful life (1,616 thousand Euro), totaling a combined 34,627 thousand Euro, resulting from the impairment tests conducted in 2020 to measure the recoverable amount of these assets. For more details, see note 11 Impairment of Property, Plant and Equipment, Right-of-use Assets, and Intangible Assets with a Finite Useful Life in the Consolidated Financial Statements. The decline in operating costs benefited from the steps that the Group's management promptly took to mitigate the negative impact of the crisis triggered by the Covid-19 coronavirus pandemic. Specifically, the Group entered into important negotiations to revise the terms and conditions of the leases of its distribution network, resulting in a 19,729 thousand Euro positive variable lease payment in 2020; it also launched a plan to streamline the organization as well as applied for and received government aid in the various countries where it operates, where available. The contraction in variable operating costs was also partly driven by the decline in revenues seen in 2020. In the fourth quarter of 2020, total net operating costs were down 7.6% year-on-year from 204,865 thousand Euro to 189,380 thousand Euro; as a percentage of Revenues, they rose from 53.5% in 2019 to 62.2% in 2020.

Despite the steps taken to contain fixed costs, **EBITDA** declined from 335,530 thousand Euro in 2019 to 160,226 thousand Euro (-52.2%), and from 24.4% in 2019 to 17.5% as a percentage of Revenues. In the fourth quarter of 2020, EBITDA totaled 82,433 thousand Euro, compared to 92,812 thousand Euro in the prior-year period, and accounted for 27.1% of Revenues, compared to 24.2% in the fourth quarter of 2019.

The Group reported an **Adjusted operating loss** (Operating profit/(loss) adjusted for the impairment losses resulting from impairment tests performed in 2020) of 26,914 thousand Euro, compared to 149,698 thousand Euro in profit for 2019. In the fourth quarter of 2020, the Group reported an adjusted operating profit of 33,894 thousand Euro, compared to 44,465 thousand Euro in the fourth quarter of 2019 (-23.8%), accounting for 11.1% of Revenues compared to 11.6% in the same period last year.

Net financial income and charges swung from 32,564 thousand Euro in charges in 2019 to 18,284 thousand Euro in charges in 2020, largely thanks to 7,530 thousand Euro in interest income received by Ferragamo USA Inc. for the refund of excess import duties paid between 1995 and 1997, as the request filed in 1999 was fully granted; the refund of import duties, amounting to 1,816 thousand Euro net of the relevant legal fees, was recognized under net operating costs. In the fourth quarter of 2020, the Group posted 7,352 thousand Euro in net financial income, compared to 10,305 thousand Euro in net financial charges in the prior-year period, largely because of the recognition of interest income on the refund of import duties that Ferragamo USA Inc. received in the fourth quarter of 2020, as detailed above.

The 79,825 thousand Euro loss before taxes gave rise to a positive 8,129 thousand Euro in **income taxes**, mainly because of the positive impact of deferred tax assets. These were largely attributable to the deferred tax assets recognized on tax losses by Salvatore Ferragamo S.p.A. and other entities of the Groups as well as on the provision for obsolete inventory. The Group's tax rate had been 25.4% in 2019. In 2019, the direct tax expense of the Parent company Salvatore Ferragamo S.p.A. had declined thanks to the benefit known as "Patent box" by approximately 10,218 thousand Euro; in 2020, the Company notified the Inland Revenue Office that it would withdraw its application for an extension, thus intending to enter into the "Patent Box" self-assessment regime and assess the amount of the benefit on its own. No reduction in direct tax expense is expected for 2020, as Salvatore Ferragamo S.p.A. reported a tax loss for the year. For more details, please refer to "Significant events occurred during the year - Patent Box and Research and Development, Design, and Innovation Credits".

The Group reported a 71,696 thousand Euro consolidated **net loss** for 2020, compared to 87,365 thousand Euro in net profit for 2019. The Group share amounted to a consolidated loss of 66,397 thousand Euro, compared to 87,281 thousand Euro in profit in the prior year. With reference to the fourth quarter of 2020, net profit totaled 24,360 thousand Euro, compared to 25,939 thousand Euro in the fourth quarter of 2019.

The Group ended 2020 with an **adjusted positive net financial position (surplus)** of 138,743 thousand Euro, down from a 171,896 thousand Euro surplus as at 31 December 2019. In the fourth quarter of 2020, the adjusted net financial position increased from a 75,140 thousand Euro surplus as at 30 September 2020 to 138,743 thousand Euro at the end of the year, up 63,603 thousand Euro thanks to 78.2 million Euro in adjusted cash flows from operating activities for the period net of 14.3 million Euro in cash flows used for investments in the fourth quarter.

Revenues

The following table shows revenues by **geographic area** and the change over the previous year:

(In thousands of Euro)	2020	% of Revenues	2019	% of Revenues	% change	at constant exchange rates % change
Europe	199,715	21.8%	347,243	25.2%	(42.5%)	(41.9%)
North America	192,636	21.0%	317,880	23.1%	(39.4%)	(41.4%)
Japan	89,453	9.8%	118,453	8.6%	(24.5%)	(25.0%)
Asia Pacific	380,993	41.6%	511,313	37.1%	(25.5%)	(25.0%)
Central and South America	53,028	5.8%	82,372	6.0%	(35.6%)	(29.5%)
Total	**915,825**	**100.0%**	**1,377,261**	**100.0%**	**(33.5%)**	**(33.4%)**

In Europe, revenues declined by 42.5% at current exchange rates and 41.9% at constant exchange rates year-on-year (-34.0% at constant exchange rates in the fourth quarter alone), as they were still significantly weighed down in both sales channels by the restrictions on business operations and international traffic (so-called lockdown) enacted in most European countries.

In North America, revenues fell by 39.4% at current exchange rates (-41.4% at constant exchange rates), and by 26.6% in the fourth quarter of 2020 alone (-27.5% at constant exchange rates), because of both the restrictions on business operations and international traffic (so-called lockdown) as well as, to a lesser extent, the protests in the United States.

Japan saw revenues fall by 24.5% at current exchange rates and 25.0% at constant exchange rates, largely because of the dramatic slowdown in international traffic.

The Asia-Pacific region, which was the first to face the Covid-19 outbreak in 2020 and the ensuing social distancing measures, reported a 25.5% fall at current exchange rates (-25.0% at constant exchange rates), with the recovery continuing into the fourth quarter of 2020 thanks to the strong performance of directly operated stores in China and Taiwan. Asia Pacific contributed once again the most to Group revenues, accounting for 41.6% of the total compared to 37.1% as at 31 December 2019.

The Central and South American market was down 35.6% at current exchange rates and 29.5% at constant exchange rates. The revenues generated in 2020 and 2019 by Ferragamo Argentina S.A. (which operates in a country classified as a hyperinflationary economy since 1 July 2018) were adjusted in accordance with the relevant international accounting standards (see note 2 "Basis of presentation" in the Explanatory Notes to the Consolidated Financial Statements), resulting in a positive impact of 153 thousand Euro in 2020 and 294 thousand Euro in 2019.

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

(In thousands of Euro)	2020	% of Revenues	2019	% of Revenues	% change	at constant exchange rates % change
Retail	637,083	69.6%	899,485	65.3%	(29.2%)	(28.6%)
Wholesale	269,100	29.4%	461,372	33.5%	(41.7%)	(42.2%)
Licenses and services	7,389	0.8%	11,592	0.8%	(36.3%)	(36.3%)
Rental income investment properties	2,253	0.2%	4,812	0.4%	(53.2%)	(52.2%)
Total	**915,825**	**100.0%**	**1,377,261**	**100.0%**	**(33.5%)**	**(33.4%)**

In 2020, retail sales were severely affected by the gradual closure of most of the Group's distribution network and the significant reduction in traffic (so-called lockdown), falling by 29.2% at current exchange rates and 28.6% at constant exchange rates across all the Group's geographies. The retail channel accounted for 65.3% of total revenues in 2019 and 69.6% in 2020.

Compared to the situation as at 31 December 2019, the number of directly operated stores (DOS) rose by 2 units from 393 to 395.

The wholesale channel saw sales decline by 41.7% at current exchange rates and 42.2% at constant exchange rates across all the main markets – largely because of the slowdown in the Travel Retail channel.

In 2020, revenues from licenses and services declined by 36.3% (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; they declined by 53.2% at current exchange rates and 52.2% at constant exchange rates following the termination of real estate leases during the period.

The following table shows revenues by **product category** and the change over the previous year:

(In thousands of Euro)	2020	% of Revenues	2019	% of Revenues	% change	at constant exchange rates % change
Footwear	374,728	40.9%	575,571	41.8%	(34.9%)	(35.0%)
Leather goods	388,643	42.4%	540,818	39.3%	(28.1%)	(27.9%)
Apparel	50,218	5.5%	74,232	5.4%	(32.3%)	(31.9%)
Accessories	50,802	5.6%	82,472	6.0%	(38.4%)	(37.6%)
Fragrances	41,792	4.6%	87,764	6.3%	(52.4%)	(52.2%)
Licenses and services	7,389	0.8%	11,592	0.8%	(36.3%)	(36.3%)
Rental income investment properties	2,253	0.2%	4,812	0.4%	(53.2%)	(52.2%)
Total	**915,825**	**100.0%**	**1,377,261**	**100.0%**	**(33.5%)**	**(33.4%)**

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

Cost of goods sold and gross profit

(In thousands of Euro)	2020	% of Revenues	2019	% of Revenues	% change
Consumables	(197,594)	(21.6%)	(250,283)	(18.2%)	(21.1%)
Services	(145,284)	(15.9%)	(224,450)	(16.3%)	(35.3%)
Personnel	(6,367)	(0.7%)	(8,023)	(0.6%)	(20.6%)
Depreciation and amortization	(1,039)	(0.1%)	(1,011)	(0.1%)	2.8%
Cost of goods sold	**(350,284)**	**(38.2%)**	**(483,767)**	**(35.1%)**	**(27.6%)**
Gross profit	**565,541**	**61.8%**	**893,494**	**64.9%**	**(36.7%)**

In 2020, the **cost of goods sold** amounted to 350,284 thousand Euro, down 27.6% compared to 2019. **Gross profit** amounted to 61.8% as a percentage of Revenues in 2020, compared to 64.9% in 2019. This was largely because of the contraction in sales – caused by store closures and the absence of tourist flows – as well as the 28,654 thousand Euro write-down of inventory, which were direct and indirect consequences of the Covid-19 pandemic.

Style, product development and logistics costs

(In thousands of Euro)	2020	% of Revenues	2019	% of Revenues	% change
Purchases	(3,576)	(0.4%)	(5,558)	(0.4%)	(35.7%)
Services	(9,840)	(1.1%)	(19,289)	(1.4%)	(49.0%)
Personnel	(19,487)	(2.1%)	(23,800)	(1.7%)	(18.1%)
Depreciation and amortization	(2,965)	(0.3%)	(1,645)	(0.1%)	80.2%
Total	**(35,868)**	**(3.9%)**	**(50,292)**	**(3.7%)**	**(28.7%)**

These costs, which include the expenses of the creative departments and for the freight to deliver the products to their sales markets, were down 28.7% compared to 2019, largely because variable costs fell proportionately to the contraction in revenues and the Group's management took steps to mitigate the negative impact of the crisis triggered by the Covid-19 coronavirus pandemic.

Sales & distribution costs

(In thousands of Euro)	2020	% of Revenues	2019	% of Revenues	% change
Retail	(379,254)	(41.4%)	(431,529)	(31.3%)	(12.1%)
Wholesale	(27,864)	(3.0%)	(41,631)	(3.0%)	(33.1%)
Distribution logistics	(7,788)	(0.9%)	(9,155)	(0.7%)	(14.9%)
Total	**(414,906)**	**(45.3%)**	**(482,315)**	**(35.0%)**	**(14.0%)**

The costs relating to the network of directly operated stores (DOS) were down 12.1% from 431,529 thousand Euro to 379,254 thousand Euro. This was mainly because, on the one hand, the Group entered into important negotiations to revise the terms and conditions of the leases of its distribution network, resulting in a 19,471 thousand Euro positive variable lease payment in 2020 that was directly recognized through profit or loss within the line item Sales and distribution costs, and variable costs fell proportionately to the contraction in revenues; on the other hand, the costs of the retail network included 30,666 thousand Euro in impairment losses on tangible and intangible assets resulting from the impairment tests conducted in 2020 to measure the recoverable amount of these assets. For more details, see note 11 Impairment of Property, Plant and Equipment, Right-of-use Assets, and Intangible Assets with a Finite Useful Life in the Consolidated Financial Statements.

The impact of these costs on total sales and distribution costs increased from 89.5% in 2019 to 91.4% in 2020.

Below is a breakdown by nature of sales and distribution costs:

(In thousands of Euro)	2020	% of Revenues	2019	% of Revenues	% change
Purchases	(4,536)	(0.5%)	(6,344)	(0.5%)	(28.5%)
Services	(118,113)	(12.9%)	(178,575)	(13.0%)	(33.9%)
Personnel	(116,017)	(12.7%)	(150,214)	(10.9%)	(22.8%)
Depreciation and amortization	(145,261)	(15.9%)	(146,963)	(10.7%)	(1.2%)
Write-downs of tangible/intangible assets	(30,979)	(3.4%)	(219)	(0.0%)	na
Total	**(414,906)**	**(45.3%)**	**(482,315)**	**(35.0%)**	**(14.0%)**

Marketing & communication costs

(In thousands of Euro)	2020	% of Revenues	2019	% of Revenues	% change
Purchases	(1,348)	(0.1%)	(2,365)	(0.2%)	(43.0%)
Services	(42,741)	(4.7%)	(64,772)	(4.7%)	(34.0%)
Personnel	(9,915)	(1.1%)	(12,277)	(0.9%)	(19.2%)
Depreciation and amortization	(240)	(0.0%)	(262)	(0.0%)	(8.4%)
Write-downs of tangible/intangible assets	(2)	(0.0%)	-	-	na
Total	**(54,246)**	**(5.9%)**	**(79,676)**	**(5.8%)**	**(31.9%)**

Total marketing and communication costs fell by 31.9% year-on-year, from 79,676 thousand Euro to 54,246 thousand Euro, and rose from 5.8% to 5.9% as a proportion of Revenues.

General and administrative costs

(In thousands of Euro)	2020	% of Revenues	2019	% of Revenues	% change
Purchases	(1,495)	(0.2%)	(2,120)	(0.2%)	(29.5%)
Services	(43,924)	(4.8%)	(49,868)	(3.6%)	(11.9%)
Personnel	(35,454)	(3.9%)	(40,117)	(2.9%)	(11.6%)
Depreciation and amortization	(37,192)	(4.1%)	(35,731)	(2.6%)	4.1%
Write-downs of tangible/intangible assets	(4,089)	(0.4%)	(1)	(0.0%)	na
Total	**(122,154)**	**(13.3%)**	**(127,837)**	**(9.3%)**	**(4.4%)**

General and administrative costs declined by 4.4% and increased from 9.3% in 2019 to 13.3% in 2020 as a proportion of Revenues. Costs for services include, among others, the fees paid to the Board of Directors as well as other amounts accrued by the Managing Director and Deputy Chairman. The item Write-downs of tangible/intangible assets included 3,961 thousand Euro in impairment losses on tangible and intangible assets resulting from the impairment tests conducted in 2020 to measure the recoverable amount of these assets. For more details, see note 11 Impairment of Property, Plant and Equipment, Right-of-use Assets, and Intangible Assets with a Finite Useful Life in the Consolidated Financial Statements.

Other operating costs

(In thousands of Euro)	2020	% of Revenues	2019	% of Revenues	% change
Losses on disposal of tangible and intangible assets	(1,477)	(0.2%)	(2,305)	(0.2%)	(35.9%)
Windfall losses	(653)	(0.1%)	(890)	(0.1%)	(26.6%)
Provisions for risks and charges	(1,787)	(0.2%)	(647)	(0.0%)	176.2%
Write-down of current assets	(989)	(0.1%)	(921)	(0.1%)	7.4%
Other operating costs	(18,358)	(2.0%)	(19,704)	(1.4%)	(6.8%)
Total	**(23,264)**	**(2.5%)**	**(24,467)**	**(1.8%)**	**(4.9%)**

Other operating costs were down 4.9% and rose from 1.8% in 2019 to 2.5% as a proportion of Revenues. Other operating costs included 15,427 thousand Euro in Other non-income taxes (15,552 thousand Euro in 2019), largely related to the real estate tax on the Ferragamo Usa Group's properties. The write-down of current assets was essentially in line with the prior year (+7.4%). Provisions for risks and charges increased by 1,140 thousand Euro year-on-year. They mainly refer to labor and legal disputes related to ongoing legal proceedings as well as the estimated potential outflows from the Group companies required to reach a pre-litigation settlement.

Other income and revenues

(In thousands of Euro)	2020	% of Revenues	2019	% of Revenues	% change
Other income and revenues	17,154	1.9%	17,509	1.3%	(2.0%)
Gains on disposal of tangible/intangible assets	8	0.0%	83	0.0%	(90.4%)
Windfall profit	6,194	0.7%	3,199	0.2%	93.6%
Total	**23,356**	**2.6%**	**20,791**	**1.5%**	**12.3%**

Other income and revenues rose by 2,565 thousand Euro compared to 2019, climbing from 1.5% to 2.6% as a proportion of total revenues.

"Other income and revenues" included the Research and Development, design and aesthetic conception, and technological innovation tax credits (replacing the former R&D Credit as per art. 1, paragraphs 198-209 of Italian Law no. 160 of 27 December 2019 (so-called 2020 Budget Law), as amended by art. 1 paragraph 1064 of Italian Law no. 178 of 30 December 2020 (so-called 2021 Budget Law)), which both the Parent company and Ferragamo Parfums S.p.A. were eligible for, and the "Art Bonus" tax credit to promote donations in support of cultural activities (Italian Law Decree no. 83 of 31 May 2014) in favor of the Parent company – as well as other benefits provided by the various Governments in the countries where the Group operates to help businesses and the economy deal with the economic crisis triggered by the Covid-19 pandemic. In addition, this line item largely comprised the recovery and reimbursement of expenses, advertising contributions, insurance claims payments, and grants received from lessors for leasehold improvements recognized on a straight-line basis over the lease term.

Windfall profit included the 4.1 million Euro refund that Ferragamo USA Inc. received for excess import duties paid between 1995 and 1997, as the request filed in 1999 was fully granted.

Net financial income and charges

For ease of reference, financial income and charges are shown net; reference should be made to the Explanatory notes to the consolidated financial statements for separate and detailed information on charges and income.

(In thousands of Euro)	2020	2019	% change
Net interest	7,217	(764)	(1044.6%)
Other net income/(charges)	(1,411)	(1,438)	(1.9%)
Net interest and expenses on lease liabilities	(14,374)	(17,752)	(19.0%)
Net gains/(losses) on exchange rate differences	(19,693)	5,459	(460.7%)
Net financial income/(charges) for fair value adjustment of derivatives	9,977	(18,069)	(155.2%)
Total	**(18,284)**	**(32,564)**	**(43.9%)**

Total net financial income and charges amounted to 18,284 thousand Euro in charges, improving by 14,280 thousand Euro compared to 2019, largely thanks to 7,530 thousand Euro in interest income received by Ferragamo USA Inc. for the refund of excess import duties paid between 1995 and 1997, as the request filed in 1999 was fully granted; the refund of import duties, amounting to 1,816 thousand Euro net of the relevant legal fees, was recognized under net operating costs.

Net interest and expenses on lease liabilities were down from 17,752 thousand Euro in 2019 to 14,374 thousand Euro in 2020.

Net gains and losses on exchange rate differences mainly reflect the impact of commercial transactions in foreign currency. Changes in net gains and losses should be correlated with the item "Net financial income/(charges) for fair value adjustment of derivatives", which refers to the premium or discount on transactions to hedge the exchange rate risk undertaken by the Parent company and the changes in the fair value of non-hedging derivatives. The net impact of these two line items, Net gains/(losses) on exchange rate differences and Net financial income/(charges) for fair value adjustment of derivatives, shifted from a negative 12,610 thousand Euro in 2019 to a negative 9,716 thousand Euro.

Income Taxes

The change in income taxes was as follows:

(In thousands of Euro)	2020	2019
Profit/(loss) before taxes	**(79,825)**	**117,134**
Current and deferred taxes	9,645	(27,176)
Use/(Provision) for taxes from previous years	(2,844)	6,704
Taxes from previous years	1,328	(9,297)
Tax rate	**na**	**25.4%**

In 2020, income taxes had an 8,129 thousand Euro net positive impact – the result of 18,387 thousand Euro in current taxes and 28,032 thousand Euro in net deferred tax assets, which were largely attributable to the deferred tax assets recognized on tax losses by the Parent company Salvatore Ferragamo S.p.A. and some subsidiaries, and on the provision for obsolete inventory; in 2019, the Group paid a 25.4% tax rate. The direct tax expense of the Parent company Salvatore Ferragamo S.p.A. had declined in 2019 thanks to the benefit known as "Patent box" by approximately 10.2 million Euro; in 2020, the Company notified the Inland Revenue Office that it would withdraw its application for an extension, thus intending to enter into the "Patent Box" self-assessment regime and assess the amount of the benefit on its own. No reduction in direct tax expense is expected for 2020, as Salvatore Ferragamo S.p.A. reported a tax loss for the year. For more details, please refer to "Significant events occurred during the year - Patent Box and Research and Development, Design, and Innovation Credits".
In 2020, the Provision for taxes from previous years included 2,870 thousand Euro set aside by Ferragamo France S.A.S. for the tax audit relating to the tax years 2008-2010 that started in 2011; for more details, see "Significant events occurred during the year - Tax and customs disputes and audits".

Net profit/(loss), minority interests and Group net profit/(loss)

(In thousands of Euro)	2020	% of Revenues	2019	% of Revenues
Net profit/(loss) for the period	**(71,696)**	**(7.8%)**	**87,365**	**6.3%**
Net profit/(loss) – Group	(66,397)	(7.2%)	87,281	6.3%
Net profit/(loss) – minority interests	(5,299)	(0.6%)	84	0.0%

The net loss for the period amounted to 71,696 thousand Euro and the Group reported a 66,397 thousand Euro loss, compared to 87,281 thousand Euro in profit in 2019.

Statement of financial position and Investments

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

(In thousands of Euro)	31 December 2020	31 December 2019	% change
Property, plant and equipment, investment property, intangible assets with a finite useful life and goodwill	260,515	333,380	(21.9%)
Right-of-use assets	475,240	576,455	(17.6%)
Net working capital	314,552	334,552	(6.0%)
Other non current assets/(liabilities), net	91,973	73,032	25.9%
Other current assets/(liabilities), net	(3,418)	(27,721)	(87.7%)
Net invested capital	**1,138,862**	**1,289,698**	**(11.7%)**
Group shareholders' equity	693,582	763,647	(9.2%)
Minority interests	16,114	21,618	(25.5%)
Shareholders' equity (A)	**709,696**	**785,265**	**(9.6%)**
Net financial debt/(surplus) (B)	**429,166**	**504,433**	**(14.9%)**
Total sources of financing (A+B)	**1,138,862**	**1,289,698**	**(11.7%)**
Net financial debt/(surplus) (B)	**429,166**	**504,433**	**(14.9%)**
Lease liabilities (C)	567,909	676,329	(16.0%)
Adjusted net financial debt/(surplus) (B-C)	**(138,743)**	**(171,896)**	**(19.3%)**
Adjusted net financial debt(surplus)/ Shareholders' equity	**(19.5%)**	**(21.9%)**	

Property, plant and equipment, Investment property, Goodwill, and Intangible assets with a finite useful life

(In thousands of Euro)	31 December 2020	31 December 2019	% change
Property, plant and equipment	183,121	251,805	(27.3%)
Investment property	31,824	39,091	(18.6%)
Goodwill	6,679	-	-
Intangible assets with a finite useful life	38,891	42,484	(8.5%)
Total	**260,515**	**333,380**	**(21.9%)**

The item "Property, plant and equipment" as at 31 December 2020 consisted of:

- the Sesto Fiorentino industrial complex, as well as adjacent plots of land and the logistics hub that became operational in 2018, the portions of the American properties used in operating activities, and the property owned in Seoul, for a total net value of 87,863 thousand Euro;
- furnishings and renovation work for the chain of directly operated stores as well as the molds for the fragrances product category, for 57,595 thousand Euro;
- other assets, mainly for IT equipment, plant and equipment and tangible assets in progress for a total net value of 37,663 thousand Euro.

Investment property represents the part of the American properties which is not used for operations and producing income through rental. As at 31 December 2020, following the introduction of the accounting standard IFRS16, this item included also Right-of-use assets relating to lease contracts for property leased in the United States, amounting to 26,765 thousand Euro.

The amount of Goodwill was entirely acquired in 2020 through the business combination of Arts S.r.l. and Aura 1 S.r.l.: for details, see note 5 Business Combinations and the paragraph Significant events occurred during the year in this Directors' report on operations. To allocate the consideration for the transaction in accordance with IFRS 3 Business Combinations, Salvatore Ferragamo S.p.A. identified and measured the fair value of the assets acquired and liabilities assumed with the help of an independent consultant. The analysis estimated the value of know-how at 6,380 thousand Euro. Arts S.r.l. has been collaborating with Salvatore Ferragamo S.p.A. since its inception in 1984, helping with the prototyping, industrialization, and quality control of products as well as the monitoring of the Group's network of suppliers with respect to men's footwear. Net of the fair value of the assets acquired and liabilities assumed, the residual amount allocated to goodwill arising from the acquisition totaled 6,679 thousand Euro. The amount of goodwill is attributable to the synergies and other economic benefits arising from the combination of the assets of the acquirees with those of Salvatore Ferragamo S.p.A..

Intangible assets with a finite useful life largely consist of capitalized costs for the development of business software applications (SAP, ERP, reporting systems, shipping system, e-commerce platform), the know-how acquired in the business combination with Arts S.r.l. and Aura1 S.r.l., finalized in 2020 (for a net residual value of 5,782 thousand Euro as at 31 December 2020), and the costs incurred to acquire the right to enter into shop rental contracts (the so-called key money, for a net residual value of 953 thousand Euro as at 31 December 2020). The remainder refers to registration expenses for

trademarks, industrial patents and intellectual property rights (software licenses) and intangible assets with a finite useful life in progress.

Investments in fixed assets

In 2020, the Group made investments in tangible and intangible assets (excluding the costs for the restoration of premises leased from third parties, recognized as fixed assets pursuant to the relevant contractual obligations) totaling 29,369 thousand Euro, including 23,260 thousand Euro in tangible assets and 6,109 thousand Euro in intangible assets, compared to a total of 59,002 thousand Euro in the prior year (excluding the costs for the restoration of premises leased from third parties, recognized as fixed assets pursuant to the relevant contractual obligations). The reduction in investments in 2020 compared with the prior year was closely associated with the Group's decision to deal with the emergency triggered by Covid-19 by postponing non-essential projects, so as to mitigate future economic-financial impacts and protect the financial soundness of the Group.

The most important investments in tangible assets were made in the opening and refurbishment of stores (16.4 million Euro, accounting for 71% of total investments in tangible assets).

The main investments in intangible assets referred to the "Project Life Cycle Management-PLM" (for the integrated management of the product's life cycle: as part of this initiative, product development – a high value-added process within the luxury industry – is optimized in terms of time and synergies with the Merchandising and Production functions, integrating and enhancing all in-house activities such as design, research, costing, and industrialization), which was all but completed in early 2020; the Enterprise Business Intelligence project, aimed at rationalizing corporate reporting and analytics systems by establishing a single shared "Data Warehouse"; the development of the e-commerce platform; and the purchase of software licenses (totaling 2.8 million Euro, i.e. 46% of the investments in intangible assets made in 2020).

Investments in tangible assets under construction, amounting to 5.7 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.

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

Amortization and depreciation (excluding depreciation of the Right-of-use assets) totaled 67,085 thousand Euro as at 31 December 2020, in line with 67,278 thousand Euro as at 31 December 2019 (-0.3%).

Right-of-use assets

The item, totaling 475,240 thousand Euro as at 31 December 2020, refers to the recognition of "Right-of-use assets" against "Lease liabilities" following the application of the accounting standard IFRS16.

Right-of-use assets relating to lease contracts for property leased in the United States are included under Investment property.

Net working capital

Below is the breakdown and change in net working capital as at 31 December 2020 compared with 31 December 2019.

(In thousands of Euro)	31 December 2020	31 December 2019	% change
Inventories and Right of return assets	346,181	395,004	(12.4%)
Trade receivables	113,909	147,202	(22.6%)
Trade payables and Refund Liabilities	(145,538)	(207,654)	(29.9%)
Total	**314,552**	**334,552**	**(6.0%)**

Net working capital was down 6.0% from 31 December 2019, largely because of the decline in Trade Receivables (-22.6%) as well as Inventories and Right of return assets (-12.4%), offset by the decrease in Trade Payables and Refund Liabilities (-29.9%). Specifically, inventories of finished products were down 28,745 thousand Euro from 31 December 2019 (-8.6%), also because of the greater write-downs recognized in 2020. Raw materials for production were down 35.7% or 19,150 thousand Euro compared to 31 December 2019, and depend on production volumes for the period.

Trade receivables declined by 33,293 thousand Euro from 31 December 2019 (-22.6%) and essentially referred to sales in the wholesale channel.

Trade payables mainly refer to purchases of production materials (raw materials and accessories), finished products, and costs relating to outsourced manufacturing.

Other non current assets/(liabilities), net

(In thousands of Euro)	31 December 2020	31 December 2019	% change
Other non current assets	2,518	2,642	(4.7%)
Other non current financial assets	15,574	16,939	(8.1%)
Deferred tax assets	119,656	96,736	23.7%
Total other non current assets	**137,748**	**116,317**	**18.4%**
Provisions for risks and charges	(14,401)	(13,921)	3.4%
Employee benefit liabilities	(11,867)	(11,901)	(0.3%)
Other non current liabilities	(12,564)	(11,893)	5.6%
Deferred tax liabilities	(6,943)	(5,570)	24.6%
Total other non current liabilities	**(45,775)**	**(43,285)**	**5.8%**
Other non current assets/(liabilities), net	**91,973**	**73,032**	**25.9%**

"Other non current assets" mainly consist of:

- the straight lining of rental income from the American real estate business for 792 thousand Euro (1,156 thousand Euro in 2019);
- the portion of receivables due after more than 12 months relating to the advance on fees for Ungaro fragrances, amounting to 650 thousand Euro and paid at the time of the sale of the Ungaro brand and the partial renewal of the license contract in July 2017.

"Other non current financial assets" mainly consist of guarantee deposits relating to existing lease contracts.

"Deferred tax assets" largely refer to taxes calculated on the reversal of unrealized intragroup profits in inventories and to temporary differences between the profit/(loss) for the period and the taxable income of the Group companies; the increase over 31 December 2019 was largely attributable to the deferred tax assets recognized on tax losses by Salvatore Ferragamo S.p.A. and other entities of the Groups as well as on the provision for obsolete inventory.

"Other non-current liabilities", up 671 thousand Euro from 31 December 2019, largely refer to the straight-lining of the amounts received from lessors for the costs incurred to fit out the stores (12,256 thousand Euro as at 31 December 2020).

Other current assets/(liabilities), net

(In thousands of Euro)	31 December 2020	31 December 2019	% change
Tax receivables	15,974	20,107	(20.6%)
Other current assets	35,944	32,980	9.0%
Total other current assets	**51,918**	**53,087**	**(2.2%)**
Tax payables	(25,974)	(26,491)	(2.0%)
Other current liabilities	(29,362)	(54,317)	(45.9%)
Total other current liabilities	**(55,336)**	**(80,808)**	**(31.5%)**
Other current assets/(liabilities), net	**(3,418)**	**(27,721)**	**(87.7%)**

"Other current assets" mainly consist of:

- receivables due from credit card management companies for retail sales (6,213 thousand Euro), accrued income and prepaid expenses (13,270 thousand Euro), and advances to suppliers (2,708 thousand Euro);
- the 2,690 thousand Euro IRES receivable due from the Holding company Ferragamo Finanziaria S.p.A. of Salvatore Ferragamo S.p.A and Ferragamo Parfums S.p.A. under the domestic fiscal unity;
- the fair value measurement of hedging derivative contracts for 6,878 thousand Euro (1,466 thousand Euro in 2019) entered into by the Parent company to manage exchange rate risk on sales in currencies other than the Euro.

"Other current liabilities" mainly consist of:

- the fair value measurement of hedging derivative contracts for 1,653 thousand Euro (5,554 thousand Euro in 2019) entered into by the Parent company to manage exchange rate risk on sales in currencies other than the Euro;
- payables to employees for amounts accrued but not yet paid, payables to social security institutions for contributions to be paid in the period immediately after the reporting date, provisions at the end of the reporting period for other payables to suppliers, accrued expenses and deferred income.

Shareholders' equity

(In thousands of Euro)	31 December 2020	31 December 2019	% change
Group shareholders' equity	693,582	763,647	(9.2%)
Minority interests	16,114	21,618	(25.5%)
Total	**709,696**	**785,265**	**(9.6%)**

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

- the 66,397 thousand Euro decrease in profit/(loss) for the period;
- the 9,366 thousand Euro decrease attributable to the translation into Euro of the financial statements of subsidiaries denominated in other currencies, and the 1,267 thousand Euro decrease resulting from other translation effects;
- the 1,484 thousand Euro increase arising mainly from changes in the fair value of the put options assigned to pre-existing minority shareholders;
- the 5,622 thousand Euro increase resulting from the measurement of hedging derivatives net of the relevant tax effect;
- the 80 thousand Euro increase in the Stock Grant Reserve, relating to the 2016-2020 Stock Grant Plan, which came to an end in 2020 without granting shares in Salvatore Ferragamo S.p.A.;
- in addition to minor negative effects for 221 thousand Euro.

Net financial debt

Net financial debt as at 31 December 2020 and 31 December 2019 was as follows:

(In thousands of Euro)	31 December 2020	31 December 2019	% change
Cash and cash equivalents (A)	327,880	222,332	47.5%
Other current financial assets (B)	566	101	460.4%
Interest-bearing loans and borrowings (C)	186,000	48,060	287.0%
Other financial liabilities (D)	3,703	2,477	49.5%
Lease liabilities (E)	567,909	676,329	(16.0%)
Net financial debt/(surplus) (C + D +E – A – B)	**429,166**	**504,433**	**(14.9%)**

Net financial debt as at 31 December 2020, including lease liabilities, amounted to 429,166 thousand Euro, of which 567,909 thousand Euro in current and non-current lease liabilities.

Net financial debt, excluding lease liabilities, as at 31 December 2020 and 2019 was restated as follows:

(In thousands of Euro)	31 December 2020	31 December 2019	Change 2020 vs 2019
Net financial debt/(surplus) (a)	**429,166**	**504,433**	**(75,267)**
Non current lease liabilities	464,400	559,267	(94,867)
Current lease liabilities	103,509	117,062	(13,553)
Lease liabilities (b)	567,909	676,329	(108,420)
Adjusted net financial debt/(surplus) (a-b)	**(138,743)**	**(171,896)**	**33,153**

The Group ended 2020 with a positive adjusted net financial position of 138,743 thousand Euro, down 33,153 thousand Euro from the prior year. This was largely due to the adjusted cash flows used in operating activities (negative 5,242 thousand Euro and severely affected by the decline in revenues caused by the closure of part of the Group's distribution network as well as international traffic restrictions, so-called lockdown), the cash flows used for the purposes of investing in tangible and intangible assets during 2020 (29,810 thousand Euro), and the acquisition of Arts S.r.l. and Aura 1 S.r.l., net of the cash acquired (7,581 thousand Euro), in April 2020.

Income and financial indicators

The tables below set out the trend in the main income and financial indicators for the years ended 31 December 2020 and 2019.

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

Profitability ratios	2020	2019
ROE (Group net profit/(loss) for the period/average Group shareholders' equity)	(9.1%)	11.5%
ROI (Operating profit/(loss) / Net average invested capital)	(5.1%)	15.7%
ROS (Operating profit/(loss) / Revenues)	(6.7%)	10.9%

Financial ratios	2020	2019
Coverage of shareholders' equity ratio (Shareholders' equity / Non current assets)	81.2%	76.5%
Liquidity ratio (Current assets excluding inventories/Current liabilities)	136.7%	93.9%

Turnover ratios expressed in days	2020	2019
Turnover of trade receivables (Average value of Trade receivables in the period / Revenues x days)	52	38
Turnover of Trade payables (Average value of Trade payables in the period / Purchases of goods and services x days)	108	93
Inventory turnover (Average value of Inventories in the period / Cost of goods sold x days)	381	284
Turnover of Average invested capital (Average value of Net invested capital / Revenues x days)	484	252

Average value means the simple arithmetic average of the closing balances of the period and of the previous period.

5. Operating performance of the Parent company Salvatore Ferragamo S.p.A.

The tables set out below and the relevant comments have been prepared on the basis of the separate financial statements as at 31 December 2020, to which reference should be made. They have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and endorsed by the European Union, as well as in compliance with the provisions issued in implementation of art. 9 of Legislative Decree no. 38/2005.

The following table shows the main income statement indicators.

(In thousands of Euro)	2020	% of Revenues	2019	% of Revenues	% change
Revenues from sales (wholesale, retail, e-commerce)	538,075	95.9%	807,556	96.5%	(33.4%)
Revenues from royalties	7,112	1.3%	9,637	1.2%	(26.2%)
Other income and services	15,871	2.8%	19,754	2.4%	(19.7%)
Revenues from contracts with customers	**561,058**	**100.0%**	**836,947**	**100.0%**	**(33.0%)**
Change in inventories of finished products	(13,492)	(2.4%)	5,996	0.7%	na
Costs for raw materials, goods and consumables	(158,819)	(28.3%)	(237,462)	(28.4%)	(33.1%)
Costs for services	(202,628)	(36.1%)	(305,678)	(36.5%)	(33.7%)
Personnel costs	(58,910)	(10.5%)	(72,412)	(8.7%)	(18.6%)
Amortization, depreciation and write-downs	(44,309)	(7.9%)	(40,573)	(4.8%)	9.2%
Other operating costs	(131,133)	(23.4%)	(52,964)	(6.3%)	147.6%
Other income and revenues	9,105	1.6%	14,266	1.7%	(36.2%)
Total costs (net of other income and revenues)	**(600,186)**	**(107.0%)**	**(688,827)**	**(82.3%)**	**(12.9%)**
Operating profit/(loss)	**(39,128)**	**(7.0%)**	**148,120**	**17.7%**	**(126.4%)**
Net financial (charges)/income	(12,572)	(2.2%)	5,096	0.6%	na
Profit/(loss) before taxes	**(51,700)**	**(9.2%)**	**153,216**	**18.3%**	**na**
Income Taxes	17,630	3.1%	(29,005)	(3.5%)	na
Tax rate	34.1%		18.9%		
Net profit/(loss) for the period	**(34,070)**	**(6.1%)**	**124,211**	**14.8%**	**(127.4%)**
EBITDA	**5,181**	**0.9%**	**188,693**	**22.5%**	**(97.3%)**

The 2020 results were significantly influenced by the outbreak of the pandemic caused by the novel coronavirus, known as Covid-19. This situation has led to restrictions and bans on business operations, the movement of people, and international traffic (so-called lockdown).

This had an especially negative impact on tourist flows across the globe, severely affecting the Company's wholesale channel; in addition, starting from March 2020, the closure of most of the Group's distribution network, with intermittent partial reopenings, negatively affected also the performance of the retail channel. The Company's **revenues** totaled 561,058 thousand Euro, down 33.0% from 836,947 thousand Euro in 2019.

The Company promptly took a series of steps and actions to contain costs, maintaining only the investments considered to be essential or top priority; however, it reported a 39,128 thousand Euro **operating loss**, compared to a 148,120 thousand Euro profit in 2019. This result was influenced by the Advance Pricing Agreement for EBIT adjustments, recognized under Other operating costs and totaling 125,925 thousand Euro (47,896 thousand Euro in 2019), that Salvatore Ferragamo S.p.A. applies to its foreign subsidiaries that perform distribution operations.

EBITDA was down 97.3% from 188,693 thousand Euro to 5,181 thousand Euro and from 22.5% in 2019 to 0.9% in 2020 as a percentage of Revenues.

Total **Financial income (charges)** swung from 5,096 thousand Euro in income to 12,572 thousand Euro in charges, largely because of the greater write-down of the investments recognized as at 31 December 2020 compared to 2019, also in light of the different scenario created by the pandemic. The following table shows net financial income and charges and the change on the previous year. For ease of reference, financial income and charges are shown net; reference should be made to the Explanatory notes to the separate financial statements for separate and detailed information on charges and income.

(In thousands of Euro)	2020	2019	% change
Dividends from investments	49,365	32,523	51.8%
Net financial income/(charges) for fair value adjustment of derivatives	11,332	(17,732)	na
Restatement value/(write-downs) of investments	(46,158)	(11,668)	295.6%
Net gains/(losses) on exchange rate differences	(24,503)	5,808	na
Net interest expense on lease liabilities	(3,159)	(3,296)	(4.2%)
Other net income/(charges)	(1,050)	(593)	77.1%
Net interest	1,601	54	na
Total	**(12,572)**	**5,096**	**na**

The 51,700 thousand Euro loss before taxes had a positive impact on income taxes, mainly because of the recognition of 11,080 thousand Euro in deferred tax assets on tax losses. In 2019, the Company had reported a 29,005 thousand Euro tax expense (with a tax rate of 18.9%), benefiting, among other things, from a 10,218 thousand Euro reduction in direct tax expense thanks to the benefit known as "Patent box". In 2020, the Company notified the Inland Revenue Office that it would withdraw its application for an extension, thus intending to enter into the "Patent Box" self-assessment regime and assess the amount of the benefit on its own. No reduction in direct tax expense is expected for 2020, as the Company reported a tax loss for the year. For more details, please refer to "Significant events occurred during the year - Patent Box and Research and Development, Design, and Innovation Credits".

The Company reported a 34,070 thousand Euro **net loss for the period**, compared to a 124,211 thousand Euro profit in 2019.

Revenues

The following table shows revenues by **distribution channel** and the change over the previous year:

(In thousands of Euro)	2020	% of Revenues	2019	% of Revenues	% change
Wholesale	508,727	90.7%	737,793	88.2%	(31.0%)
Retail+E-commerce	29,348	5.2%	69,763	8.3%	(57.9%)
Revenues from sales	**538,075**	**95.9%**	**807,556**	**96.5%**	**(33.4%)**
Revenues from royalties	7,112	1.3%	9,637	1.1%	(26.2%)
Other income and services	15,871	2.8%	19,754	2.4%	(19.7%)
Revenues	**561,058**	**100.0%**	**836,947**	**100.0%**	**(33.0%)**

Wholesale revenues refer mainly to sales to Group companies and, to a lesser extent, sales to retailers. They were down 31.0% year-on-year; this channel was severely affected by the global outbreak of Covid-19 and the ensuing social distancing restrictions imposed in various countries around the world, which negatively impacted also the Travel Retail channel.

In 2020, *Retail + e-commerce* sales, referring to the revenues generated from directly operated stores (DOS) in Italy and e-commerce sales in Europe, were severely affected by the gradual closure of the Group's distribution network and the significant reduction in traffic (-64.9% compared to 2019); this was only partly offset by rising e-commerce sales (+40.6%).

Revenues from royalties refer mainly to revenues from the licensing of the Salvatore Ferragamo brand with reference to the eyewear, watches, and fragrances product categories.

The item "Other income and services" mainly includes other revenues from Group companies and the recovery of freight and packaging costs.

The following table shows the revenues from sales by **geographic area** and the change over the previous year.

(In thousands of Euro)	2020	% of Revenues from sales	2019	% of Revenues from sales	% change
Italy	81,120	15.1%	122,700	15.2%	(33.9%)
Europe (excluding Italy)	81,623	15.2%	121,191	15.0%	(32.6%)
North America	127,161	23.6%	201,409	24.9%	(36.9%)
Asia Pacific	177,259	32.9%	263,839	32.7%	(32.8%)
Japan	40,298	7.5%	48,564	6.0%	(17.0%)
Central and South America	30,614	5.7%	49,853	6.2%	(38.6%)
Revenues from sales	**538,075**	**100.0%**	**807,556**	**100.0%**	**(33.4%)**

In 2020, the Italian market saw revenues from sales fall by 33.9%, whereas Europe registered a 32.6% decrease, with the retail and e-commerce channel down 57.9% year-on-year and the wholesale business contracting by 23.4%. Both areas were severely affected by the restrictions on business operations and international traffic enacted in most European countries.

The other geographies were also severely affected by the restrictions and bans on business operations resulting from the global outbreak of the pandemic.

Specifically, the North American market was down 36.9%; meanwhile, the Asia-Pacific area made once again the largest contribution to the Company's revenues, accounting for 32.9% of the total, but saw revenues decline by 32.8% from 2019.

Revenues fell by 17.0% in Japan and 38.6% in Central and South America.

The following table shows the revenues from sales by **product category** and the change over the previous year.

(In thousands of Euro)	2020	% of Revenues from sales	2019	% of Revenues from sales	% change
Footwear	233,365	43.4%	369,076	45.7%	(36.8%)
Leather goods	233,316	43.4%	338,819	42.0%	(31.1%)
Apparel	43,159	8.0%	53,043	6.5%	(18.6%)
Accessories and other products	28,235	5.2%	46,618	5.8%	(39.4%)
Revenues from sales	**538,075**	**100.0%**	**807,556**	**100.0%**	**(33.4%)**

All product categories were down year-on-year; footwear and leather goods accounted for 86.8% of total revenues from sales.

Statement of financial position and Investments

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

(In thousands of Euro)	31 December 2020	31 December 2019	% change
Property, plant and equipment, intangible assets with a finite useful life, and goodwill	147,050	151,143	(2.7%)
Right-of-use assets	95,735	110,878	(13.7%)
Net working capital	113,621	162,018	(29.9%)
Other non current assets/(liabilities), net	146,624	179,607	(18.4%)
Other current assets/(liabilities), net	4,596	(23,118)	na
Net invested capital	**507,626**	**580,528**	**(12.6%)**
Shareholders' equity (A)	**656,730**	**686,684**	**(4.4%)**
Net financial debt/(surplus) (B)	**(149,104)**	**(106,156)**	**40.5%**
Total sources of financing (A+B)	**507,626**	**580,528**	**(12.6%)**
Net financial debt/(surplus) (B)	**(149,104)**	**(106,156)**	**40.5%**
Lease liabilities (C)	101,700	113,636	na
Adjusted net financial debt/(surplus) (B-C)	**(250,804)**	**(219,792)**	**14.1%**
Adjusted net financial debt/Shareholders' equity	**(38.2%)**	**(32.0%)**	

Investments in fixed assets

In 2020, Salvatore Ferragamo S.p.A. acquired control over Arts S.r.l. and Aura1 S.r.l., which were subsequently merged into the Company. For details, see the paragraph Significant events occurred during the year and note 5 Business Combinations in the explanatory notes to the Separate Financial Statements. To allocate the consideration for the transaction in accordance with IFRS3 Business Combinations, Salvatore Ferragamo S.p.A. identified and measured the fair value of the assets acquired and liabilities assumed with the help of an independent consultant. The analysis estimated the value of know-how at 6,380 thousand Euro. Arts S.r.l. has been collaborating with Salvatore Ferragamo S.p.A. since its inception in 1984, helping with the prototyping, industrialization, and quality control of products as well as the monitoring of the Parent company's network of suppliers with respect to men's footwear. Net of the fair value of the assets acquired and liabilities assumed, the residual amount allocated to goodwill arising from the acquisition totaled 6,679 thousand Euro. The amount of goodwill is attributable to the synergies and other economic benefits arising from the combination of the assets and industrial operations of the acquirees with those of Salvatore Ferragamo S.p.A..

During 2020, the Company made investments in tangible and intangible assets for a total amount of 8,224 thousand Euro, of which 2,656 thousand Euro in tangible assets and 5,568 thousand Euro in intangible assets, compared to a total of 28,139 thousand Euro in the previous year. The reduction in investments compared to 2019 was closely associated with the Company's decision to deal with

the emergency triggered by Covid-19 by postponing non-essential projects, so as to mitigate future economic-financial impacts and protect the financial soundness of the Company.

The most important investments in tangible assets referred to the works carried out at the Osmannoro-Sesto Fiorentino facility as well as the refurbishment of stores of the Italian network.

The main investments in intangible assets referred to the "Project Life Cycle Management-PLM" (for the integrated management of the product's life cycle: as part of this initiative, product development – a high value-added process within the luxury industry – is optimized in terms of time and synergies with the Merchandising and Production functions, integrating and enhancing all in-house activities such as design, research, costing, and industrialization), which was all but completed in early 2020; the Enterprise Business Intelligence project (aimed at rationalizing corporate reporting and analytics systems by establishing a single shared "Data Warehouse"); the development of the e-commerce platform; and the purchase of software licenses.

Investments in tangible assets under construction amounted to 0.4 million Euro and mainly concerned works yet to be completed at the Osmannoro-Sesto Fiorentino facility.

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 the Right-of-use assets) totaled 25,257 thousand Euro as at 31 December 2020, compared to 23,510 thousand Euro as at 31 December 2019.

During 2020, the Company did not make any investments in financial assets.

Net working capital

Below is the breakdown and change in **net working capital** as at 31 December 2020 compared with 31 December 2019.

(In thousands of Euro)	31 December 2020	31 December 2019	% change
Inventories and Right of return assets	101,039	133,938	(24.6%)
Trade receivables	144,139	194,186	(25.8%)
Trade payables and Refund Liabilities	(131,557)	(166,106)	(20.8%)
Total	**113,621**	**162,018**	**(29.9%)**

Net working capital decreased by 29.9%. Inventories and right of return assets were down 32,899 thousand Euro overall, i.e. 24.6%: the inventories of raw materials for production declined by 19,407 thousand Euro, while the inventories of finished products and right of return assets fell by 13,492 thousand Euro (including 3,799 thousand Euro referring to the change in right of return assets, totaling 9,688 thousand Euro as at 31 December 2020).

Trade receivables totaled 144,139 thousand Euro, down 25.8% from 2019 as a direct consequence of the contraction in revenues seen in 2020, and included 112,179 thousand Euro in receivables from subsidiaries (-30.5% compared to 2019) and 31,960 thousand Euro in receivables from third parties (-2.6% compared to 2019).

Trade payables and Refund Liabilities amounted to 131,557 thousand Euro (including 16,098 thousand Euro in refund liabilities), down 20.8% from 2019. They largely referred to purchases of production materials, outsourcing costs, and purchases of finished goods.

Net financial debt/(surplus)

Net financial debt/(surplus) as at 31 December 2020 and 31 December 2019 was as follows:

(In thousands of Euro)	31 December 2020	31 December 2019	% Change
Cash and cash equivalents (A)	212,453	120,088	76.9%
Other current financial assets (B)	166,939	99,875	67.1%
Interest-bearing loans and borrowings (C)	124,919	-	na
Other current financial liabilities (D)	3,669	171	2045.6%
Lease liabilities (E)	101,700	113,636	(10.5%)
Net financial debt/(surplus) (C + D +E – A – B)	**(149,104)**	**(106,156)**	**40.5%**

As at 31 December 2020, the net financial surplus amounted to 149,104 thousand Euro, including 101,700 thousand Euro in current and non-current lease liabilities.

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

(In thousands of Euro)	31 December 2020	31 December 2019	Change 2020 vs 2019
Net financial debt/(surplus) (a)	**(149,104)**	**(106,156)**	**(42,948)**
Non current lease liabilities	85,908	96,181	(10,273)
Current lease liabilities	15,792	17,455	(1,663)
Lease liabilities (b)	**101,700**	**113,636**	**(11,936)**
Adjusted net financial debt/(surplus) (a-b)	**(250,804)**	**(219,792)**	**(31,012)**

2020 ended with a positive adjusted net financial position amounting to 250,804 thousand Euro, up from 219,792 thousand Euro as at 31 December 2019. The Company's net financial position remains very positive, thanks to 50,550 thousand Euro in adjusted cash flows from operating activities (even though 2020 was affected by the decline in revenues caused by the closure of the distribution network and international traffic restrictions), net of 8,665 thousand Euro in cash flows used for the purposes of investing in tangible and intangible assets during 2020as well as the acquisition and subsequent merger of Arts S.r.l. and Aura 1 S.r.l., net of the cash acquired (7,581 thousand Euro). Please note that, in order to support the financial soundness of the Group and maintain significant investment capacity, the Shareholders' Meeting of Salvatore Ferragamo that approved the 2019 separate financial statements resolved not to distribute dividends and to allocate instead the profit for the year 2019 entirely to the extraordinary reserve.

Income and financial indicators

The tables below set out the trend in the main income and financial indicators of the Parent company for the years ended 31 December 2020 and 2019.

These indicators are based on the data from the separate financial statements. To better understand them, they should be read in conjunction with the alternative performance measures and financial statements prepared in accordance with the relevant accounting standards (IFRS) described in this document.

Profitability ratios	2020	2019
ROE *(Net profit/(loss) for the period / Average shareholders' equity)*	(5.1%)	19.0%
ROI *(Operating profit/(loss) / Net average invested capital)*	(7.2%)	28.0%
ROS *(Operating profit/(loss) / Revenues from sales and services)*	(7.0%)	17.7%

Financial ratios	2020	2019
Coverage of shareholders' equity ratio *(Shareholders' equity / Non current assets)*	149.5%	147.0%
Liquidity ratio *(Current assets excluding inventories/Current liabilities)*	313.0%	197.6%

Turnover ratios expressed in days	2020	2019
Turnover of trade receivables *Average value of Trade receivables in the period / Revenues from sales and services x days*	110	80
Turnover of Trade payables *Average value of Trade payables in the period / Costs for raw materials, goods and consumables and Costs for services x days*	132	99
Inventory turnover *Average value of Inventories in the period / cost of goods sold x days*	126	102
Turnover of average invested capital *Average value of invested capital / Revenues from sales and services x days*	354	230

Average value means the simple arithmetic average of the closing balances of the period and of the previous period.

6. Reconciliation between the Parent company's net profit/(loss) for the period and shareholders' equity and the consolidated values of the Group

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

(In thousands of Euro)	31 December 2020	
	Shareholders' equity	Net profit/ (loss) for the period
Salvatore Ferragamo S.p.A. data	**656,730**	**(34,070)**
Elimination of consolidated investments	202,609	(24,145)
Dividends distributed among Group companies	-	(49,365)
Elimination of write-downs / (restatement value) on consolidated investments	-	46,158
Elimination of unrealized profits, deriving from transactions between Group companies, relating to inventories, net of the deferred tax effect	(157,087)	(6,456)
Effect of IAS 39 – cash flow hedge reserve, net of the deferred tax effect	-	(1,372)
Other consolidation adjustments	7,444	(2,446)
Total shareholders' equity and net profit/(loss)	**709,696**	**(71,696)**
Minority interests – shareholders' equity and net profit/(loss)	16,114	(5,299)
Group – shareholders' equity and net profit/(loss)	**693,582**	**(66,397)**

7. Results of Group companies

The main highlights of subsidiaries are shown in the table below.

Company (In thousands)	Currency	2020 Revenues	2020 Shareholders' equity	2019 Revenues	2019 Shareholders' equity
Ferragamo Australia Pty Ltd.	AUD	20,110	21,979	30,741	22,093
Ferragamo Japan K.K.	JPY	10,426,130	(2,474,038)	13,450,746	84,290
Ferragamo Korea Ltd.	KRW	105,606,624	82,060,002	150,303,572	78,558,176
Ferragamo Espana S.L.	EURO	4,461	3,732	12,932	3,827
Ferrimag Limited	HKD	-	125,726	-	124,786
Ferragamo Retail HK Limited	HKD	170,509	(72,822)	388,030	104,657
Ferragamo Retail Taiwan Limited	TWD	590,730	299,370	596,271	264,649
Ferragamo Mexico S. de R.L. de C.V.	MXN	910,960	652,873	1,277,966	626,041
Ferragamo Retail Nederland B.V.	EURO	2,538	1,185	5,602	1,323
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	CNY	1,346,174	582,964	1,185,003	423,767
Ferragamo (Singapore) Pte. Ltd.	SGD	12,471	(26,957)	29,701	(18,474)
Ferragamo (Thailand) Limited	THB	135,597	(110,759)	170,988	(32,784)
Ferragamo (Malaysia) Sdn Bhd	MYR	26,758	18,695	44,232	24,247
Ferragamo Hong Kong Ltd.	USD	164,093	125,527	233,190	178,882
Ferragamo USA Group	USD	211,796	85,269	352,163	81,579
Ferragamo Deutschland GmbH	EURO	6,309	4,647	13,540	6,052
Ferragamo Belgique SA	EURO	921	669	1,540	672
Ferragamo Monte-Carlo S.A.M.	EURO	293	(74)	905	285
Ferragamo (Suisse) SA	CHF	4,872	1,546	8,246	1,500
Ferragamo U.K. Limited	GBP	10,347	5,142	24,288	8,845
Ferragamo France S.A.S.	EURO	9,409	10,625	23,114	9,121
Ferragamo Parfums S.p.A.	EURO	39,739	21,562	85,281	25,546
Ferragamo Chile S.A.	CLP	440,210	(710,201)	518,082	(466,311)
Ferragamo Austria GmbH	EURO	1,442	3,983	3,824	3,907
Ferragamo Retail India Private Limited	INR	-	(446,037)	-	(433,333)
Ferragamo Retail Macau Limited	MOP	55,624	69,541	138,047	84,176
Ferragamo Moda (Shanghai) Co.Ltd.	CNY	306,581	(10,215)	303,977	(38,720)
Ferragamo Brasil Roupas e Acessorios Ltda.	BRL	25,988	21,101	28,970	21,055
Ferragamo Argentina S.A.	ARS	121,023	(9,629)	98,830	36,611
Ferragamo Denmark ApS*	DKK	-	-	2,348	-

*company which ceased operations on 16 December 2019 and was struck off the Copenhagen Company Register on 7 January 2020.

8. Significant events occurred during the year

Ordinary Shareholders' Meeting

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

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

On the same date, the Shareholders' Meeting also:

- elected the members of the Board of Statutory Auditors for the 2020 - 2022 period based on a slate-voting system. The members, who shall remain in office until the Meeting convened to approve the financial statements at 31 December 2022, are: Andrea Balelli, elected from the slate submitted by a group of minority shareholders in the Company and subsequently appointed as Chairman of the Board; Paola Caramella and Giovanni Crostarosa Guicciardi, Acting Statutory Auditors elected from the majority slate submitted by Ferragamo Finanziaria S.p.A.; Antonella Andrei and Roberto Coccia, Substitute Statutory Auditors elected from the majority and minority slates, respectively. Finally, the Meeting fixed the gross annual fee of the Chairman of the Board of Statutory Auditors at 64,000 Euro and the gross annual fee of each Acting Statutory Auditor at 48,000 Euro;
- authorized the Board of Directors to buy, including in multiple rounds, ordinary shares in Salvatore Ferragamo with a par value of 0.10 Euro each, up to a maximum amount that, considering the ordinary shares in Salvatore Ferragamo held from time to time by the Companies or its subsidiaries, shall not exceed 1% (i.e. 1,687,900 ordinary shares) of the Company's share capital in accordance with article 2357, paragraph 3 of the Italian Civil Code;
- approved the Company's policy concerning the remuneration of the members of the governing bodies, general managers, managers with strategic responsibilities, and the members of control bodies for the year 2020, as well as the procedures used to adopt and implement said policy, as described in Section I of the report on remuneration policy and fees paid;
- voted in favor of Section II of the report on remuneration policy and fees paid, which includes, among other things, a list of the fees paid to said individuals in any capacity and in any form for the year ended 31 December 2019.

Board of Directors

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

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

- resolved to propose that the Shareholders' Meeting convened for 21 April 2020 distribute a dividend of 0.34 Euro per ordinary share; this proposal was subsequently withdrawn with the resolution of the Board of Directors dated 6 April 2020;
- appointed the CFO Alessandro Corsi as Manager charged with preparing Company's Financial Reports, after consulting with the Nomination and Remuneration Committee as well as the Board of Statutory Auditors, pursuant to art. 154 bis of Italian Legislative Decree no. 58 of 24 February 1998. The appointment is effective as from 1 April 2020;
- approved an agreement to acquire 100% of Arts S.r.l..

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

At the same meeting on 6 April 2020 the Board of Directors, having confirmed all the powers previously granted to the Chairman and Managing Director upon their appointment, established an Executive Committee within the Board, vesting it with the powers to monitor, oversee and support the implementation of the initiatives launched by the Company to address the emergency caused by the Covid-19 pandemic. At the meeting on 10 November 2020, the Executive Committee was terminated effective 15 December 2020.

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

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

On 27 April 2020, Salvatore Ferragamo S.p.A acquired 100% of Aura 1 S.r.l., a subholding company owning 50.8% of Arts S.r.l, and 49.2% of Arts S.r.l., thus owning, directly and indirectly, 100% of Arts S.r.l.. Arts S.r.l. has been collaborating with Salvatore Ferragamo S.p.A. since its inception in 1984, helping with the prototyping, industrialization, and quality control of products as well as the monitoring of the Group's network of suppliers with respect to men's footwear. The Group pursued this deal to strengthen its control over its supply chain and acquire strategic capabilities in one of its key product categories. Based on the agreed economic conditions, Salvatore Ferragamo S.p.A. paid a total of 11.3 million Euro, and then an additional 3,629 thousand Euro (amount agreed on the basis of the net cash on hand as at 31 March 2020) in February 2021, as agreed by the parties.

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

On 25 June 2020, the Company's Board of Directors approved the draft terms of the merger of the wholly-owned subsidiaries Arts S.r.l. and Aura1 S.r.l. into Salvatore Ferragamo S.p.A.. On 28 July 2020, the Board of Directors approved the merger in accordance with art. 2505, paragraph 2 of the Italian Civil Code, and the two merging entities passed similar resolutions on the same date.

On 24 November 2020, Salvatore Ferragamo S.p.A. and the two merging entities executed the deed of Merger authorized by a notary public in accordance with the resolution passed by the Company's Board of Directors and the resolutions passed by the Shareholders' Meetings of the merging entities on 28 July 2020.

The deed of merger was then filed with the relevant Company Register on 25 November 2020. The surviving entity did not carry out any rights issue as part of the transaction.

The ownership interests in Aura 1 S.r.l. and Arts S.r.l. were canceled without assigning or swapping shares. In addition, no changes were made to Salvatore Ferragamo S.p.A.'s Bylaws. As the relevant conditions were met, in accordance with article 2501-quater, paragraph 2 of the Italian Civil Code, for the purposes of the merger the statements of financial position were replaced with the financial statements for the year ended 31 December 2019 of the three entities involved. The merger is effective retroactively to 1 January 2020 for accounting and tax purposes and effective 1 December 2020 for legal purposes.

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

On 10 November 2020, the Board of Directors of Salvatore Ferragamo S.p.A. and the Board of Directors of Ferragamo Parfums S.p.A. approved the draft terms of the merger of the wholly-owned subsidiary Ferragamo Parfums S.p.A. (single-member company) into Salvatore Ferragamo S.p.A. 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. will take 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. will 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. will be canceled without assigning or swapping shares. No changes will be made to Salvatore Ferragamo S.p.A.'s Bylaws.

Medium-term credit lines

On 24 July 2020, the Company entered into a loan agreement with Intesa Sanpaolo S.p.A. as initial lender, which also acted as "global coordinator", "bookrunner", and "sustainability coordinator" through the IMI Corporate & Investment Banking Division for an overall amount of up to 250 million Euro. The credit facility consists of a term loan with a five-year maturity in 2025 and a revolving credit line with maturity in 2024 that can be extended for a year, each amounting to 125 million Euro. The loan was granted to support specific ESG (Environmental, Social and Governance) targets of Salvatore Ferragamo S.p.A. and meet the Company's general cash needs, with an incentive mechanism linked to agreed sustainability targets. Specifically, the interest rate on both lines involves a margin, to be applied to the benchmark Euribor rate, that varies based on whether the Company achieves targets linked to ESG KPIs in full or in part.

Proceedings settled with the Inland Revenue Office

On 9 May 2017, Salvatore Ferragamo S.p.A. claimed a refund of 7,297,871 Euro relating to the estimated tax payments made in 2015 for the purposes of separate taxation calculated under the Controlled Foreign Companies (CFC) rules. Salvatore Ferragamo S.p.A. calculated said estimated tax payments using the "historical" method, i.e. by reference to the tax paid in 2014: this method allowed avoiding penalties for the underpayment of estimated taxes, a risk that in 2015 appeared to be especially material in light of the regulatory changes concerning controlled foreign companies as per art. 167 of Italian Presidential Decree no. 917 of 22 December 1986 ("TUIR"). After the Inland Revenue Office provided clarification on the new rules (circ. no. 35/E of 4 August 2016), the Company concluded that in 2015 Ferragamo Hong Kong Ltd., Ferragamo Retail HK Ltd., Ferragamo (Singapore) Pte Ltd, and Ferragamo (Malaysia) Sdn. Bhd. were not subject to CFC rules and, therefore, pass-through taxation in Italy. In July 2020, the Inland Revenue Office approved the refund and returned the 7.3 million Euro paid by Salvatore Ferragamo S.p.A. in 2015 plus approximately 0.4 million Euro in interest, with only the latter recognized through profit or loss.
On 21 November 2019, the Company finalized the settlement relating to the general tax audit carried out by the Regional Unit of the Tuscany Inland Revenue Office for the tax years 2015 and, concerning exclusively transfer pricing, 2014 (as disclosed in the 2019 Annual Report). As a result of the settlement, the Advance Pricing Agreement (so-called "roll back") between Salvatore Ferragamo S.p.A. and the

Inland Revenue Office was applied retroactively to the years 2014 and 2015; the overall income for IRES and IRAP purposes for the year 2015 was increased by 19,512 thousand Euro. On 26 May 2020, the Company asked the Inland Revenue Office for permission to reassess the income eligible for the Patent Box with respect to the tax year 2015, so as to benefit from the greater revenues assessed and agreed with the Tuscany Regional Unit. In December 2020, the Inland Revenue Office granted the greater Patent Box benefit arising from the restatement of taxable income assessed and agreed under the settlement, requiring the Company to file a supplementary tax return for the year 2015. As a result, the Patent Box benefit for 2015 rose from 43,156 thousand Euro to 47,132 thousand Euro, reducing the IRAP tax expense by approximately 157 thousand Euro and the IRES tax expense under the domestic fiscal unity by 1,089 thousand Euro. Both amounts were recognized under the line item Taxes from previous years.

Covid-19 Update

At the end of 2019, a new coronavirus, known as Covid-19, was found in Wuhan, China. The Covid-19 Coronavirus has spread gradually from China to the rest of the world—to the point that on 11 March 2020 the World Health Organization declared a pandemic due to the speed and extent of the epidemic. In order to contain the outbreak and protect public health, Governments all over the world have gradually put in place containment and social distancing measures, shutting down non-essential retail and manufacturing operations as well as limiting international and domestic travel. In certain areas, including Europe, these measures were eased in the third quarter of 2020 and then gradually tightened once again in the fourth quarter to stem a second wave of the virus.

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

In 2020, the Group saw a 33.5% drop in revenues at current exchange rates and, therefore, a deterioration in its margins and financial performance, as detailed in the Group's operating performance section. The Group incurred direct costs to address this emergency, and specifically the expenses associated with the measures taken to protect the health of employees at both offices and directly operated stores: it also received, where possible, government grants and subsidies, such as the different kinds of aid aimed at supporting employment. Personnel costs were down 20.1% in 2020 compared to the prior-year period, in part thanks to government benefits and subsidies, such as employment support measures, and in part due to the effects of a newly launched plan to streamline the organization.

In addition, the Group started, successfully concluded, and continues important negotiations to reduce operating costs, especially with lessors, in order to revise the terms and conditions of the leases of its distribution network, resulting in a 19,729 thousand Euro positive variable lease payment in 2020 that was directly recognized through profit or loss (largely within the line item "Sales and distribution costs").

In addition, the Group wrote down inventories, net of uses, by 28,654 thousand Euro, mainly to account for the potential risk of obsolescence in light of the lower sales of certain products, because of the current situation (see note 14 Inventories in the Explanatory Notes to the Consolidated Financial Statements). The provision for bad debt, to which the Group allocated 528 thousand Euro in 2020, was adjusted in accordance with the risk assessments relating to the current situation (see note 16 Trade receivables in the Explanatory Notes to the Consolidated Financial Statements). As for the analysis of liquidity and credit risks, see note 3 Management of financial risks in the Explanatory

Notes to the Consolidated Financial Statements. Specifically, in order to bolster its financial structure and soundness, the Group has seen it fit to increase the amount of committed lines outstanding with diversified banking counterparties, promptly opening additional short- and medium/long-term lines of credit. For more details, see note 28 Interest-bearing loans & borrowings in the Consolidated Financial Statements.

Considering the continued severity of the current situation associated with the impact of the Covid-19 pandemic and the uncertainty about how long this will last, only partly mitigated in recent months by the discovery and authorization of the first Covid-19 vaccines in various countries, it is hard to forecast future impacts and the recoverable amounts of the Group's assets, except for the information reported in the following paragraph.

Impairment test

The economic crisis associated with the Covid-19 emergency qualifies as an impairment indicator. Therefore, the Group considered this aspect in making its estimates and assumptions: for more details, see note 11 Impairment of Property, Plant and Equipment, Right-of-use Assets, and Intangible Assets with a Finite Useful Life in the Consolidated Financial Statements.

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

The impairment tests resulted in a 34,627 thousand Euro impairment loss, including 33,011 thousand Euro relating to Property, plant and equipment and 1,616 thousand Euro to Intangible assets with a finite useful life. For more details, see note 6 Property, Plant and Equipment, 10 Intangible Assets with a Finite Useful Life in the Explanatory Notes to the Consolidated Financial Statements, and 11 Impairment of Property, Plant and Equipment, Right-of-use Assets, and Intangible Assets with a Finite Useful Life.

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

Costs and investments

The Group has continued investing mainly in the restructuring of its distribution network and the growth of the E-commerce channel: in 2020, it launched the new e-commerce website in Canada, the United States, Mexico, South Korea, Australia, the People's Republic of China, Japan, and several European countries (Eurozone and United Kingdom). Some projects and investments considered low-priority or deferrable have been postponed.

Personnel

Throughout 2020, in response to the Covid-19 pandemic, human resource management heavily focused on measures to protect the health of employees at both offices and directly operated stores. In this regard, the Group has defined specific safety protocols that include stringent safety measures and, finally, put in place a supplemental health insurance policy for Italian employees covering symptoms associated with Covid-19. Where allowed by law, the Group offered free, voluntary antibody testing. It defined global guidelines for stores in the following areas: staff safety tools, client service, store cleaning & maintenance, and HR emergency.

Starting from February, in order to protect the health of employees, Salvatore Ferragamo has extended the use of smart-working, introduced as an experiment during 2019, to the Italian and international offices of the Group, allowing operations to continue where possible and in line with regulatory requirements. It has provided training to optimize the use of remote work tools and bolstered internal communication, creating accounts dedicated to answering all health- and business-related questions of the Group's employees.

Throughout 2020, the Group applied for state aid in the various countries in which it operates, where available, and these applications were successful. In addition, the Group's management has voluntarily decided to forgo part of their remuneration for the current year.

Directors' Fees

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

Dividend

In order to support the financial soundness of the Group and maintain significant investment capacity, the Shareholders' Meeting held on 8 May 2020 approved the 2019 Separate Financial Statements of Salvatore Ferragamo S.p.A. and the allocation of all profits to the extraordinary reserve, as proposed in the resolution passed on 6 April 2020 by the Board of Directors.

Tax and customs disputes and audits

Tax disputes settled during the year

- On 14 March 2018, the Florence Economic-Financial Department of the Italian Tax Police started a tax audit of Ferragamo Parfums S.p.A., concerning direct income taxes, VAT and other taxes for the 2015 tax year and costs incurred with entities resident in blacklisted countries in 2013 and 2014. The audit was then expanded to include the years 2013, 2014, 2016, and 2017 as far as the assessment of the intellectual property rights over the "Salvatore Ferragamo" brand and the relevant tax implications are concerned, and, eventually, the years 2013, 2014, 2016, and 2017 concerning the assessment of the line item "Other intercompany consulting services" in the income statement. The Italian tax police served the company with a Tax assessment report on 30 July 2018, raising several objections that Ferragamo Parfums S.p.A. considers to be completely baseless in fact and in law. However, on 29 November 2018, exclusively for the purposes of settling the dispute, Ferragamo Parfums S.p.A. reached a settlement over the years 2013 and 2014 with the Regional Unit of the Tuscany Inland Revenue Office (which has jurisdiction over the years concerned), paying 207 thousand Euro's worth of additional taxes as well as 91 thousand Euro in interest and penalties; these amounts are significantly lower than those claimed in the tax assessment report. In September 2019, the Inland Revenue Office's Florence Provincial Unit (which has jurisdiction over the tax years 2015, 2016, and 2017) formally initiated the dispute over such years, during which the outcome of the dispute with the Regional Unit was reviewed and the company reiterated its stance on the objection concerning the year 2015 (compensation for the Mexican distributor). The dispute ended with a settlement under which the Provincial Unit i) acknowledged the same arguments accepted by the Regional Unit of the Tuscany Inland Revenue Office and ii) accepted the arguments presented by Ferragamo Parfums S.p.A. about the objection concerning the compensation for the Mexican distributor. As for the objections concerning IRES (years 2015, 2016, and 2017) and IRAP taxes for the year 2015, a settlement was finalized on 22 November 2019, resulting in approximately 420 thousand Euro in additional taxes, interest and penalties. With respect to the objections over the 2016 and 2017 IRAP taxes, on 28 February 2020 the Company entered into a settlement under which it would pay 35 thousand Euro in IRAP, interest and penalties. On 23 December 2020, the Company requested a refund of 21 thousand Euro's worth of excess taxes from the Inland Revenue Office as agreed under the settlement. The request is still pending.

Updates on ongoing audits

- With reference to the tax audit carried out on Salvatore Ferragamo S.p.A. relating to the pass-through mechanism for CFCs for the years 2012, 2013, and 2014, we report the following. As for the year 2012, Florence's Provincial Tax Commission had upheld in full the Company's appeal in a ruling filed on 24 January 2019. The Office filed an appeal against said ruling that the Company challenged in accordance with the law. A hearing had been scheduled for 19 November 2020, but was then postponed until further notice due to the Covid-19 pandemic. As for 2013, on 17 May 2019 the Company appealed against the notice assessing an additional 65 thousand Euro corporate income tax liability plus nearly 30 thousand Euro in interest and penalties. Florence's Provincial Tax Commission rejected the Company's appeal and reimbursed the legal fees in a ruling filed on 14 January 2020, which the Company has not challenged as this would have been uneconomic. The dispute was settled in April 2020 with the Company paying all amounts due. As for 2014, the Company settled the dispute with the Regional Unit of the Tuscany Inland Revenue Office on 29 November 2019 alongside the dispute over the roll back (discussed in the 2019 Annual Report), paying 17 thousand Euro in additional taxes as well as 8 thousand Euro in penalties and interest.

- With reference to the tax audit carried out on Ferragamo France S.A.S., relating to the tax years 2008-2010 and that was started in 2011, as already disclosed in previous years, the audit ended with an objection to the transfer pricing policy applied by the Parent company Salvatore Ferragamo S.p.A.. On 12 December 2012, after declining to change their position in order to reach a settlement, French tax authorities served the company with two assessment notices, confirming their claims as redetermined during the proceeding. For Ferragamo France S.A.S. these claims would entail the payment of around 900 thousand Euro in additional corporate income tax, penalties and interest for 2009 and 2010, as well as the redetermination of the taxable income for the years from 2011 to 2014 as a consequence of the cancellation of previous tax losses (amounting to around 8,925 thousand Euro), with a higher tax of 2,135 thousand Euro. After the administrative appeal was rejected, Ferragamo France S.A.S. filed an appeal with the administrative tax court. The ruling issued on 28 March 2017 dismissed all claims by French tax authorities, canceling the assessment notices for the years 2009 and 2010 and ordering them to pay 1,500 Euro in legal costs. On 26 July 2017, French tax authorities appealed against the decision to the Paris Administrative Court of Appeal, which on 27 September 2018 upheld the first-instance ruling. French tax authorities filed a final appeal against the ruling with the Council of State. At a public hearing in May 2020, the judge-rapporteur found in favor of the company and asked the Council of State to reject the appeal and order French Tax Authorities to pay the legal fees. Considering the legal complexity of the case, the court deferred a decision to the Council of State in plenary session, which on 23 November 2020 tossed the ruling of the Court of Appeal that had found in favor of the company and returned the case to the Court of Appeal for further proceedings. With this reversal, the Council of State affirmed a legal principle contrary to the one issued in the ruling concerned and remanded the case, which is still pending. The Company has set aside 2,870 thousand Euro under income taxes from previous years, recognizing a corresponding amount under tax payables. On 27 September 2018, French tax authorities launched a new audit into Ferragamo France S.A.S. concerning the income tax and VAT for the fiscal years from 2015 to 2017. The audit ended in November 2019 with the issue of a final audit report that, for the purposes of the transfer pricing applied by the Parent company Salvatore Ferragamo S.p.A. for 2016, required applying the pricing method under the International standard ruling on transfer pricing that the Parent company entered into with Italian taxation authorities in 2017, assessing an additional 688 thousand Euro in taxable income. Ferragamo France S.A.S. paid the amount due and, therefore, on 18 December 2020 the Parent company applied for a unilateral downward adjustment pursuant to art. 31-quater, paragraph 1, lett. c) of Italian Presidential Decree no. 600 of 29 September 1973, as well as the Decision dated 30 May 2018, paragraph 2.3. If the request is granted, the Parent company will be entitled to recovering the taxes paid in Italy on the income corresponding to the amount adjusted to Ferragamo France S.A.S..
- As for the ongoing tax audit involving Ferragamo Deutschland GmbH, relating to the tax years 2011-2014, that was started in 2016, on 7 March 2019 German tax authorities served the final audit report, confirming the approach communicated during the meeting on 28 November 2018. In particular, German tax authorities assessed, on a provisional basis, additional corporate income taxes and interest for the years 2011-2014 for a total amount of 2,523 thousand Euro, resulting in the elimination of previous tax losses. These amounts were confirmed by the payment orders served on Ferragamo Deutschland GmbH on 31 May 2019. Firmly convinced that its actions were lawful (in compliance with the official communication issued by German tax authorities), the Company filed an administrative appeal and requested suspension of payment to the competent authorities. This request was approved. Meanwhile, in December 2020 German tax authorities served similar payment orders on Ferragamo Deutschland GmbH for the fiscal year 2015, claiming 234 thousand Euro in additional taxes. The Company promptly appealed and requested suspension of payment to the competent authorities. With respect to both objections, German tax authorities have taken a position that is at odds with precedent and lacks a strong legal basis.

- On 23 March 2017, the Regional Unit of the Tuscany Inland Revenue Office requested Salvatore Ferragamo S.p.A. to file documents concerning 4 separate export transactions that were canceled, and the company replied on 12 April 2017. The Regional Unit of the Tuscany Inland Revenue Office served an assessment notice on Salvatore Ferragamo S.p.A. concerning one of the transactions, assessing an additional 67 thousand Euro VAT liability for the year 2013 plus interest and penalties. The Company previously received another assessment notice from the Regional Unit of the Tuscany Inland Revenue Office for a similar case dating back to 2006 and appealed against it. The first- and second-instance courts have sided with Salvatore Ferragamo S.p.A., and the case is currently pending with the Court of Cassation. Therefore, on 21 March 2018, Salvatore Ferragamo S.p.A. also appealed against this assessment notice, making reference to the outcome of the previous dispute. The first-instance ruling issued on 29 January 2019 upheld the Company's appeal and ordered the reimbursement of legal costs. On 11 May 2020, the Regional Unit of the Tuscany Inland Revenue Office appealed against the ruling. Once again convinced that its actions were lawful, on 19 June 2020 Salvatore Ferragamo S.p.A. filed counterclaims and an appearance. A date for the hearing of the appeal is yet to be scheduled.

In addition to the above, concerning such disputes, the Group believes that, at present, the risk of defeat is no more than possible.

Tax and customs audits commenced during the period

On 17 June 2020, the Seoul Customs Office commenced a customs audit of Ferragamo Korea Ltd. with respect to duties, VAT, and other local taxes for the period from 1 June 2015 through 31 May 2020. The audit at the company's office was completed on 23 July 2020 without any objections with respect to compliance. The investigation phase of the audit continues with the examination of the Group's transfer pricing policy, the implementation of the Italian Advance Pricing Agreement ("APA"), and other intercompany relationships (chief among them the services rendered by Ferragamo Hong Kong Ltd. to the South Korean company between 2015 and June 2017). The audit will formally be completed in early 2021, and the auditors have informed the company in advance that they will not raise any objections.

Patent Box and Research and Development, Design, and Innovation Credits

With respect to the R&D Tax Credit, please note that, starting from the tax year 2020, the tax credit for investments in research and development as per art. 3 of Italian Law Decree no. 145 of 23 December 2013 (in force until 2019) has been replaced by three separate tax credits, for R&D, design and aesthetic conception, and technological innovation, introduced by art. 1 paragraph 198-209 of Italian Law no. 160 of 27 December 2019 (so-called 2020 Budget Law) as amended by art. 1, paragraph 1064 of Italian Law no. 178 of 30 December 2020 (so-called 2021 Budget Law). Salvatore Ferragamo S.p.A. will benefit from one or more of these credits, with eligibility to be confirmed in 2021 – also in light of important clarifications that have not yet been issued.

With respect to the Patent Box, on 16 November 2020 the Company notified the Inland Revenue Office that it would withdraw the application filed on 25 September 2019 for an extension of the advance agreement entered into with the Italian Inland Revenue Office for Advance Agreements on 29 December 2016 to determine the economic contribution in case of direct use of intangible assets. By doing so, the Company intended to enter into the Patent Box self-assessment regime, introduced by article 4 of Italian Law Decree no. 34 of 30 April 2019 (so-called Growth Decree), and assess the amount of the benefit on its own. Please note that, starting from the tax year 2020,

Salvatore Ferragamo S.p.A. will be able to benefit from the Patent Box only with respect to designs and models, as this option can no longer be renewed for trademarks in accordance with Italian Law Decree 50/2017, which made trademarks not eligible for this benefit. No reduction in IRES and IRAP tax expense is expected for 2020, as Salvatore Ferragamo S.p.A. reported a tax loss for the year.

International standard ruling on transfer pricing

As for the international standard ruling between Salvatore Ferragamo S.p.A. and the Inland Revenue Office – Central Assessment Department – International Ruling Office, concerning the determination of the transfer pricing policy Salvatore Ferragamo S.p.A. applies to its foreign subsidiaries that perform distribution operations, there were no new developments in 2020, except for the following. In the wake of the Covid-19 pandemic's impact on the world economy, the Company notified the competent Office of these exceptional circumstances on 2 October 2020 and announced it was ready to file a dispute with the Inland Revenue Office concerning a potential amendment to the terms of the Advance Pricing Agreement ("APA") for 2020 and 2021. The Company has been acting in line with the guidance issued by the OECD on 18 December 2020 on the transfer pricing implications of the Covid-19 health emergency: these require, on the one hand, to notify taxation authorities as soon as possible of changes in economic conditions, and, on the other hand, to refrain from taking any discretionary steps on existing APAs, calling instead for dialogue with taxation authorities.

9. Information on corporate governance and ownership structure

Disclosure pursuant to art. 123-bis of Italian Legislative Decree no. 58/1998 (TUF)

On 10 March 2020, the Board of Directors of Salvatore Ferragamo S.p.A. approved the annual report on corporate governance and ownership structure (the "**Report"**), which was prepared pursuant to art. 123-bis of the Consolidated Law on Finance (TUF).

The Report includes a description of the corporate governance system adopted by Salvatore Ferragamo S.p.A. ("**Company**"), information on the ownership structure and on compliance with the Corporate Governance Code, the main governance policies in force, as well as the characteristics of the risk management and internal control system in relation to the financial reporting process.

Corporate Governance

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

During the year, the Company complied with the Corporate Governance Code issued by Borsa Italiana S.p.A., and its corporate governance model was in line with the recommendations contained therein, including the relevant updates.

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

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

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

The Board of Directors currently consists of Ferruccio Ferragamo (Chairman), Michele Norsa (Executive Deputy Chairman), Micaela le Divelec Lemmi (Managing Director), Giovanna Ferragamo, Angelica Visconti, Leonardo Ferragamo, Francesco Caretti, Diego Paternò Castello di San Giuliano, Peter K. C. Woo, Chiara Ambrosetti (Independent Director), Lidia Fiori (Independent Director), Umberto Tombari (Independent Director), and Marzio Alessandro Alberto Saà (Independent Director).

This Board of Directors will serve until the date of the Shareholders' Meeting called to approve the separate financial statements as at 31 December 2020.

Members of the Board of Directors of the Parent Company - 31 December 2020

	30- 50		>50		Tot	
	Men	Women	Men	Women	Men	Women
Members of the Board of Directors	8%	15%	54%	23%	62%	38%
Of which executive*					33%	67%
Of which independent					50%	50%

* Pursuant to art. 2 of the Corporate Governance Code, the directors who were also managers of the Company as at 31 December 2020 were considered to be executive directors.

On 6 April 2020, the Company's Board of Directors established an Executive Committee within the Board, vesting it with the powers to monitor, oversee and support the implementation of the initiatives launched by the Company to address the emergency caused by the Covid-19 pandemic. The Executive Committee was not granted any other powers over the Company's day-to-day business operations. The original members of the Committee were the Director Ferruccio Ferragamo (Committee Chairman), the Managing Director Micaela le Divelec Lemmi, and the Directors Francesco Caretti, Diego Paternò Castello di San Giuliano, and Marzio Alessandro Alberto Saà. On 27 May 2020, the Company's Board of Directors appointed the Director Michele Norsa to the Executive Committee in place of Mr Ferruccio Ferragamo, electing him also as Chairman of said Committee. On 10 November 2020, the Company's Board of Directors resolved to terminate the Executive Committee effective 15 December 2020.

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

a) the Nomination and Remuneration Committee, consisting of the Independent Directors Umberto Tombari (Chairman), Chiara Ambrosetti, Lidia Fiori, and Marzio Alessandro Alberto Saà;
b) the Risk and Control Committee, responsible also for transactions with related parties as well as for supervising the sustainability of the Company's operations and the relationships with stakeholders, consisting of the Independent Directors Marzio Alessandro Alberto Saà (Chairman), Chiara Ambrosetti, Lidia Fiori, and Umberto Tombari.
c) the Product and Brand Strategy Committee, consisting of the Directors Michele Norsa (Chairman), Micaela le Divelec Lemmi, Angelica Visconti, and Diego Paternò Castello di San Giuliano.

With respect to the Company's governance, the Board of Directors also appointed the Director Marzio Alessandro Alberto Saà as Lead Independent Director and the Managing Director Micaela le Divelec Lemmi as Director responsible for the internal control and risk management system. The relevant duties and responsibilities are outlined in the Corporate Governance Code.
Finally, on 8 May 2020 the Shareholders' Meeting elected the new members of the Board of Statutory Auditors for the 2020-2022 period based on a slate-voting system. The members, who shall remain in office until the Meeting convened to approve the financial statements at 31 December 2022, are: Andrea Balelli, elected from the slate submitted by a group of minority shareholders in the Company and

subsequently appointed as Chairman of the Board; Paola Caramella and Giovanni Crostarosa Guicciardi, Acting Statutory Auditors elected from the majority slate submitted by Ferragamo Finanziaria S.p.A.; Antonella Andrei and Roberto Coccia, Substitute Statutory Auditors elected from the majority and minority slates, respectively.

On 10 March 2020, the Board of Directors also appointed the CFO and Manager with strategic responsibilities Alessandro Corsi as Manager charged with preparing Company's Financial Reports pursuant to art. 154 bis of Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance) effective 1 April 2020.

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

Main features of the systems of risk management and internal control

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

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

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

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

- the legal and compliance functions, which coordinate the prevention and management of the risk of non-compliance with applicable laws and regulations by providing guidance and support to the entire Group as well as monitoring it;

- the so-called whistleblowing system, allowing the employees of the entire Group to report any misconduct or potential violations of the Code of Ethics, internal procedures, as well as applicable laws and regulations. This system was introduced and is managed according to Italian and international best practices to provide a specific and confidential communication channel as well as ensure the anonymity of the whistleblower.

The Board of Directors as a whole is responsible for establishing the guidelines for the internal control system, assessing its adequacy and effectiveness.
Without prejudice to the responsibilities of Directors and managers, the internal control system also identifies specific positions with specific duties, as detailed below.

- Director responsible for the internal control and risk management system

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

- Control and Risk Committee

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

- ERM (Enterprise Risk management) Guidance Committee

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

- Risk & Compliance Department

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

- Internal Audit Manager

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

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

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

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

It is responsible for checking the effectiveness, adequacy and compliance of the Organization, Management and Control Model pursuant to Leg. Decree no. 231/01 and ensuring it is constantly updated.
For further information on corporate governance and the main features of the risk management and internal control systems adopted, reference should be made to the Report on corporate governance and ownership structure published on the Company's website https://group.ferragamo.com, in the section Governance/Corporate Governance Reports.

Disclosure pursuant to art. 15 of the Markets Regulation

Salvatore Ferragamo S.p.A. has taken the steps required to comply with the provisions set out in article 15 of the Markets Regulation (CONSOB resolution no. 20249 of 28 December 2017); this Regulation governs the requirements for listing shares of companies which control entities that have been set up under and are governed by the law of countries not belonging to the European Union and which are significant for the purposes of the consolidated financial statements. As at 31 December 2020, the aforementioned regulatory provision applied to the following foreign non-EU subsidiaries: Ferragamo USA Inc., Ferragamo Hong Kong Ltd, Ferragamo Fashion Trading (Shanghai) Co Ltd, Ferragamo Korea Ltd, Ferragamo Japan KK, Ferragamo Mexico S. de R.L. de C.V., Ferragamo Retail HK Limited, Ferragamo Retail Taiwan Limited, Ferragamo Singapore Pte. Ltd., Ferragamo Moda (Shanghai) Co. Ltd., and Ferragamo Australia Pty. Ltd..

In particular, Salvatore Ferragamo S.p.A.:

a) discloses, pursuant to the procedures and deadlines established by relevant regulations, the accounting records of the subsidiaries prepared for the purposes of drawing up the consolidated financial statements, including at least the statement of financial position and the income statement;

b) receives from the subsidiaries their bylaws and information about the structure and powers of the corporate bodies;

c) verifies that the subsidiaries:

- provide the Independent Auditors with the information they need to audit the annual and interim financial statements of the Holding company;
- adopt an administrative and accounting system that can ensure the regular provision to the management and to the Independent Auditors of the Holding company of the income, equity and financial data needed to prepare the consolidated financial statements.

In order to fulfill its own regulatory obligations, the Board of Statutory Auditors of the Parent company Salvatore Ferragamo S.p.A. has verified the suitability of the administrative and accounting system to duly provide management and the Independent Auditors of the Parent company Salvatore Ferragamo S.p.A. with the income, equity and financial data needed to prepare the consolidated financial statements and ensure the effective flow of information through meetings with both the Independent Auditors and the Manager charged with preparing Company's Financial Reports.

10. Other information

Financial reporting and Investor relations

Salvatore Ferragamo S.p.A., in order to maintain a constant dialogue with its Shareholders, potential investors and financial analysts, and in compliance with the recommendation of Consob, 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 December 2020, Ferragamo Finanziaria S.p.A. held a majority stake in the share capital of Salvatore Ferragamo S.p.A., i.e. 54.276% as per the disclosure of Ferragamo Finanziaria S.p.A. pursuant to form 120/A in Attachment 4 to the Consob Issuers' Regulation. Please note that Ferragamo Finanziaria S.p.A. has requested to register the Salvatore Ferragamo ordinary shares it owns in the Special List set up by the Company pursuant to article 127-quinquies, paragraph 2, of the Consolidated Law on Finance 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 the date of approval of this annual report, 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, to date Ferragamo Finanziaria S.p.A. owns 183,223,620 voting rights, accounting for 65.825% of the total.

Management and coordination

Salvatore Ferragamo S.p.A. is subject to the management and coordination of Ferragamo Finanziaria S.p.A. pursuant to art. 2497 and ff. of the Italian Civil Code. The Company complies with the requirements as set out in article 16 of the Markets Regulation for the listing of subsidiaries which are subject to management and coordination. In particular, it should be noted that Salvatore Ferragamo S.p.A.:

(i)has fulfilled the disclosure obligations envisaged by article 2497-bis of the Italian Civil Code;

(ii)has independent power to negotiate with customers and suppliers;

(iii) has no centralized cash management arrangement with Ferragamo Finanziaria S.p.A.;

(iv) has an internal control committee consisting of independent directors, pursuant to art. 148, paragraph 3 of the TUF and the relevant provisions of the Corporate Governance Code;

(v)has a nomination and remuneration committee to appoint directors consisting of independent directors, pursuant to art. 148, paragraph 3 of the TUF and the relevant provisions of the Corporate Governance Code.

Domestic fiscal unity

Salvatore Ferragamo S.p.A. adopted the domestic fiscal unity provided for by articles 117 ff. of the TUIR-Presidential Decree no. 117 of 22 December 1986 with the Holding company Ferragamo Finanziaria S.p.A. as the consolidating company and Ferragamo Parfums S.p.A..

Shares held by Directors, Statutory Auditors and Managers with strategic responsibilities

For information relating to the Shares held by Directors, Statutory Auditors, and Managers with strategic responsibilities, reference should be made to the Report on remuneration policy and fees paid as per article 123-ter of the Consolidated Law on Finance, prepared in accordance with art. 84-quater and Annex 3A, Scheme 7-bis of CONSOB Regulation no. 11971/1999 as amended and supplemented (the "Issuers' Regulation"), and article 5 of the new Corporate Governance Code for listed companies, available on the Company's website https://group.ferragamo.com, Section Governance/Remuneration/Remuneration Report.

Treasury shares and shares or stakes in parent companies

On 8 May 2020, the Shareholders' Meeting of Salvatore Ferragamo S.p.A. authorized the Board of Directors, in accordance with and pursuant to article 2357 of the Italian Civil Code, to buy, including in multiple rounds, ordinary shares in Salvatore Ferragamo S.p.A. with a par value of 0.10 Euro each, up to a maximum amount that, considering the ordinary shares in Salvatore Ferragamo S.p.A. held from time to time by the Companies or its subsidiaries, shall not exceed 1% (i.e. 1,687,900 ordinary shares) of the Company's share capital in accordance with article 2357, paragraph 3 of the Italian Civil Code.

On 8 May 2020, the Meeting also authorized the Board of Directors, in accordance with article 2357-ter of the Italian Civil Code, to sell, including in multiple rounds, all or part of the ordinary shares bought under the above authorization or otherwise held by the Company.

The Company is authorized to buy back ordinary shares in one or multiple installments for a period of 18 months from 8 May 2020, i.e. the date of the resolution of the Shareholders' Meeting, whereas there was no time limit for selling ordinary shares.

As at 31 December 2020, Salvatore Ferragamo S.p.A. held 150,000 treasury shares, equal to 0.09% of the Share Capital, bought throughout 2018 and 2019 for a total outlay of around 2,776 thousand Euro, including banking fees and other tax charges. On the same date, its subsidiaries did not hold any of its shares. The Group does not hold directly or indirectly shares in parent companies, and during the period it did not buy or sell shares in parent companies.

Transactions arising from atypical and/or unusual transactions

The Parent company Salvatore Ferragamo S.p.A. and 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 correctness/completeness of the information provided in the financial statements, conflicts of interest, the safeguarding of the company's equity and the protection of minority interests.

11. Research and development

As part of its creative and production studies, the Group incurred costs for research and development for the study of new products and the use of new materials, which were wholly charged to the income statement under costs of production.
In 2020, these costs totaled 21,717 thousand Euro (of which 20,526 thousand Euro incurred by the Parent company), compared to 30,557 thousand Euro in 2019 (of which 29,066 thousand Euro incurred by the Parent company).

12. Transactions with related parties

In compliance with the provisions of the Regulation adopted by CONSOB with resolution no. 17221 of 12 March 2010 as amended and supplemented, the Company Salvatore Ferragamo S.p.A. adopted a Related Party Transaction Procedure ("Related Party Procedure") which was revised and updated by the Company's Board of Directors on 31 July 2018 and is available on the website https://group.ferragamo.com, Section *Governance/Corporate Governance, Procedures.*

The main body responsible for the correct application of Salvatore Ferragamo S.p.A.'s Related Party Procedure is the Company's Board of Directors.

The Related Party Procedure identifies the principles adopted by the Company in order to guarantee the transparency and the actual and procedural fairness of transactions with related parties undertaken by the Company, either directly or through its subsidiaries.

In particular, it establishes the "larger" transactions which must be approved in advance by the Board of Directors on the basis of the grounded and binding opinion of the Committee responsible for Transactions with Related Parties – which is identified in the Control and Risk Committee, except for resolutions on remuneration of Directors and Managers with strategic responsibilities for which the Nomination and Remuneration Committee is responsible – and which entail the disclosure of an information document. The other transactions, unless they fall in the residual category of low value transactions – i.e. those worth less than 100,000.00 Euro – are defined as "minor" transactions and can be executed subject to a grounded and non-binding opinion of the Committee responsible for Transactions with Related Parties. In addition, the Related Party Procedure identifies the cases which are exempt from application of the procedure, including in particular ordinary transactions completed at market or standard conditions, transactions with or between subsidiaries and those with associated companies – provided that other related parties of the Company do not hold significant interests in these transactions – and low value transactions.

The Board of Statutory Auditors is responsible for overseeing the compliance of the Related Party Procedure with the principles indicated in the Consob Regulation and observance and correct application of the Procedure.

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

As at the reporting date, the Company's Related Party Procedure is being updated in accordance with Consob's resolution no. 21624 of 10 December 2020. The updated version, to be approved by the Board of Directors with the favorable opinion of the Committee responsible for Transactions with Related Parties, will become effective on 1 July 2021.

13. Main risks and uncertainties

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

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

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

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

In preparing the master plan of the actions to be taken, special emphasis was placed on the five main risks relating to Over Stock, Liquidity, IT Security, Strategic Planning, and Challenges for Workers.
The Group's assessment of the main corporate risks has been updated by considering the findings of the Covid Risk Assessment.

Here below are the main risk factors, and the main impacts in terms of sustainability, to which the Parent company and the subsidiaries (the Group) are exposed, identified by type: strategic, operating, financial, and compliance risks. For a description of the overall Risk management system through which risks are managed and controlled, reference should be made to the specific description in the Annual report on corporate governance and ownership structure and the specific section included in the Consolidated non-financial statement pursuant to Italian Legislative Decree 254/2016.

In addition, since 2019, in line with the recommendations issued by the European Commission (Guidelines on reporting climate-related information) as part of the Action Plan on Sustainable Finance, the Salvatore Ferragamo Group began incorporating climate-related risk factors into its own risk map.This involved analyzing the organization's impact on the climate as well as the climate's impact on the organization in order to confirm whether or not the risk factors mapped to date actually exist and incorporate them if required. The main risks for which the Group has incorporated climate-related risk factors concern: changes in society and consumer behavior requiring to align collections with market needs, events impacting the brand's image and reputation, natural, economic, and geopolitical events, the supply chain, the distribution model and compliance with quality standards, communication with stakeholders, and regulatory compliance. This process allowed to raise awareness as well as improve the understanding and monitoring of climate-related risks and opportunities within the Group.

Market and strategic risks

Market risks connected to social, economic and political changes

The luxury goods market, which is the key market for the Group's products, is highly dependent on disposable income and consumers' propensity to spend as well as the general economic trend. Political instability and/or economic recession in a geographical market which is significant for Group sales, and events that can undermine the confidence of the Group's target customers could have a negative impact on the income, financial and equity position of Group companies. This market is also closely connected to changes in consumption trends and changes in lifestyles.

Finally, the failure to transition to a "lower carbon economy" could pose significant potential risks, as this would magnify the company's impact on the climate and, in turn, the climate's impact on the company.

Risks connected to the definition and implementation of strategies

In formulating its strategy, the Group takes into account some assumptions on the economic trend and on the development in demand for luxury goods in the various geographic areas and on the prospects for the potential locations in which to base its stores. The Group's ability to implement its strategy depends, among other things, on its ability to meet, through the development of its collections, the preferences of its customers—also with respect to the growing focus on product sustainability and transparent sourcing, including in terms of environmental and social impacts—and to launch communication campaigns aligned with its strategic positioning and brand awareness objectives. In addition, a risk factor is the competition for prestigious retail locations which could have an impact on fixed costs for new openings and renovation. Should the Group not be able to implement its strategy and/or should the underlying assumptions on which the Group has based its strategy prove not to be correct, the Group's business and prospects could be negatively affected.

Risks of natural or malicious events and the connected effects on equity or on the business

The widespread presence of the business and, above all, of the distribution network across the main countries worldwide exposes the Group to a variety of risks related to natural events, such as earthquakes, floods, etc., or malicious events, such as acts of terrorism, or risks associated with an epidemic outbreak, including on a global scale, which could directly or indirectly damage the Group's assets, when such events cause significant economic losses and/or social unrest in the populations affected, with a consequent negative impact on demand in this geographic area and/or on the undertaking of the Group's activities.

Risks of events with an impact on the image and reputation of the brand

The Group's success depends on the image of its brand, which is influenced not only by internal factors relating to its own business, i.e. by the definition and implementation of its strategies, but also by a variety of external factors or events which may harm or damage the business ethics and values associated with the reputation of the brand. Internal risk factors include, by way of example, the perceived service quality and the attractiveness of products to customers—including with respect to product transparency and sustainability—the implementation of commercial strategies and the excellence of the distribution service and the direct and indirect channels. Among external risk factors note should be taken, among others, of the increasing spread and use of easily accessible media channels that broaden their appeal to a large group of users, the failure to adopt more innovative technologies with a low environmental impact, the dissemination of information or news, and potential

crimes connected to the production chain (e.g. handling of greenhouse gas) which, although entrusted to external workshops, may have an indirect impact on the brand.

Risk connected to trade channels managed by third parties

Part of the distribution network for "Salvatore Ferragamo" branded products consists of stores managed by third parties with whom the Group generally has long-standing business relationships. As far as the wholesale channel is concerned, the Group's sector is characterized by a limited number of large operators, such as major department stores, mainly from the United States, but also important distributors and duty free and travel retailers. The lack of commercial relations with the main indirect distributors, the impossibility of developing new commercial relations, or a marked fall in the related revenues could impact the Group's business. In addition, the failure by indirectly managed stores to comply with a commercial policy that is in line with the brand's image could damage the brand's positioning, as well as the related sales.

Main impacts in terms of sustainability

As part of this category, the main impacts in terms of sustainability are connected to internal and external events that could impact on the Brand's image and reputation.Risk factors include, for example, the product's appeal to customers in terms of its transparency and sustainability and the failure to move to a lower carbon economy, as it would increase the company's impact on climate and, in turn, the impact of climate on the company. Other factors include the failure to adopt new, more innovative and environmentally-friendly technologies, the dissemination of information or news, and possible breaches relating to the production chain (e.g., greenhouse gas emission management) which, albeit entrusted to external workers, may have an indirect impact on the Brand.

Operating risks (connected to typical processes)

Dependence on key suppliers in the production process

The organizational model adopted by the Group entrusts the production process entirely to expert staff in external workshops, although keeping in-house the management and organization of the most important stages in the value chain. The outsourcing of the production process and the consequent possibility of the termination of dealings with third parties, owing to bankruptcy or discontinuance, and also due to default or voluntary interruption of the collaboration, could represent a going-concern risk in particular business areas, at least in the short term. In addition, any interruption in the relationship with these external subjects could lead to issues relating to claims of alleged employment and operational dependence which such external subjects could raise, should the Group consider it advisable to discontinue the collaboration.
An additional risk is that connected with price fluctuations relating to the availability of high-quality raw materials or supply-side competitive tensions, resulting in additional costs to the Company.

Risks relating to the protection of intellectual property and parallel market rights

The risk relates to the possibility that counterfeit products are illegally marketed and the possibility of third parties using the trademark or the corporate name improperly or for purposes not permitted by current regulations on the protection of intellectual property rights. The risk of violation of the intellectual property rights of products and the brand held by the Group is amplified via the Internet through their improper use on third-party websites. This risk can take several forms: unauthorized e-commerce websites which sell official products; e-commerce websites which sell counterfeit products; and unauthorized use of the "Ferragamo" name in the website address. Finally, legal

protection cannot, in any case, prevent the possibility that Salvatore Ferragamo brand products sold to wholesale customers are then sold on so-called parallel channels, with possible repercussions on the corporate image as a result of the lack of control over these retail sales by a commercial policy that is in line with the brand image developed by the Group, as well as a negative impact on Group revenues.

Risks connected to the adequacy of the governance system of subsidiaries and to organizational development that is in line with the Group's growth

The risk is connected to the possibility that the governance system of subsidiaries, whether wholly or partially owned, or the instruments adopted for its implementation are not adequate or do not allow the activities undertaken by local managers to be maintained in line with the policies or expectations of the Group's top management. The risk of an inadequate organizational model relates also to the possibility that the macro and micro organizational systems do not provide the best possible support for the company's activities in order to achieve the defined business goals.

Risk of loss of key resources and know-how

The risk is connected to the significant dependence which the Group may have in regard to some managers who are currently considered strategic resources, since they cannot be easily or rapidly replaced by internal or external staff. The ending of the contribution of such staff members could lead to missed business opportunities, lower revenues, higher costs or cause damage to the Group's image. The risk of dependence on key staff is also connected to the potential loss of "technical know-how", in reference to the possibility of seeing a gradual reduction or loss of the expertise and skills needed to manage design, development and production activities, in particular in regard to the Group's core business: the manufacture of footwear and leather goods. This risk is especially important in regard to the professional staff responsible for handling product development and industrial manufacture processes, in an external and local framework characterized by a gradual reduction in craftsmanship and professional skills.

IT security risks, data management and dissemination

Information Technology (IT) is today one of the key enablers for the achievement of corporate business goals. The IT risk is therefore connected to the significant dependence of the Group companies, and the relevant operational processes, on the IT component. Specifically, this means the risk of undergoing a financial loss or a loss of reputation and market share resulting from the possibility that a given threat, be it accidental or deliberate in nature, exploits a vulnerability which is implicit in the technology or derives from the automation of corporate business processes, causing events that could compromise the security of the Company's data in terms of confidentiality, integrity and availability.

Main impacts in terms of sustainability

Within this category, the main impacts in terms of sustainability are associated with typical processes, which include both external risks, such as those relating to the abuse of intellectual property rights, and internal risks related to the organizational structure, processes and systems adopted by the Group. Specifically, safety and customer satisfaction, including product quality, the health, safety, and quality of workers' professional life, and the value chain represent risk areas for the Group.

Financial risks

For information relating to the management of financial risks and for the other information provided for by IFRS 7, reference should be made to the specific section in the Explanatory notes to the consolidated and separate financial statements, at the end of the paragraph on accounting standards.

Exchange rate risk

The Group operates at the international level and is therefore exposed to risks deriving from exchange rate fluctuations, which affect the financial position and financial performance, due to the difference in the value of foreign currency costs and revenues compared to the moment in which pricing conditions were set, as well as because of the translation of trade or financial receivables and payables denominated in foreign currencies. In addition, by virtue of the fact that the Company prepares its consolidated financial statements in Euro, fluctuations in the exchange rates used to translate the financial statement data of subsidiaries which were originally expressed in a foreign currency could have a significant impact on consolidated results, net financial position, net financial debt, and shareholders' equity as expressed in Euro in the Group's financial statements, and financial ratios.

Counterparty risk

The credit risk connected to financing, investing and operating activities in derivatives to hedge the exchange rate risk is represented by the inability of the counterparty or the issuer of the instruments to meet their obligations. The credit risk regarding the Group's other financial assets, consisting of cash and cash equivalents, available-for-sale financial assets and some derivatives, has a risk equal to the book value of these assets in case of insolvency of the counterparty.

Credit risk

The Group's exposure to trade credit risk refers exclusively to wholesale sales and the receivables associated with licensing revenues, which combined represent nearly one-third of global turnover; the rest refers to retail sales, which are usually paid with cash or credit and debit cards at the time of purchase.

Interest rate risk

Movements in market interest rates affect the level of net financial charges and the market value of financial assets and liabilities. The Salvatore Ferragamo Group is mainly exposed to the risk of recording on the income statement an increase in financial charges due to an unfavorable change in interest rates. Group companies use third-party financial resources largely in the form of floating rate bank debt and deploy the available liquidity mainly in money market instruments. Changes in market interest rates only affect the cost of loans and the yield on uses and thus the level of the Group's financial charges and income, and not their fair value.

Liquidity risk

Liquidity risk represents the risk that the Group cannot meet its financial obligations due to problems in obtaining funds at current market price conditions or in liquidating assets on the market to find the necessary financial resources. The first consequence is a negative impact on the income statement, should the Group be forced to incur additional costs to meet its commitments. The factors which mainly influence the Group's liquidity are the resources generated or absorbed by current operating and

investing activities, the possible distribution of dividends and the expiry and possibility of renewal of debt or the expiry and possibility of liquidation of financial investments of surplus cash.

Main impacts in terms of sustainability

The impacts in terms of sustainability are connected to the economic and financial performance and to the systems adopted for the reliability, timeliness and completeness of financial reporting, as well as to the involvement and transparency of information towards stakeholders and the market in general.

Compliance risks

Tax risk

The Salvatore Ferragamo Group has subsidiaries in over 25 countries worldwide and, therefore, its tax returns and obligations are usually subject to assessments by the tax authorities of the various countries. In addition, due to the high number and value of transactions between Group companies, the compliance of the amounts envisaged for such transactions to local and international rules and principles on transfer pricing is subject to assessment and adjustment by tax authorities. The instruments adopted by the management to limit tax risk for both tax compliance and transfer pricing cannot completely rule out the risk of tax assessments, especially taking into account the lack of clear and established regulation of transfer pricing in local legal provisions and procedures.

Risk relating to non-compliance with rules and regulations

The Group is subject, in the various jurisdictions where it operates, to legal provisions – including tax provisions which are described separately – and to technical rules which are applicable to the products manufactured and their distribution.

Italian and European regulations that are now applicable to the Parent company following the listing of Salvatore Ferragamo S.p.A.'s shares on the Mercato Telematico Azionario (an electronic stock market) organized and operated by Borsa Italiana S.p.A. since 29 June 2011 are especially relevant to this risk. There are also specific regulations that are particularly relevant to this risk, such as Regulation EU no. 56/2014 (MAR), the laws that protect consumers, intellectual and industrial property rights, competition, employee health and safety, the environment, privacy, the administrative responsibility of public entities as per Italian Legislative Decree 231/01, the responsibility under Law 262/05, industrial compliance concerning the conformity of distributed finished products and raw materials used in relation to the standards provided for by law, and the implementations associated with the handling of greenhouse gases.

Almost all products manufactured and sold by the Group are made in Italy, except for a very limited range of products manufactured abroad to take advantage of local traditions and quality (for example "Swiss Made" watches). This is considered a competitive advantage compared to rival products which cannot make the same claim. A change in the law on the origin of goods could, however, change the current identification requirements for "Made in Italy" products. It is impossible to rule out the risk of potential violation of the "Made in Italy" identification requirements by external workshops or suppliers to whom the realization of the finished products is outsourced, in particular in cases in which a production stage is further subcontracted. The application of new rules and regulations or changes to the law in force, which could lead to a delay in adjusting structures in order to ensure compliance with the new or subsequent requirements, result in further exposure to the risk of sanctions due to failure to comply with such provisions.

Main impacts in terms of sustainability

The impacts in terms of sustainability consist in potential internal and external compliance risks associated with the failure to comply with laws and regulations (including social and environmental ones) applicable to the Salvatore Ferragamo Group.

With respect to sustainability, the following safeguards should be mentioned: the adoption of an Ethical Code, the implementation of an Anti-Corruption Policy, the adoption of an Organization, Management and Control Model pursuant to Italian Legislative Decree 231/2001, and the creation and dissemination of a Supplier Code of Conduct. To monitor actual compliance with the principles laid out in the Supplier Code of Conduct, the Group has launched an audit plan for its contract manufacturers and direct suppliers, which complements the monitoring of sub-suppliers that the Group has been doing since 2014, in order to assess compliance with ethical and social standards.

In addition to the above risk categories, the Group assesses the reputational impact – which, considering its importance for the sector, could amplify the impact of a risk, regardless of the specific category.

14. Significant events occurred after 31 December 2020

No significant events occurred after 31 December 2020.

15. Macroeconomic situation and outlook

The short-term economic outlook has suddenly deteriorated at a global level and faces considerable uncertainty. The Covid-19 pandemic, which began in China and then spread to the rest of the world, caused a significant adverse shock that is having a strong negative impact on business operations, at least in the short term, by affecting both supply and demand; assessing the full impact of such a shock 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. The International Monetary Fund's January 2021 forecasts – although slightly more optimistic than the ones issued in October – point to a global recession in 2020, with GDP expected to shrink by -3.5%, and then rebound by +5.5% in 2021. With respect to the world's major economies, GDP growth is expected to decline by -3.4% in 2020 and rise by +5.1% in the following year in the US, fall by -7.2% in 2020 and rise by +4.2% in 2021 in the Euro Area, and increase by +2.3% in 2020 and +8.1% 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 in light of the continued restrictions imposed by governments and the uncertainty over how the pandemic will play out. Management therefore 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.

16. Separate Financial Statements as at 31 December 2020 of Salvatore Ferragamo S.p.A. - Proposal for approval

Dear Shareholders,
relying on your approval to the structure and basis of presentation of the separate financial statements for the year ended 31 December 2020, we:

1. submit the 2020 Separate Financial Statements to your approval;

2. propose covering the loss for 2020, totaling 34,070,066 Euro, by using the Extraordinary Reserve.

Florence, 9 March 2021

On behalf of the Board of Directors

The Chairman
Ferruccio Ferragamo

Consolidated Non-Financial Statement
pursuant to Italian Legislative Decree 254/2016

Our commitment to sustainable development

"Since the introduction of the Brand, creativity, innovation, and world-class craftsmanship have always been the core values of the Salvatore Ferragamo Group, guiding the design and production of any creation. Over the years, the deep connection with the local community and its culture has made the Salvatore Ferragamo Group increasingly aware of the need for a strong commitment to protect the places where it operates and the people that work for the Group, going above and beyond the requirements of domestic and international laws, rules and regulations."

The recent crisis caused by the Covid-19 pandemic has put a strain on the fashion industry and forced companies to rethink the way they do business; however, it has emphasized the central value of sustainability in the recovery phase. In 2020, the Group's commitment in this area was further strengthened, by putting corporate responsibility at the center of the decision-making process, seeking to grow the business while considering also the positive and negative impact of its operations on society and the environment.
For Salvatore Ferragamo, investing in sustainable development means believing in the use of innovative materials, in the connection with the community and the local territory, and in the respect for the environment and its people. These values, handed down by the Founder, are essential not only for the success of the Company, but for all stakeholders.
The commitment to sustainability, intended as a behavioral model to be followed without compromise, has been structured over the years and draws inspiration from the values that underlie the very history of the Salvatore Ferragamo Group: a passion for world-class craftsmanship, creativity and Made in Italy innovation. Understanding and respecting these values translate into ethically correct behaviors, both inside and outside the Group, supporting it in terms of economic growth and credibility.

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Methodology

Methodology

This section of the Board of Directors' Report represents the Consolidated Non-Financial Statement (hereinafter also referred to as "NFS" or "Sustainability Report") pursuant to Italian Legislative Decree no. 254 of 30 December 2016 implementing Directive 2014/95/EU of the companies belonging to the group consisting of Salvatore Ferragamo S.p.A. and its subsidiaries (hereinafter also referred to as the "Group" or "Salvatore Ferragamo Group") for the period from 1 January through 31 December 2020.

The NFS, as envisaged by article 5 of Italian Legislative Decree 254/2016, is included within the Board of Directors' Report with specific wording with the aim of making the Annual Report the reference document for meeting the information requirements of the Group's stakeholders in a clear and concise manner. The document aims to foster the progressive integration of financial and non-financial information, providing the reader with a complete and integrated view of the Group's performance, highlighting the link between operating, financial and sustainability scenarios.

The NFS was prepared to ensure the understanding of the Group's operations, performance, results and impact, addressing the topics considered material and set out in articles 3 and 4 of Italian Legislative Decree 254/2016. The contents being reported in this document have been selected based on

a structured analysis of materiality, which was updated in 2020, downstream of a trend and scenario analysis, both in Italy and globally, and made it possible to identify the most important sustainability issues for the Group and its stakeholders, as detailed in the section "Stakeholders and materiality". In addition, the provisions of the European Commission's "Guidelines on Non-Financial Reporting" have also been considered for the definition of the contents.

To avoid duplication and promote ease of reading, the NFS provides integrated information on the issues required by Italian Legislative Decree 254/2016 also by referring to other sections of the Board of Directors' Report, if the information is already contained therein or in case of further in-depth analysis.

The NSF is structured in 4 macro-sections:

- Approach to sustainability, which describes the general ESG management model adopted by the Group, with a special reference to materiality analysis, stakeholder involvement and business ethics;
- Responsibility towards people, which describes the management of staff-related aspects and performance;
- Responsibility towards the environment, which describes the management of environmental-related aspects and performance;
- Social responsibility, which describes the management of aspects related to the external community, supply chain, customers, human rights governance and relevant performance.

The scope of social and environmental data and information is limited only to the subsidiaries consolidated on a line-by-line basis[5].

Nonetheless, it should be noted that with reference to the information and data relating to environmental issues, during 2020 an analysis was undertaken in order to identify the stores (DOS) which are considered relevant to ensure the necessary understanding of the Group's business, its performance, results and environmental impact. Compared to 2019, the scope has been expanded in line with the baseline identified to meet the criteria for calculating the Group's science-based targets, approved by the Science Based Targets initiative in August 2020. This scope excludes DOSs opened after 30 June of the reporting year and represents about 70% of the Group's headcount. In addition, it should be noted that, with reference to stores, in line with 2019, data on water consumption and waste production for 2020 were not calculated since not considered material.

The "Social responsibility" section includes data and information relating to the Fondazione Ferragamo, a related party of the Group, which, although not included in the scope of consolidation of the Salvatore Ferragamo Group, plays a significant role in the way the Group has an impact on society.

Ways of presenting quantitative data other than the above are expressly indicated in specific notes. In addition, to present fairly the Group's performance and ensure data reliability, the use of estimates has been limited as much as possible. Any estimates in this document are made using the best available methods and expressly noted. Where possible, the information contained in the NFS has been provided along with a comparison to the year 2019.

Finally, for the sake of understanding the information contained herein, please note that the following terms are used in the document:

a. "the Group" refers to the Salvatore Ferragamo Group ("Group" means the Parent Company Salvatore Ferragamo S.p.A. and the subsidiaries consolidated on a line-by-line basis);
b. "Salvatore Ferragamo", "the Company", "the Parent Company" refer to Salvatore Ferragamo S.p.A;

5 The list of companies consolidated on a line-by-line basis is given below: Ferragamo France SAS, Ferragamo U.K. Limited Ltd, Ferragamo Suisse SA, Ferragamo Monte-Carlo SAM, Ferragamo Belgique SA, Ferragamo Deutschland GmbH, Ferragamo Espana SL, Ferragamo Retail Nederland BV, Ferragamo Austria GmbH, Ferragamo USA Inc, Ferragamo Canada Inc, S Fer International Inc, Sator Realty Inc, Ferragamo Mexico S. de R.L. de C.V., Ferragamo Chile SA, Ferragamo Argentina SA, Ferragamo Brasil Roupas e Acessórios Ltda, Ferragamo Japan KK, Ferragamo Hong Kong LTD, Ferragamo Australia Pty, Ferragamo Korea Ltd., Ferragamo (Singapore) PTE. LTD., Ferragamo Retail India Private LTD, Ferragamo (Thailand) LIMITED, Ferragamo (Malaysia) Sdn Bhd, Ferrimag Limited, Ferragamo Retail Macau Ltd., Ferragamo Retail HK Ltd, Ferragamo Retail Taiwan Ltd, Ferragamo Moda (Shanghai) Co. Ltd, Ferragamo Fashion Trading (Shanghai) Company Ltd., Ferragamo Parfums S.p.A.Note that for the company Ferragamo Retail India Private LTD, only staff-related data is reported as it is a non-operating company. Although Ferrimag Limited is consolidated on a line-by-line basis, no non-financial data is reported as it does not exist.

c. "Italy" refers to the main area of business of Salvatore Ferragamo S.p.A. and Ferragamo Parfums S.p.A., unless otherwise specified;
d. "Ferragamo" refers to the Salvatore Ferragamo Brand.

The NFS has been drafted in compliance with the "Global Reporting Initiative Sustainability Reporting Standards", defined by the Global Reporting Initiative (GRI), based on the "in accordance - Core" option. At the end of the NFS document, the Group has included a table listing the reported GRI indicators, which provides a summary of the indicators and the relevant page numbers.

For information on the Consolidated Non-Financial Statement, please contact csr@ferragamo.com. This document, drawn up annually, is also available in the sustainability section of the Group's website (https://sustainability.ferragamo.com/en).

The NFS, pursuant to the provisions of Italian Legislative Decree 254/2016, is annual and was submitted to the Control and Risk Committee for examination and evaluation and subsequently approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 9 March 2021.

The cross-functional working group of Salvatore Ferragamo S.p.A. dedicated to sustainability gathered and processed data and information through forms sent to the heads of the Group's functions concerned and included in the relevant scope.

The entity entrusted with the audit of this NFS is KPMG S.p.A., which certifies the compliance of the information provided herein with article 3, paragraph 10 of Italian Legislative Decree 254/2016 in a separate report. The audit was conducted in accordance with the procedures outlined in the section of this document "Auditor's Report".

Since the very beginning, the Salvatore Ferragamo Group has always considered sustainability as a model of conduct to follow without any compromises, and it has achieved significant results in this area over the years. In order to reinforce its commitment, in 2017 the Group developed a Sustainability Policy and implemented a continuous improvement program through a Sustainability Plan up to 2023, which has been most recently updated in 2020. Specifically, the Sustainability Plan, which includes four macro-areas and multiple objectives, defines the Salvatore Ferragamo Group's strategic vision on sustainability and will guide the short- and medium-term actions of the Group. As further evidence of the Group's deep commitment to integrating sustainability into its business operations, several initiatives implemented in recent years should be mentioned.

In September 2020, confirming its commitment to sustainability and in line with the level of decarbonization required to prevent the most damaging effects of climate change, the Salvatore Ferragamo Group defined its science-based targets to reduce greenhouse gas emissions. Again in 2020, Salvatore Ferragamo obtained certification of its integral sustainability with SI Rating, receiving the Silver certificate. In August 2019, Salvatore Ferragamo subscribed to the Fashion Pact, which brought together over 250 fashion and textile brands to set out practical and concrete targets for reducing the environmental impact of this important industry. In addition, again during 2019, the Group undertook a process to integrate climate-related risk factors into its mapping of risks, as part of the Action Plan on Sustainable Finance, with the aim of increasing the level of awareness, understanding and monitoring of risks and opportunities connected to climate, in line with the recommendations provided by the European Commission (Guidelines on reporting climate-related information). In conclusion, an overview of the objectives already achieved and of those set with reference to the various topics deemed relevant is provided below:

ENVIRONMENT

The Group considers the protection of the environment in which it operates to be of fundamental importance: following the definition of science-based targets in 2020, several activities aimed at reducing the carbon footprint have been launched. In 2020, Salvatore Ferragamo obtained the ISO 14067 – Product Carbon Footprint certification for the iconic Viva model, offsetting the emissions related to its manufacture and distribution through an energy efficiency project. Again in 2020, it also achieved an A- score in the climate change section of the CDP, which it has been compiling since 2017. In 2019, it obtained the ISO 14001:2015 certification for all its Italian offices and stores; the latter were also certified ISO 14064. Inaugurated in 2018, the Salvatore Ferragamo's Logistics Hub obtained in 2019 the highest possible LEED certification, i.e. Platinum. In 2020, the new Salvatore Ferragamo Archive has been inaugurated in the renovated M building of the Osmannoro site, for which the LEED Platinum certification was also obtained in 2020. The Group intends to continue its commitment to environment protection, optimizing and making consumption and greenhouse gas emissions more efficient, both for the Group's offices and stores, and continuing the process to obtain certifications.

Since the beginning, the Group has considered sustainability as a model of conduct to follow without any compromises

SOCIAL MATTERS AND RESPECT FOR HUMAN RIGHTS

To provide customers with products that meet the highest international safety standards, the Group has adopted Restricted Substances Lists for the different product categories and has been conducting eco-toxicological tests on numerous components and finished products for several years now. As regards culture and the local community, the Group directs significant attention and resources to developing artistic and cultural initiatives, in line with the Group Charity Policy. During 2020, following the spread of the pandemic, the Company took steps to support several associations and organizations at a local level in the fight against Covid-19, and organized the work of its employees to ensure the highest standards of health and safety. The Italian administrative offices and stores of Salvatore Ferragamo S.p.A. are ISO 45001 certified. This aspect is also important along the whole supply chain: during 2020, the Group further strengthened the audit activities undertaken on its suppliers and contract manufacturers, launching a monitoring plan to verify compliance with the Supplier Code of Conduct. Finally, the Group constantly strives to ensure respect for human rights both internally and throughout the supply chain. In 2019, the Parent Company obtained the SA8000 social responsibility certification for the scope of its Italian operations and adopted a Policy for combating child labor, which aims to further formalize the corporate commitment in this field.

ATTENTION AND CARE FOR ITS HUMAN CAPITAL

The Group has always been committed to promoting and enhancing the potential of its human capital as well as to offering a stimulating work environment, in accordance with corporate welfare principles. The attention and care for employees are expressed not only in the Group's Sustainability Policy, but also in the Parent Company's Business Regulations. In addition, to confirm the importance of the principles of diversity and inclusion, during 2020 the Group launched a cultural change process linked to the Inclusion Policy, adopted in 2019.

ANTI-CORRUPTION AND BRIBERY MATTERS

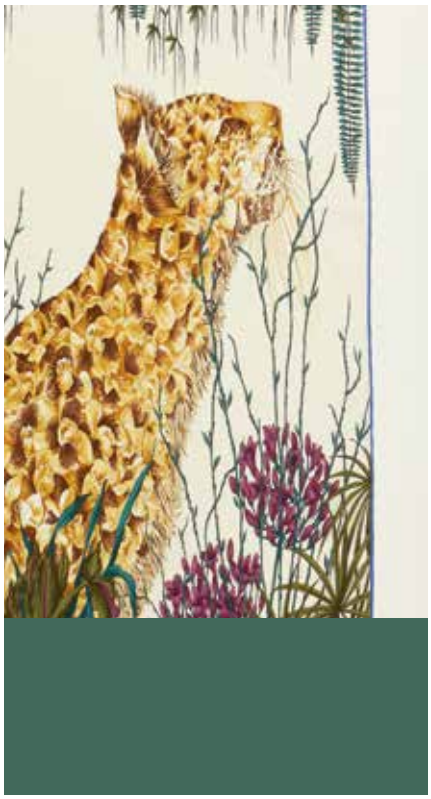
In order to ensure the utmost transparency in its operations, during 2017 the Group implemented an Anti-Corruption Policy. In addition, the Group relies on a whistleblowing system and in 2018 implemented a Group Whistleblowing Policy.

For further information on the initiatives undertaken by the Salvatore Ferragamo Group, the main risks generated or faced, including the relevant management procedures and objectives, reference should be made to the relevant sections in this document and the specific references to other sections of the Board of Directors' Report indicated.

Culture of sustainability

The sustainability journey

The Group defined its science-based targets to reduce its greenhouse gas (GHG) emissions



The Group's path towards sustainability started in 2014, when, with the aim of transparency with respect to its operations, Salvatore Ferragamo undertook a reporting process on initiatives related to social responsibility, drawing up the first Sustainability Report according to international guidelines. The Report, which was then extended in 2016 to the entire Group, received several awards over the years, including the Business International Finance Award in the "Financial Statements, Integrated Reporting, and Financial Communication" category for the 2016 edition and the Special "Social Commitment" Prize, awarded by Biblioteca Bilancio Sociale, in 2018.

Since 2014, in order to take an integrated approach to managing sustainability-related topics, a cross-functional working group called Green Team has been set up, dedicated to designing and promoting corporate responsibility initiatives. The Team, which consists of people from several corporate functions, allows to bring together cross-functional skills in order to promote an extensive development of sustainability. The main responsibility of the Green Team is improving the quality of the workplace and the internal and external impact of the Company's operations, as well as facilitating a direct relationship with the local community in all its environmental and human facets. The specific structure of the Green Team enables the development of sustainability initiatives within the fields of Materials Research and Development, Communication, Packaging, Logistics, Operations, Environment and Safety, Community & Charity, Purchasing of Raw Materials, Human Resources, Mobility, Store Planning and Merchandising. In 2019, the eCommerce and IT departments became part of the Green Team, as well as a representative from Ferragamo Parfums S.p.A., in order to promote sustainability projects related to the world of fragrances in line with the Brand's creative spirit. In 2020, the Green Team was further expanded to include representatives from the Finance and Planning & Control functions.

In 2016, the Company, with a view to transparency and sharing with stakeholders, created on the Salvatore Ferragamo Group website a section entirely dedicated to corporate responsibility, which illustrates the main social and environmental sustainability projects that the Group has promoted over the years.

The Sustainability Policy was published in 2017, with the aim of establishing a corporate culture oriented towards fairness and professionalism, promoting honesty, integrity and transparency, encouraging sustainable development, fostering dialogue on corporate ethics, and increasing stakeholder responsibility. Prepared in accordance with the principles and rules of the Group's Code of Ethics as well as the United Nations' framework concerning Sustainable Development Goals (SDGs), the Policy seeks to encourage the Group's governance bodies, employees, and collaborators to share ideas and recommendations to implement sustainability in day-to-day operations.

More recently, the growing importance of sustainability issues has led to environmental, social and governance factors playing an increasingly important role in medium- to long-term investment decisions. For this reason, the Salvatore Ferragamo Group decided to undergo corporate sustainability assessments in 2020 in order to better understand its position and performance in the Environmental, Social, Governance (ESG) area.
In 2020, Salvatore Ferragamo was the first company in the fashion industry to have obtained certification of its integral sustainability with SI Rating, the first algorithm that encompasses in a single platform all the internationally recognized tools of the ESG criteria and the 17 UN SDGs, to assess the sustainability management of organizations. As evidence of its strong focus on sustainability management in multiple ESG areas, Salvatore Ferragamo was awarded the Silver certificate.
Also in 2020, Salvatore Ferragamo took out a credit line for a total maximum amount of 250 million Euro with Intesa Sanpaolo S.p.A.; the loan was granted to support specific ESG objectives of Salvatore Ferragamo and to finance general cash requirements of the Parent Company, with a bonus mechanism expected upon achievement of certain sustainability parameters.

In August 2020, confirming its commitment to sustainability and in line with the level of decarbonization required to prevent the most damaging effects of climate change, the Group defined its science-based targets to reduce its greenhouse gas (GHG) emissions. The Science Based Targets initiative approved two major targets to be achieved by 2029 that include a 42% reduction in direct emissions and some categories of indirect emissions for the Group.

Over the years, the Company's commitment to sustainability has been strengthened also thanks to its membership to important associations and networks with a view to sharing experiences and best practices.
In August 2019, Salvatore Ferragamo subscribed to the Fashion Pact, a coalition that brought together over 250 leading fashion and textile brands to set out strategic and concrete targets for reducing the environmental impact of this important industry. Supported by some of the leading experts in scientific research and ecosystem preservation, the Fashion Pact has set concrete targets focusing on three areas:

- Climate: implementation of science-based targets (SBTs) to achieve zero greenhouse gas emissions by 2050;
- Biodiversity: protection of key species, preservation and restoration of critical natural ecosystems;
- Oceans: reducing the negative impacts of the fashion industry on the oceans by eliminating problematic and unnecessary plastics in packaging.

In order to bring the knowledge of all members of the Pact into line and ensure the achievement of the set objectives, during 2020, the Fashion Pact in collaboration with the delivery partners, companies with technical expertise on the three pillars, organized several activities and webinars and shared information documents.
Moreover, Salvatore Ferragamo is part of the Steering Committee of the Fashion Pact, a committee made up of a number of CEOs of member brands, in order to maintain an open dialogue between company executives and openly share ideas, guidelines and progress. In October 2020, on the occasion of the Copenhagen Fashion Summit, the Fashion Pact presented its first Progress Report, a document describing the progress made in this first year towards achieving the identified objectives. Moreover, in December 2020, at the Fashion Awards promoted by the British Fashion Council, the Fashion Pact was awarded the Positive Change prize, an award given as a "celebration of individuals and organizations that have driven change".

In order to implement the universal principles of sustainability and support the United Nations' goals, in December 2018, the Salvatore Ferragamo Group joined the United Nations Global Compact, the world's largest corporate sustainability initiative. The United Nations Global Compact provides a universal language for social responsibility and a framework for businesses of all sizes, complexity and location. Moreover, this initiative supports companies in working responsibly and making strategic decisions to promote broader social goals. Each year, the Company takes part in workshops and webinars organized by the Global Compact in order to provide companies with training and support in various areas.

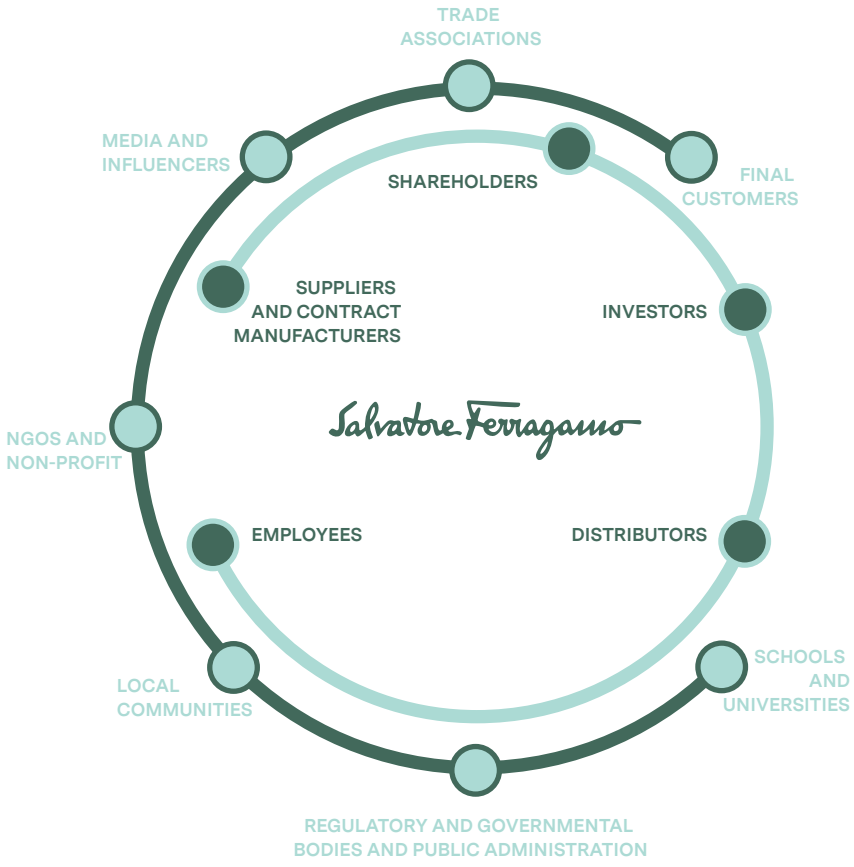
In December 2018, the Salvatore Ferragamo Group took part in the Make Fashion Circular initiative promoted by the Ellen MacArthur Foundation. This foundation, established in 2010 with the aim of speeding up the transition towards circular economy, brought circularity on the agenda of the most important decision makers of companies, governments and universities, extending the principles of circularity also to the fashion industry. Indeed, the Make Fashion Circular initiative was established with the aim of stimulating the collaboration and innovation necessary to create a new fashion industry, in line with the principles of circular economy. The Salvatore Ferragamo Group's participation further highlights the Company's commitment towards the virtuous model of circular economy.

In October 2017, the Company signed the Manifesto for a Circular Economy, which establishes an Alliance to promote innovative and sustainable projects. The Italian Alliance for the Circular Economy, promoted by Enel and Intesa Sanpaolo, involves various "Made in Italy" businesses from different sectors, recognized worldwide. The collaboration aims to develop business models based on sharing, extending products' useful life, re-using and using renewable resources. In November 2018, the Alliance presented a Position Paper with the aim of bringing the issue of the circular economy at the very heart of the political agenda and of making proposals for the development of Italian projects on circularity. In September 2020, a new version of the Position Paper was released, which identifies priority actions, valuable experiences and makes concrete proposals for the development of circularity in Italy. Together with the Position Paper, the Alliance website was also created and made available to the public.

Moreover, since 2011 the Salvatore Ferragamo Group has been a member of the Sustainability Roundtable sponsored by the National Chamber for Italian Fashion, which aims to find an Italian way to making fashion sustainable as well as encourage the adoption of responsible business models throughout the fashion industry's value chain.

In August 2019, Salvatore Ferragamo subscribed to the Fashion Pact, a coalition that brings together over 250 leading fashion and textile brands

Stakeholders and materiality



The numerous aspects of the sustainability path undertaken by the Salvatore Ferragamo Group are based on an approach focused on transparency, integrity, and reliability, with the aim of engaging stakeholders in the economic, social and environmental goals of its business. The Group does not simply promote social responsibility initiatives but recognizes the value of sustainability as part of its corporate strategy and puts forward innovative proposals for its stakeholders. The Salvatore Ferragamo Group has identified and selected its stakeholders based on the awareness of its social role and deep connection with the local community, which is necessarily related to its operations, for the purposes of understanding their expectations and translating them into actionable objectives. The following have been identified as internal stakeholders: employees, shareholders, investors, distributors, suppliers and contract manufacturers. The following have been identified as external stakeholders: final customers, schools and universities, regulatory and governmental bodies and the public administration, local communities, non-governmental organizations (NGOs) and non-profit organizations, media and influencers, and trade associations.

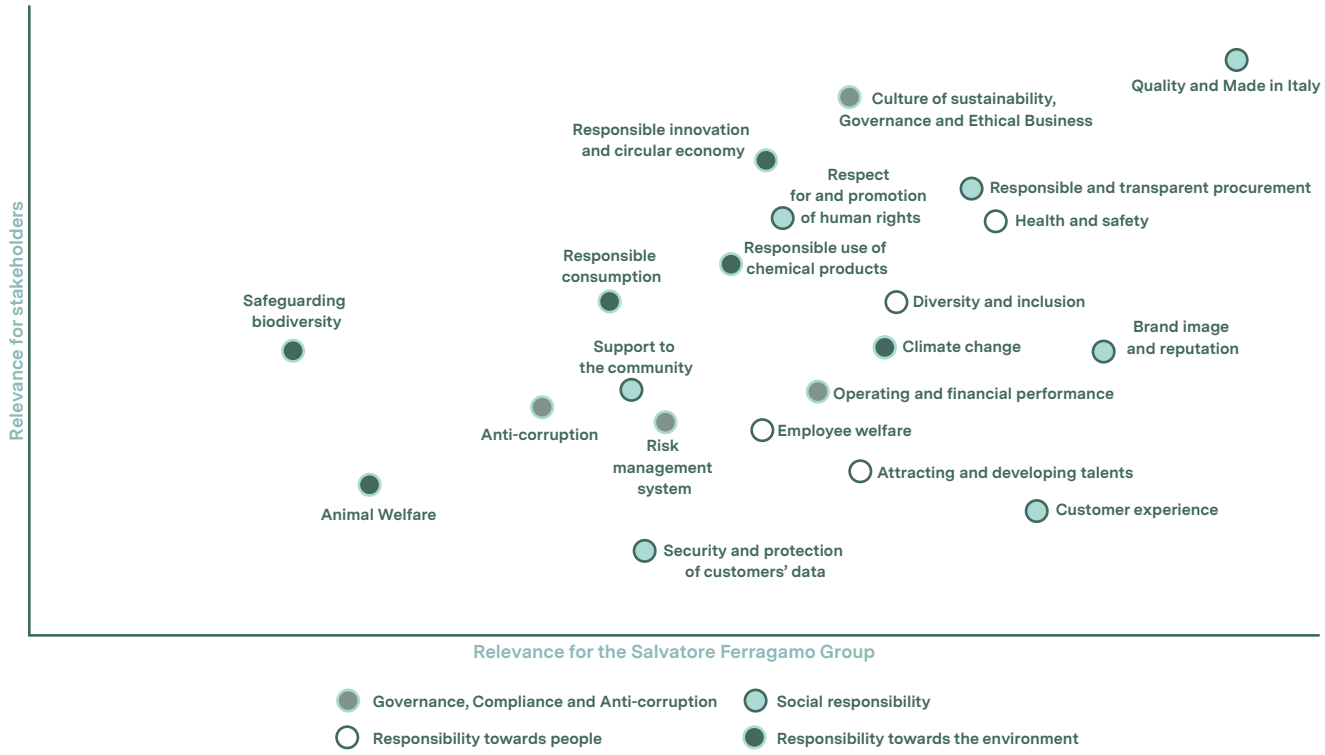
An approach focused on transparency, integrity and reliability

The materiality analysis reflects the topics material to the Group as well as the concerns and expectations of its stakeholders

The Salvatore Ferragamo Group's materiality analysis reflects the topics material to the Group as well as the concerns and expectations of its stakeholders. After conducting it for the first time in 2014 with the participation of the Green Team and Top Management, the Group updated the materiality analysis in 2016, 2018 and 2020, in accordance with the Guidelines of the Global Reporting Initiative (GRI STANDARDS) as well as the AA1000 Stakeholder Engagement Standard Guidelines for identifying, mapping and defining stakeholders' expectations as well as for processing the results of their engagement and prioritizing them. In 2020, the materiality analysis was updated by engaging different categories of stakeholders, both internal and external to the Group, called upon to express their opinion in the process of defining, assessing and prioritizing material topics. The first phase of the materiality update involved the identification of all potential material topics for the Group, thanks to the analysis of corporate documentation (Code of Ethics, Annual Report, Strategic Plan, etc.), external documents on scenario changes and assessment questionnaires of sustainability rating companies, and through a comparison with the reference sector. Subsequently, an online questionnaire was prepared with the aim of identifying, through the assignment of scores, those topics that, for their significance and relevance, should be included in the Non-Financial Statement. This questionnaire was submitted to the Green Team, the Top Management, the Group's Regional Directors, the CEO of Ferragamo Parfums and a selected group of Ferragamo employees. Moreover, online dissemination enabled the Company to reach numerous external stakeholders, including suppliers, NGOs and non-profit organizations, schools and universities, and local governmental bodies.

In parallel with the online questionnaire, two training sessions on the Animal Welfare Policy were held in October 2020, aimed at suppliers of raw materials and finished products of animal origin of the Group and some retail staff, in order to share the contents and aims of the Policy and collect feedback and comments through a stakeholder engagement activity. Thanks to a digital and interactive approach, both groups were able to provide information about the relevance of certain sustainability issues for their business and for the Group. The results reaffirmed the key importance of issues such as: Quality and Made in Italy, Responsible and Transparent Procurement, Sustainability Culture, Governance and Ethical Business.

The listening initiatives of its stakeholders implemented in 2020 are added to the several meetings organized in previous



years, in particular with the Group's suppliers. In 2019, for example, two workshops were organized involving the main contract manufacturers of the finished product. The aim was to delve deeper into the principles set out in the Supplier Code of Conduct adopted in 2018. Also in this case, stakeholder engagement was carried out through interactive training. This activity was organized also in 2018 with all suppliers involved in the Rainbow Future sandal value chain, in order to identify the most relevant sustainability issues from their point of view as Group stakeholders. In the same year, the Group launched a digital platform to be used by corporate employees of Salvatore Ferragamo S.p.A. and the Group's American and European employees to explore present and future projects, results and goals in the field of social responsibility and to express their opinions on the latter. Over the years, stakeholder engagement activities have seen the involvement of important universities, Store Managers and Assistant Store Managers of European boutiques and of younger Group employees.

The result of the analysis carried out in 2020, represented in the materiality matrix, was shared with the Chairman, the CEO, the Green Team and the Control and Risk Committee. Compared to the previous matrices, the new topic "Safeguarding Biodiversity" was added in 2020, in line with the commitments made in the Fashion Pact, for a total of 21 relevant topics. These topics are grouped into four macro-areas: Governance, Compliance and Anti-corruption, Responsibility towards people, Social responsibility and Responsibility towards the environment.

Sustainability Plan and SDGs

To confirm its commitment to sustainable development, as from 2016, the Salvatore Ferragamo Group launched a procedure for defining its sustainability goals, starting from the analysis of the United Nations' Sustainable Development Goals (SDGs) and translating them into concrete actions to be developed in-house. This process drew to a close with the identification of the main goals to be pursued in its operations and with the adoption, in 2017, of the first Group's Sustainability Plan. After signing the Fashion Pact, in 2019 the Group stepped up its commitment in the field of environmental protection by integrating three additional UN Sustainable Development Goals (SDGs) into the Sustainability Plan: Climate action, Life below water and Life on land.

As from 2017, the Group adopted a Sustainability Plan, which is updated annually. It aims to create a shared vision of the direction taken at Group level and to promote a culture of sustainability that respects, protects and promotes excellence. The plan aims to map the targets as they are achieved, while integrating new challenges for future development. The document is shared with top management and the Control and Risk Committee, which oversees sustainability issues related to the Company's operations and its interaction with all stakeholders.

In 2020, the Salvatore Ferragamo Group, in updating its Sustainability Plan, further strengthened the extensive integration of sustainability in its business strategy and identified priority topics broken down into specific drivers: Fashion Pact, Science-Based Targets, Diversity and Inclusion, Circular Economy, Sustainable Materials, Link with the Local Community, and Health and Safety.

The Sustainability Plan identifies the main goals to be achieved in relation to the framework provided by the SDGs and the Group's sustainability drivers and identifies specific initiatives to be implemented over three-years to achieve the following goals:

- embedding sustainability into business strategies and making the relationships with internal and external stakeholders more transparent;
- promoting the Group's sustainability strategy through initiatives involving internal and external stakeholders and strengthening communication;
- enhancing human capital and strengthening the sense of belonging;
- continuing to focus on the healthiness of the workplace;
- promoting corporate welfare initiatives;
- monitoring the production chain and collaborating with suppliers for the development of shared projects;
- promoting energy and environmental efficiency projects, and committing to mitigating the effects of climate change in line with the SBTs adopted by the Group;
- reducing the use of resources in production and consumption processes;
- monitoring chemical substances inside raw materials and finished products;
- promoting and using sustainable, innovative and waste materials;
- leveraging the Company's know-how and heritage in the context of craftsmanship and Made in Italy products as well as promoting relevant training opportunities (initiatives promoted by the Museo Salvatore Ferragamo and the Fondazione Ferragamo);
- planning and implementing charitable initiatives aimed at protecting the health of women and children as well as promoting Italian culture around the world.

GOOD HEALTH

In line with its own Charity Policy, the Group is committed to promoting and supporting initiatives aimed at protecting the health of women and children.

QUALITY EDUCATION

The Group, in collaboration with the Fondazione Ferragamo, is committed to investing in the education and training of those who intend to work in the fashion and design world and in the highest and most artistic forms of Italian craftsmanship, in line with the stylistic values and canons expressed in the work of its Founder.

RENEWABLE ENERGY

The Group is committed to protecting and safeguarding the environment through continuous improvement of energy efficiency in its consumption and by promoting the use of renewable sources.

DECENT WORK AND ECONOMIC GROWTH

The Group focuses its commitment on encouraging and enhancing people's professional development, while respecting the community historical values, in order to encourage innovation and creativity, while also ensuring the healthiness of the workplace.

SUSTAINABLE CITIES AND COMMUNITIES

The Group is committed to directing significant attention and resources to artistic and cultural initiatives, in order to ensure a more responsible management of urban areas and promote culture in all its forms and expressions.

RESPONSIBLE CONSUMPTION

The Group is committed to guaranteeing responsible management in its processes to produce and consume resources, raw materials and packaging materials, investing in quality in order to reduce environmental impact and extend the life cycle of its products, and reporting on its business based on the principle of transparency.

CLIMATE ACTION

With a view to combating climate change, the Group is committed to protecting and safeguarding the environment through strategies and initiatives intended to minimize the environmental impact of its operations.

LIFE BELOW WATER

The Group is committed to protecting the oceans, seas and marine resources through concrete initiatives such as reducing the use of single-use plastic.

LIFE ON LAND

In order to restore biodiversity, the Group is committed to implementing meaningful actions to protect species and promote a sustainable use of the terrestrial ecosystem.

Ethical business

The Salvatore Ferragamo Group promotes at all company levels the values of transparency, honesty, fairness and compliance with regulations. These values are contained in the Group's Code of Ethics with which employees, suppliers and collaborators are required to comply when carrying out their activities.

The ethical principles and the general rules of the Code of Ethics are also complied with in the tax area, knowing that the activities carried out are accompanied by potential reputational, social and environmental implications and that tax revenues are one of the sources of contribution to the economic and social development of the countries in which the Group operates. In order to ensure that its companies fully comply with all tax obligations in the jurisdictions in which it operates, the Group implements careful management of tax activities and risks and acts in accordance with the values of honesty and integrity, involving top management on issues of greatest impact and complexity and entrusting the Chief Financial Officer with the responsibility for defining and monitoring such management. Moreover, the Group Tax Director reports to the Chief Financial Officer and is supported by professionals with extensive knowledge and experience who together make up the Tax Management function. In this perspective, the Group adopted an integrated tax approach through appropriate organizational procedures and solutions, developed in order to define, inter alia, roles, responsibilities, operational and control activities, and information flow patterns. Some tax-relevant processes are mapped also as part of Model 262, adopted by Salvatore Ferragamo S.p.A. pursuant to Italian Law 262/2005, which envisages specific monitoring and control obligations and responsibilities for listed companies with regard to the preparation of accounting documents and financial announcements to the market. In order to ensure a correct, timely and effective approach to tax risk management, Salvatore Ferragamo S.p.A. undertakes to adopt and maintain the efficiency of a tax control framework that meets the requirements of international guidelines and Italian regulations, with the aim of joining by 2022 the cooperative compliance system established by Italian Legislative Decree no. 128 of 5 August 2015. Moreover, in order to efficiently manage tax risk and to consistently distribute the tax burden among the countries in which it operates, the Group pursues a strategy based on the conclusion of Advance Pricing Agreements, with the aim of determining in advance with the tax authorities the transfer pricing method deemed to be in line with the arm's length principle. This strategy makes it possible to establish transparent relations with the tax authorities, thus enhancing long-term relationships. With regard to the reporting of quantitative tax information, please refer to the section called "Annexes".
In order to facilitate the identification of potential tax risks or incentives, the Group considers it essential to increase the tax awareness of employees, regardless of their corporate function. In this perspective, information activities on tax matters are promoted, with a special focus on issues and regulatory changes that may affect business activities.
The Group takes a transparent and collaborative approach with all stakeholders, including shareholders, employees, institutions and trade associations, to support the development of effective tax systems in different countries. Moreover, since its establishment, the Group has been an active member of the Taxation Working Group of the Altagamma Foundation, which brings together the tax managers of many of its associated companies and represents the luxury sector before Italian and EU public authorities on all tax-related issues.
Moreover, the Group maintains a cooperative and transparent relationship with the tax authorities, ensuring that they can, if necessary, carry out audits on Group companies, including acquiring a full understanding of the facts underlying the application of tax rules in a timely manner. Since its listing on the Milan Stock Exchange, the Group's objective has been to use all channels of transparent and preventive dialogue with the tax authorities, also by collaborating in the definition of new standards in matters concerning the sector of reference.

The Group takes a transparent and collaborative approach with all stakeholders

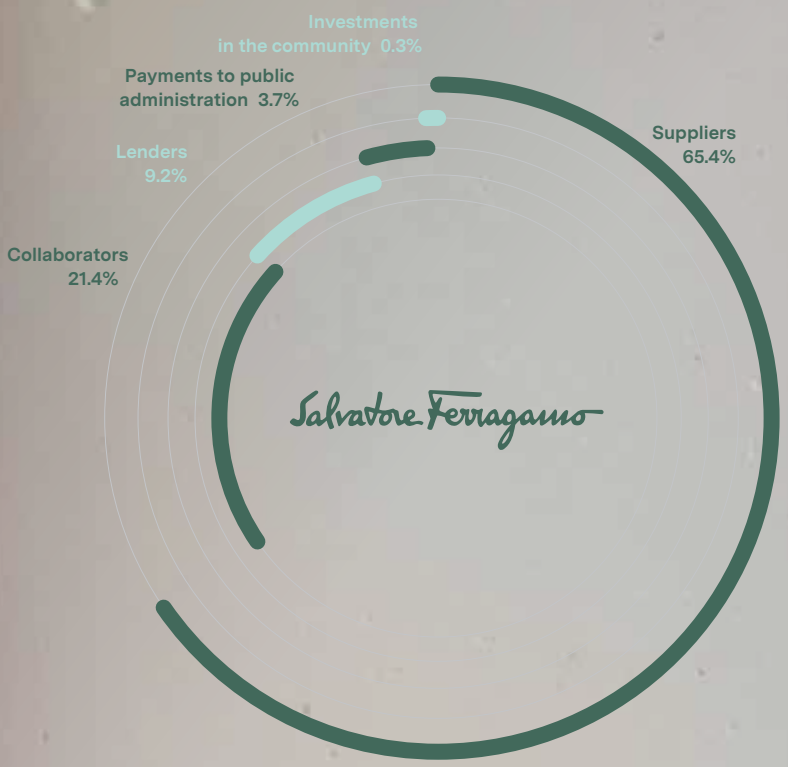
The commitment to a conscious and correct operation is also reflected in the Group's ability to efficiently evaluate and allocate resources, creating and distributing wealth among the different categories of stakeholders. In 2020, the economic value generated by the Salvatore Ferragamo Group amounted to approximately 1,000.45 million Euro. On the other hand, the distributed economic value decreased from 1,177.3 million Euro in 2019 to 873.8 million Euro in 2020. In particular, 87.3% of the economic value created by the Salvatore Ferragamo Group was distributed to internal and external stakeholders. The remaining 12.7% was retained within the Group.

Economic value generated and distributed

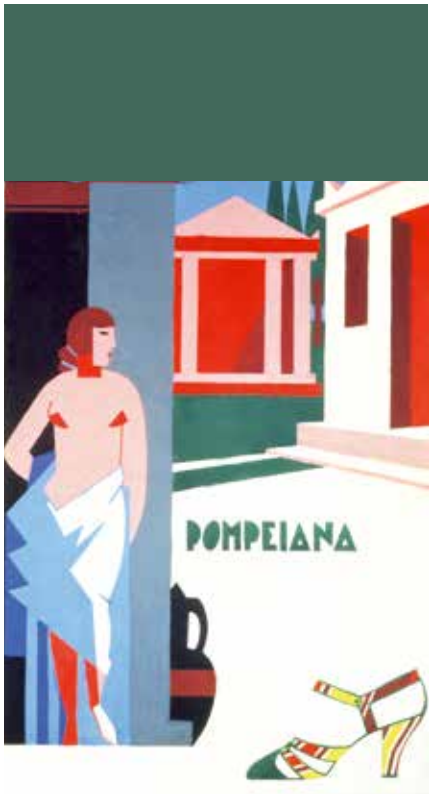
(in thousands of Euro)	31 December 2020	31 December 2019
Economic value generated by the Group	**1,000,449**	**1,429,008**
Total revenues	915,825	1,377,261
Other income	23,356	20,791
Bad debt provision	(989)	(921)
Financial income*	62,257	31,877
Economic value distributed by the Group	**873,779**	**1,177,263**
Value distributed to suppliers	571,448	809,734
Value distributed to collaborators	187,240	234,431
Value distributed to lenders**	80,541	64,441
Value distributed to shareholders	-	-
Value distributed to public administration	32,486	67,420
Value distributed to the community	2,064	1,237
Economic value retained by the Group	**126,670**	**251,745**
Amortization, depreciations and write-downs	221,767	185,832
Provisions	4,631	(6,057)
Deferred taxes	(28,032)	(15,395)
Reserves	(71,696)	87,365

* Including income from exchange rate differences
** Including financial expenses from exchange rate

Economic value distributed in 2020 by the Salvatore Ferragamo Group



Sustainability governance and risk management



The Salvatore Ferragamo Group adopts an Enterprise Risk Management (ERM) model

Salvatore Ferragamo S.p.A.'s Corporate Governance system complies with the principles of the Corporate Governance Code for listed Companies issued by Borsa Italiana S.p.A. For a more detailed description of the structure, composition and roles, please refer to the paragraph "Information on Corporate Governance and Ownership Structure" in the Board of Directors' Report.

Following the amendments to the Corporate Governance Code for Italian listed companies, the Board of Directors of Salvatore Ferragamo S.p.A. resolved to assign the following powers to the Group's Control and Risk Committee:

- support, with suitable inquiries, the assessments and decisions of the Board of Directors relating to the management of risks deriving from unfavorable events and facts which the Board has become aware of, including the risks which may be relevant in terms of sustainability (e.g., reputational risks and risks connected with climate change) in the medium/long-term for the Company's business;
- supervise sustainability issues connected to the exercise of the business undertaken by the Company and its interaction with all stakeholders.

Concerning risks, the Salvatore Ferragamo Group adopts an Enterprise Risk Management (ERM) model designed to support top management in identifying the main business risks and the ways in which they are managed, as well as organizing the system for monitoring and handling them. The system adopted envisages: the updating of the mapping, identification and assessment of risks, the measures taken to contain them and the definition of appropriate monitoring and management strategies. The risks identified by the Group, including the main effects on sustainability, are presented in the Board of Directors' Report in the section "Main risks and uncertainties", while the components of the internal control system and the main roles assigned to manage them are described in the section of the Board of Directors' Report "Main features of the risk management and internal control systems". Moreover, an in-depth discussion of the control units, mitigation and management of the issues identified by Italian Legislative Decree 254/2016 is provided below.

The pandemic caused by the global spread of Covid-19 has laid the foundations for a review of the risk portfolio in order to understand how the Group has responded and is responding to the pandemic. To this end, the Risk Management function has undertaken a specific Covid Risk Assessment activity with the aim of identifying and assessing the main risks and business areas affected by the Covid-19 emergency and monitoring their treatment or containment actions implemented and considered most effective. During 2020, the Company's Risk Map was supplemented with the results of the Covid Risk Assessment.

Specifically concerning social topics, the Group monitors the risks and carries out several control units related to the supply chain, the local community, occupational health and safety, respect for human rights in the supply chain and the promotion of integrity and ethics in business.
In terms of occupational health and safety, the Group complies constantly with the relevant regulations and, with specific reference to the management of the Covid-19 emergency, in accordance with the Decree of the President of the Council of Ministers (DPCM) of 26 April 2020 and the applicable Regional Orders, the Parent Company adopted appropriate Safety Protocols summarizing the prevention and protection measures envisaged to reduce the risk of Covid-19 contagion. These Protocols have been reviewed and updated in line with regulatory provisions, and the Global Health and Safety, Energy and Environmental Efficiency office has also provided support

to the foreign Regions in their adaptation.
Also in the field of occupational health and safety, the Parent Company adopted an OHSAS 18001 Occupational Health and Safety Management System, which was adapted in 2020 to the new ISO 45001 standard, valid for all the Company's offices and stores in Italy.
In order to mitigate risks related to the supply chain, the Group has a specific assessment procedure for contract manufacturers and suppliers of raw materials and finished products, and carries out audits on the production chain and, in 2019, it disseminated and required suppliers of raw materials, processing services and finished products to sign its Supplier Code of Conduct. Drawn up with a view to integrating social responsibility and collaborating with its own supply chain, the Supplier Code of Conduct sets out ethical principles and rules of conduct, which supplement the legal, regulatory and procedural standards that underpin commercial relations with the supply chain. The rules and standards of conduct concern business ethics and integrity, labor and human rights, respect for ecosystems and product responsibility. A specific monitoring activity on the Code of Conduct was launched in 2020 to check compliance by suppliers. Moreover, during 2020, monitoring activities of the production chain were intensified, also through periodic meetings, in order to promptly identify signs of difficulty and manage any critical situations arising from the Covid-19 emergency.
Particular attention is also paid to employee-related matters and the respect for human rights: the Group considers its human capital to be crucial, and is committed to maximizing people's potential at each step of the production chain while constantly monitoring risk factors. Again in 2019, Salvatore Ferragamo obtained the SA8000:2014 certification for its management system in the area of social responsibility. A committee, called the Social Performance Team (SPT), was set up; it is composed of a balanced number of representatives of workers and management and it oversees the implementation and correct application of the SA8000 Standard.

Moreover, in line with the Group's Code of Ethics, Salvatore Ferragamo adopted the SA8000 Policy to further confirm the Company's commitment to achieving the highest ethical and sustainable business development standards, upholding and implementing the principles of SA8000 in its business activities, in line with applicable legal provisions and main international conventions on human rights and workers' rights. Also in 2019, the Company adopted the Policy for combating child labor, which aims to formalize the Company's commitment in this area and prevent minors from being exposed to situations that may be risky or harmful for their development and physical and mental health. Further confirming the Group's key focus on its human capital and in line with the Code of Ethics, an Inclusion Policy was adopted, which enshrines the Group's commitment to promoting and protecting inclusion values in all its business activities.

Salvatore Ferragamo obtained the SA8000 certification

With reference to environmental risks, on the other hand, the Group constantly complies with the environmental law and the risks which stem from the activities, products or services over which the organization has the power of direct control, for example concerning emissions released into the atmosphere, energy and water consumption, or over which the organization has only the power of influence. The Group's commitment is also reflected in its Sustainability Policy, which promotes the protection and safeguarding of the environment and ecosystems through the development of strategies and initiatives intended to minimize the environmental impact of its operations.
Over the years, the Company has taken steps to obtain the main environmental standards for its sites: in 2019, the Italian scope obtained ISO 14001 certification, which defines an environmental management system, adopting the relevant Environmental Policy. The commitment taken on by obtaining this certification joins the many management systems linked to emissions monitoring and responsible use of energy resources, which the Company has adopted over the years. Moreover, as from 2019, Salvatore Ferragamo S.p.A. has taken out an environmental-impairment liability insurance policy for the Osmannoro site to cover the making safe and reclamation expenses inside and outside the Company, the costs of environmental restoration and damages to third parties that a polluting event may cause.

In the broader context of the Group's Compliance risk, the Group is strongly committed to fighting corruption and bribery. In fact, during 2018, the Anti-Corruption Policy, which had already been adopted by the Parent Company, was adopted by all the subsidiaries, through approval by the individual Boards, its translation into local languages and dissemination to all staff. In line with best practices and in accordance with the most restrictive regulations applied at a global level, this Policy formalizes our strong commitment to fighting corruption, rejecting it in any context or form. Indeed, it sets out the principles, rules of conduct and controls to be implemented to prevent all possible incidents of corruption. During 2019, the Group delivered a specific e-learning

The Supplier Code of Conduct sets out ethical principles and rules of conduct

course on the Anti-Corruption Policy for all employees. Moreover, the Anti-Corruption Policy is a supplement to the Organizational Model pursuant to Italian Legislative Decree 231/2001, aimed at preventing the criminal liability of entities. A special Supervisory Body has been set up with the task of monitoring the operation of and compliance with the control principles and protocols contained in the Organizational Model. In 2020, the latter was subject to an updating process in order to incorporate in two separate Special Sections the new families of offences envisaged by the legislator - Tax offences and Smuggling - as well as the integration of further corruption offences within the already existing families of Offences against the Public Administration and Corporate Offences. In order to disseminate its knowledge and principles and illustrate the relevant aspects of updating, the Company undertook various information and training initiatives. In particular, specific workshops were organized for the Company's management.

The Group's Code of Ethics, which was updated in 2016, outlines the standards of ethics and conduct, including the protection of employees' health and safety, the environment and Made in Italy products, the social value of the Company, and the centrality of human resources. On the one hand, the Group encourages everyone to spontaneously share, comply with, and disseminate the Code of Ethics; on the other hand, it requires everyone operating on behalf of the Salvatore Ferragamo Group or coming into contact with the Group to abide by and apply the Code, also envisaging the application of disciplinary and contractual sanctions in the case of violation. Moreover, the Group believes it is essential to tackle any behavior that is at odds with the values and principles laid down in its Code of Ethics or that breaches legislation. To cement this, an e-learning course was provided in 2019 to all Group employees. In 2020, a Fraud Risk Assessment project was also carried out to identify and assess the possible fraud risks related to the retail sales process (physical channel and eCommerce) at Group level and to identify any areas for improvement relating to the current structure of the control measures put in place to mitigate the identified risks. The activities will be concluded in the first quarter of 2021 with the

definition of a master plan of interventions aimed at mitigating the identified risk areas and with the preparation of an Anti-Fraud Group Policy.
It is possible to report any failure to comply with the Code of Ethics and internal procedures, including for example the Anti-Corruption Policy, as well as applicable laws and regulations, through dedicated channels such as the whistleblowing system, which covers the entire Group. Reports can also be made by external parties by contacting the Group Ethics Committee by email or regular mail. The Ethics Committee examines and investigates all complaints received to assess whether they are legitimate and take action as it sees fit.
Since 2018, the Group has adopted Whistleblowing Policy to regulate how to send and handle reports of breaches of the Code of Ethics, laws or any other procedure within the Group, in line with best practices and Italian Law 179/2017, which introduced whistleblowing for the private sector in Italy. This policy has been provided to all recipients (employees, social bodies and collaborators working on behalf of the Group), while appropriate instructions have been disseminated to all subsidiaries to spread awareness of the policy. During 2019, the Group made available to all employees an e-learning course on whistleblowing.

Furthermore, in recent years, the Group has intensified its efforts to ensure the security and protection of the data provided by its customers, guaranteeing compliance with national and international data processing laws and regulations. In 2020, the IT Security Policy and Procedure Framework that came into force in 2019 was extended to the entire Salvatore Ferragamo Group and now includes over 10 Policies and Procedures. Moreover, the Framework is subject to periodic reviews and updates. On the occasion of the entry into force of the new European GDPR Regulation, a massive training campaign was carried out throughout the Group on cybersecurity and data protection issues with a special focus on personal data protection. The training program became part of the mandatory minimum set of training courses for new hires. During 2021, a multi-year Cybersecurity Awareness program will be launched with the aim of increasing users' awareness of cybersecurity issues, ensuring growth and continuity in training on specific topics related to information security and protection from cyber threats. Moreover, at the time of the Covid-19 health emergency, as a result of a significant number of remote working employees, the scope of externally connected corporate endpoints increased significantly and consequently so did the level of risk of cyber-attacks. In response, the Company strengthened its security measures for event monitoring (e.g., Sanity Check, SOC) and access control (e.g., MFA) during 2020. In compliance with the provisions of the new GDPR on the processing of personal data, Privacy Risk Assessment activities were carried out in 2020 with the aim of verifying that data controllers and processors adopt adequate technical and organizational measures to mitigate the risk related to personal data processing. The activity was carried out in line with the Privacy Risk Assessment performed in 2018, following the Risk Assessment method integrated with the ERM Framework adopted by the Company. The results of the Privacy Risk Assessment were integrated into the Company's Risk Map as part of compliance risks.

Since 2018, the Group has adopted a Whistleblowing Policy

Responsibility towards people

Responsibility towards people

For the Salvatore Ferragamo Group, its people have always been of vital importance, guaranteeing management based on the principles of fairness, integrity and respect. At every stage of the value chain, the Group's commitment translates into the professional development of its people, the attraction of new talent and the promotion of work-life balance, guaranteeing compliance with occupational health and safety standards. Following the health emergency caused by the Covid-19 pandemic, the Salvatore Ferragamo Group took steps to review the working methods of the more than 3,800 people with whom it collaborates and to ensure the highest standards in terms of health and safety. Therefore, the focus on employees was even more central to the organization of activities, and in the face of the difficulties imposed by the pandemic, the Ferragamo teams showed incredible dedication to their work and great resilience.

Following the Covid-19 pandemic, the Group took steps to review the working methods of the more than 3,800 people with whom it collaborates

Staff composition

Staff

The Group's staff as at 31 December 2020 and 31 December 2019 is shown below.

No. of people	31 December 2020			31 December 2019		
	Men	Women	Total	Men	Women	Total
Employees	1,257	2,598	3,855	1,419	2,858	4,277

The Parent Company's staff as at 31 December 2020 totaled 922 staff members (386 men and 536 women), down by 93 (43 men and 53 women) compared to 31 December 2019.

	31 December 2020							31 December 2019						
	<30		30-50		>50		Tot	<30		30-50		>50		Tot
Breakdown by occupational classification and age group	N°	%	N°	%	N°	%	N°	N°	%	N°	%	N°	%	N°
Managers (of which top managers, middle managers and store managers)	11	0.3	604	15.7	162	4.2	777	14	0.3	606	14.2	151	3.5	771
White collars	680	17.6	1,833	47.5	296	7.7	2,809	922	21.6	2,014	47.1	271	6.3	3,207
Blue collars	37	1.0	166	4.3	66	1.7	269	61	1.4	175	4.1	63	1.5	299
Total	**728**	**18.9**	**2,603**	**67.5**	**524**	**13.6**	**3,855**	**997**	**23.3**	**2,795**	**65.4**	**485**	**11.3**	**4,277**

	31 December 2020					31 December 2019				
	Men		Women		Tot	Men		Women		Tot
Breakdown by occupational classification and gender	N°	%	N°	%	N°	N°	%	N°	%	N°
Managers (of which top managers, middle managers and store managers)	305	8	472	12	777	291	6.8	480	11.2	771
White collars	782	20	2,027	53	2,809	937	21.9	2,270	53.1	3,207
Blue collars	170	4	99	3	269	191	4.5	108	2.5	299
Total	**1,257**	**32.6**	**2,598**	**67.4**	**3,855**	**1,419**	**33.2**	**2,858**	**66.8**	**4,277**

During 2020, the Salvatore Ferragamo Group recruited 589 employees (184 men and 405 women, of whom 15 men and 20 women in the Parent Company), against an employee turnover of 27.4% for men and 25.6% for women. About 44% of new employee hires are under 30, 52% 30-50 and the remaining 4% over 50; finally, about 70% of the new employee hires are women.

Moreover, the offer of a stable and long-lasting employment relationship is considered a prerequisite for the Company's growth, as well as an important motivational factor. The high proportion of employees on permanent contracts, accounting for 96% of the total in 2020, is evidence of the Group's commitment in this sense.

For more detailed information on the breakdown of the staff, see the "Annexes" section of the NFS.

The well-being and health of people

People's health and well-being were at the heart of the Group's initiatives and policies during 2020

The well-being and health of people were at the heart of the Group's initiatives and policies during 2020. The spread of the pandemic has made it a priority to rethink company workspaces in order to guarantee the Group's employees the best possible safety conditions in carrying out their tasks, while maintaining business continuity.

Following the outbreak of the Covid-19 pandemic, the Group set up a temperature control service at the entrance to its industrial sites and stores, provided its employees with personal protection equipment such as masks and hand sanitizing gel, and provided specific guidelines on how to prevent contagion in the workplace and in personal life. In the various countries in which it operates, the Group has taken steps to ensure the highest safety standards and support employees in their work during the health emergency. Among other activities, a voluntary serological testing campaign was launched in Italy between May and September 2020, involving more than 600 employees. With a view to sustainability, a partnership has been set up with the Social Cooperative Progetto Quid to purchase certified washable masks and make mask bags from fabric scraps in the warehouse. Again in Italy, with the support of the Occupational Health Specialist, supplementary protection has been put in place for all frail workers to minimize exposure to biological risk from Sars-COV2. The Company has also defined an internal contact tracing procedure, which provides for the extension of remote working and/or screening by means of rapid antigen swabs/molecular swabs for all contacts considered to be most at risk, even if not included among the direct contacts mapped by the Competent Authority following receipt of notification of a Covid-19 positive person. Finally, screening campaigns were organized to coincide with events related to the Company's core business, such as photo shoots and fashion show events, with the involvement of the categories of employees involved.

For Salvatore Ferragamo protecting and safeguarding human resources also takes the form of guaranteeing high occupational health and safety standards. For this reason, the Company, as its leading commitment, makes available human, practical and economic resources and assets, which are needed to achieve the improvement goals of occupational health and safety and as an integral part of its activity and strategic commitment. At corporate level, the Company has a dedicated Global Health and Safety, Energy and Environmental Efficiency (HSE) function, which is responsible for ensuring a safe and regulatory compliant working environment. The team is responsible for defining health and safety guidelines not only for the Italian scope, but also coordinating the foreign Regions. In this regard, during 2020, it shared with the foreign Regions the Management System Guidelines – HSE & Energy, prepared in 2019, with the aim of disseminating throughout the whole Group a significant level of awareness about health and safety, environmental protection and energy efficiency. These standards and principles also establish the roles and responsibilities of the main stakeholders involved. The function also manages monitoring activities and maintains relations with the Italian workers' safety representatives.
For some years now, the Company has been implementing a Safety Management System (SMS) that defines the methods for identifying, within the Company's organizational structure, the responsibilities, procedures, processes and resources for implementing the Company's prevention policy, in compliance with current health and safety regulations. The aim of the Occupational Health and Safety Management System is to:

- ensure compliance with all applicable legal requirements with the aim, where possible, of achieving improved safety standards;
- reduce or eliminate accidents and diseases resulting from work activities;
- improve risk management;
- promote continuous and effective communication between the Company and workers through specific operational methods, such as document sharing, information, training and awareness-raising activities;
- improve monitoring of the level of control of residual risk in order to further minimize it through continuous improvement actions.

In 2017, the Company decided to undertake the process of certifying its management system according to the internationally recognized OHSAS 18001 standard, which sets out the requirements for implementing an occupational health and safety management system. Also for 2020, the Company renewed the certification, valid for 100% of Salvatore Ferragamo S.p.A. workers, adapting its management system to the new ISO 45001 standard.

Although the Company does not have any high-risk business activities, it has taken steps to ensure the highest standards of occupational safety by identifying and assessing possible emergencies that may occur during its activities in the various offices in order to ensure that the impacts on occupational health and safety and any damage to facilities are properly identified and addressed. In order to ensure greater monitoring of the level of occupational health and safety, control and audit activities are carried out periodically for Group stores. In relation to potential accidents and emergency situations, the Company has drawn up a Management Procedure to prepare for and respond to emergencies in order to describe the operational methods implemented to prevent and/or manage accidents in the best possible way and to reduce the risk of accidents resulting from such situations.
In Italy, the identification and assessment of risks related to occupational health and safety is part of the Risk Assessment Document (RAD). This document is drawn up by the Employer (E) in collaboration with the Health and Safety Officer (HSO), checked by the Occupational Health Specialist (OHS) and brought to the attention of the Workers' Safety Representatives (WSR), in order to highlight the seriousness and probability of occurrence of specific risk events for each individual role and activity carried out by employees.
With regard to the functions of occupational health services, note that in Italy the task of defining the health protocol lies with the Occupational Health Specialist. The monitoring of the Company's health situation is ensured by the Occupational Health Specialist sending aggregate health data and information on the risk of workers undergoing health surveillance. Transmission is made by means of Annex 3B (as defined by article 40, paragraph 1 of Italian Legislative Decree 81/2008) to the competent bodies. For each inspection carried out, the Occupational Health Specialist produces a report based on the findings. The HSO and one or more WSRs also participate in the inspections.

The Company has taken steps to ensure the highest standards of occupational safety in the work place

During 2020, the Salvatore Ferragamo Group continued its efforts to monitor employee accident rates. In 2020, there were 36 accidents among employees, whereas, in line with 2019, there were no fatal accidents among either employees or contractors. All accident rates are monitored by the Group. For more detailed information, see the "Annexes" section of the NFS.

Also with a view to occupational well-being, in 2019 the Company performed an assessment of the work-related stress phenomenon, in collaboration with the University of Florence. This collaboration continued in 2020. To complete the improvement actions envisaged by the assessment of the work-related stress phenomenon, the HSE function made available to the employees of the Osmannoro site the "Enhancement Course: Playing the Role between Prescriptiveness, Discretionary Power and Communicative Assertiveness", aimed at enhancing the awareness inherent in the structure of the role within the organization, satisfaction, communicative effectiveness in behavior and efficiency in performance.

As part of occupational health and safety, the Company is also active in training its own people. In 2020, around 1,200 hours of training on safety, first aid and fire prevention were provided in Italy, also involving retail staff. Employees benefit from training programs tailored to their role profiles and risk levels and receive general occupational safety training in line with legal requirements. For those who fall into a higher risk category, i.e., employees in the warehouses, Modelleria, Manovia etc., additional training hours are provided for the use of specific machinery and equipment. The Company has also decided to carry out appropriate awareness-raising and information actions towards its suppliers, contractors and external visitors to involve them in the control and reduction of impacts on occupational health and safety. In this area, the Company prepares specific documents for the identification, assessment and control of risks related to the performance of activities in the Company by third parties (interference risks).

In the face of the Covid-19 pandemic, staff management throughout 2020 was strongly characterized by measures to protect the health of employees both in offices and in direct stores. In this regard, specific safety protocols with stringent measures have been defined and

supplementary health insurance related to Covid-19 symptoms has been activated for Italian staff. Where allowed by regulations, the Group offered voluntary and free serological testing. Global guidelines have been defined for the stores in the following areas: staff safety tools, client service, store cleaning & maintenance and HR emergency. Moreover, starting in February, the experimental phase on remote working, which had already begun in 2019, was greatly extended by taking advantage of emergency regulations in Italy, and made it possible to cope with the need to manage activities remotely, allowing business continuity. Thanks to the completion of the digitalization process and the extension of the allocation of IT devices, about 70% of the corporate population had access to remote working.

In 2020, the Flexible Benefit plan continued in Italy, the purpose of which is to support workers under the footwear industry national collective bargaining employment contract (CCNL) and their families in social and cultural activities, in their development and in school fees and costs for their children. The plan consists of the possibility to use non-monetary goods and/or services, in addition to remuneration, to meet personal and family needs. Specifically, employees can select their own type of benefit from a vast range of options, including areas such as: education, sports, culture and leisure, travel, supplementary pensions, and welfare. In Italy, the new supplementary agreement signed for 2019-2021 for workers benefiting from the footwear industry CCNL envisaged, among other things, an increase in the value of the Performance Bonus, including the possibility of transforming, in whole or part, the monetary value of the Bonus into welfare services for entitled employees on permanent contracts. Employees who choose to convert the Bonus will have the right to a further net amount that can be spent on goods and services through the Flexible Benefits portal.

As part of company welfare and at corporate level, Salvatore Ferragamo S.p.A. also provides a series of exclusive benefits to its employees through agreements with companies operating in other sectors, such as health and wellness, banks, insurance, tourism, and sports. As regards supplementary healthcare offered to Salvatore Ferragamo's employees, supplementary healthcare coverage was activated in 2020 to protect against Covid-19 and insurance coverage for work-related travel was updated for European employees. Moreover, already as from 2019, a series of improvements were implemented to extend the range of supplementary company healthcare services covered in place of the contractual ones, such as, for example, the inclusion of the employee's whole household at no extra cost for middle managers and white-collar and blue-collar workers. In addition, in 2020, the project aimed at implementing a global management plan for the Group's Benefit programs, in order to support the Company in achieving important goals in terms of compliance with local regulations, control of insurance coverage as well as cost optimization and uniform and efficient management of employee benefit plans.

Moreover, in 2020 Salvatore Ferragamo maintained for the scope of its Italian operations the SA8000 social responsibility certification, i.e., the main social certification standard based on the Universal Declaration of Human Rights, ILO agreements, international human rights laws and national labor laws. The standard encourages organizations to develop, maintain and implement practices that include respect for human and workers' rights, protection against the exploitation of minors and guarantees for workplace health and safety.

The Company's attention to its people is also reflected in the provision of workspaces that are both functional and pleasant. Since 2016, the Company has been working together with the Fondazione Ferragamo on the renovation and decoration of workspaces. In 2020, the new Salvatore Ferragamo Archive was launched at the Osmannoro site, located above the New Manovia, opened in 2019.

Attracting and developing talents

For Salvatore Ferragamo it is important that the corporate culture and sense of belonging are transmitted right from the start of the employment relationship and, for this reason, there is an induction program called "Discovering Ferragamo" for all new hires in Italy. The three-day Classic Induction course consists in a training session to introduce new hires to the Brand, the history of the Founder, and the Group's values, as well as guided tours of the new Logistics Hub, Manovia, the Museo and the Salvatore Ferragamo Archive in partnership with the Fondazione Ferragamo and the Museo Salvatore Ferragamo. Moreover, this program was enriched with a workshop on the Company's values and know-how. The Customized Induction, which is reserved to executives and managers, is instead organized so that it is tailored to the role that the incoming manager is required to fill. Induction activities were carried out remotely in 2020, thanks also to the virtual tour organized by the Museo Salvatore Ferragamo.

With a view to promoting the growth of people in the Company, in 2020 the activities to train and develop the talented staff and the project to design a Talent Management system at global level continued. As part of its own Ferragamo Excellence Model, the Parent Company identifies nine essential competencies divided into Core Competencies and Managerial Competencies, to be enhanced in each employee. Core Competencies are key for all employees and enable them to achieve high levels of performance and quality, as well as promptly address issues and problems as they arise, by working in teams and exploring new ideas and solutions. The Group has identified additional competencies for middle and top managers focusing on knowledge that is crucial in order to create value and improve competitiveness over time, inspiring enthusiasm and a passion for work and excellence in other people. In 2020, an assessment was completed on the Global Senior Leadership Team, a group of about 120 resources at global level who are recipients of the Performance Incentive Plan, with the aim not only of mapping the existing situation but also and above all of identifying critical areas, development interventions and succession plans. Over the next few years, the Group will gradually expand the Talent Management system to all employees, regardless of the geography in which they operate, maximizing the potential of key resources across the entire Salvatore Ferragamo Group.

Training is another central element in Ferragamo's staff development strategies. In this regard, over 15 average hours of training per capita were provided at corporate level in Italy in 2020, not including health and safety, retail, and compliance training. The courses were mainly distance learning due to the emergency situation and covered, among other topics, the strengthening of soft skills, the use of IT tools and languages. Course delivery was made more seamless with the launch in June 2020 of the iLearn platform for all corporate staff.

Average hours of training per capita 2020 - Salvatore Ferragamo S.p.A.

No. of hours	Men	Women	Total
Managers	15.8	14.2	15.0
White collars	16.5	16.2	16.3
Blue collars	8.6	13.6	11.1
Total	**15.5**	**15.5**	**15.5**

Further training sessions on sustainability issues were organized throughout the year

The iLearn tool, integrated in the Ferragamo Together platform, allows to identify training contents related to the competencies of the excellence model, to deepen the knowledge of the Company and the Brand, and to have self-development opportunities. Through iLearn, Knowledge Sharing sessions were also organized for Group staff. Among others, a session was organized for Italian employees on the definition of science-based targets and the commitments undertaken by the Group with the signing of the Fashion Pact. The aim is to implement the iLearn platform globally throughout 2021. Moreover, further training sessions on sustainability issues such as materials, animal welfare and climate change were organized throughout the year with the involvement of experts in the sector.

Specific training initiatives are also aimed at staff working in Ferragamo stores: Stardust, the training program for retail staff at global level, was launched in 2019. The aim of the program is to develop a customer-centric mindset in order to strengthen the core skills of retail staff and contribute to the achievement of corporate objectives. Stardust's methodology provides multiple levels of involvement from self-study to classroom training, from in-store activities to coaching and digital training. Due to the spread of the Covid-19 pandemic, the delivery mode of the Stardust program was rethought in 2020 to meet the need for social distancing and mobility restrictions. A number of digital training programs have been launched for retail staff with the aim of enhancing technical knowledge, strengthening the digital client journey and stimulating connection with the Brand and its values. During 2021, the Stardust program will be further strengthened and the digital pilot projects launched in 2020 will continue. Training of retail staff continued in 2020 also on the iLearn platform with the publication of around 60 digital courses on collections available in 9 languages.

To facilitate staff development, the Group implemented, in continuity with previous years, some performance assessment programs, including the Performance Appraisal System for middle management. The program was conceived not only as a monetary incentive system but also as an instrument for development: the performance appraisal is connected to a position profile and the specific technical skills required. During 2020, approximately 97% of Group managers were subject to this type of analysis and the performance of approximately 92% of all Group staff was assessed. In Italy, the new supplementary agreement signed for 2019-2021 envisaged, among other things, the extension of the performance assessment process to all employees and for all levels within the organization, in order to increase engagement and to make everyone feel part of the corporate goals and results. In particular, an assessment method was introduced, based on three of the Brand's distinctive elements: initiative, result orientation and customer orientation. The outcome of this assessment makes it possible to further increase the value of the bonus for the individual, while also rewarding individual performance.
In 2020, in order to meet the challenges imposed by the pandemic, the Group prioritized internal mobility initiatives to fill vacant positions, even temporarily, thus promoting the professional growth and development of its employees. In this area, the Internal Job Posting tool continued to be used, which enables the constant updating of open positions, promptly informing employees of potential internal growth programs.

Many of the initiatives taken forward in-house were promoted thanks to the use of the Ferragamo Together digital workplace, which became pivotal in terms of employee engagement.

Salvatore Ferragamo has partnerships with several Universities, Business Schools and Design Academies

The innovative platform, which was launched in 2019 and can also be used via mobile application, was designed to facilitate collaboration and sharing of ideas, information and projects among all the Group's employees, thus increasing the sense of belonging and team spirit. In 2020, the Forevermore process was launched on Ferragamo Together to spread the Company's values through the publication of videos with the value statements and testimonials of value ambassadors: about 100 colleagues representing each Region and each functional area gave their personal interpretation of the Ferragamo values.

The Group promotes numerous initiatives aimed at attracting talented employees and valorizing them in their professional development. To select top young talents, the Parent Company has partnerships with several Italian Universities, Business Schools and Design Academies, organizing presentations, career days, and field projects. During 2020, employer branding activities consisting of open days and academic meetings were organized in virtual mode, and Salvatore Ferragamo took part in over 50 of these initiatives with Universities and Academies. With regard to specific agreements with universities, in 2020 the collaborations already underway continued and the partnership with Polimoda for the Master in "Shoe Design" was confirmed, with the aim of directing the training of the new generation of designers by combining Ferragamo's creative heritage and know-how in an innovative vision in line with new market trends. Also in the area of design, the collaboration with the Master in Accessories at the Accademia Costume e Moda was renewed: the students designed mini-collections of men's leather goods inspired by the briefing "Hands free bags" and the winner, announced during a virtual presentation, was offered an internship opportunity starting in March 2021. With regard to collaborations with Business Schools, the students of the EMLUX Master, Executive Master in Luxury Goods Management at the Università Cattolica of Milan, worked on a field project on the topic of employer branding for the new generations, while the students of MAFED, Master in Fashion, Experience & Design Management at SDA Bocconi, were asked to analyze the development of retail in the ecosystem of the emerging phygital retail.
Collaborations with academic institutions also focused on sustainability issues: in May 2020, Salvatore Ferragamo participated as main sponsor in the online project Circularity Ideathon organized in collaboration with Fashion Technology Accelerator. The three-day event focused on promoting circular economy solutions. The young people involved worked on thematic proposals such as the circularity of raw materials and finished products. Students, entrepreneurs, designers and digital experts, all representing Generation Z and the millennials, were divided into teams and worked out innovative solutions with mentors from the circular economy and business world. The winning team was announced by a jury of experts from outside the Company chaired by Ferragamo's CEO, and the team leader was offered the opportunity of an internship in Ferragamo's Communication Department.
In 2020, the Company continued its collaboration on sustainability with Domus Academy launching a competition to award scholarships for two Masters in Fashion Management and Luxury Brand Management. Finally, by virtue of its long-standing collaboration with the Milano Fashion Institute, in 2020 the Company reserved 30 invitations for its students to the Salvatore Ferragamo Spring/Summer 2021 fashion show, held in September at the Rotonda della Besana.

Diversity and inclusion

Diversity is considered an added value for the Group, which is committed to ensuring that its employees can grow in a working environment where they can feel free to express themselves and where differences and individuality generate experimentation and positive comparisons. In 2020, the Group thus continued the journey already started in 2019 in this direction.

In particular, the cultural change journey focused on diversity and inclusion issues was activated in 2020. This program initially involved interviews and activities with Top Management and then involved the Global Senior Leadership Team in distance learning sessions aimed at raising awareness of the impact of diversity and inclusion in the business. In 2021, the process will be further strengthened by involving a wider portion of the corporate population through the launch of specific contents in digital learning to raise awareness of the culture of diversity and inclusion, starting with the need to recognize, manage and overcome bias.
Still on the subject of diversity, during 2020 the Company joined Valore D, the first

business association in Italy committed to creating a professional world free of discrimination, where gender equality and a culture of inclusion support the growth of the organization. This follows the adoption in 2019 of the Women's Empowerment Principles promoted by UN Women and the UN Global Compact. There are seven Women's Empowerment Principles which aim to provide companies with a guide on how to promote gender equality and female empowerment in the workplace and in communities in general. In line with the contents of the Code of Ethics and the Group Inclusion Policy, by adopting these principles, Salvatore Ferragamo intends to reconfirm its commitment in terms of inclusion and respect of the principles of equality and dignity. The adoption of the principles was also the subject matter of a speech by the Chief Executive Officer at the GCNI Business & SDGs High-Level Meeting on gender equality in July 2020.

The Group's commitment to diversity issues was formalized with the adoption and publication in 2019 of the Inclusion Policy that aims to support multiculturalism, considered essential for the development of innovative and distinctive elements that can increase the Brand's competitiveness, and to promote equality and equal opportunities, fighting all types of discrimination and condemning any form of harassment. In addition, the Policy sets the goal of promoting meritocracy and fair treatment at all levels, facilitating the development, expression and enhancement of individual potential.
During 2020, the Group received two reports of alleged discrimination against two employees in North America. The first case, at the end of the assessment phase, was not recognized as a case of discrimination, so the rules of good behavior at work were again shared, but there were no formal measures. In the second case, the situation was investigated and the parties reached a settlement agreement.

Special emphasis is placed also on providing equal opportunities, ensuring the same work conditions for male and female employees and promoting initiatives to help balance family and professional life through different types of employment agreements. More specifically, as at 31 December 2020 there were 108 male employees and 316 female employees who were on part-time contracts. The latter have always played a key role in the Salvatore Ferragamo Group and female talent underpins the Brand's success, accounting for nearly 67% of its employees and holding around 61% of senior management positions. Women make up a significant 38% of the Parent's Board of Directors, above and beyond the applicable laws. Concerning the employees belonging to protected classes, the Group complies with applicable laws in the Countries in which it operates. The Group adopts remuneration policies that recognize the personal contribution of each employee according to the principles of gender equality and merit. For several years now, the Group has been implementing a remuneration system differentiated for the various employee categories, including also economic incentives contingent on individual and company performance goals aimed at promoting a sense of belonging and teamwork. Finally, as for industrial relations, more than 57% of the Group's employees are covered by collective bargaining agreements, as required by applicable laws and regulations in the countries where the Group operates. In addition, these agreements, together with the laws in force in the countries where the Group operates, also regulate remuneration as well as the minimum notice periods for significant operational changes.

Responsibility towards the environment

Responsible innovation and circular economy

Over the last few years, the Ferragamo Group has further strengthened its environmental protection strategies, rethinking its processes and setting concrete, challenging targets to reduce its impact on the planet. In particular, by signing the Fashion Pact in 2019, the Group committed to achieving specific targets in three priority areas: climate, biodiversity and oceans.

With regard to climate change, in 2020, the Group defined its science-based targets, with the aim of a 42% reduction in direct and indirect emissions by 2029, with a 2019 baseline. In order to achieve these targets, special attention was paid during the year to the eco-efficiency levels of its offices, to the use of materials with a low environmental impact in its collections, to minimizing the impact of logistics flows and to rethinking packaging with a view to gradually eliminating single-use plastics.

Again in 2020, the Group committed to promoting animal welfare and safeguarding biodiversity. As part of its responsibility towards nature and the planet, the Salvatore Ferragamo Group adopted an Animal Welfare Policy in order to guarantee that the whole supply chain acts appropriately in terms of animal welfare.


Ongoing implementation of principles of UN Fashion Charter for Climate Action
2025: 25% of low environmental impact key raw materials
2030: 100% renewable energy across operations
CLIMATE
Implementation of Science Based Targets for Climate to achieve net-zero by 2050
2025: Elimination of problematic and unnecessary plastics in B2C packaging by 2025, and in B2B by 2030
2030: Ensure that at least half of all plastic packaging is made from 100% recycled material, by 2025 for B2C and by 2030 for B2B
THE FASHION PACT: 1 COMMON AGENDA ACROSS 3 PILLARS
OCEANS
Reduction of negative impact the fashion industry has on the ocean environment
2020: Development of individual biodiversity blueprint
2025: Supporting zero deforestation and sustainable forest management
BIODIVERSITY
Development and implementation of strategies and Science Based Targets for Nature

To raise awareness among its teams and supply chain, and to explore environmental issues, two Animal Welfare Policy workshops were organized, involving key raw material suppliers and a selected group of global Retail Managers. Moreover, the Group strengthened its commitment to the environment by drafting the Manifesto for Biodiversity, a document that formalizes its commitment to safeguarding and promoting biodiversity by highlighting the principles that guide Ferragamo's activities in this area.

Regarding the protection of the oceans, the Group is strongly committed to reducing the consumption of materials such as unnecessary plastics and eliminating single-use plastics. In this regard, following the release of the European "Single-Use Plastics" Directive, which aims to prevent and reduce the impact of particular plastic products on the environment and promote the transition to a circular economy, in 2019 the Company assessed its use of single-use plastics, in order to map the quantities and identify concrete solutions to eliminate and/or reduce its consumption. In this perspective, in order to promote a more sustainable luxury and to eliminate the use of single-use plastics, in 2020 the Group started to progressively replace clothes hangers, polybags and labels with bioplastic and recycled and recyclable plastic alternatives. Moreover, the bags used for products such as footwear, bags and accessories, as well as the bags used for clothing, are Made in Italy and made of 100% cotton.

Innovative and low climate impact materials are also used for the packaging of some eCommerce shipments. The Company uses bubble wrap made from renewable plant sources that can be disposed of as organic waste together with animal and vegetable food scraps, since it is compostable and biodegradable.

As regards paper packaging for the retail business, the Salvatore Ferragamo Group has favored paper certified by the Forest Stewardship Council (FSC), which bears witness to correct forest management and the traceability of paper products. The FSC logo guarantees that the product is made of raw materials harvested from forests managed according to sustainable principles. The iconic red packaging, in addition to being "Made in Italy" as well as fully recyclable and biodegradable, is also post-consumer, i.e., up to 40% composed of recycled fibers and the remainder of ECF (Elementary Chlorine Free) cellulose, which is treated with ecological processes. These characteristics make it possible to use the related symbols on corporate and outlet packaging and Museum shopping bags. In 2020, the Group enhanced its use of FSC and post-consumer paper and undertook, as part of its Sustainability Plan, to extend the use of such paper also to other product categories.
Moreover, in selecting its packaging suppliers, Salvatore Ferragamo verifies that not only they are based locally, which is the main guarantee of Made in Italy quality, but also that they have important certifications such as ISO 9001, ISO 14001, SA8000, ISO 45001, GOTS, GRS, OEKO-TEX.

As for non-packaging materials such as catalogs, invitations, leaflets, stationery and, in general, printed materials, the Group is placing increasing emphasis on ensuring that they are made with FSC certified paper, and inks and processes that do not negatively impact the environment, integrating this goal in the Sustainability Plan.
Moreover, during 2020, the Company launched a new Business Intelligence (EBI) project that uses a graphical information visualization tool and an analysis approach that allows relevant data to be highlighted at a glance, with the possibility of delving into detail where necessary. With this tool, analysis and reporting processes can be made more efficient by reducing data to provide immediate information and drafting dynamic reports in digital form. All reports are available via app and do not require printing, thus reducing the use of ink and printed paper for reporting.

Materials consumption (kg)	2020	2019
A3 paper	1,450	3,350
A4 paper	15,578	27,818
Plastic clothing bags	1,220	3,819
Nylon clothing bags	-	1,057
Cotton clothing bags	5,334	16,455

Responsible consumption

With a view to environmental protection, the Salvatore Ferragamo Group pays close attention to its consumption[6], promoting several initiatives to improve efficiency. During 2020, Salvatore Ferragamo shared with the foreign Regions the Management System Guidelines – HSE & Energy, prepared in 2019, with the aim of disseminating throughout the whole Group a significant level of awareness about health and safety, environmental protection and increased energy efficiency.

In 2020, the Salvatore Ferragamo Group consumed 9,004 GJ of natural gas. Electricity consumption stood instead at 102,005 GJ. In relation to the consumption of non-renewable fuel, i.e., diesel and petrol, this stood at 5,436 GJ in 2020. As for the Italian scope, 100% of the energy used comes from renewables thanks to the purchase of certified energy through a guarantee of origin.

Thanks also to the installation, in 2020, of additional photovoltaic fields at the Osmannoro site, which increased the overall installed power to 1,329.67 kWp, the electricity self-generated by the Company was 3,719 GJ, i.e., around 19% of the Parent Company's total consumption. As regards energy efficiency, of particular importance is the presence in several buildings at the Osmannoro site of a computerized management system, the Building Management System (BMS), which enables the control and monitoring of the mechanical and electric systems, such as for example micro-climate and illumination, depending on the amount of natural light from outside. In order to improve the micro-climate in all the work areas, thus ensuring thermal comfort and a reduction in the use of fossil fuels and CO_2 emissions, a procedure has been adopted to manage temperatures in

[6] On the basis of their availably and materiality, the data for 2019 and 2020 has the following limitations:
- as for energy consumption, on the basis of the scope under consideration, approximately a 3,000 headcount in 2019 and 2,700 in 2020:
  - natural gas consumption accounted for 81% and 87% of the scope in 2019 and 2020, respectively (in 2020, consumption does not cover Europe and South America);
  - electricity consumption accounted for 92% and 97% of the scope in 2019 and 2020, respectively (in 2020, consumption does not cover the offices of Ferragamo Fashion Trading (Shanghai) Co. Ltd.);
  - non-renewable fuel consumption accounted for 81% and 79% of the scope in 2019 and 2020, respectively (in 2020, consumption does not cover the offices of Ferragamo Fashion Trading (Shanghai) Co. Ltd and Ferragamo Moda (Shanghai) Co. Ltd);
- as for water consumption and waste production, on the basis of the scope under consideration and set out in the "Methodology" section, approximately a 1,300 headcount in 2019 and 1,200 in 2020:
  - water consumption accounted for 81% and 79% of the scope in 2019 and 2020, respectively (in 2020, consumption does not cover the Asian area with the exception of Ferragamo Korea Ltd., the European area and Ferragamo Mexico S. de R.L. de C.V);
  - the production of waste accounted for 79% and 80% of the scope in 2019 and 2020, respectively (in 2020, consumption does not cover the Asian region with the exception of Ferragamo Korea Ltd. and South America).

The data for 2019 and 2020 is directly provided by the companies that handle waste disposal.

the works areas at the Osmannoro site. By complying with the parameters indicated in the procedure, it is possible to obtain a 34-ton annual reduction in CO_2. The procedure, which regards the management of temperatures in both winter and summer, is one of the initiatives adopted by the Company to improve energy efficiency and compliance with environmental sustainability standards. In addition, multi-meters are present at the Osmannoro site in order to constantly monitor consumption.

The Group promotes a sensible and responsible use of the water for hygiene-sanitary purposes, in that almost all production is outsourced. During 2020, water consumption in relation to the Group's offices alone was 25.624 megaliters (of which 93.2% from the aqueduct and 6.8% from ground water)[7]. In addition, the Group is committed to reducing the production of waste arising from its operations, raising awareness among its employees about properly managing and disposing of garbage, encouraging to reuse and recycle materials as well as minimize waste. Waste production in 2020 stood at 1,146.3 tons (of which 99.7% was non-hazardous waste and the remaining 0.3% was hazardous waste)[8]. Among the waste produced in the year, 14.8% was recycled, 0.2% was incinerated, 26.4% was treated in landfills and the remaining 58.6% through other disposal methods.

The consumption of the Salvatore Ferragamo Group[9]	2020	2019
Natural gas consumption (GJ)	9,004	14,640
Electricity consumption (GJ)	102,005	113,898
Non-renewable fuel consumption	5,436	10,682
Total energy consumption	116,445	139,220

[7] Water consumption in 2019 was 47,453 m³ (of which 51.8% from the aqueduct and 48.2% from surface water).
[8] Waste production in 2019 stood at 1,386 tons (of which 99.6% was non-hazardous waste and the remaining 0.4% was hazardous waste). Of these, 10.4% was recycled, 46.3% was reused, 0.2% was incinerated, 40.7% was treated in landfills and the remaining 2.4% through other disposal methods.
[9] The conversion coefficients published by ISPRA were used to calculate the energy consumption of petrol, diesel, natural gas and electricity in GJ.

For the Group, an example of energy efficiency and optimization of consumption is the Osmannoro Logistics Hub. The building of around 20,000 sq. m, which was opened in 2018, obtained the LEED certification at its highest level, i.e., Platinum. This had previously been obtained in 2016 by the Q building at the Osmannoro site. The Hub project envisaged the revision of the access and transport system within the facility in accordance with the concepts of simplification and rationalization of routes. In addition to the 475 parking spaces in the garage, Salvatore Ferragamo designated 25 spaces for low-emission electric vehicles and a few spaces are reserved for carpooling for commuting to promote the use of alternative means of transportation. In addition, thanks to numerous expedients in the technical systems, water consumption has been optimized, leading to a 50% reduction in total water consumption for irrigation and a 100% reduction in the consumption of drinking water. The electrical and mechanical systems have been designed to minimize light pollution, and the property will feature a BMS (Building Management System) allowing regulating mechanical systems as well as monitoring and managing electrical ones. The site features a photovoltaic plant with a peak capacity of 863.50 kWp and consisting of over 3,200 solar panels, resulting in a net 5,350 sq. m installed surface area. Furthermore, measures consistent with the LEED standard have been implemented for both mechanical and electrical systems, such as the use of lamps that reduce light pollution to a minimum. In addition, the construction work was made more sustainable through the use of products made of FSC certified wood and of products with a high level of recycled content and/or made locally, always in line with LEED standards.

In 2020, building M, designed to meet the main environmental standards and located

on the Osmannoro site, also received the LEED Platinum certification. In line with what was developed for the Logistics Hub, the building is equipped with a BMS (Building Management System) supervision system and multimeters. During the year, seismic improvement works were also carried out and a photovoltaic system was installed, which will start in 2021.

Over the years, efforts to obtain certifications have also involved the retail area. The Group obtained LEED Gold certification for the following stores: Beijing China World, Canton Road in Hong Kong, Copley Place in Boston and, in 2020, for the Madrid and Hong Kong City Gate stores. It obtained LEED Silver certification for the following stores: Seasons Place Beijing, Pacific Place in Hong Kong, Troy in Michigan and the Ginza flagship store. The Group has undertaken, as confirmed in the Sustainability Plan, to certify other stores in the coming years.

In 2020, the Energy Management System certification for the Osmannoro site was updated in accordance with the new version of the ISO 50001:2018 standard, which specifies the requirements for establishing, implementing, maintaining and improving such systems. Through a systemic approach, the certification aims to facilitate the achievement of the objectives defined in the Management System, such as the commitment to initiatives aimed at improving energy performance, the dissemination within the Company of the objectives of the Energy Management System and the related implementation programs, the optimization of the use of energy resources and the increase in the use of alternative and renewable energy sources. The Company plans to extend the certification to some of its retail stores.

In 2020, also building M, designed to meet the main environmental standards, received the LEED Platinum certification

Climate change and emissions monitoring

Carbon footprint[10]	2020	2019
SCOPE 1 – Direct emissions (t CO_2 eq)	919	1,308
SCOPE 2 – Indirect emissions associated with electricity generation (t CO_2) (location based)	11,779	13,268
SCOPE 3 – Indirect emissions attributable to purchases of raw materials and services (t CO_2eq)[11]	142,761	198,339
SCOPE 3 – Indirect emissions attributable to logistics (t CO_2 eq)	15,653	41,241
SCOPE 3 – Indirect emissions not attributable to the product and, in particular, linked to business travel (t CO_2eq)	404	3,498

The signing of the Fashion Pact in August 2019 further enhanced the commitment taken on by the Group to reduce its environmental impact in terms of climate change: the reduction and offsetting of CO_2 emissions is thus one of the priorities established by the Group in its Sustainability Plan.

To confirm this commitment and in line with the level of decarbonization required to prevent the most damaging effects of climate change, the Salvatore Ferragamo Group defined its science-based targets to reduce greenhouse gas emissions (GHG). In August 2020, the Science Based Targets initiative, which establishes and promotes best practice in defining science-based targets, as well as assessing companies' targets, endorsed the two important targets:

- reduce by 42% absolute GHG emissions from Scope 1 and Scope 2 by 2029 compared to 2019;
- reduce by 42% absolute GHG emissions from Scope 3 deriving from the purchase of goods and services and from the downstream transport and distribution by 2029 compared to 2019.

[10] Based on the availability and materiality of data, the scope of the analysis, including a headcount of approximately 3,000 in 2019 and nearly 2,700 in 2020, is subject to the following limitations:
- the emissions from natural gas and non-renewable fuel consumption (SCOPE 1) and electricity consumption (SCOPE 2) cover the same scopes set out in note 6;
- the emissions related to rail and air business travel (SCOPE 3) accounted for 81% and 74% of the scope in 2019 and 2020, respectively.

SCOPE 2 market-based emissions totaled 10,154 and 9,764 tons of CO_2 in 2019 and 2020, respectively.
The factors used in 2019 and 2020 to calculate SCOPE 1 emissions are those issued by the Department for Business, Energy & Industrial Strategy in 2020 and 2019.
For the calculation of SCOPE 2 emissions, the factors used are those published by Terna Confronti Internazionali referring to the year 2018 for SCOPE 2 location-based 2020, while for SCOPE 2 market-based, the factors used for European countries are those published by AIB (Association of Issuing Bodies) in 2020 for 2020. Finally, for the SCOPE 2 market-based calculation, the emission factors used for non-European countries were those published by Terna Confronti Internazionali referring to the year 2018 for the year 2020. SCOPE 2 emissions are expressed in tons of CO_2; however, it is specified that the percentage of methane and nitrous oxide has a negligible effect on total greenhouse gas emissions (CO_2 equivalent), as can be seen from the technical literature.
Other indirect emissions generated by other organizations and which are a consequence of the Group's activities (known as "SCOPE 3 emissions") have been calculated in accordance with the "GHG Protocol Corporate Value Chain (SCOPE 3) Accounting and Reporting Standard".
For each of the SCOPE 3 categories identified as relevant, GHG emissions were quantified by multiplying the organization's activity data by the specific emission factor. The main sources of the emission factors used are the UK Department for Environment, Food & Rural Affairs publication for the year 2020 and the Ecoinvent 3.7.1 database published in December 2020.

[11] For the purposes of setting science-based targets, the quantification of indirect emissions attributable to purchases of raw materials and services for the year 2019 was carried out using the screening tool "SCOPE 3 Evaluator" issued by the GHG Protocol in collaboration with Quantis. In line with the requirements of the GHG Protocol, the method of calculation was refined in 2020 by collecting quantitative data on materials purchased in 2019 and 2020 and multiplying them by their specific emission factors (source: Ecoinvent database 3.7.1).

In 2020, the Salvatore Ferragamo Group obtained a score of A- in the CDP Climate Change

With a view to setting targets, already in 2019, a project relating to the calculation of emissions attributable to the Scope 3 "Logistics" category was started. Again in 2020, the number of movements, the weight transported and the distance traveled were calculated for almost all[12] the Group's upstream and downstream shipments. Specifically, for the upstream stage, information was collected relating to the movement from the raw material suppliers to the Raw Materials Warehouse at Osmannoro, from the Raw Materials Warehouse to the contract manufacturers and from the latter to the Finished Products Warehouse at Osmannoro. As for the downstream stage, the collection of information regarded the movements from the Finished Products Warehouse at Osmannoro to European customers/stores and to other warehouses/customers/stores worldwide and the deliveries from Local Warehouses (outside the EU) to customers/stores worldwide. Total GHG emissions from the Group's logistics were 15,653 tons of CO_2 eq. Moreover, in line with the defined commitment, greenhouse gas (GHG) emissions were calculated for the category "Purchases of raw materials and services" of Scope 3. The category quantifies the emissions related to the extraction and production of raw materials used and the provision of services used by the Group during the year. Through the involvement of the relevant corporate functions, data on direct purchases of raw materials and purchases of services were collected. Total GHG emissions for the reporting year 2020 were 142,761 tons of CO_2 eq.

In order to facilitate the development and implementation of plans to manage greenhouse gases by the organization itself, in 2020 Salvatore Ferragamo updated the ISO 14064 certification to the new 2019 version of the standard. The ISO 14064:2019 standard, already implemented for the Osmannoro plant, the Milan offices, Palazzo Spini Feroni and the Museo Salvatore Ferragamo, Italy's first green corporate museum, and extended to Italian stores in 2019, specifies the principles and requirements for quantifying and reporting greenhouse gas emissions related to the activities carried out. Obtaining the ISO 14064 certification, as specified in the related Policy, allows certifying the best international practices in the management, measurement and verification of data and information related to greenhouse gas emissions, and its extension to all the Group's Italian offices represented an important progress in the path of continuous improvement towards ever higher sustainability standards.

Since 2017, bearing witness to the Group's commitment to reduce environmental impacts, Salvatore Ferragamo has voluntarily taken part in the CDP (former Carbon Disclosure Project) questionnaire to report on CO_2 emissions. The goal of the CDP is to promote transparency about the emissions generated by businesses, cities, states, and regions, allowing anyone to obtain information on the environmental impacts of each of these entities. The assessment was conducted for the "Climate Change" section through a comprehensive survey on emissions and consumption. In 2020, Salvatore Ferragamo obtained, for the first time, a score of A-, which is higher than the general average for the apparel design sector and higher than the European and the general average. In this respect, the Company is engaged in developing new initiatives that can further improve performance in terms of transparency and reporting.
Furthermore, based on the 2020 CDP questionnaire, Salvatore Ferragamo entered the *2020 CDP Supplier Engagement Leaderboard*, a ranking that celebrates the

[12] The stretch between raw material suppliers and contract manufacturers was excluded since it accounts for less than 10% of the total deliveries of the raw materials purchased.

top 7% of companies assessed for their ability to engage suppliers on the issue of climate change.

The reduction of the environmental impact and of CO_2 emissions released into the atmosphere is a key issue also in the Environmental Policy formalized by Salvatore Ferragamo S.p.A., in line with the requirements of the Environmental Management System ISO 14001:2015, adopted for all the Italian premises and the stores. The Policy envisages action by the Company on its processes and products to keep atmospheric emissions under control, in order to identify and monitor the environmental indicators.

Among the other initiatives, in 2020 the agreement with UPS was extended to offset all the emissions caused by deliveries in Europe and the United States of products ordered through the eCommerce. This offset takes place by adhering to carbon neutral projects and, in 2020, 65 tons of CO_2 eq were offset. The offset programs continued also thanks to the partnership with DHL Express, which envisages the offset of CO_2 emissions resulting from the deliveries for the daily replenishment of European stores, amounting to around 738 kg of CO_2 eq in 2020.

In order to reduce CO_2 emissions from the delivery of goods and products over a short distance, in 2020 the collaboration with UBM Bike Couriers, for the deliveries of orders placed by customers at the Milan stores, continued. Again for the same purpose, collaboration was confirmed with Ecopony, an express courier service by bike, which enables the Florence store to deliver in the city without releasing any CO_2 emissions into the atmosphere.
In addition, with a view to reducing the environmental impact linked to the supply chain, the initiative aimed at promoting the reuse of cardboard boxes by footwear manufacturers, in order to reduce CO_2 emissions from the production of cardboard, continued. The pilot project, which started in 2016 and extended to 6 of the Group's main contract manufacturers, led to a saving of approximately 14 tons of CO_2 in 2020 thanks to the saving of emissions from the manufacture of new cardboard.

The project to offset emissions from the iconic Viva model is also part of the environmental protection strategy. In line with the objective of making a positive contribution to protecting and safeguarding the environment, Salvatore Ferragamo decided to calculate the carbon footprint of the Viva model, which includes all the phases from design to production and delivery to stores, obtaining ISO 14067:2018 certification – Product Carbon Footprint. This calculation allows the Company to offset the environmental impact generated by supporting a wind farm project in India, in the Satare District. Moreover, Salvatore Ferragamo extended the quantification to other environmental impacts of the Viva model according to the Life Cycle Assessment (LCA) methodology in compliance with the principles of ISO 14040:2006 and 14044:2018.

The Group decided to neutralize the carbon footprint of the Viva model, certified ISO 14067

The search for sustainable mobility solutions is another key aspect of the Group's sustainability vision. In Italy, Salvatore Ferragamo has appointed a Mobility Manager to optimize employee travel and promote solutions allowing to curb environmental impacts. In 2020, many of the sustainable mobility initiatives, such as the company carpooling service, the Bici&Piedi activity and the company shuttle, were suspended due to the continuation of the Covid-19 pandemic. The initiatives implemented during the year mainly concerned the employees of the Milan offices and stores. In order to organize initiatives useful for limiting commuting, a questionnaire was carried out for employees in the Milan office and, in November 2020, 13 bicycles owned by the Company were donated to colleagues who requested them as a tool for limiting the spread of Covid-19. Moreover, an agreement with Swapfiets was promoted to facilitate long-term rental of regular bikes and pedelecs in Milan. Finally, in 2020 the Group confirmed the agreements in favor of its employees with car and motorcycle manufacturers that offer hybrid or electric vehicles and car sharing services.

Social responsibility

Quality and Made in Italy

For Salvatore Ferragamo, imagination knew no bounds

For Ferragamo, quality has always represented a continuous and necessary challenge to honor its roots and maintain the high values of Italian craftsmanship. Right from his early days in the United States in the 1920s, Salvatore Ferragamo was a pioneer in exporting Made in Italy quality, craftsmanship that is not just a question of manual skills but also of experience, utmost care and attention to detail, continuous research into materials and technologies.

For Salvatore Ferragamo, imagination knew no bounds. The challenges became stimuli for creativity, which found its highest expression in materials. The Founder never set limits to the fields in which to research and experiment. The material, in the same way as the form and craftsmanship on which beauty, comfort and durability of a shoe depend, was valorized by Salvatore in every model, so as to leave the material's qualities unchanged and, at the same time, to adapt it to the functionality of the shoe. The continuous research and experimentation were not only for leather and embroidered uppers, the heirs of a centuries-long tradition of Italian craftsmanship, but also for poorer materials which had never been used for shoes in Ferragamo's time: paper, bark, raffia, fish skin and cellophane. Many of the Founder's most famous creations are products of his time and clearly show he was sensitive to the economic and manufacturing changes that swept Italy in the 20th century. To strengthen the sole of his shoes during the autarky of the 1930s, Salvatore Ferragamo had the brilliant idea of using cork and thus created the wedge, one of the fashion industry's most revolutionary and enduring innovations. The change in vision, caused by unfavorable circumstances, becomes for the true creative designer a powerful stimulus to refine research and to find alternative solutions which maintain the key goals of fashion, i.e., glamour and innovation. This is the lesson that Ferragamo left us with his work: any material, even the most modest and apparently unsuitable for a luxury business, can be brilliantly and creatively adapted when the ideas, which are linked to the materials, are driven by limitless technical and innovative ability.

This extraordinary ability has become a legendary legacy today. The Patent Archive of the Founder has over 350 patents and trademarks, which at the start of the 21st century were collected in the patent fund of the Central State Archive, thus holding a technical and scientific knowhow of inestimable value. The Founder's restless creativity is reflected in the massive number of ideas he patented over the years, such as the shell-shaped sole, the wedge, the sculpted heel, the invisible upper, the cage heel, and the metal sole. The Archive is still today a source of innovation and inspiration for the new generations of creative talents.

Today, the interest and drive to experiment remain, making the constant search for innovation a key value for the Brand. In 2020, the Group further consolidated its tradition of experimentation by setting up a cross-functional work team dedicated to the discovery and inclusion of alternative, regenerated and circular materials in its collections: from organic cotton for the iconic Salvatore Ferragamo 1927 T-shirts to regenerated nylon yarn for the Ferragamo Travel and SF Nylon lines, from recycled post-consumer silk and cashmere for scarves and stoles to metal-free and vegetable-tanned leather for some footwear. Moreover, a knitted version of the iconic VIVA model has been introduced, made from recycled polyester yarn and a natural rubber sole. Again in 2020,

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from innovation and from the principles of the circular economy, with a view to upcycling, the Brand created silk hair clips using leftovers from the production of accessories.

To facilitate the choice of innovative and responsible materials and ensure the highest quality, a guideline document has been drawn up defining characteristics, certifications, standards, partnerships, and preferred sources of procurement to respect the environment, people and the planet. The guidelines are an evolving document, designed to ensure constant updating as materials continue to innovate. Moreover, recognizing the importance of raising the awareness of its teams on these issues, in 2020 the Company offered its style, materials research, product and merchandising teams an online training session on the guidelines, during which the innovative aspects of materials and preferred certifications were explored.

Aware that the quality of materials and processes requires continuous development, the Group has always been in dialogue with companies dedicated to research and experimentation. In 2020, the Company actively participated in several conferences and academies set up to stimulate a conversation on sustainability among Italian and international fashion leaders. Salvatore Ferragamo also participates in the Make Fashion Circular Initiative promoted by the Ellen MacArthur Foundation with the aim of engaging companies on the circular economy issue in the world of fashion starting from the design phases.

The quality and craftsmanship that have always been the hallmarks of Ferragamo's footwear design and development find their highest expression in the Manovia, the historic prototyping and manufacturing unit set up in 1967 and comprising materials cutters, stitchers and fitters. Recently renovated at the Osmannoro site, the Manovia mainly creates samples and prototypes and fine-tunes the structures (stretchers, heels, insoles and soles) for the new models. It consists of approximately 15 people, mostly young, who produce 30 to 40 pairs of shoes a day. In the Manovia, the place where the unique know-how of Ferragamo's craftsmen takes shape, the models of the Ferragamo's Creations line are manufactured in limited quantities, numbered and entirely handcrafted using the techniques, materials, and finishing details of the Founder. All Ferragamo's Creations shoes feature the Brand's historic logo, designed by Lucio Venna in 1930, and provide the opportunity to explore Salvatore Ferragamo's creative tradition, celebrating his pioneering vision and know-how. In 2020, the exclusive line presented "Jamais Reproduits", a capsule of twelve limited-edition models never to be reproduced: examples of creative ingenuity, innovation, and timeless elegance.

Another place where the excellence of technique and the creativity of those who research the materials, create the style, and make the Ferragamo product is celebrated is the Modelleria division for Men's and Women's Leather Goods, an operational workshop since 2017 designed for the transmission of know-how from leather craftsmen to new talents. Staying true to its Italian tradition and craftsmanship, the Group wants to celebrate the "Ferragamo touch" in the world of leather goods, with infinite possibilities for testing innovative types of leather and materials during the processing stages as well as improving the quality and efficiency of development processes. Together, Manovia and Modelleria are key to preserving the know-how passed on by the Founder and carried on by the skilled craftsmen of the Salvatore Ferragamo Group.

Quality and craftsmanship find their highest expression in the Manovia and Modelleria

Responsible and transparent procurement

Suppliers in figures - 2020

99.8%
Accessories purchased from Italian suppliers

93.5%
Leather hides purchased from Italian tanneries

99.4%
Textiles purchased from Italian suppliers

99.9%
Other raw materials purchased from Italian suppliers

While respecting the values of quality and Made in Italy, the Group has always been committed to supporting the development of local communities, promoting Italy's world-class manufacturers and carefully purchasing products and services almost exclusively from Italian suppliers[13]. The philosophy of the Founder, who remained deeply connected to his roots, still lives in the strategy of the Group, which relies on a wide network of carefully selected and qualified contract manufacturers known for their outstanding craftsmanship. Many of them have been working with Salvatore Ferragamo for years now.

In order to deliver a quality product while making production and distribution cycles more efficient and flexible, the Salvatore Ferragamo Group pays special attention to the key stages of the supply chain, limiting subcontracting to only one tier to better monitor quality throughout the supply chain. Similarly, the Group directly manages the product development and industrialization stages, performing quality and safety controls, both at the start and at the end of the manufacturing process, on the whole production.

When selecting suitable suppliers, the Group places special emphasis on the technical assessment of raw materials, semi-finished and finished products as well as the acquisition of documents concerning manufacturing plants – and, in some cases, it follows up with a visit to the premises. In order to ensure the essential quality of the Brand's products, the Salvatore Ferragamo Group uses a selection process for suppliers and contract manufacturers, aimed at assessing whether the potential new partners have the technical and qualitative requirements, the economic and financial prerequisites and all the documentation and certification required to start collaborating. During 2020, the assessment procedure for the Group's direct suppliers was updated with the aim of further strengthening the assessment of the industrial and financial capabilities of suppliers and contract manufacturers and their compliance with relevant regulations and laws, as well as the Group's ethical principles and rules of behavior.
Potential new partners are requested to meet specific requirements in order to qualify as suppliers and contract manufacturers of raw materials or finished products for the Group, such as: the acceptance of the Supplier Code

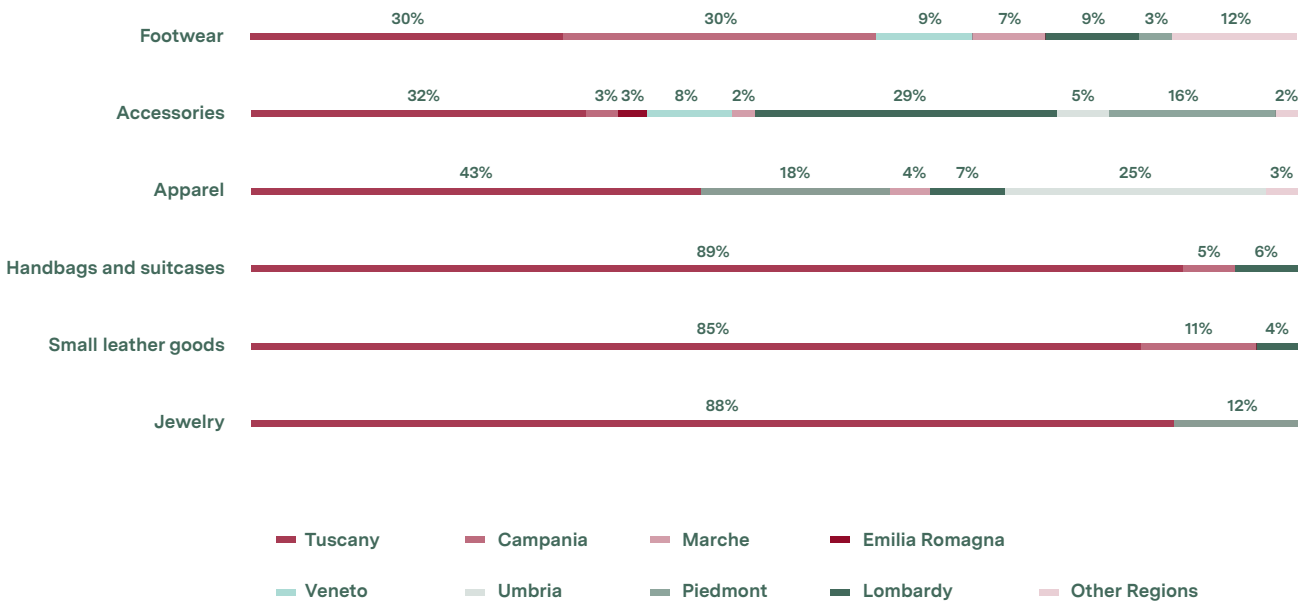
[13] The reported data and information in chapter Responsible and transparent procurement refer exclusively to suppliers related to production operations.

of Conduct, Privacy Policy, the signing of the Restricted Substances Lists (RSLs), the statement of compliance with social security, welfare and occupational safety regulations, the statement of acceptance of the subcontracting policy, the list of sub-contract manufacturers, the signing of the trademark protection agreement and further documents for general information and verification of the supplier's financial position. Moreover, for contract manufacturers or suppliers of raw materials or finished products of animal origin, from 2020 the signing of the Group's Animal Welfare Policy is also mandatory during the qualification phase.

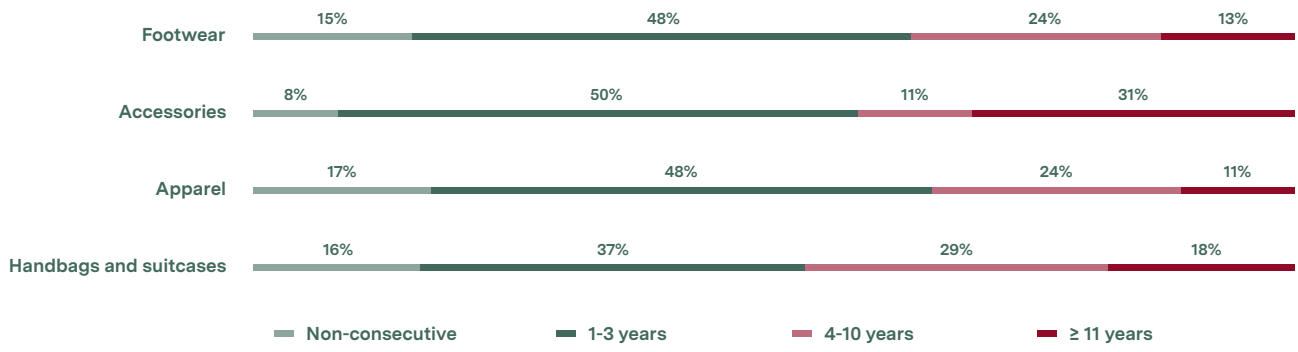
The Group recognizes the importance of manufacturing and selling products which comply, in terms of chemical security, to the laws in force on global markets, in order to protect the health of workers and consumers as well as reduce the environmental impact from manufacturing and throughout the product's life cycle. EU legislation relating to chemical safety is based on the REACH regulation, which regulates the restriction of the use of chemicals. For these purposes, environmental and toxicity tests are conducted on several components and finished products such as accessories, footwear structures, leather, textiles, leather goods, ready to wear, PVC shoes, and rubber soles, by selecting collaborators exclusively among certified raw material suppliers. Since 2016, the issue of chemical substances has also been addressed through the presentation of Salvatore Ferragamo's Restricted Substances Lists (RSLs), which establish even stricter criteria than REACH, in line with the restrictions imposed by the other geographical areas where Ferragamo products are marketed. The lists, which were drawn up voluntarily in order to eliminate or restrict the use of some chemical substances during the manufacturing process, were updated in 2018 and were shared with all suppliers and contract manufacturers and signed by them. During 2019, the subscription of the RSLs by suppliers of special works and structures, with both direct and indirect relationships with the Company, was completed and, in 2020, all active suppliers and contract manufacturers have completed the signing of RSLs.

The Group relies on a procurement structure with a high level of technical preparation and works with historic companies, with which it has established an ongoing collaboration. This structure highlights the Group's strong connection to the local community and, considering the geographic distribution, it has a high percentage of Italian raw material suppliers, equal to around 97.5% of procurement in 2020. Moreover, Tuscan contract manufacturers accounted for approximately 50% of the turnover of finished product processing, while Campanian contract manufacturers accounted for approximately 27%; the remaining part of this 2020 turnover is allocated to the other Italian regions.

Geographical breakdown of Italian contract manufacturers by sector - 2020



Consecutive years of partnership with suppliers by sector - 2020



Consecutive years of partnership with contract manufacturers by sector - 2020

With respect to contract manufacturers, the Salvatore Ferragamo Group works exclusively with highly specialized manufacturing companies that meet the most demanding quality standards, most of them located in Italy. The selection and retention of external contract manufacturers is key to the Brand, mainly for the purposes of maintaining the world-class quality standards of its products as well as protecting Ferragamo's extensive know how developed over the years. The retention of external workshops has been traditionally guaranteed by ongoing partnerships, the frequent exchange of information and skills between the Group and the contract manufacturers, and the highly specialized products and production processes involved. More than 70% of handbag and suitcase contract manufacturers have worked with Ferragamo for over 11 years and more than 60% of footwear contract manufacturers have had a work relationship with the Group for over 4 years. This integration is supported by an IT system that connects the main workshops with the Group. This allows to share the progress of production and logistic processes, check whether raw materials are in the contract manufacturers' stock, and effectively plan the production stages as well as the procurement of raw materials and components. In addition, by signing the trademark protection agreement, the Salvatore Ferragamo Group bans external workshops from selling the Brand's products to third parties. Contract manufacturers are required to disclose if they work with any subcontractors,

to which they can outsource different production processes, in accordance with the policy limiting subcontracting to just one tier. Furthermore, the Group constantly monitors workshops through inspections performed by technical and production staff.

For the Group, collaborating with the supply chain is key to achieving the highest ethical and sustainable business development standards: for this reason, it promotes monitoring and awareness-raising initiatives along its supply chain constantly monitoring the adequacy of the procurement model. In particular, risk elements related to the supply chain are assessed in terms of impact and likelihood of occurrence related to human rights, child labor, forced and compulsory labor, non-discrimination, freedom of association and collective bargaining, occupational health and safety, working time, remuneration and regularity of working conditions, and applied disciplinary practices. In order to mitigate the likelihood and impact of the occurrence of risks of human rights violations in its production chain, the Group carries out several controls related to their respect and, more generally, to the promotion of integrity and ethics in business. In particular, the Group, as from 2019, disseminated and required the signing of its own Code of Conduct. Drawn up with a view to integrating social responsibility and collaborating with its own supply chain, the Supplier Code of Conduct sets out ethical principles and rules of conduct, which supplement the legal, regulatory and procedural standards that underpin commercial relations with the supply chain. The rules and standards of conduct concern business ethics and integrity, labor and human rights, respect for ecosystems and product responsibility. The recipients of the Code are the Group's suppliers of raw materials, manufacturing services and finished products, and they are responsible for guaranteeing their own compliance with the Code, as well as for disseminating it and asking its own employees, suppliers and external collaborators to comply with it.
The Group also encourages its suppliers to communicate any requests for information and interpretations on the adoption of the Code of Conduct and has set up specific channels for sending reports of alleged or ascertained violations of its provisions to the Ethics Committee.
In order to monitor actual compliance with the principles set out in the Suppliers' Code of Conduct, the Group launched an audit plan on its direct contract manufacturers and suppliers. This audit work accompanies the monitoring of sub-suppliers which the Group has been performing since 2014, in order to assess compliance with ethical and social standards. The monitoring activity is coordinated by the Group Compliance function and carried out operationally by a specialized external company according to a multi-year plan and includes both the request for a self-assessment by filling in a questionnaire, and on-site audits, with interviews with workers and management and an inspection of suppliers' production sites.
Based on the results of the audit, in case of non-compliance with the provisions of the Code, the addressees are obliged to implement the actions required to adjust their activities and operations in order to remove, prevent or mitigate any identified non-compliance. The plan envisaged specific actions to be implemented within agreed deadlines or suggestions for improvement activities. In the event of serious or repeated violations of the Code, the Group reserves the right to terminate business relations with suppliers, as well as in the event of failure to implement the agreed improvement plan for the removal of any major non-conformities or failure to cooperate in the implementation of monitoring activities.
During 2020, the audit plan was revised and updated due to the health emergency and some audits planned for the end of 2020 were postponed – and in some cases already carried out – to early 2021. In particular, in 2020, 131 self-assessments, 45 audits and 8 follow-ups were carried out, all in Italy, partly remotely and partly through new visits to suppliers' sites, to check the solution to the identified non-conformities. Of these, only a limited number of suppliers were found to be moderately critical and all related to compliance with occupational health and safety standards. Minor findings also mainly concerned health and safety issues and, for the remainder, environmental issues. With reference to the respect of human and labor rights, no significant non-compliance emerged, but irregularities were found only in two cases with respect to the way in which employment contracts were kept and made available to employees – non-compliance that was promptly reported to suppliers.
Also in 2021, the Salvatore Ferragamo Group will be committed to continuing this monitoring, in order to guarantee responsible management of its supply chain in compliance with the laws in force.

In 2020 the Group adopted an Animal Welfare Policy

In line with the special attention paid to social, environmental and economic impacts, the responsible procurement of materials derived from animals, which are used in manufacturing processes, is particularly important for each product category. The Group considers the approach to the issue of animal welfare along the supply chain essential, in the knowledge that the value of products can be maximized only while respecting the environment and biodiversity. To formalize its commitment to animal welfare, during 2020 the Group adopted an Animal Welfare Policy in order to guarantee that the whole supply chain acts appropriately in terms of animal welfare. The Policy establishes the minimum requirements, certifications, standards, forms of collaboration, strategies, and procurement sources to be favored in order to guarantee such animal welfare. In order to encourage the sharing of the principles contained in the Policy, in 2020 the Company organized two digital training sessions involving more than 100 representatives ranging from suppliers of raw materials and finished products of animal origin: during the meetings, the best practices to be followed to guarantee animal welfare were highlighted and the Group's sustainability strategy was illustrated.
In order to facilitate the qualification process for its supply chain, including the signing of the Supplier Code of Conduct and the Animal Welfare Policy, in 2019 the Ferragamo Link platform was launched, an integrated and collaborative solution for managing information and document flows with suppliers. The collaboration platform was designed in an intuitive way with the aim of systematically managing the accreditation of a new supplier and the qualification of all direct suppliers of raw materials and finished products. In 2020, the platform was further optimized by simplifying relations with suppliers for the collection and archiving of documents, the exchange of information regarding ethical principles and rules of conduct in addition to the legal/procedural provisions required to obtain qualification, enabling the relevant corporate functions to check their correctness.

Again with a view to social responsibility and human rights in the supply chain, in 2020 Salvatore Ferragamo took part in the Social Sustainability Commission of the National Chamber for Italian Fashion. Following the analysis launched by the Commission in collaboration with the Fair Wage association on the conditions of workers in the luxury supply chain in Italy, a detailed report containing all the findings of the analysis was published in December 2020. Moreover, a Social Sustainability Road Map was launched to underline the commitment of the brands involved to ensure rewarding and fair working conditions for workers in the Italian fashion industry.

Customer focus

The Group strives to make its sales staff capable of conveying the same passion for craftsmanship and quality that characterized Salvatore Ferragamo

For Salvatore Ferragamo, quality lays not only in the craftsmanship excellence of its creations, but also in guaranteeing a gratifying customer experience.
The Group continues to pursue several initiatives aimed at customer satisfaction, adopting a customer-centric strategy that allows anticipating the needs of existing and potential customers in order to create long-term value. In this perspective, during 2020 the Brand promoted the development of collections more and more focused on customer needs and that respond to fundamental and sought-after elements such as the need for uniqueness, the possibility of personalization and the importance of sustainability. Moreover, great attention was paid to the "Buy-Now/Wear-Now" approach, i.e., products that the customer buys today and can immediately wear. These activities have been made possible thanks to the collaboration between the Merchandising and Customer Experience teams who worked increasingly side by side, thus enabling a better understanding of current and potential customers, so as to propose collections that are increasingly focused on what the market is looking for.
A further step forward in the area of customer centricity was implemented through a continuous flow of dialogue with the markets with the aim of meeting specific requirements and sharing regional best practices. In 2020, the buying process implemented during 2019, which takes into account the store location, sales history and customers, was also perfected. Again in 2020, the buying process was characterized by the creation of a pioneering cross-functional project in the early stages of the Covid-19 emergency: the Virtual Showroom, a digital catalogue that has made it possible to continue buying activities and to dialogue with buyers from all over the world, despite the physical distance.

To ensure customer understanding and satisfaction in every situation, the Group strives to make its sales staff capable of conveying the passion for craftsmanship and quality that characterized Salvatore Ferragamo. In this regard, in 2020 the "Stardust" training plan continued to be developed, whose name recalls the Founder's epithet "Shoemaker to the stars" and focuses on the importance of the customer relationship and the training of store managers and sales assistants. The cornerstone of the "Stardust" plan retail strategy is directly linked to the customer experience, in order to enable them to experience "Salvatore Ferragamo emotions", such as energy, magic and authenticity. In 2020, the learning methods and tools used for training were adapted to the emergency situation caused by the pandemic in order to offer engaging and exciting experiences, despite the physical distance. Moreover, during the year a process dedicated to the development of "multichannel relationship management skills" was proposed in a test phase in order to support retail staff in their ability to create emotional synergies and memorable experiences in digital environments. These training initiatives had a positive impact on the Client Experience, and enabled staff to be involved at a time of great need for social interaction.

For Ferragamo, the store has always been one of the main touch points to communicate and experience the Brand and product through an engaging experience. In 2020, the Covid-19 pandemic necessarily led to a rethinking of the experience, forcing physical and social distance. Therefore, during this particular period of emergency, the digital world has shown its valuable ability to reduce distances, encouraging innovative, engaging and quality experiences, including: the exclusive gifting service with

upcycled silk available to loyal customers, the involvement of a stylist for the remote presentation of the collection and creation of dedicated looks for customers, the creation of digital experience activities such as wine tasting and workshops for the creation of home decorations and the concierge service that involves the delivery of products to the customer, offering them the possibility to try the products at home, in complete safety. Moreover, during 2020, the VIC Brand Experience, which was carried out before the pandemic by inviting customers to experience the world of Salvatore Ferragamo in Italy, was rethought and transformed into a phygital mode. On the occasion of the September 2020 fashion show, a selection of customers from all over the world lived the magic of the experience, alternating digital moments, such as the fashion show invitation in the form of a video message from Paul Andrew, Ferragamo's Creative Director, with moments in person, discovering the new collection through a tool box that allowed them to touch the materials of the collection in preparation for the showroom appointment in video conference from the Palazzo Feroni headquarters.
Also in 2020, opportunities for dialogue and listening to customers were expanded through the launch of the pilot project ClientiAmo, a clienteling app that facilitates personalized interaction between sales staff and customers, and Heartbeat, a net promoter score system dedicated to understanding customer needs with the aim of increasing customer satisfaction.

For the Group, the integration of the digital world into the customer relationship completes the Group's brand experience, offering the possibility to enrich the knowledge of the Brand in an effective and experiential way. During 2020, customers had the opportunity to connect

In 2020 Salvatore Ferragamo created a new, more effective and intuitive experience, combining the real and digital universes in the new eCommerce website

more with the Salvatore Ferragamo world through several digital engagement initiatives. During the emergency period, Salvatore Ferragamo created a new, more effective and intuitive experience, combining the real and digital universes in the new eCommerce website in all markets. From a mobile-first perspective, the visitor experience has been designed to offer a process that tells the story of the collections through references to the Brand's values and history, and in which the codes of the Maison are translated into a glossary that tells a contemporary story of passion and responsibility. Moreover, the new eCommerce led to the development of a new live chat and phone ordering project, whereby the customer has constant support throughout their visit to the online store, combining the potential of the physical and digital experience. In addition to improving the online experience on its channels, the Group consolidated its digital presence globally. In the Chinese market, which is particularly interested in digital experiences, a new online marketplace, TMall, was launched in 2020 with the aim of reaching an increasingly broad local customer base.

The launch of the eCommerce website was followed by the Augmented Store 360, a virtual tour of the boutiques that allows you to submerge yourself in the collection, moving through the rooms of the store to discover the products, see their details, get information about them, and purchase them through eCommerce. The pilot stage of this initiative was the recently renovated Rome Via Condotti boutique and will subsequently involve other prestigious flagship stores around the world.

To further enrich the customer experience and meet the expectations of increasingly digital customers, Salvatore Ferragamo has relied on Microsoft and its technology partner Hevolus for its digital transformation journey. Thanks to Microsoft's Cloud Computing and Mixed Reality technologies, the Brand has been able to offer its customers an innovative service for choosing and customizing the Tramezza men's footwear collection, which can be used in-store or online through an immersive, high-resolution experience. Browsing a dedicated web application based on the Azure cloud, customers of the Tramezza Made-to-Order program are offered the possibility to view the digital twin of the shoes on their screen, interacting with this faithful 3D reproduction to customize the materials, colors, details and finishes, giving life to their own Tramezza Made-to-Order.

The digital initiatives have also involved social media, the use of which makes it possible to further engage customers and guarantee a complete experience of the Brand. For the second year, the Gancini project, a digital campaign involving a group of influencers, has conveyed the values of iconicity and togetherness intrinsic to the Gancini monogram, the symbol of the Brand. During 2020, Salvatore Ferragamo's digital world also celebrated the search between innovation and tradition, through processes that described the heritage, the incredible story of the Founder and the evolution of icons. During the lockdown period, the Digital team, in collaboration with the Museum and the Fondazione Ferragamo, told the story of the Brand but above all of its Founder in an interactive and engaging way through #Trivia, a series of Instagram Stories designed to entertain, inform and amuse the audience through an interaction based on a multiple-choice quiz. The milestones of Salvatore's life were also explored during the presentation of "Salvatore - Shoemaker of Dreams" at the 77th Venice Film Festival, through a series of podcasts made by friends of the Brand, Italian actors and Hollywood stars, including Stanley Tucci, Michelle Monaghan and Isabella Rossellini, each of whom read one of the 22 chapters of the Italian shoemaker and entrepreneur's autobiography. The dream and the world of cinema were also at the center of the presentations of the collections, such as the video "Shaping a Dream", presented on the

occasion of the first Milano Digital Fashion Week 2020 and celebrating Ferragamo's values and the collection, and the fashion film dedicated to the 2021 Spring-Summer advertising campaign made by film director Luca Guadagnino, creating a concentration of suspense and trepidation in pure Hitchcockian style.
2020 was a year of rediscovery and innovation of Brand icons. The iconic grosgrain bow has taken on a new form in the Viva Bow Bag, a classic yet contemporary creation presented in a new and eye-catching way by virtual models Noonoouri and Imma.gram. Moreover, Salvatore Ferragamo launched Viva, the shoe that reinterprets in a contemporary way the aesthetic of Vara, the pump created by Fiamma Ferragamo and launched in 1979. The launch of this new icon was accompanied by the #VivaViva campaign characterized by a mixed group of women reflecting on their passions and what keeps them alive and makes them feel strong, capable and full of life. The digital campaigns also celebrated women and their vitality on Mother's Day with #MomToMom, a series of Instagram Lives where Carolyn Murphy, the Brand's muse, engaged in conversations about motherhood, beauty, wellbeing, fashion and design with some of the women from whom she draws daily inspiration.
Finally, digital platforms have also touched the world of fragrances, with the launch of Ferragamo, the new fragrance presented by actor and model Hero Fiennes Tiffin and which immediately became part of the world's elite of men's fragrances.

Over the years, the Salvatore Ferragamo Group has implemented a series of offline and online anti-counterfeiting measures to protect its customers and the value of its brands. During 2020, it revised its asset protection strategy by strengthening its brand portfolio on the one hand and extending online monitoring to new Chinese platforms and social networks on the other. Thanks also to these activities, a total of 3,000,000 illicit contents and profiles were removed from the main social media platforms, and a total of 93,556 advertisements of counterfeit products were identified, blocked and removed from online auction sites. Moreover, 1,389 illegal websites were challenged and, following an action almost in rem, the New York Court not only deactivated and ordered the transfer in favor of Salvatore Ferragamo of 101 domain names hosting unlawful websites, but also recognized the existence of significant economic damage, awarding exemplary damages of 2.8 million dollars.
Still in 2020, the Group carried out constant controls on physical markets through several

The presence of the Salvatore Ferragamo Group in social media - follower growth (2019 vs 2020)

Instagram	+8.8%
Pinterest	+12.8%
LinkedIn	+23.1%
Weibo	+21.7%
WeChat	+23.8%
Facebook	+4.7%

in-court, out-of-court administrative and criminal proceedings, focusing its efforts on one of the areas where counterfeiting is most widespread, i.e., China. In this country, also thanks to the increasing cooperation with the local authorities, 194,747 counterfeit products were seized in 2020, compared to a total of 239,126 worldwide. The Group's commitment to combating counterfeiting has delivered remarkable results, also in terms of obtained damage compensation, and has guaranteed constant and efficient protection of industrial and intellectual property rights. These activities will be vigorously renewed in 2021. In this regard, the Company acquired a software license that will enable it to strengthen its anti-counterfeiting program worldwide and tackle the problem with a global approach.

As part of the initiatives promoted in favor of customers, the Group uses the Authenticity Tag system, which protects the consumer that purchases a genuine and Made in Italy Salvatore Ferragamo product, preventing and limiting counterfeiting. This innovative traceability project consists in the implementation and adoption of an NFC (Near Field Communication) solution to uniquely identify Salvatore Ferragamo products. NFC is a radio-frequency technology based on a chip, which stores the data, and an antenna that sends signals using radio waves. The combination of chip and antenna is the so-called Tag. A device known as reader is able to decode the radio signals emitted by the RFID (Radio Frequency Identification) Tag. The NFC Tag is embedded into the product at the end of the manufacturing process and activated following a quality control check. It cannot be counterfeited, as it is based on a unique identifier certified and assigned by a manufacturer; allows to encrypt or protect the data on it with a password as well as read it from a distance of only a few centimeters using modern smartphones. Industry insiders can also access an application that reads some of the data stored in the Tag, such as the serial number, the manufacturer number, and the collection the product is part of. The Group has gradually expanded the scope of the project in recent years, and the Tag is currently embedded into all Ferragamo leather products and silk accessories, with the exception of a few models. The Tag has also been included in men's and women's T-shirts.

Link with the community and the local territory

Salvatore Ferragamo sensed the close relation between the world of fashion and the world of art

In the summer of 1927, Salvatore Ferragamo returned to Italy after twelve years in the United States and decided to set up his business in Florence, enraptured by the beauty of the Tuscan capital and fascinated by the skill of the local craftsmen. Since then, the link with the city of Florence has remained unbroken and has been strengthened through the Company's support for significant restoration projects and numerous charitable initiatives for local causes. In addition to the Group's direct commitment to making a positive contribution to the area in which it operates, the activities of the Foundation and the Museum are also part of this context.

Right from the start of his business, Salvatore Ferragamo sensed the close relation between the world of fashion and the world of art: a link of constant research, creativity and expression. The relationship with art, with the city of Florence and its entire territory has always been part of the DNA of the Brand that, over the years, has increased its dedication to promoting and safeguarding the Italian and Florentine artistic and cultural heritage, also through intense patronage of the arts. In this perspective, the Company entered into an agreement with the City of Florence, which provides for the restoration of the major sculptural works in Piazza della Signoria and the bronze copy of David in Piazzale Michelangelo. The agreement, which began in 2019 and will continue in 2021, provides for the restoration of the equestrian statue of Cosimo I de' Medici by Giambologna in Piazza della Signoria, the Hercules and Cacus by Baccio Bandinelli and the copy of Michelangelo's David at the entrance of Palazzo Vecchio; the copy of Judith and Holofernes on the "Arengario" platform of Palazzo Vecchio, and the bronze copy of David at Piazzale Michelangelo.

Over the years, the Company's charitable contributions allowed to restore the Fountain of Neptune in Piazza della Signoria in Florence, which was returned to its ancient splendor by a careful and thorough process of cleaning the marble, restoring the bronzes and reactivating the water system that feeds the majestic water features. They also allowed to reopen 8 rooms of the Uffizi Gallery, containing approximately fifty major works of art from 15th-century Florence, as well as to renovate Florence's Colonna della Giustizia in Piazza Santa Trinità and Santa Trinità Bridge and curate the exhibition of Leonardo's Saint Anne painting, usually on display at the Louvre Museum in Paris. In addition, the Company helped preserve Florence's cultural heritage by participating in the British Institute of Florence's fundraising campaign for the renovation of the Harold Acton Library located in Lungarno Guicciardini and supported the renovation of the Campatelli Tower-House, a mid-12th century architectural masterpiece owned by Fondo Ambiente Italiano (FAI, Italy's National Trust) and located in San Gimignano.

In 2020, the Group supported numerous health association and organizations in the fight against the virus

Founded on the deep-rooted values of family and community, in 2020, the Group was obliged to review its sponsorship activities and donations related to the Charity Policy in order to fight the broader battle against the pandemic and support health associations and organizations in the fight against the virus. In response to the crisis, the Company supported several initiatives in Italy and abroad:

- in order to support colleagues in Asia, a donation of 130,000 Euro was made to the non-profit organization China Women's Development Foundation, whose aim is to safeguard the rights and interests of women in China, improving their quality of life and promoting their development;
- Salvatore Ferragamo produced 100,000 antibacterial non-woven masks and 3,000 FFP1 masks with its own contract manufacturers and donated them to Estar, Tuscany Region. Estar also received 50,000 units of hand sanitizer from Ferragamo Parfums;
- Salvatore Ferragamo contributed to the great solidarity project "Italia, we are with you", promoted by the National Chamber for Italian Fashion in collaboration with its members and open to all fashion brands and sector associations. The initiative reached a contribution of 3,000,000 Euro through which it was possible to purchase breathing machines and other medical materials such as surgical masks, reagents and protective clothing to be donated to hospitals in crisis, in particular to the hospital built in the former Fiera Milano area, a reanimation center serving Lombardy and the whole of Italy;
- the Company also took part in the fundraising event organized by Altagamma in favor of Protezione Civile and Fondazione Fiera for the construction of the new hospital;
- finally, Salvatore Ferragamo decided to support, together with the Fondazione CR Firenze, the Italian Red Cross in the renovation of the Fraticini Hospital in Florence to deal with the Covid-19 emergency. Since 8 April 2020, the renovated Fraticini Hospital has been in operation, with the first 60 beds made available by USL Toscana Centro and AOU Careggi to accommodate patients suffering from Covid-19, or with symptoms requiring quarantine. Thanks to the contribution of Salvatore Ferragamo, the Italian Red Cross renovated and furnished the old hospital complex: the opening of these two new wards reserved for post-acute patients will allow the first aid hospitals to concentrate their resources on acute cases and, at the same time, ensure continuity of care for the transferred patients. The patients of the facility had 2 doctors, 15 nurses and 14 nursing assistants dedicated to the care of the wards. The Fraticini Hospital in Florence will remain active after the end of the Covid-19 emergency.

The strong commitment to activities and initiatives in support of healthcare institutions in the fight against Covid-19 has not undermined the commitments made to other organizations working to ensure the health of women and children, an issue that is very close to the Company's heart.

In 2020, an important three-year collaboration project (2020-2022) was launched with the Meyer Foundation of the Meyer Children's Hospital in Florence, an outstanding center for pediatric research and treatment. The collaboration envisages the Company's support for the Hospital's newborn screening activities, through the purchase of a new machine for the neonatal diagnosis of rare diseases and the scientific research into new diseases, and through

the support for the plan to expand the Hospital, in particular to enhance the Parco della Salute, where an important structure dedicated to daytime activities and child neuropsychiatry will be built.

In September 2020, the 18th edition of Corri la Vita was held in Florence, a fundraising event created with the aim of contributing to the creation and qualification of national health facilities specializing in the treatment of breast cancer through psychological support, physical and social rehabilitation, prevention, training, and palliative care. For the Covid-19 emergency, the event was held online and individual sport was promoted through Facebook and Instagram live feeds on instructor and gym channels. Salvatore Ferragamo was once again one of the event's main sponsors, donating around 35,000 T-shirts. Thanks to the significant participation of Ferragamo employees, the Company also received the award as one of the largest groups to have purchased the shirts. The funds raised in 2020 were allocated to the EVA project that will involve the whole Florence area (Florence, Prato, Empoli, and Pistoia) in the fight against breast cancer and assistance to cancer patients; in addition to this, it also cooperated with Florence's LILT - the Italian League for the Fight against Cancer - to support the Ce.Ri. On. (ISPRO-LILT Cancer Rehabilitation Center in Villa delle Rose), FILE (Italian Foundation for Palliative Care) - and SenoNetwork Italia Onlus, a portal that brings together the Italian Breast Units. In line with previous years, the Museo Salvatore Ferragamo participated in the initiative by granting free admission to all participants for the entire day.

Also in 2020, the Company renewed its support for several local organizations, including Trisomia 21 Onlus, Fàedèsfa Onlus and the Ronald McDonald Children's Foundation. In 2020, Salvatore Ferragamo also donated slow-moving raw materials to various charities, such as Flo Concept, the Istituto degli Innocenti and Progetto Quid, which used the materials to make mask cases for the Company's employees.

To help the needy and reduce waste, starting from 2014, Salvatore Ferragamo S.p.A. has chosen to donate through the Banco Alimentare ONLUS Association (Italy's food bank) the excess food from the Company cafeteria to CEIS - Centro di Solidarietà in Florence, where a canteen serves both lunch and dinner. More than 1,000 meals were donated during 2020.
The commitment to social responsibility is not limited to Italy but extends also to all the areas in which the Salvatore Ferragamo Group operates, for example: in Argentina, the Group made a donation to the Vergel Arte Foundation, which teaches art to children facing periods of hospitalization. In North America, a number of entities received support, such as: the Metropolitan Museum, the Junevile Diabetes Research Foundation, the St. Jude Children's Research Hospital, the United Nations Entity for Gender Equality and the North Shore Child Family Guidance Center, the Champions for Charity association and Good Plus Foundation. In line with the Group's Charity Policy, further donations were made to support the Shore School in Australia, the Italian Film Festival and the British School of Tokyo in Japan, the Chinese Italian Culture Society, the China Women's Development Foundation, the Mother's Choice Association and the Cancer Fund Gala Dinner in Hong Kong. Finally, in full respect of the Group's commitment to environmental sustainability and safeguarding the planet, Ferragamo Taiwan employees organized a tree-planting activity.

Museo Salvatore Ferragamo and Fondazione Ferragamo

The strongest evidence of our commitment towards culture and participation is the Museo Salvatore Ferragamo and the Fondazione Ferragamo, which pass on the Company's heritage in the local community through several activities.

The Museo Salvatore Ferragamo, established in 1995 inside the Group's historic headquarters by Wanda Miletti Ferragamo and her six children, not only organizes temporary exhibitions and workshops for children, the latter in collaboration with the Fondazione Ferragamo, but also aims to reach an ever-wider audience by spreading the history and culture of the Brand throughout the local community.
In particular, the Museo Salvatore Ferragamo intends to represent the Group by exhibiting its most significant items, passing on its history in full compliance with the Brand's identity and creating an ever-greater sense of belonging through relations with other institutions such as schools, universities, associations and cultural bodies.

The Museum constantly cooperates with many institutions, associations, schools and universities throughout Italy

The spread of the health emergency caused by the Covid-19 pandemic and the consequent government regulations in Italy imposed the closure of the Museo Salvatore Ferragamo rooms for a long period of 2020, making the "Sustainable Thinking" exhibition inaccessible to the public. So, in June 2020, the Museo Salvatore Ferragamo implemented a major new project, making the exhibition entirely digital and accessible through a virtual tour. Thanks to wide-ranging high-resolution images, info points, videos and fact sheets, available in English and Italian, the virtual tour allowed visitors to enter the rooms of the Museum and learn about the exhibition while staying at home in total safety.
Moreover, from mid-July 2020, an on-demand guided tour service will be provided by a Museum operator. The process undertaken in the virtual world has also given rise to a series of webinars and online events organized by the Museum involving curators, designers and artists, who have made their knowledge of sustainability available to provide an opportunity for debate and discussion with students, industry experts, and fashion and art lovers.

Opened in April 2019, the "Sustainable Thinking" exhibition aimed to investigate the crucial theme of sustainability through an artistic and cultural journey that tells its development and interpretations. The exhibition housed works by international artists and fashion designers who presented their own interpretation of the recovery of a more thoughtful relationship with nature and its profound bond with know-how, the use of organic materials and their creative use, up to highlighting the importance of a collective commitment, of a smart and common approach. The exhibition hosted over 44,000 visitors from April 2019 to December 2020 and obtained the ISO 20121:2012 certification, which establishes a Management System prerequisite for the sustainable organization of events.

The Museum constantly cooperates with many institutions, associations, schools and universities throughout Italy, taking part in cultural events and sometimes offering reduced-price entry tickets to the Museum and organizing special tours.
In 2020, the appointment with the Sustainable Development Festival, the main Italian contribution to the European Week of Sustainable Development, was renewed. Conceived to mobilize the entire population and spread the culture of sustainability across the country through several cultural activities, this year's edition has undergone, due to Covid-19, changes in the format of events and contents. On this occasion, the Museo Salvatore Ferragamo and the Fondazione Ferragamo offered participants the chance to sign up for a virtual tour of the "Sustainable Thinking" exhibition, and, for younger children, the Foundation created a series of online educational activities that can be easily downloaded from the web.

In 2020, the Group continued working together with leading Italian cultural institutions such as Museimpresa, the Italian association of corporate museums and archives, the Portal of the 20th Century Fashion Archives at Rome's State Archive, platform created in 2011 at ANAI (the Italian National Association of Archivists) and Europeana Fashion, the European digital library to which the Salvatore Ferragamo Group submitted more than 1,000 records of historic footwear. The Museo Salvatore Ferragamo is part of ICOM (International Council of Museums), the most important and prestigious international organization for museums and museum professionals. As a member of the Italian Association of Corporate Archives and Museums, the Museo Salvatore Ferragamo took part in November 2020 in the Week of Business Culture, the series of events promoted by Confindustria that, through meetings, workshops, films and guided tours, informed visitors about

the huge cultural heritage safeguarded in the museums and archives of Italian companies. For this edition called: "Italy. Entrepreneurial Culture for the Rebirth of the Country", the Fondazione Ferragamo and the Museo Salvatore Ferragamo launched the new virtual tour of the Salvatore Ferragamo Archive.

Fashion and costume are two of the themes at the heart of the Museo Salvatore Ferragamo's activities. Also for 2020, the Museum participated in the Costume Colloquium, a biennial international conference that explores many aspects of fashion and costume, and ApritiModa, a project that for one weekend a year allows the public to visit and discover the most hidden and secret places in the world of fashion and Made in Italy. For the 2020 edition, the Museo Salvatore Ferragamo opened its doors to participants with ad hoc organized visits. Finally, the Museum renewed its participation in WHITE Milano, where the WSM Fashion Reboot took place, an event dedicated to sustainability in which extracts from the "Sustainable Thinking" exhibition were presented and a virtual tour of the exhibition was made available to all event participants on touch screen monitors.

Finally, with a view to continuing the well-established collaboration with France Odeon, in a situation totally changed due to ministerial restrictions, the Museo Salvatore Ferragamo took part in a new project thanks to which all the places of the Festival were presented to the public in the virtual hall on social channels through ad hoc videos. For the eighth year in a row, Ferragamo Parfums renewed its

collaboration as main sponsor, awarding the *Essenza del Talento* prize to the young French actress Oulaya Amamra. For Salvatore Ferragamo, this prize represents support for female empowerment and an award for young women who stand out for their talent, dedication and artistic expression.

On 15 March 2013, the Ferragamo Family set up the Fondazione Ferragamo in Florence to promote the values of craftsmanship and Made in Italy as well as to invest in the education and training of those seeking a career in the world of fashion, design, and the most elegant and artistic forms of Italian craftsmanship, in keeping with the values and style of Salvatore Ferragamo's works. The Foundation intends to promote knowledge and recollection of Salvatore Ferragamo's work and personality in order to enhance and disseminate them and to let the global audience learn of his artistic qualities and of the role he played in the history not only of shoemaking, but also of international fashion.

The history of the Ferragamo family, as well as all the Company's heritage, is preserved in the Salvatore Ferragamo Archive, since 2013 under the management of the Fondazione Ferragamo and dedicated to Fiamma Ferragamo, the Founder's daughter. In 2019, the transfer of the whole Archive material to a space at the Osmannoro site in Florence was completed. The physical reunification of the various collections in a single location enabled an improvement in the security of the cultural heritage in terms of conservation, safeguarding and control and increased the usability of the documents and products contained therein.
The Salvatore Ferragamo Archive, which includes garments, bags and other accessories, documents and photographic material, stretchers, historical leathers and works of art, represents the memory of the entire corporate culture, codes, values and identity of the Brand, and is a continuous source of inspiration for designers and marketing managers involved in the development of new products. To this end, an area dedicated to the search and consultation of archival materials, catalogues and journals has been created in the new Archive space.
In 2020, in line with the Company's approach to sustainable development and following the Group's participation in the Fashion Pact, the Fondazione Ferragamo eliminated plastic from the Archives, replacing nylon clothing bags with certified acid-free non-woven bags, suitable for preservation according to museum standards. Moreover, new labels have been introduced for all filed product categories and new FSC-certified boxes containing acid-free tissue paper.

Finally, in order to promote and disseminate the contents of the Salvatore Ferragamo Archive through digital initiatives, the Fondazione Ferragamo has created a virtual tour, accessible from any electronic device, which allows visitors to explore the entire space through wide-ranging high-resolution images, discovering the heritage preserved, including shoes and other iconic products, works of art, photographs and historical documents.

The Salvatore Ferragamo Archive in figures

Over 14,000
Shoe models

Over 1,000
Bags

Over 4,500
Garments

Over 5,800
Ties

Over 580,000
Data sheets

In recent years, the Fondazione Ferragamo has begun a digitalization process of all the material in its Archive through a database capable of collecting extremely heterogeneous information and data.
Moreover, thanks to the massive cataloguing process developed in 2019, the process of uploading articles mentioning the Company and the Group directly in the software was made automatic by creating automatically a cataloguing sheet with information and attached files. The interface created allowed more than 19,600 new press review cards to be imported in 2020.

With a view to promoting and disseminating knowledge of the Brand's heritage and culture, the Fondazione Ferragamo undertook a project that will continue in 2021, dedicated to the Company's history, which collects the key dates and information on the Company's development from its origins to the present day in order to trace the development of the business formula. Moreover, a document dedicated to the period from the birth of Salvatore Ferragamo to the year of his death (1898-1960) was produced in 2020. On the occasion of the presentation of the docufilm directed by Luca Guadagnino "Salvatore – Shoemaker of Dreams" at the 77th Venice Film Festival, in which the Foundation collaborated by providing archive material, the international press received the document as an introduction to the life and career of Salvatore Ferragamo.

Education and training are some key objectives around which the Foundation plans its work. Among other initiatives, the Fondazione Ferragamo hosts "Ideas and creativity workshops" for children, teenagers and adults dedicated to craftsmanship, fashion, and design. Since March 2020, the Foundation had to stop all educational activities due to the Covid-19 emergency situation. Since it was not possible to organize workshops in person, it was decided to offer digital contents, accessible at a distance, through the Archive 4 Kids initiative, a new format that, thanks to illustrated cards that can be downloaded free of charge from the Foundation's website, offers an in-depth look at the most iconic contents of the Salvatore Ferragamo Archive through a practical activity for children to be easily carried out at home.
Moreover, on the occasion of the Sustainable Development Festival, the Foundation organized a remote virtual workshop format involving the Salvatore Ferragamo Style team. The stylists designed six fashion-plates of various gender and ethnic groups that the children could download for free from the Foundation's website and "dress up" using recycled materials to create their own sustainable collection.

Still in the field of education and training, the Fondazione Ferragamo collaborated on the 2020 edition of ITS - International Talent Support, one of the world's most authoritative contests for emerging talents in fashion and accessory and jewelry design, establishing a special prize dedicated to the accessories, shoes and bags category.
The winning designer, who submitted a sustainable capsule collection of sneakers, was offered a cash scholarship and the chance to do an internship in the Company's creative departments.

In 2020 the docufilm directed by Luca Guadagnino "Salvatore - Shoemaker of Dreams" was presented at the 77th Venice Film Festival

Moreover, during the lockdown months, a project was developed for Florida State University students, who created video contents on the values of sustainability based on the themes of the "Sustainable Thinking" exhibition. The documentation was edited into a specially made video and shared on the Foundation's social media in a section dedicated to young people.
Finally, in 2020, the Foundation collaborated on the "Blogs & Crafts" competition for young artisans and bloggers, promoted by the Florentine event "Artigianato e Palazzo", which in 2020 was in its seventh edition. The initiative supports the new generations of artisans and increases online and social media visibility, to create a productive combination of "doing" and "communicating" skills. For the occasion, the ten young talents selected during the competition were invited to visit the Salvatore Ferragamo Archive.

Annexes

Breakdown of employees by employment contract, gender and geographic area

2020

	Temporary contracts			Permanent contracts		
No. of people	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Parent Company	2	6	8	384	530	914
Europe	9	27	36	111	197	308
North America	17	31	48	229	237	466
Central and South America	2	2	4	121	80	201
Asia Pacific	10	26	36	281	1,160	1,441
Japan	4	15	19	87	287	374
Total	**44**	**107**	**151**	**1,213**	**2,491**	**3,704**

Breakdown of employees by employment contract, gender and geographic area

2019

	Temporary contracts			Permanent contracts		
No. of people	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Parent Company	33	41	74	394	547	941
Europe	29	55	84	123	222	345
North America	15	42	57	261	285	546
Central and South America	5	7	12	114	87	201
Asia Pacific	12	64	76	342	1,201	1,543
Japan	4	17	21	87	290	377
Total	**98**	**226**	**324**	**1,321**	**2,632**	**3,953**

Breakdown of employees by professional category and gender

No. of people	2020			2019		
	Men	Women	Total	Men	Women	Total
Full time	1,149	2,282	3,431	1,330	2,522	3,852
Part time	108	316	424	89	336	425
Total	**1,257**	**2,598**	**3,855**	**1,419**	**2,858**	**4,277**

Breakdown of employees by type (headquarters and retail), age group and gender

2020

No. of people	<30		30-50		>50		Total	
	Men	Women	Men	Women	Men	Women	Men	Women
Headquarter	21	76	336	519	134	132	491	727
Retail	214	417	469	1,279	83	175	766	1,871
Total	**235**	**493**	**805**	**1,798**	**217**	**307**	**1,257**	**2,598**

Employees who received a performance assessment, broken down by occupational classification and gender

Percentage	2020			2019		
	Men	Women	Total	Men	Women	Total
Managers (executives, middlemanagers and store managers)	96.7%	97.0%	96.9%	97.3%	97.9%	97.7%
White collars	89.5%	90.6%	90.3%	76.7%	81.5%	80.1%
Blue collars	92.4%	94.9%	93.3%	49.7%	20.4%	39.1%
Total	**91.6%**	**92.0%**	**91.9%**	**77.3%**	**82.0%**	**80.4%**

Incoming employees

2020

No. of people	<30		30-50		>50		Total		Turnover	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Parent Company	6	7	5	12	4	1	15	20	3.9%	3.7%
Europe	13	15	9	19	0	6	22	40	18.3%	17.9%
North America	17	28	18	16	3	1	38	45	15.4%	16.8%
Central and South America	10	3	14	8	0	0	24	11	19.5%	13.4%
Asia Pacific	38	108	35	143	1	5	74	256	25.4%	21.6%
Japan	3	8	5	22	3	2	11	32	12.1%	10.6%
Total	**87**	**169**	**86**	**220**	**11**	**15**	**184**	**404**	**14.6%**	**15.6%**

Outgoing employees

2020

No. of people	<30		30-50		>50		Total		Turnover	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Parent Company	26	35	20	27	9	11	55	73	14.2%	13.6%
Europe	23	32	29	52	2	9	54	93	45.0%	41.5%
North America	23	45	32	43	13	16	68	104	27.6%	38.8%
Central and South America	7	7	11	14	2	2	20	23	16.3%	28.0%
Asia Pacific	57	131	79	191	1	13	137	335	47.1%	28.2%
Japan	1	4	8	27	2	6	11	37	12.1%	12.3%
Total	**137**	**254**	**179**	**354**	**29**	**57**	**345**	**665**	**27.4%**	**25.6%**

Incoming employees

2019

No. of people	<30		30-50		>50		Total		Turnover	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Parent Company	36	59	39	31	5	2	80	92	18.7%	15.6%
Europe	53	74	41	75	0	1	94	150	61.8%	54.2%
North America	55	71	31	60	5	11	91	142	33.0%	43.4%
Central and South America	22	17	18	14	2	0	42	31	35.3%	33.0%
Asia Pacific	131	295	84	255	1	13	216	563	61.0%	44.5%
Japan	6	12	13	46	2	10	21	69	23.1%	22.1%
Total	**303**	**528**	**226**	**481**	**15**	**37**	**544**	**1,046**	**38.3%**	**36.6%**

Outgoing employees

2019

No. of people	<30		30-50		>50		Total		Turnover	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Parent Company	22	36	28	25	14	6	64	67	15.0%	11.4%
Europe	40	69	36	76	6	5	82	150	53.9%	54.2%
North America	53	76	43	69	8	17	104	162	37.7%	49.5%
Central and South America	20	15	21	14	1	1	42	30	35.3%	31.9%
Asia Pacific	111	254	72	286	0	18	183	558	51.7%	44.1%
Japan	2	12	14	56	5	10	21	78	23.1%	25.4%
Total	**248**	**462**	**214**	**526**	**34**	**57**	**496**	**1,045**	**35.0%**	**36.6%**

Injuries (employees)

No. of cases	2020	2019
Injuries	36 (13 for men; 23 for women) [14]	55 (23 for men; 32 for women)
Occupational diseases	0	0

Health and safety indicators[15] - (employees)

2020

Rates	Parent Company			Europe			North America		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Incidence rate	0.3	0.8	0.6	7.6	3.5	5.1	1.7	1.2	1.4
Severity rate	9.1	34.8	23.5	21.6	0.0	8.4	56.6	2.0	28.4
Rate for recordable work-related injuries	0.0	0.0	0.0	7.6	3.5	5.1	1.7	1.2	1.4
Rate for high-consequence work-related injuries (excluding fatalities)	0.3	0.8	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Occupational disease rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Rates	Central and South America			Asia Pacific			Japan		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Incidence rate	0.8	0.0	0.5	0.0	0.4	0.3	0.0	2.4	1.9
Severity rate	103.0	0.0	62.1	15.6	30.4	0.1	0.0	7.2	5.6
Rate for recordable work-related injuries	0.8	0.0	0.5	0.0	1.6	0.3	0.0	2.4	1.9
Rate for high-consequence work-related injuries (excluding fatalities)	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0
Occupational disease rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

[14] Of which 4 in Ferragamo S.p.A., 12 in Europe, 5 in Asia Pacific, 7 in North America, 1 in Central and South America and 7 in Japan. Two of the injuries in Italy occurred in 2019 but were also considered in 2020 in line with the convalescence period recognized for them (lasting until 2020). Only 1 of the 36 accidents recorded in 2020 was classified as "severe". Occupational accidents are considered severe if they result in death or injury from which the worker cannot recover, does not recover or cannot realistically be expected to recover fully and return to his pre-accident state of health within 6 months. The accidents that occurred in 2020 are mainly related to the normal course of business such as warehouse activities.

[15] The incidence rate is calculated as the ratio between the total number of accidents (including those classified as 'serious') and the number of hours worked in the same period, multiplied by 200,000. The injury severity rate is calculated as the ratio of total days lost for occupational injuries and diseases to total working hours during the same period, multiplied by 200,000. The rate for recordable work-related injuries is calculated as the ratio of total recordable work-related injuries (net of accidents classified as "severe") to total working hours in the same period, multiplied by 200,000. The rate for work-related injuries with serious consequences is calculated as the ratio of total accidents with serious consequences (excluding deaths and recordable injuries) to total working hours in the same period, multiplied by 200,000.
The work-related illness rate is calculated as the ratio of total work-related illness cases to total working hours during the same period, multiplied by 200,000.
As part of the analysis carried out during 2020 in relation to the significance of data and information regarding other non-employee workers, especially agency staff, interns and consultants, the Group recorded an injury rate of 0.0 for a total of 44 workers present as at 31 December 2020 within the Italy and Europe scope, of whom 13 were men and 31 women. No accidents or fatalities were reported.

Health and safety indicators[15] - (employees)

2019

Rates	Parent Company			Europe			North America		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Injury severity rate	20.0	36.8	29.7	28.1	11.2	17.2	104.1	3.7	49.7
Occupational disease rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Injury rate	1.6	1.9	1.8	4.4	3.6	3.9	6.6	3.7	5.0

Rates	Central and South America			Asia Pacific			Japan		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Injury severity rate	40.1	72.4	54.4	0.0	7.9	6.1	33.9	39.1	37.9
Occupational disease rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Injury rate	1.7	3.2	2.4	0.0	0.1	0.1	0.0	0.7	0.6

Tax indicator - Country-by-country reporting (207-4)[16]

Europe

Size	2019	2018
Number of employees - average workforce	1,374	1,307
Tax data (in thousands of Euro)	**2019**	**2018**
Revenues from third parties *	424,739	428,846
Revenues from intra-group transactions *	647,465	550,932
Tangible assets other than cash and cash equivalents	430,421	134,217
Income tax paid in the year	11,032	6,450
Corporate income taxes accrued on profits/losses**	37,272	19,521

* Revenues include all positive income components, excluding dividends.
** Excluding deferred corporate income taxes and provisions for uncertain tax positions.

[15] The incidence rate is calculated as the ratio between the total number of accidents (including those classified as 'serious') and the number of hours worked in the same period, multiplied by 200,000. The injury severity rate is calculated as the ratio of total days lost for occupational injuries and diseases to total working hours during the same period, multiplied by 200,000. The rate for recordable work-related injuries is calculated as the ratio of total recordable work-related injuries (net of accidents classified as "severe") to total working hours in the same period, multiplied by 200,000. The rate for work-related injuries with serious consequences is calculated as the ratio of total accidents with serious consequences (excluding deaths and recordable injuries) to total working hours in the same period, multiplied by 200,000.
The work-related illness rate is calculated as the ratio of total work-related illness cases to total working hours during the same period, multiplied by 200,000.
As part of the analysis carried out during 2020 in relation to the significance of data and information regarding other non-employee workers, especially agency staff, interns and consultants, the Group recorded an injury rate of 0.0 for a total of 44 workers present as at 31 December 2020 within the Italy and Europe scope, of whom 13 were men and 31 women. No accidents or fatalities were reported.
[16] Given the sensitivity and confidentiality of tax information, GRI indicator 207-4 is reported in aggregate form and no disclosure of pre-tax profit/loss is made.

North, Central and South America

Size	2019	2018
Number of employees - average workforce	760	748
Tax data (in thousands of Euro)	**2019**	**2018**
Revenues from third parties *	388,488	365,603
Revenues from intra-group transactions *	174,480	156,104
Tangible assets other than cash and cash equivalents	229,111	57,690
Income tax paid in the year	2,872	(6)
Corporate income taxes accrued on profits/losses**	3,019	4,058

* Revenues include all positive income components, excluding dividends.
** Excluding deferred corporate income taxes and provisions for uncertain tax positions.

Asia Pacific

Size	2019	2018
Number of employees - average workforce	1,976	1,876
Tax data (in thousands of Euro)	**2019**	**2018**
Revenues from third parties *	613,622	593,493
Revenues from intra-group transactions *	171,093	167,695
Tangible assets other than cash and cash equivalents	207,818	74,008
Income tax paid in the year	9,888	6,313
Corporate income taxes accrued on profits/losses**	8,741	8,725

* Revenues include all positive income components, excluding dividends.
** Excluding deferred corporate income taxes and provisions for uncertain tax positions.

Boundary of the Group's material topics

The following table shows the material topics identified for the Salvatore Ferragamo Group and its stakeholders through the materiality analysis, grouped into the areas provided for by Italian Legislative Decree 254/2016, the related boundary, the type of impact and the topic-specific Standard associated with them.

Topics of Italian Legislative Decree 254/2016	Material topics	Boundary of the material topics	Type of impact	Reconciliation of Topic-Specific Standard
Environmental	Responsible use of chemical products	Group, suppliers and contract manufacturers	Caused by the Group and directly connected to its activities	Customer health and safety
	Responsible innovation and circular economy	Group	Caused by the Group	N/A
	Responsible consumption	Group	Caused by the Group	Water and effluents, Energy, Effluents and waste, Environmental compliance
	Animal Welfare	Group, suppliers and contract manufacturers	Caused by the Group and directly connected to its activities	N/A
	Climate change	Group, Logistic distributors, Suppliers and contract manufacturers	Caused by the Group and directly connected to its activities	Emissions
	Safeguarding biodiversity	Group	Caused by the Group	Biodiversity
Social	Quality and Made in Italy	Group, suppliers and contract manufacturers	Caused by the Group and directly connected to its activities	Procurement practices
	Brand image and reputation	Group, suppliers and contract manufacturers	Caused by the Group and directly connected to its activities	Marketing and labeling
	Health and safety	Group's employees	Caused by the Group	Occupational health and safety
	Customer experience	Group	Caused by the Group	Marketing and labeling
	Culture of sustainability, Governance and Ethical Business	Group	Caused by the Group	Anti-competitive behavior, Socioeconomic compliance
	Security and protection of customers' data	Group	Caused by the Group	Customer privacy
	Responsible and transparent procurement	Group, suppliers and contract manufacturers	Caused by the Group and directly connected to its activities	Supplier social assessment, Forced or compulsory labor, Child labor, Procurement practices
	Support to the community	Group	Caused by the Group	Local communities

Topics of Italian Legislative Decree 254/2016	Material topics	Boundary of the material topics	Type of impact	Reconciliation of Topic-Specific Standard
Employee-related matters	Attracting and developing talent	Group	Caused by the Group	Employment, Training and development
	Diversity and inclusion	Group	Caused by the Group	Diversity and equal opportunities, non-discrimination
	Employee welfare	Group	Caused by the Group	Employment, Training and development
Combating active and passive corruption	Anti-corruption	Employees of the Group, suppliers and contract manufacturers	Caused by the Group	Anti-corruption
Respect of human rights	Respect for and promotion of human rights	Group, suppliers and contract manufacturers	Caused by the Group and directly connected to its activities	Human rights assessment, Non-discrimination, Child labor, Forced or compulsory labor
N/A	Operating and financial performance	Group	Caused by the Group	Economic performance, Tax
	Risk management system	Group	Caused by the Group	N/A

GRI content index

Here below is the table of the GRI indicators, in accordance with the GRI Standards: Core option. Any omissions are reported as notes to the individual indicators, if applicable.

CODES	INDICATOR	PAGES/NOTES/OMISSION
GRI 102: GENERAL DISCLOSUREs		
ORGANIZATIONAL PROFILE (2016)		
GRI 102-1	Name of the organization	Annual Report, pag. 1; NFS, pagg. 94-98
GRI 102-2	Activities, brands, products, and services	Annual Report, pagg. 13; 16-25
GRI 102-3	Location of headquarters	Annual Report, pag. 1
GRI 102-4	Location of operations	Annual Report, pagg. 13; 16; 24
GRI 102-5	Ownership and legal form	Annual Report, pagg. 1; 10-13; NFS, pagg. 118-123
GRI 102-6	Markets served	Annual Report, pagg. 1; 10-13
GRI 102-7	Scale of the organization	Annual Report, pagg. 1; 10-13
GRI 102-8	Information on employees and other workers	NFS, pagg. 126; 128-129; 188-191
GRI 102-9	Supply chain	NFS, pagg. 162-168
GRI 102-10	Significant changes to the organization's size, structure, ownership or supply chain in the reporting period	Annual Report, pagg. 61-62
GRI 102-11	Precautionary Principle or approach	Annual Report, pagg. 72-74; 79-86; NFS, pagg. 118-123
GRI 102-12	Externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses	NFS, pagg. 102-105; 110-113; 118-123; 133; 144-145; 162-168
GRI 102-13	Membership of associations	NFS, pagg. 102-105; 115; 140-141; 176-179
STRATEGY (2016)		
GRI 102-14	Statement from senior decision-maker about the relevance of sustainability to the organization and its strategy for addressing sustainability	Annual Report, pagg. 4-5
GRI 102-15	Key impacts, risks and opportunities	Annual Report, pagg. 72-74; 79-86; NFS, pagg. 118-123
ETHICS AND INTEGRITY (2016)		
GRI 102-16	Values, principles, standards, and norms of behavior	Annual Report, pagg. 20-25; NFS, pagg. 89; 106-113; 118-123;
GRI 102-17	Mechanisms for advice and concerns about ethics	Annual Report, pagg. 72-74; NFS, pagg. 118-123
GOVERNANCE (2016)		
GRI 102-18	Governance structure	Annual Report, pagg. 4-5; 10-13; 70-72; NFS, pagg. 118-123

CODES	INDICATOR	PAGES/NOTES/OMISSION
STAKEHOLDER ENGAGEMENT (2016)		
GRI 102-40	List of stakeholder groups	NFS, pagg. 106-109
GRI 102-41	Collective bargaining agreements	NFS, pagg. 140-141
GRI 102-42	The basis for identifying and selecting stakeholders with whom to engage	NFS, pagg. 106-109
GRI 102-43	Approach to stakeholder engagement	NFS, pagg. 106-109
GRI 102-44	Key topics and concerns raised	NFS, pagg. 106-109
REPORTING PRACTICE (2016)		
GRI 102-45	Entities included in the Sustainability Report	NFS, pagg. 94-98
GRI 102-46	Defining report content and topic boundaries	NFS, pagg. 94-98; 106-109
GRI 102-47	List of material topics	NFS, pagg. 106-109; 198-199
GRI 102-48	Restatements of information given in the previous Report	NFS, pagg. 94-98
GRI 102-49	Significant changes from previous reporting periods in the list of material topics and topic boundaries	NFS, pagg. 94-98; 106-109
GRI 102-50	Reporting period of the Sustainability Report	NFS, pagg. 94-98
GRI 102-51	Date of most recent report	NFS, pagg. 94-98
GRI 102-52	Reporting cycle	NFS, pagg. 94-98
GRI 102-53	Contact point for questions regarding the report	NFS, pagg. 94-98
GRI 102-54	Claims of reporting in accordance with the GRI Standards	NFS, pagg. 94-98
GRI 102-55	GRI content index	NFS, pagg. 202-210
GRI 102-56	External assurance	NFS, pagg. 210-215

CODES	INDICATOR	PAGES/NOTES/OMISSION
Material Topics		
ECONOMIC INDICATORS		
Economic Performance (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	Annual Report, pagg. 14-16; 26-47; 79-86; NFS, pagg. 116-117
GRI 103-3	Evaluation of the management approach	Annual Report, pagg. 14-16; 26-47; 79-86; NFS, pagg. 116-117
GRI 201-1	Direct economic value generated and distributed	NFS, pagg. 116-117
GRI 201-4	Financial assistance received from government	In 2020, 13 types of training courses were financed through Fondimpresa and Fondirigenti interprofessional funds, carried out in 17 editions, for a value of 33,115 Euro, representing 19.33% of the total cost, compared to over 26,000 Euro in 2019. For both years, the grants relate only to Salvatore Ferragamo S.p.A.
Taxes (2019)		
GRI 207-1	Approach to tax	NFS, pag. 115
GRI 207-2	Tax governance, control and risk management	NFS, pag. 115
GRI 207-3	Stakeholder engagement and management of concerns related to tax	NFS, pag. 115
GRI 207-4	Country-by-country reporting[17]	NFS, pagg. 193-195
Procurement Practices (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	Annual Report, pagg. 20-25; NFS, pagg. 162-168
GRI 103-3	Evaluation of the management approach	Annual Report, pagg. 20-25; NFS, pagg. 162-168
GRI 204-1	Proportion of spending on local suppliers	NFS, pagg. 162-164
Anti-corruption (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	Annual Report, pagg. 70-72; NFS, pagg. 118-123
GRI 103-3	Evaluation of the management approach	Annual Report, pagg. 70-72; NFS, pagg. 118-123
GRI 205-3	Confirmed incidents of corruption and actions taken	During 2020 and 2019 there were no incidents of corruption.

[17] For limitations, please refer to p. 193 of this document.

CODES	INDICATOR	PAGES/NOTES/OMISSION
Anti-competitive Behavior (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	Annual Report, pagg. 70-72; NFS, pagg. 118-123
GRI 103-3	Evaluation of the management approach	Annual Report, pagg. 70-72; NFS, pagg. 118-123
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	During 2020 and 2019 there were no legal actions for anti-competitive behavior, anti-trust and monopoly practices.
ENVIRONMENTAL INDICATORS		
Energy (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	Annual Report, pagg. 20-25; NFS, pagg. 102-105; 144-155
GRI 103-3	Evaluation of the management approach	Annual Report, pagg. 20-25; NFS, pagg. 102-105; 144-155
GRI 302-1	Energy consumption within the organization[18]	NFS, pagg. 148-149
Water and Effluents (2018)		
GRI 103-1	Interactions with water as a shared resource	NFS, pagg. 106-109; 198-199
GRI 103-2	Management of water discharge-related impacts	NFS, pagg. 148-151
GRI 103-3	Evaluation of the management approach	NFS, pagg. 148-151
GRI 303-1	Interactions with water as a shared resource	NFS, pagg. 148-151
GRI 303-2	Management of water discharge-related impacts	NFS, pagg. 148-151
GRI 303-3	Water withdrawal[19]	NFS, pagg. 148-151; With reference to water consumption, considering the Group's activity and the fact that production is outsourced, no withdrawals are made from water-stressed areas. The breakdown for freshwater and other types of water is not available, as it is considered not significant..
Biodiversity (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	NFS, pagg. 104; 144-146
GRI 103-3	Evaluation of the management approach	NFS, pagg. 104; 144-146
GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	The Salvatore Ferragamo Group does not own or manage plants or operational sites that are located near protected areas or include protected areas or areas of high biodiversity outside protected areas. Therefore, indicators 304-2, 304-3, 304-4, 306-5 are not applicable.

[18] For limitations, please refer to pp. 148-149 of this document.
[19] The scope of the information reported in relation to water consumption is limited to the Group's offices.

CODES	INDICATOR	PAGES/NOTES/OMISSION
Emissions (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	Annual Report, pagg. 79-81; NFS, pagg. 102-105; 144-155
GRI 103-3	Evaluation of the management approach	Annual Report, pagg. 79-81; NFS, pagg. 102-105; 144-155
GRI 305-1	Direct (Scope 1) GHG emissions	NFS, pagg. 152-155
GRI 305-2	Energy indirect (Scope 2) GHG emissions	NFS, pagg. 152-155
GRI 305-3	Other indirect (Scope 3) GHG emissions[20]	NFS, pagg. 152-155
GRI 305-6	Emissions of ozone-depleting substances (ODS)	Considering the nature of its business, the Salvatore Ferragamo Group has not identified other significant emissions of ozone-depleting substances in 2020 and 2019.
GRI 305-7	Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions	Considering the nature of its business, the Salvatore Ferragamo Group has not identified significant emissions of NOx, SOx, or other gases in 2020 and 2019.
Effluents and Waste (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	NFS, pagg. 148-151
GRI 103-3	Evaluation of the management approach	NFS, pagg. 148-151
GRI 306-2	Waste by type and disposal method[21]	NFS, pagg. 148-149
Environmental Compliance (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	Annual Report, pagg. 20-25; NFS, pagg. 118-123; 144-155
GRI 103-3	Evaluation of the management approach	Annual Report, pagg. 20-25; NFS, pagg. 118-123; 144-155
GRI 307-1	Non-compliance with environmental laws and regulations	During 2020 and 2019 there were no cases of non-compliance with environmental laws and regulations.

[20] The reporting of SCOPE 3 emissions in 2020 is related to the categories "Business Travel", "Upstream & Downstream Transportation" and "Purchased Goods and services".
[21] The scope of the information reported in relation to waste production and management is limited to the Group's offices.

CODES	INDICATOR	PAGES/NOTES/OMISSION
SOCIAL INDICATORS		
Employment (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	NFS, pagg. 126-141
GRI 103-3	Evaluation of the management approach	NFS, pagg. 126-141
GRI 401-1	New employee hires and employee turnover by age group, gender and region	NFS, pagg. 128-129; 190-191
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Pag. 133 Benefits for full-time employees of the Group vary according to local regulations and practices
Occupational health and safety[22] (2018)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	Annual Report, pagg. 65; 79; NFS, pagg. 130-133
GRI 103-3	Evaluation of the management approach	Annual Report, pagg. 65; 79; NFS, pagg. 130-133
GRI 403-1	Occupational health and safety management system	Annual Report, pagg. 65; 79; NFS, pagg. 130-133
GRI 403-2	Hazard identification, risk assessment, and incident investigation	Annual Report, pagg. 65; 79; NFS, pagg. 130-133
GRI 403-3	Occupational health services	NFS, pagg. 130-133
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	NFS, pagg. 130-133
GRI 403-5	Worker training on occupational health and safety	NFS, pagg. 130-133
GRI 403-6	Promotion of worker health	Annual Report, pagg. 65; 79; NFS, pagg. 130-133
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Annual Report, pagg. 65; 79; NFS, pagg. 130-133
GRI 403-8	Workers covered by an occupational health and safety management system	The ISO 45001 management system covers all Salvatore Ferragamo S.p.A. employees.
GRI 403-9	Work-related injuries	NFS, pagg. 130-133; 192-193
GRI 403-10	Work-related ill health	NFS, pagg. 130-133; 192-193

[22] Disclosures relating to GRI standards 403-1 to 403-8 are only available for Italy. However, at corporate level, the Company has a dedicated Global Health and Safety, Energy and Environmental Efficiency (HSE) function, which is responsible for ensuring a safe and regulatory compliant working environment. The team is responsible for defining health and safety guidelines not only for the Italian scope, but also coordinating the foreign Regions. It also manages monitoring activities and maintains relations with the Italian workers' safety representatives.
Data for standards 403-9 and 403-10, concerning non-employees, is only available for Italy and Europe.

CODES	INDICATOR	PAGES/NOTES/OMISSION
Training and Development (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	NFS, pagg. 134-138
GRI 103-3	Evaluation of the management approach	NFS, pagg. 134-138
GRI 404-1	Average hours of training per year per employee[23]	NFS, pag. 135
GRI 404-3	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	NFS, pagg. 137; 198
Diversity and Equal Opportunity (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	NFS, pagg. 118-123; 140-141
GRI 103-3	Evaluation of the management approach	NFS, pagg. 118-123; 140-141
GRI 405-1	Diversity of governance bodies and employees	Annual Report, pag. 71; NFS, pagg. 128-129; 140-141; 188-189
Non-Discrimination (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	NFS, pagg. 118-123; 140-141
GRI 103-3	Evaluation of the management approach	NFS, pagg. 118-123; 140-141
GRI 406-1	Incidents of discrimination and corrective actions taken	NFS, pagg. 140-141
Child Labor (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	NFS, pagg. 118-123; 166-168
GRI 103-3	Evaluation of the management approach	NFS, pagg. 118-123; 166-168
GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	NFS, pagg. 118-123; 166-168
Forced or Compulsory Labor (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	NFS, pagg. 118-123; 166-168
GRI 103-3	Evaluation of the management approach	NFS, pagg. 118-123; 166-168
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	NFS, pagg. 118-123; 166-168

[23] The data, available this year only for Ferragamo S.p.A., was calculated as total training hours out of total employees trained, as it is considered more significant. The Group is committed to extending reporting over the next three years.

CODES	INDICATOR	PAGES/NOTES/OMISSION
Human Rights Assessment (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	NFS, pagg. 118-123; 166-168
GRI 103-3	Evaluation of the management approach	NFS, pagg. 118-123; 166-168
GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	NFS, pagg. 118-123; 166-168
GRI 412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	100% of suppliers and contract manufacturers are required to sign and comply with the principles contained in the Suppliers' Code of Conduct and Code of Ethics, which also cover the protection of human rights.
Local Communities (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	NFS, pagg. 116-117; 176-185
GRI 103-3	Evaluation of the management approach	NFS, pagg. 116-117; 176-185
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	NFS, pagg. 176-179; As can be seen from the many activities that the Group implements every year, the support and development of local communities are key objectives: as evidence of this commitment, it should be noted that over the years the Group has always endeavored to limit the risk of generating actual or potential negative impacts on the community.
Supplier Social Assessment (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	NFS, pagg. 162-168
GRI 103-3	Evaluation of the management approach	NFS, pagg. 162-168
GRI 414-2	Negative social impacts in the supply chain and actions taken	NFS, pagg. 166-168
Customer Health and Safety (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	Annual Report, pagg. 20-25; NFS, pagg. 118-123; 162-168; 170-175
GRI 103-3	Evaluation of the management approach	Annual Report, pagg. 20-25; NFS, pagg. 118-123; 162-168; 170-175
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	During 2020 and 2019 there were no incidents of non-compliance with regulations on health and safety of products and services.

CODES	INDICATOR	PAGES/NOTES/OMISSION
Marketing and labeling (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	Annual Report, pagg. 20-25; NFS, pagg. 118-123; 162-168; 170-175
GRI 103-3	Evaluation of the management approach	Annual Report, pagg. 20-25; NFS, pagg. 118-123; 162-168; 170-175
GRI 417-3	Incidents of non-compliance concerning marketing communications	During 2020 there were no incidents of non-compliance concerning marketing communications.
Customer Privacy (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	NFS, pagg. 118-123; 170-175
GRI 103-3	Evaluation of the management approach	NFS, pagg. 118-123; 170-175
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	During 2020, the Group received no substantiated complaints regarding breaches of customer privacy but recorded two cases of data losses, both of which were categorized as low risk.
Socioeconomic Compliance (2016)		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	NFS, pagg. 118-123; 170-175
GRI 103-3	Evaluation of the management approach	NFS, pagg. 118-123; 170-175
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	Nel 2020, in North America sono stati registrati due reclami relativi alla normativa "Americans with Disabilities Act" del 1990 (ADA). S-Fer International si è prontamente adoperata per analizzare, rispondere e gestire al meglio tali casi. In entrambi i casi è emerso che non vi erano non conformità all'ADA."
Material Topic: Animal Welfare		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	Annual Report, pagg. 20-25; NFS, pagg. 144-146; 163; 166-168
GRI 103-3	Evaluation of the management approach	Annual Report, pagg. 20-25; NFS, pagg. 144-146; 163; 166-168
Material Topic: Responsible innovation and circular economy		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	Annual Report, pagg. 20-25; NFS, pagg. 104; 144-146; 158-160
GRI 103-3	Evaluation of the management approach	Annual Report, pagg. 20-25; NFS, pagg. 104; 144-146; 158-160
Material Topic: Risk management system		
GRI 103-1	Explanation of the material topic and its Boundary	NFS, pagg. 106-109; 198-199
GRI 103-2	The management approach and its components	Annual Report, pagg. 70-72; 79-86 NFS, pagg. 118-123
GRI 103-3	Evaluation of the management approach	Annual Report, pagg. 70-72; 79-86 NFS, pagg. 118-123

Correspondence between the principles of the UN Global Compact and the GRI Standard indicators

"Our Group has embarked on a path aimed at enhancing sustainability with a view to long-term growth. Our participation in the United Nations Global Compact confirms this vision: we commit daily to respect the 10 principles of the UNGC with the awareness that collaboration and sharing are key elements to identify virtuous paths at the system level. "

Ferruccio Ferragamo, Chairman of Salvatore Ferragamo S.p.A.

For the Salvatore Ferragamo Group the Sustainability Report is also a Communication On Progress (COP), in other words the annual document which offers stakeholders information on the progress made in applying the Ten Principles of the UN Global Compact in carrying out its activities. In this perspective, the table below provides a precise correspondence between the reported GRI Standards and the Principles.

CATEGORIES	PRINCIPLES OF THE GLOBAL COMPACT	GRI STANDARDS
Human rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	408-1; 409-1; 412-1; 412-3; 413-2; 414-2
	Principle 2: Make sure that they are not complicit in human rights abuses	412-1; 412-3; 414-2
Labor	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	102-41
	Principle 4: The elimination of all forms of forced and compulsory labor	409-1
	Principle 5: The effective abolition of child labor	408-1
	Principle 6: The elimination of discrimination in respect of employment and occupation	102-8; 401-1; 401-2; 404-1; 404-3; 405-1; 406-1
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges	302-1; 303-1; 305-1; 305-2; 305-3; 305-6; 305-7
	Principle 8: Undertake initiatives to promote greater environmental responsibility	302-1; 303-1; 303-2; 303-3; 304-1; 305-1; 305-2; 305-3; 305-6; 305-7; 306-2;307-1
	Principle 9: Encourage the development and diffusion of environmentally friendly technologies	102-16; 102-17
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	205-3

Independent Auditor's report

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

Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018

To the board of directors of
Salvatore Ferragamo S.p.A.

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2020 consolidated non-financial statement of the Salvatore Ferragamo Group (the "group") prepared in accordance with article 4 of the decree, presented in the specific section of the directors' report and approved by the board of directors on 9 March 2021 (the "NFS").

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Salvatore Ferragamo S.p.A. (the "parent") for the NFS

The directors are responsible for the preparation of an NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative (the "GRI Standards"), which they have identified as the reporting standards.

The directors are also responsible, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of an NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the group's business, performance, results and the impacts it generates.

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the

aspects identified and disclosed in the NFS, the group's policies and the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards, the IESBA Code) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

1. Analysing the material aspects based on the group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.
2. Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.
3. Comparing the financial disclosures presented in the NFS with those included in the group's consolidated financial statements.

4. Gaining an understanding of the following:
   - the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
   - the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
   - the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

   Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).

5. Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

   Specifically, we held interviews and discussions with the parent's management personnel. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

   Furthermore, with respect to significant information, considering the group's business and characteristics:

   - at group level,
     a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
     b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information;
   - through remote communication tools, we held discussions with personnel of the parent and Ferragamo USA Inc., which we have selected on the basis of their business, contribution to the key performance indicators at consolidated level and location, to obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2020 consolidated non-financial statement of the Salvatore Ferragamo Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Other matters

The NFS presents the corresponding figures included in the 2019 consolidated non-financial statement for comparative purposes, on which other auditors performed a limited assurance engagement and expressed an unqualified conclusion on 26 March 2020.

Florence, 30 March 2021

KPMG S.p.A.

(signed on the original)

Riccardo Cecchi
Director

Consolidated Financial Statements

as at 31 December 2020

Consolidated Financial Statements as at 31 December 2020

Financial Statements

Consolidated Statement of Financial Position - Assets

(In thousands of Euro)	Notes	31 December 2020	of which with related parties	31 December 2019	of which with related parties
NON CURRENT ASSETS					
Property, plant and equipment	6	183,121		251,805	
Investment property	7	31,824		39,091	
Goodwill	8	6,679		-	
Right-of-use assets	9	475,240	99,070	576,455	117,789
Intangible assets with a finite useful life	10	38,891		42,484	
Other non current assets	12	2,518		2,642	
Other non current financial assets	13	15,574	4,594	16,939	5,193
Deferred tax assets	39	119,656		96,736	
TOTAL NON CURRENT ASSETS		**873,503**	**103,664**	**1,026,152**	**122,982**
CURRENT ASSETS					
Inventories	14	341,636		389,531	
Right of return assets	15	4,545		5,473	
Trade receivables	16	113,909	336	147,202	92
Tax receivables	17	15,974		20,107	
Other current assets	18	35,944	2,690	32,980	2,599
Other current financial assets	19	566		101	
Cash and cash equivalents	20	327,880		222,332	
TOTAL CURRENT ASSETS		**840,454**	**3,026**	**817,726**	**2,691**
TOTAL ASSETS		**1,713,957**	**106,690**	**1,843,878**	**125,673**

Consolidated Statement of Financial Position - Liabilities and Shareholders' Equity

(In thousands of Euro)	Notes	31 December 2020	of which with related parties	31 December 2019	of which with related parties
SHAREHOLDERS' EQUITY					
GROUP SHAREHOLDERS' EQUITY					
Share capital	21	16,879		16,879	
Reserves	21	743,100		659,487	
Net profit/(loss) - Group		(66,397)		87,281	
TOTAL GROUP SHAREHOLDERS' EQUITY		**693,582**		**763,647**	
MINORITY INTERESTS					
Share capital and reserves - minority interests		21,413		21,534	
Net profit/(loss) - minority interests		(5,299)		84	
TOTAL MINORITY INTERESTS		**16,114**		**21,618**	
TOTAL SHAREHOLDERS' EQUITY		**709,696**		**785,265**	
NON CURRENT LIABILITIES					
Non current interest-bearing loans & borrowings	28	129,302		-	
Provisions for risks and charges	22	14,401		13,921	
Employee benefit liabilities	23	11,867		11,901	
Other non current liabilities	24	12,564	-	11,893	49
Non current lease liabilities	25	464,400	89,138	559,267	99,261
Deferred tax liabilities	39	6,943		5,570	
TOTAL NON CURRENT LIABILITIES		**639,477**	**89,138**	**602,552**	**99,310**
CURRENT LIABILITIES					
Trade payables	26	136,399	624	198,934	423
Refund liabilities	27	9,139		8,720	
Interest-bearing loans & borrowings	28	56,698		48,060	
Tax payables	29	25,974		26,491	
Other current liabilities	30	29,362	1,347	54,317	10,753
Current lease liabilities	25	103,509	14,155	117,062	21,910
Other current financial liabilities	31	3,703		2,477	
TOTAL CURRENT LIABILITIES		**364,784**	**16,126**	**456,061**	**33,086**
TOTAL LIABILITIES		**1,004,261**	**105,264**	**1,058,613**	**132,396**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,713,957**	**105,264**	**1,843,878**	**132,396**

Consolidated Income Statement

(In thousands of Euro)	Notes	2020	of which with related parties	2019	of which with related parties
Revenues from contracts with customers	33	913,572	139	1,372,449	426
Rental income investment properties	34	2,253		4,812	
Revenues		**915,825**		**1,377,261**	
Cost of goods sold	35 - 36	(350,284)		(483,767)	
Gross profit		**565,541**		**893,494**	
Style, product development and logistics costs	35 - 36	(35,868)	(521)	(50,292)	(527)
Sales & distribution costs	35 - 36	(414,906)	(20,733)	(482,315)	(24,538)
Marketing & communication costs	35 - 36	(54,246)	(43)	(79,676)	(95)
General and administrative costs	35 - 36	(122,154)	(5,883)	(127,837)	(7,796)
Other operating costs	35 - 36	(23,264)	(156)	(24,467)	(163)
Other income and revenues	37	23,356	11	20,791	20
Operating profit/(loss)		**(61,541)**		**149,698**	
Financial charges	38	(80,541)	(3,454)	(64,441)	(3,433)
Financial income	38	62,257	-	31,877	1
Profit/(loss) before taxes		**(79,825)**		**117,134**	
Income Taxes	39	8,129		(29,769)	
Net profit/(loss) for the period		**(71,696)**		**87,365**	
Net profit/(loss) - Group		(66,397)		87,281	
Net profit/(loss) - minority interests		(5,299)		84	

(In Euro)	Notes	2020	2019
Basic earnings/(loss) per share - ordinary shares	40	(0.394)	0.517
Diluted earnings/(loss) per share - ordinary shares	40	(0.394)	0.517

Consolidated Statement of Comprehensive Income

(In thousands of Euro)	Notes	2020	2019
Net profit/(loss) for the period (A)		**(71,696)**	**87,365**
Other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period			
- Currency translation differences of foreign operations	21	(11,640)	(6,300)
- Net gain/(loss) from cash flow hedge	3	7,398	3,354
- Tax consequences on components that will be subsequently reclassified to net profit/(loss) for the period		(1,776)	(804)
Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)		**(6,018)**	**(3,750)**
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	23	(289)	(696)
- Tax consequences on components that will not be subsequently reclassified to net profit/(loss) for the period		116	100
Total other income/(losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)		**(173)**	**(596)**
Total other income/(losses) for the period, net of taxes (B1+B2 = B)		**(6,191)**	**(4,346)**
Total comprehensive income for the period, net of taxes (A+B)		**(77,887)**	**83,019**
Group		(71,629)	82,948
Minority interests		(6,258)	71

Consolidated Statement of Cash Flows

(In thousands of Euro)	Notes	2020	of which with related parties	2019	of which with related parties
NET PROFIT/(LOSS) FOR THE PERIOD		**(71,696)**		**87,365**	
Adjustments to reconcile net profit (loss) to net cash from (used in) operating activities:					
Amortization, depreciation and write-downs of tangible and intangible assets, investment property and right-of-use assets	6-7-9-10-11	221,767	24,712	185,832	23,032
Income Taxes	39	(8,129)		29,769	
Provision for employee benefit plans	23	752		863	
Allocation to/(use of) the provision for obsolete inventory	14	28,654		5,028	
Losses and provision for bad debt	16	989		921	
Losses/(gains) on disposal of tangible/intangible assets		1,469		2,222	
Interest expense and interest expense on lease liabilities	20	17,563	3,454	19,468	3,433
Interest income		(8,794)	-	(874)	(1)
Other non-monetary items		(18,327)	(4,202)	1,319	
Changes in operating assets and liabilities:					
Trade receivables	16	25,970	(244)	2,741	51
Inventories	14	3,269		(36,923)	
Trade payables	26	(60,249)	201	(7,410)	81
Other receivables and tax payables	17-29	(2,150)		(3,565)	
Employee benefits payments	23	(902)		(1,117)	
Other assets and liabilities		(8,048)	(367)	5,168	1,142
Other - net		(1,615)		(637)	
Income taxes paid		(22,178)	(8,580)	(24,511)	16,279
Interest expense and interest expense on lease liabilities paid	20	(18,808)	(3,525)	(16,546)	(2,675)
Interest income received		8,794	-	874	1
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**88,331**	**11,449**	**249,987**	**41,343**
Cash flow from investing activities:					
Purchase of tangible assets	6-7	(23,701)		(50,764)	
Purchase of intangible assets	10	(6,109)		(12,776)	
Proceeds from the sale of tangible and intangible assets		-		164	
Acquisition of Arts S.r.l. and Aura 1 S.r.l.net of cash acquired	5	(7,581)		-	
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(37,391)**	**-**	**(63,376)**	**-**
Cash flow from financing activities:					
Net change in financial receivables	20	(286)		971	
Net change in financial payables	20	141,122		10,009	
Repayment of lease liabilities	20-25	(93,573)	(17,681)	(114,388)	(21,581)
Dividends paid to shareholders of the Parent company	41	-		(57,372)	(40,685)
Dividends paid to minority shareholders	41	-		(6,021)	(6,021)
Treasury share repurchase	21	-		(2,525)	
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**47,263**	**(17,681)**	**(169,326)**	**(68,287)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**98,203**		**17,285**	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**222,332**		**207,707**	
Increase/(decrease) in cash and cash equivalents		98,203		17,285	
Effect of exchange rate translation differences		7,345		(2,660)	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**20**	**327,880**		**222,332**	

Statement of changes in consolidated shareholders' equity

Note 21

(In thousands of Euro)	Share capital	Treasury share reserve	Share capital contributions	Legal reserve	Extra-ordinary reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Other reserves	Effect IAS 19 Equity	Net profit/ (loss) for the period	Group share-holders' equity	Minority interests	Total shareholders' equity
As at 01.01.2020	**16,879**	**(2,776)**	**2,995**	**4,188**	**504,319**	**(499)**	**(16,002)**	**166,510**	**4,164**	**(3,412)**	**87,281**	**763,647**	**21,618**	**785,265**
Allocation of results	-	-	-	-	124,211	-	-	(36,930)	-	-	(87,281)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	(66,397)	(66,397)	(5,299)	(71,696)
Other comprehensive income/(loss)	-	-	-	-	-	5,622	(9,366)	(1,267)	-	(221)	-	(5,232)	(959)	(6,191)
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**-**	**5,622**	**(9,366)**	**(1,267)**	**-**	**(221)**	**(66,397)**	**(71,629)**	**(6,258)**	**(77,887)**
Purchase of min. interests in companies consolidated on a line-by-line basis and accounting of options on min. interests	-	-	-	-	-	-	-	1,457	78	(51)	-	1,484	754	2,238
Stock Grant Reserve	-	-	-	-	-	-	-	-	80	-	-	80	-	80
As at 31.12.2020	**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**

Note 21

(In thousands of Euro)	Share capital	Treasury share reserve	Share capital contributions	Legal reserve	Extra-ordinary reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Other reserves	Effect IAS 19 Equity	Net profit/ (loss) for the period	Group share-holders' equity	Minority interests	Total shareholders' equity
As at 01.01.2019	**16,879**	**(251)**	**2,995**	**4,188**	**478,378**	**(3,049)**	**(9,014)**	**161,752**	**16,268**	**(2,816)**	**88,361**	**753,691**	**26,647**	**780,338**
Allocation of results	-	-	-	-	25,941		-	62,420	-	-	(88,361)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	87,281	87,281	84	87,365
Other comprehensive income/(loss)	-	-	-	-	-	2,550	(6,988)	701	-	(596)	-	(4,333)	(13)	(4,346)
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**-**	**2,550**	**(6,988)**	**701**	**-**	**(596)**	**87,281**	**82,948**	**71**	**83,019**
Distribution of dividends	-	-	-	-	-	-	-	(57,372)	-	-	-	(57,372)	(6,021)	(63,393)
Purchase of min. interests in companies consolidated on a line-by-line basis and accounting of options on min. interests	-	-	-	-	-	-	-	(991)	-	-	-	(991)	921	(70)
Treasury share repurchase	-	(2,525)	-	-	-	-	-	-	-		-	(2,525)	-	(2,525)
Effect of the first-time adoption of IFRS16	-		-	-	-	-	-	-	(11,761)	-	-	(11,761)	-	(11,761)
Stock Grant Reserve	-	-	-	-	-	-	-		(343)	-	-	(343)	-	(343)
As at 31.12.2019	**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**

Explanatory notes to the consolidated financial statements

1. Corporate information

Salvatore Ferragamo S.p.A. is incorporated as a joint-stock company in Italy under Italian law and adopts a conventional organizational model, with the Shareholders' Meeting, the Board of Directors, and the Board of Statutory Auditors. The Company's Shares are listed on the Mercato Telematico Azionario (an electronic stock market) organized and operated by Borsa Italiana S.p.A..

The Salvatore Ferragamo Group is one of the main players in the luxury sector and dates back to 1927.

The consolidated financial statements for the year ended 31 December 2020 were approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 9 March 2021.

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

Management and coordination

Pursuant to art 2497 ff. of the Italian Civil Code, Salvatore Ferragamo S.p.A. is subject to management and coordination by Ferragamo Finanziaria S.p.A., whose consolidated financial statements are available at the registered office in Florence, Via Tornabuoni, 2.
In compliance with the provisions of art. 2497-bis, paragraph 4 of the Italian Civil Code, the key data from the financial statements of the Holding company Ferragamo Finanziaria S.p.A. as at 31 December 2019 and 2018 is given below.

Ferragamo Finanziaria S.p.A.

(In Euro)	31 December 2019	31 December 2018
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Fixed assets	169,342,251	166,312,869
Current assets	64,709,800	142,466,156
Accruals and Deferrals	703	702
TOTAL ASSETS	**234,052,754**	**308,779,727**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
-Share capital	49,749,960	49,749,960
-Reserves	146,489,807	115,713,388
-Profit (loss) for the year	27,864,724	131,233,249
Provisions for risks and charges	-	376,194
Payables	9,872,739	11,631,585
Accruals and Deferrals	75,524	75,351
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**234,052,754**	**308,779,727**
Guarantees, commitments and other risks	**-**	**-**
INCOME STATEMENT		
Value of production	126,413	100,283,774
Costs of production	(2,244,396)	(3,492,160)
Difference between value and costs of production	**(2,117,983)**	**96,791,614**
Financial income and charges	31,158,341	35,240,555
Profit before taxes	**29,040,358**	**132,032,169**
Income taxes for the year, current and deferred	(1,175,634)	(798,920)
Profit (loss) for the year	**27,864,724**	**131,233,249**

2. Basis of presentation

Statement of compliance with IFRS

The Consolidated Financial Statements of Salvatore Ferragamo S.p.A. have been prepared in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board ("IASB"), adopted by the European Union and in force at the reporting date. The explanatory notes to the Consolidated Financial Statements have been supplemented with the extra information requested by CONSOB and by the provisions it has issued in implementation of art. 9 of Italian Leg. Decree 38/2005 (resolutions 15519 and 15520) dated 27 July 2006 and communication DEM/6064293 dated 28 July 2006, pursuant to art. 78 of the Issuers' Regulation, the EC document of November 2003 and, where applicable, the Italian Civil Code. The term "IFRS" used herein includes International Accounting Standards ("IAS") which are still in force as well as all the interpretations issued by the IFRS Interpretation Committee, previously referred to as International Financial Reporting Interpretations Committee ("IFRIC") and before that Standing Interpretations Committee ("SIC").

Contents and structure of the consolidated financial statements

All amounts are expressed in Euro and are expressed in thousands of Euro, unless otherwise indicated.
The consolidated statement of financial position distinguishes between current and non current assets and liabilities, where:

- non current assets refer to positive balances to be realized after more than 12 months and include intangible, tangible and financial assets and deferred tax assets;
- current assets refer to positive balances to be realized within 12 months;
- non current liabilities refer to liabilities due after more than 12 months, including financial payables, provisions for risks and charges and employee benefit liabilities and deferred tax liabilities;
- current liabilities refer to liabilities due within 12 months, including the short-term portion of medium/long-term loans, provisions for risks and charges and employee benefit liabilities.

Differently from the separate financial statements of the Parent company Salvatore Ferragamo S.p.A., the consolidated income statements are shown in accordance with a classification of costs by function, which is considered more representative than the so-called presentation of costs by nature. The Group allocates costs by function using the cost centers that represent the function of the cost. The structure chosen is in line with internal reporting processes and business operations. The breakdown of costs by nature is included in the explanatory notes (note 36). The statement of cash flows has been prepared according to the indirect method and is presented in compliance with IAS 7, breaking down financial flows into operating, investing and financing activities.

It should be noted that in reference to CONSOB Resolution no. 15519 of 27 July 2006 and Communication no. DEM6064293 of 28 July 2006, the financial statements show significant transactions with related parties, in order to provide better disclosure.

Accounting standards

General notes

The Consolidated Financial Statements have been prepared according to the historical cost principle, except for derivatives and financial assets classified as held for sale, which are recorded at fair value and on a going concern basis. The accounting standards adopted in the consolidated financial statements as at 31 December 2020 are the same as those adopted in previous years with the exception of international accounting standards newly adopted in 2020.

Discretionary valuations and significant accounting estimates

The preparation of the Consolidated Financial Statements has entailed the use of estimates and assumptions, both in determining some assets and liabilities, and in assessing contingent assets and liabilities, by using the best available information. Actual results might not fully correspond to estimates.

The main estimated data refer to:

- provisions for obsolete inventory of raw materials, accessories and finished products; since the Group's products are subject to market trends and changes in fashion trends, product inventories at the end of the season or, in the case of fragrances, at the end of the life cycle of the individual item, are subject to impairment. Specifically, the provision for obsolete inventory of finished products reflects management's estimate of the expected impairment losses on the products of the collections of previous seasons, considering the ability to sell them through the Group's various distribution channels. This assumption may vary across the different geographic areas in which the Group operates based on the knowledge of the individual market's characteristics concerning the local ability to absorb sales of products from previous seasons. Generally, impairment assumptions involve percentages of impairment that become greater the older the collections are, so as to reflect the decline in selling prices in secondary channels (mainly outlets) on the one hand, and on the other hand, the decrease in the probability of selling them as time goes by. This percentage is based on both a statistical analysis of the change in inventory age and an assessment of the consistency in the use of percentages over time. In case of changes in available information, the percentages are reassessed and adjusted as needed. The provision for obsolete raw materials reflects management's estimates of the decline in the probability they will be used based on the calculation of slow-moving raw materials. In 2020, given the current situation associated with the Covid-19 emergency, the provisions for obsolete inventory of raw materials, accessories, and finished products reflected the risk of a potential further reduction in the use of raw materials and the sales of finished products in the future;
- provision for bad debt relating to wholesale sales, which is linked to the solvency and standing of customers with whom the company has well-established and consolidated relations. The Groups uses a matrix to calculate Expected Credit Losses (ECLs) on trade receivables. The provisioning rates are based on the days past due for each customer category grouped in the different segments that present similar historical loss experiences (for instance, by geographic area, product type, customer type, rating, and guarantees). The matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (for example, country risk) are expected to deteriorate over the next year, which can lead to an increased number of defaults in the country concerned, the historical default rates are adjusted accordingly. At every reporting date, the Group updates historical observed default rates and analyzes changes in forward-looking estimates. The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and in forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. For more details on the analysis of credit risks, please refer to notes 3 and 16;
- provisions for risks and charges, specifically the costs for the contractual commitment to renovate in the future leased properties and costs for ongoing or foreseeable disputes;
- right of return to adjust revenues from contracts with customers, where envisaged under contractual terms and conditions or customary business practices for selling goods. The Group has concluded that the expected value method is the most appropriate to estimate the amount of variable consideration on sales of goods with rights of return, considering the large number of contracts with similar characteristics;
- useful life of property, plant and equipment, intangible assets with a finite useful life and investment property, as well as ensuring that development costs meet the recognition and measurement requirements for intangible assets;
- employee benefits, which are measured using actuarial assumptions; for the main actuarial assumptions, reference should be made to note 23;
- deferred tax assets, which are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences or any tax losses can be utilized. In this regard, the Group's management estimates the likely timing and amount of future taxable profit;
- fair value of financial instruments, chief among them derivative instruments, which the Groups uses extensively to hedge exchange rate risk; for details about the assumptions underlying the measurement of fair value, reference should be made to notes 3 and 32;
- fair value of share-based payments plans, settled in either cash or shares, that the Parent company uses to provide incentives to the Group's management; for details about the assumptions underlying the measurement of share-based payment plans at fair value, reference should be made to note 42;

- risk of defeat in the disputes involving the Group; the Group recognizes a liability when facing legal disputes and lawsuits if it believes it is probable that they will require an outflow of financial resources and a reliable estimate can be made of the amount of the potential losses. Given the uncertainty surrounding the outcome of these proceedings, it is hard to reliably estimate the outflow of resources that will be required to settle them, therefore the amount of the provisions for legal disputes may change as a result of future developments in the outstanding proceedings. The Group monitors the status of ongoing lawsuit and proceedings and consults with its legal advisors as well as legal experts. Moreover, the Group assesses uncertain tax positions and, if required, recognizes a liability.

In addition, as of 1 January 2019, following the adoption of IFRS 16, the Group made the significant accounting estimates reported below in its capacity as lessee:

- Lease term: the identification of the lease term is a very significant issue, as the form, regulations, and business practices related to property lease agreements vary significantly from one jurisdiction to another, and assessing the impact on the estimated lease term of the options to renew the lease at the end of the non-cancellable period requires using assumptions. The IFRS Interpretation Committee clarified that, for the purposes of identifying the enforceable period, a lessee shall consider the contractual moment when both parties may exercise their right to terminate the contract without incurring penalties that are not immaterial; the concept of penalty is not to be interpreted in a strictly contractual sense, but shall rather be viewed considering all the economics of the contract. The Group has considered these conclusions in identifying the lease term. In defining the lease term, the Group considered whether either the lessee or lessor, or both, have renewal and termination options, respectively. When renewal options exercisable by both parties to the agreement exist, the Group considered whether there are significant economic incentives to refuse the renewal request, in accordance with paragraph B34 of IFRS 16. When there are options exercisable by only one of the two parties, the Group considered paragraph B35 of IFRS 16.

Applying the above, considering the specifics facts and circumstances as well as the estimate of whether it will be reasonably certain that the option will be exercised, resulted in the following:

- for annual leases that are automatically renewed except in the event of termination, the Group considered an average term of five years based on historical evidence;
- in the other cases, if only the Group can exercise the option, we considered a lease term until the end of the second renewal term, based on historical evidence and the fact that a renewal beyond the second term could not be considered reasonably certain.

After the lease commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the Group and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

- Definition of the discount rate: as most leases entered into by the Group do not contain an implicit interest rate, the Group calculated an Incremental Borrowing Rate (IBR). To determine the IBR it should use to discount future lease payments, the Group identified each country as a portfolio of leases with similar characteristics and determined the relevant IBR as the interest rate of a risk-free instrument in the country in which the lease was entered into, based on the different lease terms, increased by the Group's Credit spread.

The estimates and the assumptions are made by directors with the assistance of company departments and, when appropriate, independent experts, and are periodically reviewed - recognizing, if necessary, the impact of each change in the income statement in the period in which these estimates and assumptions should differ from actual circumstances.

Impairment/Restatement of Property, plant and equipment, Investment property, Intangible assets with a finite useful life, Right-of-use assets, and Goodwill

The book value of Property, plant and equipment, Investment property, Intangible assets with a finite useful life, and Right-of-use assets is subject to impairment testing when there are indicators of impairment (events or changed situations suggesting that the book value cannot be recovered) which require an immediate assessment of or when events have occurred which require the procedure to be repeated. Impairment exists when the book value of an asset or cash flow generating unit exceeds its recoverable value, which is the higher of its fair

value less the costs of sale and its value in use. The calculation of the fair value less the costs of sale is based on the data available from transactions between free and independent parties involving similar assets or observable market prices, less the extra costs relating to the disposal of the asset. The value in use is calculated based on discounted cash flow models using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset.

The impairment test is carried out by considering the individual geographic areas in which the Group operates as cash generating units ("CGUs"). Said areas usually coincide with the Group's individual legal entities, except where multiple legal entities of the Group the same country or in neighboring territories or markets with a shared and homogeneous customer base.

The cash flows are taken from the estimates made by management, which represent the best estimate made by the Company on the economic conditions set for the plan period. The plan forecasts refer to a time period of three years and the long-term growth rate (g) used to estimate the terminal value of the asset was assumed to be equal to the rate of inflation expected to prevail over the medium - long term in the main markets where the Group operates. Cash flows do not include restructuring activities for which the Company does not have a current obligation, or significant future investments which will increase the yield on the assets that make up the cash flow generating unit that is being valued. The recoverable amount is very dependent on the discount rate used in the discounted cash flow model and also on the expected future incoming cash flows and on the growth rate used for the purposes of the extrapolation.
Goodwill is tested for impairment at least once a year (as at 31 December) or more often, when circumstances indicate that the carrying amount may be subject to impairment.

The impairment loss for goodwill is determined by measuring the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated. Where the recoverable amount of the cash-generating unit is lower than the carrying amount of the cash-generating unit to which goodwill has been allocated, an impairment loss is recognized. An impairment loss recognized for goodwill shall not be reversed in subsequent periods.

Disclosure on impairment

The Group considers disclosure regarding impairment of assets as particularly important. Therefore, it has adopted a procedure to analyze indicators of impairment and a procedure for impairment testing.

The negative impacts that the Covid-19 pandemic had on the Group's results in 2020 when compared to the prior-year period were considered to be an indicator of impairment. Therefore, in 2020 the Group measured any impairment losses on its Cash Generating Units (CGUs).

For details on the impairment test, please refer also to note 11 Impairment of Property, Plant and Equipment, Investment Property, Right-of-use Assets, and Intangible Assets with a Finite Useful Life.

Property, plant and equipment

Tangible assets are recorded at historic cost, including the additional costs directly attributable and necessary to use the asset for the purpose for which it has been bought. This cost includes the costs to replace part of the plant and equipment when incurred, if they comply with the recognition criteria. The net value (cost less accumulated depreciation and accumulated impairment) of parts of replaced plant and equipment is recognized in the income statement at the time of replacement.

Maintenance and repair expenses, which do not involve the creation of value from and/or extension of the residual life of the assets, are recognized in the income statement in the year in which they are incurred, otherwise they are capitalized.

Tangible assets are shown net of the related accumulated depreciation and any accumulated impairment determined in accordance with the method described below. Depreciation is calculated on a straight-line basis according to the estimated useful life of the asset for the company.

The useful lives of the main classes of tangible assets are as follows:

	Useful life
Buildings	33 years
Plant and Equipment	5-6 years
Industrial and commercial equipment	4-7 years
Other assets:	
- Office furniture and furnishings	5-8 years
- Electronic machines	3-5 years
- Historic collection	5 years
- Vehicles	3-4 years
Leasehold improvements	On the basis of the residual duration of the asset's lease contract

The residual value of the asset, its useful life, and the depreciation methods applied are reviewed at the end of each year and adjusted on a prospective basis if necessary.
Should significant parts of these tangible assets have different useful lives, these components are accounted for separately. Land, whether it is free of construction or attached to buildings, is recorded separately and is not depreciated since it has an unlimited useful life.

The book value of property, plant and equipment is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. If there is an indication of impairment and, should the book value exceed the presumed realizable value, assets are written down to reflect their realizable value. The realizable value of property, plant and equipment is the higher of the net sale price and the value in use.
In defining the value in use, the expected future cash flows are discounted using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset. The realizable value of an asset which does not generate broadly independent cash flows is determined in relation to the cash flow generating unit to which this asset belongs. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.

The carrying amount of an item of property, plant and equipment and each initially recognized significant component is derecognized on disposal (i.e. on the date the buyer obtains control over it) or when no future economic benefits are expected from its use or disposal. The gain/loss arising from the derecognition of the asset (calculated as the difference between the net carrying amount of the asset and the consideration received) is included in profit or loss when the item is derecognized.

Investment property

Tangible assets held for income purposes and not for instrumental use are shown in a specific item called "Investment property", in accordance with IAS 40, and are recognized at cost. The assets which fall under this category are represented by land and/or buildings (or parts of buildings) held by the owner or lessee under a financial or operating lease in order to lease them out.

These types of property are classified separately from other property assets held. Investment property is shown net of the relevant accumulated depreciation and any impairment. The useful life of Group investment property is 33 years.
The book value of investment property is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.
Investment property is derecognized on disposal (i.e. on the date the buyer obtains control over it) or when the investment is permanently unusable and no future economic benefits are expected from its disposal. The amount of consideration to be considered to calculate the gain or loss on the derecognition of an investment property is determined in accordance with transaction pricing requirements in IFRS 15.

Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. The contract is, or contains, a lease if it provides the right to control the use of a specific asset for a period of time in exchange for consideration.
The Group uses the exemption under IFRS16 for intangible assets.

The Group as lessee

The Group applies a single accounting model for all leases to which it is lessee, except for short-term leases and leases of low-value assets. The Group recognizes a financial lease liability and a right-of-use asset.

Right-of-use assets:

The Groups recognizes a Right-of-use asset at the lease commencement date (that is the date on which the underlying asset is available for use by the lessee). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses determined as described below, and adjusted for any remeasurement of lease liabilities. The cost of Right-of-use assets includes the amount of the recognized lease liability, initial direct costs incurred, lease payments made at or before the commencement less any lease incentives received, and the estimate of costs to be incurred by the Group in restoring the underlying asset to its original condition, if required by the lease.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, depreciation is calculated on a straight-line basis over the shorter of the lease term and the useful life of the asset as follows:

	Useful life
Buildings	33 years
Equipment and other assets	3-5 years
Vehicles	3-4 years

Right of-use assets are tested for impairment should events or changes in circumstances indicate that the book value cannot be recovered. If there is an indication of impairment and, should the book value exceed the presumed realizable value, assets are written down to reflect their realizable value. The realizable value is the higher of the net sale price and the value in use. In defining the value in use, the expected future cash flows are discounted using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset. The realizable value of an asset which does not generate broadly independent cash flows is determined in relation to the cash flow generating unit to which this asset belongs. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.

Lease liabilities:

At the commencement date of the lease, the Group recognizes a lease liability measured at the present value of future lease payments to be made over the lease term. Future payments include fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the Group is reasonably certain to exercise the option to terminate. The variable lease payments that do not depend on an index or a rate, but that in the case of the Group mainly depend on sales volumes, continue to be recognized as costs for services in profit or loss. In calculating the present value of future payments, the Group uses the Incremental Borrowing rate (IBR) at the lease commencement date. Subsequently, the lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the lease liability is remeasured to account for any change in the terms of the lease.

Short-term leases and leases of low-value assets:
the Group has elected not to apply IFRS 16 to short-term leases (leases with a lease term of 12 months or less) and leases for which the underlying asset is of low value (less than 5,000 Euro). Payments on these leases are recognized as expense on a straight-line basis in accordance with the terms and conditions of the lease.

The Group as lessor

Lease contracts in which the Group largely retains all the risks and benefits of ownership of the asset are classified as operating leases.
Lease payments are recognized on a straight-line basis over the duration of the lease contracts in place at the reporting date and, if they derive from investment property, they are classified under Rental income investment properties. The Group capitalizes the initial direct costs incurred in obtaining an operating lease and recognizes those costs as an expense over the lease term on the same basis as the lease income

Business combinations and goodwill

Business combinations are accounted for using the acquisition method.
The acquisition cost is valued as the total of the transferred consideration measured at fair value at the acquisition date and the amount of any minority interests in the acquired company. For every business combination, the acquirer must assess any minority interests in the acquired company at fair value or in proportion to the share of minority interests in the net identifiable assets of the acquired company. Acquisition costs are recognized in the income statement under administrative costs.
The Group shall determine to have acquired a business when an integrated set of activities and assets includes, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. An acquired process shall be considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process, or significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.
Every potential consideration must be recognized by the acquirer at the fair value on the acquisition date. The change in the fair value of the potential consideration classified as a financial asset or liability pursuant to IFRS 9 will be recognized in accordance with the provisions of IFRS 9, in the income statement or in the statement of comprehensive income. If the potential consideration is classified as an equity instrument, its value is not remeasured and its discharge is recognized under shareholders' equity. When the contingent consideration is outside the scope of IFRS 9, it must nonetheless be measured at fair value through profit or loss.
The goodwill acquired in a business combination is initially measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest over the fair value of the net identifiable assets acquired and the liabilities assumed by the Group. This requires the fair value recognition of the identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the purchased company.
After the initial recognition, goodwill is valued at cost less accumulated impairment. For impairment test purposes, the goodwill acquired in a business combination is allocated, at the acquisition date, to the Group's individual cash flow generating units, or to groups of cash flow generating units which should benefit from the synergies of the combination, regardless of the fact that other Group assets or liabilities are allocated to these units or groups of units.
When the Group acquires a business, it must classify or designate the financial assets acquired or the liabilities assumed on the basis of the contractual terms, economic conditions and other pertinent conditions as they exist at the acquisition date. This includes a test to establish whether an embedded derivative must be separated from the primary contract.
In a business combination achieved in stages, the company shall remeasure its previously held equity interest at its fair value and recognize the resulting gain or loss, if any, in profit or loss.
If the goodwill has been allocated to a cash flow generating unit and the entity disposes of part of the assets of this unit, the goodwill relating to the disposed asset must be included in the book value of the asset when the gain or loss arising from the disposal is determined. The goodwill relating to the disposed asset must be determined on the basis of the values relating to the disposed asset and the part of the cash flow generating unit which is kept.

Business combinations between entities subject to joint control do not fall within the scope of application of IFRS 3. Should the business combination between entities subject to joint control not be of an economic nature but a mere corporate reorganization, the company will apply the business combination accounting method called "pooling of interest", thus aggregating the assets and liabilities to the book values on a line-by-line basis.

Intangible assets

Intangible assets are recorded among assets at purchase cost when the use of the asset is likely to generate future income and when the cost of the asset can be reliably established. Intangible assets acquired through business combinations are recorded at fair value as established at the acquisition date, if this value can be reliably established. Intangible assets with a finite useful life are amortized on a straight-line basis over their estimated useful life; the useful life is reviewed on an annual basis and any changes, where necessary, are applied on a prospective basis.
Intangible assets are shown net of the related accumulated amortization and any accumulated impairment determined in accordance with the method described below.
The useful lives of the main categories of intangible assets with a finite useful life are the following:

	Useful life
Industrial patents and intellectual property rights	2-5 years
Concessions, licenses and trademarks	10 years
Key money	On the basis of the residual duration of the asset's lease contract
Know-how	8 years

An intangible asset is derecognized on disposal (i.e. on the date the buyer obtains control over it) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.
The book value of intangible assets is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.

Development costs

Research costs are charged to the income statement when they are incurred.
Development costs incurred in relation to a particular project are capitalized only when the Group can demonstrate the technical possibility of completing the intangible asset in such a way as to make it available for use or for sale, as well as its intention to complete the asset in order to use it or sell it, the means by which it will generate probable future income, the availability of technical, financial or other resources to complete the development and its ability to make a reliable assessment of the cost attributable to the asset during its development.
During the development period, the asset is reviewed annually to assess any impairment. Following the initial recognition, development costs are assessed at cost less any accumulated amortization or impairment loss. Amortization of the asset starts when the development is completed and the asset is available for use. It is amortized in reference to the period in which the project is likely to generate revenues for the Group.

Industrial patents and intellectual property rights

Industrial patents and intellectual property rights refer to costs for software licenses and to costs for the deposit and registration of trademarks and patents relating to Group products.

Concessions, licenses, trademarks and similar rights

This item refers to costs for the deposit and registration of the Salvatore Ferragamo trademark. Purchase costs are amortized over the useful life of the right purchased.

Other intangible assets with a finite useful life

This item mainly refers to the sums paid to lease property by taking over existing contracts or by obtaining the withdrawal of lessees so as to be able to enter into new contracts with the lessors (key money). These charges are amortized over the duration of the lease contract. Starting from 2020, the item includes also the know how acquired through the business combination of Arts S.r.l. and Aura 1 S.r.l., recognized at its fair value at the acquisition date. This charge is amortized over 8 years.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The general rule in IFRS 9 is that an entity shall recognize a financial asset or a financial liability on its balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Financial assets

On initial recognition, financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The assessment of the contractual cash flow characteristics is known as the SPPI ('solely payments of principal and interest-SPPI') test and is conducted for each instrument. However, identical financial instruments may be analyzed in groups, since the outcome of the test would not be different than under an individual or separate assessment.

The Group's business model for managing financial assets refers to how the Group manages financial assets in order to generate cash flows. The business model determines whether the cash flows will result from the collection of contractual cash flows, sales proceeds, or both. Based on these characteristics, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through other comprehensive income with reclassification of cumulative gains and losses (debt instruments);
- Financial assets at fair value through other comprehensive income without reclassification of cumulative gains or losses on disposal (equity instruments);
- Financial assets at fair value through profit or loss.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

After initial recognition, the Group measures financial assets at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.
The Group's financial assets at amortized cost include trade receivables and guarantee deposits.

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through other comprehensive income, gains and losses are recognized through other comprehensive income except for changes resulting from exchange differences and impairment losses, as well as reversals, which are recognized in the statement of profit or loss. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss; the amounts recognized through profit or loss are the same that would have been recognized if the financial assets had always been measured at amortized cost. The Group currently does not have this type of instruments.

Financial assets at fair value through profit or loss

In general, IFRS 9 defines the classification at fair value through profit or loss as a residual category to be applied to all those financial assets that, because of their contractual characteristics, are not measured at amortized cost or at fair value through other comprehensive income. However, the Group may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise from recognizing the gains and losses on the asset on different bases. Although this may be considered an accounting policy choice, the standard does not require applying it consistently to all similar transactions.
Financial instruments at fair value through profit or loss are carried in the statement of financial position at fair value, with net changes in fair value recognized in the statement of profit or loss.
This category includes derivative instruments. Derivatives are classified as financial instruments held for trading, unless they are designated as effective hedging instruments.
A derivative embedded in a non-derivative hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

Reclassification

A financial asset is reclassified only if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be expected or the Group changes its business model for managing financial assets. The reclassification shall be applied prospectively from the date of reclassification, without restating any previously recognized gains, losses, and interest.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, whereby it retains the contractual rights to receive cash flows from the asset, but assumes a contractual obligation to pay the cash flows to one or more recipients, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When all the risks and rewards of ownership of the financial assets are substantially transferred, the Group derecognizes the financial asset and recognizes any rights and obligations created or retained as separate assets or liabilities; otherwise, the financial asset continues to be recognized. When it has neither transferred nor retained substantially all of the risks and rewards, nor lost control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement; when control over the financial assets is not retained, the Group derecognizes the financial asset and recognizes any rights and obligations created or retained as separate assets or liabilities. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. Specifically, the impairment model applies to all financial assets measured at amortized cost and at fair value through other comprehensive income, but not to financial assets at fair value through profit or loss. In addition, the following types of instruments also fall within the scope of the model:

- Loan Commitments not measured at FVTPL;
- Financial guarantees within the scope of IFRS 9;
- Lease receivables within the scope of IFRS 16;
- Contract Assets within the scope of IFRS 15.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The cash flows that the Group expects to receive depend on the probability of a default by the counterparty and the amount it expects to be able to recover; the expected cash flows will therefore include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.
Under the general approach of the Standard, the impairment of financial assets is determined based on the monitoring of the counterparties' credit standing.For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).
For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. More specifically, for the above financial assets, the Group adopts the practical expedient of the provision matrix to calculate impairment, i.e. has established a matrix system based on historical collection information, adjusted for forward-looking factors specific to the debtors and the economic environment, as a means to determine expected credit losses.

Financial liabilities

Financial liabilities are classified and measured at amortized cost using the effective interest rate method, except for those financial liabilities that are classified at fair value through profit or loss because they do not meet the conditions for the measurement at amortized cost. This is the case of financial liabilities held for trading.In addition, the Group may, at initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so would result in more relevant information, as:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases;
- a group of financial assets or liabilities is managed and measured at fair value in accordance with a risk management policy or based on an investment strategy, and information about the group is provided internally on that basis to key management personnel.

Derivatives with negative fair values are also classified and measured at fair value through profit or loss, except for those held as effective hedging instruments. All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings as well as payables, directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

The measurement of financial liabilities depends on their classification as financial liabilities at fair value through profit or loss and financial liabilities at amortized cost (loans and borrowings).

Financial liabilities at fair value through profit or loss: financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of settling or transferring them in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities are designated at fair value through profit or loss upon initial recognition, only if the criteria in IFRS 9 are satisfied. Upon initial recognition, the Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings): after initial recognition, loans are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the statement of profit or loss.
It is not possible to reclassify financial liabilities.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as: foreign exchange forward contracts, to hedge financial risks relating to exchange rate fluctuations affecting commercial transactions in foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into, and are subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. As allowed under IFRS 9 paragraph 7.2.21, the Group elected to apply IAS 39 for the purpose of hedge accounting.

In keeping with the provisions of IAS 39.88 and IFRS 9.6.4.1, hedging derivatives are eligible for hedge accounting only when:

- At the inception of the hedge, there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
- the hedge is likely to be highly effective;
- for cash flow hedges, the forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to the measurement of cash flows that could affect profit or loss;
- the effectiveness can be reliably measured; and
- the hedge itself is highly effective during the various accounting periods for which it is designated.

All derivatives are measured at fair value. When derivatives possess the necessary features to be accounted for in accordance with hedge accounting, the following accounting treatments are applied:

- Fair value hedge - if a derivative is designated as a hedge against changes in the current value of an asset or a liability as well as a firm commitment which may have an impact on the income statement, the change in the fair value of the hedging instrument is recorded in the income statement and the change in the fair value of the hedged instrument attributable to the risk covered is recorded as part of the book value of the item being hedged and is also recorded in the income statement. In the case of a firm commitment, the fair value of the component related to the hedged risk is recognized as an asset or liability, adjusting the line item in the statement of financial position that will be affected by the firm commitment upon its realization.
- Cash flow hedge - if a derivative is designated as a hedge against the changes in cash flows from an asset or liability or from a transaction which is considered as highly likely or a firm commitment and which could affect the income statement, the effective portion of the gains or losses on the derivative is recorded under shareholders' equity and accounted for in the statement of comprehensive income; the accumulated gain or loss is reversed from shareholders' equity and charged to the income statement in the same period in which the hedged transaction is recorded; the gain or loss associated with a hedge or that part of the hedge which has become ineffective, is recorded in the income statement when its ineffectiveness is recognized.

Should the conditions to apply hedge accounting not occur, the effects arising from the fair value assessment of the derivative are charged directly to the income statement.

Cash and cash equivalents

Cash and short-term deposits refer to cash on hand and sight/short-term deposits, in the latter case originally expiring in no more than three months.

Treasury shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale or cancellation of treasury shares.Any difference between the purchase value and the consideration, in the event of a sale and/or grant, is recognized in a reserve in equity.

Inventories

Inventories are measured at the lower of purchase and/or production cost, determined using the weighted average cost method, and the net realizable value. Purchase cost includes ancillary charges; production cost includes direct costs and a share of indirect costs which may be reasonably attributable to products. The presumed net realizable value is the normal estimated sale price less the estimated costs to complete the product and the estimated costs to complete the sale.

Assets held for sale

This item is composed of non current assets, whose book value will be recovered mainly through their sale rather than through their continued use. Assets classified as held for sale are valued at the lower of their net book value and their fair value net of sale costs.

Provisions for risks and charges

Provisions for risks and charges are allocated when the Group must meet a current (legal or implicit) obligation resulting from a past event, whose occurrence is deemed as likely and whose amount can be reasonably estimated.
When the Group believes that an allocation to the provision for risks and charges will be partly or fully reimbursed, for example in the case of risks covered by insurance policies, the compensation is recorded separately among assets if, and only if, it is almost certain. In this case, in the income statement the cost of any allocation is shown net of the amount recorded for the compensation.

If there is a significant effect from discounting the value of money, the allocations are discounted using a pre-tax discount rate which reflects, where appropriate, the specific risks of the liabilities. When the discounting is carried out, the increase in the allocation due to the passing of time is recorded as a financial charge.

Pension Funds and other long-term employee benefits

In Italy, the Group has a "Defined-benefit plan" for employee severance indemnities. With respect to Salvatore Ferragamo S.p.A., the plan concerns only the amounts recognized up to 31 December 2006. In addition, the Group has "Defined-contribution plans" for employee severance indemnities accrued after said date. This distinction derives from the 2007 Budget Law and the relevant enabling legislation, which require allocating employee severance indemnities to either supplementary pensions schemes or the Treasury Fund of the Italian Social Security Institute (INPS).

The Group also has other "Defined-benefit plans" in the United States, Mexico, Thailand, France, Belgium, Principality of Monaco, Taiwan, Japan, and India.

Moreover, the Group has defined-contribution plans for its employees.
The Group's net obligation deriving from defined-benefit plans is calculated separately for each plan by estimating the amount of the future benefit which employees have accrued in return for the service provided in the current and previous years; this benefit is discounted in order to calculate the present value.The cost of the benefits provided under the defined-benefit plan is determined using the actuarial technique of the projected unit credit method. Actuarial gains and losses are recorded directly in the statement of comprehensive income, as provided for by IAS 19. Net interest on the net defined-benefit liability shall be determined by multiplying the net liability by the discount rate.

The actuarial assessment of liabilities has been entrusted to independent actuaries.

Fair Value

IFRS 13 establishes a single source of guidance for fair value measurement and for the relevant disclosures when such measurement is required or permitted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair

value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
All assets or liabilities whose fair value is measured or recognized are categorized based on the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - valuation techniques using unobservable inputs for the asset or liability.

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.
The methods for determining fair value in reference to financial instruments, for accounting or disclosure purposes, are summarized below in reference to the main financial instrument categories, to which they have been applied:

- Derivatives: adequate pricing models have been adopted, based on the market values of interest and exchange rates;
- Receivables and payables and unlisted financial assets: for financial instruments expiring after more than one year, the discounted cash flow method has been applied, i.e. the discounting of expected cash flows given current interest rate and creditworthiness conditions;
- Listed financial instruments: the market value at the reference date is used.

Costs

Costs are recognized when related to goods or services sold or consumed during the period or systematically allocated, or when it is not possible to identify their future usefulness.
Advertising and research costs, in accordance with IAS 38, are charged in full to the income statement, when the service has been provided and delivered to the Group.
Costs are recognized according to their nature considering the standards applicable under IFRS.

Revenues from contracts with customers

Revenues from contracts with customers are recognized when control of goods or services transfers to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sale of goods

Revenues from the sale of goods are recognized when control of the good passes to the customer, generally upon shipment depending on the terms applied.

The Group considers whether the contract includes other promises representing performance obligations to which part of the consideration for the transaction must be allocated (for example guarantees). When determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Right of return:

Some contracts allow customers to return goods within a specified period of time. The Group uses the expected value method to estimate the goods that will not be returned, as this method better predicts the amount of variable consideration to which the Group will be entitled. The guidance in IFRS 15 regarding the constraints on the recognition of variable consideration applies to the determination of the amount of variable consideration that can be included in the transaction price. The Group adjusts revenues for the goods expected to be returned, and recognizes a liability for the refunds. The right of return of an asset (and the corresponding adjustment to the cost of sales) is recognized also for the right to recover goods from customers.

Royalties

Revenues from royalties derive from sales-based royalties arrangements with customers, and are therefore recognized based on the stage of completion of the licensee's sales in accordance with the terms of the agreement.

Right of return assets

A right of return asset represents the Group's right to recover goods expected to be returned from customers. The asset is measured at the previous carrying amount of inventories less any costs for its recovery, including any impairment of the returned products. The Group regularly updates the estimated amount of returns from customers as well as any additional impairment of the returned products.

Refund liabilities

The refund liability represents the obligations to refund some or all of the consideration received (or to be received) from the customer and is measured based on the amount the Group expects to be refunded to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payment plans

The Group recognizes additional benefits to some employees, directors and collaborators with particular positions, through equity-settled share-based payments, which provide for the physical delivery of shares. In accordance with the provisions of IFRS 2 - Share-based payments - rights in favor of employees are valued at fair value when the beneficiary is informed of their allocation, and this value is determined using the binomial model. This model takes account of all the features of the rights (duration, exercise price and conditions, etc.), as well as the value of the underlying shares at the grant date and their expected volatility.

If the right can be exercised after a certain period (vesting period) and on the occurrence of specific performance conditions, the cost of transactions settled with equity instruments, together with the corresponding increase in shareholders' equity, is recorded in the period in which the conditions relating to the achievement of objectives and/or the provision of the service are satisfied, ending at the time the beneficiaries have fully accrued the right to receive payment ("vesting date").

At the end of each year, the fair value of the rights which has been determined previously is not reviewed, but on this date the estimate of the number of rights which will vest up to the expiry is updated. The accumulated costs recorded for these transactions at the end of each year up to the vesting date are proportionate to the expiries of the vesting period and to the best available estimate of the number of options which will actually vest. The cost or revenue recorded in the income statement for the year represents the change in the accumulated cost recorded at the start and at the end of the year.

No cost is recorded for rights which do not ultimately vest, except in the case of rights whose allocation is subordinate to market conditions. The impact of the dilution of the rights not yet exercised is reflected in the calculation of the dilution of earnings per share.

Cash-settled transactions

In case of cash-settled share-based transactions, the cost of the cash-settled transactions is initially valued at the fair value at the date the beneficiary is informed of their allocation. This fair value is recognized in the income statement in the period until vesting, with the recognition of a corresponding liability.Until the liability is settled, the fair value is recalculated at each year-end date and at the settlement date, charging the related changes to the income statement.

Financial income and charges

Financial income and charges are recorded on an accrual basis according to the interest accrued on the net value of the related financial assets and liabilities, using the effective interest rate.

Dividends

Dividends are recognized when the shareholders' right to receive payment arises.

Income Taxes

Current taxes

Current taxes reflect a realistic estimate of the tax burden, determined by applying the rates and laws in force in the countries where the Salvatore Ferragamo Group operates; the amount payable for current taxes is recognized in the statement of financial position net of any tax advances paid. The Group regularly assesses the position taken in its income tax filings where tax regulations are subject to interpretation and makes provisions, when appropriate.

Current taxes relating to items recorded directly under shareholders' equity or in the statement of comprehensive income are also charged directly to shareholders' equity or to the statement of comprehensive income.

Deferred taxes

Deferred taxes are calculated on the temporary differences existing at the reporting date between the fiscal values taken as a reference for assets and liabilities and the values recognized in the financial statements.
Deferred tax liabilities are recorded for all taxable temporary differences, except:

- when the deferred tax liabilities derive from the initial recognition of goodwill or of an asset or a liability in a transaction which is not a business combination and which, at the time of the transaction, has no effect on the profit/(loss) for the year calculated for financial statement purposes or on the profit or loss calculated for tax purposes;
- in reference to taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures, when the reversal of temporary differences may be managed and it is not likely to occur in the foreseeable future.

Deferred tax assets are recorded against all deductible temporary differences and for tax assets and liabilities which are carried forward, to the extent that adequate future tax profits are likely to exist which make it possible to use the deductible temporary differences and the tax assets and liabilities which have been carried forward, except when:

- the deferred tax asset connected to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not affect profit/(loss) for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- in reference to taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures, deferred tax assets are only recorded to the extent that the deductible temporary differences are likely to be reversed in the immediate future and there are adequate tax profits against which the temporary differences may be used.

The value to be recorded for deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer likely that sufficient tax profits will be available in the future so as to allow all or part of this credit to be used. Unrecognized deferred tax assets are reviewed annually at the reporting date and are recorded to the extent that it has become likely that the tax profit is sufficient to ensure that these deferred tax assets can be recovered.
To determine whether taxable profit will be available against which a deductible temporary difference can be utilized, the entity shall consider whether local tax laws restrict the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference.

Deferred tax assets and liabilities are measured on the basis of the tax rates which are expected to be applied in the year in which the assets are realized or the liabilities are settled, taking into account the rates in force and those already issued or basically issued at the reporting date.
Deferred taxes relating to items recorded directly under shareholders' equity or in the statement of comprehensive income are also charged directly to shareholders' equity or to the statement of comprehensive income.
Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets against current tax liabilities and the deferred taxes refer to the same fiscal entity and the same tax authority.

Value added tax

Revenues, costs and assets are recorded net of value added taxes except when:

- this tax, applied to the purchase of goods or services, is non-deductible, in which case it is recognized as part of the purchase cost of the asset or part of the cost item charged to the income statement;
- it refers to trade receivables and payables for which the invoice has already been issued or received and whose values are shown including the tax amount.

The net amount of indirect taxes on sales and purchases which may be recovered from or paid to the Inland Revenue Office is recorded among tax receivables or payables depending on the nature of the balance.

Earnings per share

Basic earnings per share is calculated by dividing the profit and/or loss for the period attributable to the Shareholders of the Parent company by the weighted average number of outstanding shares during the year. For the purposes of calculating the diluted earnings per share, the weighted average number of the outstanding shares is modified by assuming the conversion of all potential shares with a diluting effect. The net result is also adjusted to take account of the impact, net of taxes, of the conversion.

Put and call agreements on minority interests

In the case of put options granted to minority shareholders, the Group recognizes a financial liability corresponding to the present value of the exercise price of the option. If the terms and conditions of the put option already give the Group access to the economic benefits associated with the interest concerned by the option, the Group accounts for this interest as if it were already acquired and, therefore, on initial recognition of the liability, this amount is reclassified from equity as a deduction from minority interests. The liability is subsequently remeasured at the end of each period in compliance with IFRS 9. In other cases, under the accounting policy chosen by the Group, on initial recognition of the liability, this amount shall be reclassified to the Group's equity, continuing to account for the profits and losses attributable to such minority interests and the equity held by minority interests; any change in the amount of the liability shall be recognized in equity.

IAS 29 Financial reporting in hyperinflationary economies

Effective 1 July 2018, Argentina's economy is considered hyperinflationary in accordance with "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). This standard requires that the financial statements of entities whose functional currency is the currency of an economy considered hyperinflationary to be restated by using a general price index that reflects changes in general purchasing power. The inflation index used in Argentina is a synthetic index with the following characteristics: (a) as of 1 January 2017, a new national consumer price index is used; and (b) for periods up to 31 December 2016, the wholesale price index is used.
Therefore, all items of the financial statements of Ferragamo Argentina S.A. have been divided into monetary and non-monetary items. Monetary items are money held and assets or liabilities to be received or paid in cash; all other items are non-monetary. Monetary items are not restated because they are already expressed in terms of current monetary unity. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power and an entity with an excess of monetary liabilities over monetary assets gains purchasing power. The gain or loss on the net monetary position is included in net income. The effect of inflation on the net monetary position and non-monetary assets and liabilities of Ferragamo Argentina S.A. for the year ended 31 December 2020 resulted in an 80 thousand Euro net loss with an immaterial impact on the consolidated financial statements (107 thousand Euro net gain in the consolidated income statement as at 31 December 2019).

After restating non-monetary assets as per IAS 29, the Group also assessed whether the restated amount of the asset exceeded its recoverable amount. In addition, the application of IAS 29 gave rise to temporary tax differences: while the carrying amount of non-monetary assets is adjusted for inflation, a similar adjustment is not made for tax purposes; the result of such temporary difference is a deferred tax liability that has been recognized in profit or loss.

Changes in international accounting standards

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

Amendment to IFRS16 Leases - Covid-19 Related Rent Concessions

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

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

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

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

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

The amendment is applicable for reporting periods beginning on or after 1 June 2020, and earlier application is permitted. The Group elected to early adopt the amendment starting with the Half-Year Report as at 30 June 2020. This approach aims to represent the concessions granted by lessors as a result of the Covid-19 pandemic in line with expected industry practices. Not adopting said practical expedient early would have given rise to significant accounting costs (the same costs that led the IASB to issue the amendment) and made it impossible to adopt it also for the Consolidated Financial Statements as at 31 December 2020. These considerations were decisive in electing to adopt the amendment early, given also the number of leases being renegotiated across the different geographies and jurisdictions in which the Group operates.
Adopting the amendment caused the Group to recognize rent concessions related to the Covid-19 emergency amounting to 19,729 thousand Euro in the period to 31 December 2020, accounted for largely as a deduction from Sales & Distribution Costs in the Consolidated Income Statement.

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

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

Amendments to IFRS 3 - Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to assist entities to determine whether

an acquired set of assets and liabilities is a business. These clarify the minimum requirements for a business; remove the assessment of whether market participants are capable of replacing any missing elements; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business. The amendments to IFRS 3 clarify that to be considered a business, a set of activities and assets must include, at a minimum, an input and an underlying process that together significantly contribute to the ability to create output. In addition, they clarified that a business may exist without including all inputs and processes required to create output. The Board provided also new illustrative examples in addition to the amendments. This standard was adopted effective 1 January 2020 with respect to the business combinations occurred in 2020.

Amendments to IAS 1 and IAS 8

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

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

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

Standards issued but not yet in force

Set out below are the standards which, when preparing the Group's consolidated financial statements had already been issued but were not yet in force. The list refers to the standards and interpretations which the Group expects will in all likelihood be applicable in the future. The Group intends to adopt these standards when they come into force.

Amendment to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right;
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments will be effective for annual periods beginning on or after 1 January 2023, and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on the current situation.

Amendment to IFRS 3 - Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace the references to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with references to the Conceptual Framework for Financial Reporting, that was issued in March 2018, without significantly changing the requirements of the standard. The Board also added an exception to the recognition principles of IFRS 3 to avoid the risk of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify that the existing guidance in IFRS 3 for contingent assets would not be affected by replacing the references to the Framework for the Preparation and Presentation of Financial Statements.The amendments will be effective for annual periods beginning on or after 1 January 2022 and apply prospectively.

Amendment to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment will be effective for annual periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The Group does not anticipate material impacts with respect to these amendments.

Amendment to IAS 37 - Onerous Contracts - Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments will be effective for annual periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet met all its obligations at the beginning of the period in which it will first apply these amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter

As part of the 2018-2020 annual improvements to IFRS standards, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual periods beginning on or after 1 January 2022, and earlier application is permitted.

IFRS 9 Financial Instruments - Fees in the "10 per cent" test for derecognition of financial liabilities

As part of the 2018-2020 annual improvements to IFRS standards, the IASB issued an amendment to IFRS 9. This amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies this amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, and earlier application is permitted. The Group will apply this amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The Group does not anticipate material impacts with respect to this amendment.

Consolidation area

The Consolidated Financial Statements as at 31 December 2020 contain the equity and financial position as well as the operating performance of the Parent company Salvatore Ferragamo S.p.A. and its Italian and foreign subsidiaries consolidated on a line-by-line basis. These are identified collectively as the Salvatore Ferragamo Group.

The Consolidated Financial Statements as at 31 December 2020 include the 2020 accounts of Group companies, which have been prepared by adopting the same accounting principles as the Parent company. Subsidiaries are those entities over which the Group has control, or when the Group is exposed to variable returns arising from its transactions with the entity, or can claim rights over such returns, and at the same time has the ability to influence such returns by exercising its influence over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the moment when the parent company starts to exercise control until such control ends. Should it lose such control, the Group eliminates the assets and liabilities of the subsidiary and any previous minority interests in shareholders' equity, including any other item of other comprehensive income relating to the subsidiary. Any profit or loss arising from the loss of control is recorded under net profit/(loss) for the year. Any equity investment in the former subsidiary is measured at fair value on the date of loss of control.

All intragroup balances and transactions, including any unrealized profits and losses deriving from transactions among Group companies, are completely eliminated.

Minority interests represent the part of profits or losses and of net assets not held by the Group and are shown in a separate item of the income statement, and in the statement of financial position among shareholders' equity items, separately from Group shareholders' equity.

Acquisitions of subsidiaries are recognized using the acquisition method, allocating the cost of the business combination at the fair values of assets, liabilities and contingent liabilities acquired at the acquisition date and including the result of the purchased company recorded from the acquisition date to the end of the year. Changes in the Group's stake in a subsidiary which do not cause the loss of control are recognized as equity transactions.

The following companies are included in consolidation as at 31 December 2020 and are consolidated on a line-by-line basis.

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

1 - Through Ferragamo USA Inc. 2 - Through Ferragamo Hong Kong Ltd. 3 - Through Ferrimag Ltd. 4 - Non-operating company.

In 2020, the Salvatore Ferragamo Group's structure underwent the following change: on 27 April 2020, Salvatore Ferragamo S.p.A. finalized the agreement to acquire, directly and indirectly, 100% of Arts S.r.l. and 100% of Aura 1 S.r.l., a sub-holding company owning 50.8% of Arts S.r.l.. The merger of the wholly-owned subsidiaries Arts S.r.l. and Aura 1 S.r.l. into Salvatore Ferragamo S.p.A. was finalized on 25 November 2020 by filing the deed of merger prepared on 24 November 2020 with the relevant company register. The merger is effective for legal purposes as of 1 December 2020 and for accounting and tax purposes as of 1 January 2020. For more details, reference should be made to note 5 Business Combinations and the Directors' report on operations, paragraph "Significant events occurred during the year 2020".

In addition, please note that 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 since 2018 in the reporting of the financial position, financial performance, and cash flows of Ferragamo Argentina S.A. for consolidated purposes, as detailed in note 2 Basis of presentation. The impact of the application of the new standard in the years 2018, 2019 and 2020 is not to be considered material at the Group level.

Subsidiaries with material minority interests

In reference to subsidiaries with material minority interests here below are the main activities undertaken and the minority interest percentages as at 31 December 2020 and 2019.

Company	Activity	Minority interest (%) 31 December 2020	Minority interest (%) 31 December 2019
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	Retail and distribution company for the Chinese market	25%	25%
Ferragamo Retail HK Limited	Retail company for the Hong Kong market	25%	25%
Ferragamo Japan K.K.	Retail company for the Japanese market	29%	29%

The following tables provide the main economic and financial data of the subsidiaries with material minority interests. This information is based on the balances of the 2019 and 2020 accounts, which were drawn up for the purposes of preparing the consolidated financial statements, gross of intercompany eliminations.

31 December 2020

(In thousands of Euro)	Ferragamo Fashion Trading (Shanghai) Co. Ltd.	Ferragamo Retail HK Limited	Ferragamo Japan K.K.
Non current assets	22,817	41,284	18,877
Current assets	107,778	17,571	65,804
Non current liabilities	6,803	23,141	28,033
Current liabilities	51,126	43,368	76,207
Shareholders' equity	72,666	(7,654)	(19,559)
Minority interests	**18,125**	**(2,938)**	**(5,672)**
Revenues	170,949	19,248	85,568
Profit for the year	20,216	(20,034)	(21,165)
Net profit/(loss) - minority interests	**5,054**	**(5,009)**	**(6,138)**
Total comprehensive income for the period	20,216	(20,034)	(20,996)
Comprehensive income attributed to minority interests	**5,054**	**(5,009)**	**(6,089)**
Net cash provided by (used in) operating activities	28,651	7,051	(899)
Net cash provided by (used in) investing activities	(3,682)	(3,748)	(2,165)
Net cash provided by (used in) financing activities	(16,865)	(2,933)	2,865
Increase/(decrease) in cash and cash equivalents	8,104	370	(199)
Dividends paid to minority interests	**-**	**-**	**-**

31 December 2019

(In thousands of Euro)	Ferragamo Fashion Trading (Shanghai) Co. Ltd.	Ferragamo Retail HK Limited	Ferragamo Japan K.K.
Non current assets	21,256	72,517	37,600
Current assets	95,236	24,253	69,061
Non current liabilities	5,405	45,129	19,246
Current liabilities	56,900	39,676	86,724
Shareholders' equity	54,187	11,965	691
Minority interests	**13,501**	**1,877**	**-**
Revenues	153,190	44,238	110,247
Profit for the year	13,699	(10,637)	(3,176)
Net profit/(loss) - minority interests	**3,425**	**(2,659)**	**(921)**
Total comprehensive income for the period	13,699	(10,637)	(3,118)
Comprehensive income attributed to minority interests	**3,425**	**(2,659)**	**(921)**
Net cash provided by (used in) operating activities	13,829	7,431	4,223
Net cash provided by (used in) investing activities	(1,904)	(1,000)	(3,674)
Net cash provided by (used in) financing activities	(18,137)	(8,357)	359
Increase/(decrease) in cash and cash equivalents	(6,212)	(1,926)	908
Dividends paid to minority interests	**-**	**-**	**-**

IFRS 12 requires disclosure if there are legal, contractual and/or regulatory requirements as well as minority interest protection rights that may in some cases limit the Group's ability to access the assets or use them and cancel liabilities of the Group. An analysis of these cases does not show significant restrictions.

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

The consolidated financial statements are expressed in Euro, which is the functional and presentation currency adopted by the Parent company. Every Group company establishes its own functional currency, which is used to value the items included in the individual reports. Transactions in foreign currency are initially recorded at the exchange rate in force at the transaction date (referred to the functional currency). Monetary assets and liabilities, which are denominated in foreign currency, are translated into the functional currency at the exchange rate in force at the reporting date.

All exchange rate differences are recorded in the income statement.
Non-monetary items which are valued at historic cost and denominated in foreign currencies are translated by using the exchange rates in force at the date of initial recognition of the transaction.

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 31 December 2020	Average exchange rates 31 December 2019	Exchange rates at the end of the reporting period 31 December 2020	Exchange rates at the end of the reporting period 31 December 2019
US Dollar	1.1422	1.1195	1.2271	1.1234
Swiss Franc	1.07052	1.11245	1.0802	1.0854
Japanese Yen	121.846	122.006	126.49	121.94
Pound Sterling	0.8897	0.8778	0.8990	0.8508
Danish Krone	7.4542	7.4661	7.4409	7.4715
Australian Dollar	1.6549	1.6109	1.5896	1.5995
South Korean Won	1,345.57	1,305.31	1,336.01	1,296.28
Hong Kong Dollar	8.8587	8.7715	9.5142	8.7473
Mexican Peso	24.519	21.557	24.4160	21.2202
New Taiwanese Dollar	33.594	34.5878	34.4518	33.5564
Singapore Dollar	1.5742	1.5273	1.6218	1.5111
Thai Baht	35.7081	34.7570	36.7270	33.4150
Malaysian Ringgit	4.7959	4.6374	4.9340	4.5953
Indian Rupee	84.6392	78.8361	89.6605	80.1870
Macau Pataca	9.121	9.026	9.7929	9.0033
Chinese Renminbi	7.8747	7.7355	8.0225	7.8205
Chilean Peso	902.32	786.81	870.71	843.690
Argentine Peso	81.029	53.898	102.959	67.205
Brazilian Real	5.8943	4.4134	6.3735	4.5157
Canadian Dollar	1.5300	1.4855	1.5633	1.4598

At the reporting date, the assets and liabilities of Group companies are converted into the Group's presentation currency (the Euro) at the exchange rate in force on that date, and their income statement is converted using the average exchange rate for the period. Translation differences are recorded directly under shareholders' equity, are shown separately in a specific reserve and are recognized in the statement of comprehensive income. On disposal of a particular foreign company, the accumulated translation differences which have been recorded as component of the statement of comprehensive income for that particular foreign company are recorded in the income statement.

Any goodwill resulting from the acquisition of a foreign company and any adjustment to fair value of the book values of assets or liabilities arising from the acquisition of that foreign company are recognized as assets and liabilities of the foreign company, are expressed in the functional currency of the foreign company and are translated at the exchange rate in force at the end of the period.

3. Management of financial risks (IFRS 7)

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

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

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

Financial liabilities largely consist of trade payables, payables to banks and other financial payables, and lease liabilities following the introduction of the accounting standard IFRS16. The management of these liabilities is largely aimed at financing the Group's operations.

Interest rate risk

Movements in market interest rates affect the level of net financial charges and the market value of financial assets and liabilities.
Interest rate risk can be classified as follows:

- flow risk, which refers to the variability in interest income and expense received and paid following changes in market interest rates;
- price risk, relating to the sensitivity of the assets and liabilities market value to changes in the level of interest rates (it refers to fixed rate assets or liabilities).

The Salvatore Ferragamo Group is mainly exposed to flow risk, i.e. to the risk of recording in the income statement an increase in financial charges due to an unfavorable change in interest rates. Group companies use third-party financial resources largely in the form of floating rate bank debt and deploy the available liquidity mainly in money market instruments. Changes in market interest rates only affect the cost of loans and the yield on uses and thus the level of the Group's financial charges and income, and not their fair value.

Bank debt is represented by both short-term and medium/long-term, floating-rate loans. The cost of bank debt is benchmarked to the market rate (generally Euribor/Libor or the benchmark of the loan currency on the specific interbank market) in the period increased by a spread which depends on the type of line of credit used. Drawdowns range from one day to a maximum of less than five years (term loan); the interest period and the market rate used (Euribor/Libor) does not exceed six months, including for drawdowns beyond the year. The margins applied are in line with best market standards.

Cash surpluses are used with reference banks in short-term time deposit transactions, referring to the Euribor/Libor rate for the period or the benchmark of the investment currency on the specific interbank market or in intercompany loans, regulated at current market conditions, in order to limit the Group's exposure to the banking system, counterparty risk, and the impact of financial charges.
As part of the general policy of optimizing financial resources, the aim is to find a balance between companies with surplus liquidity and others with financial requirements, using the least costly forms of financing.
Sensitivity to interest rate risk is monitored at Group level, by keeping the overall exposure in due consideration, through coordinated

management of debt and available liquidity and of the relevant due dates. At the reporting date there were no outstanding interest rate risk hedge derivatives aimed at transforming floating rate debt into fixed rate debt, nor did the Group make use of such derivatives in the previous year.

The sensitivity analysis of the interest rate risk to which the Group is exposed was undertaken by considering the financial statement items which give rise to floating rate interests and by assuming parallel increases or decreases in the benchmark interest rate curves by individual currency in proportion to the respective annual volatility observed on the market. The result of the analysis carried out for 2020 and 2019, considering the amounts of sensitive assets and liabilities, interest rate trends, and the relevant market volatility, which reached negative levels or levels close to zero, showed no contingent gains or losses through profit or loss.

The possible upward or downward change in the market's benchmark interest rates continues having a minor impact on the Group's income statement.

Exchange rate risk

The exposure to exchange rate risk derives from operations in currencies other than the accounting currency. In particular, the exchange rate risk can be classified based on the nature of the exposure and of the relevant effects:

- on operating results, due to the different relevance of costs and revenues in foreign currency compared to the moment when the price conditions were defined (economic risk) and due to the translation of trade or financial receivables and payables denominated in foreign currency (settlement risk);
- on the consolidated financial statements, operating result and shareholders' equity, due to the translation of assets and liabilities of companies which prepare their financial statements in a different currency from the Group's functional currency (translation risk).

The Group operates internationally and therefore is exposed to risks arising from exchange rate fluctuations, which have an impact on the operating results and on the value of shareholders' equity.

The functional and presentation currency for the Group's financial data is the Euro.

In accordance with IFRS, for companies whose presentation currency is different from the Group's functional currency:

- income statements are translated into Euro at the average exchange rate for the period; if revenues and margins are equal in local currency, exchange rate changes may affect the value in Euro of revenues, costs and operating results;
- assets and liabilities are translated into Euro at the year-end exchange rate and therefore may have different values as a consequence of exchange rate movements. This change has an impact on shareholders' equity, where it is reclassified under 'Translation reserve', and is recorded in the statement of comprehensive income.

Besides absolute amounts, capital ratios may also vary, if the proportions between profit, assets, debt and shareholders' equity in the various currencies change due to exchange rate changes.

It is not the Group's policy to hedge its exposure to translation exchange risk.

The objective of the exchange rate risk hedging policy is to minimize the economic and settlement exchange rate risks, i.e. the risks arising from the possibility that currency parity changes unfavorably during the period between the moment in which a commitment to pay or a right to collect a currency other than the Euro is expected for a future date (definition of budgets, setting of price lists, arrangement of orders), the registration of the accounting document (invoicing) and the moment in which the receipt or payment effectively occurs, generating an effect in terms of translation differences, with an impact on the income statement. In keeping with the exchange rate risk management policy adopted in recent years, the Group manages exchange rate risk arising from its business, in line with the provisions of the exchange rate risk management policy and the risk management objectives that are periodically established at Corporate level, through the systematic hedging

of commercial flows arising from sales forecast in currencies other than the Euro, with the aim of mitigating the expected risk of variability in margins arising from sales relating to future collections.
The Group has a strong presence on international markets, including through commercial companies located in countries which use currencies other than the Euro, mainly the US dollar, Japanese yen and Chinese renminbi. In the year ended 31 December 2020, around 32% of the Company's net revenues were denominated in US dollars, around 13% in Chinese renminbi, around 8% in Japanese yen, around 7% in South Korean won, and around 4% in Mexican peso. In the year ended 31 December 2019, around 38% of the Company's net revenues were denominated in US dollars, around 8% in Chinese renminbi, around 6% in Japanese yen, around 5% in South Korean won, and around 5% in Mexican peso. The currency risks originate mainly from exports of the Company in US dollars, Chinese renminbi, Japanese yen, South Korean won, and Mexican peso.

In seeking ever greater efficiency and more specific control of risks, and also following the increase in the Group's investments in distribution companies operating in the strategic markets of the Far East, exchange rate risk management is centralized at the Parent company. Goods transferred for consideration to subsidiaries are settled directly in the currency of the country where they operate and sell. In relation to its business model, the Group incurs a significant part of its costs in Euro (costs relating to production and management of the corporate structure), while the revenues and costs recorded by Group companies are mainly expressed in the local currencies of the respective reference markets. In particular, the Group is exposed to changes in the exchange rate between the Euro and the US dollar, in relation both to sales in dollars on the North American market and on few other markets, mainly Asian ones. In this context, the Group is exposed to changes in the exchange rates of the currencies in which sales are denominated. This implies the risk that the corresponding value in Euro of revenues determined at the moment of collection is insufficient to cover production costs or to achieve the desired profit margin. This risk is heightened during the significant period between the moment when the sale prices of a collection are set and the moment when revenues are converted into Euro, which extends up to 18 months.

The Parent company (as a manufacturing company) enters into currency forward contracts or options, to establish the conversion rate in advance, or a predefined range of conversion rates at future dates with an estimated period of maximum 24 months. In the years under examination, the Group covered its exchange rate risk almost exclusively with currency forward exchange contracts.

To this end, on the basis of market expectations and conditions, before establishing price lists, and in any case not after the beginning of the sales campaign, hedging is arranged for an amount generally between 50% and 90% of forecast sales in foreign currency. This proportion is calculated based on the expected overall exposure, rather than the individual foreign currency. In the period following the preparation of the price list, the total outstanding hedge is added for the orders effectively managed and put into production. In this way the company limits the commercial risk just to the risk arising from sales volumes, excluding the risk arising from the exchange rate.
To the above operations we may add residual operations of some Asian and Latin American subsidiaries which make purchases of goods in US dollars or in Euro and sell in the currency of the country in which they operate. The values of the contracts involved are significantly lower than those of the Parent company. Ferragamo Parfums S.p.A. hedges exchange rate risk by entering into foreign currency loans or foreign currency forward contracts with maturities usually of less than 1 year. Although exchange rate derivatives are entered into by these companies solely for hedging purposes based on accruing trade flows, they are not accounted for in accordance with hedge accounting rules and fair value changes have a direct impact on profit or loss.

In addition, the Group controls and hedges exposure deriving from changes due to exchange rate changes in the value of assets or liabilities denominated in currencies other than the accounting currency of the individual company, which may affect the income statement (typically intercompany financial receivables/payables) through financial instruments, whose recognition in accordance with IFRS follows the rules of fair value hedge: the profit or loss arising from subsequent assessments of the present value of the hedging instrument is recorded in the income statement as well as the profit or loss on the hedged item.

The hedges of the Parent company's future transactions in foreign currencies (which can be classified as cash flow hedge pursuant to IFRS) are accounted for in accordance with hedge accounting rules.

The following table shows the development of the cash flow hedge reserve for the years ended 31 December 2020 and 31 December 2019:

(In thousands of Euro)	2020	2019
Opening balance	**(658)**	**(4,012)**
+ increases for recognition of new positive effectiveness	18,852	3,685
- decreases for recognition of new negative effectiveness	(5,099)	(9,225)
- decreases for reversal of positive effectiveness from shareholders' equity and recognition of income in profit or loss	(12,970)	(5,512)
+ increases for reversal of negative effectiveness from shareholders' equity and recognition of cost in profit or loss	6,615	14,406
Closing balance	**6,740**	**(658)**

Overall, the reserve, which consists of the value changes in hedges for expected transactions in foreign currency, increased by 7,398 thousand Euro overall during 2020, whereas it had increased by 3,354 thousand Euro in 2019. The changes in value reflect the Euro's performance against the main hedged currencies, and specifically the Euro's exchange rate with the dollar and the Japanese yen, as the single currency appreciated sharply during the year. The effective amount transferred directly from the Reserve to the income statement under "Revenues from sales" on occurrence of the underlying flows totaled 6,734 thousand Euro in 2020, compared to a negative 8,894 thousand Euro in 2019. In 2020, there were limited interruptions of hedges due to the cancellation of the expected underlying value; the relevant impact resulted in overall accumulated financial charges totaling 379 thousand Euro. The remaining hedges were one hundred percent effective for the whole duration of the underlying asset.

A hedge may become ineffective as a result of:

- Differences in the timing of cash flows of the hedged item and the hedging instrument;
- Changes in the expected amount of cash flows of the hedged item and the hedging instrument.

The following tables set out the average time horizon and the relevance by risk factor of exchange rate hedges which the Group held at the end of 2020 and 2019. The number of foreign currencies in the table shows how exchange rate risk management is all but centralized at the Parent company.

Cash flow analysis (hedged items): Financial recognition

31 December 2020

Foreign exchange forward contracts (In thousands)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total expected flows
Notional amount in USD	19,000	41,000	34,000	28,000	-	**122,000**
Average forward exchange rate (EUR/USD)	1.121	1.120	1.121	1.180	-	
Notional amount in AUD	-	-	-	-	-	**-**
Average forward exchange rate (EUR/AUD)	-	-	-	-	-	
Notional amount in CAD	1,000	2,500	-	-	-	**3,500**
Average forward exchange rate (EUR/CAD)	1.517	1.540	-	-	-	
Notional amount in CHF	-	-	-	-	-	**-**
Average forward exchange rate (EUR/CHF)	-	-	-	-	-	
Notional amount in CNY	65,000	80,000	128,000	135,000	25,000	**433,000**
Average forward exchange rate (EUR/CNY)	7.977	7.982	8.155	8.123	8.040	
Notional amount in GBP	500	500	600	-	-	**1,600**
Average forward exchange rate (EUR/GBP)	0.909	0.910	0.911	-	-	
Notional amount in HKD	-	10,000	25,000	-	-	**35,000**
Average forward exchange rate (EUR/HKD)	-	9.025	8.901	-	-	
Notional amount in JPY	300,000	1,300,000	600,000	1,350,000	-	**3,550,000**
Average forward exchange rate (EUR/JPY)	120.383	120.393	123.362	124.293	-	
Notional amount in KRW	4,000,000	6,500,000	12,000,000	16,000,000	2,500,000	**41,000,000**
Average forward exchange rate (EUR/KRW)	1,334.900	1,336.022	1,380.062	1,365.784	1,328.000	
Notional amount in MXN	70,000	230,000	150,000	50,000	-	**500,000**
Average forward exchange rate (EUR/MXN)	25.930	24.594	26.152	25.140	-	
Notional amount in SGD	-	-	-	-	-	**-**
Average forward exchange rate (EUR/SGD)	-	-	-	-	-	

31 December 2019

Foreign exchange forward contracts (In thousands)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total expected flows
Notional amount in USD	31,000	55,000	91,000	45,000	-	**222,000**
Average forward exchange rate (EUR/USD)	1.142	1.150	1.144	1.005	-	
Notional amount in AUD	1,000	2,500	1,000	-	-	**4,500**
Average forward exchange rate (EUR/AUD)	1.629	1.621	1.614	-	-	
Notional amount in CAD	1,000	3,000	1,000	-	-	**5,000**
Average forward exchange rate (EUR/CAD)	1.540	1.522	1.548	-	-	
Notional amount in CHF	500	500	-	-	-	**1,000**
Average forward exchange rate (EUR/CHF)	1.132	1.116	-	-	-	
Notional amount in CNY	70,000	130,000	110,000	50,000	-	**360,000**
Average forward exchange rate (EUR/CNY)	7.915	7.900	7.973	8.039	-	
Notional amount in GBP	1,500	2,000	1,500	-	-	**5,000**
Average forward exchange rate (EUR/GBP)	0.881	0.866	0.881	-	-	
Notional amount in HKD	30,000	50,000	45,000	20,000	-	**145,000**
Average forward exchange rate (EUR/HKD)	8.930	8.918	8.900	8.842	-	
Notional amount in JPY	400,000	1,200,000	1,600,000	1,500,000	-	**4,700,000**
Average forward exchange rate (EUR/JPY)	125.330	124.793	120.370	118.860	-	
Notional amount in KRW	4,000,000	10,500,000	16,000,000	14,000,000	-	**44,500,000**
Average forward exchange rate (EUR/KRW)	1,300.084	1,312.443	1,336.612	1,333.471	-	
Notional amount in MXN	40,000	210,000	130,000	40,000	-	**420,000**
Average forward exchange rate (EUR/MXN)	22.168	23.016	23.335	23.206	-	
Notional amount in SGD	-	2,000	1,000	-	-	**3,000**
Average forward exchange rate (EUR/SGD)	-	1.564	1.561	-	-	

Cash flow analysis (hedged items): Impact on the income statement

31 December 2020

Exchange rate risk (In thousands)	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	over 1 year
Sales expected in USD	**79,000**	49,000	28,000	2,000	-	-
Sales expected in JPY	**3,250,000**	1,300,000	1,300,000	650,000	-	-
Sales expected in GBP	**1,100**	500	600	-	-	-
Sales expected in MXN	**375,000**	175,000	150,000	50,000	-	-
Sales expected in CHF	**-**	-	-	-	-	-
Sales expected in AUD	**-**	-	-	-	-	-
Sales expected in CAD	**1,500**	1,500	-	-	-	-
Sales expected in CNY	**288,000**	80,000	148,000	60,000	-	-
Sales expected in HKD	**25,000**	25,000	-	-	-	-
Sales expected in SGD	**-**	-	-	-	-	-
Sales expected in KRW	**30,500,000**	8,000,000	14,000,000	8,500,000	-	-

31 December 2019

Exchange rate risk (In thousands)	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	over 1 year
Sales expected in USD	**239,000**	79,000	90,000	65,000	5,000	
Sales expected in JPY	**5,800,000**	1,500,000	1,900,000	1,200,000	1,200,000	-
Sales expected in GBP	**6,500**	3,000	3,500	-	-	-
Sales expected in MXN	**500,000**	250,000	160,000	90,000	-	-
Sales expected in CHF	**1,500**	1,000	500	-	-	-
Sales expected in AUD	**5,500**	3,500	2,000	-	-	-
Sales expected in CAD	**7,000**	4,000	3,000	-	-	-
Sales expected in CNY	**415,000**	190,000	130,000	60,000	35,000	-
Sales expected in HKD	**165,000**	45,000	45,000	45,000	30,000	-
Sales expected in SGD	**6,000**	4,000	2,000	-	-	-
Sales expected in KRW	**48,500,000**	12,500,000	16,000,000	16,000,000	4,000,000	-

The most important hedge, in terms of volumes of notional amounts in foreign currency being hedged, is aimed at mitigating the risk generated by fluctuations in the exchange rate between the Euro and the following currencies: US dollar, Chinese renminbi, Japanese yen, South Korean won, and Mexican peso.

From a time viewpoint, hedges lasting over one year show nil values as at 31 December 2020 as well as 31 December 2019. The above tables set out the financial recognition dates of underlying assets by currency and the dates on which the impact on the income statement is recognized. This is determined upon the invoicing of the estimated flows, which are the object of the exchange rate hedge, as at 31 December 2020 and 2019.

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

Expected highly probable sales

(In thousands of Euro)	Notional amount	Cash flow hedge reserve / change in fair value used to measure ineffectiveness	Carrying amount	
			Line item "other current assets"	Line item "other current liabilities"
31 December 2020	168,971	6,740	5,502	(1,230)
31 December 2019	414,443	(658)	1,206	(3,363)

Sensitivity Analysis

The sensitivity analysis carried out in order to assess the Group's exposure to exchange rate risk was undertaken on the basis of percentage increases and decreases in the exchange rates of the various currencies, proportional to their annual volatility, applied to all significant financial assets and liabilities expressed in original currencies. In particular, the analysis involved all currencies and the following items:

- exchange rate derivatives;
- trade and other receivables;
- trade and other payables;
- cash and cash equivalents;
- short- and long-term financial liabilities;
- short and long-term lease liabilities.

In addition, the table shows the most important effects and the related currencies and refers to the exposure to exchange rate risk in accordance with the requirements of IFRS 7 and therefore does not take into account the effects arising from the translation of financial statements of foreign companies whose functional currency is different from the Euro. Exchange rates were considered for currencies whose changes generate an impact on the income statement and shareholders' equity, in absolute terms, of over one million Euro.

31 December 2020

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
POSITIVE CHANGE	EUR/JPY	7.1%	Derivatives	2,773	1,701
			Non-derivatives	(235)	
	EUR/USD	6.4%	Derivatives	5,352	3,844
			Non-derivatives	(106)	
	EUR/KRW	9.2%	Derivatives	409	1,918
			Non-derivatives	(5)	
	EUR/CNY	5.1%	Derivatives	869	1,726
			Non-derivatives	(58)	
	EUR/MXN	13.0%	Derivatives	1,861	1,767
			Non-derivatives	(108)	
	EUR/HKD	6.5%	Derivatives	64	160
			Non-derivatives	2	
	EUR/SGD	5.2%	Derivatives	1,274	-
			Non-derivatives	(15)	
	USD/CNY	4.7%	Derivatives	838	-
			Non-derivatives	(1)	
Total				**12,914**	**11,116**

31 December 2020

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
NEGATIVE CHANGE	EUR/JPY	(7.1%)	Derivatives	(3,196)	(1,960)
			Non-derivatives	260	
	EUR/USD	(6.4%)	Derivatives	(6,078)	(4,365)
			Non-derivatives	117	
	EUR/KRW	(9.2%)	Derivatives	(491)	(2,305)
			Non-derivatives	6	
	EUR/CNY	(5.1%)	Derivatives	(961)	(1,909)
			Non-derivatives	63	
	EUR/MXN	(13.0%)	Derivatives	(2,417)	(2,295)
			Non-derivatives	140	
	EUR/HKD	(6.5%)	Derivatives	(73)	(183)
			Non-derivatives	(3)	
	EUR/SGD	(5.2%)	Derivatives	(1,413)	-
			Non-derivatives	16	
	USD/CNY	(4.7%)	Derivatives	(793)	-
			Non-derivatives	1	
Total				**(14,822)**	**(13,017)**

31 December 2019

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
POSITIVE CHANGE	EUR/JPY	6.7%	Derivatives	1,745	2,976
			Non-derivatives	(86)	
	EUR/USD	5.9%	Derivatives	(295)	11,758
			Non-derivatives	(5)	
	EUR/KRW	7.7%	Derivatives	(221)	2,681
			Non-derivatives	(4)	
	EUR/CNY	4.7%	Derivatives	(317)	2,394
			Non-derivatives	(17)	
	EUR/MXN	8.6%	Derivatives	112	1,871
			Non-derivatives	(55)	
	EUR/HKD	5.9%	Derivatives	(127)	1,051
			Non-derivatives	9	
	EUR/SGD	4.7%	Derivatives	894	176
			Non-derivatives	(13)	
	USD/CNY	4.0%	Derivatives	1,420	-
			Non-derivatives	(4)	
Total				**3,036**	**22,907**

31 December 2019

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
NEGATIVE CHANGE	EUR/JPY	(6.7%)	Derivatives	(1,994)	(3,402)
			Non-derivatives	96	
	EUR/USD	(5.9%)	Derivatives	332	(13,219)
			Non-derivatives	1	
	EUR/KRW	(7.7%)	Derivatives	258	(3,130)
			Non-derivatives	5	
	EUR/CNY	(4.7%)	Derivatives	349	(2,632)
			Non-derivatives	18	
	EUR/MXN	(8.6%)	Derivatives	(133)	(2,224)
			Non-derivatives	66	
	EUR/HKD	(5.9%)	Derivatives	143	(1,183)
			Non-derivatives	(10)	
	EUR/SGD	(4.7%)	Derivatives	(981)	(194)
			Non-derivatives	14	
	USD/CNY	(4.0%)	Derivatives	(1,774)	-
			Non-derivatives	4	
Total				**(3,606)**	**(25,984)**

As the above table shows, a positive change in the listed exchange rates (EUR/JPY, EUR/USD, EUR/KRW, EUR/CNY, EUR/MXN, EUR/HKD, EUR/SGD, and USD/CNY) would have resulted in a 12,914 thousand Euro profit and 3,036 thousand Euro profit as at 31 December 2020 and 31 December 2019, respectively; a negative change in exchange rates would have caused a 14,822 thousand Euro loss and 3,606 thousand Euro loss as at 31 December 2020 and 31 December 2019, respectively. The increase in shareholders' equity caused by derivative instruments designated as hedges as a result of the assumed positive exchange rate changes would have amounted to 11,116 thousand Euro and 22,907

thousand Euro as at 31 December 2020 and 31 December 2019, respectively; the decrease in shareholders' equity as a result of the assumed negative exchange rate changes would have totaled 13,017 thousand Euro and 25,984 thousand Euro as at 31 December 2020 and 31 December 2019, respectively. The sensitivity analysis carried out as described above, which is significantly affected by market volatility in the exchange rates considered, points to a material impact on the Group shareholders' equity from the potential change in the value of hedging derivatives. This is temporarily allocated to the cash flow hedge reserve and will be recognized through profit or loss in the following years when the expected sales occur. The higher or lower impact on the income statement and on equity in each of the years under consideration derives largely from the trend in the individual currencies at the reference dates and the change in the value of financial assets and liabilities exposed to fluctuations in exchange rates.

Liquidity risk

Liquidity risk represents the risk that the Group cannot meet its financial obligations due to problems in obtaining funds at current market price conditions (funding liquidity risk) or in liquidating assets on the market to find the necessary financial resources (asset liquidity risk).
The first consequence is a negative impact on the income statement, should the Company be forced to incur additional costs to meet its commitments.
The factors which mainly influence the Group's liquidity are the resources generated or absorbed by current operating and investing activities, the possible distribution of dividends and the expiry and possibility of renewal of debt or the expiry and possibility of liquidation of financial investments of surplus cash. Liquidity needs or surpluses are monitored on a daily basis by the Parent company in order to guarantee effective sourcing of financial resources or adequate investment of liquidity.
The negotiation and management of credit lines is coordinated by the Parent company with the aim of satisfying the short and medium-term needs of the Group's individual companies according to efficiency and cost-effectiveness criteria. As at 31 December 2020, committed credit lines with a number of banks were outstanding for a total of 532,671 thousand Euro, of which 391,859 thousand Euro can be used on one or more occasions (revolving credit lines) and 140,812 thousand Euro in the form of medium/long-term loans, including 125,000 thousand Euro denominated in Euro and repayable according to a repayment schedule, and 15,812 thousand Euro denominated in foreign currency and fully repayable at maturity. As at the same date, there were also uncommitted short-term credit lines relating to the Parent company and some of its subsidiaries totaling 426,467 thousand Euro. As at 31 December 2020, the Group had unused committed credit lines (as revolving credit lines or term loans) amounting to 381,107 thousand Euro and uncommitted lines totaling 391,977 thousand Euro, against gross debt of 186,000 thousand Euro and an adjusted net financial position amounting to a surplus of 138,743 thousand Euro (429,166 thousand Euro debt when considering also lease liabilities in accordance with IFRS 16). As at 31 December 2020, committed credit lines had a maximum residual duration of fifty-five months and a weighted average residual duration of thirty-two months. The credit lines and the related financial business are spread among leading national and international banks. As at the reporting date, their maximum use is below five years. In general, the Group's committed credit lines (both revolving credit lines and term loans) that are currently outstanding do not require compliance with financial covenants. One exception is the loan agreement entered into with Intesa Sanpaolo S.p.A. on 24 July 2020. For more details, see note 28 Interest-bearing loans & borrowings - Limitations on the use of financial resources.
It has always been the Group's policy to sign and constantly maintain with various and diversified banks a total amount of committed credit lines that is considered consistent with the needs of the individual companies and suitable to ensure at any time the liquidity needed to satisfy and comply with all the Group's financial commitments, at the established economic conditions, as well as guaranteeing the availability of an adequate level of operational flexibility for any expansion programs. During 2020, in light of the emergency caused by the spread of Covid-19, the Group saw it fit to further strengthen its financial structure by increasing its committed lines with diversified counterparties, meeting its financial requirements with both medium/long- and short-term debts. As it has in the past, the Group used a significant part of its cash surplus in order to take out intercompany loans, which are regulated at current market conditions. As a result, the following were outstanding as at 31 December 2020: the term loan related to the subsidiary Ferragamo Japan K.K., which can be fully repaid at maturity, has been extended, and had a residual maturity of thirty-one months, and a new 125,000 thousand Euro term loan related to the Parent company, repayable according to a repayment schedule, and with a final residual duration of fifty-five months. Cash surpluses are used with reference banks in short-term (usually between one day and twenty-four months) time deposit transactions, referring to the Euribor/Libor rate for the period or the benchmark of the investment currency on the specific interbank market. Liquidity investments are carried out with the prime objectives of making resources available at short notice (in the event of maturities longer than three months, the relevant contracts allow promptly liquidating them without penalties) and neutralizing the risk of capital losses, avoiding speculative transactions.
In seeking ever greater efficiency, also during 2020, the Group used a significant part of its cash surplus in order to take out intercompany loans, which are regulated at current market conditions, so as to contain the increase in average gross bank debt as well as financial charges

at a consolidated level and limit the credit risk connected with the investment of liquidity with banks.
These choices, which also take account of the likely future trend in cash flows together with prompt renegotiation of credit lines (even before their expiry), enable a significant reduction in the exposure to the risk under review and allow to adjust the cost of debt to the best market conditions. The Group has constantly maintained access to a wide range of financing sources at competitive costs, despite the external scenario, which continues to be characterized by rigidity in the credit market. Despite the Group's capacity to generate high cash flows from current operations, the constant availability of an adequate amount of committed credit lines allowed the Group to calmly face the most turbulent market phases and volatility in credit flows. The total financial position of each company and that of the Group overall is measured every month, and compared with the latest Budget/Forecast. Management believes that the funds and credit lines currently available, with the addition of the funds which are likely to be generated from current operations, will enable the Group to safely address the repayment of loans at their natural expiries and to meet the needs arising from investment activities and working capital management.

Liquidity risk - Maturity analysis

31 December 2020

(In thousands of Euro)	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	130,238	6,161	-	-	136,399
Payables to banks	45,885	11,602	132,863	-	190,350
Payables to third parties	3,629	-	-	-	3,629
Lease liabilities	30,011	82,233	316,744	193,076	622,064
Guarantee deposits	108	-	190	102	400
Derivatives - non-hedging component	93	65	-	-	158
Derivatives - hedging component	587	1,940	-	-	2,527
Total	**210,551**	**102,001**	**449,797**	**193,178**	**955,527**

31 December 2019

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

The analysis conducted on the items representing financial liabilities showed maturities distributed over time, with trade payables concentrated within three months. In 2020, payables to banks had a maximum residual duration below 5 years.
The reported financial assets have a shorter remaining life, as they mostly relate to cash and cash equivalents.

Credit risk

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

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

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

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

The credit risk connected to financing, investing and operating activities in derivatives to hedge the exchange rate risk is represented by the inability of the counterparty or the issuer of the instruments to meet their contractual obligations, i.e. the so-called counterparty risk. The Group manages this type of risk by selecting counterparties with high credit ratings and who are considered solvent by the market and with whom it has routine and ongoing trade and banking service relations and by diversifying the accounting currency of surplus cash.
The Group negotiated and entered into master agreements, in accordance with the international standards (ISDA Master Agreement), with all counterparties of derivatives, in order to regulate the various cases.
The credit risk regarding the Group's other financial assets, consisting of cash and cash equivalents, available-for-sale financial assets and some derivatives, has a risk equal to the book value of these assets in case of insolvency of the counterparty.

Credit risk exposure

	31 December 2020		31 December 2019	
(In thousands of Euro)	Current portion	Non current portion	Current portion	Non current portion
Receivables and loans				
- Receivables from others (M/L term)	892	650	709	1,150
- Trade receivables	113,909	-	147,202	-
- Receivables due from credit cards	6,213	-	9,234	-
- Cash and cash equivalents	327,880	-	222,332	-
- Guarantee deposits	-	15,574	-	16,939
- Other current financial assets	279	-	-	-
Derivatives	7,165	-	1,567	-
Total	**456,338**	**16,224**	**381,044**	**18,089**

The table shows how the Group's exposure to credit risk - both commercial and counterparty risk - is defined by the book value of the items representing outstanding financial assets as at 31 December 2020 and 31 December 2019, and is almost exclusively limited to the current portion. Excluding "Guarantee deposits", which largely include cash deposits paid by several companies under property lease agreements and are recognized at their nominal amount, the non-current portion entirely consists of receivables due from Emanuel Ungaro Italia S.r.l. to Ferragamo Parfums S.p.A. under a licensing agreement that was renegotiated in July 2017. Under the agreement, both the 892 thousand Euro current portion and 650 thousand Euro non current portion are to be repaid based on a repayment plan, to be calculated in accordance with future royalties. Payments are expected to be made in annual installments starting from 2019 through 2023; the fair value was calculated by discounting the nominal amount using the market IRS rates quoted for the individual annual maturities, in accordance with the discounted cash flow method. The negative market interest rates for some maturities until 2023 were assumed to be zero, resulting in a fair value equal to the nominal amount.

Concentration of credit risk by geographic area

(In thousands of Euro)	31 December 2020	%	31 December 2019	%
Italy	29,537	25.9%	23,454	15.9%
Europe	8,954	7.9%	22,603	15.4%
North America	14,063	12.3%	22,728	15.4%
Japan	9,964	8.8%	11,666	7.9%
Asia Pacific	42,061	36.9%	57,202	38.9%
Central and South America	9,330	8.2%	9,549	6.5%
Total	**113,909**	**100.0%**	**147,202**	**100.0%**

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

Analysis on receivables' expiry dates

(In thousands of Euro)	Receivables neither past due nor impaired	Receivables past due but not impaired					Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days	
31 December 2020	100,918	6,917	2,454	987	477	2,156	**113,909**
31 December 2019	131,386	8,566	2,812	1,173	745	2,520	**147,202**
Figures in % as at 31 December 2020	88.6%	6.1%	2.1%	0.9%	0.4%	1.9%	**100.0%**
Figures in % as at 31 December 2019	89.3%	5.8%	1.9%	0.8%	0.5%	1.7%	**100.0%**

The analysis carried out on the expiry dates of receivables which are past due but not impaired shows they are concentrated within thirty days for the years ended 31 December 2020 and 31 December 2019.

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

Concentration of market risk

	2020	2019
Percentage of revenues with the biggest customer	1.5%	1.6%
Percentage of revenues with the 3 biggest customers	4.2%	4.7%
Percentage of revenues with the 10 biggest customers	9.6%	11.0%

Capital management

The main objective of the Group's capital management activity is to ensure that a solid credit rating as well as adequate levels of equity indicators are maintained in order to support business and optimize value for shareholders. The Group manages the capital structure and modifies it according to changes in economic conditions. To maintain or adjust the capital structure, the Group can modify the dividends paid to shareholders, repay the capital or issue new shares. No change was made to the objectives, policies or procedures during 2020 and 2019.

To this end, the Group's capital management aims to, among other things, ensure compliance with the covenants associated with financial payables to banks that define capital structure requirements.
The Group includes under net debt, interest-bearing loans, lease liabilities, other financial payables, trade and other payables, net of cash and cash equivalents.
Other financial payables include agreements for the purchase of minority interests (reference should be made to note 43), although these amounted to zero as at 31 December 2020.

The table does not include the values and related effects produced by the derivatives used to manage exchange rate risk.

(In thousands of Euro)	31 December 2020	31 December 2019
Interest-bearing loans	186,000	48,060
Lease liabilities	567,909	676,329
Other financial payables	3,629	2,239
Trade and other payables	164,108	247,697
Cash and cash equivalents	327,880	222,332
Net debt	**593,766**	**751,993**
Group shareholders' equity	688,459	764,146
Minority interests	16,114	21,618
Shareholders' equity	**704,573**	**785,764**
Shareholders' equity and net debt	**1,298,339**	**1,537,757**
Net debt/shareholders' equity	**84.3%**	**95.7%**

4. Impacts of the Covid-19 Emergency

At the end of 2019, a new coronavirus, known as Covid-19, was found in Wuhan, China. The Covid-19 Coronavirus has spread gradually from China to the rest of the world—to the point that on 11 March 2020 the World Health Organization declared a pandemic due to the speed and extent of the epidemic. In order to contain the outbreak and protect public health, Governments all over the world have gradually put in place containment and social distancing measures, shutting down non-essential retail and manufacturing operations as well as limiting international and domestic travel. In certain areas, including Europe, these measures were eased in the third quarter of 2020 and then gradually tightened once again in the fourth quarter to stem a second wave of the virus.

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

In 2020, the Group saw a 33.5% drop in revenues at current exchange rates and, therefore, a deterioration in its margins and financial performance, as detailed in the Group's operating performance section of the Directors' report on operations. The Group incurred direct costs to address this emergency, and specifically the expenses associated with the measures taken to protect the health of employees at both offices and directly operated stores: it also received, where possible, government grants and subsidies, such as the different kinds of aid aimed at supporting employment. Personnel costs were down 20.1% in 2020 compared to the prior-year period, in part thanks to government benefits and subsidies, such as employment support measures, and in part due to the effects of a newly launched plan to streamline the organization.

In addition, the Group started, successfully concluded, and continues important negotiations to reduce operating costs, especially with lessors, in order to revise the terms and conditions of the leases of its distribution network, resulting in a 19,729 thousand Euro positive variable lease payment in 2020 that was directly recognized through profit or loss (largely within the line item "Sales and distribution costs").

In addition, the Group wrote down inventories, net of uses, by 28,654 thousand Euro, mainly to account for the potential risk of obsolescence in light of the lower sales of certain products, because of the current situation (see note 14 Inventories). The provision for bad debt, to which the Group allocated 528 thousand Euro in 2020, was adjusted in accordance with the risk assessments relating to the current situation (see note 16 Trade receivables). As for the analysis of liquidity and credit risks, see note 3 Management of financial risks. Specifically, in order to bolster its financial structure and soundness, the Group has seen it fit to increase the amount of committed lines outstanding with diversified banking counterparties, promptly opening additional short- and medium/long-term lines of credit. For more details, see note 28 Interest-bearing loans & borrowings.

Considering the continued severity of the current situation associated with the impact of the Covid-19 pandemic and the uncertainty about how long this will last, only partly mitigated in recent months by the discovery and authorization of the first Covid-19 vaccines in various countries, it is hard to forecast future impacts and the recoverable amounts of the Group's assets, except for the information reported in the following paragraph.

The economic crisis associated with the Covid-19 emergency qualifies as an impairment indicator. Therefore, the Group considered this aspect in making its estimates and assumptions: for more details, see note 11 Impairment of Property, Plant and Equipment, Right-of-use Assets, and Intangible Assets with a Finite Useful Life.

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

The impairment tests resulted in a 34,627 thousand Euro impairment loss, including 33,011 thousand Euro relating to Property, plant and equipment and 1,616 thousand Euro to Intangible assets with a finite useful life. For more details, see notes 6 Property, Plant and Equipment, 10 Intangible Assets with a Finite Useful, and 11 Impairment of Property, Plant and Equipment, Right-of-use Assets, and Intangible Assets with a Finite Useful Life.

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

5. Business combinations and purchases of minority interests

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

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

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

To allocate the consideration for the transaction in accordance with IFRS 3 Business Combinations, Salvatore Ferragamo S.p.A. identified and measured the fair value of the assets acquired and liabilities assumed with the help of an independent consultant. The analysis estimated the value of know-how at 6,380 thousand Euro. This relates largely to Arts S.r.l.'s intellectual property, classified under Intangible assets with a finite useful life. Arts S.r.l. has been collaborating with Salvatore Ferragamo S.p.A. since its inception in 1984, helping with the prototyping, industrialization, and quality control of products as well as the monitoring of the Group's network of suppliers with respect to men's footwear. The useful life of this intangible asset was estimated at 8 years.

To estimate the fair value of know-how, the Group used the Multi Excess Earning Method. Under this method, the fair value of know-how is determined on the basis of the present value of future benefits that the asset is capable of generating over its useful life. The cash flows used to measure the fair value were calculated on the basis of Arts S.r.l.'s business plan, considering the revenues expected over the asset's useful life and assuming an impairment rate of 12.5% on an annual basis. The WACC used to discount cash flows was assumed to be 8.7%.

Net of the fair value of the assets acquired and liabilities assumed, the residual amount allocated to goodwill arising from the acquisition totaled 6,679 thousand Euro. The amount of goodwill is attributable to the synergies and other economic benefits arising from the combination of the assets and industrial operations of the acquirees with those of Salvatore Ferragamo S.p.A..

(In thousands of Euro)	Book values		Fair value recognized as at the acquisition date
	Arts S.r.l.	Aura 1 S.r.l.	
ASSETS			
Property, plant and equipment	87	-	87
Intangible assets with a finite useful life	15	-	6,395
Investments in subsidiaries	-	538	-
Other non current financial assets	2		2
Trade receivables	267		267
Tax receivables	22	-	22
Other current assets	28	-	28
Cash and cash equivalents	2,360	1,359	3,719
TOTAL ASSETS	**2,781**	**1,897**	**10,520**
LIABILITIES			
Employee benefit liabilities	64	-	64
Deferred tax liabilities	-	-	1,780
Trade payables	50	-	50
Tax payables	295	13	308
Other current liabilities	68	-	68
TOTAL LIABILITIES	**477**	**13**	**2,270**
TOTAL NET IDENTIFIABLE ASSETS AT FAIR VALUE	**2,304**	**1,884**	**8,250**
Goodwill arising from the acquisition			6,679
CONSIDERATION FOR THE ACQUISITION			**14,929**
Cash flow analysis at acquisition:			
Net cash acquired with the subsidiary (included in cash flows from investing activities)	2,360	1,359	3,719
Consideration paid	(5,560)	(5,740)	(11,300)
Deferred consideration	(1,122)	(2,507)	(3,629)
Net cash flow of the acquisition	**(4,322)**	**(6,888)**	**(11,210)**

Transaction costs, totaling 524 thousand Euro, were recognized in profit or loss under General and administrative costs.

Since the acquisition date, Arts S.r.l. And Aura 1 S.r.l. have contributed to the Group's result with a 347 thousand Euro loss.

In order to streamline the ownership structure, allowing for more flexible internal processes - and therefore optimize the management of resources and intercompany financial flows arising from the operations currently divided between Aura 1 S.r.l. and Arts S.r.l. - the Group deemed it appropriate to merge said entities into Salvatore Ferragamo S.p.A.. The merger was finalized on 1 December 2020 after filing the deed of merger prepared on 24 November 2020 with the relevant Company Register on 25 November 2020. For further details, reference should be made to the Directors' report on operations, paragraph "Significant events occurred during the year". The merger is effective for legal purposes as of 1 December 2020 and for accounting and tax purposes as of 1 January 2020.

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

6. Property, plant and equipment

The breakdown of Property, plant and equipment as at 31 December 2020 and 31 December 2019 is shown in the following table:

(In thousands of Euro)	31 December 2020			31 December 2019		
	Historical Cost	Acc. depreciation and Impairment	Net value	Historical Cost	Acc. depreciation and Impairment	Net value
Land	29,144	-	29,144	29,696	-	29,696
Buildings	96,548	37,829	58,719	98,528	36,770	61,758
Plant and equipment	56,850	35,489	21,361	56,314	30,257	26,057
Industrial and commercial equipment	131,165	109,468	21,697	134,560	102,309	32,251
Other assets	76,444	65,797	10,647	77,484	62,184	15,300
Leasehold improvements	264,076	228,178	35,898	281,961	199,298	82,663
Fixed assets in progress and payments on account	5,655	-	5,655	4,080	-	4,080
Total	**659,882**	**476,761**	**183,121**	**682,623**	**430,818**	**251,805**

The following tables show the changes in property, plant and equipment for the years ended 31 December 2020 and 31 December 2019:

(In thousands of Euro)	Value at 01.01.2020	Translation Diff.	Additions	Disposals	Depreciation	Impairment	Acq. in Business combinations	Value at 31.12.2020
Land	29,696	(552)	-	-	-	-	-	29,144
Buildings	61,758	(419)	350	-	(2,970)	-	-	58,719
Plant and equipment	26,057	(15)	699	(22)	(5,406)	(6)	54	21,361
Industrial and commercial equipment	32,251	(1,303)	7,615	(596)	(11,521)	(4,749)	-	21,697
Other assets	15,300	(229)	2,053	(125)	(6,361)	(24)	33	10,647
Leasehold improvements	82,663	(2,326)	11,110	(724)	(26,366)	(28,459)	-	35,898
Fixed assets in progress and payments on account	4,080	(479)	10,193	(8,139)	-	-	-	5,655
Total	**251,805**	**(5,323)**	**32,020**	**(9,606)**	**(52,624)**	**(33,238)**	**87**	**183,121**

(In thousands of Euro)	Value at 01.01.2019	Translation Diff.	Additions	Disposals	Amortization	Reclass.	Impairment	Value at 31.12.2019
Land	29,740	(44)	-	-	-	-	-	29,696
Buildings	62,250	101	2,418	-	(3,011)	-	-	61,758
Plant and equipment	26,481	6	4,866	(8)	(5,290)	2	-	26,057
Industrial and commercial equipment	32,355	613	12,829	(1,093)	(11,950)	(425)	(78)	32,251
Other assets	12,133	98	9,024	(120)	(6,259)	424	-	15,300
Leasehold improvements	85,685	1,928	25,070	(970)	(27,464)	(1,445)	(141)	82,663
Fixed assets in progress and payments on account	11,177	238	3,969	(11,304)	-	-	-	4,080
Total	**259,821**	**2,940**	**58,176**	**(13,495)**	**(53,974)**	**(1,444)**	**(219)**	**251,805**

The increase, net of the decrease in Fixed assets in progress and payments on account:

- in "Buildings, plant and equipment" largely refers to improvements implemented during 2020 at the Osmannoro - Sesto Fiorentino facility, owned by Salvatore Ferragamo S.p.A., and the property owned by Ferragamo Korea Ltd.;
- in "Industrial and commercial equipment" mainly refers to the opening and renovation of stores (7,060 thousand Euro) and the purchase of equipment and molds (555 thousand Euro) for the fragrances product category;
- in "Other assets" mainly refers to IT equipment (1,312 thousand Euro) and furniture and furnishings (594 thousand Euro);
- in "Leasehold improvements" refers mainly to work carried out for the opening or refurbishment of stores;
- in "Fixed assets in progress and payments on account" refers largely to expenses incurred and payments on account made for the renovation and opening of stores not yet operational as at the reporting date.

The increase in Tangible assets under Leasehold improvements, recognized against the Provision for future operating risks and charges (note 22), included the costs for the restoration of premises leased from third parties, which amounted to 621 thousand Euro in 2020 (561 thousand Euro in 2019). Disposals mainly refer to assets (not fully depreciated) relating to stores which have been renovated or closed during the year.

As envisaged by the analysis procedure for impairment indicators adopted by the Group, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Group operates, while internal sources are corporate strategies which can change the use of assets. Specifically, the economic crisis associated with the Covid-19 emergency qualifies as an impairment indicator, therefore the Group took it into consideration when making estimates and assumptions.

The 33,238 thousand Euro impairment loss reflects: the 33,011 thousand Euro loss arising from the impairment test conducted by the Group and recognized for the tangible assets of Ferragamo Deutschland GmbH, Ferragamo U.K. Limited, Ferragamo USA Group, Ferragamo Japan K.K., Ferragamo (Thailand) Limited, and Ferragamo Espana S.L. - for the details, see note 11 Impairment of Property, Plant and Equipment, Right-of-use Assets, and Intangible Assets with a Finite Useful Life; and the 227 thousand Euro impairment loss recognized for the tangible assets of certain stores resulting from their planned restructuring or closure.

The acquisition in a business combination refers to the initial consolidation of the entities Arts S.r.l. and Aura 1 S.r.l., acquired in 2020. For the details, see note 5 Business Combinations.

7. Investment property

The breakdown of the item as at 31 December 2020 and 31 December 2019 is set out in the following table:

(In thousands of Euro)	31 December 2020			31 December 2019		
	Historical Cost	Accumulated depreciation	Net value	Historical Cost	Accumulated depreciation	Net value
Land	4,561	-	4,561	4,982	-	4,982
Buildings	10,743	10,245	498	11,735	10,848	887
Right-of-use assets - Buildings	91,245	64,480	26,765	99,667	66,445	33,222
Total	**106,549**	**74,725**	**31,824**	**116,384**	**77,293**	**39,091**

Investment property refers entirely to buildings located in the United States.

Please note that the right-of-use assets qualifying as investment property are classified in this line item and amounted to 26,765 thousand Euro as at 31 December 2020.The following tables show the change in investment property for the years ended 31 December 2020 and 31 December 2019:

(In thousands of Euro)	Value at 01.01.2020	Translation difference	Additions	Depreciation	Value at 31.12.2020
Land	4,982	(421)	-	-	4,561
Buildings	887	(52)	-	(337)	498
Right-of-use assets: - Buildings	33,222	(2,536)	-	(3,921)	26,765
Total	**39,091**	**(3,009)**	**-**	**(4,258)**	**31,824**

(In thousands of Euro)	Value at 01.01.2019	IFRS 16 impact at	Translation difference	Additions	Depreciation	Value at 31.12.2019
Land	4,888	-	94	-	-	4,982
Buildings	1,206	-	25	-	(344)	887
Right-of-use assets: - Buildings	-	36,507	716	-	(4,001)	33,222
Total	**6,094**	**36,507**	**835**	**-**	**(4,345)**	**39,091**

As envisaged by the analysis procedure for impairment indicators adopted by the Group, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Group operates, while internal sources are corporate strategies which can change the use of assets. From the analyses carried out no need emerged to record any impairment on this item.

In addition, the Group periodically assesses the fair value of investment property recorded in the financial statements; on the basis of these estimates, the fair values are higher than the book values.

8. Goodwill

The amount of Goodwill was entirely acquired in 2020 through the business combination of Arts S.r.l. and Aura 1 S.r.l.: for details, see note 5 Business Combinations and the paragraph Significant events occurred during the year in the Directors' report on operations. Net of the fair value of the assets acquired and liabilities assumed, the residual amount allocated to goodwill arising from the acquisition totaled 6,679 thousand Euro.

The following table shows the change in goodwill for the year ended 31 December 2020:

(In thousands of Euro)	Value at 01.01.2020	Translation difference	Additions	Disposals	Acq. in Business combinations	Value at 31.12.2020
Goodwill	-	-	-	-	6,679	6,679
Total	**-**	**-**	**-**	**-**	**6,679**	**6,679**

As required by the procedure for analyzing impairment indicators adopted by the Group, goodwill is tested annually to determine the recoverable amount. The impairment test was conducted by grouping CGUs at the Group level as a whole.

The economic crisis associated with the Covid-19 emergency qualifies as an impairment indicator, therefore the Group took it into consideration when making estimates and assumptions. However, in reviewing its impairment indicators, the Group considers, among other factors, the ratio of its market capitalization to book value. As at 31 December 2020, the Group's market capitalization exceeded the book value of equity, ruling out the existence of an impairment indicator.The value used to determine the recoverable amount of the CGU is the value in use. This was calculated based on expected cash flows, which were discounted at an appropriate rate (Discounted cash-flow- DCF analysis).

The DCF analysis was performed based on the budget for the year 2021, prepared and approved by the Board of Directors of Salvatore Ferragamo S.p.A.; as for the two following explicit forecast years, the Group used the business plans prepared by management, which represent the best estimate the Group can make of the economic conditions expected for the period.

The main assumptions to determine the recoverable amount are given below:

- Terminal Value: determined using the perpetuity model with a long-term growth rate "g" which represents the present value, in the final projected year, of all the expected future cash flows.
- Growth rate "g": 2.0%, which was assumed to be equal to the rate of inflation expected to prevail over the medium - long term in the main markets where the Group operates;
- Discount rate (Weighted Average Cost of Capital, WACC): equal to 8.18%; considering the Group's positive net financial position, it is based on government bond yields in the main markets where the Group operates, adjusted to account for the risk premium expected by investors for the specific investment in equity instruments as well as the correlation of such instruments to the relevant market.

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

The sensitivity analysis of the above material assumptions used to determine the recoverable amount, performed on goodwill, did not yield different results in terms of recoverable amount, even when considering substantial changes in the parameters.

9. Right-of-use assets

The following table shows the breakdown of Right-of-use assets as at 31 December 2020:

(In thousands of Euro)	31 December 2020			31 December 2019		
	Historical Cost	Accumulated depreciation	Net value	Historical Cost	Accumulated depreciation	Net value
Buildings	708,803	236,512	472,291	728,375	154,604	573,771
Vehicles	4,377	1,771	2,606	3,087	1,015	2,072
Equipment and other assets	795	452	343	800	188	612
Total	**713,975**	**238,735**	**475,240**	**732,262**	**155,807**	**576,455**

The following table shows the changes in right-of-use assets for the years ended 31 December 2020 and 31 December 2019. With respect to 2019, the column "IFRS 16 impact at 01.01.2019" refers to the amount recognized as at 01 January 2019 following the first-time adoption of the new accounting standard IFRS 16.

(In thousands of Euro)	Value at 01.01.2020	Translation difference	Additions	Disposals	Depreciation	Value at 31.12.2020
Buildings	573,771	(20,639)	71,406	(38,129)	(114,118)	472,291
Vehicles	2,072	(12)	1,890	(39)	(1,305)	2,606
Equipment and other assets	612	(1)	-	-	(268)	343
Total	**576,455**	**(20,652)**	**73,296**	**(38,168)**	**(115,691)**	**475,240**

(In thousands of Euro)	Value at 31.12.2018	IFRS 16 impact at 01.01.2019	Translation difference	Additions	Disposals	Depreciation	Value at 31.12.2019
Buildings	-	526,881	9,685	154,935	(4,599)	(113,131)	573,771
Vehicles	-	1,491	5	1,590	-	(1,014)	2,072
Equipment and other assets	-	35	1	777	(13)	(188)	612
Total	**-**	**528,407**	**9,691**	**157,302**	**(4,612)**	**(114,333)**	**576,455**

The line item Buildings includes Right-of-use assets largely relating to leases of stores (accounting for approximately 96% of right-of-use assets - Buildings) and, to a lesser extent, leases of offices, company lodgings, and other premises. The largest increases observed during the year refer to new leases entered into during the period—largely concerning stores—whereas the most significant declines relate to leases that were either terminated early or for which the Group negotiated a reduction in future lease payments.

The increase in Right-of-use assets - Buildings, recognized against the Provision for future operating risks and charges (note 22), included the costs for the restoration of premises leased from third parties under leases that fall within the scope of IFRS16, which amounted to 473 thousand Euro in 2020 (312 thousand Euro in 2019).

For more details on cash outflows related to leases, see notes 25 Lease Liabilities and 36 Breakdown by nature of income statement cost items.

As envisaged by the analysis procedure for impairment indicators adopted by the Group, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Company operates. Internal sources are corporate strategies which can change decisions about the location of stores. Specifically, the economic crisis associated with the Covid-19 emergency qualifies as an impairment indicator, therefore the Group took it into consideration when making estimates and assumptions.

From the analyses carried out no need emerged to record any impairment on this item. Please refer to note 11 Impairment of Property, Plant and Equipment, Right-of-use Assets, and Intangible Assets with a Finite Useful Life for more details.

10. Intangible assets with a finite useful life

The breakdown of intangible assets with a finite useful life as at 31 December 2020 and 31 December 2019 is shown in the following table:

(In thousands of Euro)	31 December 2020			31 December 2019		
	Historical Cost	Acc. amortization and Impairment	Net value	Historical Cost	Acc. amortization and Impairment	Net value
Industrial patents and use of intellectual property rights	31,234	29,200	2,034	30,875	27,745	3,130
Concessions, licenses and trademarks	9,953	8,267	1,686	9,619	7,902	1,717
Development costs	78,852	53,745	25,107	70,281	43,518	26,763
Others	27,395	20,130	7,265	23,882	19,623	4,259
Intangible assets with a finite useful life in progress	2,799	-	2,799	6,615	-	6,615
Total	**150,233**	**111,342**	**38,891**	**141,272**	**98,788**	**42,484**

The following tables show the changes in intangible assets with a finite useful life for the years ended 31 December 2020 and 31 December 2019:

(In thousands of Euro)	Value at 01.01.2020	Translation difference	Additions	Disposals	Amortization	Impairment	Acq. in Business Combinations	Value at 31.12.2020
Industrial patents and use of intellectual property rights	3,130	(34)	968	(3)	(2,041)	-	14	2,034
Concessions, licenses and trademarks	1,717	-	334	-	(365)	-	-	1,686
Development costs	26,763	-	8,570	-	(10,227)	-	1	25,107
Others	4,259	(104)	53	-	(1,491)	(1,832)	6,380	7,265
Intangible assets with a finite useful life in progress	6,615	-	5,120	(8,936)	-	-	-	2,799
Total	**42,484**	**(138)**	**15,045**	**(8,939)**	**(14,124)**	**(1,832)**	**6,395**	**38,891**

(In thousands of Euro)	Value at 01.01.2019	Translation difference	Additions	Disposals	Amortization	Reclass	Impairment	Value at 31.12.2019
Industrial patents and use of intellectual property rights	3,936	22	1,683	(195)	(2,314)	(1)	(1)	3,130
Concessions, licenses and trademarks	1,690	-	380	-	(353)	-	-	1,717
Development costs	27,609	-	8,424	-	(9,270)	-	-	26,763
Others	5,202	49	31	-	(1,023)	-	-	4,259
Intangible assets with a finite useful life in progress	4,442	-	4,857	(2,684)	-	-	-	6,615
Total	**42,879**	**71**	**15,375**	**(2,879)**	**(12,960)**	**(1)**	**(1)**	**42,484**

In 2020, intangible assets with a finite useful life, net of the decrease in Intangible assets with a finite useful life in progress, rose mainly due to new investment in software application development costs (recognized under "Development costs") and software license costs (item "Industrial patents and use of intellectual property rights"), net of the amortization for the period.
The item "Development costs" mainly includes the capitalization of software development costs for the development of business software applications (SAP accounting system, ERP, reporting systems, development costs of the e-commerce platform and of a new SAP-based logistics/distribution system). As at 31 December 2020, the Group reported no intangible assets arising from internal development.
The item "Others" includes also the so-called key money, i.e. the sums paid to obtain the use of leased property by taking over existing contracts or by obtaining the withdrawal of the lessees in such a way as to be able to enter into new contracts with the lessors.
The following table provides the breakdown by geographical area of the net book value of the key money item as at 31 December 2020 and 31 December 2019:

(In thousands of Euro)	31 December 2020	31 December 2019
Europe	509	2,561
North America	444	790
Total	**953**	**3,351**

The acquisition in a business combination refers to the initial consolidation of the entities Arts S.r.l. and Aura 1 S.r.l., acquired in 2020 - for the details, see note 5 Business Combinations - and refers largely to the know how, classified under "others" and totaling 6,380 thousand Euro, resulting from the fair value measurement of the assets acquired and liabilities assumed in the business combination.As envisaged by the analysis procedure for impairment indicators adopted by the Group, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Company operates. Internal sources are corporate strategies which can change the use of intellectual property and software, and with reference to key money, they consist of the economic benefit to the Group arising from the geographic area served by the store for which this cost has been incurred. Specifically, the economic crisis associated with the Covid-19 emergency qualifies as an impairment indicator, therefore the Group took it into consideration when making estimates and assumptions.
The 1,832 thousand Euro impairment loss largely reflects the 1,616 thousand Euro loss arising from the impairment test conducted by the Group and recognized for the item "others" of the intangible assets of Ferragamo Deutschland GmbH, Ferragamo U.K. Limited, Ferragamo USA Group, Ferragamo (Thailand) Limited, and Ferragamo Espana S.L. - for the details, see note 11 Impairment of Property, Plant and Equipment, Right-of-use Assets, and Intangible Assets with a Finite Useful Life.

11. Impairment of Property, Plant and Equipment, Right-of-use Assets, and Intangible Assets with a Finite Useful Life

The economic crisis associated with the Covid-19 emergency qualifies as an impairment indicator, therefore the Group took it into consideration when making estimates and assumptions.
As in the past, impairment tests were carried out by considering the individual geographic areas in which the Group operates as CGUs (Cash Generating Units). Said areas usually coincide with the Group's individual legal entities, except where multiple legal entities of the Group operate in the same country or in neighboring territories or markets with a shared and homogeneous customer base.

As required by IAS 36, the Group performed an analysis to identify any indicators of impairment and/or impairment losses for Property, plant and equipment, Right-of-use assets, and Intangible assets with a finite useful life. Following these analyses, the following CGUs were tested for impairment: Ferragamo U.K. Limited, Ferragamo Espana S.L., Ferragamo France S.A.S., Ferragamo Deutschland GmbH, Ferragamo (Suisse) SA, Ferragamo Australia Pty Ltd, Ferragamo (Thailand) Limited, Ferragamo Japan K.K., and Ferragamo USA Group. The Group did not find indicators of impairment for the other CGUs.

The value used to determine the recoverable amount of the CGU is the value in use. This was calculated based on expected cash flows, which were discounted at an appropriate rate (Discounted cash-flow- DCF analysis).

The DCF analysis was performed based on the budget for the year 2021, prepared and approved by the Board of Directors of Salvatore Ferragamo S.p.A.; as for the two following explicit forecast years, the Group used the estimates made by management, which represent the best estimate the Group can make of the economic conditions expected for the period. The values assigned to the main assumptions reflect management's assessment of how the sectors will perform in the future and are based on both internal and external sources.
The main assumptions to determine the recoverable amount are given below.

	Discount rate (WACC)	Growth rate "g"
Ferragamo Japan K.K.	6.7%	1.0%
Ferragamo (Thailand) Limited	8.0%	1.8%
Ferragamo Australia Pty Ltd	7.6%	2.4%
Ferragamo USA Group	7.4%	2.2%
Ferragamo Deutschland GmBH	6.1%	2.0%
Ferragamo Espana S.L.	6.7%	1.7%
Ferragamo UK Limited	7.0%	2.0%
Ferragamo (Suisse) SA	6.2%	1.0%
Ferragamo France S.A.S.	6.3%	1.5%

The discount rate (Weighted Average Cost of Capital, WACC), considering the Group's positive net financial position, is based on government bond yields in the reference markets and in the same currency as the cash flows, adjusted to account for the risk premium expected by investors for the specific investment in equity instruments as well as the correlation of such instruments to the relevant market.
The growth rate "g" was assumed to be equal to the rate of inflation expected to prevail over the medium - long term in the reference market.

The Terminal Value was determined using the perpetuity model with a long-term growth rate "g" which represents the present value, in the final projected year, of all the expected future cash flows.
The impairment test resulted in an impairment loss for Property, plant and equipment and Intangible assets with a finite useful life in the

following CGUs: Ferragamo U.K. Limited, Ferragamo Espana S.L., Ferragamo Deutschland GmbH, Ferragamo (Thailand) Limited, Ferragamo Japan K.K., and Ferragamo USA Group.

Below are the results of the impairment tests carried out.

(In thousands of Euro)	Property, plant and equipment	Intangible assets with a finite useful life
Ferragamo Japan K.K.	10,116	-
Ferragamo (Thailand) Limited	807	-
Ferragamo USA Group	13,414	182
Ferragamo Deutschland GmbH	782	1,029
Ferragamo Espana S.L.	3,913	333
Ferragamo UK Limited	3,979	72
Total	**33,011**	**1,616**

The impairment tests resulted in a 34,627 thousand Euro impairment loss, including 33,011 thousand Euro relating to Property, plant and equipment and 1,616 thousand Euro to Intangible assets with a finite useful life. For more details, see notes 6 Property, plant and equipment and 10 Intangible assets with a finite useful life.

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

12. Other non current assets

The breakdown of the item "Other non current assets" as at 31 December 2020 and 31 December 2019 is set out in the following table:

(In thousands of Euro)	31 December 2020	31 December 2019	Change 2020 vs 2019
Advances to suppliers	650	1,150	(500)
Due from tax authorities	1,076	336	740
Other non current assets	792	1,156	(364)
Total	**2,518**	**2,642**	**(124)**

Advances to suppliers relate to the non current portion of advances of royalties paid by Ferragamo Parfums S.p.A. for the use under license of the Ungaro brand, as provided for by the license contract which was partially renegotiated in July 2017. These advances are recovered as the royalties become due starting from 2019 through presumably 2023, and they were down 500 thousand Euro compared to 31 December 2019 because of the reclassification of the current portion.

Due from tax authorities refer to the non-current portion of the Research and Development, design and aesthetic conception, and technological innovation tax credit (replacing the former R&D Credit as per art. 1, paragraphs 198-209 of Italian Law no. 160 of 27 December 2019 (so-called 2020 Budget Law), as amended), which both the Parent company and Ferragamo Parfums S.p.A. were eligible for, as well as the "Art Bonus" tax credit to promote donations in support of cultural activities (Italian Law Decree no. 83 of 31 May 2014, Italian Law no. 106

of 29/07/2014) and the Tax credit for investments in operating assets, introduced by art. 1, paragraphs 184-197 of Italian Law no. 160 of 27 December 2019 (so-called 2020 Budget Law) as amended, which the Parent company was eligible for.
The item "Other non current assets" mainly includes the impact relating to the straight-line charging of lease income from operating leases in the USA for 792 thousand Euro, as provided for by the relevant standards, and it was down 364 thousand Euro from 1,156 thousand Euro as at 31 December 2019.

13. Other non current financial assets

Other non current financial assets, totaling 15,574 thousand Euro (16,939 thousand Euro as at 31 December 2019), refer to guarantee deposits, mainly for existing rental contracts, and are accounted for at amortized cost.

14. Inventories

Inventories include the following categories:

(In thousands of Euro)	31 December 2020	31 December 2019	Change 2020 vs 2019
Gross value of raw materials, accessories and consumables	42,250	60,457	(18,207)
Provision for obsolete inventory	(7,779)	(6,836)	(943)
Raw materials, accessories and consumables	**34,471**	**53,621**	**(19,150)**
Gross value of finished products and goods for resale	383,469	387,377	(3,908)
Provision for obsolete inventory	(76,304)	(51,467)	(24,837)
Finished products and goods for resale	**307,165**	**335,910**	**(28,745)**
Total	**341,636**	**389,531**	**(47,895)**

The change in raw materials compared to 2019 depends on production volumes for the period; the relevant provision reflects the obsolescence of raw materials (mainly leather goods and accessories) which are no longer deemed suitable for the production plans. Inventories of finished products were down 28,745 thousand Euro from 31 December 2019 (-8.6%) as a result of the write-downs recognized in 2020, accounting for the risk of a future reduction in the sales of certain products, also because of the current situation created by the Covid-19 emergency. For a better understanding of how the above provisions for obsolete inventory were calculated, please see note 2 "Basis of presentation" paragraph Discretionary valuations and significant accounting estimates.

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

(In thousands of Euro)	2020	2019	Change 2020 vs 2019
Raw materials	943	274	669
Finished products	27,711	4,754	22,957
Total	**28,654**	**5,028**	**23,626**

15. Right of return assets

Concerning the right of return as per "Revenue from contracts with customers", the line item "Right of return assets", amounting to 4,545 thousand Euro (5,473 thousand Euro as at 31 December 2019), includes the estimated cost of the products expected to be returned, equal to the lower of the previous carrying amount of inventories (estimated cost of production) and net realizable value, less potential future costs associated with their recovery.

16. Trade receivables

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

(In thousands of Euro)	31 December 2020	31 December 2019	Change 2020 vs 2019
Trade receivables	119,540	152,543	(33,003)
Provision for bad debt	(5,631)	(5,341)	(290)
Total	**113,909**	**147,202**	**(33,293)**

Trade receivables mainly refer to wholesale sales and refer for around 15,173 thousand Euro to fragrances (down from 25,695 thousand Euro as at 31 December 2019, largely because of the contraction in revenues from this product category) and, for the remainder, to other product categories. They are interest-free and are generally due in 90 days or less. The relevant provision for bad debt was deemed adequate to deal with potential defaults, and the amount set aside for the period largely refers to risk assessments associated with the specific situation during the period. In addition, during the year the Group reported 276 thousand Euro in credit losses after writing off non-performing trade receivables.

The changes in the provision for bad debt during 2020 were as follows:

(In thousands of Euro)	Value at 01.01.2020	Translation difference	Provisions	Uses	Value at 31.12.2020
Provision for bad debt	5,341	(114)	528	(124)	5,631

For an analysis of past due but not impaired trade receivables reference should be made to note 3 "Management of financial risks - Credit risk".

17. Tax receivables

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

(In thousands of Euro)	31 December 2020	31 December 2019	Change 2020 vs 2019
Due from tax authorities (value added tax and other taxes)	7,547	8,405	(858)
Due from tax authorities for direct taxes	8,135	11,695	(3,560)
Withholding taxes	292	7	285
Total	**15,974**	**20,107**	**(4,133)**

Tax receivables mainly refer to VAT receivables and amounts due from tax authorities for income taxes relating to advances paid during the year. They were down 4,133 thousand Euro year-on-year, primarily because of the decline in amounts due from tax authorities for income taxes.

18. Other current assets

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

(In thousands of Euro)	31 December 2020	31 December 2019	Change 2020 vs 2019
Other receivables	15,796	16,690	(894)
Accrued income	164	129	35
Prepaid expenses	13,106	14,695	(1,589)
Short-term hedging derivatives	6,878	1,466	5,412
Total	**35,944**	**32,980**	**2,964**

As at 31 December 2020, other receivables mainly include:

- receivables due from credit card management companies for retail sales amounting to 6,213 thousand Euro (9,234 thousand Euro as at 31 December 2019);
- the 2,690 thousand Euro IRES receivable (2,599 thousand Euro as at 31 December 2019) due from the Holding company Ferragamo Finanziaria S.p.A. of Salvatore Ferragamo S.p.A and Ferragamo Parfums S.p.A. under the domestic fiscal unity;
- advances to suppliers amounting to 2,708 thousand Euro (3,404 thousand Euro as at 31 December 2019).

Prepaid expenses mainly include 7,888 thousand Euro in contributions to customers relating to the fit-out of tailored single brand stores and/or stores-in-stores, 643 thousand Euro in insurance premiums, and 182 thousand Euro in rents outside the scope of the new standard IFRS16.

"Short-term hedging derivatives", amounting to 6,878 thousand Euro (1,466 thousand Euro as at 31 December 2019), refer to the fair value measurement of outstanding derivative contracts (hedging component) entered into by the Parent company to manage exchange rate risk on sales in currencies other than the Euro.

19. Other current financial assets

The breakdown of the item "Other current financial assets" is set out in the following table:

(In thousands of Euro)	31 December 2020	31 December 2019	Change 2020 vs 2019
Derivatives	287	101	186
Other current financial assets	279	-	279
Total	**566**	**101**	**465**

"Other current financial assets", totaling 566 thousand Euro as at 31 December 2020, included 287 thousand Euro referring to the fair value measurement of the non-hedging component of derivative instruments (101 thousand Euro as at 31 December 2019), and 279 thousand Euro largely referring to time deposits at banks with maturities greater than three months.

20. Cash and cash equivalents

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

(In thousands of Euro)	31 December 2020	31 December 2019	Change 2020 vs 2019
Time deposits	31,188	27,705	3,483
Bank and post office sight deposits	295,791	193,475	102,316
Cash and values on hand	901	1,152	(251)
Total	**327,880**	**222,332**	**105,548**

Time deposits at banks have maturities ranging from one day to twenty-four months and, in any case, can be promptly liquidated without penalties. Bank and post office deposits refer to temporary cash holdings maintained mainly to meet imminent payments.

Also during 2020, the Group continued using a significant part of its cash surpluses not in time-deposit investments, but to take out intercompany loans, regulated at current market conditions, so as to contain the increase in bank debt.

As at 31 December 2020, the Group had unused credit lines amounting to 773,084 thousand Euro; as at 31 December 2019, unused credit lines totaled 661,231 thousand Euro. For more details, see note 28 Interest-bearing loans & borrowings.

For the purposes of the consolidated statement of cash flows, the item "Cash and cash equivalents" as at 31 December 2020 and 31 December 2019 was broken down as follows:

(In thousands of Euro)	31 December 2020	31 December 2019	Change 2020 vs 2019
Cash and bank sight deposits	296,692	194,627	102,065
Time deposits	31,188	27,705	3,483
Total	**327,880**	**222,332**	**105,548**

Below is the reconciliation of the liabilities from financing activities as reported on the statement of cash flows for the years ended 31 December 2020 and 2019.

(In thousands of Euro)	Value at 01.01.2020	Cash flow		Translation difference	New leases	Other non-cash changes	Value at 31.12.2020
		for principal repaid/received	for interest paid/received				
Other current financial assets	-	286	-	(7)	-	-	279
Total assets from financing activities	**-**	**286**	**-**	**(7)**	**-**	**-**	**279**
Non current interest-bearing loans & borrowings	-	129,904	-	(602)	-	-	129,302
Current interest-bearing loans & borrowings (excluding bank overdrafts)	48,060	11,218	(1,577)	(2,580)	-	1,577	56,698
Non current lease liabilities	559,267	-	-	(22,883)	72,772	(144,756)	464,400
Current lease liabilities	117,062	(93,573)	(16,136)	(5,084)	-	101,240	103,509
Total liabilities from financing activities	**724,389**	**47,549**	**(17,713)**	**(31,149)**	**72,772**	**(41,939)**	**753,909**

(In thousands of Euro)	Value at 31.12.2018	IFRS 16 impacts at 01.01.2019	Cash flow		Translation difference	New leases	Other non-cash changes	Value at 31.12.2019
			for principal repaid/received	for interest paid/received				
Other current financial assets	960	-	(971)	-	11	-	-	-
Total assets from financing activities	**960**	**-**	**(971)**	**-**	**11**	**-**	**-**	**-**
Non current interest-bearing loans & borrowings	15,892	-	-	-	501	-	(16,393)	-
Current interest-bearing loans & borrowings (excluding bank overdrafts)	20,936	-	10,009	(469)	722	-	16,862	48,060
Non current lease liabilities	-	625,406	-	-	11,172	156,729	(234,040)	559,267
Current lease liabilities	-	-	(114,388)	(16,004)	269	-	247,185	117,062
Total liabilities from financing activities	**36,828**	**625,406**	**(104,379)**	**(16,473)**	**12,664**	**156,729**	**13,614**	**724,389**

The column "Other non-cash changes" includes the reclassification of debt into the non current and current portions of Interest-bearing loans & borrowings and Lease liabilities, interest on Interest-bearing loans & borrowings and Lease liabilities accrued during the period, the proceeds relating to lease payment reductions obtained from negotiations to revise the terms and conditions of the leases of the Group's distribution network, as well as the effect of the early termination of some leases on Lease liabilities.

21. Share capital and reserves

The authorized share capital of the Parent company as at 31 December 2020 totaled 16,939,000 Euro; the subscribed and paid up share capital amounted to 16,879,000 Euro and consisted of 168,790,000 ordinary shares with a nominal value of 0.10 Euro each. During 2020, there were no changes in the number of shares outstanding.

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

Share capital contributions of 2,995 thousand Euro, which refer entirely to the Parent company, were paid in a single amount in 2003 by the Holding company Ferragamo Finanziaria S.p.A. and were reduced in 2007, due to the demerger.

The legal reserve of 4,188 thousand Euro was set up in previous years and refers entirely to the Parent company. This reserve cannot be distributed.

The extraordinary reserve of 628,530 thousand Euro, which refers entirely to the Parent company, is comprised of retained earnings; the 124,211 thousand Euro increase recorded in the period refers to Salvatore Ferragamo S.p.A.'s entire profit for the year 2019.

The cash flow hedge reserve was positive for 5,123 thousand Euro and is the result of the measurement of the financial instruments defined as cash flow hedges as at 31 December 2020, given the hedges against exchange rate risk, and is shown net of the tax effect.
The translation reserve, negative for 25,368 thousand Euro, reflects value changes in the Group share of shareholders' equity of the consolidated companies, due to changes in the exchange rates of the companies' functional currencies against the presentation currency of the consolidated financial statements.

Retained earnings amounting to 129,770 thousand Euro include profits/losses capitalized during the years, taking due account of consolidation adjustments, in particular unrealized profit on inventories. During 2020, this reserve was affected by the combined impact of several factors. On the one hand, it rose by 1,457 thousand Euro due to the recognition of the put and call agreements on pre-existing minority interests, mainly because of the adjustment to financial debt recognized through equity under the terms of the shareholders' agreement between the parties (note 43); on the other hand, the reserve declined by 36,930 thousand Euro because of the capitalization of the 2019 result, net of the Parent company's profit which was allocated to the extraordinary reserve, and by 1,267 thousand Euro because of other translation effects;

As at 31 December 2020, the items "Other reserves" and "Effect IAS 19 equity" (net total of 638 thousand Euro) include the amounts recognized for the valuation differences required by IFRS compared to the local standards of the Group's companies. In addition, the item "Other reserves" includes:

- the specific reserve set up in 2016 to service the future free share capital increase of the Parent company for 60 thousand Euro (nominal value of 0.10 Euro each) for the 2016-2020 Stock Grant Plan, which ended in 2020 without granting any shares in Salvatore Ferragamo S.p.A.;
- the 2016-2020 Stock Grant Reserve (921 thousand Euro) referring to the fair value measurement as at 31 December 2020 of the rights to receive shares in the Parent company: their impact on the period amounted to 80 thousand Euro. For details on the 2016-2020 Stock Grant Plan, which ended in 2020 without granting any shares, see note 42.

The amounts are net of the tax effects where applicable.
The changes in shareholders' equity items occurred in 2020 and 2019 are shown in the related statements.

Here below is a breakdown of reserves and retained earnings:

31 December 2020

(In thousands of Euro)	Reserves made up of profits	Translation reserve	Other reserves	Total
Treasury share reserve	-	-	(2,776)	(2,776)
Share capital contributions	-	-	2,995	2,995
Legal reserve	4,188	-	-	4,188
Extraordinary reserve	628,530	-	-	628,530
Cash flow hedge reserve	-	-	5,123	5,123
Translation reserve	-	(25,368)	-	(25,368)
Retained earnings	129,770	-	-	129,770
Other reserves	-	-	638	638
Total	**762,488**	**(25,368)**	**5,980**	**743,100**

31 December 2019

Share premium	-	-	(2,776)	(2,776)
Share capital contributions	-	-	2,995	2,995
Legal reserve	4,188	-	-	4,188
Extraordinary reserve	504,319	-	-	504,319
Cash flow hedge reserve	-	-	(499)	(499)
Translation reserve	-	(16,002)	-	(16,002)
Retained earnings	166,510	-	-	166,510
Other reserves	-	-	752	752
Total	**675,017**	**(16,002)**	**472**	**659,487**

22. Provisions for risks and charges

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

(In thousands of Euro)	Value at 01.01.2020	Translation difference	Additions	Uses	Value at 31.12.2020
Legal disputes	2,084	(19)	1,773	(765)	3,073
Other	11,837	(463)	1,200	(1,246)	11,328
Total	**13,921**	**(482)**	**2,973**	**(2,011)**	**14,401**

Legal disputes mainly refer to allocations against likely future liabilities relating to legal proceedings against the Parent company and some proceedings regarding subsidiaries as well as labor disputes with reference to both litigation and estimated amounts that Group companies expect to have to disburse for out-of-court settlements. The use of the provision for legal disputes mainly refers to the settlement of a number of legal and labor proceedings and/or disputes largely related to the Parent company during the period. The amounts set aside are primarily associated with labor and legal disputes that arose during 2020.

The provision for other risks mainly includes allocations against likely contingent liabilities; the main allocation concerns expenses for the restoration of premises leased from third parties recognized pursuant to the contractual obligations under the relevant leases (11,077 thousand Euro as at 31 December 2020 and 11,583 thousand Euro as at 31 December 2019); in addition, it includes the additional allowance set aside by Ferragamo Parfums S.p.A. for agents operating in Italy. The provision for the period included 1,186 thousand Euro referring to costs for the restoration of premises.

As regards contingent liabilities at Group level, for which no provisions have been made, reference should be made to the Directors' Report on Operations, section "Significant events occurred during the year - Tax and customs disputes and audits".

23. Employee benefit liabilities

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

(In thousands of Euro)	31 December 2020	31 December 2019	Change 2020 vs 2019
Employee defined benefit liabilities	11,713	11,686	27
Other employee benefit liabilities	154	215	(61)
Total	**11,867**	**11,901**	**(34)**

The item "Employee defined benefit liabilities" includes employee severance indemnities of Italian companies and other employee defined benefit liabilities.

The following table shows the changes in employee defined benefit liabilities in 2020 and 2019:

(In thousands of Euro)	31 December 2020			31 December 2019		
	Employee benefit obligations	Fair value of plan assets	Employee defined benefit liabilities	Employee benefit obligations	Fair value of plan assets	Employee defined benefit liabilities
Value at 01.01	**16,265**	**(4,579)**	**11,686**	**15,087**	**(3,948)**	**11,139**
Acquisitions in business combinations	***64***	***-***	***64***	***-***	***-***	***-***
Current service cost	571	-	**571**	557	-	**557**
Financial charges/(income)	183	(68)	**115**	270	(76)	**194**
Changes included in net profit/(loss) for the period	***754***	***(68)***	***686***	***827***	***(76)***	***751***
Returns on plan assets	-	(121)	**(121)**	-	(164)	**(164)**
Actuarial loss/(gain) arising from:						
- financial assumptions	636	-	**636**	1,006	-	**1,006**
- demographic assumptions	5	-	**5**	4	-	**4**
- experience-based adjustments	(231)	-	**(231)**	(150)	-	**(150)**
Translation differences	(654)	423	**(231)**	168	(108)	**60**
Changes included in other comprehensive income	***(244)***	***302***	***58***	***1,028***	***(272)***	***756***
Contributions paid by the employer	-	(270)	**(270)**	-	(436)	**(436)**
Benefits paid	(666)	155	**(511)**	(677)	153	**(524)**
Other changes	***(666)***	***(115)***	***(781)***	***(677)***	***(283)***	***(960)***
Value at the end of the period	**16,173**	**(4,460)**	**11,713**	**16,265**	**(4,579)**	**11,686**

Employee defined benefit liabilities of the Group's Italian companies (the Parent company and Ferragamo Parfums S.p.A.) amounted to 8,833 thousand Euro, up by 136 thousand Euro compared to 31 December 2019.

Here below are the main financial assumptions used in determining the present value of employee severance indemnities:

	31 December 2020	31 December 2019
Annual rate of salary increase	2.98%	3.17%
Annual discount rate	(0.12%)	0.46%
Inflation rate	2.00%	2.00%

As regards the demographic assumptions used in determining defined benefit liabilities of the Group's Italian companies, the figure used as a benchmark for the mortality rate is that for the Italian population recorded by ISTAT in 2000, less 25%, broken down by age and gender; meanwhile, the staff turnover rate has been estimated at 5.55% per year.

Employee defined benefit liabilities of the Group's non-Italian companies refer to Ferragamo Japan KK, Ferragamo Retail Taiwan Limited, Ferragamo France S.A.S., Ferragamo Monte-Carlo SAM, Ferragamo Belgique SA, Ferragamo Mexico S.de R.L.de C.V., Ferragamo Usa Inc., Ferragamo (Thailand) Limited, and Ferragamo Retail India Private Limited. They amounted to 2,880 thousand Euro, down by 109 thousand Euro compared to 31 December 2019. The value is net of the fair value of plan assets mainly consisting of insurance policies.

Here below are the main financial assumptions used in determining the present value of employee benefit liabilities:

	31 December 2020	31 December 2019
Annual rate of salary increase	1.39% - 6.00%	2.0% - 6.0%
Annual discount rate	0.35% - 7.20%	0.36% - 7.98%

As for the demographic assumptions used in measuring the defined benefit liabilities of the Group's non-Italian companies, the figure used as a benchmark for the mortality rate is the standard one for each local population, broken down by age and gender, while for the staff turnover rate annual frequencies have been calculated based on the individual companies' data.

Here below is a quantitative sensitivity analysis for the main assumptions as at 31 December 2020 and 31 December 2019 concerning employee benefit obligations of Italian companies, which have the highest impact on total defined benefit obligations:

	2020			2019		
(In thousands of Euro)	Change %	Additions	Disposals	Change %	Additions	Disposals
Annual rate of salary increase	+/- 0.5%	28	(26)	+/- 0.5%	28	(27)
Annual discount rate	+/- 0.5%	(395)	426	+/- 0.5%	(401)	433
Mortality rate	+/- 0.025%	(4)	3	+/- 0.025%	(3)	3
Staff turnover rate	+/- 0.5%	(66)	70	+/- 0.5%	(55)	59

The above sensitivity analyses are based on reasonable changes in the key assumptions at the end of the two reporting periods being compared.

The average number of employees (in terms of full-time equivalents) by category is shown in the following table:

Average staff

(Full time equivalent)	2020	2019
Top managers, middle managers and store managers	736.15	747.23
White collars	2,495.34	2,943.95
Blue collars	235.85	297.46
Temporary Agency staff	59.35	122.62
Total	**3,526.69**	**4,111.26**

Average staff was down compared to the previous year, accounting also for the reduction in work hours resulting from the use of social welfare schemes activated by the various Governments in the countries where the Group operates to support employment in response to the Covid-19 pandemic.

24. Other non current liabilities

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

(In thousands of Euro)	31 December 2020	31 December 2019	Change 2020 vs 2019
Payables for deferred liabilities	12,256	11,188	1,068
Other payables	308	705	(397)
Total	**12,564**	**11,893**	**671**

Payables for deferred liabilities (amounting to 12,256 thousand Euro as at 31 December 2020) largely refer to the straight-lining of the amounts received from lessors for the costs incurred to fit out the stores.

As at 31 December 2020, "Other payables" include 292 thousand Euro in guarantee deposits received for lease contracts (186 thousand Euro as at 31 December 2019).

25. Lease liabilities

Below are the changes in lease liabilities occurred in 2020 and 2019, broken down between current and non current.

	Lease liabilities		
(In thousands of Euro)	non current	current	Total
Value at 01.01.2020	559,267	117,062	**676,329**
Translation difference	(22,883)	(5,084)	**(27,967)**
Additions	72,772	-	**72,772**
Disposals	(39,779)	-	**(39,779)**
Repayment of lease liabilities	-	(93,573)	**(93,573)**
Interest expense on lease liabilities paid	-	(16,136)	**(16,136)**
Other changes	(104,977)	101,240	**(3,737)**
Value at the end of the period	**464,400**	**103,509**	**567,909**

	Lease liabilities		
(In thousands of Euro)	non current	current	Total
Value at 31.12.2018	-	-	**-**
IFRS 16 impact at 01.01.2019	625,406	-	**625,406**
Translation difference	11,172	269	**11,441**
Additions	156,729	-	**156,729**
Disposals	(4,685)	-	**(4,685)**
Repayment of lease liabilities	-	(114,388)	**(114,388)**
Interest expense on lease liabilities paid	-	(16,004)	**(16,004)**
Other changes	(229,355)	247,185	**17,830**
Value at the end of the period	**559,267**	**117,062**	**676,329**

The average weighted IBR applicable to leases outstanding as at 31 December 2020 was 2.60%. As for the other cash outflows related to leases, see note 36 Breakdown by nature of income statement cost items.

26. Trade payables

The breakdown of trade payables was as follows:

(In thousands of Euro)	31 December 2020	31 December 2019	Change 2020 vs 2019
Trade payables	134,094	197,460	(63,366)
Advances from customers	2,305	1,474	831
Total	**136,399**	**198,934**	**(62,535)**

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

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

27. Refund liabilities

Concerning the right of return as per "Revenue from contracts with customers", the line item "Refund Liabilities" totaled 9,139 thousand Euro as at 31 December 2020 (8,720 thousand Euro as at 31 December 2019) and refers to the liability to customers for the amount of the products expected to be returned.

28. Interest-bearing loans & borrowings

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

(In thousands of Euro)	31 December 2020	31 December 2019	Change 2020 vs 2019
Medium/long-term financial payables to banks	129,302	-	129,302
Short-term financial payables to banks	56,698	48,060	8,638
Total	**186,000**	**48,060**	**137,940**

During 2020, in light of the emergency caused by the spread of Covid-19, the Group saw it fit to further strengthen its financial structure by increasing its committed lines with diversified counterparties, meeting its financial requirements in the first half of the year with short-term debts that were repaid in the second half after entering into a medium/long-term loan agreement with Intesa Sanpaolo S.p.A. in July 2020. For details, see the Directors' report on operations, paragraph "Significant events occurred during the year".

As it has in the past, the Group used a significant part of its cash surplus in order to take out intercompany loans, which are regulated at current market conditions. As a result, the following were outstanding as at 31 December 2020: the term loan related to the subsidiary Ferragamo Japan K.K., which can be fully repaid at maturity, has been extended, and had a residual maturity of thirty-one months, and the new 125,000 thousand Euro term loan related to the Parent company, repayable according to a repayment schedule, and with a final residual duration of fifty-five months. The Group's loans and credit lines are at floating rates. The cost of debt is generally benchmarked to the market rate for the period (usually Euribor/Libor or the benchmark of the loan currency on the specific interbank market) increased by a spread which depends on the type of credit line used. For term loans with maturity of more than one year, the interest period and the market rate used (Euribor/Libor), does not exceed six months, including for drawdowns beyond the year. Drawdowns range from one day to a maximum of less than five years (term loans).

The margins applied are in line with the best market standards.The financial instruments used are:
i) uncommitted credit lines made available in the currency and country of residence of the individual company in order to meet short-term financial needs linked to the management of working capital;
ii) short- and medium/long-term committed credit lines, in the form of either revolving credit lines or term loans, negotiated on a bilateral basis by the Parent company.

As at 31 December 2020, committed credit lines had a maximum residual duration of fifty-five months and a weighted average residual duration of thirty-two months. The credit lines and the related financial business are spread among leading national and international banks. As at the reporting date, drawdowns were below five years.

As far as financial payables to banks are concerned, the following table provides a breakdown by type of the credit lines granted to the Group and the relevant uses:

	31 December 2020		31 December 2019	
(In thousands of Euro)	Agreed	Used	Agreed	Used
Committed credit lines	532,671	151,564	188,703	28,703
- Revolving credit lines	*391,859*	*10,752*	*172,301*	*12,301*
- Term loans	*140,812*	*140,812*	*16,402*	*16,402*
Uncommitted credit lines	426,467	34,490	520,588	19,357
Total	**959,138**	**186,054**	**709,291**	**48,060**

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

(In thousands of Euro)	31 December 2020	31 December 2019	Change 12.20 vs 12.19
A. Cash	901	1,152	(251)
B. Other cash equivalents	326,979	221,180	105,799
C. Cash and cash equivalents (A)+(B)	**327,880**	**222,332**	**105,548**
Derivatives – non-hedging component	287	101	186
Other financial assets	279	-	279
D. Current financial receivables	**566**	**101**	**465**
E. Current bank payables	56,698	48,060	8,638
F. Derivatives – non-hedging component	74	238	(164)
G. Other current financial payables*	107,138	119,301	(12,163)
H. Current financial debt (E)+(F)+(G)	**163,910**	**167,599**	**(3,689)**
I. Current financial debt, net (H)-(C)-(D)	**(164,536)**	**(54,834)**	**(109,702)**
J. Non current bank payables	129,302	-	129,302
K. Derivatives – non-hedging component	-	-	-
M. Other non current payables*	464,400	559,267	(94,867)
N. Non current financial debt (J)+(K)+(M)	**593,702**	**559,267**	**34,435**
O. Net financial debt (I)+(N)	**429,166**	**504,433**	**(75,267)**

* As at 31 December 2020, Other current financial payables included 14,155 thousand Euro in Current lease liabilities to related parties (21,910 thousand Euro as at 31 December 2019). As at 31 December 2020, Other non current payables included 89,138 thousand Euro in Non current lease liabilities to related parties (99,261 thousand Euro as at 31 December 2019). For more details, please refer to note 45 "Transactions with Related Parties".

Limitations on the use of financial resources

In general, the Group's committed credit lines (both revolving credit lines and term loans) that are currently outstanding do not require compliance with financial covenants.

One exception is the loan agreement entered into with Intesa Sanpaolo S.p.A. on 24 July 2020, which includes a financial covenant based on the ratio of Adjusted net financial debt/(surplus) to restated EBITDA (EBITDA excluding the impact of the introduction of the accounting standard IFRS16), to be tested annually starting from 31 December 2021.
Financial covenants are also included in some local loan agreements entered into by Asian companies, even though these are uncommitted credit lines.

As at 31 December 2020, the financial and non-financial covenants were complied with by all the companies involved.

29. Tax payables

As at 31 December 2020, tax payables amounted to 25,974 thousand Euro (26,491 thousand Euro as at 31 December 2019) and concerned payables for income taxes pertaining to the period, VAT and other taxes due by Group companies. The net 517 thousand Euro decline from 31 December 2019 was largely attributable to the reduction in tax payables as a result of the payment in 2020 of the amount due under the settlement of the tax dispute involving Salvatore Ferragamo S.p.A., which was finalized in November 2019, totaling 9.4 million Euro. This was partly offset by the 2,870 thousand Euro recognized by Ferragamo France S.A.S. for the tax audit relating to the tax years 2008-2010 that started in 2011 (for details, see the Directors' report on operations, paragraph "Significant events occurred during the year - Tax and customs disputes and audits"), in addition to the increase in the direct tax liability of the other Group companies.

30. Other current liabilities

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

(In thousands of Euro)	31 December 2020	31 December 2019	Change 2020 vs 2019
Other payables	17,712	37,382	(19,670)
Payables to social security institutions	4,695	5,224	(529)
Accrued expenses	1,648	2,548	(900)
Deferred income	3,654	3,609	45
Hedging derivatives	1,653	5,554	(3,901)
Total	**29,362**	**54,317**	**(24,955)**

Other payables mainly include the Group's payables to employees for amounts accrued but not yet paid at the reporting date (13,378 thousand Euro, down from 24,267 thousand Euro as at 31 December 2019).

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

The item "Hedging derivatives" shows the fair value measurement at the end of the year of outstanding derivatives (hedging component) entered into by the Parent company to manage exchange rate risk. For further details, please refer to note 32.

31. Other current financial liabilities

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

(In thousands of Euro)	31 December 2020	31 December 2019	Change 2020 vs 2019
Short-term derivatives	74	238	(164)
Other current financial payables	3,629	2,239	1,390
Total	**3,703**	**2,477**	**1,226**

"Other current financial payables" include the amount owed by Salvatore Ferragamo S.p.A., totaling 3,629 thousand Euro as at 31 December 2020, for the purchase price adjustment relating to the acquisition of Arts S.r.l. and Aura 1 S.r.l. that closed in 2020. This amount was paid in February 2021. The comparative amount as at 31 December 2019 entirely refers to the measurement of the put option granted to the minority shareholders of Ferragamo Japan KK, to sell to Salvatore Ferragamo S.p.A. their 29% investment in the Japanese company, which was determined under the terms of the shareholders' agreement between the parties. As at 31 December 2020, this liability amounted to zero, and the change was recognized through the Group's equity. For further details, please refer to note 43.The item "Short-term derivatives" mainly refers to the fair value of financial derivatives with a negative mark to market at the reporting date. For further details, please refer to note 32 below.

32. Financial instruments and fair value measurement

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

Classification of financial instruments and presentation of their fair value

Financial assets

	31 December 2020			31 December 2019		
	Book value		Fair Value	Book value		Fair Value
(In thousands of Euro)	Current portion	Non current portion		Current portion	Non current portion	
Financial assets at fair value through profit or loss						
- Derivatives - non-hedging component	287	-	287	101	-	101
Assets measured at amortized cost						
- Receivables from others (M/L term)	892	650	1,542	709	1,150	1,859
- Receivables due from credit cards	6,213	-	6,213	9,234	-	9,234
- Trade receivables	113,909	-	113,909	147,202	-	147,202
- Guarantee deposits	-	15,574	15,574	-	16,939	16,939
- Other current financial assets	279	-	279	-	-	-
Cash and cash equivalents	327,880	-	327,880	222,332	-	222,332
Financial assets at fair value through other comprehensive income						
- Derivatives - hedging component	6,878	-	6,878	1,466	-	1,466
Total	**456,338**	**16,224**	**472,562**	**381,044**	**18,089**	**399,133**

Financial liabilities

(In thousands of Euro)	31 December 2020			31 December 2019		
	Book value		Fair Value	Book value		Fair Value
	Current portion	Non current portion		Current portion	Non current portion	
Liabilities measured at amortized cost						
- Trade payables and payments on account	136,399		136,399	198,934	-	198,934
- Payables to banks	56,698	129,302	186,000	48,060	-	48,060
- Other financial payables	3,629		3,629	2,239		2,239
- Guarantee deposits	108	292	400	67	186	253
- Lease liabilities	103,509	464,400	n/a*	117,062	559,267	n/a*
Financial liabilities at fair value through profit or loss						
- Derivatives – non-hedging component	74	-	74	238	-	238
Financial liabilities at fair value through other comprehensive income						
- Derivatives – hedging component	1,653	-	1,653	5,554	-	5,554
Total	**302,070**	**593,994**	**328,155**	**372,154**	**559,453**	**255,278**

* Under the new standard IFRS16, Lease liabilities are not measured at fair value.

The table shows that most outstanding financial assets and liabilities refer to short-term financial items, except for lease liabilities; taking into account their nature, the book value of most of these items is a reasonable approximation of their fair value.

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

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

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

"Receivables from others (M/L term)" included receivables due to Ferragamo Parfums S.p.A. from Emanuel Ungaro Italia S.r.l. for advance payments under the licensing agreement for the production and distribution of Ungaro-branded fragrances, which was renegotiated in July 2017. Under the agreement, both the 892 thousand Euro current portion and 650 thousand Euro non-current portion are to be repaid based on a repayment plan, to be calculated in accordance with future royalties. Payments are expected to be made in annual installments starting from 2019 through 2023. The fair value was calculated by discounting the nominal amount using the market IRS rates quoted for the individual annual maturities, in accordance with the discounted cash flow method. The negative market interest rates for some maturities until 2023 were assumed to be zero, resulting in a fair value equal to the nominal amount. Also for "Guarantee deposits" the book value is a reasonable approximation of the fair value. There have been no changes in the valuation methods used compared to the previous years or transfers from one Level to another in the hierarchy of assets or liabilities measured at fair value.
The Group calculates non-performance risk, i.e. the risk that one of the parties may not fulfill its contractual obligations due to a potential default before the derivative expires, both in reference to counterparty risk (Credit Value Adjustment: CVA), and to its own risk (Debt Risk

Adjustment: DVA), applying it to the market value of the risk-free portfolio. Taking into account the type of derivatives in the portfolio (solely sales and purchases through currency forward contracts), the related expiry dates (not over twelve months), and the Group's and counterparties' ratings, these adjustments are immaterial.

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

The table summarizes the effects on the income statement and shareholders' equity in reference to each category of outstanding financial instruments for the Group in the years 2020 and 2019.

(In thousands of Euro)	2020	2019
Net gains/(losses) on financial instruments recognized in profit or loss:		
- Financial assets/liabilities held for trading	9,977	(18,069)
- Derivatives – hedging component	6,734	(8,894)
Net gains/(losses) on financial instruments recognized in shareholders' equity:		
- Derivatives – hedging component	7,398	3,354
Interest income/expense (calculated using the internal rate of return method) accrued on financial assets/liabilities not at FVTPL		
- Interest income	9,457	1,537
- Interest expense	2,042	2,519
- Interest expense on lease liabilities	15,986	17,830
Expenses and fees not included in the effective interest rate		
- regarding financial liabilities	857	325
Interest income accrued on financial instruments written-off		
Provisions for impairment on financial assets		
- Receivables/loans	528	145

Comments on the main income statement items

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

33. Revenues from contracts with customers

In the years ended 31 December 2020 and 31 December 2019, revenues totaled 913,572 thousand Euro and 1,372,449 thousand Euro, respectively. The tables below provide the breakdown by channel and geographical area of the main categories of revenues from contracts with customers for the years 2020 and 2019.

2020

(In thousands of Euro)	Retail	Wholesale	Licenses and services	Total Revenues from contracts with customers
Europe	69,240	124,003	6,472	199,715
North America	131,432	58,553	398	190,383
Japan	84,940	4,512	1	89,453
Asia Pacific	314,094	66,675	224	380,993
Central and South America	37,377	15,357	294	53,028
Total	**637,083**	**269,100**	**7,389**	**913,572**

2019

(In thousands of Euro)	Retail	Wholesale	Licenses and services	Total Revenues from contracts with customers
Europe	164,059	173,310	9,874	347,243
North America	214,484	97,993	591	313,068
Japan	108,287	10,154	12	118,453
Asia Pacific	353,734	156,992	587	511,313
Central and South America	58,921	22,923	528	82,372
Total	**899,485**	**461,372**	**11,592**	**1,372,449**

The Group discloses the disaggregation of revenue using a quali-quantitative approach.
The Group recognizes revenue from the sale of goods through both the retail and wholesale channels when control over the asset is transferred to the customer, generally upon delivery; in the case of licenses and services, revenue is recognized when the service is rendered to customers.
The item "Licenses and services" includes royalties deriving from the license contract with the Marchon Group for the production and distribution of glasses ("Salvatore Ferragamo" brand) and with the Timex Group for the production and distribution of watches ("Salvatore Ferragamo" brand). Revenues from royalties are accounted for based on the stage of completion of the licensee's sale.

34. Rental income investment properties

Rental income investment properties were wholly due to the Ferragamo USA Group for the lease of space in owned or leased and sub-leased properties. In 2020, they amounted to 2,253 thousand Euro, down 2,559 thousand Euro from 4,812 thousand Euro in 2019, as some real estate leases came to an end during the reporting period.

35. Cost of goods sold and operating costs

Cost of goods sold and operating costs in the years ended 31 December 2020 and 31 December 2019 totaled 1,000,722 thousand Euro and 1,248,354 thousand Euro, respectively, and were classified by function as follows:

(In thousands of Euro)	2020	2019	Change 2020 vs 2019
Cost of goods sold	350,284	483,767	(133,483)
Style, product development and logistics costs	35,868	50,292	(14,424)
Sales & distribution costs	414,906	482,315	(67,409)
Marketing & communication costs	54,246	79,676	(25,430)
General and administrative costs	122,154	127,837	(5,683)
Other operating costs	23,264	24,467	(1,203)
Total	**1,000,722**	**1,248,354**	**(247,632)**

Costs were down 19.8% compared to 2019 as a direct consequence of the reduction in revenues and the steps taken by the Group's management to mitigate the negative impacts of the economic crisis caused by the Covid-19 pandemic.

36. Breakdown by nature of income statement cost items

The breakdown by nature of the cost of goods sold and operating costs is set out in the following table:

(In thousands of Euro)	2020	2019	Change 2020 vs 2019
Raw materials, finished products and consumables used	208,549	266,670	(58,121)
Costs for services	359,902	536,954	(177,052)
Personnel costs	187,240	234,431	(47,191)
Amortization and depreciation of tangible and intangible assets	67,085	67,278	(193)
Depreciation of right-of-use assets	119,612	118,334	1,278
Write-downs of tangible/intangible assets	35,070	220	34,850
Other charges	23,264	24,467	(1,203)
Total	**1,000,722**	**1,248,354**	**(247,632)**

Costs for services and personnel costs were sharply down from 31 December 2019 as a consequence of: the steps promptly taken by the Group to curb costs – including, among others, applying for state aid aimed at supporting employment in the various countries in which the Group operates, where available, and negotiating the terms and conditions of the leases of its distribution network; and the reduction in variable costs associated with the contraction in revenues.

The following table shows the impacts of leases on profit or loss, broken down by nature, in the years 2020 and 2019:

(In thousands of Euro)	2020	% of Total	2019	% of Total	Change 2020 vs 2019
Depreciation of right-of-use assets	119,612	67.7%	118,334	56.0%	1,278
Interest and expenses on lease liabilities	15,996	9.1%	17,830	8.4%	(1,834)
Income from lease liabilities	(1,622)	(0.9%)	(78)	-	(1,544)
Costs relating to short-term leases	8,126	4.6%	13,722	6.5%	(5,596)
Costs relating to low-value leases	552	0.3%	656	0.3%	(104)
Costs relating to leases with variable payments not included in the measurement of lease liabilities	53,786	30.4%	61,017	28.8%	(7,231)
Lease payment reductions	(19,729)	(11.2%)	-	-	(19,729)
Total	**176,721**	**100.0%**	**211,481**	**100.0%**	**(34,760)**

Some of the Group's leases contain variable lease payments linked to the revenues generated by stores (DOS), inside leased premises that are not included in the measurement of leases, in accordance with the accounting standard IFRS 16, and are recognized on an accrual basis. As at 31 December 2020, overall variable lease payments accounted for 30.4% of the total expense recognized in profit or loss associated with leases either included or not in the lease liability as per the accounting standard IFRS 16. Variable lease payments depend on sales, and therefore the Group's performance in subsequent years. The Group estimates that in the future variable lease payments will continue to be proportionate to the sales of finished goods.

To curb the negative impacts of the Covid-19 pandemic, the Group entered into important negotiations to revise the terms and conditions of the leases of its distribution network, resulting in a 19,729 thousand Euro positive variable lease payment in 2020 that was directly recognized through profit or loss – rather than as a lease modification. This accounting treatment is consistent with the amendment to IFRS 16 relating to renegotiations resulting from the Covid-19 pandemic.

In general, the Group's lease contracts include terms that prohibit subleasing the leased asset, but do not require the Group to comply with financial covenants.

The Group does not have termination options that it intends to exercise but did not consider when measuring the lease liability. With respect to renewal options, under its accounting policy for determining the lease term the Group considered the renewal options it intends to exercise.

The Group reports commitments for short-term leases expected for 2021 in line with those reported in the 2020 income statement.

37. Other income and revenues

Other income and revenues are broken down as follows:

(In thousands of Euro)	2020	2019	Change 2020 vs 2019
Expense recovery	3,156	3,713	(557)
Rental income from operating properties	25	433	(408)
Advertising contributions	6	13	(7)
Other income and revenues	13,967	13,350	617
Gains on disposal of tangible/intangible assets	8	83	(75)
Windfall profit	6,194	3,199	2,995
Total	**23,356**	**20,791**	**2,565**

Other income, totaling 23,356 thousand Euro, climbed 2,565 thousand Euro from 31 December 2019. The change was largely attributable to the increase in Windfall profit, which included the 4.1 million Euro refund that Ferragamo USA Inc. received for excess import duties paid between 1995 and 1997, as the request filed in 1999 was fully granted.

38. Financial operations

Financial operations are broken down as follows:

Financial charges

(In thousands of Euro)	2020	2019	Change 2020 vs 2019
Interest expense	1,577	1,638	(61)
Discount charges and other financial charges	2,074	2,101	(27)
Interest expense on lease liabilities	15,986	17,830	(1,844)
Expenses on lease liabilities	10	-	10
Losses on exchange rate differences	43,385	19,844	23,541
Financial charges for fair value adjustment of derivatives	17,509	23,028	(5,519)
Total	**80,541**	**64,441**	**16,100**

Financial income

(In thousands of Euro)	2020	2019	Change 2020 vs 2019
Interest income	8,794	874	7,920
Other financial income	663	663	-
Income from lease liabilities	1,622	78	1,544
Gains on exchange rate differences	23,692	25,303	(1,611)
Financial income for fair value adjustment of derivatives	27,486	4,959	22,527
Total	**62,257**	**31,877**	**30,380**

The item Interest expense includes mainly interest on short-term bank loans and, to a lesser extent, on medium and long-term bank loans.

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

Interest expense on lease liabilities – which the Group started recognizing as of 1 January 2019, following the introduction of the accounting standard IFRS 16 – amounted to 15,986 thousand Euro.

In 2020, interest income included 7,530 thousand Euro received by Ferragamo USA Inc. for the refund of excess import duties paid between 1995 and 1997, as the request filed in 1999 was fully granted; the refund of import duties, amounting to 1,816 thousand Euro net of the relevant legal fees, was recognized under net operating costs.

Gains and losses on exchange rate differences were recorded mainly by the Parent company Salvatore Ferragamo S.p.A., and derive from sales in currencies other than the Euro, to both Group companies (intercompany level) and to third parties. In 2020, the Group reported 19,693 thousand Euro in net exchange rate losses, compared to net exchange rate gains of 5,459 thousand Euro in 2019.

Financial income/(charges) for fair value adjustment of derivatives refer to the premium or discount on transactions to hedge the exchange rate risk undertaken by the Parent company and the changes in the fair value of non-hedge derivatives and are closely related to net gains and losses on exchange rate differences. In 2020, the Group reported 9,977 thousand Euro in net financial income for fair value adjustment of derivatives, compared to 18,069 thousand Euro in net financial charges in 2019.

39. Income Taxes

The taxes recorded in the income statement were as follows:

(In thousands of Euro)	2020	2019	Change 2020 vs 2019
Current taxes	(18,387)	(42,571)	24,184
Deferred taxes	28,032	15,395	12,637
Use/(Provision) for taxes from previous years	(2,844)	6,704	(9,548)
Taxes from previous years	1,328	(9,297)	10,625
Total	**8,129**	**(29,769)**	**37,898**
Tax rate	**na**	**25.4%**	

The 79,825 thousand Euro loss before taxes gave rise to a positive 8,129 thousand Euro in income taxes, mainly because of the positive impact of deferred tax assets. These were largely attributable to the deferred tax assets recognized on tax losses by Salvatore Ferragamo S.p.A. and other entities of the Groups as well as on the provision for obsolete inventory. The Group's tax rate had been 25.4% in 2019. In 2019, current taxes included the tax benefit of the Parent company Salvatore Ferragamo S.p.A. for direct taxes (IRES and IRAP) related to the so-called "Patent Box", with an impact of 10,218 thousand Euro; in 2020, the Company notified the Inland Revenue Office that it would withdraw its application for an extension, thus intending to enter into the "Patent Box" self-assessment regime and assess the amount of the benefit on its own. No reduction in direct tax expense is expected for 2020, as Salvatore Ferragamo S.p.A. reported a tax loss for the year. For more details, please refer to "Significant events occurred during the year - Patent Box and Research and Development, Design, and Innovation Credits".

The item Provision for taxes from previous years , totaling 2,844 thousand Euro in 2020, included 2,870 thousand Euro set aside by Ferragamo France S.A.S. for the tax audit relating to the tax years 2008-2010 that started in 2011; for more details, see the Directors' report on operations, paragraph "Significant events occurred during the year - Tax and customs disputes and audits". The item Taxes from previous years, totaling 1,328 thousand Euro, largely refers to the greater Patent Box benefit recognized by Salvatore Ferragamo S.p.A. for 2015 as a result of the restatement of taxable income assessed and agreed under the settlement entered into in November 2019 with the Inland Revenue Office, which required the Company to file a supplementary tax return for the year 2015. For more details, see the Directors' report on operations, paragraph "Significant events occurred during the year - Proceedings settled with the Inland Revenue Office".

Deferred taxes include the recognition in the year of deferred tax assets on tax losses totaling 11,968 thousand Euro, mainly related to Salvatore Ferragamo S.p.A..

Deferred tax assets and liabilities

The following table provides a breakdown by nature of the assets and liabilities for deferred taxes as at 31 December 2020 and 31 December 2019.

	31 December 2020	31 December 2019	31 December 2020	31 December 2019	2020	2019
(In thousands of Euro)	Statement of financial position		Other Comprehensive Income		Income statement	
Deferred tax assets						
- on employee benefits	1,483	1,533	984	868	(109)	118
- on tangible assets	10,498	7,653	-	-	3,635	1,102
- on intangible assets	215	1,113	-	-	(898)	44
- on right-of-use assets and lease liabilities	14,849	16,578	-	-	(534)	15,424
- on the cash flow hedge reserve	-	-	-	158	158	550
- on the valuation of inventories	17,867	12,403	-	-	5,979	876
- on the elimination of the profit unrealized in inventories	48,747	46,867	-	-	1,880	11,122
- on tax losses	12,528	560	-	-	11,968	(617)
- on taxed provisions	2,793	3,582	-	-	(657)	946
- for other temporary differences	10,676	6,447	-	-	4,604	(14,178)
Deferred tax assets	**119,656**	**96,736**	**984**	**1,026**	**26,026**	**15,387**
Deferred tax liabilities						
- on employee benefits	(32)	(97)	-	-	65	(22)
- on tangible assets	(336)	(373)	-	-	23	217
- on right-of-use assets and lease liabilities	(130)	-	-	-	(135)	-
- on intangible assets	(1,613)	-	-	-	167	-
- on the cash flow hedge reserve	(1,616)	(274)	(1,618)	-	276	(274)
- on the valuation of inventories	(2,249)	(2,433)	-	-	185	13
- for other temporary differences	(967)	(2,393)	-	-	1,425	74
Deferred tax liabilities	**(6,943)**	**(5,570)**	**(1,618)**	**-**	**2,006**	**8**
Net effect	**112,713**	**91,166**	**(634)**	**1,026**	**28,032**	**15,395**

Deferred taxes reflect the net tax effect of temporary differences between the book value and the taxable amount of assets and liabilities. The accounting of assets for deferred taxes was duly adjusted to take account of the effective possibility to be realized.

Deferred tax assets on previous tax losses, recognized after assessing the actual probability that future taxable profit will be available against which they can be utilized, as at 31 December 2020 and 31 December 2019 were as follows:

31 December 2020

Expiry (In thousands of Euro)	Previous tax losses	Tax rate	Deferred tax assets
Without time limits	52,172	24.01%	12,528
Total	**52,172**	**24.01%**	**12,528**

31 December 2019

Expiry (In thousands of Euro)	Previous tax losses	Tax rate	Deferred tax assets
Without time limits	981	25.00%	245
Over 5 years	1,028	30.62%	315
Total	**2,009**	**27.87%**	**560**

The following table shows the tax losses of Group companies as at 31 December 2020 and 31 December 2019 on which deferred tax assets have not been calculated, as it is not probable that future taxable profit will be available against which the Group can utilize the relevant benefits, along with the relevant expiry dates:

31 December 2020

	Expiry				
(In thousands of Euro)	Without time limits	Within 1 year	1 to 3 years	3 to 5 years	over 5 years
140,594	94,327	3,887	4,651	13,524	24,205

31 December 2019

	Expiry				
(In thousands of Euro)	Without time limits	Within 1 year	1 to 3 years	3 to 5 years	over 5 years
122,142	79,160	6,070	6,626	6,702	23,584

The reconciliation between the theoretical tax charge and the effective tax charge is as follows:

(In thousands of Euro)	2020	2019
Profit before taxes	(79,825)	117,134
IRES rate in force for the year	*(24.0%)*	*(24.0%)*
Theoretical tax charge	**19,158**	**(28,112)**
IRAP effect	(11)	(6,427)
(Non-deductible costs) net of non-taxable income	(6,720)	(19)
Differences arising from different rates – foreign countries	(1,050)	2,480
Other effects	3,851	(3,128)
Effects from non-registration of deferred taxes	(5,945)	(3,085)
Patent Box impact (IRES and IRAP)	-	10,218
Research and Development Tax Credit impact (IRES-IRAP)	362	897
Effect of (allocation to)/use of the provision for risks and charges for taxes from previous years	(2,844)	6,704
Effect of taxes from previous years	1,328	(9,297)
Total differences	**(11,029)**	**(1,657)**
Total taxes from the income statement	**8,129**	**(29,769)**
Effective tax rate	***(10.2%)***	***(25.4%)***

40. Earnings per share

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

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

	2020	2019
Net profit (loss) – shareholders of the Parent company (Euro)	(66,396,670)	87,281,193
Average number of ordinary shares	168,640,000	168,698,181
Basic earnings per share – ordinary shares (Euro)	**(0.394)**	**0.517**
Diluted average number of ordinary shares	168,640,000	168,698,181
Diluted earnings per share – ordinary shares (Euro)	**(0.394)**	**0.517**

Other information

41. Dividends

On 10 March 2020, the Company's Board of Directors resolved to propose that the Shareholders' Meeting convened for 21 April 2020 distribute a dividend of 0.34 Euro per ordinary share.
On 6 April 2020, acknowledging that the global economic outlook has changed significantly since the Board met on 10 March 2020 following the outbreak of the Covid-19 pandemic, the Board of Directors, after resolving to postpone the Shareholders' Meeting to 8 May 2020, in order to support the financial soundness of the Group and mitigate future economic-financial impacts, also resolved to withdraw the proposal for the distribution of dividends out of the Company's profits for the year 2019, already approved on 10 March 2020 and disclosed to the market on the same date, and to propose that the Shareholders' Meeting allocate Salvatore Ferragamo S.p.A.'s 124,211,203 Euro profit for the year 2019 to the extraordinary reserve.
Pursuant to the resolution passed by the Shareholders' Meeting on 8 May 2020, the Parent Company Salvatore Ferragamo S.p.A. allocated the 124,211,203 Euro profit for the year to 2019 to the extraordinary reserve.
Other Group companies with third-party minority shareholders did not approve and/or pay any dividends during 2020.

42. Share-based payments

Stock Grant Plan

(a) Plan Description

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

Plan Aims

The objectives the Company aimed to achieve by implementing the Plan can be identified in providing incentives for the key personnel of the Group, thus encouraging their loyalty to the Group, through the allocation of instruments representing the value of the Company and which can (i) align the remuneration of top managers who are the beneficiaries of the Plan with the interests of shareholders and the provisions of the Corporate Governance Code for listed companies drafted by Borsa Italiana S.p.A., (ii) retain the Group's key personnel, and (iii) help management to take decisions aimed at creating further value for the Group in the medium-long term.

Object of the Plan

The Plan was divided into two Cycles:

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

The Plan involved the following:

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

The Board of Directors set and approved the performance targets for each Cycle – specifically, on 30 June 2016 for the first Cycle and on 22 June 2017 for the Second Cycle.
The performance period was from 1 January 2016 through 31 December 2018 for the First Cycle, and from 1 January 2017 through 31 December 2019 for the Second Cycle.

Specifically, the Board of Directors had set two targets for both Cycles, and each of them accounted for 50% of the total options granted:

A. Total Shareholder Return ("TSR") compared to a peer group. The number of shares for the portion related to this measure would have been granted based on the Company's TSR compared to its peers. All or part of the shares would have been granted only if the TSR of the Company were positive and at least equal to the median of the peer group (so-called market condition), as shown in the table below.

B. Consolidated gross profit (before taxes). This target would have been measured using the three-year average of the actual consolidated gross profit (before taxes) compared to the three-year average of consolidated gross profit (before taxes) defined in the annual Budgets. The number of shares to be granted would have been based on the above ratio as shown in the following table (so-called non market condition).

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

A. Total Shareholder Return (TSR)

	Percentage of vesting options
TSR_SF lower than MEDIAN	0%
TSR_SF = MEDIAN	50%
TSR_SF = THIRD QUARTILE	100%
TSR_SF higher than THIRD QUARTILE	100%

B. Consolidated gross profit (before taxes) versus 2016 - 2017- 2018 Budget (1st Cycle) and versus 2017-2018 and 2019 Budget (2nd Cycle)

	Percentage of vesting options
Gross Profit Performance Measure lower than 90%	0%
Gross Profit Performance Measure = 90%	50%
Gross Profit Performance Measure = 100%	100%
Gross Profit Performance Measure higher than 100%	100%

The shares to service the Plan (which would have been granted by the Board of Directors at the end of each Performance Period for the two Cycles – 2016/2018 and 2017/2019 – contingent on the achievement of the performance targets) would have arisen, in whole or in part, from a specific free Share Capital increase of up to 600,000 ordinary shares amounting to 60,000 Euro, in accordance with article 2349, paragraph 1 of the Italian Civil Code, submitted to the approval of the Extraordinary Shareholders' Meeting of 21 April 2016 and/or, alternatively, through the grant of any treasury shares held by the Company Salvatore Ferragamo S.p.A. at the date of the grant.
At the meetings held on 30 June 2016, 2 August 2016, and 14 March 2017, as part of the 1st cycle, and 22 June 2017 as well as 8 March 2018, as part of the 2nd cycle, the Board of Directors, with the favorable opinion of the Nomination and Remuneration Committee, had granted 565,000 rights to receive ordinary shares in Salvatore Ferragamo S.p.A. to managers of both Salvatore Ferragamo S.p.A. and some of its subsidiaries (Ferragamo Hong Kong Ltd, Ferragamo USA Inc., Ferragamo Parfums S.p.A., Ferragamo Mexico S. de R.L. de C.V., and Ferragamo Japan K.K.).

Expiry of the Plan

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

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

The following table shows the changes in the number of rights assigned to receive shares as part of the 2nd Cycle during the period.

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

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

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

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

(c) Fair value measurement

Considering the above assignment mechanism, it was necessary for two fair value assessments to be made:

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

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

Start date of the vesting period of the Rights

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

* Expected volatility is based on the historic share price volatility in a period equal to the whole vesting period.
** The risk-free interest rate has been identified at each grant date as the yield on Euro Area government bonds at the start date of the vesting period for a period equal to the remaining term of the Plan.

Here below are the main assumptions used in the assessments made for the start date of the 2nd Cycle's vesting period.

Start date of the vesting period of the Rights

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

* Expected volatility is based on the historic share price volatility in a period equal to the whole vesting period.
** The risk-free interest rate has been identified at each grant date as the yield on Euro Area government bonds at the start date of the vesting period for a period equal to the remaining term of the plan.

43. Put and call agreements on minority interests

In recent years the Salvatore Ferragamo Group has expanded largely through internal growth. In some areas, mainly in Asia, it has also grown through partnerships with local distributors. In relation to these partnerships, the Shareholders' Agreements regulate dealings between the partners, define the governance rules and contain some provisions on put and call options which shareholders can exercise under certain conditions.

The subsidiaries involved in these kinds of agreements are Ferragamo Japan K.K., Ferrimag Limited, Ferragamo Moda (Shanghai) Co. Ltd., and Ferragamo Retail Macau Limited.

Below are the details on the agreements on minority interests and the effects of the options which have been recognized in the consolidated financial statements as at 31 December 2020.

Ferragamo Japan K.K.'s Shareholders' Agreement allows minority shareholders, collectively holding a 29% stake, to sell their shares to Salvatore Ferragamo S.p.A. at a contractually set price in the case of proven financial need or in the case of a change in their investment strategies in the luxury sector. Consequently, since the financial statements as at 31 December 2010, the Group has been recognizing a financial liability to take into account the possibility of minority shareholders exercising the put option on their 29% stake. Since the Salvatore Ferragamo Group believes it does not have access to the economic benefits associated with this interest, at each measurement date, any changes in the value of the put are recognized directly in equity.

44. Segment reporting

Accounting Standard IFRS 8 – Operating segments requires that detailed information is provided for each operating segment, understood as a component of an entity whose operating results are regularly reviewed by the entity's top management to make decisions about resources to be allocated to the segment and assess its performance.

At management level, the organization of the Salvatore Ferragamo Group is based on a matrix structure, divided by distribution channel, geographic area and product category, therefore operating segments cannot be identified and the top management reviews financial performance across the Group as a whole. Therefore, the Group's activity has been represented as a single reportable segment pursuant to IFRS 8.

(In thousands of Euro)	2020	2019
Retail revenues	637,083	899,485
Wholesale revenues	269,100	461,372
Licenses and services	7,389	11,592
Rental income investment properties	2,253	4,812
Revenues	**915,825**	**1,377,261**
of which in Italy	*90,605*	*138,187*
Gross profit	**565,541**	**893,494**
Gross profit %	**61.8%**	**64.9%**
Personnel costs	(175,835)	(219,966)
Rental costs	(58,082)	(93,074)
Amortization, depreciation and write-downs of non current assets	(220,486)	(184,558)
Communication costs	(48,380)	(70,600)
Other costs (net of other income)	(124,299)	(175,598)
Operating profit/(loss)	**(61,541)**	**149,698**
Net financial (charges)/income	(18,284)	(32,564)
Profit before taxes	**(79,825)**	**117,134**
Income Taxes	8,129	(29,769)
Net profit/(loss)	**(71,696)**	**87,365**
EBITDA*	**160,226**	**335,530**

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

(In thousands of Euro)	31 December 2020	31 December 2019
Inventories and Right of return assets	346,181	395,004
Trade receivables	113,909	147,202
Tangible assets and investment property	214,945	290,896
Right-of-use assets	475,240	576,455
Intangible assets with a finite useful life and goodwill	45,570	42,484
Other assets	189,666	169,404
Total assets gross of cash and cash equivalents and current financial receivables	**1,385,511**	**1,621,445**
Net financial debt	429,166	504,433
Trade payables and Refund Liabilities	145,538	207,654
Other liabilities	101,111	124,093
Shareholders' equity	709,696	785,265
Total liabilities and shareholders' equity (net of cash and cash equivalents and current financial receivables)	**1,385,511**	**1,621,445**

As regards the information required by IFRS 8, reference should be made to the Directors' report on operations for details and the relevant comments on revenues, broken down by geographical area, distribution channel and product category.
Below is the information relating to non current assets (excluding financial instruments and deferred tax assets) broken down by geographical area.

(In thousands of Euro)	Italy	Europe (excluding Italy)	North America	Japan	Asia - Pacific	Central and South America	Consolidated
31 December 2020	249,658	168,254	160,559	18,877	147,543	8,956	753,847
31 December 2019	269,364	204,800	219,750	36,943	185,659	12,900	929,416

45. Transactions with related parties

This section describes the transactions with related parties undertaken in the years ended 31 December 2020 and 31 December 2019.

31 December 2020

(In thousands of Euro)	Revenues	Operating costs (net of other income)	Financial charges	Right-of-use assets	Trade receivables	Other assets	Trade payables	Other current liabilities	Lease liabilities
Holding company:									
Ferragamo Finanziaria S.p.A. (company which exercises management and coordination on Salvatore Ferragamo S.p.A.)	-	(81)	(25)	668	-	2,690	-	-	(690)
Related companies									
Palazzo Feroni Finanziaria S.p.A.	30	(6,370)	(1,603)	42,969	2	70	(133)	-	(45,426)
Lungarno Alberghi S.r.l.	39	(1,782)	(727)	18,805	-	-	(1)	-	(20,254)
Ferragamo Foundation	2	(170)	-	-	-	-	(50)	-	-
Companies connected to members of the Board of Directors									
Arpa S.r.l.	-	(31)	-	-	2	-	(19)	-	-
Bacco S.r.l.	-	(3)	-	8	-	-	-	-	(8)
Baia di Scarlino S.r.l.	6	-	-	-	2	-	-	-	-
Caretti & Associati S.r.l.	-	(202)	-	-	-	-	-	-	-
Castiglion del Bosco S.a.r.l.	-	(21)	-	-	-	-	(11)	-	-
Castiglion del Bosco Hotel S.r.l.	1	-	-	-	-	-	-	-	-
Il Borro S.r.l. Company agricola	2	2	-	-	3	-	-	-	-
The European House Ambrosetti S.p.A.	-	(12)	-	-	-	-	(8)	-	-
Prisma Property Investment Management S.r.l.	1	-	-	-	1	-	-	-	-
Vivia di Vivia Ferragamo & C. SAS	-	(44)	-	-	-	-	(14)	-	-
Harbour City Estates Limited	-	(8,583)	(753)	18,838	269	2,609	(208)	-	(18,703)
Imaginex Management Co. Ltd.	-	3	-	-	-	-	-	-	-
Times Square Ltd.	-	(1,628)	(10)	-	32	-	(141)	-	-
Harriman Property Management Limited	-	(5)	-	-	-	-	-	-	-
Harriman Leasing Limited	-	(2)	-	-	-	698	-	-	-
Lane Crawford (Hong Kong) Limited	-	(1)	-	-	-	-	-	-	-
Long Jin Complex Development (Chengdu) Co. Ltd	-	(2,373)	(148)	13,277	-	581	(3)	-	(13,453)
Dalian Times Square Commercial Co.ltd	-	(541)	(85)	1,807	-	173	-	-	(1,967)
Pedder Group Limited	58	-	-	-	25	-	-	-	-
OIS Realty Limited	-	(508)	(30)	937	-	119	(1)	-	(932)
Shanghai Wheelock square Development Co. Ltd.	-	(649)	(49)	1,331	-	214	-	-	(1,361)
Shanghai Harriman Property Management Co. Ltd.	-	(100)	-	-	-	26	-	-	-
Wharf (China) Property Management Co. Ltd - IFS Branch	-	(102)	-	-	-	-	-	-	-
Chongquing Jiayi Real Estate Development Co Ltd.	-	(297)	(24)	430	-	100	-	-	(499)
Chengdu Times Outlets Commerce Co., Ltd	-	(183)	-	-	-	4	(4)	-	-
Other related parties connected to members of the Board of Directors									
Massimo Ferragamo	-	(66)	-	-	-	-	(31)	-	-
Riccardo Ferragamo	-	(17)	-	-	-	-	-	-	-
Vivia Ferragamo	-	(50)	-	-	-	-	-	-	-
Edoardo Ferragamo	-	(6)	-	-	-	-	-	-	-
Directors, Statutory Auditors and Managers with strategic responsibilities									
Directors, Statutory Auditors and Managers with strategic responsibilities	-	(3,503)	-	-	-	-	-	(1,347)	-
Total	**139**	**(27,325)**	**(3,454)**	**99,070**	**336**	**7,284**	**(624)**	**(1,347)**	**(103,293)**
Group total	**915,825**	**(627,082)**	**(80,541)**	**475,240**	**113,909**	**51,518**	**(136,399)**	**(29,362)**	**(567,909)**
% ratio	**0.0%**	**4.4%**	**4.3%**	**20.8%**	**0.3%**	**14.1%**	**0.5%**	**4.6%**	**18.2%**

31 December 2019

(In thousands of Euro)	Revenues	Operating costs (net of other income)	Financial income	Financial charges	Right-of-use assets	Trade receivables	Other assets	Trade payables	Other liabilities	Lease liabilities
Holding company:										
Ferragamo Finanziaria S.p.A. (company which exercises management and coordination on Salvatore Ferragamo S.p.A.)	-	(94)	-	(28)	748	-	2,599	-	(8,489)	(760)
Related companies										
Palazzo Feroni Finanziaria S.p.A.	30	(7,319)	1	(1,374)	50,109	8	70	(182)	-	(51,726)
Lungarno Alberghi S.r.l.	153	(1,944)	-	(778)	20,686	34	-	(4)	-	(21,728)
Ferragamo Foundation	3	(195)	-	-	-	-	-	(56)	-	-
Companies connected to members of the Board of Directors										
Arpa S.r.l.	40	(52)	-	-	-	16	-	(19)	-	-
Bacco S.r.l.	-	(3)	-	-	11	-	-	-	-	(11)
Baia di Scarlino S.r.l.	4	-	-	-	-	-	-	-	-	-
Castiglion del Bosco S.a.r.l.	-	(11)	-	-	-	-	-	(12)	-	-
Castiglion del Bosco Hotel S.r.l.	14	-	-	-	-	-	-	-	-	-
Il Borro S.r.l. Company agricola	17	(32)	-	-	-	7	-	-	-	-
The European House Ambrosetti S.p.A.	-	(5)	-	-	-	-	-	(5)	-	-
Nautor Holding s.r.l.	4	-	-	-	-	3	-	-	-	-
Osteria del Borro S.r.l.	-	(13)	-	-	-	-	-	-	-	-
Prisma Property Investment Management S.r.l.	3	-	-	-	-	1	-	-	-	-
Harbour City Estates Limited	-	(9,898)	-	(917)	38,557	-	2,791	-	-	(39,058)
Imaginex Management Co. Ltd.	-	(13)	-	-	-	-	-	-	-	-
Times Square Ltd.	-	(3,028)	-	(72)	1,590	-	-	-	-	(1,617)
Harriman Property Management Limited	-	(5)	-	-	-	-	-	-	-	-
Harriman Leasing Limited	-	-	-	-	-	-	771	-	-	-
Lane Crawford (Hong Kong) Limited	-	(3)	-	-	-	-	-	-	-	-
Long Jin Complex Development (Chengdu) Co. Ltd	-	(2,248)	-	(86)	1,480	-	596	(5)	-	(1,494)
Dalian Times Square Commercial Co.ltd	-	(592)	-	(105)	2,369	-	184	-	-	(2,515)
Pedder Group Limited	158	-	-	-	-	23	-	-	-	-
OIS Realty Limited	-	(467)	-	(28)	1,463	-	130	-	-	(1,445)
Shanghai Wheelock square Development Co. Ltd.	-	(542)	-	(10)	57	-	149	(38)	-	(13)
Shanghai Longxing Property Development Co. Ltd.	-	(150)	-	-	-	-	373	-	-	-
Shanghai Harriman Property Management Co. Ltd.	-	(82)	-	-	-	-	19	-	-	-
Shanghai Times Square Property Management (Shanghai) Co. Ltd.	-	(50)	-	-	-	-	-	-	-	-
Wharf (China) Property Management Co. Ltd - IFS Branch	-	(122)	-	-	-	-	-	-	-	-
Chongquing Jiayi Real Estate Development Co Ltd.	-	(338)	-	(35)	719	-	102	(32)	-	(804)
Changsha Times Outlet Commerce Limited	-	(35)	-	-	-	-	4	(2)	-	-
Chengdu Times Outlets Commerce Co., Ltd	-	(187)	-	-	-	-	4	(3)	-	-
Other related parties connected to members of the Board of Directors										
Heirs of Wanda Miletti Ferragamo	-	(51)	-	-	-	-	-	-	-	-
Massimo Ferragamo	-	(134)	-	-	-	-	-	(33)	-	-
Edoardo Ferragamo	-	(32)	-	-	-	-	-	(32)	-	-
Directors, Statutory Auditors and Managers with strategic responsibilities										
Directors, Statutory Auditors and Managers with strategic responsibilities	-	(5,454)	-	-	-	-	-	-	(2,313)	-
Total	**426**	**(33,099)**	**1**	**(3,433)**	**117,789**	**92**	**7,792**	**(423)**	**(10,802)**	**(121,171)**
Group total	**1,377,261**	**(743,796)**	**31,877**	**(64,441)**	**576,455**	**147,202**	**49,919**	**(198,934)**	**(66,210)**	**(676,329)**
% ratio	**0.0%**	**4.5%**	**0.0%**	**5.3%**	**20.4%**	**0.1%**	**15.6%**	**0.2%**	**16.3%**	**17.9%**

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

Specifically:

Holding company

Ferragamo Finanziaria S.p.A.

Under the domestic fiscal unity in which the Parent company Salvatore Ferragamo S.p.A. participates together with Ferragamo Finanziaria S.p.A. (consolidating entity) and Ferragamo Parfums S.p.A., Other current assets included 2,690 thousand Euro in corporate income tax (IRES) receivables, 2,689 thousand Euro relating to Salvatore Ferragamo S.p.A. and 1 thousand Euro relating to Ferragamo Parfums S.p.A..

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

Related companies

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

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

In particular, the following transactions should be noted:

Palazzo Feroni Finanziaria S.p.A.

Revenues and the relevant receivables largely refer to IT and administrative services.
Right-of-use assets and lease liabilities, operating costs (net of the reduction in lease payments granted because of the Covid-19 pandemic), and finance expense largely refer to leases for the headquarters in Florence and some stores of the Italian chain, which mostly fall within the scope of IFRS 16. Other assets refer to the relevant guarantee deposits.

Lungarno Alberghi S.r.l.

Revenues (and the relevant credit balances) refer to product sales; right-of-use assets, lease liabilities, operating costs (net of the reduction in lease payments granted because of the Covid-19 pandemic), and interest expense largely refer to the lease of a space used as a store of the Italian retail chain, which falls within the scope of IFRS 16.

Ferragamo Foundation

The costs (and the related accounts payable balances) incurred refer for 100 thousand Euro to the services provided for the management of the Salvatore Ferragamo historical archive (105 thousand Euro in 2019) and for 70 thousand Euro to donations to support the institutional activities of the Foundation (90 thousand Euro in 2019).

Companies connected to members of the Board of Directors

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

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

In particular, the following transactions should be noted:

Harbour City Estates Limited

Right-of-use assets and lease liabilities, operating costs (net of the reduction in lease payments granted because of the Covid-19 pandemic), and financial charges largely refer to leases for premises in Hong Kong, including mainly the Canton Road flagship store, which mostly fall within the scope of IFRS 16. Other assets refer to the relevant guarantee deposits.

Times Square Ltd. and Harriman Leasing Limited

As regards Times Square Ltd., operating costs (net of the reduction in lease payments granted because of the Covid-19 pandemic) and financial charges (along with the relevant trade payables) mainly refer to leases for premises for a store in Hong Kong, which in the first half of 2020 fell within the scope of IFRS 16, while as regards Harriman Leasing Limited, other assets refer to the guarantee deposit for the same store in Hong Kong.

Long Jin Complex Development (Chengdu) Co. Ltd

Right-of-use assets and lease liabilities, operating costs (net of the reduction in lease payments granted because of the Covid-19 pandemic), and financial charges refer to the lease for a store of Ferragamo Moda (Shanghai) Limited, which largely falls within the scope of IFRS 16, whereas other assets refer to the relevant guarantee deposit.

Dalian Times Square Commercial Co. Ltd.

Right-of-use assets and lease liabilities, operating costs (net of the reduction in lease payments granted because of the Covid-19 pandemic), and financial charges refer to the lease for a store of Ferragamo Moda (Shanghai) Limited, which falls within the scope of IFRS 16, whereas other assets refer to the relevant guarantee deposit.

Shanghai Wheelock square Development Co. Ltd.

Right-of-use assets and lease liabilities, operating costs (net of the reduction in lease payments granted because of the Covid-19 pandemic), and financial charges refer to the lease of the offices of Ferragamo Fashion Trading Shanghai Co. Limited and Ferragamo Moda Shanghai Limited, which falls within the scope of IFRS16, whereas other assets refer to the relevant guarantee deposits.

OIS Realty Limited

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

Chongquing Jiayi Real Estate Development Co Ltd.

Right-of-use assets and lease liabilities, operating costs (net of the reduction in lease payments granted because of the Covid-19 pandemic), and financial charges refer to the lease for a store of Ferragamo Moda (Shanghai) Limited, which largely falls within the scope of IFRS 16, whereas other assets refer to the relevant guarantee deposit.

Other related parties connected to members of the Board of Directors

Massimo Ferragamo

Costs (and the relevant debt balance) refer to a consultancy agreement between Massimo Ferragamo and Ferragamo USA Inc..

Riccardo Ferragamo

Costs refer to the cost Salvatore Ferragamo S.p.A. incurred under the working relationship with Riccardo Ferragamo.

Vivia Ferragamo

Costs refer to the cost Salvatore Ferragamo S.p.A. incurred under the working relationship with Vivia Ferragamo.

Edoardo Ferragamo

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

Directors, Statutory Auditors and Managers with strategic responsibilities

For information on Directors and Statutory Auditors, please refer to note 46 below.

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

Full name	Role
Giacomo Ferragamo*	Brand & Product and Communication Manager
Alessandro Corsi	Manager of Administration, Finance, and Control and Manager charged with preparing Company's Financial Reports

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

The costs associated with managers with strategic responsibilities referred to the cost incurred by the Group as part of the employment relationship and, in addition, they included the imputed cost of the 2016-2020 Stock Grant Plan for the rights assigned as part of the 1st and 2nd cycles, which came to an end in 2020 without granting any shares in Salvatore Ferragamo S.p.A.. These costs amounted to 721 thousand Euro in 2020 (479 thousand Euro in 2019, not including Giacomo Ferragamo's remuneration as manager with strategic responsibilities, as this is included in the remuneration of the Board of Directors), including 29 thousand Euro relating to the imputed cost of the 2016-2020 Stock Grant Plan. Typically, the managers with strategic responsibilities receive non-monetary benefits such as cars, mobile phones, and insurance policies.

46. Fees paid to Directors and Statutory Auditors

Directors

Full name (In thousands of Euro)	Position held	Term of office	End of term of office	Fees for the position held	Fees as committee members	Non-monetary benefits	Salaries, bonuses and other incentives**	Other fees**	Stock Grant*	Total
Ferruccio Ferragamo	Chairman	1.01-31.12	a)	511	-	b) c) d)	-	(196)	-	315
Micaela Le Divelec Lemmi	Managing Director	1.01-31.12	a)	680	-	b) c) d)	-	35	-	715
Michele Norsa	Executive Deputy Chairman	28.05-31.12	a)	445	-	b) c) d)	-	191	-	636
Giacomo Ferragamo	Deputy Chairman	1.01-28.05		14	6	b) c) d)	410	-	17	447
Giovanna Ferragamo	Director	1.01-31.12	a)	-	-		-	-	-	-
Leonardo Ferragamo	Director	1.01-31.12	a)	35	-		-	-	-	35
Diego Paternò Castello di San Giuliano	Director	1.01-31.12	a)	35	15		-	-	-	50
Angelica Visconti	Director	1.01-31.12	a)	35	15	b) c) d) e)	179	-	6	235
Francesco Caretti	Director	1.01-31.12	a)	242	-		-	-	-	242
Peter Woo Kwong Ching	Director	1.01-31.12	a)	-	-		-	-	-	-
Umberto Tombari	Director	1.01-31.12	a)	35	40		-	-	-	75
Marzio Alessandro Alberto Saà	Director	1.01-31.12	a)	35	64		-	-	-	99
Chiara Ambrosetti	Director	1.01-31.12	a)	35	35		-	-	-	70
Lidia Fiori	Director	1.01-31.12	a)	35	35		-	-	-	70
Total				**2,137**	**210**		**589**	**30**	**23**	**2,989**

a) upon approval of the 2020 financial statements; b) car; c) mobile phone; d) insurance policies; e) accommodation.
* Imputed cost of the 2016-2020 Stock Grant Plan for the rights granted as part of the 1st and 2nd cycles, which came to an end in 2020 without granting any shares in Salvatore Ferragamo S.p.A..
**Fees reported net of any potential adjustment to fees referring to previous years.

Statutory Auditors

(In thousands of Euro) Full name	Position held	Term of office	End of term of office	Fees for the position held	Other fees*	Grand total
Andrea Balelli	Chairman	01.01-31.12	a)	64	15	79
Giovanni Crostarosa Guicciardi	Acting Statutory Auditor	08.05-31.12	a)	31	8	39
Fulvio Favini	Acting Statutory Auditor	01.01-08.05		17	4	21
Paola Caramella	Acting Statutory Auditor	01.01-31.12	a)	48	12	60
Total				**160**	**39**	**199**

a) upon approval of the 2022 financial statements
(*) Other fees refer to amounts due for the position as Chairman or member of the Supervisory Board pursuant to Italian Leg. Decree 231/2001
Please note that the members of the Board of Statutory Auditors have not received other fees from Group companies.

It should be noted that for Directors and Statutory Auditors no severance indemnities are envisaged.

47. Commitments and risks

The breakdown of the risks and commitments is as follows:

(In thousands of Euro)	31 December 2020	31 December 2019
Sureties and guarantees provided by third parties to third parties in the interests of Group companies	21,500	21,227
Guarantees provided by Group companies to third parties in the interests of Group companies	132,806	129,302
Total	**154,306**	**150,529**

The sureties and guarantees provided by third parties in the interests of Group companies largely refer to sureties and guarantees on lease contracts entered into by Group companies, including a guarantee for 6 million US dollars (equal to 4,890 thousand Euro) relating to a lease contract of the Ferragamo Usa Group.

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

48. Public funds Disclosure as per art. 1 paragraphs 125-129 of Italian Law no. 124/2017

Pursuant to art. 1, paragraph 125, of Italian Law 124/2017, as for the requirement to disclose in the notes any funds received during the year in the form of subventions, grants, paid services, and generally economic benefits of any kind from public administrations and the entities as per paragraph 125 of the same article, in 2020 the Italian entity Ferragamo Parfums S.p.A. did not receive any funds, whereas the Italian entity Salvatore Ferragamo S.p.A. received 22 thousand Euro for paid curricular internships from Tuscany's Regional Government. In accordance with art. 3-quater of Italian Law Decree 135/2018, converted with the relevant amendments into Law no. 12 11 February 2019, with respect to the funds received, please refer to the information in the National State Aid Register as per article 52 of Italian Law no. 235 of 24 December 2012.

49. Significant non-recurring events and transactions

During 2020, the Salvatore Ferragamo Group did not carry out significant non-recurring transactions and no significant non-recurring events occurred.

50. Transactions arising from atypical and/or unusual transactions

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

51. Subsidiaries highlights

Subsidiaries highlights are shown in the table below.

(In thousands)		2020			2019		
Company	**Currency**	**Revenues**	**Net profit/ (loss)**	**Shareholders' equity**	**Revenues**	**Net profit/ (loss)**	**Shareholders' equity**
Ferragamo Australia Pty Ltd.	AUD	20,110	(114)	21,979	30,741	376	22,093
Ferragamo Japan K.K.	JPY	10,426,130	(2,578,902)	(2,474,038)	13,450,746	(387,520)	84,290
Ferragamo Korea Ltd.	KRW	105,606,624	3,501,826	82,060,002	150,303,572	8,214,365	78,558,176
Ferragamo Espana S.L.	EURO	4,461	(95)	3,732	12,932	43	3,827
Ferrimag Limited	HKD	-	940	125,726	-	115,326	124,786
Ferragamo Retail HK Limited	HKD	170,509	(177,479)	(72,822)	388,030	(93,298)	104,657
Ferragamo Retail Taiwan Limited	TWD	590,730	34,926	299,370	596,271	17,784	264,649
Ferragamo Mexico S. de R.L. de C.V.	MXN	910,960	26,856	652,873	1,277,966	76,397	626,041
Ferragamo Retail Nederland B.V.	EURO	2,538	(139)	1,185	5,602	(728)	1,323
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	CNY	1,346,174	159,197	582,964	1,185,003	105,972	423,767
Ferragamo (Singapore) Pte. Ltd.	SGD	12,471	(8,483)	(26,957)	29,701	(7,576)	(18,474)
Ferragamo (Thailand) Limited	THB	135,597	(78,321)	(110,759)	170,988	(43,981)	(32,784)
Ferragamo (Malaysia) Sdn Bhd	MYR	26,758	(5,552)	18,695	44,232	(34)	24,247
Ferragamo Hong Kong Ltd.	USD	164,093	6,498	125,527	233,190	19,410	178,882
Ferragamo USA Group	USD	211,796	3,705	85,269	352,163	(366)	81,579
Ferragamo Deutschland GmbH	EURO	6,309	(1,405)	4,647	13,540	211	6,052
Ferragamo Belgique SA	EURO	921	8	669	1,540	(212)	672
Ferragamo Monte-Carlo S.A.M.	EURO	293	(360)	(74)	905	(196)	285
Ferragamo (Suisse) SA	CHF	4,872	46	1,546	8,246	91	1,500
Ferragamo U.K. Limited	GBP	10,347	(3,703)	5,142	24,288	(201)	8,845
Ferragamo France S.A.S.	EURO	9,409	1,501	10,625	23,114	521	9,121
Ferragamo Parfums S.p.A.	EURO	39,739	(3,967)	21,562	85,281	1,363	25,546
Ferragamo Chile S.A.	CLP	440,210	(243,890)	(710,201)	518,082	(325,389)	(466,311)
Ferragamo Austria GmbH	EURO	1,442	76	3,983	3,824	148	3,907
Ferragamo Retail India Private Limited	INR	-	(12,686)	(446,037)	-	(44,605)	(433,333)
Ferragamo Retail Macau Limited	MOP	55,624	(14,635)	69,541	138,047	(1,153)	84,176
Ferragamo Moda (Shanghai) Co.Ltd.	CNY	306,581	28,504	(10,215)	303,977	15,694	(38,720)
Ferragamo Brasil Roupas e Acessorios Ltda.	BRL	25,988	46	21,101	28,970	1,014	21,055
Ferragamo Argentina S.A.	ARS	121,023	(58,975)	(9,629)	98,830	(43,133)	36,611
Ferragamo Denmark ApS*	DKK	-	-	-	2,348	(1,198)	-

* company which ceased operations on 16 December 2019 and was struck off the Copenhagen Company Register on 7 January 2020.

52. Significant events occurred after 31 December 2020

No significant events occurred after 31 December 2020.

Disclosure pursuant to art. 149-duodecies of the Issuers' Regulation

Type of services (In thousands of Euro)	Subject which supplied the service	Recipient	Notes	Total fees for 2020
Audit	Independent Auditors of the Parent company	Parent company		196
Altri Servizi	i) Independent Auditors of the Parent company	Parent company	1	50
	ii) Independent Auditors' network of the Parent company	Parent company	2	86
Subtotal				**332**
Audit	i) Independent Auditors of the Parent company	Subsidiaries		96
	ii) Independent Auditors' network of the Parent company	Subsidiaries		583
Altri Servizi	i) Independent Auditors' network of the Parent company	Subsidiaries		11
Subtotal				**690**
Total				**1,022**

1) The item refers to the certification of the Consolidated Non-Financial Statement.
2) The item largely refers to the services rendered to Risk Management relating to assessments and benchmark analyses.

Florence, 9 March 2021

On behalf of the Board of Directors

The Chairman
Ferruccio Ferragamo

Statement pursuant to article 154 bis of Leg. Decree no. 58 of 24 February 1998 (Consolidated Law on Finance)

1. The undersigned Micaela le Divelec Lemmi in her capacity as "Managing Director" and Alessandro Corsi in his capacity as "Manager charged with preparing Company's Financial Reports" of Salvatore Ferragamo S.p.A. certify, having also taken account of the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - the adequacy in relation to the company's structure and
   - the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements for the 1 January – 31 December 2020 period.

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

3. It is also certified that

   3.1 the consolidated financial statements for the year ended 31 December 2020:

   a. have been prepared in accordance with the applicable international accounting standards as endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002, and subsequent integrations;

   b. correspond with accounting books and records;

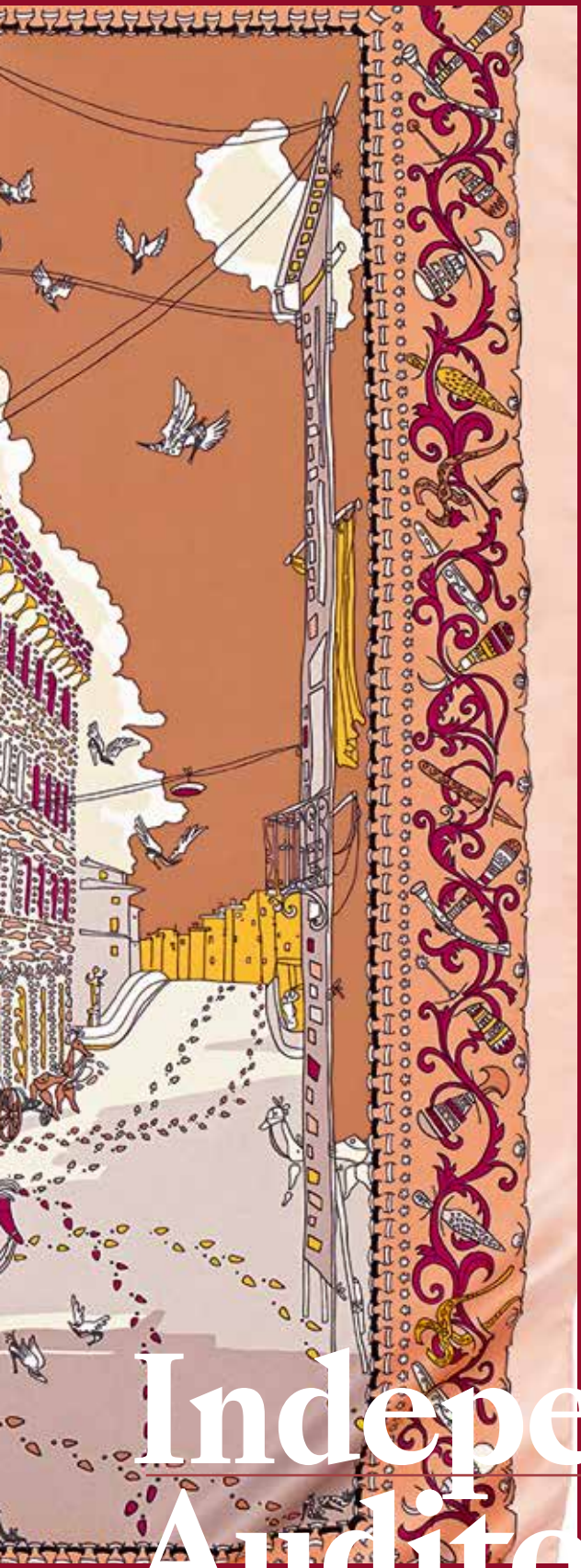
   c. are suitable to provide a true and fair representation of the financial conditions, results of operations and cash flows of the Company and of the group of companies included in the consolidation area.

   3.2 The Directors' report on operations includes a reliable analysis of operating performance and results, as well as of the situation of the Company and of the group of companies included in the consolidation area, as well as a description of the main risks and uncertainties to which they are exposed.

Florence, 9 March 2021

Managing Director
Micaela le Divelec Lemmi

Manager charged with
preparing Company's Financial Reports
Alessandro Corsi



Independent Auditor's Report

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Salvatore Ferragamo S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Salvatore Ferragamo Group (the "group"), which comprise the statement of financial position as at 31 December 2020, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Salvatore Ferragamo Group as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Salvatore Ferragamo S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of property, plant and equipment, right-of-use assets and intangible assets with a finite useful life

Notes to the consolidated financial statements: note 2 "Basis of presentation" and note 11 "Impairment of property, plant and equipment, right-of-use assets and intangible assets with a finite useful life"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2020 include property, plant and equipment, right-of-use assets and intangible assets with a finite useful life of €183 million, €475 million and €39 million, respectively. The group tests these assets for impairment annually whenever there are triggering events, by comparing the carrying amounts of the groups of CGUs, including goodwill, to the related recoverable amounts. In the case of an asset that do not generate cash inflows that are largely independent of those from other assets, the group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset is allocated. The analysis of the triggering events, carried out in accordance with the impairment testing procedure approved by the board of directors, identified the economic crisis caused by the Covid-19 public health emergency as an indicator of impairment of certain CGUs. Accordingly, the group calculated the recoverable amount of its property, plant and equipment, right-of-use assets and intangible assets with a finite useful life. As a result of its impairment testing, the group recognised impairment losses of €33 million and €2 million on property, plant and equipment and intangible assets with a finite useful life, respectively. As described by the directors, the group calculated the recoverable amount based on the expected cash flows of each CGU discounted using an appropriate rate (discounted cash flow model).	Our audit procedures, which also involved our own specialists, included: — understanding the process adopted to prepare the impairment test; — understanding the process adopted for preparing the expected cash flows used for impairment testing; — analysing the reasonableness of the main assumptions used by the directors to prepare the expected cash flows; — analysing the reasonableness of the impairment testing model and the main assumptions used by the directors to determine the recoverable amount of property, plant and equipment, right-of-use assets and intangible assets with a finite useful life; — assessing the appropriateness of the disclosures provided in the notes about property, plant and equipment, right-of-use assets and intangible assets with a finite useful life and the related impairment tests.

Key audit matter	Audit procedures addressing the key audit matter
Impairment testing is complex and entails a high level of judgement, especially in relation to: — the expected cash flows, calculated starting from the 2021 budget approved by the board of directors and, for the 2022-2023 explicit period projections, management estimates of the group's future performance, based on internal and external sources. After the explicit period, the group applied the perpetual method and a growth (g) rate determined on the basis of the expected inflation of the reference market in the medium to long term; — the financial parameters used to calculate the discount rate. For the above reasons and due to the materiality of the relevant captions, we believe that the recoverability of property, plant and equipment, right-of-use assets and intangible assets with a finite useful life is a key audit matter.	

Valuation of inventories

Notes to the consolidated financial statements: note 2 "Basis of presentation" and note 14 "Inventories"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2020 include inventories of €342 million, net of the allowance for inventory write-down of €84 million. Determining the allowance for inventory write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by many factors, including: — the characteristics of the group's business sector; — the market performance and fashion trends; — the age of the collection in stock; — pricing policies and sales ability through the different distribution channels; — the emergency situation caused by Covid-19. For the above reasons, we believe that the valuation of inventories is a key audit matter.	Our audit procedures included: — understanding the processes for the valuation of inventories and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — analysing fluctuations in inventories during the year, considering their expected life cycle based on their age; — analysing documents and discussing the assumptions adopted to calculate the allowance for inventory write-down with the relevant internal departments, in order to understand the assumptions underlying the expectations of how goods will be sold; — assessing the appropriateness of the disclosures provided in the notes about inventories.

Other matters

Management and coordination

As required by the law, the parent disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own consolidated financial statements. Our opinion on the consolidated financial statements of the Salvatore Ferragamo Group does not extend to such data.

Comparative figures

The group's 2019 consolidated financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 26 March 2020.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 18 April 2019, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2020 to 31 December 2028.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the Board of Directors' report on operations and report on corporate governance and ownership structure at 31 December 2020 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the Board of Directors' report on operations and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the Board of Directors' report on operations and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2020 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Salvatore Ferragamo S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Florence, 30 March 2021

KPMG S.p.A.

(signed on the original)

Riccardo Cecchi
Director

Separate Financial Statements

as at 31 December 2020

Separate Financial Statements as at 31 December 2020

Financial Statements

Statement of Financial Position - Assets

(In Euro)	Notes	31 December 2020	of which with related parties	31 December 2019	of which with related parties
NON CURRENT ASSETS					
Property, plant and equipment	6	105,025,191		115,420,054	
Right-of-use assets	7	95,734,537	62,450,054	110,878,094	71,553,252
Goodwill	8	6,679,274		-	
Intangible assets with a finite useful life	9	35,346,341		35,722,662	
Investments in subsidiaries	10	168,355,514		193,737,823	
Other non current assets	11	1,026,289		335,833	
Other non current financial assets	12	293,616	70,000	333,594	70,000
Deferred tax assets	41	26,872,654		10,661,884	
TOTAL NON CURRENT ASSETS		**439,333,416**	**62,520,054**	**467,089,944**	**71,623,252**
CURRENT ASSETS					
Inventories	13	91,350,426		120,451,360	
Right of return assets	14	9,688,383		13,487,023	
Trade receivables	15	144,139,153	112,186,149	194,185,598	161,392,314
Tax receivables	16	3,879,883		10,888,074	
Other current assets	17	14,476,755	2,688,967	8,556,160	1,962,391
Other current financial assets	18	166,938,839	166,651,372	99,874,958	99,773,509
Cash and cash equivalents	19	212,453,231		120,088,330	
TOTAL CURRENT ASSETS		**642,926,670**	**281,526,488**	**567,531,503**	**263,128,214**
TOTAL ASSETS		**1,082,260,086**	**344,046,542**	**1,034,621,447**	**334,751,466**

Statement of Financial Position - Liabilities and Shareholders' Equity

(In Euro)	Notes	31 December 2020	of which with related parties	31 December 2019	of which with related parties
SHAREHOLDERS' EQUITY					
Share capital	20	16,879,000		16,879,000	
Reserves	20	673,921,547		545,593,637	
Net profit/(loss) for the period		(34,070,066)		124,211,203	
TOTAL SHAREHOLDERS' EQUITY		**656,730,481**		**686,683,840**	
NON CURRENT LIABILITIES					
Non current interest-bearing loans & borrowings	21	113,490,643		-	
Provisions for risks and charges	22	36,872,126		15,481,850	
Employee benefit liabilities	23	6,503,770		6,502,822	
Other non current liabilities	24	420,822		306,100	48,889
Non current lease liabilities	25	85,908,348	59,506,851	96,181,026	65,740,964
Deferred tax liabilities	41	6,126,963		3,171,404	
TOTAL NON CURRENT LIABILITIES		**249,322,672**	**59,506,851**	**121,643,202**	**65,789,853**
CURRENT LIABILITIES					
Trade payables	26	115,458,834	25,751,367	145,232,230	9,670,921
Refund liabilities	27	16,097,679		20,873,450	
Interest-bearing loans & borrowings	21	11,428,279		-	
Tax payables	28	2,753,523		13,727,363	
Other current liabilities	29	11,007,165	1,346,384	28,834,597	10,752,432
Current lease liabilities	25	15,792,103	6,871,759	17,455,412	8,483,721
Other current financial liabilities	30	3,669,350		171,353	
TOTAL CURRENT LIABILITIES		**176,206,933**	**33,969,510**	**226,294,405**	**28,907,074**
TOTAL LIABILITIES		**425,529,605**	**93,476,361**	**347,937,607**	**94,696,927**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,082,260,086**	**93,476,361**	**1,034,621,447**	**94,696,927**

Income Statement

(In Euro)	Notes	2020	of which with related parties	2019	of which with related parties
Revenues from contracts with customers	32	561,058,332	398,664,215	836,947,210	622,053,967
Change in inventories of finished products		(13,492,168)	-	5,995,568	-
Costs for raw materials, goods and consumables	33	(158,818,927)	(451,608)	(237,462,166)	(708,721)
Costs for services	34	(202,627,748)	(6,002,917)	(305,678,102)	(11,264,757)
Personnel costs	35	(58,909,516)	(909,067)	(72,412,217)	(1,251,776)
Amortization, depreciation and write-downs	36	(44,308,779)	(9,094,195)	(40,573,259)	(7,843,668)
Other operating costs	37	(131,133,330)	(126,053,592)	(52,964,160)	(48,251,170)
Other income and revenues	38	9,104,839	1,537,224	14,267,295	4,264,558
Operating profit/(loss)		**(39,127,297)**		**148,120,169**	
Financial charges	39	(103,696,706)	(2,356,016)	(48,382,093)	(2,179,944)
Financial income	40	91,124,313	51,173,559	53,478,040	33,631,433
Profit/(loss) before taxes		**(51,699,690)**		**153,216,116**	
Income Taxes	41	17,629,624		(29,004,913)	
Net profit/(loss) for the period		**(34,070,066)**		**124,211,203**	

Statement of Comprehensive Income

(In thousands of Euro)	Notes	2020	2019
Net profit/(loss) for the period (A)		**(34,070)**	**124,211**
Other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period			
- Net gain/(loss) from cash flow hedge	3	5,593	2,207
- Tax consequences on components that will be subsequently reclassified to net profit/(loss) for the period		(1,342)	(529)
		4,251	1,678
Total other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)		**4,251**	**1,678**
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	23	(282)	(386)
- Tax consequences on components that will not be subsequently reclassified to net profit/(loss) for the period		68	93
		(214)	(293)
Total other income/(losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)		**(214)**	**(293)**
Total other income/(losses) for the period, net of taxes (B1+B2 = B)		**4,037**	**1,385**
Total comprehensive income for the period, net of taxes (A+B)		**(30,033)**	**125,596**

Statement of Cash Flows

(In Euro)	Notes	2020	of which with related parties	2019	of which with related parties
Net profit/(loss) for the period		**(34,070,066)**		**124,211,203**	
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 right-of-use assets	6-7-9	44,308,779	(9,094,195)	40,573,259	(7,843,668)
Income Taxes	41	(17,629,624)		29,004,913	
Provision for employee benefit plans	23	29,818		77,863	
Allocation to / (use of) the provision for obsolete inventory	13	6,623,961		6,580,338	
Allocation to / (use of) the provisions for risks and charges	22	1,037,140		264,332	
Losses and net provisions for bad debt	15	(67,249)	-	198,895	198,895
Losses / (gains) on disposal of tangible and intangible assets		27,192		303,760	
Write-down / (revaluation) of investments in subsidiaries	10	46,157,739		11,668,051	
Stock grant plan costs	42	45,276		(206,907)	
Interest expense and interest expense on lease liabilities	39	4,234,748	2,356,016	4,479,372	2,179,945
Interest income	40	(2,579,837)	(1,808,072)	(1,235,723)	(1,107,974)
Dividend income from subsidiaries	40	(49,365,452)	(49,365,452)	(32,523,460)	(32,523,460)
Other non-monetary items		(4,657,709)	(1,277,192)	1,666,090	
Changes in operating assets and liabilities:					
Trade receivables	15	46,342,012	49,206,165	(18,603,293)	(23,343,337)
Inventories	13	22,476,973		(4,592,611)	
Trade payables	26	(29,379,486)	16,080,446	231,733	293,777
Other receivables and tax payables	16-28	(73,133)		(700,047)	
Employee benefits payments	23	(374,497)		(402,142)	
Other assets		288,619		(1,322,743)	
Other liabilities		(5,056,126)	(917,443)	3,203,700	1,229,089
Other net	22	(387,688)		(350,743)	
Income taxes paid		(12,764,454)	(9,177,694)	(10,990,418)	16,482,164
Interest expense and interest expense on lease liabilities paid		(4,338,539)	(2,409,007)	(2,512,138)	(1,507,919)
Interest received		2,579,837	1,808,072	1,235,723	1,107,974
Dividends received		49,365,452	49,365,452	32,523,460	32,523,460
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**62,773,686**	**44,767,096**	**182,782,467**	**(12,311,054)**
Cash flow from investing activities:					
Purchase of tangible assets	6	(3,096,668)		(21,072,985)	
Purchase of intangible assets	9	(5,568,064)		(11,519,739)	
Acquisition of Arts S.r.l. and Aura 1 S.r.l. net of cash acquired	5	(7,581,385)		-	
Proceeds from the sale of tangible and intangible assets		20,409		30,201	
Investments in subsidiaries		-		39,909	
Net change in financial receivables	18	(66,877,862)	(66,877,862)	(50,251,970)	(50,251,970)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(83,103,570)**	**(66,877,862)**	**(82,774,584)**	**(50,251,970)**
Cash flow from financing activities:					
Net change in financial payables	21	124,918,922		-	
Repayment of lease liabilities	25	(12,224,137)	(6,499,356)	(15,941,956)	(7,121,594)
Dividends paid	46	-	-	(57,371,619)	(40,684,709)
Treasury share repurchase	20	-		(2,524,663)	
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**112,694,785**	**(6,499,356)**	**(75,838,238)**	**(47,806,303)**
NET INCREASE (DECREASE) IN NET CASH AND CASH EQUIVALENTS		**92,364,901**		**24,169,645**	
OPENING NET CASH AND CASH EQUIVALENTS		**120,088,330**		**95,918,685**	
Increase/(decrease) in net cash and cash equivalents		92,364,901		24,169,645	
CLOSING NET CASH AND CASH EQUIVALENTS	19	**212,453,231**	**-**	**120,088,330**	

Statement of changes in shareholders' equity

Note 20

(In thousands of Euro)	Share capital	Treasury share reserve	Legal reserve	Share capital contributions	Extraordinary reserve	Revaluation reserve	Cash flow hedge reserve	Effect IAS 19 Equity	Other reserves	Net profit/ (loss) for the period	Total Shareholders' Equity
As at 01.01.2020	**16,879**	**(2,776)**	**4,188**	**2,995**	**504,319**	**25,478**	**872**	**(1,492)**	**12,010**	**124,211**	**686,684**
Profit/(loss) for 2020										(34,070)	(34,070)
Other comprehensive income/ (losses)							4,251	(214)			4,037
Total comprehensive income (loss)	**-**		**-**	**-**	**-**	**-**	**4,251**	**(214)**	**-**	**(34,070)**	**(30,033)**
Allocation of 2019 result					124,211					(124,211)	-
Stock Grant Reserve									79		**79**
As at 31.12.2020	**16,879**	**(2,776)**	**4,188**	**2,995**	**628,530**	**25,478**	**5,123**	**(1,706)**	**12,089**	**(34,070)**	**656,730**

Note 20

(In thousands of Euro)	Share capital	Treasury share reserve	Legal reserve	Share capital contributions	Extraordinary reserve	Revaluation reserve	Cash flow hedge reserve	Effect IAS 19 Equity	Other reserves	Net profit/ (loss) for the period	Total Shareholders' Equity
As at 01.01.2019	**16,879**	**(251)**	**4,188**	**2,995**	**478,378**	**25,478**	**(806)**	**(1,199)**	**12,353**	**83,313**	**621,328**
Profit/(loss) for 2019										124,211	124,211
Other comprehensive income/(losses)							1,678	(293)			1,385
Total comprehensive income (loss)	**-**		**-**	**-**	**-**	**-**	**1,678**	**(293)**	**-**	**124,211**	**125,596**
Allocation of 2018 result					25,941					(25,941)	-
Distribution of dividends										(57,372)	**(57,372)**
Treasury share repurchase		(2,525)									**(2,525)**
Stock Grant Reserve									(343)		**(343)**
As at 31.12.2019	**16,879**	**(2,776)**	**4,188**	**2,995**	**504,319**	**25,478**	**872**	**(1,492)**	**12,010**	**124,211**	**686,684**

Explanatory notes to the separate financial statements

1. Corporate information

Salvatore Ferragamo S.p.A. is incorporated as a joint-stock company in Italy under Italian law and adopts a conventional organizational model, with the Shareholders' Meeting, the Board of Directors, and the Board of Statutory Auditors. The Company's Shares are listed on the Mercato Telematico Azionario (an electronic stock market) organized and operated by Borsa Italiana S.p.A..

The Company is one of the main players in the luxury sector and dates back to 1927.
The separate financial statements for the year ended 31 December 2020 were approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 9 March 2021.

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

Management and coordination

Pursuant to art. 2497 ff. of the Italian Civil Code, the Company Salvatore Ferragamo S.p.A. is subject to management and coordination by Ferragamo Finanziaria S.p.A., whose consolidated financial statements are available at the registered office in Florence, Via Tornabuoni, 2.
In compliance with the provisions of art. 2497-bis, paragraph 4 of the Italian Civil Code, the key data from the financial statements of the Holding company Ferragamo Finanziaria S.p.A. as at 31 December 2019 and 2018 is given below.

Ferragamo Finanziaria S.p.A.

(In Euro)	31 December 2019	31 dicembre 2018
STATEMENT OF FINANCIAL POSITION		
ASSETS		
B) Fixed assets	169,342,251	166,312,869
C) Current assets	64,709,800	142,466,156
D) Accruals and Deferrals	703	702
TOTAL ASSETS	**234,052,754**	**308,779,727**
LIABILITIES AND SHAREHOLDERS' EQUITY		
A) Shareholders' equity		
- Share capital	49,749,960	49,749,960
- Reserves	146,489,807	115,713,388
- Profit (loss) for the year	27,864,724	131,233,249
B) Provisions for risks and charges	-	376,194
D) Payables	9,872,739	11,631,585
E) Accruals and Deferrals	75,524	75,351
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**234,052,754**	**308,779,727**
Guarantees, commitments and other risks	**-**	**-**
INCOME STATEMENT		
A) Value of production	126,413	100,283,774
B) Costs of production	(2,244,396)	(3,492,160)
Difference between value and costs of production	**(2,117,983)**	**96,791,614**
C) Financial income and charges	31,158,341	35,240,555
Profit before taxes	**29,040,358**	**132,032,169**
Income taxes for the year, current and deferred	(1,175,634)	(798,920)
Profit (loss) for the year	**27,864,724**	**131,233,249**

2. Statement of compliance with IFRS and basis of presentation

The Separate Financial Statements of Salvatore Ferragamo S.p.A. have been prepared in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board ("IASB") adopted by the European Union and in force at the reporting date. The explanatory notes to the separate financial statements have been supplemented with the extra information requested by CONSOB and by the provisions it has issued in implementation of art. 9 of Leg. Decree 38/2005 (resolutions 15519 and 15520) dated 27 July 2006 and communication DEM/6064293 dated 28 July 2006, pursuant to art. 78 of the Issuers' Regulation, the EC document of November 2003 and, where applicable, the Italian Civil Code. The term "IFRS" used herein includes International Accounting Standards ("IAS") which are still in force as well as all the interpretations issued by the IFRS Interpretation Committee, previously referred to as International Financial Reporting Interpretations Committee ("IFRIC") and before that Standing Interpretations Committee ("SIC").

Financial statement structure adopted

The Separate Financial Statements of Salvatore Ferragamo S.p.A. as at 31 December 2020 comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in shareholders' equity and the related explanatory notes.
The statement of financial position, the income statement and the statement of cash flows are presented in Euro, while the statement of comprehensive income and the statement of changes in shareholders' equity and the related explanatory notes are presented in thousands of Euro, unless otherwise indicated.
The Company's statement of financial position distinguishes between current and non current assets and liabilities, where:

- non current assets refer to positive balances to be realized after more than 12 months and include intangible, tangible and financial assets and deferred tax assets;
- current assets refer to positive balances to be realized within 12 months;
- non current liabilities refer to liabilities due after more than 12 months, including financial payables, provisions for risks and charges, employee benefit liabilities and deferred tax liabilities;
- current liabilities refer to liabilities due within 12 months, including the short-term portion of medium/long-term loans, provisions for risks and charges and employee benefit liabilities.

The income statement is shown in accordance with a classification of costs by nature. The statement of cash flows has been prepared according to the indirect method and is presented in compliance with IAS 7, breaking down financial flows into operating, investing and financing activities.

It should be noted that in reference to CONSOB Resolution no. 15519 of 27 July 2006 and Communication no. DEM/6064293 of 28 July 2006, the financial statements show significant transactions with related parties, in order to provide better disclosure.
All amounts are expressed in Euro and are rounded to the nearest thousand Euro, unless otherwise indicated.

Accounting standards

General notes

The Separate Financial Statements have been prepared according to the historical cost principle, except for derivatives and financial assets classified as held for sale, which are recorded at fair value, and on a going concern basis.
The accounting standards adopted in the Separate Financial Statements as at 31 December 2020 are the same as those adopted in previous years with the exception of international accounting standards newly adopted in 2020.

Discretionary valuations and significant accounting estimates

The preparation of the Separate Financial Statements has entailed the use of estimates and assumptions, both in determining some assets and liabilities, and in assessing contingent assets and liabilities, by using the best available information. Actual results might not fully correspond to estimates.

The main estimated data refer to:

- provisions for obsolete inventory of raw materials, accessories and finished products; since the Company's products are subject to fashion market trends, product inventories at the end of the season or, in the case of fragrances, at the end of the life cycle of the individual item, are subject to impairment. Specifically, the provision for obsolete inventory of finished products reflects management's estimate of the expected impairment losses on the products of the collections of previous seasons, considering the ability to sell them through the Company's various distribution channels. Generally, impairment assumptions involve percentages of impairment that become greater the older the collections are, so as to reflect the decline in selling prices in secondary channels (mainly outlets) on the one hand, and on the other hand, the decrease in the probability of selling them as time goes by. This percentage is based on both a statistical analysis of the change in inventory age and an assessment of the consistency in the use of percentages over time. In case of changes in available information, the percentages are reassessed and adjusted as needed. The provision for obsolete raw materials reflects management's estimates of the decline in the probability they will be used based on the calculation of slow-moving raw materials. In 2020, given the current situation associated with the Covid- 19 emergency, the provisions for obsolete inventory of raw materials, accessories, and finished products reflected also the risk of a potential further reduction in the use of raw materials and the sales of finished products in the future;
- provision for bad debt relating to wholesale sales, which is linked to the solvency and standing of customers with whom the Company has well-established and consolidated relations; the Company uses a matrix to calculate Expected Credit Losses (ECLs) on trade receivables. The provisioning rates are based on the days past due for each customer category grouped in the different segments that present similar historical loss experiences (for instance, by geographic area, product type, customer type, rating, and guarantees). The matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (for example, country risk) are expected to deteriorate over the next year, which can lead to an increased number of defaults in the country concerned, the historical default rates are adjusted accordingly. At every reporting date, the Company updates historical observed default rates and analyzes changes in forward-looking estimates. The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and in forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. For more details on the analysis of *credit risks, please refer to notes 3 and 15;*
- *provisions for risks and charges, in particular* expected future expenses and costs relating to ongoing or foreseeable disputes;
- rights of return to adjust revenues from contracts with customers, where envisaged under contracts to sell items or customary business practices. The Company has concluded that the expected value method is the most appropriate to estimate the amount of variable consideration on sales of goods with rights of return, considering the large number of contracts with similar characteristics;
- useful life of property, plant and equipment and intangible assets, as well as ensuring that development costs meet the recognition and measurement requirements for intangible assets;
- employee benefits, which are measured using actuarial assumptions; for the main actuarial assumptions, reference should be made to note 23 Employee benefit liabilities;
- deferred tax assets, which are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences or any tax losses can be utilized. In this regard, the Company's management estimates the likely timing and amount of future taxable profit;
- fair value of financial instruments, chief among them derivative instruments, which the Company uses extensively to hedge exchange rate risk; for details about the assumptions underlying the measurement of fair value, reference should be made to note 31 Financial instruments and fair value measurement;
- fair value of share-based payment plans, settled in either cash or shares, that the Company uses to provide incentives to the Group's management; for details about the assumptions underlying the measurement of share-based payment plans at fair value, reference should be made to note 43 Segment reporting;
- risk of defeat in the disputes involving the Company; the Company recognizes a liability when facing legal disputes and lawsuits if it believes it is probable that they will require an outflow of financial resources and a reliable estimate can be made of the amount of the potential losses. Given the uncertainty surrounding the outcome of these proceedings, it is hard to reliably estimate the outflow of resources that will be required to settle them, therefore the amount of the provisions for legal disputes may change as a result of future developments in

the outstanding proceedings. The Company monitors the status of ongoing lawsuit and proceedings and consults with its legal advisors as well as legal experts. Moreover, the Company assesses uncertain tax positions and, if required, recognizes a liability

In addition, as of 1 January 2019, following the adoption of IFRS 16, the Company made the significant accounting estimates reported below in its capacity as lessee:

- Lease term: the identification of the lease term is a very significant issue, as the form, regulations, and business practices related to property lease agreements vary significantly from one jurisdiction to another, and assessing the impact on the estimated lease term of the options to renew the lease at the end of the non-cancellable period requires using assumptions. The IFRS Interpretation Committee clarified that, for the purposes of identifying the enforceable period, a lessee shall consider the contractual moment when both parties may exercise their right to terminate the contract without incurring penalties that are not immaterial; the concept of penalty is not to be interpreted in a strictly contractual sense, but shall rather be viewed considering all the economics of the contract. The Company has considered these conclusions in identifying the lease term. In defining the lease term, the Company considered whether either the lessee or lessor, or both, have renewal and termination options, respectively. When renewal options exercisable by both parties to the agreement exist, the Company considered whether there are significant economic incentives to refuse the renewal request, in accordance with paragraph B34 of IFRS 16. When there are options exercisable by only one of the two parties, the Company considered paragraph B35 of IFRS 16.

  Applying the above, considering the specifics facts and circumstances as well as the estimate of whether it will be reasonably certain that the option will be exercised, resulted in the following:

  - For annual leases that are automatically renewed except in the event of termination, the Company considered an average term of five years based on historical evidence;
  - In the other cases, if only the Company can exercise the option, we considered a lease term until the end of the second renewal term, based on historical evidence and the fact that a renewal beyond the second term could not be considered reasonably certain.

After the lease commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the Company and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

- Definition of the discount rate: as most leases entered into by the Company do not contain an implicit interest rate, the Company calculated an Incremental Borrowing Rate (IBR). To determine the IBR it should use to discount future lease payments, the Company identified existing leases as a portfolio of leases with similar characteristics and determined the relevant IBR as the interest rate of a risk-free instrument in Italy (where the leases were entered into), based on the different lease terms, increased by the Group's Credit spread.

The estimates and the assumptions are made by directors with the assistance of company departments and, when appropriate, independent experts, and are periodically reviewed - recognizing, if necessary, the impact of each change in the income statement in the period in which these estimates and assumptions should differ from actual circumstances.

Impairment of Tangible assets (Property, plant and equipment), Right-of-use assets, Intangible assets with a finite useful life, Investments, and Goodwill

The book value of Property, plant and equipment, Right-of-use assets, Intangible assets with a finite useful life, and Investments is subject to impairment testing when there are indicators of impairment (events or changed situations suggesting that the book value cannot be recovered) which require an immediate assessment of impairment, or when events have occurred which require the procedure to be repeated. Impairment exists when the book value of an asset or cash flow generating unit exceeds its recoverable value, which is the higher of its fair value less the costs of sale and its value in use. The calculation of the fair value less the costs of sale is based on the data available from sale binding transactions between free and independent parties involving similar assets or observable market prices, less the extra costs relating to the disposal of the asset. The value in use is calculated based on discounted cash flow models using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset.

The impairment test is carried out by considering the individual geographic areas in which the Group operates as cash generating units ("CGUs"). Said areas usually coincide with the Group's individual legal entities, except where multiple legal entities of the Group the same country or in neighboring territories or markets with a shared and homogeneous customer base.

The cash flows are taken from the estimates made by senior management, which represent the best estimate made by the Company on the economic conditions set for the plan period. The plan forecasts refer to a time period of three years and the long-term growth rate (g) used to estimate the terminal value of the asset was assumed to be equal to the rate of inflation expected to prevail over the medium - long term in the main markets where the Group operates. Cash flows do not include restructuring activities for which the Company does not have a current obligation, or significant future investments which will increase the yield on the assets that make up the cash flow generating unit that is being valued. The recoverable amount is very dependent on the discount rate used in the discounted cash flow model and also on the expected future incoming cash flows and on the growth rate used for the purposes of the extrapolation.

Goodwill is tested for impairment at least once a year (as at 31 December) or more often, when circumstances indicate that the carrying amount may be subject to impairment.

The impairment loss for goodwill is determined by measuring the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated. Where the recoverable amount of the cash-generating unit is lower than the carrying amount of the cash-generating unit to which goodwill has been allocated, an impairment loss is recognized. An impairment loss recognized for goodwill shall not be reversed in subsequent periods.

Disclosure on impairment

the Company considers disclosure regarding impairment of assets as particularly important. Therefore, it has adopted a procedure to analyze indicators of impairment and a procedure for impairment testing.

The negative impacts that the Covid-19 pandemic had on the Company's results in 2020 when compared to the prior-year period were considered to be an indicator of impairment. Therefore, in 2020 the Company measured any impairment losses on its Cash Generating Units (CGUs).

Property, plant and equipment

Tangible assets are recorded at historic cost, including the additional costs directly attributable and necessary to use the asset for the purpose for which it has been bought. This cost includes the costs to replace part of the plant and equipment when incurred, if they comply with the recognition criteria. The net value (cost less accumulated depreciation) of parts of replaced plant and equipment is recognized in the income statement at the time of replacement.

Maintenance and repair expenses, which do not involve the creation of value from and/or extension of the residual life of the assets, are recognized in the income statement in the year in which they are incurred, otherwise they are capitalized.

Tangible assets are shown net of the related accumulated depreciation and any impairment determined in accordance with the method described below. Depreciation is calculated on a straight-line basis according to the estimated useful life of the asset, which is reviewed on an annual basis and any changes, if necessary, are applied on a prospective basis.

The useful lives of the main classes of tangible assets are as follows:

	Useful life
Buildings	33 years
Plant and Equipment	5 years
Industrial and commercial equipment	5 years
Other assets:	
- Office furniture and furnishings	5.5 years
- Electronic machines	3 years
- Historic collection	5 years
- Vehicles	4 years
Leasehold improvements	On the basis of the residual duration of the asset's lease contract

The residual value of the asset, its useful life, and the depreciation methods applied are reviewed at the end of each year and adjusted on a prospective basis if necessary.

Should significant parts of these tangible assets have different useful lives, these components are accounted for separately. Land, whether it is free of construction or attached to buildings, is recorded separately and is not depreciated since it has an unlimited useful life.
The book value of property, plant and equipment is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. If there is an indication of impairment and, should the book value exceed the presumed realizable value, assets are written down to reflect their realizable value. The realizable value of property, plant and equipment is the higher of the net sale price and the value in use.

In defining the value in use, the expected future cash flows are discounted using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset. The realizable value of an asset which does not generate broadly independent cash flows is determined in relation to the cash flow generating unit to which this asset belongs. Impairment is recognized in the income statement under amortization, depreciation and write-down costs.
Impairment is restored should the reasons for it no longer exist.

The carrying amount of an item of property, plant and equipment and each initially recognized significant component is derecognized on disposal (i.e. on the date the buyer obtains control over it) or when no future economic benefits are expected from its use or disposal. The gain/loss arising from the derecognition of the asset (calculated as the difference between the net carrying amount of the asset and the consideration received) is included in profit or loss when the item is derecognized.

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. The contract is, or contains, a lease if it provides the right to control the use of a specific asset for a period of time in exchange for consideration.
The Company uses the exemption under IFRS16 for intangible assets.

The Company as lessee

The Company applies a single accounting model for all leases to which it is lessee, except for short-term leases and leases of low-value assets. The Company recognizes a financial lease liability and a right-of-use asset.

Right-of-use assets:
The Company recognizes a Right-of-use asset at the lease commencement date (that is the date on which the underlying asset is available for use by the lessee). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses determined as described below, and adjusted for any remeasurement of lease liabilities. The cost of Right-of-use assets includes the amount of the recognized lease liability, initial direct costs incurred, lease payments made at or before the commencement less any lease incentives received, and the estimate of costs to be incurred by the Company in restoring the underlying asset to its original condition, if required by the lease.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, depreciation is calculated on a straight-line basis over the shorter of the lease term and the useful life of the asset as follows:

	Useful life
Buildings	33 years
Equipment and other assets	3-5 years
Vehicles	3-4 years

Right of-use assets are tested for impairment should events or changes in circumstances indicate that the book value cannot be recovered. If there is an indication of impairment and, should the book value exceed the presumed realizable value, assets are written down to reflect their realizable value. The realizable value is the higher of the net sale price and the value in use. In defining the value in use, the expected future cash flows are discounted using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset. The realizable value of an asset which does not generate broadly independent cash flows is determined in relation to the cash flow generating unit to which this asset belongs. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.

Lease liabilities:
At the commencement date of the lease, the Company recognizes a lease liability measured at the present value of future lease payments to be made over the lease term. Future payments include fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the Company is reasonably certain to exercise the option to terminate. The variable lease payments that do not depend on an index or a rate, but that in the case of the Company mainly depend on sales volumes, continue to be recognized as costs for services in profit or loss. In calculating the present value of future payments, the Company uses the Incremental Borrowing rate (IBR) at the lease commencement date. Subsequently, the lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the lease liability is remeasured to account for any change in the terms of the lease.

Short-term leases and leases of low-value assets:
the Company has elected not to apply IFRS 16 to short-term leases (leases with a lease term of 12 months or less) and leases for which the underlying asset is of low value (less than 5,000 Euro). Payments on these leases are recognized as expense on a straight-line basis in accordance with the terms and conditions of the lease.

The Company as lessor
Lease contracts in which the Company largely retains all the risks and benefits of ownership of the asset are classified as operating leases. The Company capitalizes the initial direct costs incurred in obtaining an operating lease and recognizes those costs as an expense over the lease term on the same basis as the lease income.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method.
The acquisition cost is valued as the total of the transferred consideration measured at fair value at the acquisition date and the amount of any minority interests in the acquired company.
Business combinations between entities subject to joint control do not fall within the scope of application of IFRS 3. Should the business combination between entities subject to joint control not be of an economic nature but a mere corporate reorganization, the company will apply the business combination accounting method called "pooling of interest", thus aggregating the assets and liabilities to the book values on a line-by-line basis.

Intangible assets

Intangible assets are recorded among assets at purchase cost when the use of the asset is likely to generate future income and when the cost of the asset can be reliably established. Intangible assets acquired through business combinations are recorded at fair value as established at the acquisition date, if this value can be reliably established. Intangible assets with a finite useful life are amortized on a straight-line basis over their estimated useful life; the useful life is reviewed on an annual basis and any changes, where necessary, are applied on a prospective basis.
Intangible assets are shown net of the related accumulated amortization and any accumulated impairment determined in accordance with the method described below.

The useful lives of the main categories of intangible assets with a finite useful life are the following:

	Useful life
Industrial patents and intellectual property rights	2-5 years
Concessions, licenses and trademarks	10 years
Development costs	3-5 years
Know-how	8 years

An intangible asset is derecognized on disposal (i.e. on the date the buyer obtains control over it) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

The book value of intangible assets is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.

Development costs

Research costs are charged to the income statement when they are incurred.
Development costs incurred in relation to a particular project are capitalized only when the Company can demonstrate the technical possibility of completing the intangible asset in such a way as to make it available for use or for sale, as well as its intention to complete the asset in order to use it or sell it, the means by which it will generate probable future income, the availability of technical, financial or other resources to complete the development and its ability to make a reliable assessment of the cost attributable to the asset during its development.
During the development period, the asset is reviewed annually to assess any impairment. Following the initial recognition, development costs are assessed at cost less any accumulated amortization or impairment loss. Amortization of the asset starts when the development is completed and the asset is available for use. It is amortized with reference to the period in which the project is likely to generate revenues for the Company.

Industrial patents and intellectual property rights
Industrial patents and intellectual property rights refer to costs for software licenses and to costs for the deposit and registration of trademarks and patents relating to Company products.

Concessions, licenses, trademarks and similar rights
This item refers to costs for the deposit and registration of the Salvatore Ferragamo trademark. Purchase costs are amortized over the useful life of the right purchased.

Know-how
The item includes the know how acquired through the business combination of Arts S.r.l. and Aura 1 S.r.l., recognized at its fair value at the acquisition date. This charge is amortized over 8 years

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The general rule in IFRS 9 is that an entity shall recognize a financial asset or a financial liability on its balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Financial assets
On initial recognition, financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The assessment of the contractual cash flow characteristics is known as the SPPI ('solely payments of principal and interest "SPPI'") test and is conducted for each instrument. However, identical financial instruments may be analyzed in groups, since the outcome of the test would not be different than under an individual or separate assessment.

The Company's business model for managing financial assets refers to how the Company manages financial assets in order to generate cash flows. The business model determines whether the cash flows will result from the collection of contractual cash flows, sales proceeds, or both. Based on these characteristics, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through other comprehensive income with reclassification of cumulative gains and losses (debt instruments);
- Financial assets at fair value through other comprehensive income without reclassification of cumulative gains or losses on disposal (equity instruments);
- Financial assets at fair value through profit or loss.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.
After initial recognition, the Company measures financial assets at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)
The Company measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include trade receivables, loans to subsidiaries, and guarantee deposits.

Financial assets at fair value through other comprehensive income (debt instruments)
The Company measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through other comprehensive income, gains and losses are recognized through other comprehensive income except for changes resulting from exchange differences and impairment losses, as well as reversals, which are recognized in the statement of profit or loss. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss; the amounts recognized through profit or loss are the same that would have been recognized if the financial assets had always been measured at amortized cost. The Company currently does not have this type of instruments.

Investments in equity instruments
Under IFRS 9, all equity instruments, including derivatives on these instruments, shall be measured at fair value through profit or loss on the assumption that they do not give rise to the contractual cash flows required to pass the SPPI test. However, upon initial recognition, the Company may irrevocably classify its equity investments as equity instruments at fair value through other comprehensive income when they meet the definition of equity instruments as per IAS 32 "Financial Instruments: Presentation" and are not held for trading. The classification is determined for each individual instrument. This category includes Investments in subsidiaries.

Investments
Investments in subsidiaries are measured at purchase cost, in compliance with the provisions of IAS 27.
Should there be indications that the cost is no longer recoverable in full or in part, the carrying amount is reduced to the relevant recoverable amount, in accordance with the provisions of IAS 36. When, subsequently, this loss is reversed or reduced, the carrying amount is increased to the new estimated recoverable amount, which cannot exceed the original cost.

Financial assets at fair value through profit or loss
In general, IFRS 9 defines the classification at fair value through profit or loss as a residual category to be applied to all those financial assets that, because of their contractual characteristics, are not measured at amortized cost or at fair value through other comprehensive income. However, the Company may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise from recognizing the gains and losses on the asset on different bases. Although this may be considered an accounting policy choice, the standard does not require applying it consistently to all similar transactions.
Financial instruments at fair value through profit or loss are carried in the statement of financial position at fair value, with net changes in fair value recognized in the statement of profit or loss.
This category includes derivative instruments. Derivatives, including separated embedded derivatives, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments.

A derivative embedded in a non-derivative hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

Reclassification
A financial asset is reclassified only if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be expected or the Company changes its business model for managing financial assets. The reclassification shall be applied prospectively from the date of reclassification, without restating any previously recognized gains, losses, and interest.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:
- the rights to receive cash flows from the asset have expired, or
- the Company has transferred the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, whereby it retains the contractual rights to receive cash flows from the asset, but assumes a contractual obligation to pay the cash flows to one or more recipients, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When all the risks and rewards of ownership of the financial assets are substantially transferred, the Company derecognizes the financial asset and recognizes any rights and obligations created or retained as separate assets or liabilities; otherwise, the financial asset continues to be recognized. When it has neither transferred nor retained substantially all of the risks and rewards, nor lost control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement; when control over the financial assets is not retained, the Company derecognizes the financial asset and recognizes any rights and obligations created or retained as separate assets or liabilities. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. Specifically, the impairment model applies to all financial assets measured at amortized cost and at fair value through other comprehensive income, but not to financial assets at fair value through profit or loss. In addition, the following types of instruments also fall within the scope of the model:

- Loan Commitments not measured at FVTPL;
- Financial guarantees within the scope of IFRS 9;
- Lease receivables within the scope of IFRS 16;
- Contract Assets within the scope of IFRS 15.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The cash flows that the Company expects to receive depend on the probability of a default by the counterparty and the amount it expects to be able to recover; the expected cash flows will therefore include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. Under the general approach of the Standard, the impairment of financial assets is determined based on the monitoring of the counterparties' credit standing.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).
For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not

track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. More specifically, for the above financial assets, the Company adopts the practical expedient of the provision matrix to calculate impairment, i.e. has established a matrix system based on historical collection information, adjusted for forward-looking factors specific to the debtors and the economic environment, as a means to determine expected credit losses.

Financial liabilities

Financial liabilities are classified and measured at amortized cost using the effective interest rate method, except for those financial liabilities that are classified at fair value through profit or loss because they do not meet the conditions for the measurement at amortized cost. This is the case of financial liabilities held for trading. In addition, the Company may, at initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so would result in more relevant information, as:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases;
- a group of financial assets or liabilities is managed and measured at fair value in accordance with a risk management policy or based on an investment strategy, and information about the group is provided internally on that basis to key management personnel.

Derivatives with negative fair values are also classified and measured at fair value through profit or loss, except for those held as effective hedging instruments. All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings as well as payables, directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.
The measurement of financial liabilities depends on their classification as financial liabilities at fair value through profit or loss and loans & borrowings at amortized cost.

Financial liabilities at fair value through profit or loss: financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of settling or transferring them in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities are designated at fair value through profit or loss upon initial recognition, only if the criteria in IFRS 9 are satisfied. Upon initial recognition, the Company has not designated any financial liability as at fair value through profit or loss.
Financial liabilities at amortized cost (loans and borrowings): after initial recognition, loans are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the statement of profit or loss.
It is not possible to reclassify financial liabilities.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments such as: foreign exchange forward contracts, to hedge financial risks relating to exchange rate fluctuations affecting commercial transactions in foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into, and are subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. As allowed under IFRS 9 paragraph 7.2.21, the Company elected to apply IAS 39 for the purpose of hedge accounting.

In keeping with the provisions of IAS 39.88 and IFRS 9.6.4.1, hedging derivatives are eligible for hedge accounting only when:

- At the inception of the hedge, there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
- the hedge is likely to be highly effective;
- for cash flow hedges, the forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to the measurement of cash flows that could affect profit or loss;
- the effectiveness can be reliably measured; and
- the hedge itself is highly effective during the various accounting periods for which it is designated.

All derivatives are measured at fair value. When derivatives possess the necessary features to be accounted for in accordance with hedge accounting, the following accounting treatments are applied:

- Fair value hedge - if a derivative is designated as a hedge against changes in the current value of an asset or a liability as well as a firm commitment which may have an impact on the income statement, the change in the fair value of the hedging instrument is recorded in the income statement and the change in the fair value of the hedged instrument attributable to the risk covered is recorded as part of the book value of the item being hedged and is also recorded in the income statement. In the case of a firm commitment, the fair value of the component related to the hedged risk is recognized as an asset or liability, adjusting the line item in the statement of financial position that will be affected by the firm commitment upon its realization.
- Cash flow hedge - if a derivative is designated as a hedge against the changes in cash flows from an asset or liability or from a transaction which is considered as highly likely or a firm commitment and which could affect the income statement, the effective portion of the gains or losses on the derivative is recorded under shareholders' equity and accounted for in the statement of comprehensive income; the accumulated gain or loss is reversed from shareholders' equity and charged to the income statement in the same period in which the hedged transaction is recorded; the gain or loss associated with a hedge or that part of the hedge which has become ineffective, is recorded in the income statement when its ineffectiveness is recognized.

Should the conditions to apply hedge accounting not occur, the effects arising from the fair value assessment of the derivative are charged directly to the income statement.

Cash and cash equivalents

Cash and short-term deposits refer to cash on hand and sight/short-term deposits, in the latter case originally expiring in no more than three months.

Treasury shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale or cancellation of treasury shares. Any difference between the purchase value and the consideration, in the event of a sale and/or grant, is recognized in a reserve in equity.

Inventories

Inventories are measured at the lower of purchase and/or production cost, determined using the weighted average cost method, and the net realizable value. Purchase cost includes ancillary charges; production cost includes direct costs and a share of indirect costs which may be reasonably attributable to products. The presumed net realizable value is the normal estimated sale price less the estimated costs to complete the product and the estimated costs to complete the sale.

Provisions for risks and charges

Provisions for risks and charges are allocated when the Company must meet a current (legal or implicit) obligation resulting from a past event, whose occurrence is deemed as likely and whose amount can be reasonably estimated.
When the Company believes that an allocation to the provision for risks and charges will be partly or fully reimbursed, for example in the case of risks covered by insurance policies, the compensation is recorded separately among assets if, and only if, it is almost certain. In this case, in the income statement the cost of any allocation is shown net of the amount recorded for the compensation.

If there is a significant effect from discounting the value of money, the allocations are discounted using a pre-tax discount rate which reflects, where appropriate, the specific risks of the liabilities. When the discounting is carried out, the increase in the allocation due to the passing of time is recorded as a financial charge.

Employee benefit liabilities

The Company's net obligation deriving from defined-benefit plans is calculated separately for each plan by estimating the amount of the future benefit which employees have accrued in return for the service provided in the current and previous years; this benefit is discounted in order to calculate the current value. Actuarial gains and losses are recorded directly in the statement of comprehensive income, as provided for by IAS 19.
Effective 1 January 2007, the 2007 Budget Law and the relevant enabling legislation have introduced significant changes to employee severance indemnities, requiring to allocate them to either supplementary pension schemes or the Treasury Fund of the Italian Social Security Institute (INPS). Starting from said date, in accordance with IAS 19, severance indemnities are classified as "Defined-contribution plans", while the amounts paid into the provision for employee severance indemnities up to 31 December 2006 still qualify as "Defined-benefit plans".
The actuarial assessment of liabilities has been entrusted to an independent actuary.

Fair value

IFRS 13 establishes a single source of guidance for fair value measurement and for the relevant disclosures when such measurement is required or permitted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets or liabilities whose fair value is measured or recognized are categorized based on the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - valuation techniques using unobservable inputs for the asset or liability.

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.
The methods for determining fair value in reference to financial instruments, for accounting or disclosure purposes, are summarized below in reference to the main financial instrument categories, to which they have been applied:

- Derivatives: adequate pricing models have been adopted, based on the market values of interest and exchange rates;
- Receivables and payables and unlisted financial assets: for financial instruments expiring after more than one year, the discounted cash flow method has been applied, i.e. the discounting of expected cash flows given current interest rate and creditworthiness conditions;
- Listed financial instruments: the market value at the reference date is used.

Costs

Costs are recognized when related to goods or services sold or consumed during the period or systematically allocated, or when it is not possible to identify their future usefulness.
Advertising and research costs, in accordance with IAS 38, are charged in full to the income statement, when the service has been provided and delivered to the Company.
Costs are recognized according to their nature considering the standards applicable under IFRS.

Revenues from contracts with customers

Revenues from contracts with customers are recognized when control of goods or services transfers to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Sale of goods

Revenues from the sale of goods are recognized when control of the good passes to the customer, generally upon shipment depending on the terms applied.
The Company considers whether the contract includes other promises representing performance obligations to which part of the consideration for the transaction must be allocated (for example guarantees). When determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Right of return

Some contracts allow customers to return goods within a specified period of time. The Company uses the expected value method to estimate the goods that will not be returned, as this method better predicts the amount of variable consideration to which the Company will be entitled. The guidance in IFRS 15 regarding the constraints on the recognition of variable consideration applies to the determination of the amount of variable consideration that can be included in the transaction price. The Company adjusts revenues for the goods expected to be returned, and recognizes a liability for the refunds. The right of return of an asset (and the corresponding adjustment to the changes in inventories of finished products) is recognized also for the right to recover goods from customers.

Royalties

Revenues from royalties derive from sales-based royalties arrangements with customers, and are therefore recognized based on the stage of completion of the licensee's sales in accordance with the terms of the agreement.

Right of return assets

A right of return asset represents the Company's right to recover goods expected to be returned from customers. The asset is measured at the previous carrying amount of inventories less any costs for its recovery, including any impairment of the returned products. The Company regularly updates the estimated amount of returns from customers as well as any additional impairment of the returned products.

Refund liabilities

The refund liability represents the obligations to refund some or all of the consideration received (or to be received) from the customer and is measured based on the amount the Company expects to be refunded to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payment plans

The Company recognizes additional benefits to some employees, directors and collaborators with particular positions, through equity-settled share-based payments, which provide for the physical delivery of shares. In accordance with the provisions of IFRS 2 - Share-based payments - rights in favor of employees are valued at fair value when the beneficiary is informed of their allocation, and this value is determined using the binomial model. This model takes account of all the features of the rights (duration, exercise price and conditions, etc.), as well as the value of the underlying shares at the grant date and their expected volatility.
If the right can be exercised after a certain period (vesting period) and on the occurrence of specific performance conditions, the cost of transactions settled with equity instruments, together with the corresponding increase in shareholders' equity, is recorded in the period in which the conditions relating to the achievement of objectives and/or the provision of the service are satisfied, ending at the time the

beneficiaries have fully accrued the right to receive payment ("vesting date").
At the end of each year, the fair value of the rights which has been determined previously is not reviewed, but on this date the estimate of the number of rights which will vest up to the expiry is updated. The accumulated costs recorded for these transactions at the end of each year up to the vesting date are proportionate to the expiries of the vesting period and to the best available estimate of the number of options which will actually vest. The cost or revenue recorded in the income statement for the year represents the change in the accumulated cost recorded at the start and at the end of the year.
No cost is recorded for rights which do not ultimately vest, except in the case of rights whose allocation is subordinate to market conditions. The impact of the dilution of the rights not yet exercised is reflected in the calculation of the dilution of earnings per share.

Cash-settled transactions
In case of cash-settled share-based transactions, the cost of the cash-settled transactions is initially valued at the fair value at the date the beneficiary is informed of their allocation. This fair value is recognized in the income statement in the period until vesting, with the recognition of a corresponding liability. Until the liability is settled, the fair value is recalculated at each year-end date and at the settlement date, charging the related changes to the income statement.

Financial income and charges
Financial income and charges are recorded on an accrual basis according to the interest accrued on the net value of the related financial assets and liabilities, using the effective interest rate.

Dividends
Dividends are recognized when the shareholders' right to receive payment arises.

Income Taxes
Current taxes
Current income taxes are determined in relation to taxable income and in compliance with the rates and provisions in force; payables for current taxes are recognized in the statement of financial position, net of any tax advances paid. The Company regularly assesses the position taken in its income tax filings where tax regulations are subject to interpretation and makes provisions, when appropriate.
Current taxes relating to items recorded directly under shareholders' equity or in the statement of comprehensive income are also charged directly to shareholders' equity or to the statement of comprehensive income.

Deferred taxes
Deferred taxes are calculated on the temporary differences existing at the reporting date between the fiscal values taken as a reference for assets and liabilities and the values recognized in the financial statements.
Deferred tax liabilities are recorded for all taxable temporary differences, except:
- when the deferred tax liabilities derive from the initial recognition of goodwill or of an asset or a liability in a transaction which is not a business combination and which, at the time of the transaction, has no effect on the profit/(loss) for the year calculated for financial statement purposes or on the profit or loss calculated for tax purposes;
- in reference to taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures, when the reversal of temporary differences may be managed and it is not likely to occur in the foreseeable future.

Deferred tax assets are recorded against all deductible temporary differences and for tax assets and liabilities which are carried forward, to the extent that adequate future tax profits are likely to exist which make it possible to use the deductible temporary differences and the tax assets and liabilities which have been carried forward, except when:
- the deferred tax asset connected to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not affect profit/(loss) for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- in reference to taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures, deferred tax assets are only recorded to the extent that the deductible temporary differences are likely to be reversed in the immediate future and there are adequate tax profits against which the temporary differences may be used.

The value to be recorded for deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer likely that sufficient tax profits will be available in the future so as to allow all or part of this credit to be used. Unrecognized deferred tax assets are reviewed annually at the reporting date and are recorded to the extent that it has become likely that the tax profit is sufficient to ensure that these deferred tax assets can be recovered.

To determine whether taxable profit will be available against which a deductible temporary difference can be utilized, the entity shall consider whether local tax laws restrict the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference.
Deferred tax assets and liabilities are measured on the basis of the tax rates which are expected to be applied in the year in which the assets are realized or the liabilities are settled, taking into account the rates in force and those already issued or basically issued at the reporting date.

Current and deferred taxes relating to items recorded directly under shareholders' equity or in the statement of comprehensive income are also charged directly to shareholders' equity or to the statement of comprehensive income.
Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets against current tax liabilities and the deferred taxes refer to the same fiscal entity and the same tax authority.

Value added tax

Revenues, costs and assets are recorded net of value added taxes except when:

- this tax, applied to the purchase of goods or services, is non-deductible, in which case it is recognized as part of the purchase cost of the asset or part of the cost item charged to the income statement;
- it refers to trade receivables and payables for which the invoice has already been issued or received and which are shown including the tax amount.

The net amount of indirect taxes on sales and purchases which may be recovered from or paid to the Inland Revenue Office is recorded among tax receivables or payables depending on the nature of the balance.

Put and call agreements on minority interests

Put and call agreements are financial instruments in compliance with the provisions of IFRS 9.
The fair value of the financial instruments traded on an active market is determined at each reporting date with reference to market prices or operators' prices (ask price for long-term positions and bid price for short-term positions), without any deduction for transaction costs.
For financial instruments which are not traded on an active market, the fair value is determined using a valuation technique. This technique may include: the use of recent transactions at market conditions; reference to the current fair value of another instrument which is substantially the same; an analysis of discounted cash flows or other valuation models.
The accounting policy chosen by the Company envisages the recognition in the income statement and the recognition under financial liabilities of the fair value at the valuation date.

Changes in international accounting standards

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

Amendment to IFRS16 Leases - Covid-19 Related Rent Concessions

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

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

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

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

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

The amendment is applicable for reporting periods beginning on or after 1 June 2020, and earlier application is permitted. The Group elected to early adopt the amendment starting with the Half-Year Report as at 30 June 2020. This approach aims to represent the concessions granted by lessors as a result of the Covid-19 pandemic in line with expected industry practices. Not adopting said practical expedient would have given rise to significant accounting costs (the same costs that led the IASB to issue the amendment) and made it impossible to adopt it also for the Consolidated Financial Statements as at 31 December 2020. These considerations were decisive in electing to adopt the amendment early, given also the number of leases being renegotiated across the different geographies and jurisdictions in which the Group operates.

Adopting the amendment caused the Group to recognize rent concessions related to the Covid-19 emergency amounting to 3,249 thousand Euro in the period to 31 December 2020, accounted for largely as a deduction from costs for services, and specifically Costs for the use of third-party assets.

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

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

Amendments to IFRS 3 - Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to assist entities to determine whether an acquired set of assets and liabilities is a business. These clarify the minimum requirements for a business; remove the assessment of whether market participants are capable of replacing any missing elements; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business. The amendments to IFRS 3 clarify that to be considered a business, a set

of activities and assets must include, at a minimum, an input and an underlying process that together significantly contribute to the ability to create output. In addition, they clarified that a business may exist without including all inputs and processes required to create output. The Board provided also new illustrative examples in addition to the amendments. This standard was adopted effective 1 January 2020 with respect to the business combinations occurred in 2020.

Amendments to IAS 1 and IAS 8

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

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39, and IFRS 7

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

Standards issued but not yet in force

Set out below are the standards which, when preparing the separate financial statements had already been issued but were not yet in force. The list refers to the standards and interpretations which the Company expects will in all likelihood be applicable in the future. The Company intends to adopt these standards when they come into force.

Amendment to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right;
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments will be effective for annual periods beginning on or after 1 January 2023, and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on the current situation.

Amendment to IFRS 3 - Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace the references to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with references to the Conceptual Framework for Financial Reporting, that was issued in March 2018, without significantly changing the requirements of the standard. The Board also added an exception to the recognition principles of IFRS 3 to avoid the risk of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify that the existing guidance in IFRS 3 for contingent assets would not be affected by replacing the references to the Framework for the Preparation and Presentation of Financial Statements. The amendments will be effective for annual periods beginning on or after 1 January 2022 and apply prospectively.

Amendment to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment will be effective for annual periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The Company does not anticipate material impacts with respect to these amendments.

Amendment to IAS 37 - Onerous Contracts - Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments will be effective for annual periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet met all its obligations at the beginning of the period in which it will first apply these amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter

As part of the 2018-2020 annual improvements to IFRS standards, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual periods beginning on or after 1 January 2022, and earlier application is permitted.

IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities

As part of the 2018-2020 annual improvements to IFRS standards, the IASB issued an amendment to IFRS 9. This amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies this amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, and earlier application is permitted. The Company will apply this amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The Company does not anticipate material impacts with respect to this amendment.

3. Management of financial risks (IFRS 7)

Salvatore Ferragamo S.p.A. monitors, also on a Group basis, the exposure in different measure to the various financial risks related to its business, in particular to the market risk category which includes the following types of risk:

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

Financial risks are managed on the basis of guidelines defined by the Company, in compliance with the goals set centrally by the Board of Directors. This enables the supervision and coordination of the operations of the individual Group companies, also through more effective financial planning and control, the systematic monitoring of the levels of exposure to financial risks as well as the trend in cash management, and the provision of useful indications in order to optimize the management of dealings with the reference credit institutions.

In accordance with these directives, control over the management of individual financial risks is ensured through intervention aimed at containing their impact, also by using derivatives. Derivatives are used for hedging purposes only. In accordance with IFRS, some derivatives have been classified as held for trading, although they have been entered into solely for hedging purposes.
Financial liabilities largely consist of trade payables, payables to banks (if any), other financial payables, and lease liabilities following the introduction of the accounting standard IFRS16. The management of these liabilities is largely aimed at financing the Group's operations.

Interest rate risk

Movements in market interest rates affect the level of net financial charges and the market value of financial assets and liabilities.
Interest rate risk can be classified as follows:

- flow risk, which refers to the variability in interest income and expense received and paid following changes in market interest rates;
- price risk, relating to the sensitivity of the assets and liabilities market value to changes in the level of interest rates (it refers to fixed rate assets or liabilities).

Salvatore Ferragamo S.p.A. is mainly exposed to flow risk, i.e. to the risk of recording in the income statement an increase in financial charges due to an unfavorable change in interest rates. The Company uses third-party financial resources largely in the form of floating rate bank debt and deploys the available liquidity mainly in money market instruments. Changes in market interest rates only affect the cost of loans and the yield on uses and thus the level of the Company's financial charges and income, and not their fair value.

Bank debt is represented by both short-term and medium/long-term, floating-rate loans. The cost of bank debt is benchmarked to the market rate (generally *euribor/Libor* for the period or the benchmark of the loan currency on the specific interbank market) in the period increased by a spread which depends on the type of line of credit used. Drawdowns range from one day to a maximum of less than five years (term loan); the interest period and the market rate used (euribor/libor) does not exceed six months, including for drawdowns beyond the year. The margins applied are in line with best market standards.

Cash surpluses are held in current accounts or time deposits with reference banks, which bear interest at the Euribor/Libor rate or the benchmark of the currency on the specific interbank market, or invested in intercompany loans, regulated at current market conditions, in order to in order to limit the Group's exposure to the banking system, counterparty risk, and the impact of financial charges.

Sensitivity to interest rate risk is monitored by keeping the overall exposure in due consideration, through coordinated management of debt and available liquidity and of the relevant due dates.

At the reporting date there were no outstanding interest rate risk hedge derivatives aimed at transforming floating rate debt into fixed rate debt, nor did the Company make use of such derivatives in the previous year.

The Company carried out the sensitivity analysis of the interest rate risk to which it is exposed by considering the financial statement items which give rise to floating rate interests and by assuming parallel increases or decreases in the benchmark interest rate curves by individual currency in proportion to the respective annual volatility observed on the market. The result of the analysis carried out for 2020 and 2019, considering the amounts of sensitive assets and liabilities, interest rate trends, and the relevant market volatility, which reached negative levels or levels close to zero, showed no contingent gains or losses through profit or loss.

The possible upward or downward change in the market's benchmark interest rates has an immaterial impact on the Company's income statement.

Exchange rate risk

The exposure to exchange rate risk derives from operations in currencies other than the accounting currency, i.e. the Euro.

In particular, the exchange rate risk can be classified based on the nature of the exposure and of the effects on operating results due to the different relevance of costs and revenues in foreign currency compared to the moment when the price conditions were defined (economic risk) and due to the translation of trade or financial receivables and payables denominated in foreign currency (settlement risk).
The Company operates internationally and therefore is exposed to risks arising from exchange rates fluctuations, which have an impact on the operating results and on the value of shareholders' equity.

The objective of the exchange rate risk hedging policy is to minimize the economic and settlement exchange rate risks, i.e. the risks arising from the possibility that currency parity changes unfavorably during the period between the moment in which a commitment to pay or a right to collect a currency other than the Euro is expected for a future date (definition of budgets, setting of price lists, arrangement of orders), the registration of the accounting document (invoicing) and the moment in which the receipt or payment effectively occurs, generating an effect in terms of translation differences, with an impact on the income statement.

In keeping with the exchange rate risk management policy adopted in recent years, the Company manages exchange rate risk arising from its business, in line with the provisions of the exchange rate risk management policy and the risk management objectives that are periodically established, through the systematic hedging of commercial flows arising from sales forecast in currencies other than the Euro, to both subsidiaries and third parties, with the aim of mitigating the expected risk of variability in margins arising from sales relating to future collections.

The Group has a strong presence on international markets, including through commercial companies located in countries which use currencies other than the Euro, mainly the US dollar, Japanese yen and Chinese renminbi. In the year ended 31 December 2020, around 32% of the Company's net revenues were denominated in US dollars, around 13% in Chinese renminbi, around 8% in Japanese yen, around 7% in South Korean won, and around 4% in Mexican peso. In the year ended 31 December 2019, around 38% of the Company's net revenues were denominated in US dollars, around 8% in Chinese renminbi, around 6% in Japanese yen, around 5% in South Korean won, and around 5% in Mexican peso. The currency risks originate mainly from exports of the Company in US dollars, Chinese renminbi, Japanese yen, South Korean won, and Mexican peso.

In relation to its business model, the Group incurs a significant part of its costs in Euro (costs relating to production and management of the corporate structure borne by Salvatore Ferragamo S.p.A.), while the revenues and costs recorded by Group companies are mainly expressed in the local currencies of the respective reference markets. Exchange rate risk management is mostly focused on the Company through the direct invoicing in the accounting currency of the subsidiary in order to hedge the exposure deriving from sales in currencies other than the Euro by entering into derivatives. In particular, the Company is exposed to changes in the exchange rate between the Euro and the US dollar, in relation both to sales in Dollars on the North American market and on some markets, mainly in Asia. In this context, the Company

is exposed to changes in the exchange rates of the currencies in which sales are denominated. This implies the risk that the corresponding value in Euro of revenues determined at the moment of collection is insufficient to cover production costs or to achieve the desired profit margin. This risk is heightened during the significant period between the moment when the sale prices of a collection are set and the moment when revenues are converted into Euro, which extends up to 18 months.

The Company (as a manufacturing company) enters into currency forward exchange contracts or options, to establish the conversion rate in advance, or a predefined range of conversion rates at future dates with an estimated period of maximum 24 months. In the years under examination, the Company covered its exchange rate risk almost exclusively with currency forward exchange contracts.
To this end, on the basis of market expectations and conditions, before establishing price lists, and in any case not after the beginning of the sales campaign, hedging is arranged for an amount generally between 50% and 90% of forecast sales in foreign currency. This proportion is calculated based on the expected overall exposure, rather than the individual foreign currency. In the period following the preparation of the price list, the total outstanding hedge is added for the orders effectively managed and put into production. This way, the Company limits the commercial risk just to the risk arising from sales volumes, excluding the risk arising from the exchange rate.

In addition, the Company checks the exposure and the related exchange rate risk management procedures of some Asian and Latin American subsidiaries which make purchases of goods in US dollars or in Euro and sell in the currency of the country in which they operate. The values of the contracts involved are, nonetheless, significantly lower than those concluded directly by the Company to mitigate the exchange rate risk arising from sales in the accounting currency of the various subsidiaries.

In addition, the Company controls and hedges exposure deriving from changes due to exchange rate changes in the value of assets or liabilities denominated in currencies other than the accounting currency of the individual company, which may affect the income statement (typically intercompany financial receivables/payables) by offsetting financial receivables and payables denominated in the same currency or through financial instruments, whose recognition in accordance with IFRS follows the rules of fair value hedge: the profit or loss arising from subsequent assessments of the present value of the hedging instrument is recorded in the income statement as well as the profit or loss on the hedged item.

The hedges of the Company's future transactions in foreign currencies (which can be classified as cash flow hedge pursuant to IFRS) are accounted for in accordance with hedge accounting rules.

The following table shows the development of the cash flow hedge reserve for the years ended 31 December 2020 and 31 December 2019:

(In thousands of Euro)	2020	2019
Opening balance	**1,148**	**(1,059)**
+ increases for recognition of new positive effectiveness	18,851	3,686
- decreases for recognition of new negative effectiveness	(5,099)	(9,225)
- decreases for reversal of positive effectiveness from shareholders' equity and recognition of income in profit or loss	(12,397)	(2,854)
+ increases for reversal of negative effectiveness from shareholders' equity and recognition of cost in profit or loss	4,237	10,600
Closing balance	**6,740**	**1,148**

The "Reserve", which consists of the value changes in hedges for expected transactions in foreign currency, increased by 5,593 thousand Euro overall during 2020, whereas it had increased by 2,207 thousand Euro in 2019. The changes in value reflect the Euro's performance against the main hedged currencies, and specifically the Euro's exchange rate with the Dollar and the Japanese yen, as the single currency appreciated sharply during the year. The effective amount transferred directly from the "Reserve" to the income statement under "Revenues from sales" on occurrence of the underlying flows was a positive total of 8,539 thousand Euro in 2020 while it was a negative total of 7,746 thousand Euro in 2019. In 2020, there were limited interruptions of hedges due to the cancellation of the expected underlying value; the relevant impact resulted in overall accumulated financial charges totaling 379 thousand Euro. The remaining hedges were one hundred percent effective for the whole duration of the underlying asset.

A hedge may become ineffective as a result of:

- differences in the timing of cash flows of the hedged item and the hedging instrument;
- changes in the expected amount of cash flows of the hedged item and the hedging instrument.

The following table sets out the average time horizon and the relevance by risk factor of exchange rate hedges which the Company held at the end of 2020 and 2019. The number of foreign currencies in the table shows how exchange rate risk management is all but centralized at the Parent company.

Cash flow analysis (hedged items)

31 December 2020

Foreign exchange forward contracts (In thousands)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total expected
Notional amount in USD	19,000	41,000	34,000	28,000	-	**122,000**
Average forward exchange rate (EUR/USD)	1.121	1.120	1.121	1.180	-	
Notional amount in AUD	-	-	-	-	-	**-**
Average forward exchange rate (EUR/AUD)	-	-	-	-	-	
Notional amount in CAD	1,000	2,500	-	-	-	**3,500**
Average forward exchange rate (EUR/CAD)	1.517	1.540	-	-	-	
Notional amount in CHF	-	-	-	-	-	**-**
Average forward exchange rate (EUR/CHF)	-	-	-	-	-	
Notional amount in CNY	65,000	80,000	128,000	135,000	25,000	**433,000**
Average forward exchange rate (EUR/CNY)	7.977	7.982	8.155	8.123	8.040	
Notional amount in GBP	500	500	600	-	-	**1,600**
Average forward exchange rate (EUR/GBP)	0.909	0.910	0.911	-	-	
Notional amount in HKD	-	10,000	25,000	-	-	**35,000**
Average forward exchange rate (EUR/HKD)	-	9.025	8.901	-	-	
Notional amount in JPY	300,000	1,300,000	600,000	1,350,000	-	**3,550,000**
Average forward exchange rate (EUR/JPY)	120.383	120.393	123.362	124.293	-	
Notional amount in KRW	4,000,000	6,500,000	12,000,000	16,000,000	2,500,000	**41,000,000**
Average forward exchange rate (EUR/KRW)	1,334.900	1,336.022	1,380.062	1,365.784	1,328.000	
Notional amount in MXN	70,000	230,000	150,000	50,000	-	**500,000**
Average forward exchange rate (EUR/MXN)	25.930	24.594	26.152	25.140	-	
Notional amount in SGD	-	-	-	-	-	**-**
Average forward exchange rate (EUR/SGD)	-	-	-	-	-	

31 December 2019

Foreign exchange forward contracts (In thousands)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total expected
Notional amount in USD	31,000	55,000	91,000	45,000	-	**222,000**
Average forward exchange rate (EUR/USD)	1.142	1.150	1.144	1.005	-	
Notional amount in AUD	1,000	2,500	1,000	-	-	**4,500**
Average forward exchange rate (EUR/AUD)	1.629	1.621	1.614	-	-	
Notional amount in CAD	1,000	3,000	1,000	-	-	**5,000**
Average forward exchange rate (EUR/CAD)	1.540	1.522	1.548	-	-	
Notional amount in CHF	500	500	-	-	-	**1,000**
Average forward exchange rate (EUR/CHF)	1.132	1.116	-	-	-	
Notional amount in CNY	70,000	130,000	110,000	50,000	-	**360,000**
Average forward exchange rate (EUR/CNY)	7.915	7.900	7.973	8.039	-	
Notional amount in GBP	1,500	2,000	1,500	-	-	**5,000**
Average forward exchange rate (EUR/GBP)	0.881	0.866	0.881	-	-	
Notional amount in HKD	30,000	50,000	45,000	20,000	-	**145,000**
Average forward exchange rate (EUR/HKD)	8.930	8.918	8.900	8.842	-	
Notional amount in JPY	400,000	1,200,000	1,600,000	1,500,000	-	**4,700,000**
Average forward exchange rate (EUR/JPY)	125.330	124.793	120.370	118.860	-	
Notional amount in KRW	4,000,000	10,500,000	16,000,000	14,000,000	-	**44,500,000**
Average forward exchange rate (EUR/KRW)	1,300.084	1,312.443	1,336.612	1,333.471	-	
Notional amount in MXN	40,000	210,000	130,000	40,000	-	**420,000**
Average forward exchange rate (EUR/MXN)	22.168	23.016	23.335	23.206	-	
Notional amount in SGD	-	2,000	1,000	-	-	**3,000**
Average forward exchange rate (EUR/SGD)	-	1.564	1.561	-	-	

Cash flow analysis (hedged items): impact on the income statement

31 December 2020

Exchange rate risk (In thousands)	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	over 1 year
Sales expected in USD	**79,000**	49,000	28,000	2,000		
Sales expected in JPY	**3,250,000**	1,300,000	1,300,000	650,000	-	**-**
Sales expected in GBP	**1,100**	500	600	-	-	**-**
Sales expected in MXN	**375,000**	175,000	150,000	50,000	-	**-**
Sales expected in CHF	**-**	-	-	-	-	**-**
Sales expected in AUD	**-**	-	-	-	-	**-**
Sales expected in CAD	**1,500**	1,500	-	-	-	**-**
Sales expected in CNY	**288,000**	80,000	148,000	60,000	-	**-**
Sales expected in HKD	**25,000**	25,000	-	-	-	**-**
Sales expected in SGD	**-**	-	-	-	-	**-**
Sales expected in KRW	**30,500,000**	8,000,000	14,000,000	8,500,000	-	**-**

31 December 2019

Exchange rate risk (In thousands)	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	over 1 year
Sales expected in USD	**160,000**	90,000	65,000	5,000	-	**-**
Sales expected in JPY	**4,300,000**	1,900,000	1,200,000	1,200,000	-	**-**
Sales expected in GBP	**3,500**	3,500	-	-	-	**-**
Sales expected in MXN	**250,000**	160,000	90,000	-	-	**-**
Sales expected in CHF	**500**	500	-	-	-	**-**
Sales expected in AUD	**2,000**	2,000	-	-	-	**-**
Sales expected in CAD	**3,000**	3,000	-	-	-	**-**
Sales expected in CNY	**225,000**	130,000	60,000	35,000	-	**-**
Sales expected in HKD	**120,000**	45,000	45,000	30,000	-	**-**
Sales expected in SGD	**2,000**	2,000	-	-	-	**-**
Sales expected in KRW	**36,000,000**	16,000,000	16,000,000	4,000,000	-	**-**

The most important hedge, in terms of volumes of notional amounts in foreign currency being hedged, is aimed at mitigating the risk generated by fluctuations in the exchange rate between the Euro and the following currencies: US dollar, Chinese renminbi, Japanese yen, South Korean won, and Mexican peso.

From a time viewpoint, hedges lasting over one year show nil values as at 31 December 2020 as well as 31 December 2019. The above tables set out the financial recognition dates of underlying assets by currency and the dates on which the impact on the income statement is recognized. This is determined upon the invoicing of the estimated flows, which are the object of the exchange rate hedge, as at 31 December 2020 and 2019.

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

Expected highly probable sales

(In thousands of Euro)	Notional amount	Cash flow hedge reserve / change in fair value used to measure ineffectiveness	Carrying amount	
			Line item "other current assets"	Line item "other current liabilities"
31 December 2020	168,971	6,740	5,502	(1,230)
31 December 2019	268,934	1,148	1,206	(3,363)

Sensitivity Analysis

The sensitivity analysis carried out in order to assess the Company's exposure to exchange rate risk was undertaken on the basis of percentage increases and decreases in the exchange rates of the various currencies, proportional to their annual volatility, applied to all significant financial assets and liabilities expressed in original currencies. In particular, the analysis involved all currencies and the following items:

- exchange rate derivatives;
- trade and other receivables;
- trade and other payables;
- cash and cash equivalents;
- short- and long-term financial liabilities;
- short and long-term lease liabilities.

In addition, the table shows the most important effects and the related currencies and refers to the exposure to exchange rate risk in accordance with *IFRS* requirements. Exchange rates were considered for currencies whose changes generate an impact on the Income Statement and Shareholders' Equity, in absolute terms, of over one million Euro.

Sensitivity analysis: exchange rate risk

31 December 2020

(In thousands of Euro)		Increase/reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
POSITIVE CHANGE	EUR/JPY	7.1%	Derivatives	2,773	1,701
			Non-derivatives	(3,015)	
	EUR/USD	6.4%	Derivatives	5,352	3,844
			Non-derivatives	(4,624)	
	EUR/KRW	9.2%	Derivatives	409	1,918
			Non-derivatives	(677)	
	EUR/CNY	5.1%	Derivatives	869	1,726
			Non-derivatives	(925)	
	EUR/MXN	13.0%	Derivatives	1,861	1,767
			Non-derivatives	(2,250)	
	EUR/GBP	7.0%	Derivatives	312	80
			Non-derivatives	(415)	
	EUR/HKD	6.5%	Derivatives	64	160
			Non-derivatives	(112)	
	EUR/SGD	5.2%	Derivatives	1,274	-
			Non-derivatives	(1,362)	
	EUR/THB	8.1%	Derivatives	554	-
			Non-derivatives	(599)	
	EUR/CAD	6.1%	Derivatives	441	55
			Non-derivatives	(448)	
Total				**(517)**	**11,250**

31 December 2020

(In thousands of Euro)		Increase/reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
NEGATIVE CHANGE	EUR/JPY	(7.1%)	Derivatives	(3,196)	(1,960)
			Non-derivatives	3,475	
	EUR/USD	(6.4%)	Derivatives	(6,078)	(4,365)
			Non-derivatives	5,251	
	EUR/KRW	(9.2%)	Derivatives	(491)	(2,305)
			Non-derivatives	814	
	EUR/CNY	(5.1%)	Derivatives	(961)	(1,909)
			Non-derivatives	1,023	
	EUR/MXN	(13.0%)	Derivatives	(2,417)	(2,295)
			Non-derivatives	2,922	
	EUR/GBP	(7.0%)	Derivatives	(359)	(92)
			Non-derivatives	477	
	EUR/HKD	(6.5%)	Derivatives	(73)	(183)
			Non-derivatives	128	
	EUR/SGD	(5.2%)	Derivatives	(1,413)	-
			Non-derivatives	1,511	
	EUR/THB	(8.1%)	Derivatives	(651)	-
			Non-derivatives	704	
	EUR/CAD	(6.1%)	Derivatives	(499)	(62)
			Non-derivatives	506	
Total				**672**	**(13,171)**

31 December 2019

(In thousands of Euro)		Increase/reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
POSITIVE CHANGE	EUR/JPY	6.7%	Derivatives	2,514	2,207
			Non-derivatives	(2,582)	
	EUR/USD	5.9%	Derivatives	3,591	7,871
			Non-derivatives	(4,154)	
	EUR/KRW	7.7%	Derivatives	470	1,990
			Non-derivatives	(668)	
	EUR/CNY	4.7%	Derivatives	779	1,298
			Non-derivatives	(637)	
	EUR/MXN	8.6%	Derivatives	1,048	935
			Non-derivatives	(2,124)	
	EUR/GBP	7.0%	Derivatives	496	267
			Non-derivatives	(619)	
	EUR/HKD	5.9%	Derivatives	159	764
			Non-derivatives	(175)	
	EUR/SGD	4.7%	Derivatives	1,012	59
			Non-derivatives	(1,039)	
	EUR/THB	6.5%	Derivatives	466	
			Non-derivatives	(462)	
	EUR/CAD	5.2%	Derivatives	454	102
			Non-derivatives	(519)	
Total				**(1,990)**	**15,493**

31 December 2019

(In thousands of Euro)		Increase/reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
NEGATIVE CHANGE	EUR/JPY	(6.7%)	Derivatives	(2,874)	(2,522)
			Non-derivatives	2,951	
	EUR/USD	(5.9%)	Derivatives	(4,038)	(8,850)
			Non-derivatives	4,670	
	EUR/KRW	(7.7%)	Derivatives	(549)	(2,323)
			Non-derivatives	780	
	EUR/CNY	(4.7%)	Derivatives	(856)	(1,427)
			Non-derivatives	700	
	EUR/MXN	(8.6%)	Derivatives	(1,245)	(1,112)
			Non-derivatives	2,525	
	EUR/GBP	(7.0%)	Derivatives	(571)	(307)
			Non-derivatives	711	
	EUR/HKD	(5.9%)	Derivatives	(179)	(860)
			Non-derivatives	197	
	EUR/SGD	(4.7%)	Derivatives	(1,110)	(65)
			Non-derivatives	1,140	
	EUR/THB	(6.5%)	Derivatives	(530)	
			Non-derivatives	525	
	EUR/CAD	(5.2%)	Derivatives	(504)	(113)
			Non-derivatives	576	
Total				**2,319**	**(17,579)**

As the table above shows, a positive change in the exchange rates (*EUR/JPY, EUR/USD, EUR/KRW, EUR/CNY, EUR/MXN, EUR/GBP, EUR/HKD, EUR/SGD, EUR/THB, and EUR/CAD*) would have resulted in a 517 thousand Euro and 1,990 thousand Euro loss as at 31 December 2020 and 31 December 2019, respectively; similarly, a negative change in the exchange rates would have generated a 672 thousand Euro and a 2,319 thousand Euro profit as at 31 December 2020 and 31 December 2019, respectively. The increase in shareholders' equity caused by derivative instruments designated as hedges as a result of the assumed positive exchange rate changes would have amounted to 11,250 thousand Euro and 15,493 thousand Euro as at 31 December 2020 and 31 December 2019, respectively; the decrease in shareholders' equity as a result of the assumed negative exchange rate changes would have totaled 17,579 thousand Euro and 13,171 thousand Euro as at 31 December 2020 and 31 December 2019, respectively. The sensitivity analysis carried out as described above, which is significantly affected by market volatility in the exchange rates considered, points to a material impact on the Company shareholders' equity from the potential change in the value of hedging derivatives. This is temporarily allocated to the "Cash flow hedge reserve" and will be recognized through profit or loss in the following years when the expected sales occur. The higher or lower impact on the income statement and on the statement of financial position in each of the years under consideration derives largely from the trend in the individual currencies at the reference dates and the change in the value of financial assets and liabilities exposed to fluctuations in exchange rates.

Liquidity risk

Liquidity risk represents the risk that the Company cannot meet its financial obligations due to problems in obtaining funds at current market price conditions (funding liquidity risk) or in liquidating assets on the market to find the necessary financial resources (asset liquidity risk).
The first consequence is a negative impact on the income statement, should the Company be forced to incur additional costs to meet its commitments.
The factors which mainly influence the Company's liquidity are the resources generated or absorbed by current operating and investing activities, the possible distribution of dividends and the expiry and possibility of renewal of debt or the expiry and possibility of liquidation of financial investments of surplus cash.
Liquidity needs or surpluses are monitored on a daily basis by the Company's Treasury Department in order to guarantee effective sourcing of financial resources or adequate investment of liquidity.
The negotiation and management of credit lines is coordinated by the Company at Group level with the aim of satisfying the short and medium/long-term needs of the individual companies according to efficiency and cost-effectiveness criteria.
As at 31 December 2020, there were outstanding uncommitted short-term credit lines with a number of banks made available to the Company to meet financing needs connected to the management of working capital for a total of 155,000 thousand Euro as well as committed short and medium/long-term credit lines negotiated on a bilateral basis by the Company for a total of 505,000 thousand Euro, including 380,000 thousand Euro in revolving lines and 125,000 thousand Euro in term loans.
As at 31 December 2020, Salvatore Ferragamo S.p.A. had drawn down none of the uncommitted credit lines and 125,000 thousand Euro of the committed credit lines. As at 31 December 2020, the Parent company had a net financial position amounting to a surplus of 149,104 thousand Euro, considering also lease liabilities in accordance with the accounting standard IFRS 16; as at 31 December 2019, the Company's net financial position amounted to a surplus of 106,156 thousand Euro.
As at 31 December 2020, committed credit lines had a maximum residual duration of fifty-five months and a weighted average residual duration of thirty-two months. In general, the Parent company's committed credit lines (both revolving credit lines and term loans) that are currently outstanding do not require compliance with financial covenants. One exception is the loan agreement entered into with Intesa Sanpaolo S.p.A. on 24 July 2020. For more details, see note 21 Interest-bearing loans & borrowings - Limitations on the use of financial resources.
The credit lines and the related financial business are spread among leading national and international banks. It has always been the Company's policy to sign and constantly maintain with various and diversified banks a total amount of committed credit lines that is considered consistent with the needs of the individual companies and suitable to ensure at any time the liquidity needed to satisfy and comply with all the Group's financial commitments, at the established economic conditions, as well as guaranteeing the availability of an adequate level of operational flexibility for any expansion programs. During 2020, in light of the emergency caused by the spread of CoVid19, the Group saw it fit to further strengthen its financial structure by increasing its committed lines with diversified counterparties, meeting its financial requirements with both medium/long- and short-term debts. Cash surpluses are held in current accounts with reference banks, which bear interest at the Euribor/Libor rate or the benchmark of the currency on the specific interbank market, or invested in intercompany

loans, regulated at current market conditions, in order to reduce the Group's exposure to the banking system and limit the counterparty risk as well as the impact of financial charges. Liquidity investments are carried out with the prime objectives of making resources available at short notice and neutralizing the risk of capital losses, avoiding speculative transactions. These choices, which also take account of the likely future trend in cash flows together with prompt renegotiation of credit lines (even before their expiry), enable a significant reduction in the exposure to the risk under review and allow to adjust the cost of debt to the best market conditions. The Company has constantly maintained access to a wide range of financing sources at competitive costs, despite the external scenario, which continues to be characterized by rigidity in the credit market. Despite the Group's ability to generate high cash flows from current operations, the constant availability of an adequate amount of committed credit lines has allowed to face the most turbulent market phases and volatility in credit flows with confidence. The financial position of the Company and of the Group is measured on a monthly basis and compared with the latest Budget/ Forecast. Management believes that the funds and credit lines currently available, with the addition of the funds which are likely to be generated from current operations, will enable the Company to safely address the repayment of loans at their natural expiries and to meet the needs arising from investment activities and working capital management.

Liquidity risk - Maturity analysis

31 December 2020

(In thousands of Euro)	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	89,392	541			89,934
Payables to subsidiaries	25,525				25,525
Payables to banks and other lenders	578	11,506	116,827		128,912
Payables to third parties	3,629				3,629
Lease liabilities	5,154	11,562	46,333	53,925	116,974
Derivatives - non-hedging component	93	65	-	-	158
Derivatives - hedging component	587	1,940	-	-	2,527
Total	**124,959**	**25,614**	**163,160**	**53,925**	**367,659**

31 December 2019

(In thousands of Euro)	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	134,772	1,060			135,832
Payables to subsidiaries	9,400				9,400
Lease liabilities	5,485	14,526	50,737	63,422	134,170
Derivatives - non-hedging component	122	8	-	-	130
Derivatives - hedging component	3,985	3,917	-	-	7,902
Total	**153,764**	**19,511**	**50,737**	**63,422**	**287,434**

The analysis conducted on the items representing financial liabilities showed maturities distributed over time, with trade payables concentrated within three months. In 2020, payables to banks had a maximum residual duration below 5 years.
The reported financial assets have a shorter remaining life, as they mostly relate to cash and cash equivalents.

Credit risk

Credit risk represents the Company's exposure to potential losses arising from failure to meet trade or financial obligations taken on by counterparties.
The Company's exposure to credit risk depends on the nature of the activities which have generated the relevant receivables.
The Company's exposure to commercial credit risk refers only to sales to third parties and to receivables arising from revenues generated by licensing activities, which together represent around 21 percent of global turnover: the remaining turnover refers to intercompany and retail sales with payment in cash or through credit and debit cards upon purchase. Trade receivables mainly refer to wholesale sales and are generally due in 90 days or less.

The Company generally favors trade dealings with customers with whom it has well-established and consolidated relations. Pursuant to its policy, Salvatore Ferragamo S.p.A. checks credit ratings of customers who ask for extended payment terms, based both on information which can be obtained from specialist agencies and on the observation and analysis of historical data of established customers. In addition, the balance of trade receivables is constantly monitored during the year in order to ensure prompt intervention and to reduce the risk of losses. The allocation of the credit risk among a number of customers and obtaining, where possible, guarantees or the adoption of means of payment which are less risky for the creditor, such as documentary letters of credit, are all actions aimed at further mitigating this risk.
Trade receivables are recorded net of write-downs, which are estimated based on the counterparty's insolvency risk, determined by considering the information available on the customer's solvency and its past history.

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

The credit risk connected to financing, investing and operating activities in derivatives to hedge the exchange rate risk is represented by the inability of the counterparty or the issuer of the instruments to meet their contractual obligations, i.e. the so-called counterparty risk. The Company manages this type of risk by selecting counterparties with high credit ratings and who are considered solvent by the market and with whom it has routine and ongoing trade and banking service relations. The Company negotiated and entered into master agreements, in accordance with the international standards (ISDA Master Agreement), with all foreign counterparties of derivatives, in order to regulate the various cases.

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

Credit risk exposure

	31 December 2020		31 December 2019	
(In thousands of Euro)	Current	Non Current	Current	Non Current
Receivables and loans				
- Trade receivables	144,139		194,186	
- Receivables due from credit cards	440		178	
- Cash and cash equivalents	212,453		120,088	
- Guarantee deposits	-	329		369
Derivatives	7,166	-	1,567	-
Total	**364,198**	**329**	**316,019**	**369**

The table shows how the Company's exposure to credit risk - both commercial and counterparty risk - is defined by the book value of the items representing outstanding financial assets as at 31 December 2020 and 31 December 2019, and is almost exclusively limited to the current portion. The non current portion refers to the item 'Guarantee deposits' which mainly includes the cash deposits made by the Company for property lease contracts and is recognized at nominal value.

Concentration of credit risk by geographic area

(In thousands of Euro)	31 December 2020	%	31 December 2019	%
Italy	24,547	17.0%	18,636	9.6%
Europe	8,546	5.9%	24,701	12.7%
North America	34,882	24.2%	63,859	32.9%
Japan	5,313	3.7%	4,968	2.6%
Asia Pacific	39,953	27.7%	45,219	23.3%
Central and South America	30,898	21.4%	36,803	19.0%
Total	**144,139**	**100.0%**	**194,186**	**100.0%**

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

Analysis on receivables' expiry dates

(In thousands of Euro)	Receivables neither past due nor impaired	Receivables past due but not impaired					Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days	
31 December 2020	117,414	6,293	2,425	3,557	383	14,067	144,139
31 December 2019	163,387	7,593	3,319	3,897	4,266	11,724	194,186
Figures in % as at 31 December 2020	81.5%	4.4%	1.7%	2.5%	0.3%	9.8%	100.0%
Figures in % as at 31 December 2019	84.1%	3.9%	1.7%	2.0%	2.2%	6.0%	100.0%

The table provides an analysis of the expiries of receivables which are past due but not impaired for the years ended 31 December 2020 and 31 December 2019.

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

Concentration of market risk

	2020	2019
Percentage of revenues with the biggest customer	2.6%	1.5%
Percentage of revenues with the 3 biggest customers	4.1%	2.9%
Percentage of revenues with the 10 biggest customers	7.5%	6.1%

Capital management

The main objective of the Company's capital management activity is to ensure that a solid credit rating as well as adequate levels of share capital indicators are maintained in order to support business and optimize value for shareholders. The Company manages the capital structure and modifies it according to changes in economic conditions. To maintain or adjust the capital structure, the Company can modify the dividends paid to shareholders, repay the capital or issue new shares. No change was made to the objectives, policies or procedures during 2020 and 2019.

To this end, the Company's capital management aims to, among other things, ensure compliance with the covenants associated with financial payables to banks that define capital structure requirements.

The Company includes under net debt, if any, interest-bearing loans, other financial payables, lease liabilities, trade and other payables, net of cash and cash equivalents. The table does not include the values and related effects produced by the derivatives used to manage exchange rate risk.

(In thousands of Euro)	31 December 2020	31 December 2019
Interest-bearing loans	124,919	-
Lease liabilities	101,700	113,636
Trade and other payables	124,813	168,513
Cash and cash equivalents	212,453	120,088
Net debt	**138,979**	**162,061**
Total shareholders' equity	**651,607**	**685,812**
Shareholders' equity and net debt	**790,587**	**847,873**
Debt/Shareholders' equity ratio	**21.33%**	**23.63%**

4. Impacts of the Covid-19 Emergency

The Covid-19 health emergency has led the Italian Government to restrict, ban and suspend business operations, the movement of people, and international traffic (so-called lockdown). This had an especially negative impact on tourist flows across the globe, causing most of the Company's distribution network to shut down and traffic to significantly decrease. Against this backdrop, the Company saw revenues decline by 33.0%, which caused margins and profits to contract.

In 2020, the Company incurred direct costs to address this emergency, and specifically the expenses associated with the measures taken to protect the health of employees at both offices and directly operated stores: it also received, where possible, government grants and subsidies, such as the different kinds of aid aimed at supporting employment. In 2020, personnel costs were down 18.6% compared to 2019, in part because of the government benefits and subsidies received, such as employment support measures.

In addition, the Company successfully concluded important negotiations to reduce operating costs, especially with lessors, in order to revise the terms and conditions of leases relating mainly to its distribution network, resulting in a 3,249 thousand Euro positive variable lease payment in 2020 that was directly recognized through profit or loss (within the line item Costs for services under Costs for the use of third-party assets).

In addition, the Company wrote down inventories, net of uses, by 6,624 thousand Euro, mainly to account for the potential risk of a further reduction in the sales of certain products in the future—also because of the current situation (see note 13 Inventories). The provision for bad debt, to which the Company allocated 437 thousand Euro in 2020, was adjusted in accordance with the risk assessments relating to the current situation (see note 15 Trade receivables). As for the analysis of liquidity and credit risks, see note 3 Management of financial risks. Specifically, in order to bolster its financial structure and soundness, the Company has seen it fit to increase the amount of committed lines outstanding with diversified banking counterparties, promptly opening additional short- and medium/long-term lines of credit. For more details, see note 21 Interest-bearing loans & borrowings.

5. Business combinations

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

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

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

In order to streamline the ownership structure, allowing for more flexible internal processes - and therefore optimize the management of resources and intercompany financial flows arising from the operations currently divided between Aura and Arts - the Company deemed it appropriate to merge said entities into Salvatore Ferragamo S.p.A.. The merger was finalized on 1 December 2020 after filing the deed of merger prepared on 24 November 2020 with the relevant Company Register on 25 November 2020. For further details, reference should be made to the Directors' report on operations, paragraph "Significant events occurred during the year".

To allocate the consideration for the transaction in accordance with IFRS3 Business Combinations, Salvatore Ferragamo S.p.A. identified and measured the fair value of the assets acquired and liabilities assumed with the help of an independent consultant. The analysis estimated the value of know-how at 6,380 thousand Euro. This relates largely to Arts S.r.l.'s intellectual property, classified under Intangible assets with a finite useful life. Arts S.r.l. has been collaborating with Salvatore Ferragamo S.p.A. since its inception in 1984, helping with the prototyping, industrialization, and quality control of products as well as the monitoring of the Group's network of suppliers with respect to men's footwear. The useful life of this intangible asset was estimated at 8 years.

To estimate the fair value of know-how, the Group used the Multi Excess Earning Method. Under this method, the fair value of know-how is determined on the basis of the present value of future benefits that the asset is capable of generating over its useful life. The cash flows used to measure the fair value were calculated on the basis of Arts S.r.l.'s business plan, considering the revenues expected over the asset's useful life and assuming an impairment rate of 12.5% on an annual basis. The WACC used to discount cash flows was assumed to be 8.7%.

Net of the fair value of the assets acquired and liabilities assumed, the residual amount allocated to goodwill arising from the acquisition totaled 6,679 thousand Euro. The amount of goodwill is attributable to the synergies and other economic benefits arising from the combination of the assets and industrial operations of the acquirees with those of Salvatore Ferragamo S.p.A..

(In thousands of Euro)	Book values		Fair value recognized as at the acquisition date
	Arts S.r.l.	Aura 1 S.r.l.	
ASSETS			
Property, plant and equipment	87	-	87
Intangible assets with a finite useful life	15	-	6,395
Investments in subsidiaries	-	538	-
Other non current financial assets	2		2
Trade receivables	267		267
Tax receivables	22	-	22
Other current assets	28	-	28
Cash and cash equivalents	2,360	1,359	3,719
TOTAL ASSETS	**2,781**	**1,897**	**10,520**
LIABILITIES			
Employee benefit liabilities	64	-	64
Deferred tax liabilities	-	-	1,780
Trade payables	50	-	50
Tax payables	295	13	308
Other current liabilities	68	-	68
TOTAL LIABILITIES	**477**	**13**	**2,270**
TOTAL NET IDENTIFIABLE ASSETS AT FAIR VALUE	**2,304**	**1,884**	**8,250**
Goodwill arising from the acquisition			6,679
CONSIDERATION FOR THE ACQUISITION			**14,929**
Cash flow analysis at acquisition:			
Net cash acquired with the subsidiary (included in cash flows from investing activities)	2,360	1,359	3,719
Consideration paid	(5,560)	(5,740)	(11,300)
Deferred consideration	(1,122)	(2,507)	(3,629)
Net cash flow of the acquisition	**(4,322)**	**(6,888)**	**(11,210)**

Transaction costs, totaling 524 thousand Euro, were recognized in profit or loss under Costs for services.

In 2020, Arts S.r.l. and Aura1 S.r.l. have contributed to the Company's result with a 347 thousand Euro loss.

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

6. Property, plant and equipment

The breakdown of Property, plant and equipment as at 31 December 2020 and 31 December 2019 is shown in the following table:

	31 December 2020			31 December 2019		
(In thousands of Euro)	Historical Cost	Accumulated depreciation	Net value	Historical Cost	Accumulated depreciation	Net value
Land	18,010	-	18,010	18,010	-	18,010
Buildings	66,980	13,165	53,815	66,787	11,120	55,667
Plant and equipment	55,025	33,825	21,200	54,325	28,558	25,767
Industrial and commercial equipment	21,474	19,671	1,803	21,386	19,401	1,985
Other assets	43,736	36,514	7,222	42,843	32,772	10,071
Leasehold improvements	22,947	20,394	2,553	22,697	19,264	3,433
Fixed assets in progress and payments on account	422	-	422	487	-	487
Total	**228,594**	**123,569**	**105,025**	**226,535**	**111,115**	**115,420**

The following tables show the change in the item Property, plant and equipment for the years ended 31 December 2020 and 31 December 2019:

(In thousands of Euro)	Value 01.01.2020	Additions	Disposals	Depreciation	Contribution from merger	Impairment	Value at 31.12.2020
Land	18,010			0		-	18,010
Buildings	55,667	193	0	(2,045)	-	-	53,815
Plant and equipment	25,767	690	(22)	(5,283)	54	(6)	21,200
Industrial and commercial equipment	1,985	528	(2)	(680)	0	(28)	1,803
Other assets	10,071	895	(18)	(3,759)	33	-	7,222
Leasehold improvements	3,433	415	(3)	(1,154)	0	(138)	2,553
Fixed assets in progress and payments on account	487	1,587	(1,652)	0	-	-	422
Total	**115,420**	**4,308**	**(1,697)**	**(12,921)**	**87**	**(172)**	**105,025**

(In thousands of Euro)	Value 01.01.2019	Additions	Disposals	Depreciation	Impairment	Value at 31.12.2019
Land	18,010	-	-	-	-	18,010
Buildings	55,328	2,325	-	(1,986)		55,667
Plant and equipment	26,152	4,787	(3)	(5,169)		25,767
Industrial and commercial equipment	1,848	1,365	(200)	(950)	(78)	1,985
Other assets	6,328	6,954	-	(3,211)		10,071
Leasehold improvements	3,203	1,699	(130)	(1,331)	(8)	3,433
Fixed assets in progress and payments on account	997	391	(901)	-	-	487
Total	**111,866**	**17,521**	**(1,234)**	**(12,647)**	**(86)**	**115,420**

The increase:
- in the item "buildings" mainly refers to works at the Osmannoro-Sesto Fiorentino facility;
- in the item "Plant and equipment" refers mainly to the purchase and installation of new plant at the Osmannoro-Sesto Fiorentino facility;
- in the item "Industrial and commercial equipment" refers to the purchase of new furniture and equipment for the stores that were refurbished during the year;
- in the item "other assets" primarily concerns IT equipment (668 thousand Euro) and some equipment for the Osmannoro-Sesto Fiorentino facility (81 thousand Euro);
- in the item "Leasehold improvements" refers mainly to the renovation of some stores that was completed in 2020.

The item "Fixed assets in progress and payments on account" refers largely to expenses incurred and payments on accounts made for works yet to be completed as at the reporting date. The decrease in the item primarily refers to the completion of construction and renovation work started in the previous year.

As envisaged by the analysis procedure for impairment indicators adopted by the Company, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Company operates, while internal sources are corporate strategies which can change the use of assets. Specifically, the economic crisis associated with the Covid-19 emergency qualifies as an impairment indicator, therefore the Company took it into consideration when making estimates and assumptions.

Impairment amounting to 172 thousand Euro in "Industrial and commercial equipment", "Leasehold improvements", and "Plant and Equipment" refers to the tangible assets of a store and some spaces in relation to their forthcoming closure.

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

The item Contribution from Merger refers to the value of the entities Arts S.r.l. and Aura 1 S.r.l., which were acquired and subsequently merged into the Company. For the details, see note 5 Business Combinations.

7. Right-of-use assets

The following statement shows the composition of Right-of-use assets as at 31 December 2020 and 2019:

(In thousands of Euro)	31 December 2020			31 December 2019		
	Historical Cost	Accumulated depreciation	Net value	Historical Cost	Accumulated depreciation	Net value
Buildings	123,499	30,490	93,009	124,201	15,658	108,543
Vehicles	3,860	1,474	2,386	2,588	855	1,733
Equipment and other assets	777	437	340	777	175	602
Total	**128,136**	**32,401**	**95,735**	**127,566**	**16,688**	**110,878**

The following tables show the changes in right-of-use assets for the years ended 31 December 2020 and 31 December 2019.

(In thousands of Euro)	Value at 01.01.2020	Additions	Disposals	Depreciation	Value at 31.12.2020
Buildings	108,543	6,116	(4,153)	(17,497)	93,009
Vehicles	1,733	1,810	(36)	(1,121)	2,386
Equipment and other assets	602	0	0	(262)	340
Total	**110,878**	**7,926**	**(4,189)**	**(18,880)**	**95,735**

(In thousands of Euro)	Value at 31.12.2018	IFRS 16 impact at 01.01.2019	Additions	Disposals	Depreciation	Value at 31.12.2019
Buildings	-	89,560	36,369	(1,439)	(15,947)	108,543
Vehicles	-	1,285	1,303	-	(855)	1,733
Equipment and other assets	-	-	777	-	(175)	602
Total	**-**	**90,845**	**38,449**	**(1,439)**	**(16,977)**	**110,878**

The line item Buildings includes Right-of-use assets largely relating to leases of stores (accounting for approximately 85% of right-of-use assets - Buildings) and, to a lesser extent, leases of offices, company lodgings, and other premises. The largest increases observed during the year refer to new leases, whereas the most significant declines relate to leases that were either terminated early or for which the Company negotiated a reduction in future lease payments.

For more details on cash outflows related to leases, see notes 25 Lease Liabilities and 34 Costs for services.

As envisaged by the analysis procedure for impairment indicators adopted by the Company, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Company operates, while internal sources are corporate strategies which can change the use of assets. Specifically, the economic crisis associated with the Covid-19 emergency qualifies as an impairment indicator, therefore the Company took it into consideration when making estimates and assumptions.
From the analyses carried out no need emerged to record any impairment on this item.

8. Goodwill

The amount of Goodwill was entirely acquired in 2020 as a result of the merger of Arts s.r.l. and Aura 1 S.r.l.: for details, see note 5 Business Combinations and the paragraph Significant events occurred during the year in the Directors' report on operations. Net of the fair value of the assets acquired and liabilities assumed, the residual amount allocated to goodwill arising from the acquisition totaled 6,679 thousand Euro.

As required by the procedure for analyzing impairment indicators adopted by the Company, goodwill is tested annually to determine the recoverable amount. The impairment test was conducted by grouping CGUs at the Group level as a whole.

The economic crisis associated with the Covid-19 emergency qualifies as an impairment indicator, therefore the Company took it into consideration when making estimates and assumptions. However, in reviewing its impairment indicators, the Company considers, among other factors, the ratio of its market capitalization to book value. As at 31 December 2020, the Company's market capitalization exceeded the book value of equity, ruling out the existence of an impairment indicator.

The value used to determine the recoverable amount of the CGU is the value in use. This was calculated based on expected cash flows, which were discounted at an appropriate rate (Discounted cash-flow- DCF analysis).

The DCF analysis was performed based on the budget for the year 2021, prepared and approved by the Board of Directors of Salvatore Ferragamo S.p.A.; as for the two following explicit forecast years, the Company used the business plans prepared by management, which represent the best estimate the Company can make of the economic conditions expected for the period.

The main assumptions to determine the recoverable amount are given below:

- Terminal Value: determined using the perpetuity model with a long-term growth rate "g" which represents the present value, in the final projected year, of all the expected future cash flows.
- Growth rate "g": 2%, which was assumed to be equal to the rate of inflation expected to prevail over the medium - long term in the main markets where the Group operates;
- Discount rate (Weighted Average Cost of Capital, WACC): equal to 8.18% considering the Group's positive net financial position, it is based on government bond yields in the main markets where the Group operates, adjusted to account for the risk premium expected by investors for the specific investment in equity instruments as well as the correlation of such instruments to the relevant market.

From the analyses carried out no need emerged to record any impairment on this item.
The sensitivity analysis of the above material assumptions used to determine the recoverable amount, performed on goodwill, did not yield different results in terms of recoverable amount, even when considering substantial changes in the parameters.

9. Intangible assets with a finite useful life

The breakdown of Intangible assets with a finite useful life as at 31 December 2020 and 31 December 2019 is shown in the following table:

(In thousands of Euro)	31 December 2020			31 December 2019		
	Historical Cost	Accumulated amortization	Net value	Historical Cost	Accumulated amortization	Net value
Development costs	77,514	53,192	24,322	69,270	43,182	26,088
Know- how	6,380	598	5,782	-	-	
Industrial patents and use of intellectual property rights	18,171	17,131	1,040	17,753	15,643	2,110
Concessions, licenses and trademarks	7,803	6,365	1,438	7,469	6,092	1,377
Intangible assets with a finite useful life in progress	2,764	-	2,764	6,148	-	6,148
Total	**112,632**	**77,286**	**35,346**	**100,640**	**64,917**	**35,723**

The following tables show the changes in Intangible assets with a finite useful life for the years ended 31 December 2020 and 31 December 2019:

(In thousands of Euro)	Value at 01.01.2020	Additions	Disposals	Amortization	Contribution from merger	Value at 31.12.2020
Development costs	26,088	8,243		(10,010)	1	24,322
Know- how	-	-	0	(598)	6,380	5,782
Industrial patents and use of intellectual property rights	2,110	375	(4)	(1,455)	14	1,040
Concessions, licenses and trademarks	1,377	334	0	(273)	-	1,438
Intangible assets with a finite useful life in progress	6,148	4,874	(8,258)	0	-	2,764
Total	**35,723**	**13,826**	**(8,262)**	**(12,336)**	**6,395**	**35,346**

(In thousands of Euro)	Value at 01.01.2019	Additions	Disposals	Amortization	Value at 31.12.2019
Development costs	27,209	7,995	-	(9,116)	26,088
Industrial patents and use of intellectual property rights	2,601	1,004	-	(1,495)	2,110
Concessions, licenses and trademarks	1,250	379	-	(252)	1,377
Intangible assets with a finite useful life in progress	4,007	4,390	(2,249)	-	6,148
Total	**35,067**	**13,768**	**(2,249)**	**(10,863)**	**35,723**

The additions relating to the item "Development costs" is mainly related to the capitalization of expenses for the development of business software applications (SAP accounting system, ERP, reporting systems, and the e-commerce platform). As at 31 December 2020, the Company reported no intangible assets arising from internal development.
The 375 thousand Euro increase in "Industrial patents and use of intellectual property rights" refers to the cost for licenses to use software for the Company's business operations.

The additions relating to the item "Concessions, licenses and trademarks" refer to the costs for filing and registering the Salvatore Ferragamo trademark.
The item Contribution from Merger refers to the value of the entities Arts S.r.l. and Aura 1 S.r.l., which were acquired and subsequently merged into the Company. For the details, see note 5 Business Combinations. Specifically, the item includes 6,380 thousand Euro in know-how resulting from the fair value measurement of the assets acquired and liabilities assumed.

"Intangible assets with a finite useful life under development" as at 31 December 2020 largely refer to the RIO "Regional Inventory Optimization" project (intended to optimize the regional retail stock as part of the new distribution model), the Enterprise Business Intelligence project (aimed at rationalizing corporate reporting and analytics systems by establishing a single shared "Data Warehouse" and a new distribution model), the so-called "Marlin Project", aimed at standardizing retail information systems relying on SAP, and the continued development of the Company's e-commerce project.

As envisaged by the analysis procedure for impairment indicators adopted by the Company, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Company operates, while internal sources are corporate strategies which can change the use of assets. Specifically, the economic crisis associated with the Covid-19 emergency qualifies as an impairment indicator, therefore the Company took it into consideration when making estimates and assumptions.

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

10. Investments in subsidiaries

The breakdown of Investments in subsidiaries as at 31 December 2020 and 31 December 2019 is shown in the following table:

Company (In thousands of Euro)	% investment	Value at 01.01.20	Additions	Restate-ment	Write-downs	Stock Grant	Disposals	Value at 31.12.20
Ferragamo Parfums S.p.A.	100	40,911	-	-	(19,366)	17	-	21,562
Ferragamo Mexico S. de R.L. de C.V.	99.73	538	-	-	-	-	-	538
Ferragamo Austria Gmbh	100	4,434	-	-	-	-	-	4,434
Ferragamo Deutschland GmbH	100	5,792	-	-	(1,165)	-	-	4,627
Ferragamo Belgique SA	100	731	-	-	-	-	-	731
Ferragamo (Suisse) SA	100	890	-	-	-	-	-	890
Ferragamo U.K. Limited	100	10,477	-	-	(4,886)	-	-	5,591
Ferragamo Australia Pty Ltd.	100	4,132	-	-	-	-	-	4,132
Ferragamo France S.A.S.	100	9,006	-	-	-	-	-	9,006
Ferragamo Espana S.L.	100	1,001	-	-	-	-	-	1,001
Ferragamo Denmark ApS	100	-	-	-	-	-	-	-
Ferragamo USA Inc.	100	57,869	-	-	-	6	-	57,875
Ferragamo Moda (Shanghai) Co. Ltd.	75	3,732	-	-	-	-		3,732
Ferragamo Hong Kong Ltd.	100	12,759	-	-	-	12	-	12,771
Ferragamo (Malaysia) Sdn. Bhd.	100	2,856	-	-	-	-	-	2,856
Ferragamo Korea Ltd.	100	36,032	-	-	-	-	-	36,032
Ferragamo Retail Macau Limited	75.2	1,241	-	-	-	-	-	1,241
Ferragamo Retail Nederland B.V.	100	1,337	-	-	-	-	-	1,337
Ferragamo Retail India Private Limited	100	-	-	-	-	-	-	-
Ferragamo Brasil Roupas e Acessorios Ltda.	99	-	-	-	-	-	-	-
Arts S.r.l.	49.2	-	6,682	-	-	-	(6,682)	-
Aura 1 S.r.l.	100	-	8,247	-	-	-	(8,247)	-
Total		**193,738**	**14,929**	**-**	**(25,417)**	**35**	**(14,929)**	**168,356**

In 2020, there were no additions, disposals, or capital increases in the investments or restatements except for the following. On 27 April 2020, Salvatore Ferragamo S.p.A acquired:

- 49.2% of Arts S.r.l. for 6,682 thousand Euro; and
- 100% of Aura 1 S.r.l. for 8,247 thousand Euro.

The Company pursued this deal to strengthen its control over its supply chain and acquire strategic capabilities in one of its key product categories. Based on the agreed economic conditions, Salvatore Ferragamo S.p.A. paid a total of 11.3 million Euro, and then an additional 3,629 thousand Euro (amount agreed on the basis of the net cash on hand as at 31 March 2020) in February 2021, as agreed by the parties. These entities were then merged into Salvatore Ferragamo S.p.A. on 1 December 2020. For more details, see note 5 Business combinations. For details on the item "Stock Grant", reference should be made to note 42 Share-based payments.

In accordance with the provisions of IAS 36, the Company undertook an analysis to identify any indicators of impairment and/or permanent losses in value in subsidiaries or whether any grounds for the write-down in the investments applied in previous years no longer exist.
In particular an assessment was made of the recoverability of the residual value of investments in order to ensure that they are not recognized at a value higher than their recoverable amount.

Impairment tests were performed considering the subsidiary being tested as a CGU. The value used to determine the recoverable amount of the CGUs is the value in use. This was calculated based on expected cash flows, which were discounted at an appropriate rate (Discounted cash-flow analysis - DCF).

The following Companies were tested for impairment: Ferragamo U.K. Limited and Ferragamo Deutschland GmbH.

The DCF analysis was performed based on the budget for the year 2021, prepared and approved by the Board of Directors of Salvatore Ferragamo S.p.A.; as for the two following explicit forecast years, the Group used the estimates made by management, which represent the best estimate the Group can make of the economic conditions expected for the period. The values assigned to the main assumptions reflect management's assessment of how the sectors will perform in the future and are based on both internal and external sources.

The main assumptions to determine the recoverable amount are given below:

	Ferragamo Deutschland GmbH	Ferragamo U.K. Limited
Discount rate (WACC)	6.08%	6.96%
Growth rate "g"	2.00%	2.00%

The discount rate (Weighted Average Cost of Capital, WACC), considering the Group's positive net financial position, is based on government bond yields in the reference markets and in the same currency as the cash flows, adjusted to account for the risk premium expected by investors for the specific investment in equity instruments as well as the correlation of such instruments to the relevant market.
The growth rate "g" was assumed to be equal to the rate of inflation expected to prevail over the medium - long term in the reference market.

Terminal Value: determined using the perpetuity model with a long-term growth rate "g" which represents the present value, in the final projected year, of all the expected future cash flows.

Based on the analyses carried out, the Company recognized 6,051 thousand Euro in impairment losses on the investments in Ferragamo U.K. Limited and Ferragamo Deutschland GmbH to reflect the reductions in assets resulting from the losses incurred in these markets, so as to adjust their book value to the corresponding recoverable amount.
The sensitivity analysis of the above material assumptions (WACC and g) used to determine the recoverable amount, performed on the investments, did not yield different results in terms of recoverable amount.

In addition, on 10 November 2020 the Board of Directors of Salvatore Ferragamo S.p.A. approved the draft terms of the merger of the wholly-owned subsidiary Ferragamo Parfums S.p.A. (single-member company) into Salvatore Ferragamo S.p.A. The Merger was born out of the need to streamline the Salvatore Ferragamo Group's corporate structure in Italy, optimizing the management of resources. Following the Merger, Salvatore Ferragamo S.p.A. will take over the operations of Ferragamo Parfums S.p.A.. Salvatore Ferragamo S.p.A. will 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. will

be canceled without assigning or swapping shares. As at 31 December 2020, the Company performed the analysis to identify any indicators of impairment and/or impairment losses for the investment in Ferragamo Parfums S.p.A., considering also the mentioned merger. Therefore, the investment in Ferragamo Parfums S.p.A. was written down by 19,366 thousand Euro to the Shareholders' Equity of the subsidiary as at 31 December 2020, representative of fair value as at that date.

The following table shows the change in the provision for excess write-downs of investments and includes the amount considered suitable to cover the remaining losses (applying the due percentage) after the book value of the equity investment is set to zero:

Company (In thousands of Euro)	**% investment**	**Value at 01.01.20**	**Additions**	**Disposals**	**Write-downs**	**Stock Grant**	**Value at 31.12.20**
Ferragamo (Singapore) Pte Ltd	100	(12,225)	-	-	(4,396)	-	(16,621)
Ferragamo Chile S.A.	99	(547)	-	-	(260)	-	(807)
Ferragamo (Thailand) Ltd	100	(981)	-	-	(2,035)	-	(3,016)
Ferragamo Monte-Carlo S.A.M.	100	-	-	-	(74)		(74)
Ferragamo Argentina S.A.	95	-	-	-	(89)	-	(89)
Ferragamo Japan K.K.	71	-	-	-	(13,887)	-	(13,887)
Total		**(13,753)**	**-**	**-**	**(20,741)**	**-**	**(34,494)**

The following table provides the main figures from the financial statements of the subsidiaries:

Subsidiaries	Location	% investment	Share capital		Total Shareholders' Equity	Profit (Loss) for the year	Value at 31.12.2020
(In thousands)			Currency	Amount	Euro	Euro	Euro
Ferragamo Parfums S.p.A.	Florence	100	Euro	10,000	21,562	(3,967)	21,562
Ferragamo Austria GmbH	Vienna	100	Euro	1,853	3,983	76	4,434
Ferragamo Deutschland GmbH	Munich	100	Euro	3,300	4,647	(1,405)	4,627
Ferragamo Belgique SA	Brussels	100	Euro	750	669	8	731
Ferragamo France S.A.S.	Paris	100	Euro	4,334	10,625	1,501	9,006
Ferragamo (Suisse) SA	Mendrisio	100	Chf	1,000	1,431	43	890
Ferragamo Espana S.L.	Madrid	100	Euro	4,600	3,732	(95)	1,001
Ferragamo U.K. Limited	London	100	Gbp	7,673	5,719	(4,163)	5,591
Ferragamo Retail Nederland B.V.	Amsterdam	100	Euro	500	1,185	(139)	1,337
Ferragamo Australia Pty Ltd.	Sydney	100	Aud	13,637	13,827	(69)	4,132
Ferragamo USA Inc.	New York	100	Usd	74,012	69,488	3,244	57,875
Ferragamo Monte-Carlo S.A.M.	Monte Carlo	100	Euro	304	(74)	(360)	(74)
Ferragamo Mexico S. de R.L.de C.V.	Mexico City	99.73	Pesos	4,593	26,740	1,095	538
Ferragamo Japan K.K.	Tokyo	71	Yen	305,700	(19,559)	(21,165)	(13,887)
Ferragamo Hong Kong Ltd.	Hong Kong	100	Hkd	10	102,295	5,689	12,771
Ferragamo Chile S.A.	Santiago	99	Pesos	1,362,590	(816)	(270)	(807)
Ferragamo (Thailand) Limited	Bangkok	100	Thb	100,000	(3,016)	(2,193)	(3,016)
Ferragamo (Malaysia) Sdn. Bhd.	Kuala Lumpur	100	Myr	1,300	3,789	(1,158)	2,856
Ferragamo (Singapore) Pte Ltd	Singapore	100	Sgd	4,600	(16,621)	(5,389)	(16,621)
Ferragamo Argentina S.A.	Buenos Aires	95	Ars	76,361	(94)	(728)	(89)
Ferragamo Retail India Private Limited	New Delhi	100	Inr	300,000	(4,975)	(150)	-
Ferragamo Korea Ltd.	Seoul	100	Kwon	3,291,200	61,422	2,602	36,032
Ferragamo Moda (Shanghai) Co. Ltd.	Shanghai, PRC	75	Usd	1,400	(1,273)	3,620	3,732
Ferragamo Retail Macau Limited	Macau	75.2	Mop	25	7,101	(1,605)	1,241
Ferragamo Brasil Roupas e Acessorios Ltda.	Sao Paulo	99	Brl	55,615	3,311	8	-
Total							**133,862**

* Data refer to the Ferragamo USA Group.

11. Other non current assets

"Other non current assets" totaled 1,026 thousand and included 184 thousand Euro in the non-current portion of the tax credit for donations in support of cultural activities as per art. 1 of Italian Law Decree no. 83 of 31 May 2014 - the so-called "Art Bonus", made in 2019 and 2020 (336 thousand Euro as at 31 December 2019), and includes also the non-current portion of the Tax credit for investments in operating assets (art. 1, paragraphs 184-197, 2020 Budget Law) and the non-current portion of the 2020 Research and Development, design and aesthetic conception, and technological innovation tax credit (art. 1, paragraphs 198-209, 2020 Budget Law).

12. Other non current financial assets

"Other non current financial assets", totaling 294 thousand Euro (334 thousand Euro as at 31 December 2019), refer to guarantee deposits, mainly for existing rental contracts, and are accounted for at amortized cost.

13. Inventories

The breakdown of the item as at 31 December 2020 and 31 December 2019 is set out in the following table:

(In thousands of Euro)	31 December 2020	31 December 2019	change 2020 vs 2019
Gross value of raw materials, accessories and consumables	29,272	47,611	(18,339)
Provision for obsolete inventory	(5,270)	(4,202)	(1,068)
Raw materials, accessories and consumables	**24,002**	**43,409**	**(19,407)**
Gross value of finished products and goods for resale	91,070	95,208	(4,138)
Provision for obsolete inventory	(23,722)	(18,166)	(5,556)
Finished products and goods for resale	**67,348**	**77,042**	**(9,694)**
Total	**91,350**	**120,451**	**(29,101)**

The change in stocks of raw materials, down by 19,407 thousand Euro compared to 2019, is due to the lower production volumes for the period; the related provision reflects the obsolescence of raw materials (leather and accessories) which are no longer suitable for the Company's production plans for future collections. Raw materials also include leather and materials sent to third parties for subsequent processing.

Stocks of finished products decreased by 9,694 thousand Euro. The related provision reflects the difference between the purchase or production cost and the estimated realizable value of products belonging primarily to past collections. The write-downs recognized in 2020 accounted also for the potential risk of a future reduction in the sales of certain products, including because of the ongoing pandemic.

For a better understanding of how the above provisions for obsolete inventory were calculated, please see note 2 "Discretionary valuations and significant accounting estimates".

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

(In thousands of Euro)	2020	2019	change 2020 vs 2019
Raw materials	1,068	70	998
Finished products	5,556	6,510	(954)
Total	**6,624**	**6,580**	**44**

14. Right of return assets

Concerning the right of return as per "Revenue from contracts with customers", the line item "Right of return assets" (9,688 thousand Euro as at 31 December 2020) includes the estimated cost of the products expected to be returned, equal to the lower of the previous carrying amount of inventories (estimated cost of production) and net realizable value, less potential future costs associated with their recovery. This item is closely related to Refund Liabilities (see note 27 Refund liabilities) and largely refers to the Group's European companies as well as, to a lesser extent, external customers.

15. Trade receivables

The breakdown of the item "Trade receivables" as at 31 December 2020 and 31 December 2019 is shown in the following table:

(In thousands of Euro)	31 December 2020	31 December 2019	change 2020 vs 2019
Trade receivables from third parties	36,024	36,443	(419)
Provision for bad debt - third parties	(4,064)	(3,627)	(437)
Provision for bad debt - subsidiaries	(4,936)	(5,440)	504
Trade receivables from subsidiaries	117,115	166,810	(49,695)
Total	**144,139**	**194,186**	**(50,047)**

Trade receivables from third parties mainly refer to the credit exposure arising from sales made to the wholesale channel, they are interest-free and are generally due in 90 days or less. The relevant provision for bad debt was deemed adequate to deal with potential defaults, and the amount set aside for the period largely refers to risk assessments associated with the specific situation during the period.

For detailed information on trade receivables from subsidiaries reference should be made to note 44 Transactions with related parties below.

The changes in the provision for bad debt during 2020 were as follows:

(In thousands of Euro)	Value at 01.01.2020	Provisions	Uses	Value at 31.12.2020
Provision for bad debt - third parties	3,627	437	-	4,064
Provision for bad debt - subsidiaries	5,440	-	504	4,936
Total	**9,067**	**437**	**504**	**9,000**

For an analysis of past due but not impaired trade receivables reference should be made to note 3 "Management of financial risks - Credit risk". The uses of the Provision for bad debt - subsidiaries, totaling 504 thousand Euro, refer to the adjustment to year-end exchange rates of the provision for bad debt recognized for Ferragamo Retail India Private Limited, set up in previous years and referring to foreign currency trade receivables.

16. Tax receivables

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

(In thousands of Euro)	31 December 2020	31 December 2019	change 2020 vs 2019
Due from tax authorities (valued added tax)	-	216	(216)
Other tax receivables	2,906	10,672	(7,766)
Due from tax authorities (Irap)	974	-	974
Total	**3,880**	**10,888**	**(7,008)**

As at 31 December 2020, the item Other tax receivables mainly included:

- The 1,389 thousand Euro Research and Development Tax Credit, including 373 thousand Euro for the current portion referring to the estimated credit for the year 2020 (Art. 3 of Italian Law Decree no. 145 of 23 December 2013, as superseded by art. 1, paragraph 35 of Italian Law no. 190/2014 - 2015 Budget Law);
- the 585 thousand Euro current portion of the tax credit for donations in support of cultural activities as per art. 1 of Italian Law Decree of 31 May 2014, no. 83 - the so-called "Art Bonus", made in 2018, 2019 and 2020; the remaining 184 thousand Euro non current portion was included within "Other non current assets"; the 98 thousand Euro 2020 tax credit for these donations made in 2020 was recognized in the Income Statement under "Other income and revenues".

Tax receivables were down 7,008 thousand Euro from 31 December 2019; this was mainly attributable to the refund in July 2020 of the income tax receivable due from tax authorities, amounting to 7,298 thousand Euro, plus interest, relating to the tax year 2015 that had been claimed in the tax return for the same period.

17. Other current assets

The breakdown of the item "Other current assets" as at 31 December 2020 and 31 December 2019 is set out in the following table:

(In thousands of Euro)	31 December 2020	31 December 2019	change 2020 vs 2019
Receivables due from credit card management companies	440	178	262
Receivables from staff	197	77	120
Short-term hedging derivatives	6,878	1,466	5,412
Other receivables	367	1,603	(1,236)
Accrued income	154	121	33
Prepaid expenses	3,486	3,059	427
Receivables from the Holding company	2,689	1,962	727
Receivables from social security institutions	266	90	176
Total	**14,477**	**8,556**	**5,921**

Hedging derivatives, totaling 6,878 thousand Euro (1,466 thousand Euro as at 31 December 2019), refer to the fair value measurement of outstanding derivative contracts (hedging component) entered into by the Company to manage exchange rate risk on sales in currencies other than the Euro.

The 2,689 thousand Euro receivable due from the holding company Ferragamo Finanziaria S.p.A. refers to the first IRES payment on account and the greater Patent Box benefit for 2015 resulting from the restatement of taxable income assessed and agreed under the settlement entered into with the Inland Revenue Office, which required the Company to file a supplementary tax return for the year 2015, reducing the IRES tax expense under the domestic fiscal unity by 1,089 thousand Euro. For further details, reference should be made to the Directors' report on operations, paragraph "Significant events occurred during the year".

Prepaid expenses included 1,877 thousand Euro (1,340 thousand Euro as at 31 December 2019) in contributions for the fit-out of tailored single brand stores and/or stores-in-stores operated by third parties (TPOS).

18. Other current financial assets

(In thousands of Euro)	31 December 2020	31 December 2019	change 2020 vs 2019
Financial receivables due from subsidiaries	166,651	99,774	66,877
Short-term derivatives	288	101	187
Total	**166,939**	**99,875**	**67,064**

Financial receivables due from subsidiaries included the loans granted to the subsidiaries Ferragamo Deutschland GmbH, Ferragamo Monte-Carlo S.A.M., Ferragamo (Suisse) S.A., Ferragamo Espana S.L., Ferragamo U.K. Limited, Ferragamo Japan K.K., Ferragamo Canada Inc., Ferragamo Usa Inc., Ferragamo (Singapore) PTE Ltd, Ferragamo (Thailand) Limited, Ferragamo Parfums S.p.A., Ferragamo Belgique SA, and Ferragamo Retail Nederland B.V.. For detailed information on financial receivables from subsidiaries, reference should be made to note 44 Transactions with related parties below.

The item "Short-term derivatives" totaled 288 thousand Euro and refers to the fair value measurement of derivatives for the non-hedging component (101 thousand Euro as at 31 December 2019). For further details, please refer to note 31 Financial instruments and fair value measurement below.

19. Cash and cash equivalents

The breakdown of Cash and cash equivalents as at 31 December 2020 and 31 December 2019 is shown in the following table:

(In thousands of Euro)	31 December 2020	31 December 2019	change 2020 vs 2019
Time deposits	25,000	10,000	15,000
Bank and post office sight deposits	187,382	109,897	77,485
Cash and values on hand	71	191	(120)
Total	**212,453**	**120,088**	**92,365**

Bank and post office deposits refer to temporary cash holdings maintained mainly to meet imminent payments or make intercompany loans, which include also a 25 million Euro short-term investment (time deposit). As at 31 December 2020, the Company had unused credit lines amounting to 535,000 thousand Euro; as at 31 December 2019, unused credit lines totaled 405,000 thousand Euro. For more details, see note 21 Interest-bearing loans & borrowings.

For the purposes of the statement of cash flows, the item "Cash and cash equivalents" as at 31 December 2020 and 31 December 2019 was broken down as follows:

(In thousands of Euro)	31 December 2020	31 December 2019	change 2020 vs 2019
Cash and bank sight deposits	187,453	110,088	77,365
Time deposits	25,000	10,000	15,000
Total	**212,453**	**120,088**	**92,365**

20. Share capital and reserves

The authorized **share capital** of the Company as at 31 December 2020 totaled 16,939,000 Euro; the subscribed and paid up share capital amounted to 16,879,000 Euro and consisted of 168,790,000 ordinary shares with a nominal value of 0.10 Euro each. During 2020, there were no changes in the number of shares outstanding.
The treasury share reserve, amounting to 2,776 thousand Euro, consisted of 150,000 shares in Salvatore Ferragamo S.p.A., which were purchased entirely in December 2018 (no. 14,000) and during 2019 (no. 136,000) at an average unit price of 18.50 Euro.
Share capital contributions of 2,995 thousand Euro were paid in a single amount in 2003 by the Holding company Ferragamo Finanziaria S.p.A. and were reduced in 2007, due to the demerger.
The legal reserve of 4,188 thousand Euro was set up in previous years and cannot be distributed.
The extraordinary reserve of 628,530 thousand Euro is comprised of retained earnings; the 124,211 thousand Euro increase recorded in the period refers to the entire retained profit for the year 2019.

The revaluation reserve consists of:

- Revaluation reserve as per Italian Law 342/00 amounting to 4,592 thousand Euro;
- Revaluation reserve as per Italian Law 350/03 amounting to 7,420 thousand Euro;
- Revaluation reserve as per Italian Law 266/05 amounting to 13,465 thousand Euro.

No deferred taxes have been allocated to the revaluation reserves based on the assumption that full taxation for these reserves will be indefinitely deferred. Indeed, no transactions are likely to be carried out which would cause their distribution.

The cash flow hedge reserve was positive for 5,123 thousand Euro and is the result of the valuation of the financial instruments defined as cash flow hedges as at 31 December 2020, given the hedges of the Company against exchange rate risk, and is shown net of the tax effect.
The IAS 19 Equity reserve, negative for 1,706 thousand Euro, is the result of the valuation of actuarial gains and losses charged to shareholders' equity, as envisaged by IAS 19, and is shown net of the tax effect. This valuation was made by an independent actuary.
The item "Other reserves" totaled 12,089 thousand Euro and includes the changes arising from the application of IAS/IFRS instead of Italian accounting principles with reference to the Company's opening balance of shareholders' equity as at 1 January 2010 and the closing balance as at 31 December 2010. In addition, the item "Other reserves" includes:

- the specific reserve set up in 2016 to service the future free share capital increase of the Company for a nominal value of 60 thousand Euro (nominal value of 0.10 Euro per share) for the 2016-2020 Stock Grant Plan;
- the 2016-2020 Stock Grant Reserve (921 thousand Euro) referring to the fair value measurement as at 31 December 2020 of the rights to receive shares in the Parent Company: their impact on the period amounted to 79 thousand Euro.
- and the 5,037 thousand Euro Stock Grant reserve from prior years.

Finally, the item "Other reserves" included the 1.4 thousand Euro Provision as per art. 55 of Italian Presidential Decree 597/1973 relating to VAT recovery pursuant to art. 15 of Italian Law 26/04/1983.
The amounts are net of the tax effects where applicable.

The following table shows, for each specific entry in shareholders' equity, information regarding the possibility of its use and distribution, as well as its use over the last three years.

Shareholders' equity	Value at 31 December 2020	Possibility of use	Amount available	Summary of uses made in the last three years
Share capital	16,879			
Treasury share reserve	(2,776)			
Share capital reserves				
Revaluation reserve Law 342/00	4,592	A - B	4,592	
Revaluation reserve Law 350/03	7,420	A - B	7,420	
Revaluation reserve Law 266/05	13,465	A - B	13,465	
Share capital contributions	2,995	A - B	2,995	
Provision as per Art 55	1	A - B - C	1	
Net profit reserves				
Legal reserve	4,188	B	812	
Extraordinary reserve	628,530	A - B - C	628,530	
Reserve for adoption of IAS/IFRS	6,427	B*	2,007	
Accumulated gains/losses	(356)	B		
Cash flow hedge reserve	5,123			
IAS 19 reserve	(1,706)			
Specific reserve for share capital increase to service the Stock Grant Plan	60			
Stock Grant Reserve	5,958			
Net profit/(loss) for the year	(34,070)			
Total	**656,730**		**659,822**	**-**

Key: A - for share capital increase, B - to cover losses, C- for distribution to shareholders. * The available part of the reserve can be used only to cover losses and it must be subsequently reintegrated.

21. Interest-bearing loans & borrowings

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

(In thousands of Euro)	31 December 2020	31 December 2019	change 2020 vs 2019
Medium/long-term financial payables to banks	113,491	-	113,491
Short-term financial payables to banks	11,428	-	11,428
Total	**124,919**	**-**	**124,919**

During 2020, in light of the emergency caused by the spread of Covid-19, the Company saw it fit to further strengthen its financial structure by increasing its committed lines with diversified counterparties, meeting its financial requirements in the first half of the year with short-term debts that were repaid in the second half after entering into a medium/long-term loan agreement with Intesa Sanpaolo S.p.A. in July 2020. For details, see the Directors' report on operations, paragraph "Significant events occurred during the year".

As at 31 December 2020, the company reported 125 million Euro in payables to banks, whereas these amounted to zero as at 31 December 2019. The credit lines used by the Company are arranged at floating rates. The cost of debt is generally benchmarked to the market rate for the period (usually Euribor/Libor or the benchmark of the loan currency on the specific interbank market) increased by a spread which depends on the type of credit line used. In general, uses of the lines range from one day to a maximum of one year. The margins applied are in line with the best market standards.

The financial instruments used are:

i) uncommitted credit lines made available to the Company in order to meet short-term financial needs linked to the management of working capital;

ii) short- and medium/long-term committed credit lines, in the form of either revolving credit lines or term loans, negotiated on a bilateral basis by the Company.

As at 31 December 2020, committed credit lines had a maximum residual duration of fifty-five months and a weighted average residual duration of thirty-two months. The credit lines and the related financial business are spread among leading national and international banks.

As far as financial payables to banks are concerned, the following table provides a breakdown by type of the credit lines granted to the Company and the relevant uses:

	31 December 2020		31 December 2019	
(In thousands of Euro)	Agreed	Used	Agreed	Used
Committed credit lines	505,000	125,000	160,000	-
- Revolving credit lines	*380,000*		*160,000*	
- Term loans	*125,000*	*125,000*		
Uncommitted credit lines	155,000		245,000	
Total	**660,000**	**125,000**	**405,000**	**-**

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

(In thousands of Euro)	31 December 2020	31 December 2019	Change 2020 vs 2019
A. Cash	71	191	(120)
B. Other cash equivalents	212,382	119,897	92,485
C. Cash and cash equivalents (A)+(B)	**212,453**	**120,088**	**92,365**
Derivatives - non-hedging component	288	101	187
Other financial assets*	166,651	99,774	66,877
D. Current financial receivables	**166,939**	**99,875**	**67,064**
E. Current bank payables	11,428	-	11,428
F. Derivatives - non-hedging component	40	171	(131)
G. Other current financial payables**	19,421	17,455	1,966
H. Current financial debt (E)+(F)+(G)	**30,889**	**17,626**	**13,263**
I. Current financial debt, net (H)-(C)-(D)	**(348,503)**	**(202,337)**	**(146,166)**
J. Non current bank payables	113,491	-	113,491
K. Derivatives - non-hedging component	-	-	-
M. Other non current payables***	85,908	96,181	(10,273)
N. Non current financial debt (J)+(K)+(M)	**199,399**	**96,181**	**103,218**
O. Net financial debt (I)+(N)	**(149,104)**	**(106,156)**	**(42,948)**

* The item entirely refers to related parties (short-term loans to Group companies); for further details reference should be made to note 18 Other current financial assets and note 44 Transactions with related parties (intragroup transactions).

** The item comprises a 15,792 thousand Euro current lease liability, including 6,872 thousand Euro due to related parties. For more details, reference should be made to note 44 Transactions with related parties.

*** The item entirely refers to the non current lease liability, including 59,507 thousand Euro due to related parties. For more details, reference should be made to note 44 Transactions with related parties.

Limitations on the use of financial resources

In general, the Company's committed and uncommitted credit lines (both revolving credit lines and term loans) that are currently outstanding do not require compliance with financial covenants.

One exception is the loan agreement entered into with Intesa Sanpaolo S.p.A. on 24 July 2020, which includes a financial covenant based on the ratio of Adjusted Net Financial Position to restated Ebitda to be tested annually starting from 31 December 2021 (based on data from the Consolidated Financial Statements), and that therefore was not in place as at 31 December 2020.

22. Provisions for risks and charges

The breakdown of Provisions for risks and charges as at 31 December 2020 is shown in the following table:

(In thousands of Euro)	Value at 01.01.2020	Provisions	Uses	Value at 31.12.2020
Legal disputes	1,729	1,235	(586)	2,378
Provision for excess write-downs of investments	13,753	20,741	-	34,494
Total	**15,482**	**21,976**	**(586)**	**36,872**

Legal disputes mainly refer to allocations against likely future liabilities relating to legal proceedings against the Company for labor disputes as well as outstanding contractual and tax disputes. Labor disputes refer both to litigations and to estimates of settlement amounts which the Company might pay for settlement in the pre-litigation stage.
The amount set aside during the period refers to labor and legal disputes that arose during 2020.
The use of the provision for legal disputes, totaling 586 thousand Euro, refers to the settlement of a number of legal and labor proceedings and/or disputes involving the Company.
For detailed information and the changes in the Provision for excess write-downs of investments reference should be made to note 10 Investments in subsidiaries.

23. Employee benefit liabilities

The breakdown of Employee benefit liabilities as at 31 December 2020 and 31 December 2019 is shown in the following table:

(In thousands of Euro)	31 December 2020	31 December 2019	change 2020 vs 2019
Employee benefit liabilities (severance indemnities)	8,740	8,685	55
Advances on employee severance indemnities	(2,236)	(2,182)	(54)
Total	**6,504**	**6,503**	**1**

The following table sets out the changes occurred during the period:

(In thousands of Euro)	31 December 2020	31 December 2019
Present value of the obligation at the beginning of the period	**6,503**	**6,441**
Contribution from merger	**64**	**-**
Financial charge	**30**	**78**
Benefits paid	**(375)**	**(402)**
Actuarial loss/(gain) arising from:		
- Financial assumptions	*331*	*430*
- Demographic assumptions	*1*	*2*
- Experience-based adjustments	*(50)*	*(46)*
Total actuarial loss / (gain)	**282**	**386**
Present value of the obligation at the end of the period	**6,504**	**6,503**

The main assumptions used in determining the present value of employee severance indemnities were as follows:

	2020	2019
Annual discount rate	(0.12%)	0.46%
Inflation rate	2.00%	2.00%

As regards the demographic assumptions used in determining defined benefit liabilities, the figure used as a benchmark for the mortality rate is that for the Italian population recorded by ISTAT in 2000, less 25%, broken down by age and gender while the staff turnover rate has been estimated at 5.6% per year.

Here below is a quantitative sensitivity analysis for the main assumptions as at 31 December 2020 and 31 December 2019 concerning employee benefit obligations:

		2020		2019	
(In thousands of Euro)	Change %	Additions	Disposals	Additions	Disposals
Annual discount rate	+/- 0.5%	(290)	311	(292)	313
Mortality rate	+/- 0.025%	(2)	2	(2)	(1)
Staff turnover rate	+/- 0.5%	(43)	45	(35)	37

The above sensitivity analyses are based on reasonable changes in the key assumptions at the end of the two reporting periods being compared.

The average number of employees (in terms of full-time equivalents) by category is shown in the following table:

Average staff

(Full time equivalent)	2020	2019
Top managers, middle managers and store managers	170.56	170.34
White collars	450.05	588.82
Blue collars	151.29	197.62
Temporary Agency staff	10.89	20.52
Total	**782.79**	**977.3**

Average staff was down compared to the previous year, accounting also for the reduction in work hours resulting from the use of social welfare schemes activated by the Italian Government to support employment in response to the Covid-19 pandemic.

24. Other non current liabilities

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

(In thousands of Euro)	31 December 2020	31 December 2019	change 2020 vs 2019
Other payables	-	306	(306)
Payables for leasehold improvement contributions	421	-	421
Total	**421**	**306**	**115**

The item Payables for leasehold improvement contributions, amounting to 421 thousand Euro, refers to the straight-lining of the amount received from a lessor in 2020 for the costs incurred to fit out the store.

25. Lease liabilities

Below are the changes in lease liabilities occurred in 2020 and 2019, broken down between current and non current.

	Lease liabilities		
(In thousands of Euro)	non current	current	Total
Value at 31.12.2019	96,181	17,455	**113,636**
Additions	7,926	-	**7,926**
Disposals	(4,286)	-	**(4,286)**
Reclassifications	(13,913)	13,913	**-**
Repayment of lease liabilities	-	(12,224)	**(12,224)**
Interest expense on lease liabilities	-	3,255	**3,255**
Interest expense on lease liabilities paid	-	(3,359)	**(3,359)**
Other changes		(3,248)	**(3,248)**
Value at the end of the period	**85,908**	**15,792**	**101,700**

	Lease liabilities		
(In thousands of Euro)	non current	current	Total
Value at 31.12.2018	-	-	**-**
IFRS 16 impact at 01.01.2019	91,698	-	**91,698**
Additions	38,449	-	**38,449**
Disposals	(1,439)	-	**(1,439)**
Reclassifications	(32,527)	32,527	**-**
Repayment of lease liabilities	-	(15,942)	**(15,942)**
Interest expense on lease liabilities	-	3,298	**3,298**
Interest expense on lease liabilities paid	-	(2,428)	**(2,428)**
Value at the end of the period	**96,181**	**17,455**	**113,636**

The average weighted IBR applicable to leases outstanding as at 31 December 2020 was 2.87%. As for the other cash outflows related to leases, see note 34 Costs for services.

26. Trade payables

The breakdown of Trade payables as at 31 December 2020 and 31 December 2019 is shown in the following table:

(In thousands of Euro)	31 December 2020	31 December 2019	change 2020 vs 2019
Trade payables to third parties	80,705	121,499	(40,794)
Invoices to be received	9,229	14,333	(5,104)
Payables to subsidiaries	25,525	9,400	16,125
Total	**115,459**	**145,232**	**(29,773)**

Trade payables do not bear interest and usually become due after 60/90 days. This item consists of payables relating to the normal commercial activity carried out by the Company, in particular costs for the purchase of raw materials, parts and manufacturing in outsourcing.
For detailed information on trade payables to subsidiaries reference should be made to note 44 Transactions with related parties below.

27. Refund liabilities

Concerning the right of return as per "Revenue from contracts with customers", the line item "Refund Liabilities" (totaling 16,098 thousand Euro) refers to the liability to customers for the amount of the products expected to be returned. This item largely refers to the Group's European companies and is related to Right of return assets (see note 14 Right of return assets).

28. Tax payables

The breakdown of Tax payables as at 31 December 2020 and 31 December 2019 is shown in the following table:

(In thousands of Euro)	31 December 2020	31 December 2019	change 2020 vs 2019
Payables for current taxes - IRAP	-	2,827	(2,827)
Payables for current taxes - IRES	-	7,772	(7,772)
Payables due to tax authorities for VAT	171	-	171
Tax payables due to foreign tax authorities for VAT (EU)	337	201	136
Tax payables for withholdings applied	2,231	2,922	(691)
Other tax payables	15	5	10
Total	**2,754**	**13,727**	**(10,973)**

As at 31 December 2019, current IRAP and IRES tax payables referred to the outstanding 9,418 thousand Euro liability settled in January 2020 as a result of the settlement finalized on 29 November 2019 of the tax audit of Salvatore Ferragamo S.p.A. for the fiscal years 2014 and 2015 (deeds signed on 21 November 2019).

29. Other current liabilities

The breakdown of the item "Other current liabilities" as at 31 December 2020 and 31 December 2019 is set out in the following table:

(In thousands of Euro)	31 December 2020	31 December 2019	change 2020 vs 2019
Payables to the Holding company	-	8,489	(8,489)
Payables to staff	3,189	7,867	(4,678)
Payables to social security institutions	2,807	3,318	(511)
Other payables to third parties	993	864	129
Other payables for hedging derivatives	1,653	5,554	(3,901)
Accrued expenses	760	1,658	(898)
Deferred income	1,605	1,085	520
Total	**11,007**	**28,835**	**(17,828)**

Payables to staff mainly include the Company's payables to employees for amounts accrued but not yet paid at the reporting date.
The item "payables to social security institutions" refers to payables to social security institutions paid in the month after the reporting period and relating to amounts due to employees.
Other payables to third parties largely include payables due to related parties. For more details, please refer to note 44 Transactions with related parties.

The item "Hedging derivatives" shows the fair value measurement at the end of the year of outstanding derivatives (hedging component) entered into by the Company to manage exchange rate risk. For further details, please refer to note 31 Financial instruments and fair value measurement.

The item "Accrued expenses" mainly includes variable fees to the Managing Director and - Executive Deputy Chairman and the amount accrued as at 31 December 2020 for the 14th month salary for staff members who are employed under the Italian collective labor agreement for the trade industry.

Deferred income includes 300 thousand Euro for the share pertaining to future years of the key money received from Marchon Europe B.V. (US group Marchon), which licenses the Salvatore Ferragamo brand for eyewear products. This refers to the agreement for the licensing of the Salvatore Ferragamo brand for the manufacturing and worldwide distribution of Ferragamo-branded sunglasses and prescription glasses. The remainder largely refers to the contribution for advertising activities, relating to the eyewear licensee, to be performed in 2021.

30. Other current financial liabilities

The item Other current financial liabilities, totaling 3,669 thousand Euro as at 31 December 2020, included the outstanding 3,629 thousand Euro, subsequently paid in February 2021, owed for the acquisition of the investments in Arts S.r.l. and Aura 1 S.r.l. in April 2020. The item also included short-term derivatives amounting to 40 thousand Euro as at 31 December 2020 (171 thousand Euro as at 31 December 2019), respectively, and referred to the fair value of derivatives with a negative mark to market at the reporting date. For further details, please refer to note 31 Financial instruments and fair value measurement below.

31. Financial instruments and fair value measurement

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

Classification of financial instruments and presentation of their fair value

Financial assets

	31 December 2020			31 December 2019		
	Book value		Fair Value	Book value		Fair Value
(In thousands of Euro)	Current portion	Non current portion		Current portion	Non current portion	
Financial assets at fair value through profit or loss						
Derivatives - non-hedging component	288	-	288	101		101
Assets measured at amortized cost						
Receivables due from credit cards	440		440	178		178
Trade receivables	144,139		144,139	194,186		194,186
Receivables for loans due from subsidiaries	166,651		166,651	99,774		99,774
Guarantee deposits		294	294		334	334
Cash and cash equivalents	212,453		212,453	120,088		120,088
Financial assets at fair value through other comprehensive income						
Derivatives - hedging component	6,878	-	6,878	1,466		1,466
Total	**530,849**	**294**	**531,143**	**415,793**	**334**	**416,127**

Financial liabilities

(In thousands of Euro)	31 December 2020			31 December 2019		
	Book value		Fair Value	Book value		Fair Value
	Current portion	Non current portion		Current portion	Non current portion	
Liabilities at amortized cost						
Trade payables and payments on account	115,459		115,459	145,232		145,232
Payables to banks and other lenders	11,428	113,491	124,919			-
Payables to third parties	3,629		3,629			
Lease liabilities	15,792	85,908	n/a*	17,455	96,181	n/a*
Financial liabilities at fair value through profit or loss						
Derivatives - non-hedging component	40		40	171		171
Financial liabilities at fair value through other comprehensive income						
Derivatives - hedging component	1,653		1,653	5,554		5,554
Total	**148,001**	**199,399**	**245,700**	**168,412**	**96,181**	**150,957**

*Under the standard IFRS16, Lease liabilities are not measured at fair value.

The table shows that most outstanding financial assets and liabilities refer to short-term financial items, except for lease liabilities; taking into account their nature, the book value of most of these items is a reasonable approximation of their fair value.
In all other cases, fair value is measured according to methods which can be classified as Level 2 of the hierarchy of data significance levels used in the fair value calculation as defined by IFRS 13.

The Company uses internal valuation models, which are generally used in finance, on the basis of prices supplied by market operators or prices collected on active markets through leading info-providers.
To determine the fair value of derivatives, the Company uses a pricing model based on market interest rate values and exchange rates at the measurement date.
Also for "Guarantee deposits" the book value is a reasonable approximation of the fair value.
There have been no changes in the valuation methods used compared to the previous years or transfers from one Level to another in the hierarchy of assets or liabilities measured at fair value.
The Company calculates non-performance risk, i.e. the risk that one of the parties may not fulfill its contractual obligations due to a possible default before the derivative expires, both in reference to counterparty risk (Credit Value Adjustment: CVA), and to its own risk (Debt Risk Adjustment: DVA), applying it to the market value of the risk-free portfolio. Taking into account the type of derivatives in the portfolio (solely currency forward contracts), the related expiry dates (not over twelve months), and the Company's and counterparties' ratings, these adjustments are immaterial.
In addition, it should be noted that, in compliance with the ISDA Master Agreements and the existing framework agreements relating to derivatives, it is generally possible to offset (through netting) all the outstanding financial assets and liabilities arising from these derivatives.

The following table summarizes the effects on the income statement and shareholders' equity in reference to each category of outstanding financial instruments for the Company in the years 2020 and 2019.

(In thousands of Euro)	31 December 2020	31 December 2019
Net gains/(losses) on financial instruments recognized in profit or loss:		
Financial assets/liabilities held for trading	11,332	(17,732)
Derivatives - hedging component	8,539	7,746
Net gains/(losses) on financial instruments recognized in shareholders' equity:		
Derivatives - hedging component	5,593	2,206
Interest income/expense (calculated using the internal rate of return method) accrued on financial assets/liabilities not at FVTPL		
Interest income	2,581	1,236
Interest expense	980	1,182
Interest expense on lease liabilities	3,255	3,298
Expenses and fees not included in the effective interest rate regarding financial liabilities	*856*	*320*
Interest income accrued on financial instruments written-off		
Provisions for impairment on financial assets		
Receivables/loans	437	-

Comments on the main income statement items

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

32. Revenues from contracts with customers

In 2020 and 2019, revenues from contracts with customers totaled 561,058 thousand Euro and 836,947 thousand Euro, respectively. The tables below provide the breakdown by channel and geographical area of the main categories of revenues from contracts with customers.

2020

(In thousands of Euro)	Retail+ e-commerce	Wholesale	Royalties	Other income and services	Total Revenues from contracts with customers
Europe	29,348	133,395	7,112	1,654	171,509
North America	-	127,161	-	5,819	132,980
Asia Pacific	-	177,259	-	5,558	182,817
Japan	-	40,298	-	1,681	41,979
Central and South America	-	30,614	-	1,159	31,773
Total	**29,348**	**508,727**	**7,112**	**15,871**	**561,058**

2019

(In thousands of Euro)	Retail+ e-commerce	Wholesale	Royalties	Other income and services	Total Revenues from contracts with customers
Europe	69,763	174,128	9,637	3,545	257,073
North America	-	201,409	-	6,041	207,450
Asia Pacific	-	263,839	-	6,777	270,616
Japan	-	48,564	-	1,764	50,328
Central and South America	-	49,853	-	1,627	51,480
Total	**69,763**	**737,793**	**9,637**	**19,754**	**836,947**

The Company discloses the disaggregation or revenue using a quali-quantitative approach. The Company recognizes revenue from the sale of goods through both the retail and wholesale channels when control over the asset is transferred to the customer, generally upon delivery; in the case of other income and services, revenue is recognized when the service is rendered to customers.

Wholesale revenues refer mainly to sales to Group companies and, to a lesser extent, to sales to retailers.
Retail and e-commerce revenues refer mainly to revenues generated by sales in directly operated stores (DOS) in Italy and, to a lesser extent, to sales generated on the Company's e-commerce platform.
Revenues from royalties arise mainly from the licensing of the Salvatore Ferragamo brand with reference to the eyewear product category to the company Marchon Europe B.V.; to the watches product category to the company Vertime B.V. belonging to the Timex Group; and to

the fragrances product category to the Group company Ferragamo Parfums S.p.A.. Revenues from royalties are accounted for based on the stage of completion of the licensee's sale.
The item other income and services largely includes the recovery of freight and packaging costs as well as services provided to subsidiaries. For detailed information on revenues from subsidiaries reference should be made to note 44 Transactions with related parties below.

33. Costs for raw materials, goods and consumables

The following table provides the breakdown of Costs for raw materials, goods and consumables as at 31 December 2020 and 31 December 2019:

(In thousands of Euro)	2020	2019	change 2020 vs 2019
Raw materials	97,877	173,277	(75,400)
Finished products	37,875	54,043	(16,168)
Packaging	2,782	4,246	(1,464)
Other purchases of materials	718	757	(39)
Stationery	160	375	(215)
Change in inventories of raw materials, accessories and consumables	19,407	4,764	14,643
Total	**158,819**	**237,462**	**(78,643)**

34. Costs for services

The breakdown of Costs for services as at 31 December 2020 and 31 December 2019 is shown in the following table:

(In thousands of Euro)	2020	2019	change 2020 vs 2019
Manufacturing in outsourcing	133,258	202,721	(69,463)
Production, general, administrative and sales costs	65,888	93,923	(28,035)
Costs for the use of third-party assets	3,482	9,034	(5,552)
Total	**202,628**	**305,678**	**(103,050)**

As at 31 December 2020, production, general, administrative and sales costs mainly include:

- communication costs (press advertising, public relations, store window display expenses, events and other advertising expenses) for a total amount of 24,079 thousand Euro;
- consultancy costs and fees to third parties (legal, administrative, product, manufacturing process, IT and other minor costs) for a total amount of 17,027 thousand Euro;
- freight and logistics costs totaling 6,327 thousand Euro;
- costs for services from subsidiaries totaling 3,899 thousand Euro; for details on these costs reference should be made to note 44 Transactions with related parties below;

- maintenance and utility costs of 5,845 thousand Euro;
- fees paid to Directors, Statutory Auditors and Supervisory Board for a total amount of 2,599 thousand Euro; for detailed information on these fees reference should be made to note 45 Fees paid to Directors and Statutory Auditors below.

Costs for services were sharply down compared to 2019 as a direct consequence of the reduction in variable costs associated with the contraction in revenues, and as an indirect consequence of the steps promptly taken by the Company to curb costs - including, among others, negotiating the terms and conditions of existing leases, and specifically those referring mainly to its distribution network.

The following table shows the impacts of leases accounted for under IFRS 16 as well as outside the scope of said standard on profit or loss in 2020 and 2019:

(In thousands of Euro)	2020	% of Total	2019	% of Total
Depreciation of right-of-use assets	18,880	95.4%	16,977	70.7%
Net interest expense on lease liabilities	3,159	16.0%	3,296	13.7%
Costs relating to short-term leases	538	2.7%	2,456	10.2%
Costs relating to low-value leases	360	1.8%	435	1.8%
Costs relating to leases with variable payments not included in the measurement of lease liabilities	94	0.5%	851	3.5%
Lease payment reductions	(3,249)	(16.4%)	-	na
Total	**19,782**	**100.0%**	**24,015**	**100.0%**

Some of the Company's leases contain variable lease payments linked to the revenues generated by stores (DOS), inside leased premises that are not included in the measurement of leases, in accordance with the accounting standard IFRS 16, and are recognized on an accrual basis. As at 31 December 2020, overall variable lease payments accounted for 0.5% of the total expense recognized in profit or loss associated with leases either included or not in the lease liability as per the accounting standard IFRS 16. Variable lease payments depend on sales, and therefore the Company's performance in subsequent years. The Company estimates that in the future variable lease payments will continue to be proportionate to the sales of finished goods.

To curb the negative impacts of the Covid-19 pandemic, the Company entered into important negotiations to revise the terms and conditions of leases - mainly related to its distribution network - resulting in a 3,249 thousand Euro positive variable lease payment in 2020 (including 1,277 thousand Euro referring to related parties) that was directly recognized through profit or loss - rather than as a lease modification. This accounting treatment is consistent with the amendment to IFRS 16 relating to renegotiations resulting from the Covid-19 pandemic.
In general, the Company's lease contracts include terms that prohibit subleasing the leased asset, but do not require the Company to comply with financial covenants.
The Company does not have termination options that it intends to exercise but did not consider when measuring the lease liability. With respect to renewal options, under its accounting policy for determining the lease term the Company considered the renewal options it intends to exercise.

The Company reports commitments for short-term leases expected for 2021 in line with those reported in the 2020 income statement.

35. Personnel costs

The breakdown of Personnel costs as at 31 December 2020 and 31 December 2019 is shown in the following table:

(In thousands of Euro)	2020	2019	change 2020 vs 2019
Salaries and wages	43,521	54,327	(10,806)
Stock grant plan costs	45	(207)	252
MLT incentive plan costs (reversal of costs)	(306)	306	(612)
Social security and welfare cost	12,399	14,660	(2,261)
Allocation of severance indemnities and allocation to complementary pension funds	3,251	3,326	(75)
Total	**58,910**	**72,412**	**(13,502)**

Personnel costs were sharply down compared to 2019, in part thanks to government benefits and subsidies, such as employment support measures, and in part due to the effects of a newly launched plan to streamline the organization.

36. Amortization, depreciation and write-downs

The breakdown of Amortization, depreciation and write-downs as at 31 December 2020 and 31 December 2019 is shown in the following table:

(In thousands of Euro)	2020	2019	change 2020 vs 2019
Depreciation of tangible assets	12,921	12,647	274
Depreciation of right-of-use assets	18,880	16,977	1,903
Amortization of intangible assets	12,336	10,863	1,473
Write-downs of tangible assets	172	86	86
Total	**44,309**	**40,573**	**3,736**

37. Other operating costs

(In thousands of Euro)	2020	2019	change 2020 vs 2019
EBIT Adjustment to subsidiaries	125,925	47,896	78,029
Allocations to the provisions for other operating risks	1,236	308	928
Donations	1,472	936	536
Provision for bad debt - subsidiaries	437	199	238
Taxes and charges	768	771	(3)
Membership fees	441	403	38
Other operating costs	634	2,441	(1,807)
Windfall losses	220	10	210
Total other operating costs	**131,133**	**52,964**	**78,169**

As at 31 December 2020, "Other operating costs" amounted to 131,133 thousand Euro and mainly included:

- 125,925 thousand Euro in costs for Ebit Adjustments to subsidiaries, attributable to the fourth-year impact of the International standard ruling on transfer pricing signed on 28 July 2017 with the Italian Inland Revenue Office - Central Assessment Department - International Ruling Office. Such implementation is in line with the guidance issued by the OECD on 18 December 2020 on the transfer pricing implications of the Covid-19 health emergency. For more details, see note 44 Transactions with related parties below;
- 1,472 thousand Euro in donations, including 485 thousand Euro in donations to address the health emergency as per art. 66 of the Cure Italy (Covid-19 Emergency) Law Decree and the 500 thousand Euro donation to the Foundation of the Anna Meyer Children's Hospital Onlus;
- 1,236 thousand Euro in allocations to the provision for risks and charges.

38. Other income and revenues

As at 31 December 2020, "Other income" amounted to 9,105 thousand Euro and mainly included:

- advertising contributions from third parties (1,763 thousand Euro);
- recovery of expenses from subsidiaries (1,532 thousand Euro);
- the 1,301 thousand Euro Research and Development Tax Credit related to 2020 (art. 1, paragraphs 198-209, of Italian Law no. 160 of 27 December 2019, so-called 2020 Budget Law);
- 1,061 thousand Euro in tax credits arising from the health emergency recognized in 2020, largely referring to the Tax Credit for workshops and stores as per art. 65 of Italian Law Decree no. 18 of 17 March 2020 (so-called Cure Italy Decree), and the Tax Credit for non-residential property and business lease payments, as per art. 28 of Italian Law Decree no. 34 of 19 May 2020 (Relaunch Decree);
- tax credit of 98 thousand Euro, accounting for 65% of the donations made in 2020 referred to in art. 1 of Italian Law Decree no. 83 of 31 May 2014 - the so-called "Art Bonus";
- the 50 thousand Euro share pertaining to 2020 of the key money (500 thousand Euro) as set out in the agreement with Marchon Europe B.V. (US group Marchon) for the licensing of the Salvatore Ferragamo brand for the manufacturing and worldwide distribution of *Ferragamo*-branded eyewear for men and women.

- the 29 thousand Euro share pertaining to 2020 of the grants received from a lessor in 2020 for leasehold improvements, which are recognized on a straight-line basis over the lease term;
- 991 thousand Euro in reversals and uses of the provision for bad debt and the provisions for risks and charges.

Finally, the item included 490 thousand Euro in insurance refunds, 30 thousand Euro in revenues from museum exhibitions, as well as capital gains from disposals of tangible assets, windfall profit, and other income and revenues from third parties. For details on other income and revenues from subsidiaries reference should be made to note 44 Transactions with related parties below.

39. Financial charges

The breakdown of the item "Financial charges" as at 31 December 2020 and 31 December 2019 is set out in the following table:

(In thousands of Euro)	2020	2019	change 2020 vs 2019
Financial charges for fair value adjustment of derivatives	15,142	21,888	(6,746)
Write-down of investments	46,158	11,708	34,450
Losses on exchange rate differences	37,105	9,713	27,392
Interest expense on lease liabilities	3,255	3,298	(43)
Other financial charges	1,021	515	506
Financial charges on employee benefits under IAS 19	30	78	(48)
Expenses on lease liabilities	6	-	6
Interest expense	980	1,182	(202)
Total	**103,697**	**48,382**	**55,315**

Interest expense on lease liabilities has been recognized starting from 1 January 2019 following the introduction of the accounting standard IFRS16 and amounted to 3,255 thousand Euro as at 31 December 2020.

For more details on the Write-downs of investments as at 31 December 2020, reference should be made to note 10 Investments in subsidiaries.

40. Financial income

The breakdown of the item "Financial income" as at 31 December 2020 and 31 December 2019 is set out in the following table:

(In thousands of Euro)	2020	2019	change 2020 vs 2019
Financial income for fair value adjustment of derivatives	26,474	4,156	22,318
Dividends from investments in subsidiaries	49,365	32,523	16,842
Financial income from lease liabilities	102	2	100
Restatement value of investments	-	40	(40)
Gains on exchange rate differences	12,602	15,521	(2,919)
Interest income	772	129	644
Interest income from subsidiaries	1,809	1,107	701
Total	**91,124**	**53,478**	**37,646**

The item dividends from investments in subsidiaries included the dividends paid by the subsidiary Ferragamo Hong Kong Ltd.

41. Income Taxes

The breakdown of Income taxes as at 31 December 2020 and 31 December 2019 is shown in the following table:

(In thousands of Euro)	2020	2019	change 2020 vs 2019
Current taxes	(34)	(28,948)	28,914
Deferred taxes	16,310	2,534	13,776
Use of/(Allocation) to the provision for risks for taxes from previous years	26	6,300	(6,274)
Taxes from previous years	1,328	(8,891)	10,219
Total income taxes	**17,630**	**(29,005)**	**46,635**

The 51,700 thousand Euro loss before taxes had a positive impact on income taxes, mainly because of the recognition of 11,080 thousand Euro in deferred tax assets on tax losses; in 2019, the Company had reported 29,005 thousand Euro in taxes (19.0% tax rate). In 2019, the direct tax expense of the Company had declined thanks to the benefit known as "Patent box" by approximately 10,218 thousand Euro; in 2020, the Company notified the Inland Revenue Office that it would withdraw its application for an extension, thus entering into the "Patent Box" self-assessment regime and assessing the amount of the benefit on its own. No reduction in direct tax expense is expected for 2020, as the Company reported a tax loss for the year. For more details, please refer to "Significant events occurred during the year - Patent Box and Research and Development Credit".

In 2020, the item Taxes from previous years, totaling 1,328 thousand Euro, largely refers to the greater Patent Box benefit for 2015 as a result of the restatement of taxable income assessed and agreed under the settlement entered into in November 2019 with the Inland Revenue Office, which required the Company to file a supplementary tax return for the year 2015. For more details, see the Directors' report on operations, paragraph "Significant events occurred during the year - Proceedings settled with the Inland Revenue Office".

(In thousands of Euro)	2020	2019	change 2020 vs 2019
Current taxes			
IRES	(34)	(24,090)	24,056
IRAP	-	(4,858)	4,858
Total	**(34)**	**(28,948)**	**28,914**
Deferred taxes:			
- IRES deferred in current year	16,789	3,410	13,379
- IRAP deferred in current year	11	203	(192)
Use of IRES deferred in previous years	(494)	(938)	444
Use of IRAP deferred in previous years	4	(141)	145
Total	**16,310**	**2,534**	**13,776**
Taxes from previous years	**1,328**	**(8,891)**	**10,219**
Use of/(Allocation) to the provision for risks for taxes from previous years	**26**	**6,300**	**(6,274)**
Total income taxes	**17,630**	**(29,005)**	**46,635**

Deferred tax assets and liabilities

The following table provides a breakdown by nature of the assets and liabilities for deferred taxes as at 31 December 2020 and 31 December 2019:

(In thousands of Euro)	31 December 2020	31 December 2019	31 December 2020	31 December 2019	2020	2019
	Statement of financial position		Other Comprehensive Income		Income statement	
Deferred tax assets						
- on employee benefits	591	532	539	471	(8)	(2)
- on tangible assets	1,154	1,111	-	-	43	114
- on the valuation of inventories	7,020	5,430	-	-	1,590	1,579
- on tax losses	11,080	-	-	-	11,080	-
- on receivables	492	492	-	-	-	(57)
- on taxed provisions	635	426	-	-	209	(24)
- for other temporary differences	5,901	2,671	-	-	3,230	924
Deferred tax assets	**26,873**	**10,662**	**539**	**471**	**16,144**	**2,534**
Deferred tax liabilities						
- on the cash flow hedge reserve	(1,616)	(273)	(1,618)	(275)	-	-
- on goodwill and fixed assets	(1,613)	-	-	-	166	
- for other temporary differences	(2,898)	(2,898)	-	-	-	-
Deferred tax liabilities	**(6,127)**	**(3,171)**	**(1,618)**	**(275)**	**166**	**-**
Net effect	**20,746**	**7,491**	**(1,079)**	**196**	**16,310**	**2,534**

Deferred taxes reflect the net tax effect of temporary differences between the book value and the taxable amount of assets and liabilities. The accounting of deferred tax assets was duly adjusted to account for the actual possibility that they will be realized; specifically, deferred taxes included the recognition of 11,080 thousand Euro in deferred tax assets on tax losses, recognized after assessing the actual probability that future taxable profit will be available against which they can be utilized.

The reconciliation between the theoretical tax charge and the effective tax charge as at 31 December 2020 and 31 December 2019 is as follows:

(In thousands of Euro)	2020	%	2019	%
IRES				
Profit before taxes	**(51,700)**		**153,216**	
Theoretical taxes	(12,408)	24%	36,772	24%
Actual taxes	(17,360)	33.6%	22,667	14.79%
Difference due to:	**(4,952)**	**9.6%**	**(14,105)**	**(9.2%)**
i) Effect of pass-through mechanism of taxation of income of foreign companies resident in countries/territories with a privileged tax regime	34	(0.1%)	-	-
ii) Effect of withholding taxes on foreign dividends	-	-	1,365	0.9%
iii) Effect of previous years income taxes	(1,073)	2.1%	7,349	4.8%
iv) Effect of allocation to/(use of) the provision for risks and charges for taxes from previous years	(26)	0.1%	(6,300)	(4.1%)
v) Effect of permanent increases (decreases):				
Increases				
Write-downs of investments	11,078	(21.4%)	2,810	1.8%
Other permanent differences	981	(1.9%)	925	0.6%
Decreases				
Income from subsidiaries (dividends)	(11,848)	22.9%	(7,420)	(4.8%)
Restatement value of investments	-	-	(10)	(0.0%)
IRAP deduction	(57)	0.1%	(184)	(0.1%)
Effect of the Patent Box	-	-	(8,789)	(5.7%)
Research and Development Tax Credit impact	(311)	0.6%	(771)	(0.5%)
Other permanent differences	(3,730)	7.2%	(3,080)	(2.0%)
Total difference	**(4,952)**	**9.6%**	**(14,105)**	**(9.2%)**

(In thousands of Euro)	2020	%	2019	%
IRAP				
Net value of production	**(39,127)**		**148,120**	
Theoretical taxes	(1,526)	3.9%	5,777	3.9%
Actual taxes	(270)	0.7%	6,338	4.3%
Difference due to:	**1,256**	**(3.2%)**	**561**	**0.38%**
i) Effect of increases in regional IRAP rates	-	-	69	0.0%
ii) Effects from non-registration of deferred taxes	1,440	(3.7%)	-	-
iii) Effect of previous years income taxes	(255)	0.7%	1,542	1.0%
iv) Effect of permanent increases (decreases):				
Increases				
Personnel costs	2,283	(5.8%)	2,808	1.9%
Other permanent differences	165	(0.4%)	244	0.2%
Decreases				
Tax wedge	(2,246)	5.7%	(2,502)	(1.7%)
Effect of the Patent Box	-	-	(1,428)	(1.0%)
Research and Development Tax Credit impact	(51)	0.1%	(125)	(0.1%)
Other permanent differences	(80)	0.2%	(47)	(0.0%)
Total difference	**1,256**	**(3.2%)**	**561**	**0.38%**

Other information

42. Share-based payments

Stock Grant Plan

(a) Plan Description

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

Plan Aims

The objectives the Company aimed to achieve by implementing the Plan can be identified in providing incentives for the key personnel of the Group, thus encouraging their loyalty to the Group, through the allocation of instruments representing the value of the Company and which can (i) align the remuneration of top managers who are the beneficiaries of the Plan with the interests of shareholders and the provisions of the Corporate Governance Code for listed companies drafted by Borsa Italiana S.p.A., (ii) retain the Group's key personnel, and (iii) help management to take decisions aimed at creating further value for the Group in the medium-long term.

Object of the Plan

The Plan was divided into two Cycles:

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

The Plan involved the following:

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

The Board of Directors set and approved the performance targets for each Cycle - specifically, on 30 June 2016 for the first Cycle and on 22 June 2017 for the Second Cycle.
The performance period is from 1 January 2016 through 31 December 2018 for the First Cycle, and from 1 January 2017 through 31 December 2019 for the Second Cycle.

Specifically, the Board of Directors set two targets for both Cycles, and each of them accounted for 50% of the total options granted:

A. Total Shareholder Return ("TSR") compared to a peer group. The number of shares for the portion related to this measure should have been granted based on the Company's TSR compared to its peers. All or part of the shares should have been granted only if the TSR of the Company were positive and at least equal to the median of the peer group (so-called market condition), as shown in the table below.

B. Consolidated gross profit (before taxes). This target should have been measured using the three-year average of the actual consolidated gross profit (before taxes) compared to the three-year average of consolidated gross profit (before taxes) defined in the annual Budgets. The number of shares to be granted would have been based on the above ratio as shown in the following table (so-called non market condition).

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

A. Total Shareholder Return (TSR)

	Percentage of vesting options
TSR_SF lower than MEDIAN	0%
TSR_SF = MEDIAN	50%
TSR_SF = THIRD QUARTILE	100%
TSR_SF higher than THIRD QUARTILE	100%

B. Consolidated gross profit (before taxes) versus 2016 - 2017- 2018 Budget (1st Cycle) and versus 2017-2018 and 2019 Budget (2nd Cycle)

	Percentage of vesting options
Gross Profit Performance Measure lower than 90%	0%
Gross Profit Performance Measure = 90%	50%
Gross Profit Performance Measure = 100%	100%
Gross Profit Performance Measure higher than 100%	100%

The shares to service the Plan (which should have been granted by the Board of Directors at the end of each Performance Period for the two Cycles - 2016/2018 and 2017/2019 - contingent on the achievement of the performance targets) would have arisen, in whole or in part, from a specific free Share Capital increase of up to 600,000 ordinary shares amounting to 60,000 Euro, in accordance with article 2349, paragraph 1 of the Italian Civil Code, submitted to the approval of the Extraordinary Shareholders' Meeting of 21 April 2016 and/or, alternatively, through the grant of any treasury shares held by the Company Salvatore Ferragamo S.p.A. at the date of the grant.

At the meetings held on 30 June 2016, 2 August 2016, and 14 March 2017, as part of the 1st cycle, and 22 June 2017 as well as 8 March 2018, as part of the 2nd cycle, the Board of Directors, with the favorable opinion of the Nomination and Remuneration Committee, granted 565,000 rights to receive ordinary shares in Salvatore Ferragamo S.p.A. to managers of both Salvatore Ferragamo S.p.A. and some of its subsidiaries (Ferragamo Hong Kong Ltd, Ferragamo USA Inc., Ferragamo Parfums S.p.A., Ferragamo Mexico S. de R.L. de C.V., and Ferragamo Japan K.K.).

Expiry of the Plan

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

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

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

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

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

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

(c) Fair value measurement

Considering the above assignment mechanism, it was necessary for two fair value assessments to be made:

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

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

Start date of the vesting period of the Rights

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

* Expected volatility is based on the historic share price volatility in a period equal to the whole vesting period.
** The risk-free interest rate has been identified at each grant date as the yield on Euro Area government bonds at the start date of the vesting period for a period equal to the remaining term of the Plan.

Here below are the main assumptions used in the assessments made for the start date of the 2nd Cycle's vesting period.

Start date of the vesting period of the Rights

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

* Expected volatility is based on the historic share price volatility in a period equal to the whole vesting period.
** The risk-free interest rate has been identified at each grant date as the yield on Euro Area government bonds at the start date of the vesting period for a period equal to the remaining term of the plan.

43. Segment reporting

Paragraph 4 of IFRS 8 requires that, should both the consolidated and separate financial statements of the Holding company be presented in a single financial report, the segment reporting must be presented only in reference to the consolidated financial statements.

44. Transactions with related parties

The following table shows the transactions with related parties for the years ended 31 December 2020 and 31 December 2019; in particular, the following table shows the overall values of transactions with related parties, excluding transactions with subsidiaries, as detailed below in the following paragraph:

31 December 2020

(In thousands of Euro)	Revenues	Operating costs (net of other income)	Financial charges	Right-of-use assets	Trade receivables	Other assets	Trade payables	Other current liabilities	Lease liabilities
Holding company:									
Ferragamo Finanziaria S.p.A. (company which exercises management and coordination on Salvatore Ferragamo S.p.A.)	-	(81)	(25)	668	-	2,689	-	-	(690)
Related companies									
Palazzo Feroni Finanziaria S.p.A.	30	(6,370)	(1,603)	42,969	2	70	(133)	-	(45,426)
Lungarno Alberghi S.r.l.	6	(1,783)	(728)	18,805	-	-	(1)	-	(20,255)
Ferragamo Foundation	2	(170)	-	-	-	-	(50)	-	-
Companies connected to members of the Board of Directors									
Arpa S.r.l.	-	(13)	-	-	2	-	(10)	-	-
Bacco S.r.l.	-	(3)	-	8	-	-	-	-	(8)
Baia di Scarlino S.r.l.	-	-	-	-	-	-	-	-	-
Caretti & Associati S.r.l.	-	(202)	-	-	-	-	-	-	-
Castiglion del Bosco S.a.r.l.	-	(14)	-	-	-	-	(10)	-	-
Il Borro S.r.l. Società agricola	-	2	-	-	3	-	-	-	-
The European House Ambrosetti S.p.A.	-	(12)	-	-	-	-	(8)	-	-
Vivia di Vivia Ferragamo & C. SAS	-	(44)	-	-	-	-	(14)	-	-
Other related parties connected to members of the Board of Directors									
Riccardo Ferragamo	-	(17)	-	-	-	-	-	-	-
Vivia Ferragamo	-	(50)	-	-	-	-	-	-	-
Directors, Statutory Auditors and Managers with strategic responsibilities									
Directors, Statutory Auditors and Managers with strategic responsibilities	-	(3,503)	-	-	-	-	-	(1,346)	-
Total	**38**	**(12,260)**	**(2,356)**	**62,450**	**7**	**2,759**	**(226)**	**(1,346)**	**(66,379)**
Company's total	**561,058**	**(600,186)**	**(103,697)**	**95,735**	**144,139**	**14,771**	**(115,459)**	**(11,007)**	**(101,700)**
% ratio	**0.0%**	**2.0%**	**2.3%**	**65.2%**	**0.0%**	**18.7%**	**0.2%**	**12.2%**	**65.3%**

31 December 2019

(In thousands of Euro)	Revenues	Operating costs (net of other income)	Financial (charges)	Right-of-use assets	Trade receivables	Other assets	Trade payables	Other liabilities	Lease liabilities
Holding company:									
Ferragamo Finanziaria S.p.A. (company which exercises management and coordination on Salvatore Ferragamo S.p.A.)	-	(94)	(27)	748	-	1,962	-	(8,489)	(760)
Related companies									
Palazzo Feroni Finanziaria S.p.A.	30	(7,319)	(1,374)	50,109	7	70	(182)	-	(51,726)
Lungarno Alberghi S.r.l.	13	(1,940)	(778)	20,685	-	-	(5)	-	(21,728)
Ferragamo Foundation	3	(195)	-	-	-	-	(56)	-	-
Companies connected to members of the Board of Directors									
Arpa S.r.l.	33	(34)	-	-	12	-	(12)	-	-
Bacco S.r.l.	-	(3)	-	11	-	-	-	-	(11)
Castiglion del Bosco S.a.r.l.	-	(11)	-	-	-	-	(11)	-	-
Il Borro S.r.l.	-	(24)	-	-	-	-	-	-	-
Il Borro S.r.l. Società agricola	1	(8)	-	-	-	-	-	-	-
The European House Ambrosetti S.p.A.	-	(5)	-	-	-	-	(5)	-	-
Nautor Holding S.r.l.	4	-	-	-	4	-	-	-	-
Osteria del Borro S.r.l.	-	(11)	-	-	-	-	-	-	-
Other related parties connected to members of the Board of Directors									
Heirs of Wanda Miletti Ferragamo	-	(51)	-	-	-	-	-		-
Directors, Statutory Auditors and Managers with strategic responsibilities									
Directors, Statutory Auditors and Managers with strategic responsibilities	-	(5,454)	-	-	-	-	-	(2,312)	-
Total	**84**	**(15,149)**	**(2,179)**	**71,553**	**23**	**2,032**	**(271)**	**(10,801)**	**(74,225)**
Company's total	**836,947**	**(694,823)**	**48,382**	**110,878**	**194,186**	**8,890**	**145,232**	**(29,141)**	**(113,636)**
% ratio	**0.0%**	**2.2%**	**(4.5%)**	**64.5%**	**0.0%**	**22.9%**	**(0.2%)**	**37.1%**	**65.3%**

Sales and purchases between related parties are carried out at normal market prices. The outstanding balances at the end of the period are not backed by guarantees, do not generate interest, and are settled in cash. Bank guarantees were issued in favor of Palazzo Feroni Finanziaria S.p.A. (1,901 thousand Euro), in favor of Lungarno Alberghi S.r.l. (488 thousand Euro), and in favor of Ferragamo Finanziaria S.p.A. (23 thousand Euro): they concerned the leasing of properties owned by said companies. There are no other guarantees, given or received, relating to receivables and payables with related parties. The Company did not make any allocations to the provision for bad debt with respect to the amounts due from related parties. Please note that in 2017 the Company recognized a provision for bad debt with respect to the receivables due from the subsidiary Ferragamo Retail India Private Limited, amounting to 4,936 thousand Euro as at 31 December 2020. For additional details, please refer to note 15 Trade receivables.

Specifically:

Holding company

Ferragamo Finanziaria S.p.A.

Under the domestic fiscal unity in which Salvatore Ferragamo S.p.A. participates together with Ferragamo Finanziaria S.p.A. (consolidating entity) and Ferragamo Parfums S.p.A., other current assets included 2,689 thousand Euro in IRES tax receivables as at 31 December 2020 referring to the first IRES payment on account and the greater Patent Box benefit for 2015 resulting from the restatement of taxable income assessed and agreed under a settlement, which required the Company to file a supplementary tax return for the year 2015, reducing the IRES tax expense under the domestic fiscal unity by 1,089 thousand Euro.

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

Related companies

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

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

In particular, the following transactions should be noted:

Palazzo Feroni Finanziaria S.p.A.

Revenues and the relevant receivables largely refer to IT and administrative services.
Right-of-use assets and lease liabilities, operating costs net of the reduction in lease payments (granted because of the Covid-19 pandemic), and finance expense largely refer to leases for the headquarters in Florence and some stores of the Italian chain, which mostly fall within the scope of IFRS 16. Other assets refer to the relevant guarantee deposits.

Lungarno Alberghi S.r.l.

Revenues refer to product sales; right-of-use assets, lease liabilities, operating costs net of the reduction in lease payments (granted because of the Covid-19 pandemic) and interest expense largely refer to the lease of a space used as a store of the Italian retail chain, which falls within the scope of IFRS 16.

Ferragamo Foundation

The costs (and the related accounts payable balances) incurred refer for 100 thousand Euro to the services provided for the management of the Salvatore Ferragamo historical archive (105 thousand Euro in 2019) and for 70 thousand Euro to donations to support the institutional activities of the Foundation (90 thousand Euro in 2019).

Companies connected to members of the Board of Directors

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

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

Other related parties connected to members of the Board of Directors

Costs refer to the cost the Company incurred under the working relationship with Riccardo Ferragamo and Vivia Ferragamo.

Directors, Statutory Auditors and Managers with strategic responsibilities

For information on Directors and Statutory Auditors, please refer to note 45 Fees paid to Directors and Statutory Auditors.

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

Full name	Role
Giacomo Ferragamo*	Brand & Product and Communication Manager
Alessandro Corsi	Manager of Administration, Finance, and Control and Manager charged with preparing Company's Financial Reports

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

The costs associated with managers with strategic responsibilities referred to the cost incurred by the Group as part of the employment relationship and, in addition, they included the imputed cost of the 2016-2020 Stock Grant Plan for the rights assigned as part of the 1st and 2nd cycles, which came to an end in 2020 without granting any shares in Salvatore Ferragamo S.p.A.. These costs amounted to 721 thousand Euro in 2020 (479 thousand Euro in 2019, not including Giacomo Ferragamo's remuneration as manager with strategic responsibilities, as this is included in the remuneration of the Board of Directors), including 29 thousand Euro relating to the imputed cost of the 2016-2020 Stock Grant Plan. Typically, the managers with strategic responsibilities receive non-monetary benefits such as cars, mobile phones, and insurance policies.

Intragroup transactions

The following tables show the overall values, in thousands of Euro, of transactions with subsidiaries:

Company	Trade receivables		Other current financial assets		Trade payables	
	2020	2019	2020	2019	2020	2019
Ferragamo Deutschland GmbH	912	1,751	3,200	3,400	80	-
Ferragamo France S.A.S.	859	2,838	-	800	701	909
Ferragamo (Suisse) S.A.	270	530	3,796	5,344	332	450
Ferragamo Monte-Carlo S.A.M.	142	258	600	19	-	-
Ferragamo Belgique S.A.	290	264	300	-	70	-
Ferragamo Espana S.L.	857	1,260	5,300	3,000	4,378	16
Ferragamo U.K. Limited	638	2,333	4,227	5,877	181	315
Ferragamo Austria Gmbh	104	526	-	-	31	-
Ferragamo Denmark Aps	-	-	-	-	-	-
Ferragamo Parfums S.p.A.	1,124	1,976	14,000	-	131	276
Ferragamo Retail Nederland BV	313	1,606	1,400	-	260	281
Total Europe	**5,509**	**13,342**	**32,823**	**18,440**	**6,164**	**2,247**
Ferragamo Hong Kong Ltd.	27,908	29,913	-	-	57	122
Ferragamo Retail Hong Kong Ltd.	86	31	-	-	-	-
Ferragamo Australia Pty Ltd.	1,997	2,685	-	-	145	184
Ferragamo Japan KK	4,870	4,052	39,528	35,263	379	621
Ferragamo Moda (Shanghai) Co. Ltd.	93	46	-	-	-	-
Ferragamo Retail India Private Limited	-	-	-	-	28	-
Ferragamo Retail Taiwan Limited	65	30	-	-	-	-
Ferragamo Retail Macau Limited	21	5	-	-	-	-
Ferragamo Fashion Trading (Shanghai) Co. Ltd	493	376	-	-	-	21
Ferragamo Korea Ltd	8,780	11,806	-	-	379	497
Ferragamo (Singapore) PTE LTD	103	224	25,897	21,441	-	-
Ferragamo Thailand Limited	100	111	7,406	7,063	-	-
Ferragamo (Malaysia) SDN BHD	15	-	-	-	-	2
Total Asia Pacific	**44,531**	**49,279**	**72,831**	**63,767**	**988**	**1,447**
Ferragamo Usa Inc. Group	34,881	63,574	60,997	17,567	15,388	5,217
Total North America	**34,881**	**63,574**	**60,997**	**17,567**	**15,388**	**5,217**
Ferragamo Mexico S. de R.L. de C.V.	21,697	26,520	-	-	2,746	250
Ferragamo Chile S.A.	2,447	2,181	-	-	-	-
Ferragamo Argentina S.A.	1,301	1,195	-	-	-	-
Ferragamo Brasil Roupas & Acessorios Ltda	1,813	5,279	-	-	239	239
Total Central and South America	**27,258**	**35,175**	**-**	**-**	**2,985**	**489**
Total	**112,179**	**161,370**	**166,651**	**99,774**	**25,525**	**9,400**

Company	Revenues from sales		Revenues from services (including royalties)		Other income and revenues		Financial income		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Ferragamo Deutschland GmbH	2,436	6,902	117	147	25	29	19	20	2,597	7,098
Ferragamo France S.A.S.	3,585	10,641	169	212	34	40	16	25	3,804	10,918
Ferragamo (Suisse) S.A.	2,764	4,537	52	73	8	30	11	8	2,835	4,648
Ferragamo Monte-Carlo S.A.M.	168	310	22	24	2	2	1	-	193	336
Ferragamo Belgique S.A.	911	704	23	24	2	2	1	-	937	730
Ferragamo Espana S.L.	2,515	5,216	101	150	17	47	17	12	2,650	5,425
Ferragamo U.K. Limited	7,317	15,355	161	218	26	31	89	79	7,593	15,683
Ferragamo Austria Gmbh	1,427	1,333	30	37	4	64	-	-	1,461	1,434
Ferragamo Denmark Aps	-	- 198	-	15	-	-	-	1	-	- 182
Ferragamo Parfums S.p.A.	63	85	1,676	3,402	190	320	-	-	1,929	3,807
Ferragamo Retail Nederland BV	1,587	2,781	46	60	20	8	4	-	1,657	2,849
Total Europe	**22,773**	**47,666**	**2,397**	**4,362**	**328**	**573**	**158**	**145**	**25,656**	**52,746**
Ferragamo Hong Kong Ltd.	123,495	182,405	410	633	260	242	49,365	18,600	173,530	201,880
Ferragamo Retail Hong Kong Ltd.	-	-	64	80	22	21	-	-	86	101
Ferragamo Australia Pty Ltd.	6,045	8,771	430	479	50	49	7	9	6,532	9,308
Ferragamo Japan KK	36,692	45,094	1,081	794	160	115	179	119	38,112	46,122
Ferragamo Moda (Shanghai) Co. Ltd.	-	-	67	85	32	31	-	-	99	116
Ferragamo Retail India Private Limited	-	-	-	-	-	-	-	-	-	-
Ferragamo Retail Taiwan Limited	-	-	45	55	20	21	-	-	65	76
Ferragamo Retail Macau Limited	-	-	15	20	6	7	-	372	21	399
Ferragamo Fashion Trading (Shanghai) Co. Ltd	-	-	399	515	105	94	-	-	504	609
Ferragamo Korea Ltd	48,143	78,588	587	691	182	2,719	-	13,551	48,912	95,549
Ferragamo (Singapore) PTE LTD	-	-	52	68	34	24	373	482	459	574
Ferragamo Thailand Limited	-	-	21	27	15	12	129	105	165	144
Ferragamo (Malaysia) SDN BHD	-	-	26	35	17	16	-	-	43	51
Total Asia Pacific	**214,375**	**314,858**	**3,197**	**3,482**	**903**	**3,351**	**50,053**	**33,238**	**268,528**	**354,929**
Ferragamo Usa Inc. Group	123,862	203,031	5,593	5,705	279	286	963	248	130,697	209,270
Total North America	**123,862**	**203,031**	**5,593**	**5,705**	**279**	**286**	**963**	**248**	**130,697**	**209,270**
Ferragamo Mexico S. de R.L. de C.V.	23,607	38,252	510	445	17	37	-	-	24,134	38,734
Ferragamo Chile S.A.	266	442	-	-	-	1	-	-	266	443
Ferragamo Argentina S.A.	334	1,264	-	-	-	1	-	-	334	1,265
Ferragamo Brasil Roupas & Acessorios Ltda	1,711	2,463	-	-	5	5	-	-	1,716	2,468
Total Central and South America	**25,918**	**42,421**	**510**	**445**	**22**	**44**	**-**	**-**	**26,450**	**42,910**
Total	**386,928**	**607,976**	**11,697**	**13,994**	**1,532**	**4,254**	**51,174**	**33,631**	**451,331**	**659,855**

Company	Purchase of finished products, raw materials, accessories and consumables		Costs for services		Other operating costs		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Ferragamo Deutschland GmbH	71	70	-	-	4,697	3,004	4,768	3,074
Ferragamo France S.A.S.	60	57	94	119	14,381	8,086	14,535	8,262
Ferragamo (Suisse) S.A.	12	10	-	-	2,561	1,958	2,573	1,968
Ferragamo Monte-Carlo S.A.M.	5	4	-	-	-	-	5	4
Ferragamo Belgique S.A.	9	6	-	-	480	-	489	6
Ferragamo Espana S.L.	56	52	-	-	8,111	827	8,167	879
Ferragamo U.K. Limited	64	43	3	317	7,610	3,988	7,677	4,348
Ferragamo Austria Gmbh	14	12	-	-	851	-	865	12
Ferragamo Denmark Aps	-	19	-	-	-	199	-	218
Ferragamo Parfums S.p.A.	107	315	172	193	-	-	279	508
Ferragamo Retail Nederland BV	26	8	208	281	1,585	-	1,819	289
Total Europe	**424**	**596**	**477**	**910**	**40,276**	**18,062**	**41,177**	**19,568**
Ferragamo Hong Kong Ltd.	-	-	179	484	-	-	179	484
Ferragamo Retail Hong Kong Ltd.	-	-	-	-	-	-	-	-
Ferragamo Australia Pty Ltd.	-	-	239	246	4,828	4,159	5,067	4,405
Ferragamo Japan KK	-	-	671	798	-	-	671	798
Ferragamo Moda (Shanghai) Co. Ltd.	-	-	-	-	-	-	-	-
Ferragamo Retail India Private Limited	-	-	129	-	-	-	129	-
Ferragamo Fashion Trading (Shanghai) Co. Ltd	-	-	-	21	-	-	-	21
Ferragamo Korea Ltd	-	-	386	510	-	-	386	510
Ferragamo (Singapore) PTE LTD	-	-	-	12	-	-	-	12
Total Asia Pacific	**-**	**-**	**1,604**	**2,071**	**4,828**	**4,159**	**6,432**	**6,230**
Ferragamo Usa Inc. Group	-	-	1,018	1,520	72,879	23,923	73,897	25,443
Total North America	**-**	**-**	**1,018**	**1,520**	**72,879**	**23,923**	**73,897**	**25,443**
Ferragamo Mexico S. de R.L. de C.V.	-	-	800	968	6,363	-	7,163	968
Ferragamo Brasil Roupas & Acessorios Ltda	-	-	-	-	1,579	1,951	1,579	1,951
Total Central and South America	**-**	**-**	**800**	**968**	**7,942**	**1,951**	**8,742**	**2,919**
Total	**424**	**596**	**3,899**	**5,469**	**125,925**	**48,095**	**130,248**	**54,160**

45. Fees paid to Directors and Statutory Auditors

Directors

(In thousands of Euro) Full name	Position held	Term of office	End of term of office	Fees for the position held	Fees as committee members	Non-monetary benefits	Salaries, bonuses and other incentives **	Other fees**	Stock Grant*	Total
Ferruccio Ferragamo	Chairman	1.01-31.12	a)	511	-	b) c) d)	-	(196)	-	315
Micaela Le Divelec Lemmi	Managing Director	1.01-31.12	a)	680	-	b) c) d)	-	35	-	715
Michele Norsa	Executive Deputy Chairman	28.05-31.12	a)	445	-	b) c) d)	-	191	-	636
Giacomo Ferragamo	Deputy Chairman	1.01-28.05		14	6	b) c) d)	410	-	17	447
Giovanna Ferragamo	Director	1.01-31.12	a)	-	-		-	-	-	-
Leonardo Ferragamo	Director	1.01-31.12	a)	35	-		-	-	-	35
Diego Paternò Castello di San Giuliano	Director	1.01-31.12	a)	35	15		-	-	-	50
Angelica Visconti	Director	1.01-31.12	a)	35	15	b) c) d) e)	179	-	6	235
Francesco Caretti	Director	1.01-31.12	a)	242	-		-	-	-	242
Peter Woo Kwong Ching	Director	1.01-31.12	a)	-	-		-	-	-	-
Umberto Tombari	Director	1.01-31.12	a)	35	40		-	-	-	75
Marzio Alessandro Alberto Saà	Director	1.01-31.12	a)	35	64		-	-	-	99
Chiara Ambrosetti	Director	1.01-31.12	a)	35	35		-	-	-	70
Lidia Fiori	Director	1.01-31.12	a)	35	35		-	-	-	70
Total				**2,137**	**210**		**589**	**30**	**23**	**2,989**

a) upon approval of the 2020 financial statements.
b) car; c) mobile phone; d) insurance policies; e) accommodation.
* imputed cost of the 2016-2020 Stock Grant Plan for the rights granted as part of the 1st and 2nd cycles, which came to an end in 2020 without granting any shares in Salvatore Ferragamo S.p.A..
** fees reported net of any potential adjustment to fees referring to previous years.

Statutory Auditors

(In thousands of Euro) Full name	Position held	Term of office	End of term of office	Fees for the position held	Other fees*	Grand total
Andrea Balelli	Chairman	01.01-31.12	a)	64	15	79
Giovanni Crostarosa Guicciardi	Acting Statutory Auditor	08.05-31.12	a)	31	8	39
Fulvio Favini	Acting Statutory Auditor	01.01-08.05		17	4	21
Paola Caramella	Acting Statutory Auditor	01.01-31.12	a)	48	12	60
Total				**160**	**39**	**199**

a) upon approval of the 2022 financial statements
* Other fees refer to amounts due for the position as Chairman or member of the Supervisory Board pursuant to Italian Leg. Decree 231/2001
Please note that the members of the Board of Statutory Auditors have not received other fees from Group companies.

It should be noted that for Directors and Statutory Auditors no severance indemnities are envisaged.

46. Dividends

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

On 6 April 2020, acknowledging that the global economic outlook has changed significantly since the Board met on 10 March 2020 following the outbreak of the Covid-19 pandemic, the Board of Directors, after resolving to postpone the Shareholders' Meeting to 8 May 2020, in order to support the financial soundness of the Group and mitigate future economic-financial impacts, also resolved to withdraw the proposal for the distribution of dividends out of the Company's profits for the year 2019, already approved on 10 March 2020 and disclosed to the market on the same date, and to propose that the Shareholders' Meeting allocate Salvatore Ferragamo S.p.A.'s 124,211,203 Euro profit for the year 2019 to the extraordinary reserve.

Pursuant to the resolution passed by the Shareholders' Meeting on 8 May 2020, the Parent Company Salvatore Ferragamo S.p.A. allocated the 124,211,203 Euro profit for the year to 2019 to the extraordinary reserve.

47. Commitments and risks

The breakdown of the risks and commitments is as follows:

(In thousands of Euro)	31 dicembre 2020	31 dicembre 2019
Sureties and guarantees provided by third parties to third parties in the interests of the Company	5,855	5,792
Sureties and guarantees provided by third parties to third parties in the interests of Group companies	9,437	9,810
Guarantees provided by the Company to third parties in the interests of Group companies	139,720	123,261
Total	**155,012**	**138,863**

The Sureties and guarantees provided by third parties in the interests of the Company consist of bank sureties and guarantees on lease contracts.

The sureties and guarantees provided by third parties in the interests of Group companies represent the sureties and guarantees on lease contracts entered into by Group companies, including a guarantee for 6 million US dollars (equal to 4,890 thousand Euro) relating to a lease contract of the Ferragamo Usa Group.

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

48. Public funds Disclosure as per art. 1 paragraphs 125-129 of Italian Law no. 124/2017

Pursuant to art. 1, paragraph 125, of Italian Law 124/2017, as for the requirement to disclose in the notes any funds received during the year in the form of subventions, grants, paid services, and generally economic benefits of any kind from public administrations and the entities as per paragraph 125 of the same article, in 2020 Salvatore Ferragamo S.p.A. received 22 thousand Euro for paid curricular internships from Tuscany's Regional Government. In accordance with art. 3-quater of Italian Law Decree 135/2018, converted with the relevant amendments into Law no. 12 of 11 February 2019, with respect to the funds received, please refer to the information in the National State Aid Register as per article 52 of Italian Law no. 235 of 24 December 2012.

49. Significant non-recurring events and transactions

During 2020, the Company did not carry out significant non-recurring transactions and no significant non-recurring events occurred.

50. Transactions arising from atypical and/or unusual transactions

The Company 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 correctness/completeness of the information provided in the financial statements, conflicts of interest, the safeguarding of the company's equity and the protection of minority interests.

51. Information on the direct and indirect subsidiaries of Salvatore Ferragamo S.p.A.

Direct and indirect subsidiaries of Salvatore Ferragamo S.p.A. As at 31 December 2020 are detailed below:

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

1 - Through Ferragamo USA Inc.;
2 - Through Ferragamo Hong Kong Ltd.;
3 - Through Ferrimag Limited;
4 - Non-operating company

52. Significant events occurred after 31 December 2020

No significant events occurred after 31 December 2020.

53. Proposal for the allocation of the profit

The Board of Directors of Salvatore Ferragamo S.p.A. proposes covering the loss for the year 2020, totaling 34,070,066 Euro, by using the Extraordinary Reserve.

Disclosure pursuant to art. 149-duodecies of the Issuers' Regulation

Type of services (In thousands of Euro)	Subject which supplied the service	Recipient	Notes	2020 Fees
Audit	Independent Auditors of the Parent company	Parent company		196
Other services	i) Independent Auditors of the Parent company	Parent company	1	50
	ii) Independent Auditors' network of the Parent company	Parent company	2	86
Total				**332**

1) The item mainly refers to the certification of the Consolidated Non-Financial Statement.
2) The item largely refers to the services rendered to Risk Management relating to assessments and benchmark analyses.

Florence, 9 March 2021

On behalf of the Board of Directors

The Chairman
Ferruccio Ferragamo

Statement pursuant to article 154 bis of Leg. Decree no. 58 of 24 February 1998 (Consolidated Law on Finance)

1. The undersigned Micaela le Divelec Lemmi in her capacity as "Managing Director" and Alessandro Corsi in his capacity as "Manager charged with preparing Company's Financial Reports" of Salvatore Ferragamo S.p.A. certify, having also taken account of the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - the adequacy in relation to the company's structure and
   - the effective application of the administrative and accounting procedures for the preparation of the separate financial statements for the 1 January – 31 December 2020 period.

2. The adequacy of the administrative and accounting procedures for the preparation of the 2020 separate financial statements has been assessed on the basis of the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission which is the generally accepted model internationally.

3. It is also certified that

   3.1 the separate financial statements for the year ended 31 December 2020:

   a. have been prepared in accordance with the applicable international accounting standards as endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002, and subsequent integrations;

   b. correspond with accounting books and records;

   c. are suitable to provide a true and fair representation of the financial conditions, results of operations and cash flows of the Company.

   3.2 The Directors' report on operations includes a reliable analysis of operating performance and results, as well as of the situation of the Company, as well as a description of the main risks and uncertainties to which it is exposed.

Florence, 9 March 2021

Managing Director
Micaela le Divelec Lemmi

Manager charged with preparing Company's
Financial Reports
Alessandro Corsi

Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors to the Shareholders' Meeting

(pursuant to art. 153 of Italian Leg. Decree 58/1998)

Dear Shareholders,

The Board of Statutory Auditors of Salvatore Ferragamo S.p.A. (hereinafter also referred to as "Ferragamo" or "Company"), pursuant to art. 153 of Italian Leg. Decree 58/1998 ("TUF", which stands for Testo Unico della Finanza – Consolidated Law on Finance in Italian), shall report to the Shareholders' Meeting convened for the approval of the financial statements on the supervisory activities carried out during the year as well as any potentially material omissions or reprehensible events. In addition, the Board of Statutory Auditors shall also make proposals regarding the financial statements and their approval as well as the matters within its area of responsibility.

This report concerns the work performed by the Board of Statutory Auditors of Salvatore Ferragamo S.p.A. during the year ended 31 December 2020 (hereinafter also referred to as "Report").

Introduction

In the year ended 31 December 2020, the Board of Statutory Auditors performed the supervisory activities required by law in accordance with the standards of conduct recommended by the Italian National Board of Accountants and Auditors (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), Consob's regulations on corporate controls, and the Corporate Governance Code.

The activities described below were formally recorded in the minutes of the 18 meetings the Board of Statutory Auditors held during 2020 and the 5 meetings held in 2021 up to the preparation of this Report.

The Board of Statutory Auditors has always attended the meetings (i) of the Board of Directors, (ii) the Control and Risk Committee – which acts also as the Committee responsible for transactions with related parties – and (iii) the Nomination and Remuneration Committee. In addition, the Board attended all the meetings of the Executive Committee, which was set up in April 2020 pursuant to art. 2381, paragraph 2 of the Italian Civil Code and art. 26 of the Bylaws and terminated effective 15 December 2020.

Appointment of the Board of Statutory Auditors

The Board of Statutory Auditors as at the reporting date had been appointed by the Shareholders' Meeting of 8 May 2020 and consisted of Andrea Balelli (Chairman), Paola Caramella (Acting Statutory Auditor), and Giovanni Crostarosa Guicciardi (Acting Statutory Auditor).

The same Meeting also appointed the Substitute Statutory Auditors Roberto Coccia and Antonella Andrei.

Supervisory activities pursuant to art. 149 of the TUF

Pursuant to art. 149 of the TUF, the Board of Statutory Auditors supervises:

- compliance with the law and the bylaws;
- adherence to the principles of sound management;

- the adequacy of the Company's organizational structure as far as matters within its area of responsibility are concerned, the internal control system, and the administrative-accounting system – as well as the latter's reliability in presenting fairly the Company's operations;
- the implementation of the corporate governance rules set out in the codes of conduct issued by regulated market operators or trade associations that the Company has formally adopted through public disclosures;
- the adequacy of the instructions the Company gives to subsidiaries pursuant to art. 114, paragraph 2 of the TUF.

Supervision of compliance with the law and the bylaws

The Board of Statutory Auditors has obtained the information necessary to perform its supervisory duties by participating in the meetings of the Board of Directors and the Board Committees as well as through hearings of the Company's and Group's management, meetings with the audit firm, analyses of the information flows received from the relevant control bodies of the Group's companies as well as from the competent business structures, and additional monitoring activities.

Considering the exceptional circumstances caused by the unfolding of the Covid-19 pandemic, on 6 April 2020 the Company decided to set up an Executive Committee pursuant to art. 26 of the Bylaws, comprised of 5 members of the Board of Directors who were temporarily vested with the following responsibilities and powers: (i) assessing the adequacy of the contingency plan (hereinafter also referred to as "Plan") approved by the Board of Directors on 10 March 2020 to address the impact of the social-health emergency caused by the Covid-19 coronavirus as well as its implementation over time; (ii) overseeing the Plan's specific initiatives, including with respect to foreign subsidiaries; (iii) assessing the impact of implementing the Plan on the Group's organizational structure as well as its sustainability; (iv) finally, controlling, assessing, and monitoring the implementation of the guidelines defined by the Board of Directors to address the emergency and make the Company resilient. The work of said Committee came to an end on 15 December 2020, as it had fulfilled its duties. The Board of Statutory Auditors attended all the 16 meetings held.

In addition, the Board of Statutory Auditors has obtained information on the operations carried out and the transactions that materially impacted the Company's financial performance, financial position, and cash flows, as well as the Group's strategic guidelines, from the Directors on a monthly basis. The Board of Statutory Auditors can provide reasonable assurance that the transactions authorized and conducted by the Company comply with the law and the bylaws and are not manifestly imprudent, risky, in conflict of interest, contrary to the decisions of the Shareholders' Meeting, or such as to compromise the integrity of corporate assets. In addition, there were no atypical or unusual transactions;

Specifically, the Board of Statutory Auditors

- reports that the following significant transactions and events occurred in 2020:
  - on 6 April 2020, the Board of Directors set up the Executive Committee pursuant to art. 26 of the Bylaws;
  - on 8 May 2020, the Shareholders' Meeting appointed the Board of Statutory Auditors for the 2020-2022 three-year period;
  - on 12 May 2020, the 2020 Board of Directors confirmed the appointment of the Board of Statutory Auditors as Supervisory Body pursuant to Italian Leg. Decree 231/2001;

- on 27 May 2020, the Board of Directors, following the resignation of Giacomo (James) Ferragamo as director, appointed Mr Michele Norsa – co-opted pursuant to art. 2386 of the Italian Civil Code – as director and Executive Deputy Chairman, vesting him with the executive powers previously exercised by the Chairman of the Board of Directors;
- on 25 June 2020, the Board of Directors resolved to end the second cycle of the 2016-2020 Stock Grant Plan without granting any shares;
- on 24 July 2020, the Company entered into a loan agreement with Intesa Sanpaolo S.p.A. for an overall amount of up to 250 million Euro, consisting of a term loan and a revolving credit line with maturity in 2025 and 2024, respectively;
- on 28 July 2020, the Board of Directors resolved (i) in special session, to approve the merger of Aura 1 S.r.l. and Arts S.r.l. into the Company; in regular session, (ii) to approve the update to the impairment testing procedure already approved on 28 January 2020; (iii) appoint the audit firm KPMG S.p.A. (hereinafter referred to as "KPMG"), already responsible for auditing the Company's financial statements, to perform a limited audit of the Consolidated Non-Financial Statement of Salvatore Ferragamo and its subsidiaries for the years 2020-2022;
- on 15 September 2020, an update to the 2020 Audit Plan, already shared with the Control and Risk Committee, was submitted to the Board of Directors, also to account for the new risks that arose in the wake of the Covid-19 pandemic;
- on 6 October 2020, the Board of Directors approved the update to the Organizational Model pursuant to Italian Leg. Decree 231/2001;
- on 10 November 2020, the Board of Directors approved (i) the draft terms of the merger of the wholly-owned subsidiary Ferragamo Parfums S.p.A. into Salvatore Ferragamo S.p.A. pursuant to arts. 2501-ter and 2505 of the Italian Civil Code; (ii) the termination of the Executive Committee effective 15 December 2020;
- on 24 November 2020, the deed of merger of Aura 1 S.r.l. and Arts S.r.l. into Salvatore Ferragamo S.p.A. was finalized – the acquisition had already been approved in March 2020 – effective 1 December 2020 for legal purposes and 1 January 2020 for accounting and tax purposes;
- on 15 December 2020, the Board of Directors approved (i) in special session, the merger of Ferragamo Parfums S.p.A. into Salvatore Ferragamo S.p.A., and in regular session, (ii) the 2021 Audit Plan and (iii) the 2021 Budget.

- reports that the following significant transactions and events occurred in 2021 up to the reporting date:
  - on 28 January 2021, the Board of Directors (i) approved the additions to the impairment testing procedure; (ii) presented the results of the Self-Assessment of the Board of Directors; (iii) approved the Rules of the Board of Directors;
  - on 9 March 2021, the Board of Directors: (i) approved the draft separate and consolidated financial statements as at 31 December 2020, (ii) approved the Non-Financial Statement as at 31 December 2020, pursuant to Italian Leg. Decree 254/2016; (iii) approved the 2021 Remuneration Policy.

In addition, the Board of Statutory Auditors:

- in its capacity as Supervisory Body pursuant to Italian Leg. Decree 231/2001, examined the matters addressed by said decree and found no significant reprehensible issues or events;

- met with the new team responsible for auditing the Company's accounts, also to ensure a proper and effective handover from the previous auditors;
- held regular meetings with representatives of the audit firm to mutually exchange data and information material to the discharge of its duties in accordance with art. 150, paragraph 3 of the TUF. In this regard, there was no material data or information to be disclosed in this report;
- did not receive complaints as per art. 2408 of the Italian Civil Code;
- issued an opinion on the remuneration of directors holding specific positions in accordance with art. 2389, paragraph 3 of the Italian Civil Code;
- issued a favorable opinion on the appointment of the Manager charged with preparing Company's Financial Reports;
- issued opinions on the so-called "non-audit fees" for services other than auditing, in accordance with applicable laws and the Company's internal procedure.

In addition, concerning the Company's bodies and functions, the Board of Statutory Auditors reports that:

- the Board of Directors held 12 meetings in 2020;
- the Control and Risk Committee held 16 meetings in 2020;
- the Nomination and Remuneration Committee held 7 meetings in 2020;
- the Executive Committee held 16 meetings in 2020;
- the Supervisory Body as per Italian Leg. Decree 231/2001 held 11 meetings in 2020.

<u>Supervision of adherence to the principles of sound management and the adequacy of the organizational structure</u>

The Board of Statutory Auditors:

- obtained information on and supervised, within the scope of its responsibilities, the adequacy of the Company's organizational structure and adherence to the principles of sound management through direct observation as well as by gathering information from the heads of corporate departments and meeting with the audit firm to mutually exchange material data and information. The Board of Statutory Auditors has nothing to report in this regard and considers the Company's organizational structure to be essentially suitable for its needs as well as for ensuring adherence to the principles of sound management;
- assessed and supervised the adequacy of the administrative-accounting system, as well its reliability in presenting fairly the Company's operations, by obtaining information from the heads of the relevant departments, examining business documents, and analyzing the work of the audit firm. The Board of Statutory Auditors has nothing to report in this regard.

The Board of Statutory Auditors has ascertained that directors and statutory auditors receive adequate supporting documents about the items on the agenda of Board of Directors' meetings with reasonable advance notice.

Based on the acquired information, the Board of Statutory Auditors acknowledges that management makes decisions in an informed and reasonable manner and directors are aware of the risks and impacts of the transactions carried out.

The Board of Statutory Auditors did not find any significant atypical and/or unusual transactions, including intragroup transactions as well as intragroup and non-intragroup related party transactions.

In addition, the Board of Statutory Auditors also assessed the adequacy of the information disclosed in the Directors' report on operations on the lack of significant atypical and/or unusual transactions.

Supervision of the actual implementation of corporate governance rules

Pursuant to art. 149, paragraph 1, lett. c-*bis* of the TUF concerning the supervision by the Board of Statutory Auditors of "*the actual implementation of the corporate governance rules set out in the codes of conduct issued by regulated market operators or trade associations that the company has formally adopted through public disclosures*", the Board of Statutory Auditors supervised:

- the actual implementation of the corporate governance rules set out in codes of conduct that the Company has formally adopted through public disclosures. In accordance with art. 123-bis of the TUF, the Company prepared the annual Report on Corporate Governance and Ownership Structure for 2020, approved on 9 March 2021, which includes information about (i) the Company's actual corporate governance practices; (ii) the key characteristics of the existing risk management and internal control systems, including as far as the separate and consolidated financial reporting process is concerned; (iii) the functioning of the Shareholders' Meeting, its main powers, the rights of Shareholders, and how they can exercise them; and (iv) the composition and functioning of the administration and control bodies and the relevant committees, as well as the other disclosures required by art. 123-bis of the TUF;
- the adoption of the Remuneration Policy for Directors and Managers with strategic responsibilities, in accordance with the Corporate Governance Code for listed companies issued by Borsa Italiana S.p.A.;
- the implementation of the procedure for the commissioning of services to the audit firm within the Ferragamo Group during the year.

In addition, the Board of Statutory Auditors acknowledges that: (i) in accordance with the requirements in art. 148, paragraph 3 of the TUF and the guidance provided by the Italian National Board of Accountants and Auditors as well as the Corporate Governance Code of Borsa Italiana S.p.A., it verified whether its members met the independence, professional expertise, competence and honesty requirements as per applicable laws; (ii) it found that the criteria and procedures adopted by the Board of Directors for the annual assessment of the independence of its independent directors were properly implemented, and that the Board of Directors conducted an analysis based on substantiated evidence and consistent with the decisions concerning the identification of Ferragamo's related parties. The Board of Statutory Auditors has nothing to report in this regard.

Supervision of the adequacy of the instructions the company gives to subsidiaries

Pursuant to art. 114, paragraph 2 of the TUF: (i) listed issuers give the instructions necessary for the subsidiaries to disclose all information required to meet disclosure requirements in accordance with the law; (ii) the subsidiaries provide the requested disclosures in a timely manner.

The Board of Statutory Auditors supervised the adequacy of the instructions given to subsidiaries, and found that the Company is able to promptly and regularly meet disclosure requirements in accordance with the law – including by gathering information from the heads of organizational functions and regularly meeting with the audit firm to mutually exchange material data and information. The Board of Statutory Auditors has nothing to report in this regard.

In addition, the Boards of Directors of the subsidiaries include among their members Directors and/or Managers of the Parent company vested with executive powers, thus ensuring a coordinated management and an adequate flow of information supported by appropriate accounting records.

Intragroup or related-party transactions

In accordance with art. 2391-*bis* of the Italian Civil Code as well as Consob resolution no. 17221 of 12 March 2010 containing "Regulations on related-party transactions", as amended by Consob

resolution no. 17389 of 23 June 2010, on 30 March 2011 Ferragamo's Board of Directors, with the favorable opinion of the Committee responsible for transactions with related parties – which consists only of independent directors (and is appointed for this purpose with a specific resolution of the Board of Directors in accordance with art. 4, paragraph 1 of said Regulations), adopted the "Procedure governing transactions with related parties", which was subsequently updated on 13 November 2014 and 31 July 2018.

Pursuant to art. 4 of said Regulations, we certify that the Procedure adopted by the Company (i) is consistent with the principles set out in the Regulations, and (ii) is published on the Company's website (*https://group.ferragamo.com*).

Based on the acquired information, in 2020 several transactions with related parties were carried out both within the Group and with third parties. As far as we know, based also on our supervisory work, transactions with related parties were carried out essentially in accordance with said procedure and the Regulations. The intragroup transactions we examined appear to be part of the ordinary course of business, as they concern commercial services as well as the exchange of administrative, financial and organizational services. These transactions were carried out on arm's length terms, determined in accordance with standard parameters reflecting the actual use of the services concerned, and were in the interest of the Company. The transactions with non-intragroup related parties we examined also appear to be part of the ordinary course of business (as they fall within day-to-day operating activities or the relevant financing activities) and were concluded on arm's length or standard terms. The transactions with related parties are disclosed in the Explanatory notes to the separate and consolidated financial statements along with the relevant economic impact.

In our opinion, all said transactions were carried out in the interest of the Company.

Supervision pursuant to Italian Leg. Decree no. 39/2010

Pursuant to art. 19 of Italian Leg. Decree no. 39/2010, as amended by Italian Leg. Decree 135/2016), the Board of Statutory Auditors (referred to as the "Audit Committee") shall:

(i) notify the audited entity's administrative body of the audit findings, as well as submit the additional report as per art. 11 of Regulation (EU) no. 537/2014 to said body along with any observations;
(ii) monitor the financial reporting process;
(iii) monitor the effectiveness of the internal control, internal audit and risk management systems;
(iv) monitor the statutory audit of the annual and consolidated financial statements;
(v) verify and monitor the independence of statutory auditors or audit firms pursuant to arts. 10, 10-*bis*, 10-*ter*, 10-*quater*, and 17 of said decree as well as art. 6 of the EU Regulation, concerning especially the adequacy of non-audit services provided to the audited entity, in accordance with art. 5 of said Regulation;
(vi) oversee the procedure for the selection of statutory auditors or audit firms and recommend the statutory auditors or audit firms to be appointed pursuant to art. 16 of the EU Regulation.

The Board of Statutory Auditors has worked with the Control and Risk Committee of the Board of Directors to coordinate their respective duties and avoid potential overlaps.

In this regard, Ferragamo invites all the members of the Board of Statutory Auditors to participate in the activities of the Control and Risk Committee concerning the topics specifically set out in Italian Leg. Decree no. 39/2010 as well as the above matters to be supervised, allowing for a seamless relationship and facilitating the coordination and exchange of information between the two bodies.

Concerning specifically the activities set out in Italian Leg. Decree 39/2010 on Statutory Auditing, we report the following.

Disclosure of the audit findings and the Additional Report as per art. 11 of the EU Regulation to the Administrative Body

Pursuant to art. 19 of Italian Leg. Decree 39/2010, the Board of Statutory Auditors notified the administrative body of the audit findings as well as submitted the additional report as per art. 11 of the EU Regulation no. 537/2014, issued by the audit firm on 30 March 2021.

Supervision of the financial reporting process

The Board of Statutory Auditors has ascertained the existence of rules and procedures concerning the preparation and disclosure of financial information. In this regard, the Report on Corporate Governance and Ownership Structure defines the guidelines of the internal control and risk management system as well as appropriate financial reporting methods and procedures.

The Board of Statutory Auditors, with the help of the Manager charged with preparing Company's Financial Reports, examined the procedures concerning the preparation of the Company's financial statements and the consolidated financial statements as well as the other interim financial reports. In addition, the Board of Statutory Auditors obtained evidence of the process allowing the Manager charged with preparing Company's Financial Reports as well as the competent Director to issue the certifications required by art. 154-*bis* of the TUF.

The Board of Statutory Auditors learned that the administrative/accounting procedures for the preparation of the financial statements and any other financial disclosures are overseen by the Manager charged with preparing Company's Financial Reports, who, together with the Managing Director, certifies their adequacy and actual implementation for the purposes of preparing the separate and consolidated financial statements as well as the half-year report.

On 30 March 2021, the Managing Director and the Manager charged with preparing Company's Financial Reports issued the certifications of the consolidated and separate financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 as amended and supplemented.

Therefore, the Board of Statutory Auditors considers the financial reporting process to be adequate and has nothing to report to the Shareholders' Meeting.

Supervision of the effectiveness of the internal control, internal audit and risk management systems

The Board of Statutory Auditors, including together with the Control and Risk Committee, regularly met with the Internal Audit Manager and was informed about both the findings of the audits aimed at verifying the adequacy and operation of the internal control system – in accordance with the law as well as corporate procedures and processes – and the implementation of the relevant plans for improvement. In addition, the Board of Statutory Auditors received the 2021 Audit Plan approved by the Board of Directors on 15 December 2020 (on which the Control and Risk Committee and the Board of Statutory Auditors issued a favorable opinion at the meeting held on 10 December 2020) as well as regular updates on the progress on the Plan and any potential corrective actions. In addition, it received the Report of the Internal Audit Manager for the year 2020 as well as the Control and Risk Committee's six-monthly report.

With respect to the main risks and business areas affected by the Covid-19 pandemic, the Company conducted the so-called "Covid Risk Assessment" to monitor the most effective actions to be

implemented, including by performing a thorough analysis at the level of both the Parent company and the subsidiaries.
As for the update to the Organization, Management and Control Model, also to incorporate the changes introduced by lawmakers with the definition of new families and categories of offenses, throughout 2020 the Board of Statutory Auditors, as Supervisory Body, steered and monitored the design of the update to the Model, which the Board of Directors approved on 6 October 2020.

Therefore, the Board of Statutory Auditors considers the overall internal control system to be essentially adequate and has nothing to report to the Shareholders' Meeting.

* * *

Finally, the Board of Statutory Auditors reports that, with respect to the outbreak of the Covid-19 pandemic, and its consequences in terms of impact on the Company's operations – especially with respect to sales, across all geographies and the various channel, the organization of work, logistics, and procurement – the Company was significantly affected in various business areas, as revenues and margins contracted.
However, to address and mitigate said impacts, the Company promptly (i) prepared a contingency plan listing all initiatives to be implemented to curb costs, investments, limit the Company's financial exposure, guarantee the flow of products, and identify the best solutions to ensure business continuity, (ii) entered into a loan agreement – bolstering the Company's already high level of liquidity – for an overall amount of up to 250 million Euro, to mitigate the risk profile associated with the market scenario resulting from the pandemic, (iii) took all necessary strategic and operational steps in accordance with internal company protocols appropriate to the type of risk identified by the Company to manage the crisis by activating the dedicated internal structures, and (iv) took all possible measures to protect the health of employees, including by expanding the use of smart working.

Supervision of the statutory audit of the annual and consolidated financial statements

- Accounting procedures have been audited in accordance with the law by the audit firm KPMG, which the Shareholders' Meeting of 18 April 2019 appointed as independent auditors for the years 2020-2028;
- the Board of Statutory Auditors held regular meetings with the audit firm KPMG, so as to i) mutually exchange information to perform their duties, including pursuant to art. 150, paragraph 3, of the TUF, and ii) ensure and monitor that the handover from the previous auditors be completed in the agreed timeframe. Based on the meetings held, there are no material issues to report concerning auditing activities or significant deficiencies in the integrity of the internal control system as far as specifically the financial reporting process is concerned;
- Today, KPMG issued its report on the separate financial statements and the consolidated financial statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union and the legislation enacting art. 9 of Italian Leg. Decree no. 38/05, as well as its opinion on the consistency of the Directors' report on operations and the Report on Corporate Governance and Ownership Structure with the financial statements. This report did not include objections or requests for additional disclosures.

Independence of the audit firm, specifically concerning the provision of non-audit services

Concerning the annual review of independence requirements, the Board of Statutory Auditors states it received a written confirmation from the audit firm with the submission of the Additional Report issued today in accordance with art. 11 of the EU Regulation.

The Board of Statutory Auditors supervised the independence of the audit firm and received evidence on a regular basis of the non-audit services to be assigned (or assigned pursuant to specific regulatory provisions) to the independent auditors.

As the Ferragamo Group's consolidated financial statements show, in 2020 KPMG rendered the following services to the Group, including through its network:

Entity and reference period *Euro 000*		**Audit services**	**Non-audit services**	**Total**
Salvatore Ferragamo SpA	2020	196	136	332
Ferragamo Group	2020	679	11	690
Total		**875**	**147**	**1,022**

The Board of Statutory Auditors believes the above fees are proportionate to the extent, complexity, and characteristics of the work carried out, and that the non-audit services (and the relevant fees) are not such to compromise the independence of the audit firm. The Board of Statutory Auditors also ensured that the duties assigned to the audit firm are not among those that cannot be assigned to it pursuant to the mentioned EU Regulation.

Concerning the audit firm, the Board of Statutory Auditors notes that the mentioned KPMG Additional Report did not reveal significant deficiencies in the internal financial control system and/or in the accounting system.

Consolidated Non-Financial Statement (NFS)

As a public-interest entity (PIE) and large Group, Ferragamo must provide the non-financial disclosures required by Italian Leg. Decree 254/2016 transposing Directive 2014/95/EU into Italian Law, which became effective on 25 January 2017.

In accordance with said regulations, the Ferragamo Group prepared its NFS for the year ended 31 December 2020, approved by means of a resolution of the Board of Directors held on 9 March 2021 and included in the Annual Report as at 31 December 2020 as part of the Directors' report on operations, in order to ensure an understanding of its operations, performance, results, and impact, addressing the topics considered material and set out in art. 3, paragraphs 3 and 4 of Italian Leg. Decree 254/2016 in accordance with the "Global Reporting Initiative Sustainability Standards", as defined by the GRI – Global Reporting Initiative.

In this sense, the NFS includes a description of topics concerning: corporate governance, company policies, the management and organizational business model, and the results achieved by the Company relating to environmental matters, social and employee-related matters, respect for human rights, and anti-corruption and bribery matters. One area of focus was how the Covid-19 pandemic has impacted the most material topics (social and employee-related matters; business model; risks associated with climate change; interconnections between financial and non-financial information).

Concerning specifically the examination of the consolidated non-financial statement, the Board of Statutory Auditors supervised compliance with the provisions in Italian Leg. Decree 254/2016

within the responsibilities assigned to it by law. In this regard, the Board of Statutory Auditors states that:

- pursuant to art. 3, paragraph 10 of Italian Leg. Decree 254/2016 and art. 5 of Consob Regulation no. 20267/2018, the Company appointed KPMG to perform a limited audit of the Ferragamo Group's consolidated non-financial statement;
- the Board of Statutory Auditors received regular updates on the groundwork for the preparation of the NFS;
- today, KPMG issued its report on the consolidated non-financial statement, certifying the compliance of the information disclosed in the NFS with the relevant laws and the reporting standards used;
- today, KPMG issued its report on the conformity of the separate financial statements (hereinafter also referred to as "Financial Statements") and consolidated financial statements, stating it ensured that the non-financial statement has been prepared.

The Board of Statutory Auditors did not find any violations of the relevant regulatory provisions, and therefore considers the non-financial reporting process to be adequate and has nothing to report to the Shareholders' Meeting.

Separate financial statements, consolidated financial statements, and Directors' report on operations

Ferragamo's draft financial statements, approved by resolution of the Company's Board of Directors on 9 March 2021, were prepared in accordance with the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, as well as with the legislation enacting art. 9 of Italian Leg. Decree no. 38/2005.

Concerning specifically the separate financial statements for the year ended 31 December 2020, the consolidated financial statements as at 31 December 2020, and the Directors' report on operations for the year 2020, the Board of Statutory Auditors reports that:

- the Company's financial statements and the consolidated financial statements were prepared in accordance with the structure and reporting formats required by applicable laws;
- the financial statements are accompanied by the Directors' report on operations, which summarizes the main risks and uncertainties as well as describes the Company's outlook. This report complies with applicable laws and is consistent with the resolutions of the administrative body as well as the information in the financial statements. In addition, it includes adequate disclosures of the operations carried out during the year, intragroup transactions, and the potential impacts of the pandemic on business goals and risks. In accordance with IFRS, the section containing related-party transaction disclosures was included in the Explanatory notes to the financial statements;
- the Company prepared also the Report on Corporate Governance and Ownership Structure, pursuant to art. 123-*bis* of the TUF, and the Remuneration Report pursuant to art. 123-*ter* of the TUF;
- the Board of Directors received the financial statements in time for filing them at the Company's registered office along with this report;
- it verified the rationality of the assessments made and their consistency with international accounting standards;

- it verified the consistency of the financial statements with the events and information it is aware of as a result of the work carried out; therefore, it has nothing to report in this regard;
- as far as the Board of Statutory Auditors knows, the Directors did not depart from the provisions as per art. 2423 of the Italian Civil Code in preparing the financial statements;
- Ferragamo's Board of Directors, in accordance with the joint document issued by the Bank of Italy/Consob/ISVAP on 3 March 2010, independently approved the procedure and results of the impairment test ahead of the approval of the draft financial statements, ensuring their compliance with IAS 36. The information and findings of the assessments carried out are reported in the Explanatory notes to the financial statements.

Proposal to the Shareholders' Meeting

1. **Financial Statements as at 31 December 2020**

   In conclusion, the Board of Statutory Auditors—within the scope of its responsibilities, having noted the information in the Financial Statements as at 31 December 2020, and considering the observations included in this report—proposes that the Shareholders' Meeting approve the Financial Statements as presented by the Board of Directors.

2. **Group Remuneration Policy**

   The Board of Statutory Auditors raises no objection to the Remuneration Policy submitted to the Shareholders' Meeting.

Final Remarks

The Board of Statutory Auditors has no issues to report concerning the information obtained and the supervisory activities performed; the Board of Statutory Auditors did not find any omissions, reprehensible events, irregularities or circumstances to be reported in this document or to the Supervisory Authority.

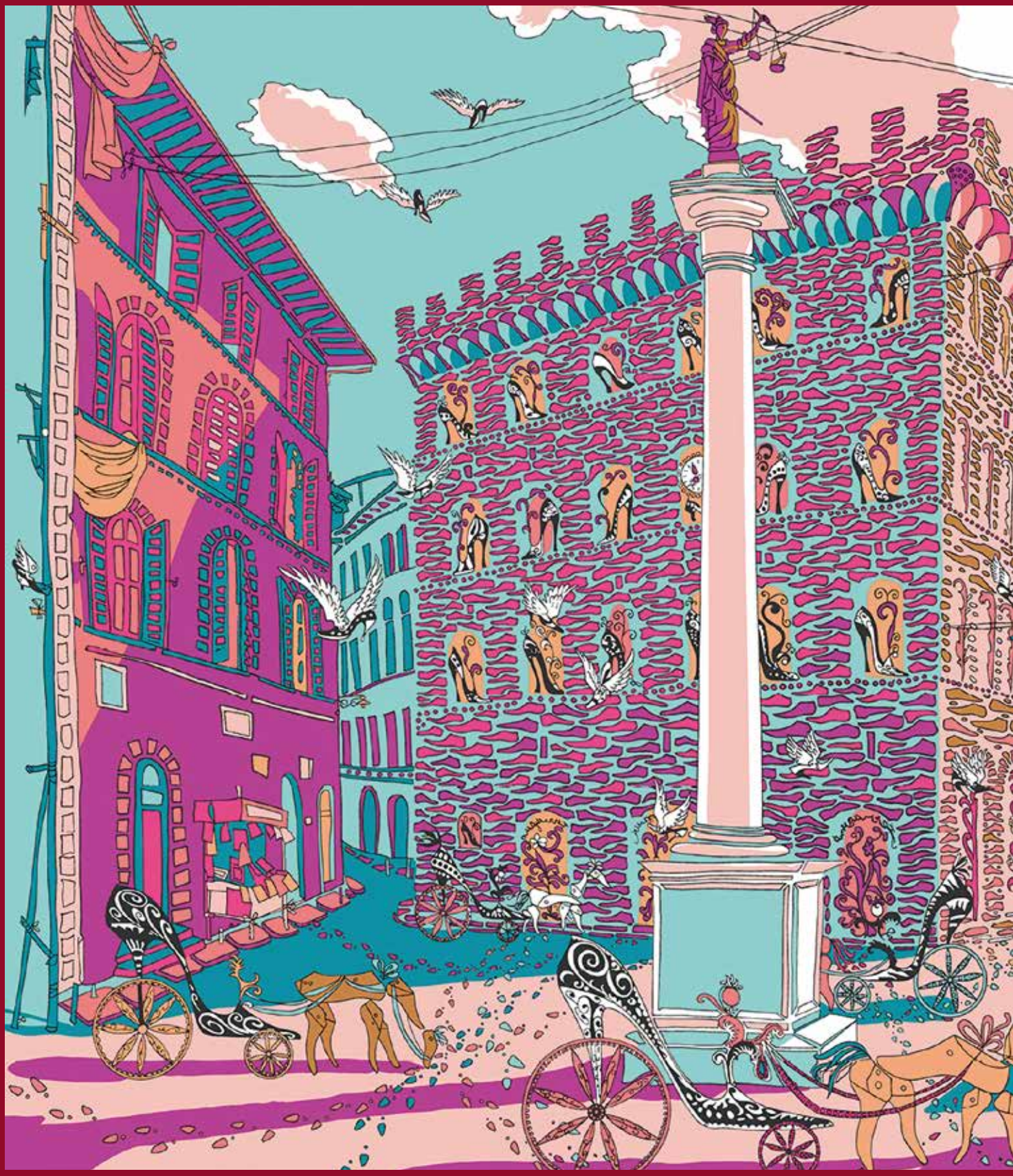
Florence, 30 March 2021

THE BOARD OF STATUTORY AUDITORS

Andrea Balelli (Chairman)

Paola Caramella (Acting Statutory Auditor)

Giovanni Crostarosa Guicciardi (Acting Statutory Auditor)



Independent Auditor's Report

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Salvatore Ferragamo S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Salvatore Ferragamo S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2020, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Salvatore Ferragamo S.p.A. as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories

Notes to the separate financial statements: note 2 "Statement of compliance with the IFRS and basis of preparation" and note 13 "Inventories"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2020 include inventories of €91 million, net of the allowance for inventory write-down of €29 million. Determining the allowance for inventory write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by many factors, including: — the characteristics of the company's business sector; — the market performance and fashion trends; — the age of the collection in stock; — pricing policies and sales ability through the different distribution channels; — the emergency situation caused by Covid-19. For the above reasons, we believe that the valuation of inventories is a key audit matter.	Our audit procedures included: — understanding the processes for the valuation of inventories and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls; — analysis fluctuations in inventories during the year, considering their expected life cycle based on their age; — analysing documents and discussing the assumptions adopted to calculate the allowance for inventory write-down with the relevant internal departments, in order to understand the assumptions underlying the expectations of how goods will be sold; — assessing the appropriateness of the disclosures provided in the notes about inventories.

Other matters

Management and coordination

As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own separate financial statements. Our opinion on the separate financial statements of Salvatore Ferragamo S.p.A. does not extend to such data.

Comparative figures

The company's 2019 separate financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 26 March 2020.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the

related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 18 April 2019, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2020 to 31 December 2028.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of the Board of Directos' report on operations and a report on corporate governance and ownership structure at 31 December 2020 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the Board of Directos' report on operations and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December

2020 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the Board of Directos' report on operations and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2020 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Salvatore Ferragamo S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, other auditors attested the compliance of the non-financial statement separately.

Florence, 30 March 2021

KPMG S.p.A.

(signed on the original)

Riccardo Cecchi
Director

Salvatore Ferragamo